

I. Operations

(I) Business Activities

JihSun Financial Holding Co., Ltd.

1. Principal business activities

The Company is a financial holding company; its business activities are confined to those of investment and management of invested businesses. The following are the Company's principal business activities:

- (1) Investment in businesses approved by the authority
- (2) Management of invested businesses

The Company has three subsidiaries, namely JihSun Securities Co., Ltd., Jih Sun International Bank, Ltd. and Jih Sun International Property Insurance Agency Co., Ltd. Business activities of each subsidiary are detailed below:

JihSun Securities Co., Ltd.

1. Principal Business Activities

- (1) Securities broker.
- (2) Proprietary securities dealer.
- (3) Securities underwriter.
- (4) Futures brokerage (H401011).
- (5) Futures exchange supporting services (H408011).
- (6) Trust (H105011)
- (7) Other business activities approved by the competent authority.

2. Business Weightage (consolidated)

Unit: NTD thousands

Item	Year	2019		2018	
		Amount	%	Amount	%
Brokerage business		3,471,779	76.30	3,838,699	79.28
Proprietary Trading Business		936,373	20.58	892,127	18.42
Underwriting business		142,021	3.12	111,413	2.30
Total		4,550,173	100.00	4,842,239	100.00

3. Company's Existing Products (services)

(1) Brokerage:

Service Items	Intended Use and Function
Brokerage business	<ul style="list-style-type: none"> A. Consigned trading of stocks listed on the Taiwan Stock Exchange, the GreTai Securities Market and the Emerging Stock Market. B. Trading of government bonds, corporate bonds, convertible corporate bonds, etc. C. Futures IB business (for domestic and foreign futures, options approved by competent authorities) D. Electronic trading of financial instruments. E. Provision of stock financing services. F. Margin and stock loans (credit transaction) G. Securities lending. H. Non-restricted purpose loan I. Other services approved by the competent authority.
International Market Businesses	<ul style="list-style-type: none"> A. Consigned trading of foreign stocks (including ETF and ETN) and depository receipt (DR). B. Consigned trading of offshore funds. C. Consigned trading of foreign fixed income products. D. Consigned trading of foreign derivatives.
Wealth management	<ul style="list-style-type: none"> A. Trust service. <ul style="list-style-type: none"> 1. Non-discretionary management of money trust. 2. Non-discretionary management of securities trust. 3. Semi-discretionary management of securities trust (lending). B. Domestic/offshore fund subscription and redemption service. C. Domestic derivative (ELN, PGN) service. D. Marketing of insurance products offered by affiliated insurance agency. E. Planning and marketing of other wealth management products.

(2) Proprietary Trading:

Main Services: Trading of public listed securities issued in the domestic market, and investments in overseas securities approved by the competent authority, using proprietary capital, and aiming to pursue "absolute profit" and "positive return". The main investment products include:

- A. Securities listed on the Taiwan Stock Exchange and Taipei

Exchange.

- B. Domestic futures and options.
- C. Other products approved by the competent authority or laws.

(3) Fixed Income:

- A. Outright purchase and sale of government bonds, corporate bonds and convertible bonds.
- B. Brokerage and underwriting of corporate bonds, bank debentures and securitized assets.
- C. NTD and foreign currency-denominated repurchase agreements.
- D. Trading of interest rate futures and options associated with R.O.C. government bonds.
- E. Trading of interest rate swaps and derivatives.
- F. Convertible corporate bond.
- G. Foreign currency bond transactions

(4) Capital Market:

- A. Advising and assisting companies to enter the capital market, including public offering of stocks, applying to register the issued stocks as emerging stocks or applying for TWSE/TPEX listing.
- B. Undertaking the case of offering and issuance of securities for TWSE/TPEX listed companies.
- C. Advising and assisting offering and issuance of securities on TWSE/TPEX and raising capital in Taiwan for overseas companies.
Providing financial advisory services for companies, including mergers and acquisitions or public acquisitions.
- E. Stock affairs agent services.

