Concord Securities Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 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, 2018 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 15, 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Concord Securities Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 and 2017, 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, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Accuracy of Brokerage Commission Revenue

Brokerage commission revenue of the Group amounted to $14,690,074 thousand in 2018. The discounts on commission vary based on counterparties, ways of placing orders and turnover; thus, the discount calculation is complicated. The accuracy of brokerage commission revenue will be affected if there are any calculation errors. Therefore, the accuracy of brokerage commission revenue was identified as one of the key audit matters.

Refer to Notes 4, 28 and 35 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 brokerage commission revenue. We evaluated the design and implementation effectiveness of the related internal controls by performing tests of controls. Moreover, we sampled and performed our own calculation of discounts on brokerage commission revenue to verify the correctness of the brokerage commission revenue of the process.

Recognition and Measurement of Net Defined Benefit Liabilities

As of December 31, 2018, the net defined benefit liabilities of the Group were $178,287 thousand which were based on an actuarial valuation report. The actuarial assumptions which have significant uncertainty are subject to management's estimation and judgment. Therefore recognition and measurement of net defined benefit liabilities was identified as one of the key audit matters.

Refer to Notes 4, 5 and 26 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, 2018 and 2017, investments accounted for using the equity method included amounts and related disclosures based on the financial statements of associates audited by other auditors. The investments in associates accounted for using the equity method amounted to $604,305 thousand and $459,643 thousand as of December 31, 2018 and 2017, or 2.92% and 1.34%, respectively, of total assets, and the share of net profit of associates amounted to $145,268 thousand and $65,327 thousand, or (54.54%) and 9.73% of the consolidated total comprehensive income (loss) for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 on which we have issued an unmodified 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, 2018 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 Pi-Yu Chuang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2019

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

The accompanying consolidated financial statements are intended only to present the consolidated 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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	$ 2,015,334	10	$ 1,954,564	6
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	4,553,758	22	12,657,670	37
Available-for-sale financial assets - current (Notes 3, 4 and 10)	-	-	60,037	-
Bond investments under resale agreements (Notes 3, 4 and 11)	-	-	2,164,973	6
Margin loans receivable (Notes 3, 4 and 14)	3,262,324	16	4,783,884	14
Refinancing margin (Notes 3, 4 and 14)	16,568	-	6,968	-
Refinancing collateral receivable (Notes 3, 4 and 14)	14,979	-	6,902	-
Customers' margin accounts (Notes 3, 4 and 12)	3,655,219	18	4,668,791	14
Futures trading margin receivables (Notes 3, 4 and 13)	-	-	-	-
Security borrowing collateral price (Notes 3, 4 and 14)	259,472	1	123,800	-
Security borrowing margin (Notes 3, 4 and 14)	241,024	1	112,694	-
Notes and accounts receivable (Notes 3, 4, 14 and 35)	2,136,275	10	3,509,076	10
Prepayments	8,558	-	204,877	1
Other receivables (Notes 3, 4 and 14)	134,702	1	50,890	-
Other financial assets - current (Notes 3 and 15)	537,545	3	505,967	2
Current tax assets (Notes 4 and 29)	22,436	-	31,256	-
Restricted assets - current (Note 36)	407,723	2	373,207	1
Other current assets	47,144	-	68,867	-
Total current assets	17,313,061	84	31,284,423	91
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 3, 4, 7 and 36)	-	-	10,112	-
Financial assets measured at cost - non-current (Notes 3, 4 and 9)	-	-	185,217	1
Financial assets at fair value through other comprehensive income - non-current (Notes 3, 4, 5 and 8)	330,344	2	-	-
Investments accounted for using the equity method (Notes 4 and 17)	604,305	3	459,643	1
Property and equipment (Notes 4, 5, 18 and 36)	1,109,573	5	1,107,813	3
Investment properties (Notes 4, 5, 19 and 36)	275,094	1	277,622	1
Intangible assets (Notes 4, 5 and 20)	55,729	-	64,296	-
Deferred tax assets (Notes 4 and 29)	162,091	1	116,570	-
Other non-current assets (Notes 4, 21 and 32)	829,319	4	856,250	3
Total non-current assets	3,366,455	16	3,077,523	9
TOTAL	$ 20,679,516	100	$ 34,361,946	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 22 and 36)	$ 275,500	1	$ 508,500	2
Commercial paper payable (Notes 22 and 36)	2,627,942	13	5,128,754	15
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	587,568	3	2,005,971	6
Liabilities for bonds with repurchase agreements (Notes 4, 23 and 35)	2,425,375	12	8,375,040	24
Securities financing refundable deposits (Note 4)	421,453	2	318,364	1
Deposits payable for securities financing (Note 4)	816,140	4	626,818	2
Futures traders' equity (Notes 4, 12 and 35)	3,634,472	18	4,628,580	13
Accounts payable (Note 24)	2,013,861	10	4,313,531	13
Other payables	283,715	1	466,337	1
Current tax liabilities (Notes 4 and 29)	42,785	-	13,656	-
Provisions - current (Notes 4 and 25)	23,961	-	25,320	-
Other current liabilities	54,938	-	100,841	-
Total current liabilities	13,207,710	64	26,511,712	77
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7)	190,834	1	55,994	-
Provisions - non-current (Notes 4 and 25)	14,095	-	11,095	-
Deferred tax liabilities (Notes 4 and 29)	3,375	-	112	-
Refundable deposits (Note 32)	2,555	-	1,592	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 26)	178,287	1	224,745	1
Other non-current liabilities	998	-	1,050	-
Total non-current liabilities	390,144	2	294,588	1
Total liabilities	13,597,854	66	26,806,300	78
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 3, 4, 17, 26, 27, 29 and 34)				
Share capital	6,260,803	30	6,133,368	18
Capital surplus	259,269	1	221,062	-
Retained earnings				
Legal reserve	63,335	-	-	-
Special reserve	770,146	4	674,732	2
Unappropriated earnings (accumulated deficits)	(276,599)	(1)	633,351	2
Total retained earnings	556,882	3	1,308,083	4
Other equity interest	143,478	1	(33,796)	-
Treasury shares	(184,101)	(1)	(118,906)	-
Total equity attributable to owners of the Corporation	7,036,331	34	7,509,811	22
NON-CONTROLLING INTERESTS	45,331	-	45,835	-
Total equity	7,081,662	34	7,555,646	22
TOTAL	$ 20,679,516	100	$ 34,361,946	100

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

(With Deloitte & Touche auditors' report dated March 15, 2019)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
REVENUE (Note 4 and 28)				
Brokerage commission revenue (Note 35)	$ 1,469,074	105	$ 1,335,669	47
Income from securities lending	15,649	1	6,259	-
Underwriting commission	59,016	4	41,278	2
Gains (losses) on sale of securities, net	(237,489)	(17)	824,779	29
Revenue from providing agency service for stock affairs	18,943	2	17,544	1
Interest income (Note 35)	310,971	22	365,287	13
Dividend income	51,756	4	64,607	2
Valuation gains (losses) on operating securities at fair value through profit or loss, net	(263,688)	(19)	338,714	12
Gains (losses) on covering of borrowed securities and bonds with resale agreements, net	(12,365)	(1)	11,886	-
Valuation gains (losses) on borrowed securities and bonds with resale agreements, net	15,758	1	(24,957)	(1)
Gains on issuance of share warrants, net	69,139	5	33,463	1
Gains (losses) on derivative instruments - futures, net	14,548	1	(94,249)	(3)
Gains (losses) on derivative instruments - OTC, net	129,716	10	(111,718)	(4)
Expected credit loss (Notes 3, 13 and 14)	(275,524)	(20)	-	-
Other operating income (Note 35)	29,811	2	35,460	1
Total revenue	1,395,315	100	2,844,022	100
COSTS AND EXPENSES (Notes 4 and 28)				
Handling fee expenses	(196,723)	(14)	(213,820)	(7)
Finance costs (Note 35)	(59,804)	(4)	(66,349)	(2)
Futures commission expense	(108,247)	(8)	(76,348)	(3)
Securities commission expense	-	-	(3,737)	-
Clearing and settlement expenses	(95,610)	(7)	(113,201)	(4)
Other operating costs	(25,272)	(2)	(24,872)	(1)
Employee benefits expense (Notes 26 and 35)	(878,554)	(63)	(1,243,732)	(44)
Depreciation and amortization (Notes 18, 19 and 20)	(52,750)	(4)	(53,502)	(2)
Other operating expenses	(524,977)	(37)	(613,064)	(22)
Total costs and expenses	(1,941,937)	(139)	(2,408,625)	(85)
OPERATING PROFIT (LOSS)	(546,622)	(39)	435,397	15
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 28)				
Share of profit of associates (Note 17)	145,268	10	61,135	2
Other gains and losses (Notes 17 and 18)	135,800	10	224,463	8
Total non-operating income	281,068	20	285,598	10

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CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
PROFIT (LOSS) BEFORE INCOME TAX	$ (265,554)	(19)	$ 720,995	25
INCOME TAX EXPENSE (Notes 4 and 29)	(12,194)	(1)	(30,957)	(1)
NET PROFIT (LOSS) FOR THE YEAR	(277,748)	(20)	690,038	24
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 3, 4, 17, 26, 27, 29 and 34)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	9,081	1	(64,155)	(2)
Unrealized loss on investments in equity instruments at fair value through comprehensive income	(1,370)	-	-	-
Share of profit the other comprehensive loss of associates accounted for using the equity method	(606)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	716	-	10,872	-
	7,821	1	(53,283)	(2)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	3,334	-	(36,967)	(1)
Unrealized gains on available-for-sale financial assets	-	-	65,025	3
Share of the other comprehensive income of associates accounted for using the equity method	-	-	1,746	-
Income tax relating to items that may be reclassified subsequently to profit or loss	250	-	4,885	-
	3,584	-	34,689	2
Other comprehensive income (loss) for the year, net of income tax	11,405	1	(18,594)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (266,343)	(19)	$ 671,444	24
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ (278,067)	(20)	$ 686,615	24
Non-controlling interests	319	-	3,423	-
	$ (277,748)	(20)	$ 690,038	24

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CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	$ (266,464)	(19)	$ 668,040	24
Non-controlling interests	121	-	3,404	-
	$ (266,343)	(19)	$ 671,444	24
EARNINGS (LOSS) PER SHARE (Note 30)				
Basic	$ (0.45)		$ 1.09	
Diluted	$ (0.45)		$ 1.09	

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

(With Deloitte & Touche auditors' report dated March 15, 2019) (Concluded)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 3, 4, 8, 17, 26, 27, 29, and 34)											
			Retained Earnings			Other Equity Interest						
	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	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 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
Compensation of 2016 deficits												
Offset of accumulated deficits by legal reserve	-	-	(31,977)	-	31,977	-	-	-	-	-	-	-
Offset of accumulated deficits by special reserve	-	-	-	(300,767)	300,767	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(6,677)	6,677	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	686,615	-	-	-	-	686,615	3,423	690,038
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(53,264)	(32,082)	66,771	-	-	(18,575)	(19)	(18,594)
Retirement of treasury shares	(200,000)	29,144	-	-	-	-	-	-	170,856	-	-	-
Disposals of subsidiaries	-	(606)	-	-	-	-	-	-	-	(606)	-	(606)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(293)	(293)
BALANCE AT DECEMBER 31, 2017	6,133,368	221,062	-	674,732	633,351	(5,122)	(28,674)	-	(118,906)	7,509,811	45,835	7,555,646
Effect of retrospective application and retrospective restatement	-	-	-	-	2,110	-	28,674	126,115	-	156,899	(195)	156,704
BALANCE AT JANUARY 1, 2018 AS RESTATED	6,133,368	221,062	-	674,732	635,461	(5,122)	-	126,115	(118,906)	7,666,710	45,640	7,712,350
Appropriation of 2017 earnings												
Legal reserve	-	-	63,335	-	(63,335)	-	-	-	-	-	-	-
Special reserve	-	-	-	130,103	(130,103)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(148,834)	-	-	-	-	(148,834)	-	(148,834)
Stock dividends of ordinary share	315,528	-	-	-	(315,528)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(34,689)	34,689	-	-	-	-	-	-	-
Other changes in capital surplus												
Issuance of share dividends from capital surplus	11,907	(11,907)	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	(278,067)	-	-	-	-	(278,067)	319	(277,748)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	9,783	3,584	-	(1,764)	-	11,603	(198)	11,405
Purchase of treasury shares	-	-	-	-	-	-	-	-	(215,081)	(215,081)	-	(215,081)
Retirement of treasury shares	(200,000)	50,114	-	-	-	-	-	-	149,886	-	-	-
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(20,665)	-	-	20,665	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(430)	(430)
BALANCE AT DECEMBER 31, 2018	$ 6,260,803	$ 259,269	$ 63,335	$ 770,146	$ (276,599)	$ (1,538)	$ -	$ 145,016	$ (184,101)	$ 7,036,331	$ 45,331	$ 7,081,662

