



2020 General Shareholders' Meeting Meeting Agenda

**Jun. 19, 2020 at 9:00am
B1, No. 8, Dongxing Rd.,
Taipei City, Taiwan, R.O.C.**

Translation – In case of any discrepancy between the Chinese and English versions,
the Chinese version shall prevail.

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President Securities Corp.

2020 Annual Shareholders' Meeting Agenda

(1) Time : 9:00 a.m., June 19, 2020

(2) Place : B1, No. 8, Dongxing Rd., Taipei City, Taiwan, R.O.C.

(3) Agenda for the 2020 General Shareholders' Meeting

- 1) Meeting called to order (Report on the total number of shareholders and shareholder representatives in attendance)
- 2) Opening Remarks from the Chairman
- 3) Report Items
 - i. 2019 Business Report
 - ii. 2019 Audit Committee's Review Report
 - iii. 2019 Remuneration of Employees and Directors
- 4) Items to be Adopted
 - i. Adoption of the 2019 business report, consolidated financial statements and financial statements
 - ii. Adoption of the Proposal for the 2019 earnings distribution
- 5) Items for Discussion
 - i. Amendment to the Articles of Incorporation. Please proceed to vote.
 - ii. The proposal of issuance of new shares through capitalization of retained earnings, and invites discussion
 - iii. Abolition of the procedures for engaging in derivatives trading, and invites discussion
 - iv. The amendment of the "Procedures for Acquisition or Disposal of Assets", and invites discussion
 - v. Discuss to release the directors from non-competing restrictions
- 6) Extraordinary Motions
- 7) Meeting Adjourned

2. Report Items

(1)2019 Business Report

Explanation:

The Company's Business Report for 2019, please see Appendix I (page 9).

(2)2019 Audit Committee's Review Report

Explanation:

For 2019 Audit Committee's Review Report, please see Appendix II (page 11).

(3)2019 Remuneration of Employees and Directors

Explanation:

- 1) Comply with the Ordinance No. 10402413890(June 11, 2015) and the Ordinance No. 10402427800(October 15, 2015) issued by the Ministry of Economic Affairs.
- 2) In accordance with Article 23 of the Company's bylaws, the Company will distribute compensation to employees and the Directors from pre-tax profits. Where the company has pre-tax profits, the total value of funds to be distributed among employees shall not be less than 1.6% of pre-tax profits; while the total value of funds to be distributed among the Directors shall not be more than 2% of pre-tax profits. If the company has losses carried forward, compensation should only be paid to employees and Directors after funds have been set aside as reserve for such losses.
- 3) The proposal of 2019 Remuneration of Employees and Directors has been approved by the 9th meeting of the 4th Remuneration Committee and the 12th meeting of 11th Board of Directors. It is proposed that a total of NT\$52,103,124 (2%) to be distributed to employees and NT\$52,103,124 (2%) to be distributed to Directors in accordance with the allocation rules of the 1st meeting of the 11th Board of Directors. The above mentioned compensation will be in cash.

3. Items to be Adopted

■ Motion 1 (proposed by the Board of Directors)

Topic: Adoption of the 2019 business report, consolidated financial statements and financial statements.

Explanation:

- (1) The 2019 consolidated financial statements and the financial statements have already been successfully audited by CPA SK, Lin and CPA Chin-Mu, Hsiao of PricewaterhouseCoopers Taiwan.
- (2) The business report, the consolidated financial statements and the financial statements have been reviewed by the Audit Committee and approved by the Board of Directors (March 26, 2020).
- (3) For the business report, the consolidated financial statements and the financial statements, please see Appendix I (page 9) and Appendix III (page 12).

■ Motion 2 (proposed by the Board of Directors)

Topic: Adoption of the Proposal for the 2019 earnings distribution.

Explanation:

- (1) The proposal for distribution of 2019 earnings are prepared in accordance with regulations and the Company's Articles of Incorporation. Please refer to the 2019 Earnings Distribution Proposal as Appendix IV (Page 36).
- (2) After first being decreased by \$26,098,951 as a result of remeasurement of defined benefit plans, and then setting aside legal reserve(10%), special reserve(20%), and reversing special reserve set aside during 2016 to 2018 at the same amount for employee transfer and settlement expenditure, and employees' transformation training expenditure arising from the development of fintech, securities and futures business, according to Jin-Guan-Zheng-Quan Letter No. 1080321644. The unappropriated earnings available for distribution for 2019 is \$1,651,375,270. Proposed cash dividend

and stock dividend are \$1,372,390,028 and \$274,478,010, respectively, which is equivalent to \$1 and \$ 0.2 per share, respectively. The stock dividend is no consideration at the ratio of 20 new shares for every 1,000 shares held by shareholders. Upon the approval of Shareholders' Meeting, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date and record date of a capital increase.

- (3) In the event that the shares outstanding changes, it is proposed that the Board of Directors be authorized to adjust the amount per share to be distributed to shareholders based on the number of actual shares outstanding on the record date for distribution. Dividends of less than \$1 shall be transferred to the Company's Employee Benefit Council.

4. Items for Discussion

■ Motion 1 (Proposed by the Board of Directors)

Topic: Amendment to the Articles of Incorporation. Please proceed to vote.

Explanation:

(1) Article 6 is amended according to Letter from the authority and Company Act Article 162.

(2) For chart comparing the changes, please see the table below.

Comparison table of Amendments to" Articles of Incorporation"

Article	Amendment	Original Articles	Amendment instructions
Article 6	<p><u>The company issuing and printing shares shall assign its share certificates with serial numbers, and the share certificates shall be affixed with the signatures or personal seals of the director representing the company, and shall be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance thereof.</u></p> <p>The company may be exempted from printing any share certificate or it may either print a single share certificate or a consolidated</p>	<p><u>The share certificates hereof shall be duly signed and sealed by three directors, affixed with Company seal and duly authenticated by the competent authorities or their authorized organization before issuance.</u></p> <p>The company may be exempted from printing any share certificate or it may either print a single share certificate or a consolidated</p>	Amend according to Letter from the authority and Company Act Article 162.

	share certificate for the shares issued. The Company shall appoint a centralized securities custody institution to make recordation of the issue of such shares.	share certificate for the shares issued. The Company shall appoint a centralized securities custody institution to make recordation of the issue of such shares.	
Article 26	These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; <u>the twenty eighth amendment on June 19, 2020.</u>	These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; <u>the twenty seventh amendment on June 18, 2019.</u>	Amendment date.

■ **Motion 2 (Proposed by the Board of Directors)**

Topic: The proposal of issuance of new shares through capitalization of retained earnings, and invites discussion.

Explanation:

- (1) In order to strengthen the Company's operating capital position, it is proposed to distribute stock dividend \$274,478,010, which is equivalent to \$0.2 per share with each share to have a par value of NT\$10.
- (2) For shareholders receiving less than 1 newly issued share, they should apply to the company's shareholder services department within 5 days of the capital increase date of record, and shareholders who fail to register before that date will receive a discounted cash payment. Cash payments will be rounded down to the nearest NT\$1, with any fractional share being allocated to the Company's Employee Benefit Council with par value.
- (3) Company share buybacks, treasury share transfers, and cancellation of shares may alter the total number of outstanding company shares and thereby affect the ratio by which earnings are distributed to shareholders. The Chairman of the Board shall be authorized to adjust the distribution ratios approved in the General Shareholder Meeting to accurately reflect the total number of outstanding shares as of the capital increase date of record.
- (4) It is proposed that the Board of Directors be authorized to set distribution events, such as the ex-dividend and capital increase record date, after approval by a shareholders' meeting and after approval by the competent authority. In case of changes of the regulation or of competent authority's order, the Board of Directors shall be authorized to handle all the relevant matters.

■ **Motion 3 (Proposed by the Board of Directors)**

Topic: Abolition of the procedures for engaging in derivatives trading, and invites discussion.

Explanation:

- (1) In accordance with Financial Supervisory Commission R.O.C.(Taiwan) No. 1070341072, amend Article 2 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies": When banks, insurance companies, bill finance companies, securities firms, futures commission merchants, leverage transaction merchants, or other financial enterprises whose operation requires special approval, conduct derivatives trading business or engage in derivatives trading, they shall do so in accordance with the provisions of the other laws and regulations that govern their sectors, and are exempt from the provisions of Chapter II, Section IV herein.
- (2) In accordance with Article 4 of the " Taipei Exchange Regulations Governing Over-the-Counter Trading of Financial Derivatives by Securities Firms ", A securities firm conducting financial derivatives business shall formulate a management strategy and operational guidelines as follows, to the board of directors for approval. The Company has formulated the "Operational Guidelines for the Over-the-Counter Trading Derivative Financial Products Business".
- (3) There are laws and regulations in the financial industry that regulate the conduct of derivatives trading, the company intends to abolish procedures governing derivatives trading.

■ **Motion 4 (Proposed by the Board of Directors)**

Topic: The amendment of the "Procedures for the Acquisition or Disposal of Assets" and invites discussion.

Explanation:

- (1) In accordance with the order issued by FSC(order number Jin Guan Zheng Fa No. 1070341072) and response to repeal the Company's Procedures for Engaging in Derivatives Trading, the Procedures for Acquisition or Disposal of Assets should be amended.
- (2) For the comparison table of amendments to " Procedures for Acquisition or Disposal of Assets", please see the table below.

Comparison Table of Amendments to "Procedures for the Acquisition or Disposal of Assets "

Amended Articles	Existing Articles	Description
<p>Article 2 These Regulations are adopted in accordance with the provision of Regulations Governing the Acquisition and Disposal of Assets by Public Companies. <u>The company shall handle the acquisition or disposal of assets in compliance with these Regulations. However, if financial related laws or regulations provide otherwise, those laws and regulations shall take precedence.</u></p>	<p>Article 2 These Regulations are adopted in accordance with the provision of Regulations Governing the Acquisition and Disposal of Assets by Public Companies.</p>	<p>In accordance with the order issued by FSC(order number Jin Guan Zheng Fa No. 1070341072)</p>

Amended Articles	Existing Articles	Description
<p>Article 3</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, and investment property) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Right-of-use assets. 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets. <p><u>(None)</u></p>	<p>Article 3</p> <p>The term "assets" as used in these Regulations includes the following:</p> <ol style="list-style-type: none"> 1. Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities. 2. Real property (including land, houses and buildings, and investment property) and equipment. 3. Memberships. 4. Patents, copyrights, trademarks, franchise rights, and other intangible assets. 5. Right-of-use assets. 6. Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables). 7. Derivatives. 8. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 9. Other major assets. <p>The Company treats its derivative trading shall follow the " Procedures for Engaging in Derivatives Trading".</p>	<p>In response to repeal the Company's Procedures for Engaging in Derivatives Trading, the Procedures for Acquisition or Disposal of Assets should be amended.</p>

■ **Motion 5 (Proposed by the Board of Directors)**

Topic: Discuss to release the directors from non-competing restrictions.