(5) Derivatives:

- A. Issuance and trading of warrants.
- B. Trading of structured products.
- C. Issuance and trading of exchange traded Notes (ETN)
- D. Proprietary futures trading

(6) E-Commerce:

The Internet and mobile devices have become important tools for providing information and services in daily life. The Company offers a wide variety of e-services to satisfy different needs of

investment and wealth management for our clients and provides the online platforms as follows:

- A. Trade Website: a portal that incorporates trading features for securities, futures, options and sub-brokerage service. Navigation and the interface have been consistently designed to give customers easy access to complete information across a broad product range on a single platform. If any new product or new market is enrolled, customers do not need to spend extra time in learning or getting used to it because of the consistent layout on the website. In the future, the exchange website is expected to be viewed and used on smart electronic devices and the back-up support and diversification of various platforms may be achieved.
- B. Upgrade of sub-brokerage service: the Company provides customers with an optimized and user friendly online sub-broking platform that integrates international stock quotes, technical analysis, and trade/market/account information all in one screen. Combined with push messages, the Company gives customers full control of the ever-changing international financial market and cross-border trading.
- C. Wealth Management Platforms: By integrating functionalities such as powerful fund search, global financial news, “JihSun Academy” investor education and trial module, online fund quotation, price reminder, electronic trading, securities lending trust and trust account management, the Company is able to assist and guide customers toward improving their decision making abilities, satisfying their needs of internet/mobile wealth management platform, and easily achieving financial goals. The Company also offers the “JihSun Fund” App to help customers perform mobile wealth management more conveniently.
- D. HTS Application: provides customers with a one-stop solution for quotation and trading of securities, futures, and warrants; more than a dozen types of services covering order placement, quotation format and technical analysis

indicators; provides self-setting of time, volume and price that will satisfy customers' every need; the customized user environment allows investors to compose a favorite screen that meets the ordering and observing habits of the customers.

- E. HTS2 Application: JihSun has developed proprietary software that incorporates quotation and trading functions for a broad range of instruments including securities, futures and options. It adopts a new-generation interface and menu design that offers great user friendliness and enables investors to place orders with ease. Featuring a flexible quotation layout and JihSun's exclusive online news, the application delivers unprecedented service quality. In 2017, JihSun added the "mobile profit seeking" service to help customers upgrade their opportunities to seek profit effectively.
- F. Software Trading System (STS): STS is currently the only professional trading system available that allows customers to configure their own programs, buy/sell signals, and stock selection logics free of charge. It offers the best support for investors' trading strategies.
- G. JihSun XQ: the Company provides the most prevailing XQ software in the industry for monitoring and placing orders, which makes it used by experienced investors more easily, and makes investments and manage wealth smoother by virtue of other peripheral services provided by JihSun Securities.
- H. Mobile Order Placing: the "WTS" mobile order placing is applicable to all smart phones, phone numbers and telecommunication service providers, and supports various operating systems, including Android and iOS. Apart from providing convenient service of mobile real-time stock monitoring and plentiful financial and economic information, it also provides a secure environment for order placement through encrypted electronic certificate/signature mechanism.
- I. Mobile Push Service: The pioneering "JihSun online" App's highly customized message push service allows customers

to subscribe to instant personalized information regarding trade, service, and marketing by integrating all applications of JihSun (JihSun SMART/WTS/Warrants World/JihSun Bank), and provides diversified information simultaneously. Combined with the use of SMART (program trading), customers are able to setup stop-loss and lock-in-profit orders without having to monitoring the market and access to a broad variety of mobile financial services. It newly embeds "Cloud Trailing Stop" function which helps to increase the possibility to profit.

- J. "Wise Lion" robot: a 24-hour, 365-day customer service robot that delivers several advantages such as login-free, fast response, customized/human-like service, etc. and keeps improving the efficiency and quality of digital service.
- K. "JihSun Online Account Opening": since the competent authority's approval of digitalized and online account opening services, the "JihSun Online Account Opening" App has allowed customers to "open an account at home via video" without needing to be presented at the counter personally. Upon access to the electronic password via OTP, customers may proceed with investment trading. Therefore, more and more young digital natives have been attracted and opened accounts with JihSun and more Otaku Economy has been created.
- L. "AI Wealth Management Lion": using AI technology to select from stocks, diagnose it and help customers to find out good investment target. And recommend appropriate price through Target Price Rating to enter the market, allowing customers to manage their wealth in a steady and rational manner.

4. New Derivative Instruments and Services Planned in the Future

(1) Brokerage:

A. Brokerage Services:

Alongside the development of internet, social media, cloud and big data, FinTech not only digitalized the functions of securities trading, but also developed a variety of new business types and products.

