# Concord Securities Co., Ltd. and Subsidiaries

## Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 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, 2014 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 Accounting Standard 27 "Consolidated and Separate 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

March 19, 2015

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Concord Securities Co., Ltd. (the "Corporation") and its subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The Corporation's subsidiaries and stock investments measured by equity method included amounts and related disclosures based on financial statements of subsidiaries and associates audited by other auditors. The subsidiaries' assets amounted to $1,341,224 thousand and $1,355,515 thousand, or 3.47% and 4.06% of total assets as of December 31, 2014 and 2013, respectively, and operating income amounted to $79,046 thousand and $151,660 thousand, or 3.40% and 7.28% of consolidated operating income for the years ended December 31, 2014 and 2013, respectively. The investments in associates measured by equity method amounted to $479,122 thousand and $499,958 thousand as of December 31, 2014 and 2013, or 1.24% and 1.50%, respectively, of total assets, and the share of profit (loss) of associates amounted to net loss of $21,505 thousand and net profit $325 thousand, or (19.94%) and 0.82% of consolidated profit before tax for the years ended December 31, 2014 and 2013, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Concord Securities Co., Ltd. and its subsidiaries as of December 31, 2014 and 2013 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Concord Securities Co., Ltd. as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report with modified wordings.

March 19, 2015

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such 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, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 1,118,947 | 3 | $ 1,518,992 | 5 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 16,813,652 | 43 | 11,412,674 | 34 |
| Available-for-sale financial assets - current (Notes 4 and 9) | 279,073 | 1 | 7,344 | - |
| Bond investments under resale agreements (Notes 4 and 10) | 2,766,814 | 7 | 1,820,098 | 6 |
| Margin loans receivable (Note 4) | 5,772,375 | 15 | 5,188,110 | 16 |
| Refinancing margin | 10,109 | - | 6,109 | - |
| Refinancing collateral receivable | 9,400 | - | 6,189 | - |
| Customers' margin accounts (Notes 4 and 11) | 2,916,976 | 8 | 3,568,511 | 11 |
| Futures trading margin receivables (Notes 4 and 12) | 525 | - | 825 | - |
| Security borrowing collateral price (Note 4) | 241,856 | 1 | 113,109 | - |
| Security borrowing margin (Note 4) | 219,835 | 1 | 103,894 | - |
| Notes and accounts receivable (Notes 4, 13 and 31) | 3,672,686 | 9 | 4,460,355 | 13 |
| Prepayments | 19,714 | - | 28,149 | - |
| Other receivables | 13,650 | - | 18,644 | - |
| Other financial assets - current (Notes 4 and 14) | 829,295 | 2 | 898,977 | 3 |
| Current tax assets (Notes 4 and 26) | 39,904 | - | 34,022 | - |
| Restricted assets - current (Note 32) | 635,200 | 2 | 751,100 | 2 |
| Other current assets | 4,908 | - | 101,817 | - |
| Total current assets | 35,364,919 | 92 | 30,038,919 | 90 |
| NON-CURRENT ASSETS | | | | |
| Financial assets measured at cost - non-current (Notes 4 and 8) | 40,656 | - | 40,756 | - |
| Available-for-sale financial assets - non-current (Notes 4 and 9) | 120,267 | - | 118,007 | - |
| Investments accounted for using equity method (Notes 4 and 15) | 479,122 | 1 | 499,958 | 2 |
| Property and equipment (Notes 4, 16 and 32) | 1,193,453 | 3 | 1,239,685 | 4 |
| Investment properties (Notes 4, 17 and 32) | 240,465 | 1 | 239,049 | 1 |
| Intangible assets (Notes 4 and 18) | 69,695 | - | 81,704 | - |
| Deferred tax assets (Notes 4 and 26) | 69,171 | - | 58,371 | - |
| Other non-current assets (Note 19) | 1,040,959 | 3 | 1,065,804 | 3 |
| Total non-current assets | 3,253,788 | 8 | 3,343,334 | 10 |
| TOTAL | $ 38,618,707 | 100 | $ 33,382,253 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 20 and 32) | $ 497,000 | 1 | $ 80,000 | - |
| Commercial paper payable (Notes 20 and 32) | 4,979,068 | 13 | 4,083,233 | 12 |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 2,328,410 | 6 | 1,481,665 | 5 |
| Liabilities for bonds with repurchase agreements (Notes 4, 21 and 31) | 13,273,990 | 34 | 9,265,430 | 28 |
| Securities financing refundable deposits (Note 4) | 582,678 | 1 | 406,125 | 1 |
| Deposits payable for securities financing (Note 4) | 749,159 | 2 | 622,305 | 2 |
| Futures traders' equity (Notes 4, 11 and 31) | 2,967,913 | 8 | 3,539,448 | 11 |
| Accounts payable (Note 22) | 4,959,794 | 13 | 5,416,773 | 16 |
| Other payables | 305,293 | 1 | 264,385 | 1 |
| Current tax liabilities (Notes 4 and 26) | 3,004 | - | 7,590 | - |
| Provisions - current | 22,341 | - | 19,825 | - |
| Other current liabilities | 34,253 | - | 124,535 | - |
| Total current liabilities | 30,702,903 | 79 | 25,311,314 | 76 |
| NON-CURRENT LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7) | 4,039 | - | 89,137 | - |
| Provisions - non-current | 14,677 | - | 15,077 | - |
| Deferred tax liabilities (Notes 4 and 26) | 4,599 | - | 12 | - |
| Other liability - refundable deposits | 1,260 | - | 640 | - |
| Accrued pension liabilities - non-current (Notes 4 and 23) | 184,819 | 1 | 175,887 | 1 |
| Total non-current liabilities | 209,394 | 1 | 280,753 | 1 |
| Total liabilities | 30,912,297 | 80 | 25,592,067 | 77 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 24) | | | | |
| Share capital | 6,883,368 | 18 | 6,883,368 | 21 |
| Capital surplus | 17,761 | - | 17,761 | - |
| Retained earnings | | | | |
| Legal reserve | 1,686 | - | 1,686 | - |
| Special reserve | 848,434 | 2 | 892,140 | 2 |
| Unappropriated earnings (accumulated deficits) | 66,690 | - | (43,706) | - |
| Total retained earnings | 916,810 | 2 | 850,120 | 2 |
| Other equity | 16,811 | - | (2,003) | - |
| Treasury stock | (170,856) | - | - | - |
| Total equity attributable to owners of the Corporation | 7,663,894 | 20 | 7,749,246 | 23 |
| NON-CONTROLLING INTERESTS | 42,516 | - | 40,940 | - |
| Total equity | 7,706,410 | 20 | 7,790,186 | 23 |
| TOTAL | $ 38,618,707 | 100 | $ 33,382,253 | 100 |

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

(With Deloitte & Touche auditors' report dated March 19, 2015)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| NET OPERATING LOSS (Notes 4 and 25) | | | | |
| REVENUES | | | | |
| Brokerage commission revenue (Note 31) | $ 1,328,763 | 57 | $ 1,193,174 | 57 |
| Income from securities lending | 1,596 | - | 7,809 | - |
| Underwriting commissions | 71,697 | 3 | 91,269 | 4 |
| Gains on sale of securities, net | 171,845 | 7 | 125,654 | 6 |
| Revenue from providing agency service for stock affairs | 11,913 | - | 8,674 | - |
| Interest income | 663,198 | 29 | 606,856 | 29 |
| Dividend income | 65,715 | 3 | 36,806 | 2 |
| Valuation gains (losses) on operating securities at fair value through profit or loss, net | (109,028) | (5) | 76,827 | 4 |
| Gains (losses) on covering of borrowed securities and bonds with resale agreements, net | (14,431) | (1) | 11,408 | 1 |
| Valuation losses on borrowed securities and bonds with resale agreements, net | (8,755) | - | (4,269) | - |
| Gains on issuance of stock warrants, net | 22,607 | 1 | 20,148 | 1 |
| Gains on derivative instruments - futures, net | 60,455 | 3 | 19,981 | 1 |
| Losses on derivative instruments - OTC, net | (3,161) | - | (152,227) | (7) |
| Other operating income (Note 31) | 61,158 | 3 | 41,409 | 2 |
| Total revenues | 2,323,572 | 100 | 2,083,519 | 100 |
| EXPENSES | | | | |
| Handling fee expenses | (169,824) | (7) | (140,550) | (7) |
| Finance costs (Note 31) | (130,024) | (6) | (118,182) | (5) |
| Futures commission expense | (76,877) | (3) | (62,192) | (3) |
| Securities commission expense | (10,148) | - | (16,640) | (1) |
| Expenses of clearing and settlement | (81,153) | (3) | (65,356) | (3) |
| Other operating costs | (18,992) | (1) | (14,971) | (1) |
| Employee benefits expense | (1,184,922) | (51) | (1,058,741) | (51) |
| Depreciation and amortization | (90,052) | (4) | (105,469) | (5) |
| Other operating expenses | (594,384) | (26) | (587,863) | (28) |
| NET OPERATING LOSS | (32,804) | (1) | (86,445) | (4) |
| SHARE OF PROFIT OR LOSS OF ASSOCIATES (Note 4) | (21,505) | (1) | 325 | - |
| OTHER INCOME AND EXPENSES (Notes 4 and 25) | 162,139 | 7 | 125,924 | 6 |
| PROFIT BEFORE TAX | 107,830 | 5 | 39,804 | 2 |
| INCOME TAX EXPENSE (Notes 4 and 26) | (33,607) | (2) | (17,968) | (1) |
| NET PROFIT FOR THE YEAR | 74,223 | 3 | 21,836 | 1 |

(Continued)

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 24 and 26) | | | | |
| Exchange differences on translating foreign operations | $ 29,325 | 1 | $ 9,651 | 1 |
| Unrealized losses on available-for-sale financial assets | (6,744) | - | (668) | - |
| Actuarial losses arising from defined benefit plans | (4,911) | - | (12,577) | (1) |
| Share of other comprehensive income of associates | 669 | - | 763 | - |
| Income tax expense related to components of other comprehensive income and loss (Note 26) | (3,774) | - | (1,224) | - |
| Other comprehensive income (loss), net | 14,565 | 1 | (4,055) | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 88,788 | 4 | $ 17,781 | 1 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | $ 70,954 | 3 | $ 19,249 | 1 |
| Non-controlling interests | $ 3,269 | - | $ 2,587 | - |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | $ 85,504 | 4 | $ 15,268 | 1 |
| Non-controlling interests | $ 3,284 | - | $ 2,513 | - |
| EARNINGS PER SHARE (Note 27) | | | | |
| Basic | $0.10 | | $0.03 | |
| Diluted | $0.10 | | $0.03 | |

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

(With Deloitte & Touche auditors' report dated March 19, 2015) (Concluded)

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**

| | Equity Attributable to Owners of the Corporation (Note 24) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained Earnings | | | Other Equity | | | | | |
| | Share Capital | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings (Accumulated Deficits) | Exchange Differences on Translating Foreign Operations | Unrealized Gains (Losses) on Available-for-sale Financial Assets | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2013 | $ 6,918,038 | $ 15,421 | $ 900 | $ 817,698 | $ 23,929 | $ (13,664) | $ 3,555 | $ (32,330) | $ 7,733,547 | $ 38,593 | $ 7,772,140 |
| Special reserve under Rule No. 1010011388 issued by the FSC | - | - | - | 66,933 | (66,933) | - | - | - | - | - | - |
| Appropriation of 2012 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 786 | - | (786) | - | - | - | - | - | - |
| Special reserve | - | - | - | 7,078 | (7,078) | - | - | - | - | - | - |
| Net profit for the year ended December 31, 2013 | - | - | - | - | 19,249 | - | - | - | 19,249 | 2,587 | 21,836 |
| Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax | - | - | - | - | (12,087) | 8,011 | 95 | - | (3,981) | (74) | (4,055) |
| Retirement of treasury stock | (34,670) | 2,340 | - | - | - | - | - | 32,330 | - | - | - |
| Change in non-controlling interest | - | - | - | - | - | - | - | - | - | (166) | (166) |
| Change from investments in associates accounted for using equity method | - | - | - | 431 | - | - | - | - | 431 | - | 431 |
| BALANCE AT DECEMBER 31, 2013 | 6,883,368 | 17,761 | 1,686 | 892,140 | (43,706) | (5,653) | 3,650 | - | 7,749,246 | 40,940 | 7,790,186 |
| Appropriation of 2013 earnings | | | | | | | | | | | |
| Offset of accumulated deficits by special reserve | - | - | - | (27,927) | 27,927 | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (15,779) | 15,779 | - | - | - | - | - | - |
| Net profit for the year ended December 31, 2014 | - | - | - | - | 70,954 | - | - | - | 70,954 | 3,269 | 74,223 |
| Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax | - | - | - | - | (4,264) | 24,889 | (6,075) | - | 14,550 | 15 | 14,565 |
| Purchase of treasury stock | - | - | - | - | - | - | - | (170,856) | (170,856) | - | (170,856) |
| Change in non-controlling interest | - | - | - | - | - | - | - | - | - | (1,708) | (1,708) |
| BALANCE AT DECEMBER 31, 2014 | $ 6,883,368 | $ 17,761 | $ 1,686 | $ 848,434 | $ 66,690 | $ 19,236 | $ (2,425) | $ (170,856) | $ 7,663,894 | $ 42,516 | $ 7,706,410 |