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

(With Deloitte & Touche auditors' report dated March 15, 2019)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	$ (265,554)	$ 720,995
Adjustments for:		
Depreciation	33,030	33,503
Amortization	19,720	19,999
Provision for bad debt expense	-	73,054
Expected credit loss	275,524	-
Net loss (gain) on fair value changes on financial assets and liabilities at fair value through profit or loss	251,669	(309,017)
Finance costs	59,804	66,349
Interest income (including financial income)	(373,105)	(410,385)
Dividend income	(63,089)	(70,854)
Share of profit of associates accounted for using the equity method	(145,268)	(61,135)
Loss on disposal of property and equipment	297	1,918
Loss (gain) on disposal of investment	(1,947)	10,728
Gain on disposal of associates	-	(5,291)
Gain on disposal of subsidiaries	-	(111,961)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	7,847,775	(1,528,457)
Decrease (increase) in bond investments under resale agreements	2,164,973	(1,445,665)
Decrease (increase) in margin loans receivable	1,522,171	(913,619)
Increase in refinancing margin	(9,600)	(6,968)
Increase in refinancing collateral receivable	(8,077)	(6,902)
Decrease (increase) in customers' margin accounts	1,013,572	(658,935)
Increase in futures trading margin receivables	(264,258)	-
Increase in security borrowing collateral price	(135,672)	(106,493)
Increase in security borrowing margin	(128,330)	(97,027)
Decrease (increase) in notes receivable	131	(113)
Decrease (increase) in accounts receivable	1,341,277	(1,243,250)
Decrease (increase) in prepayments	196,319	(179,250)
Increase in other receivables	(92,614)	(73,056)
Increase in other financial assets	(31,578)	(7,396)
Increase in other current assets	(12,793)	(313)
Increase (decrease) in liabilities for bonds with repurchase agreements	(5,949,665)	194,138
Increase (decrease) in financial liabilities at fair value through profit or loss	(1,267,041)	686,600
Increase (decrease) in securities financing refundable deposits	103,089	(31,947)
Increase in deposits payable for securities financing	189,322	249,491
Increase (decrease) in futures traders' equity	(994,108)	599,957
Increase (decrease) in accounts payable	(2,299,006)	2,734,010
Increase (decrease) in other payables	(182,603)	258,645

(Continued)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in net defined benefit liabilities	$ (36,661)	$ (11,302)
Decrease in provisions	(1,359)	(2,494)
Increase (decrease) in other current liabilities	(45,955)	40,030
Cash generated from (used in) operations	2,710,390	(1,592,413)
Interest received	401,423	441,714
Dividends received	51,756	64,865
Interest paid	(56,299)	(70,825)
Income tax paid	(16,253)	(8,573)
Net cash generated from (used in) operating activities	3,091,017	(1,165,232)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial assets at fair value through other comprehensive income	70,244	-
Purchase of available-for-sale financial assets	-	(159,849)
Disposal of available-for-sale financial assets	-	272,608
Net cash inflow on disposal of associates	-	54,600
Net cash outflow on disposal of subsidiaries	-	(839,439)
Acquisition of property and equipment	(26,997)	(17,902)
Proceeds from disposal of property and equipment	-	1,207
Decrease in operating deposits	10,690	10,450
Decrease (increase) in clearing and settlement fund	10,217	(6,127)
Decrease (increase) in refundable deposits	2,571	(18,059)
Acquisition of intangible assets	(8,034)	(20,114)
Increase in other non-current assets	(2,228)	(1,187)
Dividends received	11,333	6,247
Net cash from generated from (used in) investing activities	67,796	(717,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(233,000)	288,500
Increase (decrease) in commercial paper payable	(2,505,000)	1,055,000
Increase (decrease) in guarantee deposits received	963	(1,004)
Distribution of cash dividends	(148,834)	-
Purchase of treasury shares	(215,081)	-
Change in non-controlling interests	(430)	(293)
Net cash generated from (used in) financing activities	(3,101,382)	1,342,203
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,339	(37,340)

(Continued)

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 60,770	$ (577,934)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,954,564	2,532,498
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,015,334	$ 1,954,564

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

(With Deloitte & Touche auditors' report dated March 15, 2019) (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 share affairs; (e) assisting in futures trading; (f) other business as approved by relevant authorities. Its shares began to be traded on the Taipei Exchange, formerly called the 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, 2018, the Corporation had 15 branches and the offshore securities unit supporting its head office.

The consolidated financial statements are prepared and presented in the Corporation's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's Board of Directors and issued on March 15, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets. Refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following tables show the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,954,564	$ 1,954,564	2)
Bond investments under resale agreements	Loans and receivables	Amortized cost	2,164,973	2,164,973	2)
Margin loans receivable and refinancing collateral receivable	Loans and receivables	Amortized cost	4,790,786	4,790,786	1)
Refinancing margin, customer margin account (excluding securities), security borrowing collateral price and security borrowing margin.	Loans and receivables	Amortized cost	4,910,933	4,910,933	2)
Notes and accounts receivable (including related parties) and other receivables	Loans and receivables	Amortized cost	3,559,966	3,559,966	1)
Time deposits with original maturities of more than 3 months and financial assets pledged as collateral	Loans and receivables	Amortized cost	879,174	879,174	2)
			$ 18,260,396	$ 18,260,396	

(Continued)

Financial Assets	Measurement Category: IAS 39	Measurement Category: IFRS 9	Carrying Amount: IAS 39	Carrying Amount: IFRS 9	Remark
Equity securities	Available-for-sale	Investments in equity instruments at FVTOCI	$ 245,254	$ 410,958	3)
Mutual funds	Held-for trading	Financial asset mandatorily measured at FVTPL	903,082	903,082	
Equity securities	Held-for trading	Financial asset mandatorily measured at FVTPL	2,181,025	2,181,025	
Debt securities	Held-for trading	Financial asset mandatorily measured at FVTPL	9,317,904	9,317,904	
Futures margin-own funds	Held-for trading	Financial asset mandatorily measured at FVTPL	100,271	100,271	
Derivatives	Held-for trading	Financial asset mandatorily measured at FVTPL	165,500	165,500	

(Concluded)

Financial Assets	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remeasure-ments	Carrying Amount as of January 1, 2018 (IFRS 9)	Remark
Amortized cost	$ -	$ -	$ -	$ -	
Add: Reclassification from loans and receivables (IAS 39)	-	18,260,396	-	18,260,396	1) and 2)
	$ -	$ 18,260,396	$ -	$ 18,260,396	
Financial asset at FVTOCI - equity instruments	$ -	$ -	$ -	$ -	
Add: Reclassification from available-for-sale financial assets (IAS 39)	-	245,254	156,704	401,958	3)
	$ -	$ 245,254	$ 156,704	$ 401,958	

1) Margin loans receivable, refinancing collateral receivable, notes receivable, accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were reclassified as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9.

2) Assets that were previously classified as loans and receivables under IAS 39 were reclassified as financial assets at amortized cost under IFRS 9.

3) The Group elected to designate all its investments in equity securities, which amounted to $245,254 thousand, previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $28,674 thousand was reclassified to other equity - unrealized gain or loss on financial assets at FVTOCI

   Investments in unlisted shares, which amounted to $185,217 thousand, previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $156,704 thousand, an increase of $156,899 thousand and a decrease of $185,217 thousand were recognized in financial assets at FVTOCI, other equity - unrealized gain or loss on financial assets at FVTOCI and non-controlling interests on January 1, 2018, respectively.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as financial assets measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $2,110 thousand in other equity - unrealized loss on financial assets at FVTOCI and an increase of $2,110 thousand in retained earnings on January 1, 2018.

b. The Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed by the FSC for application starting from 2019

New, Revised or Amended Standards or Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for identification of lease, and accounting treatment of the lessor and lessee. It will supersede IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement contains a Lease" numbers of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into on or after January 1, 2019 in order to determine whether those contracts are leases. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those low-value asset lease and short-term leases which will be recognized as expenses. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Before the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to assess the impairment to all right-of-use assets.

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

The Group will not make any adjustments in transition for leases in which it is a lessor, and it will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The anticipated impact on assets, liabilities and equity in January 1, 2019 is set out below

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Property and equipment	$ 1,109,573	$ (1,140)	$ 1,108,433
Right-of-use assets	-	332,839	332,839
	$ 1,109,573	$ 331,699	$ 1,441,272
Lease liabilities - current	$ -	$ 53,008	$ 53,008
Lease payable - current	102	(102)	-
lease liabilities - non-current	-	279,539	279,539
Lease payable - non-current	746	(746)	-
	$ 848	$ 331,699	$ 332,547

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses that there is no significant impact on its financial position and financial performance due to the application of other standards and interpretations.

c. New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact on the application of other standards and interpretations. The impact on application of amendments of other standard interpretations will be disclosed after completing evaluation

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, and net defined benefit liability which recognized at present value of defined benefit obligation deduct fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on observable level and the significance of related inputs, which are described as follows:

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

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 12 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 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities of which the Group does not have an unconditional right to defer settlement for at least 12 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 deficit balance of the non-controlling interests.

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 16 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 used different currencies 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 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 at acquisition date, 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 arised from investments accounted for 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.

When derecognizing of an item of property and equipment, difference between the proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held for earning rentals or for capital appreciation or both of them. 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.

When derecognizing of investment properties, difference between the proceeds and the carrying amount of the asset 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.

When derecognizing of an intangible asset, difference between the proceeds and the carrying amount of the asset is 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 a group entity becomes a party to the contractual provisions of the instruments.

When financial assets and financial liabilities are initially not recognized through profit or loss at fair value, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are measured at FVTPL when such a financial asset is mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and financial assets that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 34.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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 assets held for trading are classified as financial assets measured at FVTPL.

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 34.

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 interest income of short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits, excess futures trading margins and short-term bills with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are 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

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) at the end of each reporting period.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>2017</u>

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, that the estimated future cash flows of the investment have been affected.

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 defaults 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.

Before 2018, 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 receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by a 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 a 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 measured 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.

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 34.

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 reclassified to retained earnings when the financial liabilities are derecognized. If the fair value changes was recognized in other comprehensive which is attributable to credit risk, and this accounting treatment 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 34.

2) Derecognition of financial liabilities

   When derecognizing of financial liabilities, the difference between the carrying amount of the financial liability 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

Resale and repurchase bond transaction with financing 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 interest rate.

Margin Loans and Securities Financing

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 as “overdue receivables.” If a collateral security cannot be sold in the open market, the balance of the loan is reclassified as “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 the 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 which used 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 the collaterals belong to the customers.