Due to the fast transmission of information over internet,

information technology also fuels a new service model for the securities industry to provide more services, anytime, anywhere and real-time investment strategies and information sharing. Therefore, in the face of rising financial market, JihSun Securities endeavors to integrate complete smart investment solutions, covering "investment target selecting," "reasonable buying price confirming", "Smart buying" and "Smart Trailing Stop Selling."

It launched the "Model Financial Statements" at the end of 2019 which can clearly turn the text of financial statements into scoring. Among various financial numbers, it focuses on the "six indices" and presents in the form of radar chart. By using big data analysis and through sophisticated calculation and comprehensive weighted scoring, it helps customers choose financially sound quality stocks

The Company will consistently invest in FinTech development in the future, so that customers can enjoy the benefit and convenience of intelligent target selecting and trading.

From internet development to digitalization, anthropomorphism and the progress of FinTech, coupled with the releasing of policies to greatly opening up various business types and integrating with the international market, all has thoroughly altered the business strategy and development blueprint of the securities brokerage channel in recent years. JihSun Securities takes customers' needs as the coordinates, customer's behavior patterns as the direction, to achieve a better vision with innovation and value. Therefore, In order to enhance service quality, JihSun Securities promotes the AI Business Card, Mobile Treasury Box, consolidating all kinds of information, so that securities channel staffs can provide customers with the latest financial information anytime, anywhere. Firmly seize the profit opportunities in a rapidly changing competitive market and become a great helper to customers.

B. International Markets:

Business volume of sub-brokerage gradually climbed in recent three years, with annual deal amount over NT\$2

trillion. Overall market turnover amount is expected to reach record high in 2019. JihSun Securities' number of sub-brokerage accounts has been growing steadily. As of end of November 2019, number of accounts accumulated to 1.68 millions. Now, JihSun sub-brokerage platform covers 31 markets around the world, and has rich and diverse investment products to meet different investment attributes and investment needs of natural or legal persons. To enhance service quality for corporate customers, it is actively planned to include more markets and more efficient trading flow to meet corporate customers' requirements; For natural person, apart from the dedicate platform, it provides specific information to different customer group and increase customer stickiness through precisely customized services. Keep optimizing the order placement functions for mobile devices, including real-time quote, conditional order, target selecting through big data analysis, etc. We hope to provide customers with more diversified overseas products through platform optimization, meanwhile continue to upgrade the professionalism of our specialists to enhance customer service.

C. Wealth Management:

The scale of asset and wealth management in Asia Pacific region keeps growing in recent years and will possibly be at world's top in a few years. The domestic high-asset customers possess rich funds and their demand for wealth management is very strong. Coupled with the increased willingness of Taiwanese businesses overseas fund returning, the FSC has launched a "new wealth management program" to attract more funds to Taiwan for wealth management and loosen regulations to open up more diverse financial products and services to expand Taiwan's wealth management business scale.

Along with the development of FinTech, investors of wealth management is getting younger. JihSun Securities will keep progressively developing digital technology to make mobile financial services more professional and convenient; besides, with the ease of policies, the company will actively

plan related businesses, including foreign currency margin loan for accepting orders to trade foreign securities, and relaxing high-asset customers to invest in more diverse products, etc., to provide customers with more complete wealth management and investment services.

(2) Proprietary Trading:

Depending on the extent of deregulation, apart from directional trading, the Company will also increase strategic trading scale and will maximize profitability in diverse investment methods.

(3) Fixed Income:

In 2019, global bond market performed well due to the attitude of major central banks tends to dove. Although the central bank of Taiwan remains unchanged, interest rates have also fallen and the yield curve has further flattened. Since the downward space of interest rate in Taiwan has been narrowed, proprietary trading business will gradually expand the investment in bond ETF to diversify investment risk and create profit.

(4) Capital Market:

None.

(5) Derivatives:

- A. In response to the competent authority opening up new type of Exchange Traded Note (ETN) business, the Company will consider the customer demand for wealth management products and the profitability of the business, to plan, design and issue distinctive ETN products.
- B. For structured products, the Company will develop a brand new trading platform to offer more diverse financial products to customers and create profit for the Company.