Explanation:

- (1) In order to meet the needs of overseas development, Board Chair, Lin, KUAN-CHEN was appointed as the director of the joint venture Jin Yuan President Securities Corporation Limited.
- (2) According to Article 209 of the Company Law, approve the proposal of release the directors from non-competing restrictions.

5. Extraordinary Motions

6. Meeting Adjourned

2019 Business Report

[Macroeconomic Environment and Business Plan]

In the beginning of 2019, influenced by the downward revision of the financial forecast by Apple, TAIEX hit an annual low of 9,319.28 points in intraday sessions. However, driven by the continuous record highs in the US stock market in the first half of the year, the significant liquidity-driven rally in the Taiwan Stock Market continued. Since the second half of the year, affected by the escalation of the US-China trade war, enterprises have been conservative and tend to sit on the fence, while global economic demand decreased. As a result, exports from major countries have been mostly sluggish, and the growth of the global economy has also slowed. However, when a consensus was reached during the first phase of the US-China trade negotiations, market doubts were eliminated, and the financial markets returned to stability. In addition, with the domestic presidential election, the market conditions slightly turned to a bull market strategically, which caused TAIEX to continue to rise. The Taiwan Stock Market closed at 11,997.14 points at the end of the year after rising 2,269.13 points with an increase of 23% on an annual basis. In 2019, the Company's management team continued to steadily develop business plans and adjusted investment strategies flexibly. The goal was to continue to seek opportunities and create profits from various business activities in an economic environment where global economic growth was weakening and the international political and economic situation was uncertain.

[Implementation and Results]

TAIEX increased by 2,269.13 points in 2019, with an average daily volume of NT\$156.3 billion, which represents a decrease of 5.8% compared to NT\$166 billion in 2018. The Company's brokerage market share was 3.25% in 2019, ranking 10th among the top 12 domestic securities firms. The underwriting business of the Company served as a lead underwriter or a co-underwriter for a total of 40 cases in 2019, with the total amount of underwriting cases ranking 7th in the industry. As for the proprietary trading business, in the face of a prolonged trade war and fluctuations in the global financial markets, the Company led with excellent performance in both stock and bond markets. This was accomplished by keeping abreast of the trends of the industry, selecting excellent investment targets with high levels of liquidity and high quality credit ratings, along with using various hedging tools, and strictly controlling the risks of the positions held in stocks.

[Profitability Analysis and Operating Income/Expenditures in Budget Execution]

In 2019, the Company balanced and developed various business activities. The leadership of a high-quality management team allowed the Company to create outstanding operating results through proactive and forward-looking operational experience and using a rigorous risk control mechanism. Annual revenue of around NT\$6.2 billion yielded a net after tax income of NT\$2.368 billion, with earnings at NT\$1.72 per share, ranking third among the top 12 domestic securities firms with a return on assets (ROA) of 4.01% and a return on equity (ROE) of 9.05%.

[Future Operations]

Looking forward to 2020, major international forecasting agencies have predicted that global economic growth will slow when compared with that in 2019. Various international organizations have continued to revise their economic growth rate predictions downward. Furthermore, the escalating coronavirus pandemic has caused panic in the markets. In the future, Taiwan 's economic performance will be challenged with difficulties expected to increase in the development of various business activities. This will be caused by a variety factors including emerging market risks, the possibly of the pandemic causing ongoing supply chain disruptions that are in turn caused by work suspension which will pose severe challenges to profitability in the industries, and by the ongoing US-China trade war.

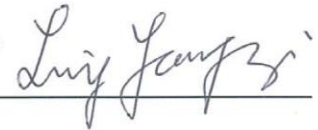
In 2020, the Company will continue to carefully evaluate the benefits of its team and make good use of the team's advantages while keeping abreast of market trends, responding to market changes prudently, and conducting strict risk control so as to provide better products and services. The Company will also continue to strengthen its corporate governance and fulfill its social responsibilities, to create value for the Company, and to safeguard the rights and interests of various stakeholders with a prudent and pragmatic business strategy.

 **PRESIDENT SECURITIES CORPORATION**
Audit Committee's Review Report

To: The General Meeting of Shareholders as of year 2020

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and Earnings Distribution Plan. The financial statements have been audited and certified by SK, Lin and Chin-Mu, Hsiao of PricewaterhouseCoopers Certified Public Accountants, who issued an auditors' report. The aforementioned Business Report, Financial Statements, and Earnings Distribution Plan have been reviewed and determined to be fairly presented as stated by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

President Securities Corporation
Convener of Audit Committee:



April 23, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19003670

To the Board of Directors and Shareholders of President Securities Corporation

Opinion

We have audited the accompanying consolidated balance sheets of President Securities Corporation and subsidiaries as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of President Securities Corporation and subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, and “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” , and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of President Securities Corporation and subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

Fair value measurement of unlisted stocks without active market**Description**

Please refer to Note 4(8) for the accounting policies on unlisted stocks without active market (shown as “financial assets at fair value through other comprehensive income”) and Note 5(2) for details of

critical accounting judgements, estimates and assumption uncertainty. As at December 31, 2019, the unlisted stocks without active market held by the President Securities Corporation and subsidiaries totalled \$591,596 thousand and were shown as “financial assets at fair value through other comprehensive income” (Level 3 fair value).

Due to the lack of an active market, the fair value of the unlisted stocks held by the President Securities Corporation and subsidiaries was determined using valuation method. Management measured their fair value by using comparable listed companies in the market approach. The main assumption of the market approach is calculation based on the latest published price-to-book ratio of comparable listed companies in similar industries, and considering discounts on market liquidity or risk particularity.

Above-mentioned estimation of fair value involves various assumptions and material unobservable inputs, which has high uncertainty and relies on the subjective judgement of management. Any changes in judgements and estimates may affect the ultimate result of accounting estimates and have an impact on the financial statements of the President Securities Corporation and subsidiaries. Thus, we have included the fair value measurement of unlisted stocks without active market as a key audit matter in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed policy documents, internal control system, fair value measurement models and approval processes that are related to fair value measurement of unlisted stocks;
2. Ascertained whether the measurement methods used by the management are commonly used by the industry;
3. Assessed the reasonableness of parameter of similar companies used by management;
4. Examined inputs and calculation formulas used in valuation models and agreed such data to supporting documents.

Impairment assessment of investments accounted for under equity method

Description

Please refer to Note 4(14) for accounting policies on investments accounted for under equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(12) for details of investments accounted for under equity method.

President Securities Corporation and subsidiaries held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2019, the amount was \$578,853 thousand. Impairment assessment is based on the expected future cash flow of the investee, discounted at an appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the investee is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. These are subjective judgements, have a high degree of uncertainties, and are material to the recoverable amount. Thus, we consider the impairment assessment of investments accounted for under equity method as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the impairment assessment report prepared by an external valuation expert who was commissioned by the management;
2. Assessed the reasonableness of expected future cash flows, discount rate and other significant assumptions applied in the cash flow model;

3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of President Securities Corporation, as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing President Securities Corporation and subsidiaries’ financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of President Securities Corporation and subsidiaries’ internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and,

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

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Securities Corporation and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Se-Kai

Independent Accountants

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2020

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

the Republic of China, and their applications in practice.

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
110000	Current assets					
111100	Cash and cash equivalents	6(1)	\$ 6,520,146	7	\$ 5,932,669	9
112000	Financial assets at fair value through profit or loss - current	6(2)	44,512,465	46	27,680,473	39
113200	Financial assets at fair value through other comprehensive income - current	6(3)	-	-	296,304	1
114010	Bonds purchased under resale agreements	6(4)	-	-	93,193	-
114030	Margin loans receivable	6(5)	10,024,189	10	8,020,488	11
114040	Refinancing security deposits		102,545	-	4,402	-
114050	Receivables from refinance guaranty		88,759	-	8,387	-
114060	Receivable of securities business money lending		517,809	1	-	-
114070	Customer margin account	6(6)	13,735,712	14	11,591,302	17
114090	Receivables from security lending		101,043	-	78,316	-
114100	Security lending deposits		543,171	1	785,431	1
114110	Notes receivable		697	-	1,185	-
114130	Accounts receivable	6(7)	12,184,588	13	8,726,852	12
114150	Prepayments		22,557	-	19,116	-
114170	Other receivables	6(8)	105,548	-	31,973	-
114600	Current tax assets		1,048	-	5,542	-
119000	Other current assets	6(9)	1,621,697	2	1,640,223	2
110000	Total current assets		<u>90,081,974</u>	<u>94</u>	<u>64,915,856</u>	<u>92</u>
120000	Noncurrent assets					
122000	Financial assets at fair value through profit or loss - noncurrent	6(2)	71,296	-	66,354	-
123200	Financial assets at fair value through other comprehensive income - noncurrent	6(3)	591,596	1	604,579	1
124100	Investments accounted for under equity method	6(12)	578,853	1	569,693	1
125000	Property and equipment, net	6(13)	2,443,964	3	2,442,370	4
125800	Right-of-use assets	6(14)	221,669	-	-	-
126000	Investment property	6(16)	272,603	-	274,703	-
127000	Intangible assets	6(17)	129,160	-	124,210	-
128000	Deferred tax assets	6(48)	135,265	-	125,448	-
129000	Other assets - noncurrent	6(18)	1,228,020	1	1,258,060	2
120000	Total noncurrent assets		<u>5,672,426</u>	<u>6</u>	<u>5,465,417</u>	<u>8</u>
906001	Total Assets		<u>\$ 95,754,400</u>	<u>100</u>	<u>\$ 70,381,273</u>	<u>100</u>