The Group recognized the amount lent to investor of securities business as "receivable of securities business money lending" at the date of 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." And adjust its value to fair value by daily basis according to the difference between carry amount and settlement price. When there is an excess loss and cause debit balance to futures traders' equity, the amount should be recognized as futures exchanges margin receivables. 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 Guarantee Deposits

According to the Rules of Governing Securities Firms and Rules of Governing Futures Commission Merchants, operating guarantee 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 deposit before or after operation in TSE and 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

<u>2018</u>

When the Group identifies the performance obligations in the contracts with customers, then it allocates the transaction price to each performance obligations, and recognizes revenue when performance obligations are satisfied.

Service income is recognized when services are provided.

<u>2017</u>

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 financial assets 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.

Leases

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 rendered by employees.

b. Retirement benefits

   Payments to defined contribution retirement 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 plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) 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 in the period in which they occur. It is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans.

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 expensed in the year the shareholders approve to retain 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 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 financial instruments with no public quotes in an active market

The Group determines the fair value of financial instruments with no public quote at the active market using evaluation methods. Refer to Note 34 for related assumptions, estimates and book value.

b. Evaluation of impairment of tangible and intangible assets

While evaluating impairment, the Group makes subjective judgements in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the pattern of assets used, 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. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and defined benefit cost under defined benefit retirement plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase rate. 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 26 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	
	2018	**2017**
Cash on hand and working fund	$ 221	$ 212
Check and demand deposits	280,656	280,986
Foreign currency deposits	820,794	132,586
Cash equivalents		
Time deposits with original maturities less than three months	620,082	976,620
Excess future trading margin	223,644	414,255
Short-term bills	69,937	149,905
	$ 2,015,334	$ 1,954,564

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	
	2018	2017
Time deposits with original maturities less than three months	2.55%-4.18%	0.80%-4.00%
Short-term bills	0.50%	0.38%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Financial assets mandatorily measured at FVTPL		
Open-end funds and money market instruments	$ 43,013	$ -
Operating securities - dealing	3,945,059	-
Operating securities - underwriting	136,959	-
Operating securities - hedging	145,596	-
Futures margin - own funds	106,606	-
Derivative assets - OTC		
Value of asset swap IRS contracts	8,008	-
Asset swap options	168,517	-
Financial assets held for trading		
Open-end funds and money market instruments	-	68,926
Operating securities - dealing	-	11,813,913
Operating securities - underwriting	-	97,545
Operating securities - hedging	-	411,515
Futures margin - own funds	-	100,271
Long options - non-hedging	-	50
Derivative financial assets - OTC		
Value of asset swap IRS contracts	-	8,395
Asset swap options	-	157,055
	$ 4,553,758	$ 12,657,670
Financial assets at FVTPL - non-current		
Financial assets held for trading		
Operating securities - dealing	$ -	$ 10,112
Financial liabilities at FVTPL - current		
Financial liabilities held for trading		
Bond investments under resale agreements - short sales	$ -	$ 654,765
Warrants liabilities	1,331,250	1,779,719
Warrants redeemed	(1,309,153)	(1,711,531)
Short options - non-hedging	-	22
Settlement coverage bonds payable of short sale	-	599,441
Liabilities on sale of borrowed securities - hedging	255,150	124,650

(Continued)

	December 31	
	2018	2017
Derivative liabilities - OTC		
Value of asset swap IRS contracts	$ 12,970	$ 10,734
Asset swap options	251,033	426,507
Equity derivatives	6,375	-
	547,625	1,884,307
Financial liabilities at FVTPL, designated as recognition		
Structured instruments	39,943	121,664
	$ 587,568	$ 2,005,971
Financial liabilities at FVTPL - non-current		
Financial liabilities at FVTPL, designated as recognition		
Structured instruments	$ 190,834	$ 55,994

(Concluded)

a. Open-end funds and money market instruments

	December 31	
	2018	2017
Open-end funds and money market instruments	$ 53,000	$ 72,311
Valuation adjustments	(9,987)	(3,385)
	$ 43,013	$ 68,926

b. Operating securities - dealing

	December 31	
	2018	2017
Current		
Government bonds	$ 1,668,212	$ 6,670,242
Corporate bonds	200,000	300,000
Listed shares	143,732	568,481
Shares and convertible bonds traded in the OTC market	1,684,146	2,533,617
Emerging shares	210,465	335,471
Foreign shares and bonds	15,357	516,816
Beneficiary securities	84,232	743,455
	4,006,144	11,668,082
Valuation adjustments	(61,085)	145,831
	$ 3,945,059	$ 11,813,913
Non-current		
Government bonds	$ -	$ 10,176
Valuation adjustments	-	(64)
	$ -	$ 10,112

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

	December 31	
	2018	**2017**
Government bonds	0.375%-6.250%	0.375%-6.250%
Corporate bonds	1.460%	1.230%-1.460%

As of December 31, 2018 and 2017, the face value of the Group's dealing securities and bond investments under resale agreements of $2,287,400 thousand and $8,052,600 thousand, respectively, were provided for repurchase agreements.

Some government bonds were pledged to Central Bank of the ROC as bid bonds for bond transactions (refer to Note 36 for details).

c. Operating securities - underwriting

	December 31	
	2018	**2017**
Listed and OTC shares and convertible bonds	$ 176,842	$ 80,122
Valuation adjustments	(39,883)	17,423
	$ 136,959	$ 97,545

d. Operating securities - hedging

	December 31	
	2018	**2017**
Listed shares and warrants	$ 84,823	$ 350,179
Shares and warrants traded in the OTC market	61,094	61,359
	145,917	411,538
Valuation adjustments	(321)	(23)
	$ 145,596	$ 411,515

e. Bond investments under resale agreements - short sales

	December 31	
	2018	**2017**
Government bonds	$ -	$ 652,686
Valuation adjustments	-	2,079
	$ -	$ 654,765

f. Warrants

	December 31	
	2018	2017
Warrants liabilities	$ 1,827,635	$ 2,204,818
Less: Gain on changes in fair value	(496,385)	(425,099)
	1,331,250	1,779,719
Warrants redeemed	1,713,163	2,069,974
Less: Loss on changes in fair value	(404,010)	(358,443)
	1,309,153	1,711,531
Net warrants liabilities	$ 22,097	$ 68,188

g. Settlement coverage bonds payable of short sale

	December 31	
	2018	2017
Government bonds	$ -	$ 598,677
Valuation adjustments	-	764
	$ -	$ 599,441

h. Liabilities on sale of borrowed securities

	December 31	
	2018	2017
Hedging		
Listed and OTC shares	$ 268,459	$ 124,280
Valuation adjustments	(13,309)	370
	$ 255,150	$ 124,650

i. Futures and options

	December 31	
	2018	2017
Call options - non-hedging		
Index options	$ -	$ 49
Gain on open positions	-	1
Fair value	$ -	$ 50
Put options - non-hedging		
Index options	$ -	$ (47)
Gain on open positions	-	25
Fair value	$ -	$ (22)

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

		December 31, 2018			
		Opening Positions		Carrying Amount/ Premium Paid (Received)	Fair Value
Item	Transaction Type	Buyer/ Seller	Volume		
Futures	Share futures	Buyer	1,533	$ 228,322	$ 220,460
Futures	TAIEX futures	Buyer	386	736,095	746,390
Futures	Share futures	Seller	220	24,538	24,149
Futures	TAIEX futures	Seller	137	265,608	264,931
Futures	Hg	Seller	6	12,644	12,122
Futures	NYMEX-CL	Seller	19	26,616	26,501
Futures	S	Seller	4	5,436	5,498
Futures	SCN	Seller	74	23,724	23,667
Futures	MTX	Seller	1,544	734,867	746,390

		December 31, 2017			
		Opening Positions		Carrying Amount/ Premium Paid (Received)	Fair Value
Item	Transaction Type	Buyer/ Seller	Volume		
Futures	US T-NOTE	Seller	11	$ 40,824	$ 40,608
Futures	NYMEX-CL	Seller	250	429,151	449,527
Futures	Mini-S&P (ES)	Seller	36	142,848	143,349
Futures	MTX	Seller	209	111,120	111,115
Futures	TAIEX futures	Buyer	118	249,843	250,939
Futures	TAIEX futures	Seller	210	440,992	446,586
Futures	CFE-VX	Seller	23	8,247	7,854
Futures	Share futures	Buyer	1,029	175,282	175,313
Futures	Share futures	Seller	1,752	373,977	374,516
Futures	CBOT-UB	Seller	7	34,731	34,926
Futures	TE	Seller	1	1,754	1,765
Futures	FESX	Seller	13	16,462	16,152
Options	TAIEX options - call	Buyer	1	1	-
Options	TAIEX options - put	Buyer	18	4	1
Options	TE options -call	Buyer	4	44	49
Options	TAIEX options - put	Seller	11	(36)	(18)
Options	TE options -put	Seller	4	(11)	(4)

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 multiplied by the open interest on the contracts, respectively.

As of December 31, 2018 and 2017, futures margins arising from futures and option contracts were $106,606 thousand and $100,271 thousand, respectively.

j. Derivative instruments - OTC

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

	Nominal Amount	
	December 31	
	2018	2017
Convertible bond asset swaps	$ 4,300,500	$ 4,169,700
Structured instruments	230,800	177,600
Equity derivatives	19,061	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Investments in equity instruments

	December 31, 2018
Non-current	
Non-public ordinary shares	
Taiwan Futures Exchange	$ 202,412
Taiwan Depository & Clearing Corporation	63,507
Guoyuan Futures Co., Ltd.	39,452
Asia Pacific Emerging Industry Venture Capital Co., Ltd.	21,660
FundRich Securities Co., Ltd.	3,313
Foursun Tech. Inc.	-
	$ 330,344

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3 and Note 9 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Non-public ordinary shares	
Taiwan Futures Exchange	$ 98,000
Guoyuan Futures Co., Ltd.	51,561
Asia Pacific Emerging Industry Venture Capital Co., Ltd.	30,000
FundRich Securities Co., Ltd. (FundRich Securities)	3,000
Taiwan Depository & Clearing Corporation	2,656
Foursun Tech. Inc. (Foursun Tech.)	-
	$ 185,217
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 185,217

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

FundRich Securities reduced capital to make up for deficits and increased capital by cash in July 2017. Because the Group did not participate in the capital increase according to original shareholding ratio, the share ratio held by the Group decreased from 0.86% to 0.38%.

The Group recognized Foursun Tech impairment loss of $2,110 thousand in the prior year. The book value became zero.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Current	
Listed and OTC shares	$ 60,037

11. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2018	2017
Government bonds	$ -	$ 2,164,973

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

	December 31	
	2018	2017
Government bonds	-	0.24%-0.28%

Bonds outstanding as of December 31, 2017 were resold for $2,165,002 thousand by January 4, 2018 under resale agreements.

12. CUSTOMERS' MARGIN ACCOUNTS AND FUTURES TRADERS' EQUITY

	December 31	
	2018	**2017**
Customers' margin accounts		
Cash in banks	$ 3,008,425	$ 2,718,016
Futures clearing institution	472,208	1,747,243
Other futures commission merchant	174,586	203,532
Customers' margin accounts	3,655,219	4,668,791
Adjustment		
Brokerage commission revenue and futures transactions tax	(56,099)	(63,905)
Timing differences in receiving customers' deposits	35,352	23,694
Futures traders' equity	$ 3,634,472	$ 4,628,580

13. FUTURES TRADING MARGIN RECEIVABLES

The volatility of the global share markets in February and October 2018 brought about an excess loss in open positions of some customers of the Corporation's subsidiary, Concord Futures. The total compensation for breaching the contract was $265,890 thousand, of which $1,632 thousand had been received as of December 31, 2018. The subsidiary, Concord Futures had recognized unrecovered margin of $264,258 thousand as expected credit loss, and legal actions to recover the bad debt were also taken. As the excess loss of $198,421 thousand was partially caused by the customers who were assisted in their futures transactions by the Corporation, therefore, based on lawyer's suggestion, the Corporation made an agreement with its subsidiary Concord Futures Corp. Ltd in April 2018 to bear 50% of the total loss amount, which amounted to $99,210 thousand. The amount above was paid in May 2018.