(6) E-Commerce:

- A. Transformation of Online Services From Function-driven to User-driven: given the growing popularity of mobile devices, the Company will take steps to enhance the compatibility of its online services across different platforms

and devices. These services will be integrated with personalized information to optimize service movement and deliver better a user experience.

- B. Wealth Management App: the app will provide customers with exclusive services such as online fund quotation, electronic trading, and account management, thereby allowing them to manage wealth over the Internet and by using mobile devices.
- C. Online Services for Existing Customers: as the competent authority adjusts its policy, the Company will successively provide such services as “Online Processing of Commissioned Contracts,” “Provision of Commissioned Contracts Via Electronic Tokens” and “Delivery of E-Password Slips in Electronic Form” and other services requested by customers to allow them to complete account opening at great convenience.
- D. Big Data Clustering Service: according to analysis on complied big data, the Company will add labels for customers and products for identification and also apply the result of identification and mapping to provide customers with better investment portfolio suggestions, thereby upgrading customers’ opportunities for seeking profit from trading and adequately mitigate customers’ risks for missed trading opportunities.
- E. Self-media: as customers' viewing habits change, the Company plans to add more videos and animated shorts to its official channel in YouTube. Through video production, in addition to allowing external investors to understand JihSun's exclusive developed functional platforms and become JihSun's customers; the interactive audio and video materials in the advanced function page also let existing customers have a better understanding of how to choose the order tool that suits them and how to set up commissions with unique order functions, so that the

investment is more disciplined and efficient.

- F. Pro-active customer service: digital services have taken over conventional over-counter services. In light of this trend, JihSun has introduced a customer-exclusive digital secretary service that assists customers from stock quotation, trading to general inquiries, upon the account opened. This feature enables the Company to provide differentiated services for customers of different segments, and makes customers more willing to trade. It also serves as a means to constantly care for customers and gather opinions to learn customers' needs and provide feedbacks.
- G. E-customer Service Messenger: given the extensive application of smart robots and booming development of social media, the traditional telephone customer service center is no longer able to fully satisfy the new interactive model. In order to adapt to the communication model and richness of interaction of social media, apart from 0800, the Company also has digital services (online chat, live broadcast, FAQ, etc.) to provide a comprehensive customers and get closer to customers' needs of problem solving.

Jih Sun International Bank, Ltd.

(I) Describe the main functions of each business unit; growth and changes in asset allocation and (or) revenue as a percentage of total assets and (or) total revenue.

1. The following are the Bank's current main business functions:
 - (1) Check deposits
 - (2) Demand deposits
 - (3) Time deposits
 - (4) Issue bank debentures
 - (5) Underwrite short-term, medium-term and long-term loans.
 - (6) Bills discounts
 - (7) Invest in government bonds, short-term notes, corporate bonds, bank debentures and corporate stocks
 - (8) Exchange of local and foreign currencies
 - (9) Acceptance of commercial bills
 - (10) Issuance of local and foreign letters of credit
 - (11) Provide guarantees to corporate bond issuers
 - (12) Provide local and foreign guarantees
 - (13) Collections and payments on behalf
 - (14) Sale of government bonds, treasury bills, corporate bonds and corporate shares
 - (15) Warehousing, depository and administration of the above businesses
 - (16) Other business functions approved by the central authority

2. Net revenues by category (consolidated):

Unit: NTD thousand

Item \ Year	2019		2018	
	Amount	Amount	Amount	Percentage (%)
Net interest revenue	2,803,151	67.07%	2,866,513	71.85%
Net fee revenue	1,194,666	28.58%	907,417	22.74%
Gains/losses on financial instruments	59,706	1.43%	20,380	0.51%
Exchange gains/losses	121,867	2.92%	159,045	3.99%
Others	258	0.01%	36,493	0.91%
Net revenue	4,179,648	100.01%	3,989,848	100.00%