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

(With Deloitte & Touche auditors' report dated March 19, 2015)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**

| | 2014 | 2013 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | $ 107,830 | $ 39,804 |
| Adjustments for: | | |
| Depreciation | 64,177 | 77,219 |
| Amortization | 25,875 | 29,273 |
| (Reversal of) bad debt expense | 1,621 | (4) |
| Net loss on fair value changes on financial assets and liabilities at fair value through profit or loss | 121,913 | 81,625 |
| Finance costs | 130,024 | 118,182 |
| Interest income | (713,931) | (659,373) |
| Dividend income | (77,224) | (40,678) |
| Share of loss (profit) of associates | 21,505 | (325) |
| Loss (gain) on disposal of property and equipment | 234 | (2,213) |
| Loss on disposal of intangible assets | 1,034 | - |
| Gain on disposal of investment | (30,192) | (3,273) |
| Impairment loss on financial assets | 2,397 | - |
| Impairment loss on non-financial assets | 4,304 | - |
| Reversal of impairment loss on non-financial assets | - | (7,502) |
| Other items | (14,478) | (859) |
| Changes in operating assets and liabilities | | |
| Financial assets at fair value through profit or loss | (5,510,887) | (880,528) |
| Bond investments under resale agreements | (946,716) | 3,800,794 |
| Margin loans receivable | (584,044) | (472,038) |
| Refinancing margin | (4,000) | 5,366 |
| Refinancing collateral receivable | (3,211) | 5,096 |
| Customers' margin accounts | 651,535 | (1,083,523) |
| Futures trading margin receivables | 300 | 380 |
| Security borrowing collateral price | (128,747) | (65,655) |
| Security borrowing margin | (115,941) | (60,774) |
| Notes receivable | (66) | (40) |
| Accounts receivable | 835,043 | (891,401) |
| Prepayments | 8,435 | 48 |
| Other receivables | 19,487 | 106,004 |
| Other financial assets | 69,682 | 13,515 |
| Other current assets | 212,809 | (65,682) |
| Liabilities for bonds with repurchase agreements | 4,008,560 | (545,471) |
| Financial liabilities at fair value through profit or loss | 752,574 | (810,966) |
| Securities financing refundable deposits | 176,553 | (161,499) |
| Deposits payable for securities financing | 126,854 | (148,175) |
| Futures traders' equity | (571,535) | 1,060,262 |
| Accounts payable | (456,579) | (1,442,280) |
| Other payables | 40,836 | (12,569) |
| Accrued pension liabilities | 4,021 | 6,836 |

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# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**

| | 2014 | 2013 |
|---|---|---|
| Provisions | $ 2,516 | $ (709) |
| Other financial liabilities | - | (48,400) |
| Other current liabilities | (90,282) | 83,235 |
| Cash used in operations | (1,857,714) | (1,976,298) |
| Interest received | 655,625 | 632,108 |
| Dividend received | 73,947 | 36,806 |
| Interest paid | (130,352) | (112,996) |
| Income tax paid | (54,062) | (73,405) |
| Net cash used in operating activities | (1,312,556) | (1,493,785) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of available-for-sale financial assets | (367,995) | - |
| Disposal of available-for-sale financial assets | 115,882 | 6,304 |
| Purchase of financial assets measured at cost | (15,000) | (15,000) |
| Disposal of financial assets measured at cost | 6,244 | - |
| Acquisition of property and equipment | (21,963) | (20,343) |
| Proceeds from disposal of property and equipment | 399 | 4,429 |
| Decrease in operating deposits | 23,805 | 32,686 |
| Increase in clearing and settlement fund | (1,463) | (27,467) |
| Decrease (increase) in refundable deposits | 1,214 | (1,013) |
| Acquisition of intangible assets | (16,992) | (14,941) |
| Increase in other non-current assets | (692) | (21,570) |
| Dividend received | 3,040 | 3,872 |
| Other investing activities items | 14,300 | - |
| Net cash used in investing activities | (259,221) | (53,043) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 417,000 | (79,227) |
| Increase in commercial paper payable | 898,000 | 1,795,000 |
| Decrease in long-term borrowings (including current portion due within one year) | - | (119,957) |
| Increase (decrease) in other liability - refundable deposits | 620 | (10) |
| Purchase of treasury stock | (170,856) | - |
| Change in non-controlling interests | (1,708) | (166) |
| Net cash generated from financing activities | 1,143,056 | 1,595,640 |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 28,676 | 9,171 |

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# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**

| | 2014 | 2013 |
|---|---|---|
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ (400,045) | $ 57,983 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,518,992 | 1,461,009 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 1,118,947 | $ 1,518,992 |

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

(With Deloitte & Touche auditors' report dated March 19, 2015) (Concluded)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

## 1. GENERAL INFORMATION

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

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

As of December 31, 2014, the Corporation had 22 branches, including offshore securities unit, supporting its head office.

## 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 19, 2015.

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

a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

   Rule No. 1030034680 and Rule No. 1030016580 issued by the FSC, stipulated that the securities firms should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms starting January 1, 2015.

| New, Amended and Revised Standards and Interpretations (the "New IFRSs") | Effective Date Announced by IASB (Note) |
|---|---|
| Improvements to IFRSs (2009) - amendment to IAS 39 | January 1, 2009 and January 1, 2010, as appropriate |
| Amendment to IAS 39 "Embedded Derivatives" | Effective for annual periods ended on or after June 30, 2009 |
| Improvements to IFRSs (2010) | July 1, 2010 and January 1, 2011, as appropriate |
| Annual Improvements to IFRSs 2009-2011 Cycle | January 1, 2013 |
| Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities" | January 1, 2013 |
| Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets" | July 1, 2011 |
| IFRS 10 "Consolidated Financial Statements" | January 1, 2013 |
| IFRS 11 "Joint Arrangements" | January 1, 2013 |
| IFRS 12 "Disclosure of Interests in Other Entities" | January 1, 2013 |
| Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" | January 1, 2013 |
| Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities" | January 1, 2014 |
| IFRS 13 "Fair Value Measurement" | January 1, 2013 |
| Amendment to IAS 1 "Presentation of Other Comprehensive Income" | July 1, 2012 |
| Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets" | January 1, 2012 |
| IAS 19 (Revised 2011) "Employee Benefits" | January 1, 2013 |
| IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures" | January 1, 2013 |
| Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" | January 1, 2014 |
| IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine" | January 1, 2013 |

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

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms would not have any material impact on the Group's accounting policies:

1) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

2) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

3) Revision to IAS 19 "Employee Benefits"

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

The initial application of the revised IAS 19 in 2015 would not have any material impact on the Group.

In conclusion, the application of the 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Firms would not have any material impact on the Group.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Annual Improvements to IFRSs 2010-2012 Cycle | July 1, 2014 (Note 2) |
| Annual Improvements to IFRSs 2011-2013 Cycle | July 1, 2014 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 4) |
| IFRS 9 "Financial Instruments" | January 1, 2018 |
| Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures" | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | January 1, 2016 (Note 3) |
| Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception" | January 1, 2016 |
| Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" | January 1, 2016 |
| IFRS 14 "Regulatory Deferral Accounts" | January 1, 2016 |
| IFRS 15 "Revenue from Contracts with Customers" | January 1, 2017 |
| Amendment to IAS 1 "Disclosure Initiative" | January 1, 2016 |

(Continued)

| New IFRSs | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization" | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" | January 1, 2016 |
| Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" | July 1, 2014 |
| Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets" | January 1, 2014 |
| Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" | January 1, 2014 |
| IFRIC 21 "Levies" | January 1, 2014 |

(Concluded)

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

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

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

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

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

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

The impairment of financial assets

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

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

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

In issuing IFRS 13, the IASB made consequential amendment to the disclosure requirements in IAS 36, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 13 were amended in this annual improvement.

IFRS 13 was amended to clarify that short-term receivables and payables with no stated interest rate were measured at their invoice amounts, if the effect without discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 13 were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, IAS 11 and a number of revenue-related interpretations.

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

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

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

6) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 7 were amended in this annual improvement.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

7) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disclose the material items of different natures or functions separately and material items could not be disclosed with immaterial items together.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

### Statement of Compliance

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

### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading; and

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

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading; and

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

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

Assets and liabilities not mentioned above are classified as non-current.

### Basis of Consolidation

a. Principles for preparing consolidated financial statements

   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.

   <u>Attribution of total comprehensive income to non-controlling interests</u>

   Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if that results in a deficit balance in the non-controlling interests.

b. Subsidiaries included in consolidated financial statements

| | | | % of Ownership December 31 | | |
|---|---|---|---|---|---|
| Investor | Investee | Main Business | 2014 | 2013 | Remark |
| The Corporation | Concord Futures Corp. Ltd. (Concord Futures) | Foreign and domestic futures dealing, brokerage and consulting services | 95.71 | 95.71 | |
| | Concord Capital Management Corp (Concord Capital Management) | Securities investment advisory services | 100.00 | 100.00 | |
| | Kang-Lian AMC. Co., Ltd. (Kang-Lian AMC) | Business management advisory services and asset management services | 100.00 | 100.00 | |
| | Concord Managed Futures Corp. (Concord Managed Futures) | Foreign and domestic futures managing, consulting and trust services | 100.00 | 100.00 | Note |
| | Concord Insurance Agent Corp. (Concord Insurance) | Life insurance agency | 100.00 | 100.00 | |
| | Concord Capital Holdings (Cayman) Limited (Concord Cayman) | Holding company, recognized gain (loss) on invested companies | 100.00 | 100.00 | |
| Concord Capital Holdings (Cayman) Limited | Taiwan Concord Capital Securities (Hong Kong) Limited (TCCS) | Securities and futures brokerage and dealing related services | 100.00 | 100.00 | |
| Taiwan Concord Capital Securities (Hong Kong) Limited | Concord Asset Management (HK) Limited (CAM) | Financial planning and asset management services | 100.00 | 100.00 | |

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

**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 measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items are recognized in profit or loss except for exchange differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in foreign currencies are not translated.

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

When the Corporation disposes a foreign operation and loses control or significant influence of that foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

**Investments in Associates**

An associate is an entity over which the Corporation 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.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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

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 forms part of 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 stated at cost, less subsequent accumulated depreciation and accumulated impairment loss.

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

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

**Investment Properties**

Investment properties are properties held for earning rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost at the date of acquisition of the business. Subsequently, it is measured at cost less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

**Intangible Assets**

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

Any gain or loss arising from derecognition of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset and 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 Company 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.

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.

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Investments in equity instruments under financial assets at FVTPL 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 instruments are subsequently 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 the fair value of the financial assets can be reliably measured in a subsequent period, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

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. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and 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 are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized 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 and other receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discount is immaterial.

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

2) Impairment of financial assets

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

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

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

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

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

For all other financial assets, objective evidence of impairment could include:

a) Significant financial difficulty of the issuer or counterparty; or
b) Breach of contract, such as a default or delinquency in interest or principal payments; or
c) It is becoming probable that the borrower will enter bankruptcy or financial re-organization; or
d) The 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 respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss can not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the financial assets can be objectively related to an event occurring after the recognition of the impairment loss.