As of December 31, 2018, futures trading margin receivables and allowance for doubtful accounts were as follows (December 31, 2017: None):

	December 31, 2018
Futures trading margin receivables	$ 264,258
Less: Allowance for impairment loss	(264,258)
	$ -

14. MARGIN LOANS RECEIVABLES, NOTES AND ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2018	**2017**
Margin loans receivables	$ 3,262,735	$ 4,784,906
Less: Allowance for impairment loss	(411)	(1,022)
	$ 3,262,324	$ 4,783,884

The securities bought by customers are used to secure margin loans receivables.

Some of the Corporation's customers used the shares of Pihsiang as collateral securities. Since Pihsiang had been suspended in May 2017, the value of the collateral securities could not cover the balance of the loan. In June 2017, the Corporation had recognized impairment loss of $73,147 thousand (these amounts are recognized in margin loans receivables amounted to $67,910 thousand, accounts receivable amounted to $4,056 thousand and other receivables amounted to $1,181 thousand). And in the fourth quarter of 2017, the balance of the loan were reclassified to other receivables.

	December 31	
	2018	**2017**
Notes receivable	$ 78	$ 209
Accounts receivable		
Accounts receivable for settlement - brokerage	1,842,228	2,648,725
Accounts receivable for settlement - dealing	160,317	677,603
Brokerage commissions and refinancing interest receivable	84,369	91,818
Bonds interest receivable	39,587	70,980
Others	9,696	19,801
Less: Allowance for impairment loss	-	(60)
	2,136,197	3,508,867
	$ 2,136,275	$ 3,509,076

The aging of receivables was as follows:

	December 31	
	2018	**2017**
0 to 120 days	$ 2,135,490	$ 3,508,905
121 to 180 days	185	171
Over 180 days	600	60
	$ 2,136,275	$ 3,509,136

The above aging schedule was based on the number of past due days from the invoice date.

	December 31	
	2018	**2017**
Other receivables	$ 219,726	$ 124,037
Less: Allowance for impairment loss	(85,024)	(73,147)
	$ 134,702	$ 50,890

In 2018

The Group adopted a policy of only dealing with entities that have high credit ratings and obtaining sufficient collaterals, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk. The management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable receivables. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to recongnize expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of margin loans receivable, receivables, etc. that financial assets at amortized cost based on the Group's provision matrix.

December 31, 2018

	Notes and Accounts Receivable	Margin Loans Receivable	Refinancing Collateral Receivable	Refinancing Margin, Security Borrowing Collateral Price and Security Borrowing Margin	Other Receivables	Total
Expected credit loss rate	0%	0.01%	0%	0%	0%; 100%	
Gross carrying amount	$ 2,136,275	$ 3,262,735	$ 14,979	$ 517,064	$ 219,726	$ 6,150,799
Loss allowance (Lifetime ECL)	-	(411)	-	-	(85,024)	(85,435)
Amortized cost	$ 2,136,275	$ 3,262,324	$ 14,979	$ 517,064	$ 134,702	$ 6,065,344

The movements of the loss allowance of trade receivables were as follows:

	Notes and Accounts Receivable	Margin Loans Receivable	Other Receivables	Total
Balance at January 1, 2018 per IAS 39	$ 60	$ 1,022	$ 73,147	$ 74,229
Adjustment on initial application of IFRS 9	-	-	-	-
Balance at January 1, 2018 per IFRS 9	60	1,022	73,147	74,229
Add: Net remeasurement of loss allowance	-	(611)	11,877	11,266
Less: Amounts written off	(60)	-	-	(60)
Balance at December 31, 2018	$ -	$ 411	$ 85,024	$ 85,435

In 2017

The Group applied the same credit policy in 2018 and 2017.In assessing the accounts receivable for bad debts and determining the recoverability of the amounts, it consider any changes in credit quality of the accounts receivable from the original credit date to the end of the reporting period. Allowance for impairment loss was recognized against receivables based on the estimated irrecoverable amounts and the historical default rates of margin loans receivables.

Movements of the allowance for accounts receivable were as follows:

	Notes and Accounts Receivable	Margin Loans Receivable	Other Receivables	Total
Balance at January 1, 2017	$ 284	$ 1,115	$ -	$ 1,399
Add: Recognized (reversal) of bad debts	-	(93)	73,147	73,054
Less: Amounts written off	(224)	-	-	(224)
Balance at December 31, 2017	$ 60	$ 1,022	$ 73,147	$ 74,229

15. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2018	2017
Time deposits	$ 537,545	$ 505,967

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	
	2018	2017
Time deposits	0.77%-2.25%	0.66%-1.60%

16. SUBSIDIARIES

Subsidiaries included in consolidated financial statements were summarized as follows:

			% of Ownership December 31		
Investor	Investee	Main Business	2018	2017	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 and trust services	100.00	100.00	Note a
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	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	-	-	Notes b and c
Taiwan Concord Capital Securities (Hong Kong) Limited	Concord Asset Management (HK) Limited (CAM)	Financial planning and asset management services	-	-	Note b

Note a: The Corporation's direct shareholding is 60% and indirect shareholding is up to 100%. Concord Managed Futures terminated futures managing and trust services on February 1, 2019, which was approved by relevant authorities in January 2019.

Note b: The Group disposed of all shares of TCCS in July 2017, and passed the control of TCCS and CAM to the acquirer (refer to Note 31 for details).

Note c: The subsidiary, Concord Cayman had a cash reduction of capital for US$12,000 thousand on June 2018 and the Corporation had received the reduction amount of $356,730 thousand on June 11, 2018.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31			
	2018		2017	
Investment in Associates	**Carrying Amount**	**% of Shareholding**	**Carrying Amount**	**% of Shareholding**
Individually Immaterial Associates:				
HWA-HO Asset Management Corp.	$ 604,305	47.62	$ 459,643	47.62
Value Partners Concord Assets Management Co., Ltd. (Value Partners Concord)	-	-	-	-
	$ 604,305		$ 459,643	

The summarized information of individually immaterial associates was as follows:

	For the Years Ended December 31	
	2018	**2017**
The Group's share of:		
Net profit for the year	$ 145,268	$ 61,135
Other comprehensive income (loss)	(606)	1,620
Total comprehensive income for the year	$ 144,662	$ 62,755

The Group's share of profit or loss and other comprehensive income or loss of associates were calculated based on the audited financial statements for the years ended December 31, 2018 and 2017.

In August 2017, the Group disposed of all shareholding of Value Partners Concord for $54,600 thousand and recognized a disposal gain of $5,291 thousand.

18. PROPERTY AND EQUIPMENT

	For the Year Ended December 31, 2018						
	Balance at January 1, 2018	Additions	Reductions	Reclassifi-cations	Effect of Disposal of Subsidiaries	Effect of Exchange Rate Changes, Net	Balance at December 31, 2018
Cost							
Land	$ 847,477	$ -	$ -	$ 786	$ -	$ -	$ 848,263
Buildings	335,108	-	-	523	-	-	335,631
Equipment	139,858	19,450	(23,840)	-	-	-	135,468
Leasehold improvements	34,214	11,866	(3,182)	-	-	-	42,898
Lease asset	-	1,243	-	-	-	-	1,243
	1,356,657	$ 32,559	$ (27,022)	$ 1,309	$ -	$ -	1,363,503
Accumulated depreciation							
Buildings	$ 132,677	$ 5,955	$ -	$ 110	$ -	$ -	$ 138,742
Equipment	93,509	21,481	(23,656)	-	-	-	91,334
Leasehold improvements	20,974	4,162	(3,069)	-	-	-	22,067
Lease asset	-	103	-	-	-	-	103
	247,160	$ 31,701	$ (26,725)	$ 110	$ -	$ -	252,246
Accumulated impairment	1,684	$ -	$ -	$ -	$ -	$ -	1,684
Net book value	$ 1,107,813						$ 1,109,573

	For the Year Ended December 31, 2017						
	Balance at January 1, 2017	Additions	Reductions	Reclassifi-cations	Effect of Disposal of Subsidiaries	Effect of Exchange Rate Changes, Net	Balance at December 31, 2017
Cost							
Land	$ 847,682	$ -	$ -	$ (205)	$ -	$ -	$ 847,477
Buildings	335,244	-	-	(136)	-	-	335,108
Equipment	179,875	6,297	(20,350)	-	(24,154)	(1,810)	139,858
Leasehold improvements	46,511	11,762	(18,477)	-	(5,194)	(388)	34,214
	1,409,312	$ 18,059	$ (38,827)	$ (341)	$ (29,348)	$ (2,198)	1,356,657
Accumulated depreciation							
Buildings	126,762	$ 5,942	$ -	$ (27)	$ -	$ -	132,677
Equipment	114,702	22,920	(19,305)	-	(23,099)	(1,709)	93,509
Leasehold improvements	38,753	3,300	(15,529)	-	(5,164)	(386)	20,974
	280,217	$ 32,162	$ (34,834)	$ (27)	$ (28,263)	$ (2,095)	247,160
Accumulated impairment	1,684	$ -	$ -	$ -	$ -	$ -	1,684
Net book value	$ 1,127,411						$ 1,107,813

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

Buildings	55 years
Equipment	2-15 years
Leasehold improvements	1-11 years
Lease asset	5 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 36 for details).

19. INVESTMENT PROPERTIES

	For the Year Ended December 31, 2018			
	Balance at January 1, 2018	Additions	Reclassifi-cations	Balance at December 31, 2018
Cost				
Land	$ 236,495	$ -	$ (786)	$ 235,709
Buildings	74,865	-	(523)	74,342
	311,360	$ -	$ (1,309)	310,051
Accumulated depreciation				
Buildings	33,504	$ 1,329	$ (110)	34,723
Accumulated impairment				
Buildings	234	$ -	$ -	234
Net book value	$ 277,622			$ 275,094

	For the Year Ended December 31, 2017			
	Balance at January 1, 2017	Additions	Reclassifi-cations	Balance at December 31, 2017
Cost				
Land	$ 236,290	$ -	$ 205	$ 236,495
Buildings	74,729	-	136	74,865
	311,019	$ -	$ 341	311,360
Accumulated depreciation				
Buildings	32,136	$ 1,341	$ 27	33,504
Accumulated impairment				
Buildings	234	$ -	$ -	234
Net book value	$ 278,649			$ 277,622

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, 2018 and 2017, the fair value of the Group’s investment properties amounted to $339,507 thousand and $365,383 thousand, respectively. The fair value was quoted at the market price of similar properties.

Some investment properties were pledged as collateral for loans and loan credit (refer to Note 36 for details).

20. INTANGIBLE ASSETS

	December 31 2018	December 31 2017
Memberships in foreign futures exchanges	$ 33,392	$ 33,392
Computer software	22,280	30,798
Website constructing expenses	57	106
	$ 55,729	$ 64,296

	Balance at January 1, 2018	Additions	Reductions	Effect of Disposal of Subsidiaries	Effect of Exchange Rate Changes, Net	Balance at December 31, 2018
	For the Year Ended December 31, 2018					
Cost						
Computer software	$ 64,266	$ 10,838	$ (27,878)	$ -	$ -	$ 47,226
Memberships in foreign futures exchanges	33,392	-	-	-	-	33,392
Website constructing expenses	270	-	-	-	-	270
	97,928	$ 10,838	$ (27,878)	$ -	$ -	80,888
Accumulated amortization						
Computer software	33,468	$ 19,356	$ (27,878)	$ -	$ -	24,946
Website constructing expenses	164	49	-	-	-	213
	33,632	$ 19,405	$ (27,878)	$ -	$ -	25,159
Net book value	$ 64,296					$ 55,729

	Balance at January 1, 2017	Additions	Reductions	Effect of Disposal of Subsidiaries	Effect of Exchange Rate Changes, Net	Balance at December 31, 2017
	For the Year Ended December 31, 2017					
Cost						
Computer software	$ 57,576	$ 22,064	$ (15,374)	$ -	$ -	$ 64,266
Memberships in foreign futures exchanges	33,392	-	-	-	-	33,392
Trading rights	5,389	-	-	(5,014)	(375)	-
Website constructing expenses	270	-	-	-	-	270
	96,627	$ 22,064	$ (15,374)	$ (5,014)	$ (375)	97,928
Accumulated amortization						
Computer software	29,536	$ 19,306	$ (15,374)	$ -	$ -	33,468
Website constructing expenses	110	54	-	-	-	164
	29,646	$ 19,360	$ (15,374)	$ -	$ -	33,632
Accumulated impairment						
Trading rights	1,231	$ -	$ -	$ (1,146)	$ (85)	-
Net book value	$ 65,750					$ 64,296

Intangible assets with definite useful lives mentioned above 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.