3. New products and services planned for the future

1. Corporate Banking

- (1) To cooperate with the government's various economic revitalization policies and provide resources for corporate development, the Company will increase the proportion of SMEs customers and continue to promote transaction-based and self-liquidating financing business to grasp customers' transaction cash flow and explore the upstream and downstream customer bases.
- (2) Combined with external resources such as Taiwan SMEG, Overseas Credit Guarantee Fund and international insurance companies, the Company will constantly strengthen its risk control mechanism and overseas credit risk management, facilitate credit review, due diligence and post loan management, to maintain good asset quality.
- (3) Provide comprehensive, safe and convenient corporate internet banking services through connecting customers, products and systems, the company to enhance the efficiency of the Bank's e-commerce services.
- (4) Develop diverse new cash flow channels to steadily increase the percentage of current deposits; enrich the funding required by foreign exchange operation; continuously monitor USD interest rate change, the business units' quotation for USD loan shall adequately reflect the cost of fund. Effectively carry out interest rate markup control to maintain the yield of USD loan,
- (5) Adhere to credit risk control policy and develop a pricing strategy that takes into account "costs, fees, risks, and returns." Combine internal credit rating with profit analysis to find suitable corporate lending customers under the right balance between risk management and interest rate pricing, and evaluate the contribution of each customer via the customer profitability analysis system.
- (6) Enhance the core ability, selling skills, professionalism and service scope of personnel; pay attention to talent training, build up talent database and obtain talent reserve advantages, thereby driving business momentum.

2. Consumer Banking

- (1) Consumer banking business focuses on Mortgage loan, adopts “medium to high” pricing strategies, implements risk control, strengthens loan quality, and steadily increases profitability.
- (2) Mortgage loans takes customers with steady housing needs as the target customers and cultivates local customers according to regional attributes.
- (3) Develop online credit approval for revolving mortgage loans, to revitalize the assets of existing mortgage loans customers and provide convenient and fast access to working capital channels for wealth management.
- (4) Deeply cultivate existing mortgage and credit loans customers, offer niche products to customers with good repayment records and VIP customers, to enhance the product penetration rate and customer stickiness.
- (5) Organize training courses of product, marketing and customers, to promote the product professionalism and multiple selling skills of sales personnel.
- (6) Launch the unique consumer banking mortgage “valuation map” function of the Bank, which loads price comparison services from more sources, and get more precise estimates of collateral prices according to road sections/ addresses via mobile devices, improving service efficiency.

3. Wealth Management

- (1) Continuously pay attention to global market fluctuations and regulations change to effectively and dynamically manage the market risk, and value the adequacy of product KYP and customer KYC. The research team of the Division regularly provide professional market research base on macroeconomics indicators, political, economic aspects and funding aspects. It also takes in to account opportunities and risk control, to determine the market direction and to establish a medium/long-term target return and target risk investment portfolio, based on the client's investment and financial needs. Set up investment strategies for fixed income products to construct the core positions of the bond ladder with different terms, currencies,

credit ratings, industries, and dividend frequency and provide multiple asset funds with diversified strategies to meet customers' asset allocation needs at different stages.

- (2) Constantly increase the product breadth and the training and sales of diverse wealth management products. Develop core asset funds focusing on fixed income and multiple assets, while add more diversified financial products and services to meet professional investors' needs on structured products, private equity funds and other financial management products.
- (3) Enhance the incentives of the Customer Relationship Manager to increase new customers and new assets, launch more marketing programs for new customers and new funds, and hope to further upgrade to VIP customers; continue to cultivate VIP customers with innovation and professionalism, enhance customer loyalty through marketing activities and hope to achieve sustainable services.
- (4) Regularly monitor changes in the assets and profitability of existing customer accounts and offer timely stable asset allocation plans tailored to customers' financial needs in different life stages.

4. Trust

- (1) To coordinate with the contract performance guarantee mechanism for pre-constructed houses, we actively promote "real estate development trust" and "purchase fund trust" for pre-construction houses. We ensure that the funds designated for construction are used for the intended purposes to protect home buyers' rights and enforce the laws.
- (2) By leveraging the cooperation across business units, strive to serve as a custodian bank for funds, discretionary and foreign investment.
- (3) Continuously promote other ancillary business such as certification of securities, trustees of corporate bond, etc.