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 can 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.

3) Derecognition of financial assets

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

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

b. Equity instruments

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

Equity instruments issued by the Group 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 classified as at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at FVTPL are held for trading and designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

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 is 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, the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss (excluding any interest or dividend paid on the financial liability). Fair value is determined in the manner described in Note 30.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

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

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

**Repurchase and Resale Transaction**

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

**Margin Loans and Refinancing**

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

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

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

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

**Securities Business Money Lending and Securities Lending**

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

The Group recognized the amount from securities business money lending and securities lending as margin loans receivable or payable on two business days after the transaction date, and evaluated the impairment 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 and 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 presented as "customers' margin accounts" and "futures traders' equity." Gains or losses from daily marking to market of the carrying amounts of the contracts and related commission are charged to the customers' margin accounts and futures traders' equity. Futures traders' equity accounts cannot be offset against each other unless the equity accounts are of the same type and belong to the same trader.

**Operating Deposits**

Operating deposits are the legal deposits in a specific account required under the Rules Governing Securities Firms and Rules Governing Futures Commission Merchants. 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, clearing and settlement funds are legal funds deposited before and after operation in TSE or ROC OTC.

**Provisions**

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

**Revenue Recognition**

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

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

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

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

**Leasing**

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

a. The Group as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rent under operating leases is recognized as income when it occurs.

b. The Group as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rent under operating leases is recognized as expense when it occurs.

**Retirement Benefits**

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income and closed to retained earnings.

Accrued pension liabilities recognized in balance sheets represent the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

**Income Taxes**

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

a. Current tax

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

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

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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 all deductible temporary differences to the extent that it is probable that taxable profit will be available against which these deductible temporary differences can be utilized.

   Deferred tax liabilities are recognized for taxable temporary differences associated with investments in 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 these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and 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 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

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

## 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 to be relevant. Actual results may differ from these estimates.

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

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

The Group determines the fair value of derivative instruments and financial instruments with no quoted market price in an active market using evaluation methods. Refer to Note 30 for related assumptions, estimates and book value.

b. Impairment of tangible and intangible assets other than goodwill

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

The Group recognized impairment loss for some investment properties and intangible assets at the end of each reporting period (refer to Notes 17 and 18 for details).

c. Realization of deferred tax assets

The realization of deferred tax assets depends on if there will be sufficient profits or the taxable temporary differences. If the actual profit less than projecting profit then it may cause significant reverse of the deferred tax assets. Such reversal shall be recognized through profit or less. Refer to Note 26 for details of the unrecognized amount of deferred tax assets.

d. Recognition and measurement of defined benefit plans

Net defined benefit liabilities (assets) and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. 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.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Cash on hand and working fund | $ 228 | $ 149 |
| Check and demand deposits | 444,866 | 561,582 |
| Foreign currency deposits | 545,189 | 643,383 |
| Cash equivalents | | |
| Time deposits with original maturities less than three months | 6,500 | 49,000 |
| Excess future trading margin | 122,164 | 264,878 |
| | $ 1,118,947 | $ 1,518,992 |

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

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Time deposits with original maturities less than three months | 0.940% | 0.350%-1.355% |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Financial assets at FVTPL - current | | |
| Financial assets held for trading | | |
| Open-end funds and money market instruments | $ 124,677 | $ 53,916 |
| Operating securities - dealing | 15,677,247 | 10,509,620 |
| Operating securities - underwriting | 196,831 | 222,093 |
| Operating securities - hedging | 543,043 | 538,252 |
| Securities investments | 32,074 | 11,201 |
| Futures margin - own funds | 29,456 | 17,152 |
| Long options - nonhedging | 995 | 641 |
| Derivative financial assets - OTC | | |
| Value of asset swap IRS contracts | 23,982 | 22,800 |
| Asset swap options | 185,347 | 36,999 |
| | $ 16,813,652 | $ 11,412,674 |
| Financial liabilities at FVTPL - current | | |
| Financial liabilities held for trading | | |
| Bond investments under resale agreements - short sales | $ 905,935 | $ 454,732 |
| Warrants liabilities | 1,214,688 | 1,693,204 |
| Warrants redeemed | (1,127,011) | (1,602,274) |
| Short options - nonhedging | 1,115 | - |
| Settlement coverage bonds payable of short sale | 548,711 | 547,158 |
| Liabilities on sale of borrowed securities - hedging | 255,778 | 118,585 |
| Derivative financial liabilities - OTC | | |
| Value of asset swap IRS contracts | 13,885 | 1,171 |
| Asset swap options | 397,997 | 228,799 |
| | 2,211,098 | 1,441,375 |
| Financial liabilities at FVTPL, designated as upon initial recognition | | |
| Structured notes | 117,312 | 40,290 |
| | $ 2,328,410 | $ 1,481,665 |
| Financial liabilities at FVTPL - non-current | | |
| Financial liabilities at FVTPL, designated as upon initial recognition | | |
| Structured notes | $ 4,039 | $ 89,137 |

a. Open-end funds and money market instruments

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Open-end funds and money market instruments | $ 129,487 | $ 53,407 |
| Valuation adjustment | (4,810) | 509 |
| | $ 124,677 | $ 53,916 |

b. Operating securities - dealing

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Government bonds | $ 10,991,071 | $ 6,604,157 |
| Corporate bonds | 711,532 | 860,813 |
| Listed stocks | 597,208 | 241,418 |
| Stocks and convertible bonds traded in OTC market | 2,527,839 | 2,546,085 |
| Emerging stocks | 421,578 | 155,184 |
| Foreign stocks | 546,279 | 92,844 |
| Beneficiary securities | 10,000 | 10,000 |
| | 15,805,507 | 10,510,501 |
| Valuation adjustment | (128,260) | (881) |
| | $ 15,677,247 | $ 10,509,620 |

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

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Government bonds | 0.625%-6.125% | 1.000%-6.125% |
| Corporate bonds | 1.230%-1.550% | 1.195%-1.880% |

As of December 31, 2014 and 2013, the face value of the Group’s dealing securities and bond investments under resale agreements of $12,327,500 thousand and $8,781,300 thousand, respectively, were provided for repurchase agreements.

c. Operating securities - underwriting

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Listed and OTC stocks and convertible bonds | $ 195,584 | $ 220,908 |
| Valuation adjustment | 1,247 | 1,185 |
| | $ 196,831 | $ 222,093 |

d. Operating securities - hedging

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Listed stocks and warrants | $ 283,215 | $ 379,700 |
| Stocks and warrants traded in the OTC market | 230,238 | 147,614 |
| | 513,453 | 527,314 |
| Valuation adjustment | 29,590 | 10,938 |
| | $ 543,043 | $ 538,252 |

e. Securities investments

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Listed stocks | $ 30,728 | $ 10,739 |
| Valuation adjustment | 1,346 | 462 |
| | $ 32,074 | $ 11,201 |

f. Bond investments under resale agreements - short sales

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Government bonds | $ 904,871 | $ 454,475 |
| Valuation adjustment | 1,064 | 257 |
| | $ 905,935 | $ 454,732 |

g. Warrants

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Warrants liabilities | $ 1,386,812 | $ 3,032,579 |
| Less: Gain on changes in fair value | (172,124) | (1,339,375) |
| | 1,214,688 | 1,693,204 |
| Warrants redeemed | 1,221,682 | 2,527,899 |
| Less: Loss on changes in fair value | (94,671) | (925,625) |
| | 1,127,011 | 1,602,274 |
| Net warrants liabilities | $ 87,677 | $ 90,930 |

h. Liabilities on sale of borrowed securities

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Hedging | | |
| Listed and OTC stocks | $ 242,799 | $ 113,554 |
| Valuation adjustment | 12,979 | 5,031 |
| | $ 255,778 | $ 118,585 |

i. Futures and options

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Long options - nonhedging | | |
| Index options | $ 1,559 | $ 972 |
| Loss on open positions | (564) | (331) |
| Fair value | $ 995 | $ 641 |
| Short options - nonhedging | | |
| Index options | $ (1,081) | $ - |
| Loss on open positions | (34) | - |
| Fair value | $ (1,115) | $ - |

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

| | | December 31, 2014 | | | |
|---|---|---|---|---|---|
| | | Opening Position | | Contract Amount/ Premium Paid | Fair |
| Item | Instrument Type | Long/ Short | Volume | (Received) | Value |
| Futures | Stock futures | Long | 28 | $ 75,177 | $ 78,020 |
| | MTX | Long | 280 | 126,108 | 129,934 |
| | SCN | Long | 15 | 5,004 | 5,531 |
| | YM | Long | 1 | 2,840 | 2,809 |
| | Stock futures | Short | 102 | 25,903 | 26,141 |
| | TAIEX futures | Short | 73 | 135,379 | 135,503 |
| | FFI | Short | 4 | 12,656 | 12,854 |
| | FESX | Short | 5 | 6,058 | 6,026 |
| | JY | Short | 1 | 3,305 | 3,303 |
| Options | TAIEX options - call | Long | 115 | 705 | 760 |
| | TAIEX options - put | Long | 190 | 854 | 235 |
| | TAIEX options - call | Short | 425 | (911) | (1,087) |
| | TAIEX options - put | Short | 40 | (170) | (28) |

| | | December 31, 2013 | | | |
|---|---|---|---|---|---|
| | | Opening Position | | Contract Amount/ Premium Paid | Fair |
| Item | Instrument Type | Long/ Short | Volume | (Received) | Value |
| Futures | MTX | Long | 240 | $ 100,327 | $ 103,596 |
| | Stock futures | Long | 108 | 54,946 | 58,064 |
| | SGX | Long | 4 | 9,257 | 9,230 |
| | TAIEX futures | Short | 55 | 94,966 | 94,963 |
| | EUX | Short | 1 | 9,418 | 9,867 |
| | JRU | Short | 5 | 1,964 | 1,948 |
| | Stock futures | Short | 2 | 677 | 668 |
| Options | TAIEX options - call | Long | 129 | 432 | 398 |
| | TAIEX options - put | Long | 180 | 540 | 243 |

As of December 31, 2014 and 2013, futures margins arising from futures and option contracts were $29,456 thousand and $17,152 thousand, respectively.

j. Derivative instruments - OTC

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

| | Nominal Amount | |
|---|---|---|
| | December 31 | |
| | 2014 | 2013 |
| Convertible bond asset swaps | $ 4,385,100 | $ 2,677,700 |
| Structured notes | 120,800 | 129,400 |

## 8. FINANCIAL ASSETS MEASURED AT COST

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Non-current | | |
| Nonpublic common stocks | | |
| Asia Pacific Emerging Industry Venture Capital Co., Ltd. | $ 30,000 | $ 15,000 |
| Taiwan Futures Exchange | 8,000 | 8,000 |
| Taiwan Depository & Clearing Corporation | 2,656 | 2,656 |
| Taiwan Integrated Shareholder Service Company | - | 6,600 |
| AnnCare Bio-Tech Center Inc. | - | 8,500 |
| | $ 40,656 | $ 40,756 |

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

Taiwan Integrated Shareholder Service Company was merged by Taiwan Depository & Clearing Corporation through the interim stockholders meeting in February 2014. The Group received $6,244 thousand and recognized loss on disposal of $356 thousand.

The Group invested Asia Pacific Emerging Industry Venture Capital Co., Ltd. by $15,000 thousand in February 2014.

The Group assessed the impairment of AnnCare Bio-Tech Center Inc. and recognized impairment loss $2,397 thousand in first half year of 2014. As of December 2014, the Group disposed all the shares of AnnCare Bio-Tech Center Inc. and recognized loss on disposal of $1,003 thousand.

Preferred stocks of Chinatrust Financial Holdings Company Ltd. matured at the end of 2012. The investment principal had been received in January 2013.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Current | | |
| Listed and OTC stocks | $ 279,073 | $ 7,344 |
| Non-current | | |
| Listed preferred stocks | $ 120,267 | $ 118,007 |

## 10. BOND INVESTMENTS UNDER RESALE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Government bonds | $ 2,766,814 | $ 1,820,098 |

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Government bonds | 0.0012%-0.5000% | 0.5850% |

Bonds outstanding as of December 31, 2014 were resold for $2,766,884 thousand by January 7, 2015 under resale agreements.