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
210000	Current liabilities				
211100	Short-term loans	\$ 2,964,959	3	\$ 939,879	1
211200	Commercial papers payable	9,596,704	10	-	-
212000	Financial liabilities at fair value through profit or loss - current	848,628	1	866,097	1
214010	Bonds sold under repurchase agreements	20,956,256	22	15,066,599	21
214040	Deposits on short sales	1,558,717	2	1,767,269	3
214050	Short sale proceeds payable	1,888,832	2	2,007,202	3
214070	Guarantee deposit received on borrowed securities	56,004	-	621	-
214080	Futures traders' equity	13,713,667	14	11,574,634	16
214090	Equity for each customer in the account	633	-	-	-
214130	Accounts payable	12,456,602	13	8,289,115	12
214150	Advance receipts	2,373	-	975	-
214160	Collections on behalf of third parties	378,293	-	362,578	1
214170	Other payables	1,347,681	2	916,900	1
214200	Other financial liabilities - current	2,743,866	3	2,687,009	4
214600	Current tax liability	203,745	-	136,729	-
216000	Current lease liabilities	82,407	-	-	-
219000	Other current liabilities	21,893	-	21,281	-
210000	Total current liabilities	<u>68,821,260</u>	<u>72</u>	<u>44,636,888</u>	<u>63</u>
220000	Noncurrent liabilities				
225100	Non-current provisions	4,180	-	-	-
226000	Non-current lease liabilities	134,780	-	-	-
228000	Deferred tax liability	12,894	-	16,073	-
229000	Other liabilities-noncurrent	15,514	-	15,865	-
220000	Total noncurrent liabilities	<u>167,368</u>	<u>-</u>	<u>31,938</u>	<u>-</u>
906003	Total Liabilities	<u>68,988,628</u>	<u>72</u>	<u>44,668,826</u>	<u>63</u>
300000	Equity attributable to owners of the parent company				
301000	Capital				
301010	Common stock	13,723,900	14	13,904,281	20
302000	Capital reserve	91,261	-	142,702	-
304000	Retained earnings				
304010	Legal reserve	2,876,769	3	2,755,737	4
304020	Special reserve	7,130,830	7	6,945,453	10
304040	Unappropriated earnings	2,355,105	3	1,278,472	2
305000	Other equity interest	521,815	1	619,340	1
300000	Total	<u>26,699,680</u>	<u>28</u>	<u>25,645,985</u>	<u>37</u>
306000	Non-controlling interests	66,092	-	66,462	-
906004	Total Equity	<u>26,765,772</u>	<u>28</u>	<u>25,712,447</u>	<u>37</u>
906002	Total liabilities and equity	<u>\$ 95,754,400</u>	<u>100</u>	<u>\$ 70,381,273</u>	<u>100</u>

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
400000 Revenues					
401000 Brokerage handling fee revenue	6(30)	\$ 2,236,426	31	\$ 2,551,963	44
404000 Revenues from underwriting business	6(31)	62,811	1	53,228	1
406000 Gain on wealth management		22,192	-	18,665	-
410000 Gain on sale of operating securities	6(32)	2,827,800	40	255,087	4
421100 Revenue from providing agency service for stock affairs		75,766	1	74,814	1
421200 Interest income	6(33)	1,206,807	17	1,308,644	23
421300 Dividend income		312,919	4	209,781	4
421500 Valuation gain (loss) on operating securities at fair value through profit or loss	6(34)	741,327	10	(352,009)	(6)
421600 Gain on covering of borrowed securities and bonds with resale agreements-short sales	6(35)	37,413	1	27,788	1
421610 Valuation (loss) gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(36)	(21,418)	-	22,067	-
421750 Realized gain (loss) on financial assets measured at fair value through other comprehensive income - bonds	6(37)	15,309	-	(24,289)	-
422000 Loss on issuance of ETNs		(2,377)	-	-	-
422200 Gain from issuance of call (put) warrants	6(38)	93,864	1	1,060,385	18
424400 (Loss) gain from derivatives	6(39)	(892,686)	(12)	396,874	7
425300 Impairment gain and reversal of impairment loss	6(40)	(6,497)	-	(63,261)	(1)
428000 Other operating income	6(41)	432,741	6	234,539	4
Total revenues		<u>7,142,397</u>	<u>100</u>	<u>5,774,276</u>	<u>100</u>
500000 Expenses					
501000/					
502000/					
503000 Handling charges	6(42)	(534,451)	(8)	(512,618)	(9)
521200 Interest expenses	6(43)	(531,821)	(7)	(414,308)	(7)
524100 Futures commission expense		(84,424)	(1)	(83,305)	(1)
524300 Expense of clearing and settlement		(94,747)	(1)	(119,731)	(2)
528000 Other operating expenditure		(39)	-	(46)	-
531000 Employee benefits expense	6(44)	(2,394,137)	(34)	(2,155,691)	(37)
532000 Depreciation and amortization	6(45)	(205,625)	(3)	(93,698)	(2)
533000 Other operating expenses	6(46)	(1,235,351)	(17)	(1,373,736)	(24)
Total expenditures and expenses		<u>(5,080,595)</u>	<u>(71)</u>	<u>(4,753,133)</u>	<u>(82)</u>

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of New Taiwan dollars)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
Operating profit		\$ 2,061,802	29	\$ 1,021,143	18
601000 Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(12)	107,016	2	101,586	2
602000 Other gains and losses	6(47)	388,990	5	314,158	5
902001 Profit before tax		2,557,808	36	1,436,887	25
701000 Income tax expense	6(48)	(183,973)	(3)	(219,254)	(4)
902005 Net income		\$ 2,373,835	33	\$ 1,217,633	21
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
805510 Remeasurements of defined benefit plans		(\$ 30,217)	-	\$ 9,671	-
805540 Unrealized (loss) gain from investments in equity instruments at fair value through other comprehensive income		(12,983)	-	37,273	1
805550 Other comprehensive gain of associates and joint ventures accounted for under equity method		(4,150)	-	4,915	-
805599 Income tax benefit relating to components of other comprehensive income		6,044	-	10,990	-
Items may be reclassified to profit of loss subsequently					
805610 Translation (loss) gain on the financial statements of foreign operating entities		(77,467)	(1)	85,342	2
805615 Unrealized loss from investments in debt instruments at fair value through other comprehensive income		(5,523)	-	(2,223)	-
805000 Current other comprehensive (loss) income (post-tax)		(\$ 124,296)	(1)	\$ 145,968	3
902006 Total current comprehensive income		\$ 2,249,539	32	\$ 1,363,601	24
Income attributable to:					
913100 Parent company		\$ 2,368,536	33	\$ 1,210,323	21
913200 Non-controlling interest		\$ 5,299	-	\$ 7,310	-
Current comprehensive income attributable to:					
914100 Parent company		\$ 2,244,912	32	\$ 1,355,594	24
914200 Non-controlling interests		\$ 4,627	-	\$ 8,007	-
Earnings per share	6(49)				
975000 Basic earnings per share (in dollars)		\$	1.72	\$	0.87
985000 Diluted earnings per share (in dollars)		\$	1.72	\$	0.87

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent											Non-controlling interests	Total equity
	Retained earnings					Other equity interest							
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	Unrealized gain or loss on financial instruments	Treasury shares	Total			
For the year ended December 31, 2018													
Balance at January 1, 2018	\$ 13,904,281	\$ 142,702	\$ 2,503,765	\$ 6,373,559	\$ 2,519,721	(\$ 66,091)	\$ -	\$ 7,717	\$ -	\$ 25,385,654	\$ 49,308	\$ 25,434,962	
Effects of retrospective application and retrospective restatement	-	-	-	-	17,538	-	563,430	(7,717)	-	573,251	13,293	586,544	
Balance at January 1, 2018 after adjustments	13,904,281	142,702	2,503,765	6,373,559	2,537,259	(66,091)	563,430	-	-	25,958,905	62,601	26,021,506	
Net income for the year ended December 31, 2018	-	-	-	-	1,210,323	-	-	-	-	1,210,323	7,310	1,217,633	
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	23,270	85,342	36,659	-	-	145,271	697	145,968	
Total comprehensive income	-	-	-	-	1,233,593	85,342	36,659	-	-	1,355,594	8,007	1,363,601	
Appropriations of 2017 earnings:													
Legal reserve	-	-	251,972	-	(251,972)	-	-	-	-	-	-	-	
Special reserve	6(28)	-	-	571,894	(571,894)	-	-	-	-	-	-	-	
Cash dividends	6(29)	-	-	-	(1,668,514)	-	-	-	-	(1,668,514)	-	(1,668,514)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,146)	(4,146)	
Balance at December 31, 2018	\$ 13,904,281	\$ 142,702	\$ 2,755,737	\$ 6,945,453	\$ 1,278,472	\$ 19,251	\$ 600,089	\$ -	\$ -	\$ 25,645,985	\$ 66,462	\$ 25,712,447	
For the year ended December 31, 2019													
Balance at January 1, 2019	\$ 13,904,281	\$ 142,702	\$ 2,755,737	\$ 6,945,453	\$ 1,278,472	\$ 19,251	\$ 600,089	\$ -	\$ -	\$ 25,645,985	\$ 66,462	\$ 25,712,447	
Net income for the year ended December 31, 2019	-	-	-	-	2,368,536	-	-	-	-	2,368,536	5,299	2,373,835	
Other comprehensive loss for the year ended December 31, 2019	-	-	-	-	(26,099)	(77,467)	(20,058)	-	-	(123,624)	(672)	(124,296)	
Total comprehensive income (loss)	-	-	-	-	2,342,437	(77,467)	(20,058)	-	-	2,244,912	4,627	2,249,539	
Appropriations of 2018 earnings:													
Legal reserve	6(28)	-	121,032	-	(121,032)	-	-	-	-	-	-	-	
Special reserve	6(28)	-	-	185,377	(185,377)	-	-	-	-	-	-	-	
Cash dividends	6(29)	-	-	-	(959,395)	-	-	-	-	(959,395)	-	(959,395)	
Purchase of treasury shares	6(28)	-	-	-	-	-	-	-	(231,822)	(231,822)	-	(231,822)	
Retirement of treasury share	6(28)	(180,381)	(51,441)	-	-	-	-	-	231,822	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,997)	(4,997)	
Balance at December 31, 2019	\$ 13,723,900	\$ 91,261	\$ 2,876,769	\$ 7,130,830	\$ 2,355,105	(\$ 58,216)	\$ 580,031	\$ -	\$ -	\$ 26,699,680	\$ 66,092	\$ 26,765,772	