21. OTHER NON-CURRENT ASSETS

	December 31	
	2018	**2017**
Operation guarantee deposits	$ 572,000	$ 582,690
Clearing and settlement fund	205,810	216,027
Guarantee deposits paid	48,720	51,291
Prepayments for equipment	2,315	5,597
Deferred expense	474	645
	$ 829,319	$ 856,250

22. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	**2017**
Secured borrowings	$ 272,000	$ 150,000
Unsecured borrowings	3,500	358,500
	$ 275,500	$ 508,500

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

	December 31	
	2018	**2017**
Short-term borrowings	0.99%-1.41%	0.98%-1.41%

Some demand deposits, time deposits, property and equipment, investments properties were provided as collateral for bank borrowings and credit line (refer to Note 36 for details).

b. Commercial paper payable

	December 31	
	2018	**2017**
Commercial paper payable	$ 2,630,000	$ 5,135,000
Less: Discount of commercial paper payable	(2,058)	(6,246)
	$ 2,627,942	$ 5,128,754

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

	December 31	
	2018	**2017**
Commercial paper payable	0.360%-0.865%	0.410%-0.752%

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

23. LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	December 31	
	2018	**2017**
Government bonds	$ 1,725,214	$ 6,771,306
Corporate bonds	700,161	1,603,734
	$ 2,425,375	$ 8,375,040

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

	December 31	
	2018	**2017**
Government bonds	0.36%-0.48%	0.30%-0.36%
Corporate bonds	0.50%-0.57%	0.41%-0.45%

The bonds outstanding as of December 31, 2018 were repurchased for $2,425,996 thousand by January 25, 2019, under repurchase agreements.

The bonds outstanding as of December 31, 2017 were repurchased for $8,376,481 thousand by February 22, 2018, under repurchase agreements.

24. ACCOUNTS PAYABLE

	December 31	
	2018	**2017**
Accounts payable for settlement - brokerage	$ 1,900,377	$ 2,623,257
Brokerage commissions payable	53,245	43,767
Accounts payable for settlement - dealing	24,121	1,615,526
Others	36,118	30,981
	$ 2,013,861	$ 4,313,531

25. PROVISIONS

	December 31	
	2018	**2017**
Current		
Employee benefits	$ 23,961	$ 25,320
Non-current		
Decommissioning provision	$ 14,095	$ 11,095

26. 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 expense.

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	
	2018	**2017**
Present value of defined benefit obligation	$ 260,868	$ 300,469
Fair value of plan assets	(82,581)	(75,724)
Net defined benefit liabilities	$ 178,287	$ 224,745

Movements in net defined benefit liabilities were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 231,343	$ (59,451)	$ 171,892
Service cost			
Current service cost	5,136	-	5,136
Net interest expense (income)	3,039	(795)	2,244
Recognized in profit or loss	8,175	(795)	7,380
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,699)	(2,699)
Actuarial loss - changes in financial assumptions	9,242	-	9,242
Actuarial loss - experience adjustments	57,612	-	57,612
Recognized in other comprehensive (income) loss	66,854	(2,699)	64,155
Contributions from the employer	-	(18,682)	(18,682)
Benefits paid	(5,903)	5,903	-
Balance at December 31, 2017	300,469	(75,724)	224,745
Service cost			
Current service cost	4,373	-	4,373
Net interest expense (income)	3,018	(768)	2,250
Recognized in profit or loss	7,391	(768)	6,623
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(722)	(722)
Actuarial loss - changes in financial assumptions	2,518	-	2,518
Actuarial gain - experience adjustments	(10,877)	-	(10,877)
Recognized in other comprehensive (income) loss	(8,359)	(722)	(9,081)
Contributions from the employer	-	(41,597)	(41,597)
Benefits paid	(38,633)	36,230	(2,403)
Balance at December 31, 2018	$ 260,868	$ (82,581)	$ 178,287

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 debt investments of plan assets.

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

	December 31, 2018		
	Corporation	Concord Futures	Concord Managed Futures
Discount rate	0.9%	1.0%	1.1%
Expected incremental rate of salaries	1.5%	1.0%	1.0%
Expected rate of return on plan assets	0.9%	1.0%	1.1%

	December 31, 2017		
	Corporation	Concord Futures	Concord Managed Futures
Discount rate	1.0%	1.0%	1.4%
Expected incremental rate of salaries	1.5%	1.0%	1.0%
Expected rate of return on plan assets	1.0%	1.0%	1.4%

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	
	2018	2017
Discount rate		
0.5% increase	$ (12,817)	$ (14,663)
0.5% decrease	$ 13,717	$ 15,893
Expected incremental rate of salaries		
0.5% increase	$ 12,224	$ 14,189
0.5% decrease	$ (11,582)	$ (13,435)

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, 2018		
	Corporation	Concord Futures	Concord Managed Futures
The expected contributions to the plan for the next year	$ 2,010	$ 108	$ -
The average duration of the defined benefit obligation	9.9 years	10.8 years	14.9 years

	December 31, 2017		
	Corporation	Concord Futures	Concord Managed Futures
The expected contributions to the plan for the next year	$ 2,160	$ 108	$ -
The average duration of the defined benefit obligation	10.0 years	10.2 years	17.3 years

27. EQUITY

a. Share capital

	December 31	
	2018	2017
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)	626,080	613,337
Shares issued	$ 6,260,803	$ 6,133,368

Every issued ordinary share with a par value of $10 entitles its holder to one vote on matters requiring such vote and to receive dividends.

It was resolved in the shareholders' meeting on June 8, 2018 to increase the Corporation's capital by declaring share dividends in the amount of $315,528 thousand, and transferred capital surplus $11,907 thousand to ordinary shares, which increased the share capital issued to $32,744 thousand. Otherwise, the shares decreased by 20,000 thousand shares due to the purchase and retirement of treasury shares

b. Capital surplus

	December 31	
	2018	2017
Treasury share transactions	$ 257,291	$ 218,502
Gain on sale of fixed assets	682	682
Additional paid-in capital	-	494
Premium from mergers	-	88
Others	1,296	1,296
	$ 259,269	$ 221,062

The capital surplus arising from shares issued in excess of par (including additional paid-in capital, premium from mergers and treasury share transactions, etc.) 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. There were changes in the capital surplus resulted from the transferred share capital and retirement of treasury shares for the year ended December 31, 2018, as well as the disposal of TCCS and retirement of treasury shares; as such, the related capital surplus were adjusted for the year ended December 31, 2017.

c. Retained earnings and dividend policy

Under the Corporation 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 bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after amendment, refer to "Employees' compensation and remuneration of directors" in Note 28.

The dividend policy depends on recent and future development plan, investment environment, demand for funds, domestic and foreign competition, and shareholders' interests. Annually, the total amount of dividends and bonuses 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 the 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 make appropriations to or reversals from a special reserve.

The appropriation of earnings for 2017 approved in the shareholders meeting on June 8, 2018 as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 63,335	
Special reserve	130,103	
Reversal of special reserve	(34,689)	
Share dividends	315,528	$ 0.53
Cash dividends	148,834	$ 0.25
	$ 623,111	

On June 8, 2018, shareholders meeting approved to transfer capital surplus $11,907 thousand to ordinary shares.

The offset of the accumulated deficit for 2016 as approved in the shareholders' meeting on June 16, 2017, which amounted to $339,421 thousand, was made by using legal reserve and special reserve.

The offset of the accumulated deficit for 2018 as proposed in the Board of Directors on March 15, 2019, which amounted to $276,599 thousand, was made by using legal reserve and special reserve, and it is subject to resolution in the shareholders' meeting to be held on June 6, 2019.

d. Other equity

1) Exchange differences on translating foreign operations

	For the Years Ended December 31	
	2018	**2017**
Beginning balance at January 1	$ (5,122)	$ 26,960
Exchange differences on translating foreign operations	3,334	(36,967)
Income tax expense related to exchange differences on translating foreign operations	250	4,885
Ending balance at December 31	$ (1,538)	$ (5,122)

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

	For the Year Ended December 31, 2017
Beginning balance at January 1, 2017	$ (95,445)
Recognized for the year	
Unrealized gains on available-for-sale financial assets	65,025
Share of gains on available-for-sale of associates accounted for using the equity method	1,620
Disposals of associates accounted for using the equity method	126
Ending balance at December 31, 2017	(28,674)
Adjustment on initial application of IFRS 9	28,674
Balance at January 1, 2018 (IFRS 9)	$ -

3) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	126,115
Balance at January 1 (IFRS 9)	126,115
Recognized for the year	
Unrealized loss - equity instruments	(1,764)
Other comprehensive loss recognized for the year	(1,764)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal equity instruments	20,665
Balance at December 31	$ 145,016

e. Treasury shares

Unit: Number of Shares (In Thousands)

Reason for Purchasing Treasury Shares	Shares Transferred to Employees	Maintaining Credit Standing and Shareholders' Equity	Total
Number of shares at January 1, 2017	38,000	-	38,000
Decrease during the year	(20,000)	-	(20,000)
Number of shares at December 31, 2017	18,000	-	18,000
Increase during the year	-	28,612	28,612
Decrease during the year	-	(20,000)	(20,000)
Number of shares at December 31, 2018	18,000	8,612	26,612

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

The Corporation purchased treasury shares, which totaled 20,000 thousand shares, at a cost of $170,856 thousand based on the resolution of the Board of Directors on August 12, 2014. The Corporation's Board of Directors resolved to cancel a total of 20,000 thousand treasury shares on October 2, 2017 and cancelled the treasury shares on October 9, 2017.

On October 27, 2016, the Corporation's Board of Directors resolved to purchase a total of 20,000 thousand treasury shares for the purpose of transferring to employees. Accordingly, the Corporation purchased treasury shares, which totaled 18,000 thousand shares, at a cost of $118,906 thousand until December 27, 2016 (the last day of share buying period). The treasury shares were not yet transferred to employees as of March 15, 2019.

On September 26, 2018, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining credit standing and shareholders' equity. Accordingly, the Corporation purchased treasury stocks which totaled 20,000 thousand shares at a cost of $149,886 thousand until November 26, 2018 (the last day of the stock buying period) and cancelled the treasury shares on December 24, 2018.

On December 21, 2018, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining credit standing and shareholders' equity. Accordingly, the Corporation purchased treasury shares, which totaled 8,612 thousand shares, at a cost of $65,195 thousand until December 31, 2018.