Bonds outstanding as of December 31, 2013 were resold for $1,820,150 thousand by January 6, 2014 under resale agreements.

## 11. CUSTOMERS' MARGIN ACCOUNTS AND FUTURES TRADERS' EQUITY

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Customers' margin accounts | | |
| Cash in banks | $ 1,983,458 | $ 2,140,202 |
| Futures clearing institution | 681,370 | 1,242,408 |
| Other futures commission | 252,148 | 185,901 |
| Customers' margin accounts | 2,916,976 | 3,568,511 |
| Less: Brokerage commission revenue and other operating expenses | (48,949) | (24,091) |
| Timing differences in receiving customers' deposits | 99,886 | (4,972) |
| Futures traders' equity | $ 2,967,913 | $ 3,539,448 |

## 12. FUTURES TRADING MARGIN RECEIVABLES

The subsidiary, Concord Futures, brokered futures trading in 2011. Due to the huge fluctuations in the futures market, some of the customers barely had time to close out the open position and had defaulted on settlement. At the end of each reporting period, futures trading margin receivables and allowance for doubtful accounts were as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Futures trading margin receivables | $ 575 | $ 875 |
| Less: Allowance for doubtful accounts | (50) | (50) |
| | $ 525 | $ 825 |

## 13. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Accounts receivable for settlement | $ 3,334,788 | $ 4,167,929 |
| Bonds interest receivable | 163,166 | 112,380 |
| Brokerage commissions and refinancing interest receivable | 122,701 | 99,107 |
| Other | 52,031 | 80,939 |
| | $ 3,672,686 | $ 4,460,355 |

## 14. OTHER FINANCIAL ASSETS - CURRENT

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Time deposits | $ 829,295 | $ 898,997 |

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 | |
|---|---|---|
| | 2014 | 2013 |
| Time deposits | 0.60%-3.30% | 0.64%-1.42% |

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | December 31 | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| Investment in Associates | Carrying Value | % of Shareholdings | Carrying Value | % of Shareholdings |
| HWA-HO Asset Management Corp. | $ 386,075 | 47.62 | $ 396,282 | 47.62 |
| Value Partners Concord Assets Management Co., Ltd. | 93,047 | 25.00 | 103,676 | 25.00 |
| | $ 479,122 | | $ 499,958 | |

The summarized financial information of the Group's associates was set out as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Total assets | $ 3,057,699 | $ 2,781,888 |
| Total liabilities | $ 1,955,898 | $ 1,616,137 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Revenues | $ 17,029 | $ 27,258 |
| Net loss for the year | $ (65,767) | $ (14,601) |
| Other comprehensive income (loss) for the year | $ 1,469 | $ (34) |

The Group's investments accounted for using equity method and share of profit or loss and other comprehensive income of those investments were calculated based on the audited financial statements for the years ended December 31, 2014 and 2013.

## 16. PROPERTY AND EQUIPMENT

| | For the Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2014 | Additions | Reductions | Reclassifi-cations | Effect of Exchange Rate Changes, Net | Balance at December 31, 2014 |
| Cost | | | | | | |
| Land | $ 875,730 | $ - | $ - | $ (1,571) | $ - | $ 874,159 |
| Buildings | 341,812 | - | - | (1,047) | - | 340,765 |
| Equipment | 174,360 | 18,396 | (33,671) | - | 1,423 | 160,508 |
| Leasehold improvements | 180,970 | 3,567 | (76,641) | - | 314 | 108,210 |
| | 1,572,872 | $ 21,963 | $ (110,312) | $ (2,618) | $ 1,737 | 1,483,642 |
| Accumulated depreciations | | | | | | |
| Buildings | 114,467 | $ 6,086 | $ - | $ (149) | $ - | 120,404 |
| Equipment | 104,820 | 29,294 | (32,835) | - | 1,106 | 102,385 |
| Leasehold improvements | 113,473 | 27,744 | (74,535) | - | 291 | 66,973 |
| | 332,760 | $ 63,124 | $ (107,370) | $ (149) | $ 1,397 | 289,762 |
| Accumulated impairment | 427 | $ - | $ - | $ - | $ - | 427 |
| Net book value | $ 1,239,685 | | | | | $ 1,193,453 |

| | For the Year Ended December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2013 | Additions | Reductions | Reclassifi- cations | Effect of Exchange Rate Changes, Net | Balance at December 31, 2013 |
| Cost | | | | | | |
| Land | $ 874,945 | $ - | $ - | $ 785 | $ - | $ 875,730 |
| Buildings | 341,288 | - | - | 524 | - | 341,812 |
| Equipment | 179,298 | 11,563 | (23,155) | 6,107 | 547 | 174,360 |
| Leasehold improvements | 174,142 | 8,780 | (15,580) | 13,504 | 124 | 180,970 |
| | 1,569,673 | $ 20,343 | $ (38,735) | $ 20,920 | $ 671 | 1,572,872 |
| Accumulated depreciations | | | | | | |
| Buildings | 108,304 | $ 6,096 | $ - | $ 67 | $ - | 114,467 |
| Equipment | 94,634 | 32,909 | (23,047) | - | 324 | 104,820 |
| Leasehold improvements | 89,690 | 37,191 | (13,472) | - | 64 | 113,473 |
| | 292,628 | $ 76,196 | $ (36,519) | $ 67 | $ 388 | 332,760 |
| Accumulated impairment | 427 | $ - | $ - | $ - | $ - | 427 |
| Net book value | $ 1,276,618 | | | | | $ 1,239,685 |

The Corporation disposed the Yuanlin branch in August 2014. The book value of property and equipment of the branch was $2,309 thousand on the date of disposal.

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

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

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

Some property and equipment were pledged as collateral for loans (refer to Note 32 for details).

## 17. INVESTMENT PROPERTIES

| | For the Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | Balance at January 1, 2014 | Additions | Reductions | Reclassifi- cations | Balance at December 31, 2014 |
| Cost | | | | | |
| Land | $ 208,242 | $ - | $ - | $ 1,571 | $ 209,813 |
| Buildings | 68,161 | - | - | 1,047 | 69,208 |
| | 276,403 | $ - | $ - | $ 2,618 | 279,021 |
| Accumulated depreciations | 22,821 | $ 1,053 | $ - | $ 149 | 24,023 |
| Accumulated impairment | 14,533 | $ - | $ - | $ - | 14,533 |
| Net book value | $ 239,049 | | | | $ 240,465 |

| | For the Year Ended December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Balance at January 1, 2013 | Additions | Reductions | Reclassifi-cations | Balance at December 31, 2013 |
| Cost | | | | | |
| Land | $ 209,027 | $ - | $ - | $ (785) | $ 208,242 |
| Buildings | 68,685 | - | - | (524) | 68,161 |
| | 277,712 | $ - | $ - | $ (1,309) | 276,403 |
| Accumulated depreciations | 21,865 | $ 1,023 | $ - | $ (67) | 22,821 |
| Accumulated impairment | 22,035 | $ - | $ (7,502) | $ - | 14,533 |
| Net book value | $ 233,812 | | | | $ 239,049 |

Investment properties were depreciated on straight-line basis over the following estimated useful life of the assets:

| | |
|---|---|
| Buildings | 55 years |

As of December 31, 2014 and 2013, the fair value of the Group's investment properties amounted to $335,697 thousand and $363,252 thousand, respectively. The fair value was quoted at the market price of similar properties.

Some investment properties were pledged as collateral for loans (refer to Note 32 for details).

## 18. INTANGIBLE ASSETS

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Computer software | $ 32,164 | $ 40,162 |
| Memberships in foreign futures exchanges | 33,392 | 33,392 |
| Trading rights | 4,080 | 3,842 |
| Website constructing expenses | 59 | 75 |
| Goodwill | - | 4,233 |
| | $ 69,695 | $ 81,704 |

| | For the Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2014 | Additions | Reductions | Reclassifi-cations | Effect of Exchange Rate Changes, Net | Balance at December 31, 2014 |
| Cost | | | | | | |
| Computer software | $ 97,373 | $ 16,992 | $ (40,159) | $ - | $ - | $ 74,206 |
| Trademark rights | 474 | - | (474) | - | - | - |
| Goodwill | 4,233 | - | - | - | 261 | 4,494 |
| Trading rights | 4,980 | - | - | - | 308 | 5,288 |
| Memberships in foreign futures exchanges | 33,392 | - | - | - | - | 33,392 |
| Website constructing expenses | 80 | - | - | - | - | 80 |
| | 140,532 | $ 16,992 | $ (40,633) | $ - | $ 569 | 117,460 |

(Continued)

| | For the Year Ended December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2014 | Additions | Reductions | Reclassifi-cations | Effect of Exchange Rate Changes, Net | Balance at December 31, 2014 |
| Accumulated amortization | | | | | | |
| Computer software | $ 57,211 | $ 23,878 | $ (39,047) | $ - | $ - | $ 42,042 |
| Trademark rights | 474 | - | (474) | - | - | - |
| Website constructing expenses | 5 | 16 | - | - | - | 21 |
| | 57,690 | $ 23,894 | $ (39,521) | $ - | $ - | 42,063 |
| Accumulated impairment | | | | | | |
| Trading rights | 1,138 | $ - | $ - | $ - | $ 70 | 1,208 |
| Goodwill | - | 4,304 | - | - | 190 | 4,494 |
| | 1,138 | $ 4,304 | $ - | $ - | $ 260 | 5,702 |
| Net book value | | | | | | |
| | $ 81,704 | | | | | $ 69,695 |

(Concluded)

| | For the Year Ended December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Balance at January 1, 2013 | Additions | Reductions | Reclassifi-cations | Effect of Exchange Rate Changes, Net | Balance at December 31, 2013 |
| Cost | | | | | | |
| Computer software | $ 102,901 | $ 14,861 | $ (26,648) | $ 6,259 | $ - | $ 97,373 |
| Trademark rights | 474 | - | - | - | - | 474 |
| Goodwill | 4,127 | - | - | - | 106 | 4,233 |
| Trading rights | 4,856 | - | - | - | 124 | 4,980 |
| Memberships in foreign futures exchanges | 33,392 | - | - | - | - | 33,392 |
| Website constructing expenses | - | 80 | - | - | - | 80 |
| | 145,750 | $ 14,941 | $ (26,648) | $ 6,259 | $ 230 | 140,532 |
| Accumulated amortization | | | | | | |
| Computer software | 56,594 | $ 27,260 | $ (26,648) | $ 5 | $ - | 57,211 |
| Trademark rights | 421 | 53 | - | - | - | 474 |
| Website constructing expenses | - | 5 | - | - | - | 5 |
| | 57,015 | $ 27,318 | $ (26,648) | $ 5 | $ - | 57,690 |
| Accumulated impairment | | | | | | |
| Trading rights | 1,110 | $ - | $ - | $ - | $ 28 | 1,138 |
| Net book value | $ 87,625 | | | | | $ 81,704 |

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

| | |
|---|---|
| Computer software | 2-5 years |
| Trademark rights | 9 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.

Indirect subsidiary, TCCS, assessed impairment of goodwill and recognized impairment loss $4,304 thousand.

## 19. OTHER NON-CURRENT ASSETS

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Operating deposits | $ 756,477 | $ 780,282 |
| Clearing and settlement fund | 235,478 | 234,015 |
| Refundable deposits | 40,164 | 41,378 |
| Deferred expense | 3,817 | 5,797 |
| Others | 5,023 | 4,332 |
| | $ 1,040,959 | $ 1,065,804 |

## 20. BORROWINGS

a. Short-term borrowings

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Secured borrowings | $ 347,000 | $ 80,000 |
| Unsecured borrowings | 150,000 | - |
| | $ 497,000 | $ 80,000 |

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

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Short-term borrowings | 1.05%-1.31% | 1.08%-1.10% |

Some time deposits, property and equipment, investments properties were provided as collateral for bank borrowings and credit line (refer to Note 32 for details).

b. Commercial paper payable

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Commercial paper payable | $ 4,983,000 | $ 4,085,000 |
| Less: Discount of commercial paper payable | (3,932) | (1,767) |
| | $ 4,979,068 | $ 4,083,233 |

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Commercial paper payable | 1.000%-1.160% | 0.978%-1.018% |

All commercial papers mentioned above were underwrote by bills finance companies or banks. Some time deposits were provided as collateral for commercial paper payable (refer to Note 32 for details).