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 2,557,808	\$ 1,436,887
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(45)	181,005	71,559
Amortization	6(45)	24,620	22,139
Impairment gain and reversal of impairment loss	6(40)	7,170	63,977
(Gain) loss on valuation of trading securities	6(34)	(741,327)	352,009
Loss (gain) on valuation of borrowed securities and bonds with resale agreements	6(36)	21,418	(22,067)
Financial expense	6(43)	531,821	414,308
Interest income (include financial income)	6(33)(47)	(1,395,998)	(1,465,878)
Dividend income		(339,434)	(235,041)
Share of the profit of associates and joint ventures accounted for under the equity method	6(12)	(107,016)	(101,586)
Loss on disposal of property and equipment	6(13)	930	17
(Gain) loss on valuation of non-operating financial instrument	6(47)	(10,859)	9,166
Gain from lease modification		(4)	-
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(16,100,206)	10,642,991
Financial assets at fair value through other comprehensive income - current		290,559	741,883
Bonds purchased under resale agreements		93,193	(93,193)
Margin loans receivable		(2,023,767)	3,417,807
Refinancing security deposits		(98,143)	74,948
Receivables from refinance guaranty		(80,372)	58,773
Receivable of securities business money lending		(517,809)	-
Customer margin account		(2,144,410)	(1,673,213)
Receivables from security lending		(22,727)	10,002
Security lending deposits		242,260	(39,549)
Notes receivable		488	286
Accounts receivable		(3,033,875)	2,319,284
Prepayments		(6,151)	11,633
Other receivables		(74,594)	27,947
Other current assets		18,526	152,641
Net changes in liabilities relating to operating activities			
Bonds sold under repurchase agreements		5,889,657	(5,845,059)
Financial liabilities at fair value through profit or loss - current		(38,887)	(318,237)
Deposits on short sales		(208,552)	(94,678)
Short sale proceeds payable		(118,370)	(190,454)
Guarantee deposit received on borrowed securities		55,383	(224,774)
Futures traders' equity		2,139,033	1,681,826
Equity for each customer in the account		633	-
Accounts payable		3,721,592	(992,369)
Advance receipts		1,398	20
Collections on behalf of third parties		15,715	(77,000)
Other payables		434,820	(268,655)
Other financial liabilities - current		56,857	(512,289)
Other current liabilities		612	9,329

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2019	2018
Cash (outflow) inflow generated from operations		(\$ 10,777,003)	\$ 9,365,390
Interest received		1,452,332	1,510,111
Dividends received		419,418	307,887
Income tax paid		(119,414)	(353,696)
Net cash flows (used in) from operating activities		(9,024,667)	10,829,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	6(13)	(49,102)	(47,404)
Proceeds from disposal of property and equipment		24	-
Acquisition of intangible assets	6(17)	(14,353)	(19,004)
Decrease (increase) in other non-current assets		17,017	(50,517)
Increase in prepayment for equipment		(61,939)	(38,039)
Net cash flows used in investing activities		(108,353)	(154,964)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans		2,025,081	(5,505,439)
Increase (decrease) in commercial papers payable		9,600,000	(3,650,000)
Repayments principal portion of lease liabilities		(103,551)	-
Increase (decrease) in other non-current liabilities		2,778	(50,053)
Payments of cash dividends		(959,395)	(1,668,514)
Acquisition of treasury stocks	6(28)	(231,822)	-
Interest paid		(528,228)	(412,594)
Changes in non-controlling interest		(4,997)	(4,146)
Net cash flows from (used in) financing activities		9,799,866	(11,290,746)
Effect of exchange rate changes		(79,369)	85,342
Net increase (decrease) in cash and cash equivalents		587,477	(530,676)
Cash and cash equivalents at beginning of year		5,932,669	6,463,345
Cash and cash equivalents at end of year		\$ 6,520,146	\$ 5,932,669

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19003349

To the Board of Directors and Shareholders of President Securities Corporation

Opinion

We have audited the accompanying parent company only balance sheets of President Securities Corporation (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of President Securities Corporation as at December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of President Securities Corporation in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the parent company only financial statements for the year ended December 31, 2019 are as follows:

Fair value measurement of unlisted stocks without active market

Description

Please refer to Note 4(7) for the accounting policies on unlisted stocks without active market (shown as “financial assets at fair value through other comprehensive income”) and Note 5 for details of significant judgements, estimates and assumption uncertainty. As at December 31, 2019, the unlisted stocks without active market held by President Securities Corporation totalled \$157,656 thousand and were shown as “financial assets at fair value through other comprehensive income” (Level 3 fair value).

Due to the lack of an active market, the fair value of the unlisted stocks held by the President Securities Corporation was determined using valuation method. Management measured its fair value by using comparable listed companies in market approach. The main assumption of market approach is calculating based on the latest published price-to-book ratio of comparable listed companies in similar industries and considering discounts on market liquidity or risk particularity.

Above-mentioned estimation of fair value involves various assumptions and material unobservable inputs, which has high uncertainty and relies on the subjective judgment of management. Any changes in judgements and estimates may affect the ultimate result of accounting estimates and have an impact on the financial statements of President Securities Corporation. Thus, we have included the fair value measurement of unlisted stocks without active market as a key audit matter in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed policy documents, internal control system, fair value measurement models and approval processes that are related to fair value measurement of unlisted stock;
2. Ascertained whether the measurement methods used by the management are commonly used by the industry;
3. Assessed the reasonableness of parameter of similar companies used by management;
4. Examined inputs and calculation formulas used in valuation methods and agreed such data to their supporting documents.

Impairment assessment of investments accounted for under equity method

Description

Please refer to Note 4(13) for accounting policies on investments accounted for under equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(11) for details of investments accounted for under equity method.

President Securities Corporation held 42.46% of equity of Uni-President Asset Management Corp. which was accounted for under equity method. As of December 31, 2019, the amount was \$578,382 thousand. Impairment assessment is based on the expected future cash flow of the investee, discounted at an appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the investee is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. These are subjective judgements, have a high degree of uncertainties, and are material to the recoverable amount. Thus, we consider the impairment assessment of investments accounted for under equity method as one of the matters of most significance to our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained the impairment assessment report prepared by an external valuation expert who was commissioned by the management;
2. Assessed the reasonableness of expected future cash flows, discount rate and other significant assumptions applied in the cash flow model;
3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance 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 for such internal control as management determines is necessary to enable the preparation of parent company only financial statement that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing President Securities Corporation’s financial reporting process.

Auditor’s responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of President Securities Corporation’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on President Securities Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause President Securities Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within President Securities Corporation to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lin, Se-Kai

Independent Accountants

Hsiao, Chin-Mu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 26, 2020

The accompanying parent company only financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of

such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
110000 Current assets					
111100 Cash and cash equivalents	6(1)	\$ 3,829,651	5	\$ 3,493,138	6
112000 Financial assets at fair value through profit or loss - current	6(2)	43,510,101	54	26,802,010	47
113200 Financial assets at fair value through other comprehensive income - current	6(3)	-	-	296,304	1
114010 Bonds purchased under resale agreements	6(4)	-	-	93,193	-
114030 Margin loans receivable	6(5)	10,024,189	12	8,020,488	14
114040 Refinancing security deposits		102,545	-	4,402	-
114050 Receivables from refinance guaranty		88,759	-	8,387	-
114060 Receivable of securities business money lending		517,809	1	-	-
114090 Receivables from security lending		101,043	-	78,316	-
114100 Security lending deposits		543,171	1	785,431	1
114110 Notes receivable		697	-	735	-
114130 Accounts receivable	6(6)	11,786,358	14	8,236,367	14
114140 Accounts receivable - related parties	6(6)	2,615	-	3,895	-
114150 Prepayments		18,464	-	16,287	-
114170 Other receivables	6(7)	10,294	-	7,264	-
119000 Other current assets	6(8)	544,924	1	447,498	1
110000 Total current assets		<u>71,080,620</u>	<u>88</u>	<u>48,293,715</u>	<u>84</u>
120000 Noncurrent assets					
122000 Financial assets at fair value through profit or loss - noncurrent	6(2)	71,296	-	66,354	-
123200 Financial assets at fair value through other comprehensive income - noncurrent	6(3)	157,656	-	146,545	-
124100 Investments in associates	6(11)	5,476,748	7	5,347,315	9
125000 Property and equipment, net	6(12)	2,270,391	3	2,269,210	4
125800 Right-of-use assets	6(13)	167,514	-	-	-
126000 Investment property, net	6(15)	272,603	1	274,703	1
127000 Intangible assets	6(16)	70,726	-	67,004	-
128000 Deferred tax assets	6(47)	132,198	-	120,661	-
129000 Other assets - noncurrent	6(17)	985,663	1	1,009,981	2
120000 Total noncurrent assets		<u>9,604,795</u>	<u>12</u>	<u>9,301,773</u>	<u>16</u>
906001 Total Assets		<u>\$ 80,685,415</u>	<u>100</u>	<u>\$ 57,595,488</u>	<u>100</u>

(Continued)