28. ANALYSIS OF STATEMENT OF COMPREHENSIVE INCOME ITEMS

a. Brokerage commission revenue

	For the Years Ended December 31	
	2018	2017
Handling fee revenue from brokered futures trading	$ 766,436	$ 712,721
Handling fee revenue from brokered share trading	681,176	609,693
Handling fees from securities financing	6,467	5,894
Others	14,995	7,361
	$ 1,469,074	$ 1,335,669

b. Underwriting commission

	For the Years Ended December 31	
	2018	2017
Processing fee revenue from underwriting operations	$ 37,593	$ 13,402
Revenue from underwriting securities on a firm commitment basis	12,353	12,268
Revenue from underwriting consultation	8,870	14,497
Others	200	1,111
	$ 59,016	$ 41,278

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

	For the Years Ended December 31	
	2018	2017
Dealing	$ (184,542)	$ 781,523
Underwriting	(11,994)	26,439
Hedging	(40,953)	16,817
	$ (237,489)	$ 824,779

d. Interest income

	For the Years Ended December 31	
	2018	2017
Financing interest	$ 241,461	$ 233,586
Bond interest	68,582	129,724
Interest of bond investments under resale agreements	502	392
Others	426	1,585
	$ 310,971	$ 365,287

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

	For the Years Ended December 31	
	2018	**2017**
Dealing	$ (206,848)	$ 313,922
Underwriting	(57,306)	25,683
Hedging	(298)	(113)
Settlement coverage bonds payable of short sale	764	(778)
	$ (263,688)	$ 338,714

f. Gains on issuance of share warrants, net

	For the Years Ended December 31	
	2018	**2017**
Gains on change in fair value of warrants liabilities	$ 5,395,690	$ 3,344,270
Gains on exercise of warrants before maturity	1,412	1,030
Losses on change in fair value of warrants redeemed - realized	(4,897,324)	(2,933,573)
Losses on change in fair value of warrants redeemed - unrealized	(404,011)	(358,443)
Expenses of share warrant issuance	(26,628)	(19,821)
	$ 69,139	$ 33,463

g. Gains (losses) on derivative instruments, net

	For the Years Ended December 31	
	2018	**2017**
Gains (losses) on derivative instruments - futures, net		
Net gains (losses) from option transactions	$ 23,005	$ (19,385)
Net losses from futures transactions	(8,457)	(74,864)
	$ 14,548	$ (94,249)
Gains (losses) on derivative instruments - OTC, net		
Asset swap options	$ 137,538	$ (101,837)
Other derivative	3,697	-
Gains (losses) from when-issued trading of government bonds	25	(24)
Bond options	-	2
Structured notes	(4,843)	(6,158)
Value of asset swap IRS contracts	(6,701)	(3,701)
	$ 129,716	$ (111,718)

h. Expected credit loss

	For the Year Ended December 31, 2018
Financial Asset at amortized cost	$ 275,524

i. Other operating income

	For the Years Ended December 31	
	2018	2017
Commission revenue	$ 21,767	$ 36,631
Management commission	18,464	21,468
Advisory revenue	4,231	3,720
Agency revenue	1,343	1,795
Exchange loss, net	(15,929)	(30,612)
Others	(65)	2,458
	$ 29,811	$ 35,460

j. Handling fee expenses

	For the Years Ended December 31	
	2018	2017
Brokerage	$ 184,411	$ 199,918
Dealing	11,393	13,338
Others	919	564
	$ 196,723	$ 213,820

k. Finance costs

	For the Years Ended December 31	
	2018	2017
Interest of commercial paper payable	$ 30,024	$ 33,618
Interest of liabilities for bonds with repurchase agreements	19,828	26,180
Loan interest	7,455	4,577
Interest of securities financing	1,800	1,418
Others	697	556
	$ 59,804	$ 66,349

l. Employee benefits expense

	For the Years Ended December 31	
	2018	2017
Retirement benefits		
Defined contribution plan	$ 36,608	$ 36,606
Defined benefit plan	6,623	7,380
	43,231	43,986
Short-term employee benefits		
Salaries	736,978	1,099,704
Insurance	71,440	71,046
Others	26,905	28,996
	$ 878,554	$ 1,243,732

m. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at rates of 1% to 2% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The Corporation had a net loss in 2018, 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, 2017, were $8,186 thousand and $36,465 thousand, respectively, which were approved by the Corporation's Board of Directors on March 15, 2018. The Corporation had a net loss in 2016, so there was no accrual for employees' compensation and remuneration to directors.

There was no difference between the amount of employees' compensation and remuneration of directors resolved by the Board of Directors for 2017 and 2016 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017 and 2016.

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

The information on the employees' compensation and remuneration of directors resolved by the Corporation's Board of Directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

n. Depreciation and amortization

	For the Years Ended December 31	
	2018	2017
Depreciation		
Property and equipment	$ 31,701	$ 32,162
Investment properties	1,329	1,341
	$ 33,030	$ 33,503

(Continued)

	For the Years Ended December 31	
	2018	2017
Amortization		
Intangible assets	$ 19,405	$ 19,360
Deferred expense	315	639
	$ 19,720	$ 19,999

(Concluded)

o. Other operating expenses

	For the Years Ended December 31	
	2018	2017
Taxes	$ 162,451	$ 167,943
Information technology expenses	100,404	90,107
Rental	59,972	70,727
Postage expenses	39,317	35,815
Professional service fees	22,005	24,297
Repairs and maintenance expenses	20,514	20,090
Custody fees	18,408	16,463
Utilities	17,715	18,601
Security lending	11,782	2,439
Entertainment	9,004	11,715
Advertisement expenses	3,535	11,247
Bad debts	-	73,054
Others	59,870	70,566
	$ 524,977	$ 613,064

p. Other gains and losses

	For the Years Ended December 31	
	2018	2017
Financial revenue	$ 62,134	$ 45,098
Rental revenue	53,907	57,346
Dividend revenue	11,333	6,247
Gain on disposal of investments	1,947	116,633
Exchange gain (loss), net	441	(2,761)
Loss on disposal of property and equipment	(297)	(1,918)
Net loss on fair value changes on non-operating financial assets at fair value through profit or loss	(3,739)	(4,740)
Others	10,074	8,558
	$ 135,800	$ 224,463

29. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Years Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 54,528	$ 21,176
In respect of prior periods	(1,042)	19,528
	53,486	40,704
Deferred tax		
In respect of the current period	(23,149)	(8,544)
Change in tax rate	(18,143)	-
In respect of prior periods	-	(1,203)
	(41,292)	(9,747)
Income tax expense recognized in profit or loss	$ 12,194	$ 30,957

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, in February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the tax rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

	For the Years Ended December 31	
	2018	2017
Income tax expense (benefit) calculated at the statutory rate	$ (55,377)	$ 141,243
Nondeductible expenses in determining taxable income	35,156	(52,353)
Tax-exempt income	48,774	(64,300)
Change in tax rate	(18,143)	-
Unrecognized deductible temporary differences	-	31
Additional income tax on unappropriated earnings	1,089	58
Others	695	6,278
Income tax expense recognized in profit or loss	$ 12,194	$ 30,957

b. Income tax recognized in other comprehensive income

	For the Years Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 2,408	$ -
In respect of the current period		
Translation of foreign operations	21	4,885
Actuarial gains (losses) on defined benefit plans	(1,463)	10,872
Total income tax recognized in other comprehensive income	$ 966	$ 15,757

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 22,436	$ 31,256
Current tax liabilities		
Income tax payable	$ 42,785	$ 13,656

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	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 the equity method	$ 47,485	$ 8,387	$ -	$ 55,872
Defined benefit plans	37,639	(2,541)	716	35,814
Unrealized losses	-	52,852	-	52,852
Payable for annual leave	3,706	399	-	4,105
Unrealized exchange losses	7,863	4,008	-	11,871

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Exchange differences on translating foreign operations	$ 1,301	$ -	$ 250	$ 1,551
Valuation loss on foreign futures	3,430	(3,430)	-	-
Loss on derivative financial instruments	15,118	(15,118)	-	-
Others	28	(2)	-	26
	$ 116,570	$ 44,555	$ 966	$ 162,091
Deferred tax liabilities				
Temporary difference				
Valuation gain on foreign operating securities	$ 112	$ (112)	$ -	$ -
Valuation gain on foreign futures	-	122	-	122
Gain on derivative financial instruments	-	3,253	-	3,253
	$ 112	$ 3,263	$ -	$ 3,375

(Concluded)

For the year ended December 31, 2017

	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 the equity method	$ 61,308	$ (13,823)	$ -	$ 47,485
Defined benefit plans	28,698	(1,931)	10,872	37,639
Allowance for doubtful accounts	2	(2)	-	-
Payable for annual leave	3,694	12	-	3,706
Unrealized exchange losses	6,483	1,380	-	7,863

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Valuation loss on foreign operating securities	$ 1,543	$ (1,543)	$ -	$ -
Exchange differences on translating foreign operations	-	-	1,301	1,301
Valuation loss on foreign futures	-	3,430	-	3,430
Loss on derivative financial instruments	-	15,118	-	15,118
Others	28	-	-	28
	$ 101,756	$ 2,641	$ 12,173	$ 116,570
Deferred tax liabilities				
Temporary difference				
Unrealized exchange gains	$ 1,648	$ (1,648)	$ -	$ -
Valuation gain on foreign operating securities	-	112	-	112
Exchange differences on translating foreign operations	3,584	-	(3,584)	-
Gain on derivative financial instruments	5,570	(5,570)	-	-
	$ 10,802	$ (7,106)	$ (3,584)	$ 112

(Concluded)

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

	December 31	
	2018	2017
Asset impairments	$ 1,918	$ 1,918
Loss carryforwards	$ 147,635	$ 126,822

f. Income tax assessments

The income tax return filings of the Corporation through 2016 have been examined by the tax authorities. However, the Corporation disagreed with the tax assessments of 2014 to 2016 and applied for recheck and reduced tax refund receivable.

The income tax return filings of Concord Futures, Concord Insurance and Kang-Lian AMC through 2016 have been examined by the tax authorities.

The income tax return filings of Concord Managed Futures and Concord Capital Management through 2017 have been examined by the tax authorities.

30. EARNINGS (LOSS) PER SHARE

The weighted average number of shares outstanding used for the earnings (loss) per share computation was adjusted retroactively for the issuance of bonus shares on September 22, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.15	$ 1.09
Diluted earnings per share	$ 1.15	$ 1.09

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, 2018			
Basic loss per share			
losses available to ordinary owners of the Corporation	$ (278,067)	622,307	$ (0.45)
For the year ended December 31, 2017			
Basic earnings per share			
Earnings available to ordinary owners of the Corporation	$ 686,615	628,080	$ 1.09
Effect of dilutive potential ordinary shares			
Employees' compensation	-	893	
Diluted earnings per share			
Earnings available to ordinary owners of the Corporation	$ 686,615	628,973	$ 1.09

Since the Corporation offered to settle compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation were 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 was 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 Corporation had a net loss in 2018, employees' compensation will decrease the amount of earnings per share due to the anti-dilution effect, so the diluted earnings per share will not be calculated.