## 21. LIABILITIES FOR BONDS WITH REPURCHASE AGREEMENTS

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Government bonds | $ 11,313,741 | $ 6,896,723 |
| Corporate bonds | 1,960,249 | 2,368,707 |
| | $ 13,273,990 | $ 9,265,430 |

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Government bonds | 0.53%-0.57% | 0.56%-0.59% |
| Corporate bonds | 0.63%-0.82% | 0.685%-0.82% |

The bonds outstanding as of December 31, 2014 were repurchased for $13,278,144 thousand by March 30, 2015, under repurchase agreements.

The bonds outstanding as of December 31, 2013 were repurchased for $9,269,425 thousand by March 21, 2014, under repurchase agreements.

## 22. ACCOUNTS PAYABLE

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Accounts payable - settlement | $ 4,083,542 | $ 4,343,595 |
| Accounts payable - brokerage | 846,984 | 1,033,487 |
| Others | 29,268 | 39,691 |
| | $ 4,959,794 | $ 5,416,773 |

## 23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries. TCCS and CAM both adopted defined contribution plans and recognized the amount they contributed as pension cost.

b. Defined benefit plan

The Group adopted the defined benefit plan under the Labor Standards Law, under which 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 the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

| | December 31, 2014 | | |
|---|---|---|---|
| | **Corporation** | **Concord Futures** | **Concord Managed Futures** |
| Discount rate | 1.8% | 1.9% | 2.3% |
| Incremental rate of employees' future salaries level | 2.0% | 0.5% | 1.0% |
| Expected rate of return on plan assets | 1.8% | 1.9% | 2.3% |

| | December 31, 2013 | | |
|---|---|---|---|
| | **Corporation** | **Concord Futures** | **Concord Managed Futures** |
| Discount rate | 1.8% | 2.0% | 2.0% |
| Incremental rate of employees' future salaries level | 2.0% | 1.0% | 1.0% |
| Expected rate of return on plan assets | 1.8% | 2.0% | 2.0% |

The assessment of the overall expected rate of return was based on historical return trends and actuaries' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Current service cost | $ 8,369 | $ 18,468 |
| Interest cost | 4,023 | 3,179 |
| Expected return on plan assets | (1,018) | (1,014) |
| | $ 11,374 | $ 20,633 |

Actuarial losses and gains recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were net loss of $4,911 thousand and $12,577 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income were net loss of $9,082 thousand and net loss of $4,171 thousand as of December 31, 2014 and 2013, respectively.

The amounts of the Group's obligation in respect of their defined benefit plans at the end of each reporting period were as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Present value of funded defined benefit obligation | $ (240,087) | $ (246,541) |
| Fair value of plan assets | 55,268 | 70,654 |
| Accrued pension liabilities | $ (184,819) | $ (175,887) |

Movements in the present value of the defined benefit obligations were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Beginning balance of defined benefit obligation at January 1 | $ 246,541 | $ 227,431 |
| Current service cost | 8,369 | 18,468 |
| Interest cost | 4,023 | 3,179 |
| Actuarial losses | 4,776 | 14,460 |
| Benefits paid | (23,622) | (16,997) |
| Ending balance of defined benefit obligation at December 31 | $ 240,087 | $ 246,541 |

Movements in the fair value of the plan assets were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Beginning balance of fair value of plan assets at January 1 | $ 70,654 | $ 70,957 |
| Expected return on plan assets | 1,018 | 1,014 |
| Actuarial losses (gains) | (135) | 1,883 |
| Contributions from the employer | 2,910 | 4,856 |
| Benefits paid | (19,179) | (8,056) |
| Ending balance of fair value of plan assets at December 31 | $ 55,268 | $ 70,654 |

For the years ended December 31, 2014 and 2013, actual return on the plan assets were $883 thousand and $2,897 thousand, respectively.

The percentages for major categories of plan assets at the end of each reporting period were disclosed as follows, which were based on the information announced by Bureau of Labor Funds, Ministry of Labor:

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Equity instruments | 50% | 45% |
| Cash | 19% | 23% |
| Bonds | 12% | 9% |
| Fixed income instruments | 14% | 18% |
| Others | 5% | 5% |
| | 100% | 100% |

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Present value of defined benefit obligation | $ (240,087) | $ (246,541) |
| Fair value of plan assets | $ 55,268 | $ 70,654 |
| Deficit | $ (184,819) | $ (175,887) |
| Experience adjustments on plan liabilities | $ (4,923) | $ (1,000) |
| Experience adjustments on plan assets | $ (135) | $ 1,883 |

| | **December 31, 2012** | **January 1, 2012** |
|---|---|---|
| Present value of defined benefit obligation | $ (227,431) | $ (218,132) |
| Fair value of plan assets | $ 70,957 | $ 70,435 |
| Deficit | $ (156,474) | $ (147,697) |
| Experience adjustments on plan liabilities | $ 14,258 | $ - |
| Experience adjustments on plan assets | $ (240) | $ - |

## 24. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Numbers 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) | 688,337 | 688,337 |
| Shares issued | $ 6,883,368 | $ 6,883,368 |

Fully paid common stocks, which have a par value of $10, carry one vote per share and carry a right to dividends.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Additional paid-in capital | $ 554 | $ 554 |
| Treasury stock transactions | 15,129 | 15,129 |
| Gain on sale of fixed assets | 682 | 682 |
| Premium for mergers | 100 | 100 |
| Others | 1,296 | 1,296 |
| | $ 17,761 | $ 17,761 |

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

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

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

c. Retained earnings and dividend policy

According to the Articles of Incorporation, the Corporation should make appropriations from its net income, less tax and any deficit, and set aside reserves as follows:

1) Legal reserve 10%.
2) Special reserve 20% until the reserve balance equals the amount of paid-in capital.

Any remaining amount plus accumulated undistributed earnings, after retention of a portion for operation, may be distributed upon the proposal by the board of directors and approval by the stockholders in their meeting. The distribution of earnings should include the following:

1) Within 5% as remuneration to directors.
2) 1% to 2% as bonus to employees.

Because of rapidly changing securities industry environment and the positive stage of development, the Corporation needs sufficient capital to ensure competitiveness and business development. The Corporation adopts stock dividend policy and distributes appropriate cash dividend considering earnings and capital requirements in the future.

Dividends should not be less than 50% of income after tax of the year, and stock dividends should not be less than 80% of total dividends distributed.

For the year ended December 31, 2014, the bonus to employees and the remuneration to directors were $512 thousand and $2,558 thousand, respectively. The evaluation of the aforementioned bonus to employees and the remuneration to directors were based on the past experience. Before the issue date of consolidated financial statements, material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are recognized as expenses of the current year. After the issue date of consolidated financial statements, if the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If employee bonus is determined to be paid by stocks, the number of shares is determined by dividing the amount of the share bonus by the closing price at the date before the stockholder's resolutions (including consideration of the influence of ex-right and ex-dividend). There were accumulated deficits of the Corporation in 2013; therefore, no accruals were made for bonus to employees and remuneration to directors.

The corporation recognized and reverse the special reserves under Rule No. 1010028514 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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 there is no deficit of the Corporation 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.

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

The appropriations of earnings for 2013 and 2012 had been approved in the stockholders' meetings on June 20, 2014 and June 14, 2013, respectively. The amounts of appropriations and deficit offset by reserves were as follows:

| | **Offset of Accumulated Deficit** | **Earnings Appropriation and Distribution** |
|---|---|---|
| | **2013** | **2012** |
| Offset of accumulated deficits by special reserve | $ (27,927) | $ - |
| Reversal of special reserve | (15,779) | - |
| Legal reserve | - | 786 |
| Special reserve | - | 4,445 |
| Coverage of special reserve | - | 2,633 |
| | $ (43,706) | $ 7,864 |

The appropriations of earnings, bonus to employees and remuneration to directors for 2012 were proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the Generally Accepted Accounting Standard in the Republic of China ("ROC GAAP").

There were accumulated deficits in 2013; therefore, no appropriations were made for bonus to employees and remuneration to directors. The residual amount of retained earnings was not significant after appropriating reserves in 2012, therefore, no appropriations were made for bonus to employees and remuneration to directors.

The offset of accumulated deficits for 2014 had been proposed by the board of directors on March 19, 2015. The proposed offset of accumulated deficits was as follows:

| | **Offset of Accumulated Deficits** |
|---|---|
| Legal reserve | $ 6,669 |
| Special reserve | 13,338 |

The offset of accumulated deficit for 2014 is subject to the resolution in the stockholders' meeting to be held at June 12, 2015.

Information on the bonus to employees and remuneration to directors proposed by the Corporation's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity

1) Exchange differences on translating foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Beginning balance at January 1 | $ (5,653) | $ (13,664) |
| Exchange differences on translating foreign operations | 29,325 | 9,651 |
| Income tax expense related to exchange differences on translating foreign operations | (4,436) | (1,640) |
| Ending balance at December 31 | $ 19,236 | $ (5,653) |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Beginning balance at January 1 | $ 3,650 | $ 3,555 |
| Unrealized losses on available-for-sale financial assets | (6,744) | (668) |
| Share of unrealized gains on available-for-sale financial assets of associates accounted for using the equity method | 669 | 763 |
| Ending balance at December 31 | $ (2,425) | $ 3,650 |

e. Treasury stock

**Unit: Number of Shares (In Thousands)**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Beginning balance at January 1 | - | 3,467 |
| Treasury stock retired | - | (3,467) |
| Purchase of treasury stock | 20,000 | - |
| Ending balance at December 31 | 20,000 | - |

The Corporation's treasury stocks are intended for transferring to employees. Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stock nor exercise stockholders' rights on these shares, such as rights to dividends and to vote.

Under the Securities and Exchange Act, treasury stocks shall be transferred within three years from the date of repurchase. The Corporation shall file for a change of unissued shares in business registration if those shares were not transferred within the period. The Corporation retired treasury stocks which totaled 3,467 thousand shares based on resolutions of the board of directors on May 9, 2013. The amount of capital reduction was $34,670 thousand and the new shares issued amounted to $6,883,368 thousand.

The Corporation purchased treasury stocks based on resolutions of the board of directors on August 12, 2014. The Corporation purchased treasury stocks which totaled 20,000 thousand shares by $170,856 thousand by the end of 2014.