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2019		December 31, 2018	
		AMOUNT	%	AMOUNT	%
210000 Current liabilities					
211100 Short-term loans	6(18)	\$ 2,845,502	4	\$ 939,879	2
211200 Commercial papers payable	6(19)	9,596,704	12	-	-
212000 Financial liabilities at fair value through profit or loss - current	6(20)	848,265	1	865,530	1
214010 Bonds sold under repurchase agreements	6(21)	20,956,256	26	15,066,599	26
214040 Deposits on short sales		1,558,717	2	1,767,269	3
214050 Short sale proceeds payable		1,888,832	2	2,007,202	3
214070 Guarantee deposit received on borrowed securities		56,004	-	621	-
214090 Equity for each customer in the account		633	-	-	-
214130 Accounts payable	6(22)	11,467,219	14	7,292,947	13
214150 Advance receipts		310	-	55	-
214160 Collections on behalf of third parties		375,582	1	361,033	1
214170 Other payables	6(23)	1,235,306	2	790,369	1
214200 Other financial liabilities - current	6(24)	2,743,866	3	2,687,009	5
214600 Current tax liability	6(47)	194,272	-	126,192	-
216000 Current lease liabilities		56,963	-	-	-
219000 Other current liabilities		12,599	-	8,596	-
210000 Total current liabilities		<u>53,837,030</u>	<u>67</u>	<u>31,913,301</u>	<u>55</u>
220000 Noncurrent liabilities					
225100 Non-current provisions		4,180	-	-	-
226000 Non-current lease liabilities		105,452	-	-	-
228000 Deferred tax liability	6(47)	12,148	-	14,274	-
229000 Other liabilities - noncurrent	6(25)	26,925	-	21,928	-
220000 Total noncurrent liabilities		<u>148,705</u>	<u>-</u>	<u>36,202</u>	<u>-</u>
906003 Total Liabilities		<u>53,985,735</u>	<u>67</u>	<u>31,949,503</u>	<u>55</u>
301000 Capital					
301010 Common stock	6(27)	13,723,900	17	13,904,281	24
302000 Capital reserve		91,261	-	142,702	1
304000 Retained earnings	6(28)				
304010 Legal reserve		2,876,769	3	2,755,737	5
304020 Special reserve		7,130,830	9	6,945,453	12
304040 Unappropriated earnings		2,355,105	3	1,278,472	2
305000 Other equity interest		521,815	1	619,340	1
906004 Total equity		<u>26,699,680</u>	<u>33</u>	<u>25,645,985</u>	<u>45</u>
906002 Total liabilities and equity		<u>\$ 80,685,415</u>	<u>100</u>	<u>\$ 57,595,488</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
400000 Revenues					
401000 Brokerage handling fee revenue	6(29)	\$ 1,528,416	25	\$ 1,709,656	36
404000 Revenues from underwriting business	6(30)	62,811	1	53,228	1
406000 Gain on wealth management		22,192	-	18,665	-
410000 Gain on sale of trading securities	6(31)	2,833,461	45	277,015	6
421100 Revenue from providing agency service for stock affairs		75,832	1	74,882	2
421200 Interest revenue	6(32)	1,163,195	19	1,256,294	27
421300 Dividend revenue		305,758	5	207,302	4
421500 Valuation gain (loss) on operating securities at fair value through profit or loss	6(33)	711,103	11	(366,829)	(8)
421600 Gain on covering of borrowed securities and bonds with resale agreements-short sales	6(34)	37,413	1	27,788	1
421610 Valuation (loss) gain on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(35)	(21,418)	-	22,067	-
421750 Realised gain (loss) on financial assets measured at fair value through other comprehensive income-bonds	6(36)	15,309	-	(24,289)	-
422000 Loss on issuance of ETNs		(2,377)	-	-	-
422200 Gain from issuance of call (put) warrants	6(37)	93,864	1	1,060,385	23
424100 Future commission revenue		35,784	1	59,189	1
424400 (Loss) gain from derivatives	6(38)	(987,583)	(16)	200,152	4
425300 Impairment loss and reversal of impairment loss	6(39)	(6,498)	-	(52,082)	(1)
428000 Other operating income	6(40)	362,655	6	164,467	4
Total revenue		<u>6,229,917</u>	<u>100</u>	<u>4,687,890</u>	<u>100</u>
500000 Total expenditure and expense					
501000/					
502000/					
503000 Handling charges	6(41)	(399,172)	(6)	(344,064)	(7)
521200 Finance costs	6(42)	(506,284)	(8)	(397,110)	(9)
524200 Securities commission expense		(133)	-	(148)	-
524300 Expense of clearing and settlement		(10,658)	-	(14,806)	-
528000 Other operating expenditure		(39)	-	(46)	-
531000 Employee benefits expense	6(43)	(2,044,099)	(33)	(1,787,401)	(38)
532000 Depreciation and amortization	6(44)	(154,827)	(3)	(75,875)	(2)
533000 Other operating expense	6(45)	(1,089,758)	(18)	(1,188,099)	(25)
Total expenditure and expense		<u>(4,204,970)</u>	<u>(68)</u>	<u>(3,807,549)</u>	<u>(81)</u>
Net operating income		2,024,947	32	880,341	19
601100 Share of profit of subsidiaries, associates and joint ventures accounted for under the using equity method	6(11)	329,744	5	379,275	8
602000 Other gains and losses	6(46)	159,690	3	126,030	3
902001 Profit before tax		<u>2,514,381</u>	<u>40</u>	<u>1,385,646</u>	<u>30</u>
701000 Income tax expense	6(47)	(145,845)	(2)	(175,323)	(4)
902005 Net income		<u>\$ 2,368,536</u>	<u>38</u>	<u>\$ 1,210,323</u>	<u>26</u>

(Continued)

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
805510	Remeasurements of defined benefit plan	(\$ 34,860)	(1)	\$ 14,773	-
805540	Unrealised gain from investments in equity instruments at fair value through other comprehensive income	11,111	-	12,307	-
805560	Other comprehensive gain of subsidiaries, associates, and joint ventures accounted for under equity method	(23,857)	-	26,141	1
805599	Income tax benefit relating to components of other comprehensive income	6,972	-	8,931	-
Items may be reclassified to profit or loss subsequently					
805610	Translation (loss) gain on the financial statements of foreign operating entities	(77,467)	(1)	85,342	2
805615	Unrealised loss from investments in debt instruments at fair value through other comprehensive income	(5,523)	-	(2,223)	-
805000	Current other comprehensive income (loss) (post-tax)	<u>(\$ 123,624)</u>	<u>(2)</u>	<u>\$ 145,271</u>	<u>3</u>
902006	Total current comprehensive income	<u>\$ 2,244,912</u>	<u>36</u>	<u>\$ 1,355,594</u>	<u>29</u>
Earnings per share 6(48)					
975000	Basic earnings per share	<u>\$</u>	<u>1.72</u>	<u>\$</u>	<u>0.87</u>
985000	Diluted earnings per share	<u>\$</u>	<u>1.72</u>	<u>\$</u>	<u>0.87</u>

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings					Other equity interest			Treasury shares	Total equity
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets		
For the year ended December 31, 2018											
Balance at January 1, 2018		\$ 13,904,281	\$ 142,702	\$ 2,503,765	\$ 6,373,559	\$ 2,519,721	(\$ 66,091)	\$ -	\$ 7,717	\$ -	\$ 25,385,654
Effects of retrospective application and retrospective restatement		-	-	-	-	17,538	-	563,430	(7,717)	-	573,251
Balance at January 1, 2018 after adjustments		<u>13,904,281</u>	<u>142,702</u>	<u>2,503,765</u>	<u>6,373,559</u>	<u>2,537,259</u>	<u>(66,091)</u>	<u>563,430</u>	<u>-</u>	<u>-</u>	<u>25,958,905</u>
Net income for the year ended December 31, 2018		-	-	-	-	1,210,323	-	-	-	-	1,210,323
Other comprehensive income for the year ended December 31, 2018		-	-	-	-	23,270	85,342	36,659	-	-	145,271
Total comprehensive income		-	-	-	-	1,233,593	85,342	36,659	-	-	1,355,594
Appropriations of 2017 earnings:											
Legal reserve		-	-	251,972	-	(251,972)	-	-	-	-	-
Special reserve		-	-	-	571,894	(571,894)	-	-	-	-	-
Cash dividends		-	-	-	-	(1,668,514)	-	-	-	-	(1,668,514)
Balance at December 31, 2018		<u>\$ 13,904,281</u>	<u>\$ 142,702</u>	<u>\$ 2,755,737</u>	<u>\$ 6,945,453</u>	<u>\$ 1,278,472</u>	<u>\$ 19,251</u>	<u>\$ 600,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,645,985</u>
For the year ended December 31, 2019											
Balance at January 1, 2019		\$ 13,904,281	\$ 142,702	\$ 2,755,737	\$ 6,945,453	\$ 1,278,472	\$ 19,251	\$ 600,089	\$ -	\$ -	\$ 25,645,985
Net income for the year ended December 31, 2019		-	-	-	-	2,368,536	-	-	-	-	2,368,536
Other comprehensive loss for the year ended December 31, 2019		-	-	-	-	(26,099)	(77,467)	(20,058)	-	-	(123,624)
Total comprehensive income (loss)		-	-	-	-	2,342,437	(77,467)	(20,058)	-	-	2,244,912
Appropriations of 2018 earnings:											
Legal reserve	6(27)	-	-	121,032	-	(121,032)	-	-	-	-	-
Special reserve	6(27)	-	-	-	185,377	(185,377)	-	-	-	-	-
Cash dividends	6(28)	-	-	-	-	(959,395)	-	-	-	-	(959,395)
Purchase of treasury shares	6(27)	-	-	-	-	-	-	-	-	(231,822)	(231,822)
Retirement of treasury share	6(27)	(180,381)	(51,441)	-	-	-	-	-	-	231,822	-
Balance at December 31, 2019		<u>\$ 13,723,900</u>	<u>\$ 91,261</u>	<u>\$ 2,876,769</u>	<u>\$ 7,130,830</u>	<u>\$ 2,355,105</u>	<u>(\$ 58,216)</u>	<u>\$ 580,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,699,680</u>

The accompanying notes are an integral part of these parent company only financial statements.

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,514,381	\$ 1,385,646
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(44)	143,330	61,944
Amortization	6(44)	11,497	13,931
Impairment gain and reversal of impairment loss	6(39)	7,170	52,798
Valuation (gains) loss on operating securities at fair value through profit or loss	6(2)(33)	(711,103)	366,829
Valuation loss (gain) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(35)	21,418	(22,067)
Interest costs	6(42)	506,284	397,110
Interest income (include financial income)	6(32)(46)	(1,182,276)	(1,274,766)
Dividend income		(312,397)	(214,549)
Share of profit of subsidiaries, associates and joint ventures accounted for under the equity method	6(11)	(329,744)	(379,275)
Loss on disposal of property and equipment	6(46)	928	11
(Gain) loss on valuation of non-operating financial instrument	6(46)	(7,576)	4,013
Loss from lease modification	6(46)	15	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(16,009,810)	10,624,601
Financial assets at fair value through other comprehensive income - current		290,558	741,883
Bonds purchased under resale agreements		93,193	(93,193)
Margin loans receivable		(2,023,768)	3,417,807
Refinancing security deposits		(98,143)	74,948
Receivables from refinance guaranty		(80,372)	58,773
Receivable of securities business money lending		(517,809)	-
Receivables from security lending		(22,727)	10,002
Security lending deposits		242,260	(39,549)
Notes receivable		38	630
Accounts receivable		(3,126,130)	2,404,487
Accounts receivable - related parties		1,280	1,651
Prepayments		(4,808)	8,827
Other receivables		(2,794)	1,239
Other current assets		(97,426)	336,418
Changes in operating liabilities			
Bonds sold under repurchase agreements		5,889,657	(5,845,059)
Financial liabilities at fair value through profit or loss - current		(38,683)	(318,267)
Deposits on short sales		(208,552)	(94,678)
Short sale proceeds payable		(118,370)	(190,454)
Guarantee deposit received on borrowed securities		55,383	(224,774)
Equity for each customer in the account		633	-
Accounts payable		3,728,377	(1,167,642)
Advance receipts		255	(62)
Collections on behalf of third parties		14,549	(75,147)
Other payable		449,094	(285,908)
Other financial liabilities - current		56,857	(512,289)
Other current liabilities		4,003	4,336