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

31. DISPOSAL OF SUBSIDIARIES

On June and August 2016 and March, May and June 2017, the Corporation's Board of Directors approved and signed an equity transfer agreement and related supplemental agreements for its second-tier subsidiary. The Corporation planned to transfer the entire ownership of Taiwan Concord Capital Securities (Hong Kong) Limited, the subsidiary of Concord Capital Holdings (Cayman) Limited, to North Kingdom International Group Co., Limited. The price of the transaction amounted to HK$96,000 thousand, excluding the amount of claimed compensation for deferred payment. The transfer of the equity was approved by the Financial Supervisory Commission of the ROC (Taiwan) and the Securities & Futures Commission of Hong Kong in August 2016 and February 2017, respectively. The Corporation received HK$99,500 thousand for payment and compensation. The detail information of disposal of subsidiaries was as follows:

Unit: US$ in Thousand

a. Consideration received from the disposal

	Taiwan Concord Capital Securities (Hong Kong) Limited
Consideration received in cash and cash equivalents	$ 12,739

b. Analysis of assets and liabilities on the date control was lost

	Taiwan Concord Capital Securities (Hong Kong) Limited
Current assets	
Cash and cash equivalents	$ 38,081
Trade receivables	3,715
Other current assets	250
Non-current assets	
Property and equipment	36
Intangible assets	128
Other non-current assets	346
Current liabilities	
Payables	(33,742)
Other payable	(137)
Net assets disposed of	$ 8,677

c. Gain on disposal of subsidiary

	Taiwan Concord Capital Securities (Hong Kong) Limited
Consideration received	$ 12,739
Net assets disposed of	(8,677)
The reclassification of other comprehensive income in respect of the subsidiary and other liabilities	(396)
Gain on disposal	$ 3,666

d. Net cash outflow on disposal of subsidiary

	Taiwan Concord Capital Securities (Hong Kong) Limited
Consideration received in cash and cash equivalents (the Corporation received $10,281 thousand and $2,458 thousand in 2017 and 2016, respectively)	$ 12,739
Less: Cash and cash equivalent balances disposed of	38,081
	$ (25,342)

32. 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	
	2018	2017
The payment of refundable deposits	$ 13,551	$ 13,988

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

	December 31	
	2018	2017
Within 1 year	$ 55,985	$ 56,501
Between 1 and 5 years	88,389	108,176
	$ 144,374	$ 164,677

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	
	2018	**2017**
Guarantee deposits received	$ 2,495	$ 1,522

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

	December 31	
	2018	**2017**
Within 1 year	$ 9,656	$ 9,875
Between 1 and 5 years	4,210	6,093
	$ 13,866	$ 15,968

33. 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. The Corporation's capital adequacy ratio is 438% and 292% for the years ended December 31, 2018 and 2017, respectively.

34. 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 not measured at fair value 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, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets mandatorily measured at FVTPL	$ 4,177,233	$ 376,525	$ -	$ 4,553,758
Financial assets at FVTOCI				
Investments in equity instruments Unlisted shares	$ -	$ -	$ 330,344	$ 330,344
	$ 4,177,233	$ 376,525	$ 330,344	$ 4,884,102
Financial liabilities at FVTPL				
Financial liabilities held for trading	$ 277,247	$ 270,378	$ -	$ 547,625
Initial recognition financial liabilities designated as at FVTPL	-	230,777	-	230,777
	$ 277,247	$ 501,155	$ -	$ 778,402

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets held for trading	$ 12,200,888	$ 466,894	$ -	$ 12,667,782
Available-for-sale financial assets				
Investments in equity instruments OTC stocks	60,037	-	-	60,037
	$ 12,260,925	$ 466,894	$ -	$ 12,727,819
Financial liabilities at FVTPL				
Financial liabilities held for trading	$ 1,447,066	$ 437,241	$ -	$ 1,884,307
Initial recognition financial liabilities designated as at FVTPL	-	177,658	-	177,658
	$ 1,447,066	$ 614,899	$ -	$ 2,061,965

There were no significant transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

3) Reconciliation of financial instruments which measured at fair value of Level 3

For the Year Ended December 31, 2018

	Financial Assets at Fair Value Through Other Comprehensive Income
Balance at January 1, 2018	$ -
Effect of retrospective application of IFRS 9	341,921
Balance at January 1, 2018 (IFRS 9)	341,921
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(11,577)
Balance at December 31	$ 330,334

4) Valuation techniques and inputs applied to financial instruments which measured at fair value of Level 2

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 short-term commercial paper rate that Bloomberg announced.
Structured notes	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate that Bloomberg announced.

5) Valuation techniques and inputs applied to financial instruments which measured at fair value of Level 3

The fair values of unlisted equity securities were determined by using the market and asset approach. In the approach, the fair value of financial instrument depends on the enterprises stock transaction price in the active market, the value multiplier of the price and related transaction information which engage in the same or similar business. The significant unobservable input used for fair value determination is mainly the discount for lack of marketability.

If the discount for lack of marketability to the valuation model was changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	December 31, 2018
Discount for lack of marketability	
10% increase	$ (7,130)
10% decrease	$ 7,123

b. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Financial assets at FVTPL		
Held for trading	$ -	$ 12,667,782
Mandatorily measured at FVTPL	4,553,758	-
Loans and receivables (Note 1)	-	18,260,396
Available-for-sale financial assets (Note 2)	-	245,254
Financial assets at amortized cost (Note 3)	12,681,130	-
Financial assets at FVTOCI		
Equity instrument investment	330,344	-
Operation guarantee deposits	572,000	582,690
Settlement fund	205,809	216,027
Refundable deposits	35,169	37,303
Financial liabilities		
Financial liabilities at FVTPL		
Held for trading	547,625	1,884,307
Designated as at FVTPL	230,777	177,658
Financial liabilities at amortized cost (Note 4)	12,498,458	24,379,248
Guarantee deposits received	60	70

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, refinancing margin, refinancing collateral 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 assets measured at amortized cost, which comprise cash and cash equivalents, margin loans receivable, refinancing margin, refinancing collateral receivable. customers' margin accounts (excluding securities), refinancing margin, refinancing collateral receivable, security borrowing collateral price and margin, notes and accounts receivable (including related parties), other receivable, other financial assets - current and restricted assets - current.

Note 4: 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	
	2018	2017
The difference between carrying amount and contractual amount at maturity		
Financial liabilities designated as at FVTPL	$ 230,777	$ 177,658
Amount payable at maturity	(240,344)	(184,516)
	$ (9,567)	$ (6,858)

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

c. Financial risk management objectives and policies

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 Corporation and subsidiaries, in order to assure the Corporation manage the operation risk effectively.

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 the reason and plan that not to execute stop-loss strategy 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 and equity and commodity 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 back-testing regularly.

Historical VaR (Confidence Level 99%, One-day)	For the Year Ended December 31, 2018			December 31	
	Average	Minimum	Maximum	2018	2017
Type of risk					
Equity securities	$ 53,020	$ 4,378	$ 95,435	$ 12,236	$ 47,313
Interest rate	5,946	251	15,983	2,777	6,460
Diversification of risks	(12,106)			(2,849)	(12,590)
	$ 46,860			$ 12,164	$ 41,183

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 $347 thousand and $2,204 thousand as of December 31, 2018 and 2017, 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	
	2018	2017
Interest rate risk of fair value		
Financial assets	$ 6,800,391	$ 16,022,574
Financial liabilities	6,566,410	15,556,917
Interest rate risk of cash flow		
Financial assets	6,070,182	6,452,662
Financial liabilities	3,634,472	4,628,580

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 under the regulations of authorities.

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, and customers are required to provide sufficient collateral.

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	
	2018	**2017**
Securities financing receivables	$ 3,262,324	$ 4,783,884

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, 2018

	Within 1 Year	**Between 1 and 2 Years**	**Between 2 and 5 Years**	**Over 5 Years**	**Total**
Derivative financial liabilities					
Non-interest bearing	$ 279,504	$ -	$ -	$ -	$ 279,504
Fixed interest rate	1,667,380	-	-	-	1,667,380
Non-derivative financial liabilities					
Non-interest bearing	2,553,725	-	2,555	-	2,556,280
Variable interest rate	3,634,472	-	-	-	3,634,472
Fixed interest rate	6,568,468	-	-	-	6,568,468
	$ 14,703,549	$ -	$ 2,555	$ -	$ 14,706,104

December 31, 2017

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
Derivative financial liabilities					
Non-interest bearing	$ 494,717	$ -	$ -	$ -	$ 494,717
Fixed interest rate	1,290,093	-	-	-	1,290,093
Non-derivative financial liabilities					
Non-interest bearing	5,573,657	-	1,593	-	5,575,250
Variable interest rate	4,628,580	-	-	-	4,628,580
Fixed interest rate	15,563,763	-	-	-	15,563,163
	$ 27,550,210	$ -	$ 1,593	$ -	$ 27,551,803

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	
	2018	2017
Financing facilities	$ 15,963,000	$ 15,963,000
Unused amount	$ 13,742,500	$ 11,299,500

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, 2018

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	$ 3,409,729	$ 2,425,375	$ 3,409,729	$ 2,425,375	$ 984,354

December 31, 2017

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	$ 9,283,594	$ 8,375,040	$ 9,283,594	$ 8,375,040	$ 908,554

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, 2018

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	$ 2,136,197	$ -	$ 2,136,197	$ (7,331)	$ -	$ 2,128,866
Accounts payable	$ (2,013,861)	$ -	$ (2,013,861)	$ 7,331	$ -	$ (2,006,530)
Liability for bonds with repurchase agreements	$ (2,425,375)	$ -	$ (2,425,375)	$ 2,425,375	$ -	$ -

December 31, 2017

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	$ 3,621,678	$ (112,811)	$ 3,508,867	$ (673,734)	$ -	$ 2,835,133
Bond investment under resale agreements	$ 2,164,973	$ -	$ 2,164,973	$ (2,164,973)	$ -	$ -
Accounts payable	$ (4,426,342)	$ 112,811	$ (4,313,531)	$ 673,734	$ -	$ (3,639,797)
Liability for bonds with repurchase agreements	$ (8,375,040)	$ -	$ (8,375,040)	$ 8,375,040	$ -	$ -

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below:

Related party name and categories

Related Party Name	Related Party Categories
Value Partners Concord Assets Management Co., Ltd.	Associates (non-related party after August 2017)
Concord Dream Futures Trust Fund	Futures trust fund managed by the Group (liquidation in December 2018)
Concord Prosperity Futures Trust Fund	Futures trust fund managed by the Group (liquidation in May 2018)
The Corporation's directors, general manager, vice general managers, assistant vice presidents, and department heads	Key management personnel

a. Accounts receivable

	December 31	
	2018	2017
Futures trust fund managed by the Group	$ -	$ 895

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	
	2018	2017
Key management personnel	$ 41,742	$ 23,550
Futures trust fund managed by the Group	-	80,000
	$ 41,742	$ 103,550

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

c. Futures traders' equity

	December 31	
	2018	2017
Futures trust fund managed by the Group	$ -	$ 101,870

d. Brokerage commission revenue

	For the Years Ended December 31	
	2018	2017
Key management personnel	$ 1,403	$ 1,364
Futures trust fund managed by the Group	7,514	13,623
	$ 8,917	$ 14,987

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	
	2018	2017
Key management personnel	$ 147	$ 149

f. Other operating income

	For the Years Ended December 31	
	2018	2017
Associates	$ -	$ 15

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	
	2018	2017
Futures trust fund managed by the Group	$ 140	$ 154
Key management personnel	118	97
	$ 258	$ 251

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, 2018 and 2017 as follows:

	For the Years Ended December 31	
	2018	2017
Short-term employee benefits	$ 62,113	$ 133,636
Retirement benefits	1,120	1,237
	$ 63,233	$ 134,873

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. The remuneration committee periodically reviews the regulations and makes recommendations for amendments.

36. PLEDGED OR MORTGAGED ASSETS

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

	December 31	
	2018	**2017**
Restricted demand and time deposits	$ 407,723	$ 373,207
Government bonds	-	10,112
Property and equipment, net		
Land	761,980	761,980
Buildings	160,581	165,695
Investment property, net		
Land	230,791	230,791
Buildings	29,405	30,458
	$ 1,590,480	$ 1,572,243

37. 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 the reporting date. Among others, the claim for the amount of $862,580 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. As of December 31, 2018, the Corporation applied for a guarantee amounting to $50,000 thousand from financial institutions, which is for securities lending and borrowing business.

38. SIGNIFICANT SUBSEQUENT EVENTS

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

39. 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					
		2018		2017			
	Calculation Formula	Equation	Time/ Ratios (%)	Equation	Time/ Ratios (%)	Benchmark	Conclusion
1)	Equities / Total liabilities - Futures traders' equity	\$1,057,238 / \$217,229	=4.87	\$1,068,972 / \$130,031	=8.22	≧1	Conform with law
2)	Current assets / Current liabilities	\$4,449,193 / \$3,955,549	=1.13	\$5,575,840 / \$5,010,460	=1.11	≧1	Conform with law
3)	Equities / Minimum paid-in capital	\$1,057,238 / \$660,000	=160.20%	\$1,068,972 / \$660,000	=161.97%	≧60% ≧40%	Conform with law
4)	Adjusted net capital / Amount of customer margin accounts for open position of futures traders' equity	\$620,497 / \$516,397	=120.16%	\$799,468 / \$1,552,105	=51.51%	≧20% ≧15%	Conform with law

40. 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.