5. Treasury

- (1) Treasury: The Bank adopts the following investment strategies to accommodate the different characteristics of the capital market:

- A. Trend of exchange rate: stabilizing the profit from spot exchange position of branches; operate in spot market and with derivatives such as non-delivery forward, futures and options to increase the revenue and meet the budget.
- B. Interest rate market: engage in bond and derivatives trading within the scope of domestic and major foreign government bonds. For foreign government bonds, it is focused on the United States and the Euro zone due to better liquidity, and are combined with major interest rate derivatives, such as interest rate futures, interest rate swap, cross currency swap, etc., to build a diversified trading strategy and asset allocation, strengthen transaction depth and profit stability and control risks to achieve the budget goals of interest rate transaction profit.
- C. Equity market: participate in equity investments, targeting stocks and ETFs in major local and overseas stock markets, building high-yield portfolio and hedged with combination of futures and options, to enhance the overall return on assets.

(2) Fund Dispatching:

On the premise of sufficient liquid reserves, following the Company's business plan and in response to the interest rate and exchange rate fluctuations in money market, timely adjust the deposit structure, asset allocation and hedging, make full use of funds, to enhance the Bank's revenue.

(3) Risk management:

Follow the competent authority's regulations and risk indicators generated from the risk management system of the Group's Risk Management Division, to control and develop internal risk management procedures, trading system, mid-office and back-office systems for effective trade and risk management.

6. Electronic banking

(1) Friendly financial services

In accordance with "Guidelines of Friendly Financial Services of Banks," integrate the Bank's friendly service measures, interest/exchange rate board information, friendly online banking, friendly webATM and friendly electronic trading platform

into a "financial friendly service area" and obtained Grade A certificate for "Web Accessibility Specification Version 2.0" stipulated by National Communications Commission (NCC). To provide equal and reasonably convenient financial services to people with disabilities and implement a friendly financial environment and the goal of inclusive financing.

(2) Mobile banking services

There are many new functions launched to mobile banking, such as activating password online, adding anti-fraud reminders for account transfer, automatic add value service for EASYCARD binding current accounts, providing customers with online data update functions in accordance with AML regulations, sources of funds for fund investment, mobile ATM verification codes, APP Quick screenshot, etc.

(3) Internet banking upgrade

Internet banking provides new security components for IC ATM card. In addition to IE, several browsers, Edge, Chrome, Firefox, etc. are newly supported. Users can choose a preference browser to conduct transactions to enhance user convenience in operating.

(4) Electronic payment services

To extend electronic payment business and improve financial competitiveness, the Bank cooperated with EASYCARD Corporation to provide the "Agreed Linked Deposit Account" service. Provide cash flow payment services for the Bank's customer in life application through cooperation with different industries. Through the API connection between the EASYCARD Corporation and the Bank, the Bank's online banking customers can link the registered EASYCARD to current account with the Bank, after completing the customer identity verification and agreeing to the Bank's TWD current deposit account linkage agreement. Thereby, when the balance of the EASYCARD is insufficient, it will automatically deduct the top up amount from the bank account.

(5) Digital Banking

Developed online account opening for TWD digital deposit account and offered it to the existing deposit and credit card customers. Convenient account opening application and improve

service efficiency to reflect the value of inclusive financing. Continue to extend the cash flow cooperation with different industries, integrate financial services into customers' daily lives, and expand the financial services ecosystem. Collaborate with participants from the gaming industry to offer webATM money top up services. Offer virtual treasures as gifts for using the top up service and place advertisements from time to time, in order to communicate with digital natives. Live stream on social media and Facebook for promotional events to raise the Bank's media exposure.

JihSun International Property Insurance Agency Co., Ltd.

1. Principal business activities
 - (1) Fire insurance
 - (2) Accident insurance
 - (3) Auto insurance
 - (4) Engineering insurance
 - (5) Liabilities insurance
 - (6) Other property insurance
2. Portion of business activities

Commission revenues generated by JihSun International
Property Insurance Agency

Unit: NTD thousands

Item \ Year	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Commission revenue - fire insurance	5,653	63.60%	5,781	67.08%
Commission revenue - accident insurance	1,496	16.83%	1,573	18.25%
Commission revenue - auto insurance	1,295	14.57%	1,138	13.20%
Commission revenue - other liabilities insurance	445	5.00%	126	1.46%
Commission revenue - total	8,889	100.00%	8,618	100.00%

3. New Derivative Instruments and Services Planned in the Future

Product innovations are rare in the property insurance business not only because of the costs involved in developing new products, but also because of imitations from peers. Due to the lack of innovation and ease of price comparisons, the Company will try to distinguish itself from peers by having branch employees provide customers with faster quotation and more immediate responses.