(Continued)

PRESIDENT SECURITIES CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
Cash (outflow) inflow generated from operations		(\$ 10,861,328)	\$ 9,230,205
Interest received		1,237,357	1,322,076
Dividends received		551,092	423,184
Income tax paid		(84,456)	(304,686)
Net cash flows (used in) from operating activities		(9,157,335)	10,670,779
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property and equipment	6(12)	(41,146)	(38,643)
Loss on disposal of property and equipment		10	-
Acquisition of intangible assets	6(16)	(7,557)	(10,187)
Investments accounted for under equity method		(126,000)	-
Decrease (increase) in other non-current liabilities		11,966	(42,016)
Increase in prepayment for equipment		(51,785)	(33,171)
Net cash flows used in investing activities		(214,512)	(124,017)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term loans		1,905,623	(5,342,089)
Increase (decrease) in commercial papers payable		9,600,000	(3,650,000)
Repayments of principal portion of lease liabilities		(77,342)	-
Increase (decrease) in other non-current liabilities		3,410	(49,201)
Payments of cash dividends	6(26)	(959,395)	(1,668,514)
Payments to acquire treasury shares		(231,822)	-
Interest paid		(502,822)	(395,381)
Net cash flows from (used in) financing activities		9,737,652	(11,105,185)
Effect of exchange rate changes on cash and cash equivalents		(29,292)	15,225
Net increase (decrease) in cash and cash equivalents		336,513	(543,198)
Cash and cash equivalents at beginning of year		3,493,138	4,036,336
Cash and cash equivalents at end of year		\$ 3,829,651	\$ 3,493,138

President Securities Corporation
2019 Earnings Distribution Proposal

Unit: : NT\$

Unappropriated earnings as of January 1, 2019 (Note 1)	\$12,668,223
Add : Net profit after tax of 2019	2,368,535,541
Add(Less) : Other profit items adjusted to the current year's undistributed earnings other than net profit after tax of 2019 (Note2)	(26,098,951)
Subtotal	2,355,104,813
Less : Legal Reserve (10%) (Note 3)	(234,243,659)
Special Reserve (20%) (Note 4)	(473,707,108)
Reversing Special Reserve(Note 5)	4,221,224
Unappropriated earnings Available for Distribution	1,651,375,270
Distribution items	
— Cash dividend (NT\$ 1 / per share)	1,372,390,028
— Stock dividend (NT\$ 0.2 / per share)	274,478,010
Unappropriated earnings as of December 31, 2019	\$4,507,232

Note 1 : The amount of unappropriated earnings in the earning distributions resolved by the shareholders' meeting of 2019

Note 2 : The Company has adopted T-IFRSs and unappropriated earnings was decreased by \$26,098,951 due to remeasurement of defined benefits plan (included in other comprehensive income).

Note 3 : According to Article 237 of the Company Act, Jingshan Letter No.10802432410 and Article 23-1 of the Company's Article of Incorporation, 10% were set aside as legal reserve.

Note 4 : According to Article 14 of Regulations Governing Securities Firms, and Article 23-1 of the Company's Article of Incorporation, 20% were set aside as special reserve.

Note 5 : According to Jin-Guan-Zheng-Quan Letter No. 1080321644 starting from 2019, the special reserve, within the balance of special reserve set aside during 2016 to 2018, could be reversed at the same amount for employee transfer and settlement expenditure, and employees' transformation training expenditure arising from the development of fintech, securities and futures business.

Note 6 : Prior years' unappropriated earnings shall not be appropriated unless the current year's unappropriated earnings is insufficient for distribution.

Note 7 : Total common shares outstanding as of December 31, 2019 was 1,372,390,028 shares.

President Securities Corp. Rules and Procedures of Shareholders' Meeting

- Article01. These Rules are prescribed in accordance with Article 5 of the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies for the purpose of establishing good governance, strengthening the supervisory functions and administration by the shareholders' meeting.
- Article02. Except as otherwise provided by the laws and regulations or the Articles of Incorporation of the Company, the shareholders' meetings of the Company shall be in accordance with these Rules.
- Article03. Except as otherwise provided by the laws and regulations, the shareholders' meeting of the Company shall be convened by the Board of Directors.
- The company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors or Independent Directors, and other matters on the shareholders' meeting agenda, and upload them to the MOPS website thirty (30) days prior to a regular shareholders' meeting or fifteen (15) days prior to a temporary shareholders' meeting. Twenty-one (21) days before a company is to convene an ordinary shareholders' meeting, or fifteen (15) days before a temporary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental materials, and upload it to the MOPS website. Fifteen (15) days before a company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the company and its stock registrar and transfer agent, and distributed on-site at the meeting.
- The meeting notice and the public announcement of the shareholders meeting shall expressly indicate the reasons for convening the meeting.
- The meeting notice can be served by means of electricity facilities if agreed by the noticed party .
- Election or dismissal of directors, supervisors, proposed amendment to the Articles of Incorporation, proposed dissolution, merger, or split of the Company, event(s) of the conditions provided in the first paragraph of Article 185 of the Company Act, or Article 26-1, or Article 43-6 of the Securities And Exchange Act must be indicated item by item in the reasons for convening the meeting in the meeting notice and none of them can be proposed by way of extempore motion.
- A shareholder who holds 1% or more of the total issued shares of the Company may propose in writing one and only one proposal in advance to be included in the agenda for discussion and resolution at the shareholders meeting. All additional proposals, if any, proposed by the shareholder shall be excluded from the agenda. The Board of Directors may decide to exclude from the agenda any proposal proposed by the shareholder which runs into any of the conditions provided in the fourth paragraph of Article 172 -1 of the Company Act.
- The Company shall make public announcement about when and where to submit proposal prior to the commencement date of the suspension of transfer of shares in the Company

and the opening period for proposal acceptance shall not less than 10 days.

The proposal proposed by the shareholder shall be written in not more than 300 Chinese characters or shall otherwise be excluded from the agenda. The shareholder who has proposed a proposal shall personally attend the general shareholders meeting and participate in the discussion of his/her proposal or he/she may duly designate a proxy to act on his/her behalf at the meeting.

The Company shall give a notice to the shareholder prior to the meeting date regarding the Company's handling of the proposal he/she has proposed. The Company shall, item by item, indicate in the meeting notice all of the proposals submitted in conformity to this Article and the reasons why the other proposals are excluded from the agenda.

Article04. The shareholder may designate a proxy to attend the shareholders meeting on his/her behalf by signing and indicating the scope of authority in the proxy form prepared by the Company.

Each shareholder may sign one and only one proxy form to designate one and only one proxy. The signed proxy form must be served to the Company five days prior to the meeting day. In case of multiple signed proxies from the same shareholder, the first one served to the Company shall prevail except when the shareholder has expressed to cancel the proxy. The shareholder who, after his/her signed proxy has been served to the Company, is to attend the meeting in person or to exercise his/her voting power by way of electronic transmission shall notify the Company in writing no later than two days prior to the meeting day of his/her intention to cancel his/her signed proxy or the ballots cast by his/her designated proxy present at the meeting shall govern for the purpose of vote counting.

Article05. The shareholders meeting shall be convened at the place where the Company is located or any other appropriate place convenient for shareholders to attend and shall commence no earlier than 9:00AM and no later than 3:00PM on the meeting date. The venue, date and hour of the meeting shall be determined in consideration of the opinion of the independent director.

Article06. The company shall, in the meeting notice, state the reporting time, reporting venue and other items of importance for accepting shareholders.

The abovementioned accepted shareholders shall report at least 30 minutes before the start of the meeting; the reporting venue shall be clearly identifiable and managed by an adequate number of staff who are adequately competent.

Shareholders or agents authorized by shareholders (hereinafter referred to as shareholders) shall present their attendance ID, attendance cards or other attendance certificates at the shareholders' meeting; solicitors soliciting proxy forms shall bring along their identification documents for verification purposes.

The shareholder or his/her proxy who attends the meeting may turn in his/her signed attendance card instead of signing in the attendance book.

The Company shall deliver to each shareholder the agenda, annual report, attendance ID, speaking request form, ballots, other meeting materials and, where applicable, the ballots for election of directors and/or Independent Directors.

The shareholder shall present his/her attendance ID, signed attendance card or other pre-approved attendance documentation to attend the meeting. Those to attend the meeting as requesters shall also present their identification paper for verification.

A government agency shareholder or an institutional shareholder may be represented at the shareholders' meeting by one or more proxies. An institution acting as the proxy for a shareholder may appoint one and only one representative to act on behalf of the principal of the proxy at the meeting.

Article07. Where the shareholders meeting is convened by the Board of Directors, the meeting shall be presided by the chairman of the Board of Directors. If the chairman is for whatever reason unable to carry out his/her functions at the meeting, the vice chairman shall act in his/her stand. If the Company has no vice chairman or the vice chairman is for whatever reason unable to carry out the function at the meeting either, the chairman shall appoint a standing director to act in his/her stand at the meeting. If the Company has no standing director, the chairman shall appoint a director to act in his/her stand. If above are not applicable, the directors or standing directors (if any) shall elect one from among themselves to preside the meeting.

If the abovementioned position of chairman be filled by a managing director or director, said managing director or director shall be one who has held office for more than six months and understands the company's financial and business conditions. The same applies if the position of chairman is held by a corporate director's representative.

Where the shareholders meeting is convened by any person legally authorized to do so other than the Board of Directors, the meeting shall be presided by the convener.

Where there are two or more conveners, they shall elect one from among themselves to preside the meeting.

The Company may appoint legal counsel(s), certified public accountant(s) and/or the relevant personnel to attend the shareholders' meeting without the right to vote.

Article08. The company shall record the entire meeting either through audio or video.

The abovementioned video and audio materials shall be kept for at least one year.

However, in the event that a lawsuit has been filed by shareholder(s) in accordance with Article 189 of the Company Act, said video and audio recordings shall be kept until the end of said lawsuit.