## 25. BREAKDOWN ON STATEMENT OF COMPRESSIVE INCOME ITEMS

a. Securities brokerage commissions

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Handling fee revenues from brokered stock trading | $ 740,210 | $ 648,058 |
| Handling fee revenues from brokered futures trading | 564,153 | 525,770 |
| Handling fees from securities financing | 13,950 | 12,369 |
| Others | 10,450 | 6,977 |
| | $ 1,328,763 | $ 1,193,174 |

b. Underwriting commissions

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Revenues from underwriting securities on a firm commitment basis | $ 28,987 | $ 26,902 |
| Revenues from underwriting consultation | 26,626 | 28,474 |
| Processing fee revenues from underwriting operations | 13,984 | 22,154 |
| Others | 2,100 | 13,739 |
| | $ 71,697 | $ 91,269 |

c. Gains on sale of securities, net

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Dealing | $ 132,303 | $ 90,796 |
| Hedging | 29,599 | 11,691 |
| Underwriting | 9,943 | 23,167 |
| | $ 171,845 | $ 125,654 |

d. Interest income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Finance interest | $ 339,017 | $ 287,053 |
| Bond interest | 309,617 | 303,173 |
| Bond investment with resale agreements | 7,204 | 9,089 |
| Others | 7,360 | 7,541 |
| | $ 663,198 | $ 606,856 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Dealing | $ (127,424) | $ 74,982 |
| Hedging | 18,652 | (372) |
| Underwriting | 62 | 2,084 |
| Settlement coverage bonds payable of short sale | (318) | 133 |
| | $ (109,028) | $ 76,827 |

f. Gains on issuance of stock warrants, net

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Gains on change in fair value of warrants liabilities | $ 3,959,348 | $ 6,635,417 |
| Gains (losses) on exercise of warrants before maturity | 6,971 | (64) |
| Losses on change in fair value of warrants redeemed - realized | (3,824,879) | (5,667,688) |
| Losses on change in fair value of warrants redeemed - unrealized | (94,671) | (925,625) |
| Expenses of stock warrant issuance | (24,162) | (21,892) |
| | $ 22,607 | $ 20,148 |

g. Derivative instrument

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Gains (losses) on derivative instruments - futures, net | | |
| Net gains (losses) from futures transactions | $ 56,721 | $ (381) |
| Net gains from option transactions | 3,734 | 20,362 |
| | $ 60,455 | $ 19,981 |
| Gains (losses) on derivative instruments - OTC | | |
| Value of Asset swap IRS contracts | $ 13,200 | $ 20,642 |
| Losses from When-issued trading of government bonds | (39) | - |
| Bond options | (2,044) | 703 |
| Structured notes | (4,389) | (3,019) |
| Asset swap options | (9,889) | (170,553) |
| | $ (3,161) | $ (152,227) |

h. Other operating income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Management commissions | $ 28,265 | $ 25,737 |
| Commission revenue | 27,482 | - |
| Advisory revenue | 2,796 | 710 |
| Others | 2,615 | 14,962 |
| | $ 61,158 | $ 41,409 |

i. Handling fee expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Brokerage | $ 155,508 | $ 129,352 |
| Dealing | 13,977 | 10,496 |
| Others | 339 | 702 |
| | $ 169,824 | $ 140,550 |

j. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Liabilities for bonds with repurchase agreements interest | $ 71,553 | $ 74,370 |
| Commercial paper interest | 53,998 | 34,744 |
| Finance interest | 1,968 | 1,782 |
| Loan interest | 1,371 | 3,414 |
| Others | 1,134 | 3,872 |
| | $ 130,024 | $ 118,182 |

k. Employee benefits expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Retirement benefit | | |
| Defined contribution plan | $ 40,784 | $ 34,226 |
| Defined benefit plan | 11,374 | 20,633 |
| | 52,158 | 54,859 |
| Short-term employee benefits | | |
| Salaries | 1,019,386 | 903,757 |
| Insurance | 75,158 | 69,800 |
| Others | 38,220 | 30,325 |
| | $ 1,184,922 | $ 1,058,741 |

l. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Depreciation | | |
| Properties and equipment | $ 63,124 | $ 76,196 |
| Investment properties | 1,053 | 1,023 |
| | $ 64,177 | $ 77,219 |
| Amortization | | |
| Intangible assets | $ 23,894 | $ 27,318 |
| Deferred expense | 1,981 | 1,955 |
| | $ 25,875 | $ 29,273 |

m. Other operating expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Taxes | $ 149,887 | $ 124,500 |
| Rent | 93,855 | 97,036 |
| Information technology expense | 83,290 | 83,115 |
| Postage expense | 37,038 | 39,693 |
| Professional service fees | 29,087 | 61,016 |
| Utilities | 27,448 | 26,220 |
| Repairs and maintenance expense | 21,787 | 21,746 |
| Entertainment | 20,745 | 22,718 |
| Others | 131,247 | 111,819 |
| | $ 594,384 | $ 587,863 |

n. Other income and expenses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Rent revenue | $ 58,958 | $ 49,673 |
| Finance revenue | 50,733 | 52,517 |
| Exchange gain, net | 29,173 | 101 |
| Dividend revenue | 11,509 | 3,872 |
| Reversal of impairment loss of non-financial assets | - | 7,502 |
| Gain (loss) on disposal of investment | (339) | 3,273 |
| Others | 12,105 | 8,986 |
| | $ 162,139 | $ 125,924 |

## 26. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Current tax | | |
| In respect of the current period | $ 44,110 | $ 31,801 |
| In respect of prior periods | (516) | (2,481) |
| | 43,594 | 29,320 |
| Deferred tax | | |
| In respect of the current period | (10,831) | (11,352) |
| In respect of prior periods | 844 | - |
| | (9,987) | (11,352) |
| Income tax expense recognized in profit or loss | $ 33,607 | $ 17,968 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Income tax expense calculated at the statutory rate | $ 32,518 | $ 23,235 |
| Nondeductible expenses in determining taxable income | 7,587 | 2,915 |
| Tax-exempt income | (9,502) | (8,295) |
| Unrecognized deductible temporary differences | (10) | (1,886) |
| Adjustments for prior years' tax | 328 | (2,481) |
| Others | 2,686 | 4,480 |
| Income tax expense recognized in profit or loss | $ 33,607 | $ 17,968 |

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

As the status of 2015 appropriations of earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings are not reliably determinable.

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Deferred tax | | |
| Recognized in other comprehensive income (loss): | | |
| Translation of foreign operations | $ 4,436 | $ 1,640 |
| Actuarial gains and losses on defined benefit plan | (662) | (416) |
| | $ 3,774 | $ 1,224 |

c. Current tax assets and liabilities

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Current tax assets | | |
| Tax refund receivable | $ 39,904 | $ 34,022 |
| Current tax liabilities | | |
| Income tax payable | $ 3,004 | $ 7,590 |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2014

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary difference | | | | |
| Loss of foreign associates accounted for using equity method | $ 26,218 | $ 12,130 | $ - | $ 38,348 |
| Exchange differences on translating foreign operations | 2,099 | - | (2,099) | - |
| Defined benefit plans | 29,182 | 672 | 662 | 30,516 |
| Allowance for Doubtful accounts | 852 | (844) | - | 8 |
| Payable for annual leave | - | 275 | - | 275 |
| Others | 20 | 4 | - | 24 |
| | $ 58,371 | $ 12,237 | $ (1,437) | $ 69,171 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Unrealized exchange gains | $ 12 | $ 2,250 | $ - | $ 2,262 |
| Exchange differences on translating foreign operations | - | - | 2,337 | 2,337 |
| | $ 12 | $ 2,250 | $ 2,337 | $ 4,599 |

For the year ended December 31, 2013

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income (Loss) | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary difference | | | | |
| Loss of foreign associates accounted for using equity method | $ 16,092 | $ 10,126 | $ - | $ 26,218 |
| Exchange differences on translating foreign operations | 3,739 | - | (1,640) | 2,099 |
| Defined benefit plans | 27,655 | 1,111 | 416 | 29,182 |
| Allowance for Doubtful accounts | 753 | 99 | - | 852 |
| Others | 17 | 3 | - | 20 |
| | $ 48,256 | $ 11,339 | $ (1,224) | $ 58,371 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Unrealized exchange gains | $ 25 | $ (13) | $ - | $ 12 |

e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

| | December 31 2014 | December 31 2013 |
|---|---|---|
| Asset impairments | $ 7,710 | $ 7,710 |
| Loss carryforwards | $ 40,501 | $ 35,173 |

f. Integrated income tax

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

| | December 31 2014 | December 31 2013 |
|---|---|---|
| The balances of Imputation Credit Accounts (ICA) of the Corporation | $ 592,806 | $ 532,568 |

| | December 31, 2014 (Expected) | December 31, 2013 (Actual) |
|---|---|---|
| Creditable ratio for distribution of earning of the Corporation | 20.48% | - |

g. Income tax assessments

The income tax returns filing of the Corporation through 2011 have been examined by the tax authorities.

The income tax returns filing of Concord Futures through 2012 have been examined by the tax authorities.

The income tax returns filing of Concord Managed Futures, Concord Capital Management and Kang-Lian AMC through 2013 have been examined by the tax authorities.

## 27. EARNINGS PER SHARE

The calculation of earnings per share was as follows:

| | Amounts (Numerator) After Income Tax | Shares (Denominator) (In Thousands) | Earnings Per Share After Income Tax (In Dollars) |
|---|---|---|---|
| For the year ended December 31, 2014 | | | |
| Basic earnings per share | | | |
| Earnings available to ordinary owners of the Corporation | $ 70,954 | 680,675 | $ 0.10 |
| Effect of dilutive potential ordinary shares | | | |
| Bonus to employees | - | 63 | |
| Diluted earnings per share | | | |
| Earnings available to ordinary owners of the Corporation | $ 70,954 | 680,738 | $ 0.10 |
| For the year ended December 31, 2013 | | | |
| Basic earnings per share | | | |
| Earnings available to ordinary owners of the Corporation | $ 19,249 | 688,337 | $ 0.03 |

If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

There were no dilutive shares for the year ended December 31, 2013; therefore, no diluted earnings per share were disclosed.

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

## 28. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of premises with lease terms between 1 to 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 caused by the operating leases arrangements were as follows:

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| The payment of guarantee deposits | $ 23,695 | $ 21,817 |

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Within 1 year | $ 85,686 | $ 49,419 |
| Between 1 to 5 years | 94,327 | 75,458 |
| | $ 180,013 | $ 124,877 |

b. The Group as lessor

Operating leases relate to the investment property owned by the Group with lease terms between 1 to 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 property 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 | |
|---|---|---|
| | 2014 | 2013 |
| Guarantee deposits received | $ 1,200 | $ 600 |

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Within 1 year | $ 150 | $ 3,600 |
| Between 1 to 5 years | - | 10,800 |
| | $ 150 | $ 14,400 |

## 29. 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. Besides, by paying dividends, issuing new debts and settling original debts to adjust the overall capital structure.

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

## 30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments not carried at fair value

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

2) Fair value measurements recognized at the end of each reporting period

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2014

| | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Financial assets held for trading | $ 15,900,233 | $ 913,419 | $ - | $ 16,813,652 |
| Available-for-sale financial assets | | | | |
| Listed and OTC stocks and preferred stocks | 399,340 | - | - | 399,340 |
| | $ 16,299,573 | $ 913,419 | $ - | $ 17,212,992 |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities held for trading | $ 1,799,216 | $ 411,882 | $ - | $ 2,211,098 |
| Initial recognition financial liabilities designated as at FVTPL | - | 121,351 | - | 121,351 |
| | $ 1,799,216 | $ 533,233 | $ - | $ 2,332,449 |

December 31, 2013

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Financial assets held for trading | $ 10,499,517 | $ 913,157 | $ - | $ 11,412,674 |
| Available-for-sale financial assets | | | | |
| Listed stocks and preferred stocks | 125,351 | - | - | 125,351 |
| | $ 10,624,868 | $ 913,157 | $ - | $ 11,538,025 |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities held for trading | $ 1,211,405 | $ 229,970 | $ - | $ 1,441,375 |
| Initial recognition financial liabilities designated as at FVTPL | - | 129,427 | - | 129,427 |
| | $ 1,211,405 | $ 359,397 | $ - | $ 1,570,802 |

There were no significant transfers between Levels 1 and 2 for the years ended December 31, 2014 and 2013.

3) Reconciliation of Level 3 fair value measurements of financial assets

For the Year Ended December 31, 2013

| | Financial Assets at FVTPL |
|---|---|
| Beginning balance at January 1 | $ 859 |
| Total profit or loss - recognized in profit or loss | (739) |
| Purchase | 48 |
| Disposal/settlement | (168) |
| Ending balance at December 31 | $ - |

There were no changes of Level 3 fair value measurements of financial assets for the year ended December 31, 2014.

4) Valuation techniques and assumptions applied for measurement of fair value

The fair value of financial assets and financial liabilities are determined as follows:

a) The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

b) The fair value of derivative instruments were calculated using quoted prices on active markets. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

c) The fair value of other financial assets and financial liabilities not mentioned above were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| Financial assets | | |
| Financial assets at FVTPL | $ 16,813,652 | $ 11,412,674 |
| Loans and receivables | 18,207,668 | 18,454,913 |
| Available-for-sale financial assets | 439,996 | 166,107 |
| Financial liabilities | | |
| Financial liabilities at FVTPL | 2,332,449 | 1,570,802 |
| Financial liabilities measured at amortized cost | 28,316,155 | 23,678,339 |

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

| | December 31 | |
|---|---|---|
| | **2014** | **2013** |
| The difference between carrying amount and contractual amount at maturity | | |
| Financial liabilities designated as at FVTPL | $ 121,351 | $ 129,427 |
| Amount payable at maturity | (123,982) | (135,059) |
| | $ (2,631) | $ (5,632) |

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

c. Objectives and policies of financial risk management

1) Policies of financial 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. 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 and reported 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 Risk Management Office verifies the source of risks and evaluates and quantifies the risks. Managers of business units are obliged 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 quarterly. 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.