41. 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 Thousands

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
USD	$ 28,726	30.7150	$ 882,305	$ 19,368	29.7600	$ 576,392
CNY	171,718	4.4720	767,921	149,474	4.5650	682,349
HKD	55,351	3.9210	217,032	133,087	3.8070	506,662
JPY	115,450	0.2782	32,118	55,843	0.2642	14,754
EUR	331	35.2000	11,647	508	35.5700	18,070
GBP	81	38.8800	3,140	88	40.1100	3,530
SGD	44	22.4800	1,000	32	22.2600	712
KRW	-	-	-	1,946,500	0.0281	54,736
Non-monetary items						
USD	2,395	30.7150	73,559	19,073	29.7600	567,612
CNY	-	-	-	63,604	4.5650	290,350
HKD	-	-	-	13,742	3.8070	52,314
KRW	-	-	-	1,795,500	0.0281	50,489
Financial liabilities						
Monetary items						
USD	10,527	30.7150	323,332	13,210	29.7600	393,130
HKD	7,866	3.9210	30,842	9,675	3.8070	36,833
JPY	51,555	0.2782	14,343	49,505	0.2642	13,079
CNY	2,655	4.4720	11,871	4,306	4.5650	19,657
EUR	214	35.2000	7,522	344	35.5700	12,236
GBP	71	38.8800	2,754	84	40.1100	3,369
SGD	48	22.4800	1,073	-	-	-
KRW	-	-	-	1,824,365	0.0281	51,301

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange loss were \$15,488 thousand and \$33,373 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.

42. 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).

43. DISCLOSURES REQUIRED UNDER RULE NO. 10703209011 ISSUED BY FSC DATED JUNE 1, 2018

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. It is a holding company for investment. Supplementary disclosures are as follows:

a. Balance sheets: Table 4 (attached).

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

c. Securities held: None.

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

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

44. 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:

Segment revenue and results

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, 2018 Dealing	Brokerage	Underwriting	Other	Total
Profit and loss attributed to each segment					
Revenue					
Brokerage commission revenue	$ -	$ 1,468,940	$ -	$ 134	$ 1,469,074
Income from securities lending	4	15,645	-	-	15,649
Underwriting commission	-	-	59,016	-	59,016
Losses on sale of securities, net	(225,495)	-	(11,994)	-	(237,489)
Revenue from providing agency service for stock affairs	-	-	18,943	-	18,943
Interest income	69,455	241,516	-	-	310,971
Dividend income	47,308	-	4,448	-	51,756
Valuation losses on operating securities at fair value through profit or loss, net	(206,382)	-	(57,306)	-	(263,688)
Losses on covering of borrowed securities and bonds with resale agreements, net	(12,365)	-	-	-	(12,365)
Valuation gains on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net	15,758	-	-	-	15,758
Gains on issuance of stock warrants, net	69,139	-	-	-	69,139
Gains on derivative instruments	144,264	-	-	-	144,264
Expected credit loss	-	(275,524)	-	-	(275,524)
Other operating income (loss)	(14,738)	4,132	(118)	40,535	29,811
	(113,052)	1,454,709	12,989	40,669	1,395,315
Costs and expenses					
Handling fee expenses	(11,393)	(185,330)	-	-	(196,723)
Finance costs	(19,828)	(2,387)	-	(39)	(22,254)
Futures commission expense	(1,217)	(107,030)	-	-	(108,247)
Expenses of clearing and settlement	(5,179)	(90,431)	-	-	(95,610)
Other operating costs	(12,228)	(3,734)	-	(9,310)	(25,272)
Operating expenses	(203,122)	(934,726)	(73,201)	(32,410)	(1,243,459)
	(252,967)	(1,323,638)	(73,201)	(41,759)	(1,691,565)
Profit and loss - by segment	$ (366,019)	$ 131,071	$ (60,212)	$ (1,090)	(296,250)
Profit and loss not attributed to segments					30,696
Loss before tax					(265,554)
Income tax expense					(12,194)
Net loss for the year					(277,748)
Other comprehensive income					11,405
Total comprehensive loss for the year					$ (266,343)

Item	For the Year Ended December 31, 2017				
	Dealing	Brokerage	Underwriting	Other	Total
Profit and loss attributed to each segment					
Revenue					
Brokerage commission revenue	$ -	$ 1,335,510	$ -	$ 159	$ 1,335,669
Income from securities lending	37	6,222	-	-	6,259
Underwriting commission	-	-	42,125	-	42,125
Gains on sale of securities, net	798,340	-	26,439	-	824,779
Revenue from providing agency service for stock affairs	-	-	17,544	-	17,544
Interest income	130,462	233,603	-	1,222	365,287
Dividend income	61,805	-	2,802	-	64,607
Valuation gains on operating securities at fair value through profit or loss, net	313,031	-	25,683	-	338,714
Gains on covering of borrowed securities and bonds with resale agreements, net	11,886	-	-	-	11,886
Valuation losses on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net	(24,957)	-	-	-	(24,957)
Gains on issuance of stock warrants, net	33,463	-	-	-	33,463
Losses on derivative instruments	(205,967)	-	-	-	(205,967)
Other operating income (loss)	(29,485)	5,624	(25)	58,499	34,613
	1,088,615	1,580,959	114,568	59,880	2,844,022
Costs and expenses					
Handling fee expenses	(13,338)	(200,482)	-	-	(213,820)
Finance costs	(26,184)	(1,674)	-	(41)	(27,899)
Futures commission expense	(2,524)	(73,824)	-	-	(76,348)
Securities commission expense	-	(3,737)	-	-	(3,737)
Expenses of clearing and settlement	(6,797)	(106,404)	-	-	(113,201)
Other operating costs	(7,806)	(1,210)	-	(15,972)	(24,988)
Operating expenses	(318,377)	(959,708)	(86,827)	(85,890)	(1,450,802)
	(375,026)	(1,347,039)	(86,827)	(101,903)	(1,910,795)
Profit and loss - by segment	$ 713,589	$ 233,920	$ 27,741	$ (42,023)	933,227
Profit and loss not attributed to segments					(212,232)
Profit before tax					720,995
Income tax expense					(30,957)
Net profit for the year					690,038
Other comprehensive loss					(18,594)
Total comprehensive income for the year					$ 671,444

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(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 December 31, 2018	Investment Amount December 31, 2017	Balance as of December 31, 2018 Shares	Balance as of December 31, 2018 Percentage of Ownership	Balance as of December 31, 2018 Carrying Amount	Operating Income of the Investee	Net Profit (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
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	78,005,571	95.71	$ 1,011,908	$ 662,367	$ 7,471	$ 7,152	$ 9,598	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	54,900,000	100.00	605,270	-	142,871	142,871	-	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	296,334	653,064	9,333,000	100.00	9,217	-	(35)	(35)	-	Subsidiary (Note)
	Concord Managed Futures Corp.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	December 16, 2003		Foreign and domestic futures management and trust services	198,664	198,664	18,000,000	60.00	159,449	10,531	(15,373)	(9,224)	-	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	80,004	22,024	770	770	-	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	2,500,000	100.00	25,097	21,767	(2,288)	(2,288)	400	Subsidiary (Note)
Concord Futures Corp. Ltd.	Concord Managed Futures Corp.	l4F, No. 176, Jilung Rd., Sec. 1, Taipei	December 16, 2003		Foreign and domestic futures management and trust services	148,360	148,360	12,000,000	40.00	106,300	10,531	(15,373)	(6,149)	-	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	57,722,158	47.62	604,305	1,352,979	305,057	145,268	-	Investments of subsidiary accounted for using equity method

Note: Share of profits (losses) of subsidiaries has been eliminated for consolidation purposes.

CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(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	$ 84,431	Not significantly different from those to third parties	0.41
		Concord Futures Corp. Ltd.	a.	Futures trading margin	28,918	Not significantly different from those to third parties	0.14
		Concord Futures Corp. Ltd.	a.	Accounts receivable	1,243 (Note 1)	Not significantly different from those to third parties	0.01
		Concord Futures Corp. Ltd.	a.	Refundable deposits	1,295 (Note 1)	Not significantly different from those to third parties	0.01
		Concord Futures Corp. Ltd.	a.	Futures commission revenue	18,933 (Note 1)	In conformity with contracts, no those to third parties for comparison	1.36
		Concord Futures Corp. Ltd.	a.	Securities commission fee	5,126 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.37
		Concord Futures Corp. Ltd.	a.	Expenses of clearing and settlement	1,697 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.12
		Concord Futures Corp. Ltd.	a.	Other operating costs	99,210 (Note 1)	In conformity with contracts, no those to third parties for comparison	7.11
		Concord Futures Corp. Ltd.	a.	Other gains and losses	14,157 (Note 1)	In conformity with contracts, no those to third parties for comparison	1.01
		Concord Capital Management Corp.	a.	Other operating income	1,310 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.09
		Concord Capital Management Corp.	a.	Professional service fees	3,120 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.22
		Concord Managed Futures Corp.	a.	Other operating cost	2,505 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.18
		Concord Insurance Agent Corp.	a.	Other operating income	2,301 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.16
		Concord Insurance Agent Corp.	a.	Other gains and losses	1,322 (Note 1)	In conformity with contracts, no those to third parties for comparison	0.09

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

Note 2: Intercompany transactions between parent corporation and its 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, 2018
(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, 2018 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, 2017 (Note 1)	Investment Flows		Accumulated Outflow of Investment as of December 31, 2018 (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, 2018 (Note 6)	Accumulated Inward Remittance of Earnings as of December 31, 2018
					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.	$ 2,726,554 (CNY 609,695 thousand)	Others	$ 51,561 (US$ 1,579 thousand)	$ -	$ -	$ 51,561 (US$ 1,579 thousand)	$ 104,972 (CNY 23,020 thousand)	1.59	$ -	$ 39,452	$ -

2. Upper limit of investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2018 (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)	$49,556 (US$1,613 thousand)	$634,343

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 28, 2018.

Note 3: The NTD amount was converted by the average exchange rate of USD buying and selling rate for the year ended December 28, 2018.

Note 4: The amount was determined as 60% of Concord Futures’ net assets value as of December 31, 2018.

Note 5: The NTD amount was converted by the average exchange rate of CNY buying and selling rate during 2018.

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

TABLE 4

CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash	$ 11	1	$ 12,732	100
Other receivables	6	1	7	-
Prepayments	5	1	-	-
Other financial assets - current	727	97	12	-
	749	100	12,751	100
TOTAL	$ 749	100	$ 12,751	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payables	$ 2	-	$ 2	-
Other current liabilities	447	60	448	4
Total current liabilities	449	60	450	4
EQUITY				
Share capital	9,333	1,247	21,333	167
Accumulated deficits	(9,033)	(1,207)	(9,032)	(71)
Total equity	300	40	12,301	96
TOTAL	$ 749	100	$ 12,751	100

TABLE 5

CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)

	2018		2017	
	Amount	**%**	**Amount**	**%**
COSTS AND EXPENSES				
Other operating expenses	$ (13)	-	$ (29)	-
OPERATING LOSSES	(13)	-	(29)	-
NON-OPERATING INCOME AND EXPENSES				
Non-operating revenue and expenses	12	-	2,700	-
NET PROFIT (LOSS) FOR THE YEAR	(1)	-	2,671	-
OTHER COMPREHENSIVE LOSS				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	-	-	(91)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ (1)	-	$ 2,580	-