Article09. Whether the shareholders' meeting meets the quorum shall be determined based on the total amount of shares represented at the meeting which shall be counted according to the numbers of attendance cards received plus voting power exercised by way of electronic transmission.

The chairperson shall call the meeting to order as scheduled, provided that where the number of shares represented at the meeting accounts for less than the majority of the total issued shares, the chairperson may announce to postpone calling the meeting to order twice and only twice for a total duration of not more than one hour. If the quorum is still not met after the above postponement duration has expired and the total number of shares represented at the meeting still accounts for less than one third of the total issued shares of the Company, the chairperson shall announce to abort the meeting.

If the quorum is still not met after the meeting has been twice postponed as provided in the preceding paragraph but the number of shares represented at the meeting exceeds one third of the total issued shares of the Company, temporary resolutions may be adopted in accordance with the first paragraph of Article 175 of the Company Act, in which case, the temporary resolutions adopted shall be notified to all shareholders and the shareholders

meeting shall reconvene within one month.

If, before the meeting ends, the total shares represented at the meeting account for half or more of the total issued shares of the Company, the chairperson may submit the temporary resolution adopted to the meeting for voting pursuant to Article 174 of the Company Act.

Article 10. Where the shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors and the meeting shall proceed according to the agenda except otherwise changed by the resolution adopted by the shareholders' meeting.

Where the shareholders' meeting is convened by any person legally authorized to do so other than the Board of Director, the preceding paragraph shall apply.

The chairperson shall not forthwith announce to adjourn the meeting before the agenda provided in the two preceding paragraphs (including extempore motions) is duly completed except on the resolution adopted by the shareholders' meeting for him/her to do so. In the event the chairperson announces to adjourn the meeting in contravention to these Rules, the other members of the Board of Directors present shall promptly assist the shareholders present at the meeting to duly elect, by a majority vote, one from among the directors present to preside to continue the meeting.

The chairperson shall allow sufficient time for explanation to be given and discussion on each proposal on the agenda and each amendment or extempore motion proposed by the shareholders. The chairperson may announce to conclude the discussion as he/she sees fit and submit the proposal to voting for resolution.

Article 11. The shareholder shall fill out the speaking request form floor before making statement at the meeting and he/she will indicate the gist of his/her statement to make, shareholder account number (or attendance card number) and shareholder name. The chairperson will decide the order for the shareholders to make their statement.

The shareholder who has only filled out the speaking request form floor without actually doing so shall be deemed not having made any statement. In case of any discrepancy between the gist of statement indicated in the shareholder's speaking request and the actual statement made, the actual statement made shall govern.

The shareholder may speak on each proposal twice and only twice for not more than five minutes each except otherwise approved by the chairperson, provided that the chairperson may stop at any time the shareholder from taking the floor if such shareholder has acted in contravention of these Rules or is making statement out of the scope of the proposal being discussed.

No shareholder may interrupt the shareholder taking the floor without the consent of both of the chairperson and the shareholder taking the floor. The chairperson shall restrain any shareholder from acting in breach of the above.

An institutional shareholder who is represented by two or more appointed representatives at the meeting will have its statement on the same proposal made (if any) by one and only one of its appointed representatives.

The chairperson may personally respond to the statement made by the shareholder or appoint the relevant personnel to do so.

Article 12. The votes at the shareholders' meeting will be counted based on the number of shares.

The non-voting shares represented at the meeting shall be disregarded for the purpose of

counting votes for adopting the resolution.

Shareholders who have personal conflict of interests against the Company on certain proposal shall not vote on that proposal, either for himself/herself or for another shareholder by proxy.

The non-voting shares provided in the preceding paragraph shall be excluded from the calculation of voting shares represented at the meeting.

Except trust businesses or stock affair agency approved by the competent securities authority, a proxy acting on behalf of two or more shareholders at the meeting will have the voting right by proxy representing not exceeding 3% of the total issued shares of the Company. Any vote cast by the proxy in excess of the said representation limit will be ignored.

Article 13. The shareholder will have one vote for each share held except where there is limitation on the voting right or the voting right is denied by operation of the second paragraph of Article 179 of the Company Act.

The voting power at a shareholders' meeting may be exercised by way of electronic transmission described in the shareholders' meeting notice. A shareholder who exercises his/her voting power at a shareholders meeting by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting. In case a shareholder elects to exercise his/her/its voting power by way of electronic transmission, his/her declaration of intention shall be served to the company two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, the first declaration of such intention received shall prevail; unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised his/her voting power by way of electronic transmission intends to attend the shareholders' meeting in person, he/she shall serve a separate declaration of intention to rescind his/her previous declaration of intention made in exercising the voting power two days prior to the meeting date of the scheduled shareholders' meeting and in the same manner previously used in exercising his/her/its voting power. In the absence of a timely rescission of the previous declaration of intention, the voting power exercised by way of electronic transmission shall prevail.

In case a shareholder has exercised his/her voting power by way of electronic transmission, and has also authorized a proxy to attend the shareholders' meeting in his/her behalf, then the voting power exercised by the authorized proxy for the said shareholder shall prevail.

Except as otherwise provided by the Company Act or the Articles of Incorporation of the Company, the resolution of a shareholders meeting shall be adopted by the majority vote represented at the meeting. For the purpose of voting, the chairperson shall announce the total number of votes represented and currently present at the meeting or appoint a personnel to do so each time before calling for voting on each proposal. The resolutions, whether agreement/disagreement/waiver, shall be uploaded to the MOPS website on the day which shareholder's meeting was held.

Upon voting for resolution on a proposal, if no opposition is expressed by shareholders

present at the meeting, and shareholders either through electronic or written form, in response to the chairperson's invitation for opinion on that proposal, the resolution shall be deemed adopted unanimously and operate as one adopted by voting. In case an opposition is expressed, the proposal shall be voted in accordance with the preceding paragraph. Where there is revision or substitute proposal on the same proposal, the chairperson shall combine them with that proposal for the purpose of determining their order of voting. If one of the proposals is adopted, the other proposals shall be deemed vetoed and no voting on them will be necessary.

The chairperson shall appoint vote supervisor and vote counter during the voting and the vote supervisor shall also be a shareholder. The vote counting for voting or election motions at the shareholders' meeting shall be conducted publicly at the meeting venue, after vote counting has been completed, the voting results shall be announced on the spot (including the tallied number of votes) and recorded accordingly.

Article 14. The election of a director and or supervisor shall be in accordance with the relevant bylaw of the Company and the result of the election, including list of elected directors and Independent Directors and the number of votes they received, shall be announced on site. The ballots of the election provided in the preceding paragraph shall be sealed and signed by the personnel supervising the voting and properly kept for at least one year or up through the conclusion of the shareholder action (if any) initiated under Article 189 of the Company Act.

Article 15. Each resolution adopted by the shareholders' meeting must be taken down in the meeting minutes which must be signed or impressed with the seal of the chairperson with a copy thereof sent to the shareholders each within twenty (20) after the end of the meeting. The Company may publish the meeting minutes provided in the preceding paragraph on the MOPS website.

The meeting minutes shall accurately indicate the year, month, date, venue, name of the chairperson, method of adopting resolutions, gist of the proceeding and the conclusion of the meeting and shall be properly kept throughout the standing of the Company.

(Delete this item)

Article 16. The Company shall count the number of shares represented by the requesters and proxies present at the meeting, produce and clearly display at the meeting a statistic statement thereof according to the required form.

For each resolution adopted the publication of which is required by law or which belongs to the TWSE-required material information, the Company shall, within the applicable time limit, transmit it to the MOPS.

Article 17. The working staff of the meeting shall each wear an ID tag or badge.

The chairperson may direct the order-maintaining personnel or security guard to maintain the order of the meeting. The order-maintaining personnel or security guard shall each wear a badge or ID tag bearing their designation when performing their functions at the meeting.

The chairperson may stop the shareholder from making statements by using any equipment other than those readily facilitated by the meeting (if any).

If the shareholder ignores the chairperson's request for him/her to retrain himself/herself from acting in contravention of these Rules at the cost of the proceeding of the meeting, the

chairperson may direct the order-maintaining personnel or security guard at the meeting to escort such shareholder out of the venue of the meeting.

Article 18. The chairperson may call the meeting to a break as he/she sees fit. In the event of force majeure, the chairperson may suspend the meeting and announce the appropriate date and hour to resume the meeting. In the event that the venue of the shareholders' meeting is kept from being available for use before the agenda (including extempore motions) is discussed in full, the shareholders' meeting may adopt the resolution for continuing the meeting elsewhere. The shareholders' meeting may adopt the resolution pursuant to Article 182 of the Company Act to re-schedule or resume the meeting within five days.

Article 19. These Rules and all subsequent amendments shall come into force after being adopted by the shareholders' meeting.

These Rules were duly established on April 16th, 1998 and the first amendment was approved on June 25th, 2010. The second amendment was approved on June 24th, 2011. The third amendment was approved on June 22th, 2012. The fourth amendment was approved on June 19th, 2013. The fifth amendment was approved on June 18th, 2014.

The sixth amendment was approved on June 22th, 2017.

ARTICLES OF INCORPORATION OF PRESIDENT SECURITIES CORP.**Chapter I General Provisions****Article 1:**

This Company is duly incorporated under the provisions set forth Company Law regarding companies limited by shares in the full name of PRESIDENT SECURITIES CORPORATION (Hereinafter referred to as the Company).

Article 2:

The Company shall engage in the following business:

1. H301011, a securities dealer.
2. H408011, an aid on futures transaction
3. H401011, a futures dealer
4. H105011, a trustee

Article 2-1:

The scope of business of the Corporation shall be as follows:

1. To underwriter valuable securities
2. To buy and sell valuable securities in centralized trading markets as a principal;
3. To be consigned to buy and sell valuable securities in centralized trading markets;
4. To buy and sell valuable securities in its own business location;
5. To be consigned to buy and sell valuable securities in its own business location;
6. To act as an agent for stock affairs in valuable securities;
7. To engage in short-buy and margin sales for trading in valuable securities;
8. To render aid in futures trading;
9. To be consigned to buy and sell foreign valuable securities;
10. To engage concurrently in proprietary futures trading.
11. To engage concurrently in trustee
12. To be consigned to buy and sell foreign valuable securities;
13. To operate securities-related business of foreign exchange and permit by the Central Bank of Republic of China. (Taiwan)
14. To engage in other securities related businesses as approved by the competent authorities.