Structure of the risk management system

The Corporation's risk management structure includes the board of directors, Risk Management Committee, Risk Management Office, Department of Finance, Department of Internal Auditing, Department of Compliance and other business units. The 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 complied by the whole company and takes the final responsibility for risk management.

b) Risk management committee

   The risk management committee consists of members of board of the directors. It is designed to help 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 evaluate and monitors the daily risks.

d) Department of finance

   The department of finance is independent of other departments. It should monitor the fund resources of every business unit. When there is an urgent need 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 monitor and help to implement effective operation of risk management.

f) Department of compliance

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

g) Business units

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

2) Market risk

The Corporation had established effective risk measurement system to identify the effect of risk factors, such as interest rate, exchange rate, equity and price risk, on and off the Corporation's balance sheets.

The Corporation measures market risk using Value at Risk (VaR) and sensitivity analysis. VaR refers to the maximum potential loss of financial instruments in a given holding period and specified confidence level. To ensure the accuracy of the VaR model, the Corporation performs backtesting regularly.

| Historical VaR (Confidence Level 99%, One-day) | Average | Minimum | Maximum | December 31, 2014 | December 31, 2013 |
|---|---|---|---|---|---|
| Type of risk | | | | | |
| Equity securities | $ 53,890 | $ 20,790 | $ 81,356 | $ 37,321 | $ 18,465 |
| Interest rate | 8,222 | 4,360 | 19,359 | 8,114 | 8,396 |
| Diversification of risks | (13,644) | | | (11,615) | (8,106) |
| | $ 48,468 | | | $ 33,820 | $ 18,755 |

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 have decreased by $1,806 thousand and $1,586 thousand as of December 31, 2014 and 2013, 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 | |
|---|---|---|
| | 2014 | 2013 |
| Interest rate risk of fair value | | |
| Financial assets | $ 15,876,020 | $ 10,944,351 |
| Financial liabilities | 20,238,671 | 14,289,520 |
| Interest rate risk of cash flow | | |
| Financial assets | 4,604,837 | 5,190,809 |
| Financial liabilities | 2,967,913 | 3,539,448 |

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

3) Credit risk

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

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

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

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

4) Liquidity risk

Liquidity risk and interest rate risk table - non-derivative financial liabilities

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

December 31, 2014

| | Within 1 Year | Between 1 and 2 Years | Between 2 and 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Financial derivative liabilities | | | | | |
| Non-interest bearing | $ 485,674 | $ - | $ - | $ - | $ 485,674 |
| Fixed interest rate | 613,042 | - | - | - | 613,042 |
| Non-financial derivative liabilities | | | | | |
| Non-interest bearing | 6,818,735 | - | 1,260 | - | 6,819,995 |
| Variable interest rate | 2,967,913 | - | - | - | 2,967,913 |
| Fixed interest rate | 20,242,603 | - | - | - | 20,242,603 |
| | $ 31,127,967 | $ - | $ 1,260 | $ - | $ 31,129,227 |

December 31, 2013

| | Within 1 Year | Between 1 and 2 Years | Between 2 and 5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|
| Financial derivative liabilities | | | | | |
| Non-interest bearing | $ 319,729 | $ - | $ - | $ - | $ 319,729 |
| Fixed interest rate | 368,529 | - | - | - | 368,529 |
| Non-financial derivative liabilities | | | | | |
| Non-interest bearing | 6,969,206 | - | 640 | - | 6,969,846 |
| Variable interest rate | 3,539,448 | - | - | - | 3,539,448 |
| Fixed interest rate | 14,291,287 | - | - | - | 14,291,287 |
| | $ 25,488,199 | $ - | $ 640 | $ - | $ 25,488,839 |

The amounts of financial liabilities with variable interest rates which mentioned 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 | |
|---|---|---|
| | 2014 | 2013 |
| Financing facilities | $ 13,244,250 | $ 14,206,025 |
| Unused amount | $ 9,842,250 | $ 12,436,025 |

## 31. TRANSACTIONS WITH RELATED PARTIES

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

a. Accounts receivable

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Futures trust fund managed by the Group | $ 3,133 | $ - |
| Associates | 10 | 12 |
| | $ 3,143 | $ 12 |

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

b. Liabilities for bond with repurchase agreements

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Institutional directors | $ - | $ 1,003 |
| Futures trust fund managed by the Group | - | 400,000 |
| Other related parties | 36,064 | 72,325 |
| | $ 36,064 | $ 473,328 |

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

c. Futures traders equity

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Futures trust fund managed by the Group | $ 182,811 | $ 403,204 |

d. Securities brokerage commissions

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Futures trust fund managed by the Group | $ 59,277 | $ - |
| Institutional directors | 1 | - |
| Other related parties | 814 | 901 |
| | $ 60,092 | $ 901 |

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

e. Other operating income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Associates | $ 131 | $ 566 |

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

f. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Futures trust fund managed by the Group | $ 504 | $ - |
| Institutional directors | 9 | 3 |
| Other related parties | 366 | 409 |
| | $ 879 | $ 412 |

g. Compensation of key management personnel

The compensation of the Group's directors and key management personnel for the years ended December 31, 2014 and 2013 were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Short-term employee benefits | $ 75,641 | $ 67,113 |
| Retirement benefits | 3,301 | 8,941 |
| | $ 78,942 | $ 76,054 |

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

## 32. PLEDGED OR MORTGAGED ASSETS

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

| | December 31 | |
|---|---|---|
| | 2014 | 2013 |
| Time deposits - current | $ 635,200 | $ 751,100 |
| Property and equipment, net | | |
| Land | $ 811,850 | $ 811,850 |
| Buildings | $ 193,394 | $ 198,894 |
| Investment property, net | | |
| Land | $ 180,921 | $ 180,921 |
| Buildings | $ 21,259 | $ 21,926 |

## 33. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. MF Global Holdings Ltd., a brokerage firm that specializes in futures and derivatives trading, filed for bankruptcy protection at the United States Bankruptcy Court in October 2011. MF Global Singapore Pte Ltd. ("MF Global"), one of the clearing agents for overseas futures and options contracted by the subsidiary, Concord Futures, has been in the provisional liquidation process since November 2011. As of December 31, 2012, the Group reclassified margin deposits - futures to accounts receivable and accrued allowance for doubtful accounts for both dealing and brokerage business.
In October 2013, the subsidiary, Concord Futures, sold the creditor's right of above accounts receivable and customer's margin accounts to MF Global Finance USA Inc. for $40,735 thousand and recognized a loss of $664 thousand.

b. The ex-dealer of the Xinchu branch illegally undertook share transfer transactions with third parties. The Corporation's management assessed the illegal transactions were attributed to the dealer's personal behavior and the event would not have any significant impact on the Corporation's financial performance or customers' settlement accounts.

## 34. CONTINGENCIES AND COMMITMENTS

The Corporation's board of directors resolved to terminate the operation of the Banxin branch and FSC approved that January 30, 2015 was the branch's last business day.

## 35. 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 | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2014 | | 2013 | | | |
| | Calculation Formula | Equation | Time/ Ratios (%) | Equation | Time/ Ratios (%) | Benchmark | Conclusion |
| 1) | Equities / Total liabilities - Futures traders' equity | 991,581 / 105,425 | =9.41 | 954,846 / 91,365 | =10.45 | ≧1 | Conform with law |
| 2) | Current assets / Current liabilities | 3,690,372 / 3,106,767 | =1.19 | 4,419,130 / 3,878,464 | =1.14 | ≧1 | Conform with law |
| 3) | Equities / Minimum paid-in capital | 991,581 / 660,000 | =150.24 | 954,846 / 660,000 | =144.67 | ≧60% ≧40% | Conform with law |
| 4) | Adjusted net capital / Amount of customer margin accounts for open position of futures traders' equity | 761,985 / 509,381 | =149.59 | 735,345 / 1,234,626 | =59.56 | ≧20% ≧15% | Conform with law |

## 36. 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 operates a stop-loss strategy; therefore, the incurrence of loss can be controlled within the anticipated amount of loss.

### Futures Brokerage

Futures are low-margin leveraged transactions. 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 rights to offset the futures contracts on behalf of the traders; and due to the dramatic changes of the market, the traders' futures contracts which may not be settled 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, the customer is advised to carefully consider its own financial position and that futures are low-margin leveraged transactions with potentially huge gain or 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.

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

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

**Unit: Foreign Currencies/NT$ in Thousand**

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD | $ 27,441 | 31.650 | $ 868,508 | $ 13,888 | 29.805 | $ 413,920 |
| HKD | 23,953 | 4.080 | 97,728 | 5,613 | 3.843 | 21,570 |
| CNY | 10,931 | 5.092 | 55,661 | - | - | - |
| JPY | 196,501 | 0.2646 | 51,994 | 169,341 | 0.2839 | 48,076 |
| EUR | 760 | 38.47 | 29,237 | - | - | - |
| GBP | 93 | 49.27 | 4,582 | 353 | 49.28 | 17,392 |
| Non-monetary items | | | | | | |
| CNY | 99,986 | 5.092 | 509,129 | - | - | - |
| USD | 1,005 | 31.650 | 31,808 | - | - | - |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD | 15,217 | 31.650 | 481,618 | 12,091 | 29.805 | 360,384 |
| HKD | 47,294 | 4.080 | 192,960 | 13,116 | 3.843 | 50,405 |
| EUR | 570 | 38.47 | 21,928 | 686 | 41.09 | 28,178 |
| GBP | 71 | 49.27 | 3,498 | 345 | 49.28 | 17,007 |
| JPY | 178,873 | 0.2646 | 47,330 | 154,515 | 0.2839 | 43,867 |
| CNY | 4,366 | 5.092 | 22,232 | - | - | - |

## 38. ADDITIONAL DISCLOSURES

a. Information regarding significant transactions for the year ended December 31, 2014, and b. Information regarding investees:

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) Handling fee discounts for transactions with 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)

8) Names, locations, and related information of investees on which the Corporation exercises significant influence: Table 1 (attached)

c. Investment in Mainland China: None

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

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

a. Balance sheets: Table 3 (attached)

b. Statements of comprehensive income: Table 4 (attached)

c. Securities held: Table 5 (attached)

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

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

## 40. 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 revenues and results

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

**Unit: NT$ Thousand**

| Item | Year Ended December 31, 2014 | | | | |
|---|---|---|---|---|---|
| | **Dealing** | **Brokerage** | **Underwriting** | **Other** | **Total** |
| Profits and losses attributed to each segment | | | | | |
| Revenues | | | | | |
| Brokerage commission revenue | $ - | $ 1,328,395 | $ - | $ 368 | $ 1,328,763 |
| Income from securities lending | 1 | 1,595 | - | - | 1,596 |
| Underwriting commissions | - | - | 71,697 | - | 71,697 |
| Gains on sale of securities, net | 161,902 | - | 9,943 | - | 171,845 |