Article 2-2:

The Company may, within the scope as permitted by law, render guarantee services to subsidiaries.

Article 3:

The Company is headquartered in Taipei and may have branches duly set in appropriate locations elsewhere as approved by the government.

Article 4:

This article was deleted.

Chapter II Shares**Article 5:**

The Company has New Taiwan Dollars Fifteen Billion Only, divided into 1.5 billion shares at Ten New Taiwan Dollars par value for which the board of directors is authorized with full powers to issue in installments.

Article 5-1:

When the Company acts as a shareholder of limited liabilities, the total amount of external investment by the Company is free of the maximum limitation at 40% of the paid-in capital as set forth in Article 13 of the Company Law.

Article 6:

The share certificates hereof shall be duly signed and sealed by three directors, affixed with Company seal and duly authenticated by the competent authorities or their authorized organization before issuance. The company may be exempted from printing any share certificate or it may either print a single share certificate or a consolidated share certificate for the shares issued. The Company shall appoint a centralized securities custody institution to make recordation of the issue of such shares.

Article 7:

For transfer of the Company's shares, both the shareholder and the transferee shall jointly apply hereto for transfer procedures and entry into roster of shareholders, provided, that no transfer of shares shall be made within one month prior to a shareholders' regular meeting or fifteen days prior to an extraordinary meeting or within five days prior to allocation of dividend, bonus or other interests.

Article 8:

The share certificates hereof are the registered ones. The shareholders hereof shall have their names and addresses duly registered into roster of shareholders and have their impression cards of registered seals filed herein. The same is required in case of a change. The stock affairs of the Company shall be duly handled according to "Regulations Governing Stock Affairs of Public Offering Companies" promulgated by the competent authorities of the government except as otherwise provided by the laws and securities regulations.

Chapter III Shareholders' meeting

Article 9:

The shareholders' meeting hereof is in regular and extraordinary ones. The former is called once per annum within six months from closing of each fiscal year. The latter may be duly called when considering it is necessary.

Article 10:

The notices to a shareholders' meeting shall be duly served to shareholders in accordance with Company Law or other laws concerned.

Article 11:

Each share hereof is entitled to one voting power. A shareholder who is unavailable to attend a shareholders' meeting may duly issue a power of attorney with the Company provided form with scope of authorized power to appoint a proxy for the meeting. In the event a proxy is authorized by two or more shareholders, the voting power exceeding 3% of the total issued shares shall be discarded. The aforementioned power of attorney shall be served to the Company five days in advance of the Company. In case of multiple authorization, it shall be taken on the first come first served basis unless the preceding authorization is declared withdrawn.

Article 12:

The following issues are subject to resolutions to be adopted in the shareholders' meeting:

1. Establishment and amendment of the Articles of Incorporation.
2. Election of directors.
3. Approval of reports worked out by the board of directors and profit allocation of profit and coverage of loss.

4. Increase, decrease of capital.

5. Major affairs otherwise and issues as required by the Company.

Unless otherwise provided for in the Company Law, resolutions in the shareholders' meeting shall be adopted by a majority vote in the meeting attended by shareholders representing a majority of the total issued shares.

Chapter IV Directors

Article 13:

The Company has nineteen directors (four independent and fifteen non-independent directors), to be elected by shareholders' meeting from among the persons with disposing capacity, both having three-year tenure of office and eligible for reelection. The candidates' qualifications shall live up to requirements of Company Law, Securities and Exchange Law and related regulations.

Directors shall be elected from among the nominees listed in the roster of candidates by adopting candidate nomination system.

The election of independent and non-independent shall be held together but the votes shall be calculated separately.

Article 13-1:

The Company according to Article 14-4, Securities and Exchange Law, establish the Audit Committee, composed of the entire number of independent directors. Audit Committee and among independent directors shall compliance and follow by internal rules in this company and the Government related regulations.

Article 14:

The total registered shares held by all directors shall not be less than specified percentage and the shareholding and auditing shall be subject to requirements promulgated by the competent authorities of the government.

Article 15:

By attendance of two-thirds majority of directors and a majority vote of the attending directors, three~five managing directors shall be elected and, in the same manner, one chairman shall be duly elected. In case of no managing directors, one chairman and one vice chairman shall be elected from among directors in the same manner. The chairman shall chair the shareholders' meeting, board of directors meeting and board of managing directors meeting internally, and represent the Company externally.

Article 16:

Meetings of the board of directors shall be convened by the chairman of the board of directors. Unless otherwise provided for in the Company Law, the resolutions in the board of directors meeting shall be adopted by a majority vote in the meeting attended by a majority of directors.

The Convene Notice of the meeting of board may serve to the directors by writing, E-mail or facsimile. In the chairman's absence, the vice chairman shall act in the place. In absence of both, the chairman shall appoint a managing director to act in place otherwise one managing director shall be elected from among themselves to act in the place. A director unavailable to the meeting may duly authorize another director to attend a board meeting on his behalf.

Article 17:

The board of directors shall have the following functions:

1. To work out the Company's business plans;
2. To work out organizational regulations, major articles and contracts;
3. To work out budgeting and account closing;

4. To propose for capital increase, decrease;
5. To propose profit allocation or loss coverage;
6. To appoint, discharge managerial officers and key staff;
7. To resolve establishment and dissolution of a branch;
8. To resolve major business affairs otherwise;
9. To exercise other functions endowed by laws and shareholders' meeting.

Article 17-1:

The Board of Directors may, complying with the law or taking into account the necessity, set up any functional committees whose functions, responsibilities, qualifications of committee members, process of exercising the power and so forth to be formulated by the board of directors.

Article 18:

This article was deleted.

Article 19:

The board of directors is authorized to determine the remuneration for directors taking into account the extent and value of the participation for the management of the Corporation and the standards of the industry. Independent directors receive fixed monthly compensation and shall not participate in the allocation of remuneration to directors and supervisors set forth in Article 23.

Article 19-1

The Company may act as a policyholder of liability insurance for the benefit of directors, supervisors, and managers. The board of directors is authorized to determine the limit of liability and the related matters.

Chapter V Managerial officers

Article 20:

The Company has one president to enforce issues as resolved in the board of directors and take charge of overall business operation of the Company, to be nominated by the chairman and duly appointed and discharged in the board of directors. The Company has a certain number of vice president, be nominated by the president and duly appointed and discharged in the board of directors.

Chapter VI Accounting

Article 21:

The fiscal year hereof is beginning January 1 until December 31 each calendar year.

Article 22:

Upon closing of each fiscal year, the board of directors shall work out the following documents according to Article 228 of the Company Law to be audited by Audit Committee thirty days in advance of shareholders' regular meeting and the Audit Committee shall issue a report accordingly to be approved by the shareholders' meeting:

1. Business report
2. Financial statements
3. Proposals of profit allocation or loss coverage

Article 23:

In an effort to encourage employees and management, the Company will distribute compensation to employees and the Directors from pre-tax profits. Where the company has pre-tax profits, the total value of funds to be distributed among employees shall not be less than 1.6% of pre-tax profits; while the total value of funds to be distributed among the Directors shall not be more than 2% of pre-tax profits. If the company has losses carried forward, compensation should only be paid to employees and Directors after funds have been set aside as reserve for such losses.

Employees' compensation should be paid in the form of cash or company shares. A resolution regarding compensation to be distributed should be passed at a Board of Director's meeting by a majority vote at a meeting attending by two-thirds or more of the Directors, after which the results should be reported to the shareholders.

Only those individuals meeting the specific criteria of employees shall be considered employees for the purposes of the employees' compensation distributions.

Article 23-1:

If there are surplus profits after the closing of the books in a given fiscal year, then, after paying applicable taxes and making up losses from previous years, the company should set aside 10% of remaining profits as legal reserve, 20% as special reserve, and any other reserves as required by applicable laws or regulations, and, if any profits still remain, the board of directors shall put forth a motion to the shareholders for distribution of the remaining profits to shareholders.

In the event that the remaining profits represent less than 5% of the value of the company's paid-in capital, then no such distribution is necessary.

The Company's dividend policy should be based on the long-term financial structure and stability of the Company so as to allow for continued growth, which creates the best value for shareholders. The dividend distribution in a given year shall not be less than 70% of the surplus profits available for distribution. Stock dividends should not account for less than 10% of the total dividend distributed, and cash shall not account for more than 50% of the total dividend distributed. However, the Company may take into consideration the actual status of the Company's operations and future capital needs when determining an appropriate ratio of cash and shares for the dividend distribution.

Chapter VII Bylaws

Article 24:

The organizational rules and operational rules shall be separately worked out by the board of directors.

Article 25:

Any matters inadequately provided for herein shall be subject to Company Law and managerial regulations concerned.

Article 26:

These Articles were duly established on November 26, 1988 and the first amendment was approved on December 28, 1988; -----; the twenty seventh amendment on June 18, 2019.

The Impact of the Stock Dividend Issuance on Business Performance, EPS and Shareholders Return Rate

In accordance with the regulation of Letter No. (91)Tai-Tsai-Zheng-1-002534 issued by the Securities and Futures Commission on 16 April 2002, the Company is not obligated to disclose these information since it did not publish any financial forecasts.

Shareholdings of Directors

- In accordance with Article 26 of the Securities and Exchange Act:
The aggregate minimum shareholding for all directors is 33,370,272 shares.
- As of the date of record for the General Shareholder Meeting, i.e., April 21, 2020, the total shareholdings of directors were as follows:

Title	Name	Shares Held	Shares Ratio %
Chairman	KAI NAN INVESTMENT CO.,LTD	39,831,460	2.90
Director	LEG HORN INVESTMENT CO.,LTD	12,408,018	0.91
Director	DUH, BOR-TSANG	4,189,946	0.31
Director	HUI TUNG INVESTMENT CO.,LTD	10,199,544	0.74
Director	TA LEH INVESTMENT HOLDING CO.,LTD	7,172,615	0.52
Director	LEE , SHY-LOU	8,380,640	0.61
Director	JUANG, JING-YAU	3,000	0
Director	CANKING INVESTMENT CORP.	16,918,851	1.23
Director	China F.R.P. Corporation	6,957,000	0.51
Independent Director	LIANG, YANN-PING	0	0
Independent Director	HORNG , YUAN-CHUAN	0	0
Independent Director	PAI , CHUN-NAN	0	0
Independent Director	SONG, YUNG-FONG	0	0
TOTAL		106,061,074	7.73