(Continued)

| Item | Year Ended December 31, 2014 Dealing | Brokerage | Underwriting | Other | Total |
|---|---|---|---|---|---|
| Revenue from providing agency service for stock affairs | $ - | $ - | $ 11,913 | $ - | $ 11,913 |
| Interest income | 317,191 | 339,030 | - | 6,977 | 663,198 |
| Dividend income | 40,346 | - | 25,369 | - | 65,715 |
| Valuation gains (losses) on operating securities at fair value through profit or loss, net | (109,090) | - | 62 | - | (109,028) |
| Losses on covering of borrowed securities and bonds with resale agreements, net | (14,431) | - | - | - | (14,431) |
| Valuation losses on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net | (8,755) | - | - | - | (8,755) |
| Gains on issuance of stock warrants, net | 22,607 | - | - | - | 22,607 |
| Gains on derivative instruments | 57,294 | - | - | - | 57,294 |
| Other operating income | - | 5,018 | - | 56,140 | 61,158 |
| | 467,065 | 1,674,038 | 118,984 | 63,485 | 2,323,572 |
| Handling fee expenses | (13,977) | (155,787) | (60) | - | (169,824) |
| Finance costs | (71,571) | (2,418) | - | (314) | (74,303) |
| Futures commission expense | (2,805) | (74,072) | - | - | (76,877) |
| Securities commission expense | - | (10,148) | - | - | (10,148) |
| Expenses of clearing and settlement | (5,635) | (75,518) | - | - | (81,153) |
| Other operating costs | (122) | (710) | - | (18,160) | (18,992) |
| Operating expenses | (168,823) | (942,028) | (137,226) | (153,034) | (1,401,111) |
| Profits and losses - by segment | $ 204,132 | $ 413,357 | $ (18,302) | $ (108,023) | 491,164 |
| Profit and losses not attributed to segments | | | | | (383,334) |
| Profit before tax | | | | | 107,830 |
| Income tax expense | | | | | (33,607) |
| Net profit for the year | | | | | 74,223 |
| Other comprehensive income | | | | | 14,565 |
| Total comprehensive income for the year | | | | | $ 88,788 |

(Concluded)

| Item | Year Ended December 31, 2013 Dealing | Brokerage | Underwriting | Other | Total |
|---|---|---|---|---|---|
| Profits and losses attributed to each segment | | | | | |
| Revenues | | | | | |
| Brokerage commission revenue | $ - | $ 1,192,667 | $ - | $ 507 | $ 1,193,174 |
| Income from securities lending | 2,143 | 5,666 | - | - | 7,809 |
| Underwriting commissions | - | - | 91,269 | - | 91,269 |
| Gains on sale of securities, net | 113,963 | - | 11,691 | - | 125,654 |
| Revenue from providing agency service for stock affairs | - | - | 8,674 | - | 8,674 |
| Interest income | 312,615 | 287,079 | - | 7,162 | 606,856 |
| Dividend income | 36,806 | - | - | - | 36,806 |
| Valuation gains on operating securities at fair value through profit or loss, net | 74,743 | - | 2,084 | - | 76,827 |
| Gains on covering of borrowed securities and bonds with resale agreements, net | 11,408 | - | - | - | 11,408 |
| Valuation losses on borrowed securities and bonds with resale agreements short sales at fair value through profit or loss, net | (4,269) | - | - | - | (4,269) |
| Gains on issuance of stock warrants, net | 20,148 | - | - | - | 20,148 |
| Losses on derivative instruments | (132,246) | - | - | - | (132,246) |
| Other operating income | 74 | 5,359 | - | 35,976 | 41,409 |
| | 435,385 | 1,490,771 | 113,718 | 43,645 | 2,083,519 |

(Continued)

| Item | Year Ended December 31, 2013 Dealing | Brokerage | Underwriting | Other | Total |
|---|---|---|---|---|---|
| Handling fee expenses | $ (10,496) | $ (129,994) | $ (60) | $ - | $ (140,550) |
| Finance costs | (74,400) | (2,420) | - | (5,260) | (82,080) |
| Futures commission expense | (269) | (61,923) | - | - | (62,192) |
| Securities commission expense | - | (16,640) | - | - | (16,640) |
| Expenses of clearing and settlement | (1,197) | (64,159) | - | - | (65,356) |
| Other operating costs | (1,194) | (4,729) | - | (9,048) | (14,971) |
| Operating expenses | (156,432) | (894,470) | (124,103) | (242,967) | (1,417,972) |
| Profits and losses - by segment | $ 191,397 | $ 316,436 | $ (10,445) | $ (213,630) | 283,758 |
| Profit and losses not attributed to segments | | | | | (243,954) |
| Profit before tax | | | | | 39,804 |
| Income tax expense | | | | | (17,968) |
| Net profit for the year | | | | | 21,836 |
| Other comprehensive income | | | | | (4,055) |
| Total comprehensive income for the year | | | | | $ 17,781 |

(Concluded)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEES**
**FOR THE YEAR ENDED DECEMBER 31, 2014**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31, 2014 | | | Net Profit (Loss) of the Investee | Share of Profit (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2014 | December 31, 2013 | Shares | Percentage of Ownership | Carrying Value | | | |
| The Corporation | Concord Futures Corp. Ltd. | 5F, No. 143, Fuhsing N. Rd., Taipei City | Foreign and domestic futures dealing, brokerage and consulting services | $ 561,639 | $ 561,639 | 72,262,830 | 95.71 | $ 949,065 | $ 76,244 | $ 72,975 | Subsidiary (Note) |
| | Kang-Lian AMC. Co., Ltd. | l4F, No. 176, Jilung Rd., Sec. 1, Taipei | Business management advisory services and asset management services | 233,498 | 233,498 | 36,450,000 | 100.00 | 396,591 | (12,179) | (12,179) | Subsidiary (Note) |
| | Concord Capital Holdings (Cayman) Limited | The Cayman Island | Holding company, recognized gain (loss) on invested companies | 653,670 | 503,045 | 21,333,000 | 100.00 | 441,854 | (71,358) | (71,358) | Subsidiary (Note) |
| | Concord Managed Futures Corp. | l4F, No. 176, Jilung Rd., Sec. 1, Taipei | Foreign and domestic futures managing, consulting and trust services | 199,128 | 199,128 | 18,000,000 | 60.00 | 184,664 | 5,014 | 3,009 | Subsidiary (Note) |
| | Concord Capital Management Corp. | 9F, No. 176, Jilung Rd., Sec. 1, Taipei | Securities investment advisory services | 114,400 | 114,400 | 10,000,000 | 100.00 | 100,289 | (4,406) | (4,406) | Subsidiary (Note) |
| | Concord Insurance Agent Corp. | l4F, No. 176, Jilung Rd., Sec. 1, Taipei | Life insurance agency | 5,000 | 5,000 | 500,000 | 100.00 | 7,079 | 2,631 | 2,631 | Subsidiary (Note) |
| | Value Partners Concord Assets Management Co., Ltd. | 13F, No. 89, Nanjing E. Rd., Sec. 5, Taipei | Securities investment advisory services and discretionary investment services | 160,163 | 160,163 | 7,500,000 | 25.00 | 93,047 | (42,650) | (10,662) | Investments accounted for using equity method |
| Concord Capital Holdings (Cayman) Limited | Taiwan Concord Capital Securities (Hong Kong) Limited | Room, 702, 7/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty Hong Kong | Securities and futures brokerage and dealing related services | US$ 21,353 thousand | US$ 16,353 thousand | 165,750,000 | 100.00 | US$ 13,964 thousand | US$ (2,349) thousand | US$ (2,349) thousand | Indirect subsidiary (Note) |
| Taiwan Concord Capital Securities (Hong Kong) Limited | Concord Asset Management (HK) Limited | Room, 702, 7/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty Hong Kong | Financial planning and asset management services | HK$ 10,510 thousand | HK$ 10,510 thousand | 10,000,000 | 100.00 | HK$ 7,601 thousand | HK$ (792) thousand | HK$ (792) thousand | Indirect subsidiary (Note) |
| Kang-Lian AMC. Co., Ltd. | HWA-HO Asset Management Corp. | l4F, No. 176, Jilung Rd., Sec. 1, Taipei | Real estate commerce, development and business management advisory services | 200,000 | 200,000 | 38,364,481 | 47.62 | 386,075 | (23,117) | (10,843) | Investments of subsidiary accounted for using equity method |

Note: Share of profits (loss) of associates have been eliminated for consolidation purpose.

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2014**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| No. (Note 2) | Transaction Company | 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 | $ 29,725 | Not significantly different from those to third parties | 0.08 |
| | | Concord Futures Corp. Ltd. | a. | Futures trading margin | 12,879 | Not significantly different from those to third parties | 0.03 |
| | | Concord Futures Corp. Ltd. | a. | Accounts receivable | 1,835 | Not significantly different from those to third parties | - |
| | | Concord Futures Corp. Ltd. | a. | Accounts payable | 1,071 | Not significantly different from those to third parties | - |
| | | Concord Futures Corp. Ltd. | a. | Refundable deposits | 1,321 | Not significantly different from those to third parties | - |
| | | Concord Futures Corp. Ltd. | a. | Futures commission revenue | 17,238 | In conformity with contracts, no those to third parties for comparison | 0.74 |
| | | Concord Futures Corp. Ltd. | a. | Other income and expenses | 11,714 | Not significantly different from those to third parties | 0.50 |
| | | Concord Futures Corp. Ltd. | a. | Securities commission fees | 10,800 | In conformity with contracts, no those to third parties for comparison | 0.46 |
| | | Concord Capital Management Corp. | a. | Professional service fees | 1,667 | In conformity with contracts, no those to third parties for comparison | 0.07 |
| | | Concord Managed Futures Corp. | a. | Other operating income | 5,764 | In conformity with contracts, no those to third parties for comparison | 0.25 |
| | | Concord Managed Futures Corp. | a. | Professional service fees | 1,600 | In conformity with contracts, no those to third parties for comparison | 0.07 |
| | | Taiwan Concord Capital Securities (Hong Kong) Limited | a. | Other operating costs | 1,213 | In conformity with contracts, no those to third parties for comparison | 0.05 |
| 1 | Concord Futures Corp. Ltd. | Taiwan Concord Capital Securities (Hong Kong) Limited | c. | Customers' margin accounts | 101,941 | Not significantly different from those to third parties | 0.26 |
| | | Taiwan Concord Capital Securities (Hong Kong) Limited | c. | Futures commission fees | 2,647 | Not significantly different from those to third parties | 0.11 |

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

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

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

Note 3: Mark the number in relationship column: (The same transaction between the parent company and its subsidiary or between two subsidiaries is unnecessary to be disclosed again. For example, the transaction between the parent company and its subsidiary had been disclosed by the parent company, 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 company to subsidiary.
b. Transactions from subsidiary to parent company.
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 company's materiality.

TABLE 3

# CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

**BALANCE SHEETS**
**DECEMBER 31, 2014 AND 2013**
**(In Thousands of U.S. Dollars)**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash | $ 2 | - | $ 3 | - |
| Other receivables | 1 | - | 1 | - |
| Prepayments | - | - | 4 | - |
| Other financial assets - current | 20 | - | 17 | - |
| Total current assets | 23 | - | 25 | - |
| INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD | 13,964 | 100 | 11,288 | 100 |
| TOTAL | $ 13,987 | 100 | $ 11,313 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Other payables | $ 27 | - | $ 23 | - |
| EQUITY | | | | |
| Share capital | 21,333 | 153 | 16,333 | 144 |
| Capital surplus | 19 | - | 19 | - |
| Accumulated deficits | (7,482) | (53) | (5,127) | (44) |
| Exchange differences on translating foreign operations | 90 | - | 65 | - |
| Total equity | 13,960 | 100 | 11,290 | 100 |
| TOTAL | $ 13,987 | 100 | $ 11,313 | 100 |

TABLE 4

# CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**
**(In Thousands of U.S. Dollars)**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| COSTS AND EXPENSES | | | | |
| Operating expenses | $ 10 | - | $ 7 | - |
| Nonoperating expenses and losses | 2,345 | 100 | 2,000 | 100 |
| Total costs and expenses | 2,355 | 100 | 2,007 | 100 |
| NET LOSS FOR THE YEAR | (2,355) | 100 | (2,007) | 100 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Exchange differences on translating foreign operations | 25 | - | (9) | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | $ (2,330) | 100 | $ (2,016) | 100 |

## CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED

**SECURITIES HELD**
**DECEMBER 31, 2014**
**(In Thousands of U.S. Dollars, Unless Stated Otherwise)**

| Securities Type and Issuer | Security Issuer's Relationship with the Holding Company | Financial Statement Account | December 31, 2014 | | | | Note |
|---|---|---|---|---|---|---|---|
| | | | Shares | Carrying Amount | Percentage of Ownership | Net Worth | |
| Stock | | | | | | | |
| Taiwan Concord Capital Securities (Hong Kong) Limited | Subsidiary | Investments accounted for using equity method | 165,750,000 | $ 13,964 | 100.00 | $ 13,964 | Note |

Note: Share of profits (loss) of associates have been eliminated for consolidation purpose.