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PRESIDENT SECURITIES CORP.

2013 Annual Report

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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I. Letter to Shareholders

Looking back 2013, global economy appeared to have slow recovery. As for Europe, despite the Cyprus bank run in March, which ECB promptly interfered and well-controlled, the eurozone economy was out of recession in the third quarter and beginning its recovery. On the US side, although financial market was disturbed by the dispute between two parties leading turbulence of Federal Government, and FED released information of bond purchase limitation, US economy is still uprising due to low interest rate and breakthrough of energy technology. As corporate accelerated profits, federal budget reached consensus, and investors regained their confidence, overall US had relatively outstanding economic performance in developed countries. China, on the other hand, is at structural adjustment. With slower growth in economy, its financial market has potential risk of local government debt problems and the shadow Bank default rate, which led money shortage of short-term interest rates rose aggressively.

Domestically, the taxation of capital gains on securities started in first half year and trading volume in Taiwan stock market therefore remained low. However, benefited from economic recovery, TSEC weighted index rose from 7,699 to 8,398 in May. June's lowest point of 7,663 was caused by FED Chairman's announcement on reducing debt purchase. Taiwan stock market rose in the last half year due to the great adjustment on the taxation of capital gains on securities, new FSC Chairman promoting stock revitalization polices, and massive foreign investment. Annual TSEC weighted index rose from 7,699 to 8,611, reached 11.85% growth. Still, the daily average volume in stock market (listed and OTC) was 95.7 billion, not yet reaching 100 billion level. The securities industry still faced difficult environment.

Affected by the low average daily trading volume, our brokerage business did not perform well in 2013. But the proprietary trading business and underwriting business gained well with timely following mainstream in market trends and good management. The company's profit is still in front line of business. Year 2013 annual operating profit is $3.879401 billion; operating cost $335.373 million; gross profit $3.544028 billion; operating expense $2.403694 billion; non-operating net income $327.338 million; net profit before tax $1.467672 billion; net profit after tax $1.361715 billion; net profit before tax per share $1.11; net profit after tax per share $1.03. Compared with top 10 competitors, our company's net profit after tax ranked top 4, EPS ranked Top 1, remaining leading position within industry.

For brokerage business, 2013 annual brokerage average market share reach 3.44%, ranked 8 in overall market, and top 3 in market share per branch. Although faced with hostile environment, our team dedicates to expand new business and various products through progressive training; with hope to build a multiple-sale distribution team, who can enhance the added value and strengthen the core competitiveness of the brokerage channel. As for the electronic trading platform, we will continue to create diverse, stable, fast, convenient, and complete full range of trading platforms for customers.

For underwriting business, the overall cases are 62 in 2013, including 7 host cases and 55 co-host cases, ranked top 4 among competitors. We also won 3rd prize in SPO funding at "seminar on intermediaries business of securities market" held by TWSE in 2013. Choosing cases discreetly on credit risks, we offer professional opinion to help well-organized companies raising capital or publicly listed. Last year, the company had set up a venture capital company. We will also expand business scale on well-organized new ventures through venture capital platform, to increase business opportunities in capital markets.

For proprietary trading business, aside from adjusting trading strategies for shrinking trading volume in Taiwan stock market, we actively utilize American market ETF and American depository receipt (ADR) to globalize our Equity Trading business. Since there is limited profitability in local bond markets, our bond trading business has shifted our focus at foreign bond. Although foreign bond did not perform well last year due to FED's QE policy, our department has gradually acquired global financial experience and logic throughout past two years. For warrants business, the company will focus on local market, delicate to enhance market transparency and brand building to gain investors' trust, also extend product line to seek profitable opportunities. For options, due to shrinking trading volume and disturbance of policy, option volatility still remains low and limited in profit. Our team will carefully adjust trading strategy and rebuild the appropriate profit model.

With an effort to create excellent performance, our company will continue to strengthen corporate governance system, enhance information transparency, and improve code of conduct. We were rewarded the highest level「A++」in the 10th "listed company information disclosure evaluation."Our company policies, based on professional ethics to protect the interests of employees and the company's sustainable business principles, were evaluated Top 9 among "corporate citizenship in the World Top 50" by the Commonwealth magazine. Also, to comply with government personal information protection law, our company established personal information protection system to enhance full control on operating process, and passed the "BS 10012"certification, same international standard certification as TWSE and Taifex. This proves our company values highly about customers' personal information security. Taiwan Ratings Corporation has also consistently recognized the company's healthy operating performance and financial structure, having given it the long-term and short-term credit rating of twA and twA-1 respectively.

Global economy will remain optimistic despite the fluctuation in 2013. With America's QE policy slow exit, inflation remaining within control, the economy has a steady recovery of low interest rate environment. Eurozone would also show optimistic recovery due to reduction of political risk and ECB's effort on maintaining loose currency policy. As for Japan, the effect of Abenomics promoted by current prime minister of Japan, Shinzo Abe, is still up for observation. Generally believed that Japan's central bank will continue to maintain super loose currency policy to achieve 2% Inflation target despite others native factors such as raising consumption tax. In China, they will still undergo transformation, from high growth to smooth, from quantity expansion to quality upgrade. For Emerging Markets, they might still face capital withdraw, affected by America's limitation of purchase bond. This may lead pressure on stock and foreign exchange market, and cause disturbance of financial market.

Domestically, in February the DGBAS relatively conservative forecast Taiwan GDP growth rate of 2.82%, with soft recovery of economy and lack of growth momentum. For stock market performance, policies of revitalizing the stock market promoted by the FSC had gradually effect on trading volume in the first quarter. The securities industry should expect a positive future. In addition, the authorities actively promote various business categories and undo limitation of policies. In the long run it will definitely help securities industry's diversification and internationalization. Still, the actual benefit relies on the management team's strategic planning and concrete implementation.

Financial market changes every second. It is remarkable that President Securities Corp. continually has excellent performance in such highly completive and changing environment. Despite the challenging future, our company will remain long-term viability; strengthen risk control while pursuing profit, enhance management effectiveness and

operating efficiency, and create maximum value for the company, customers and investors

We are wholeheartedly grateful for long-term trust and supports from every stockholder. Our best wishes to you for your health and wealth.

Sincerely Yours,

Teng A-Hua

A-Hua Teng
Chairman

Kuan-Chen Lin
President

II. COMPANY PROFILE

1. Date of incorporation: December 17, 1988

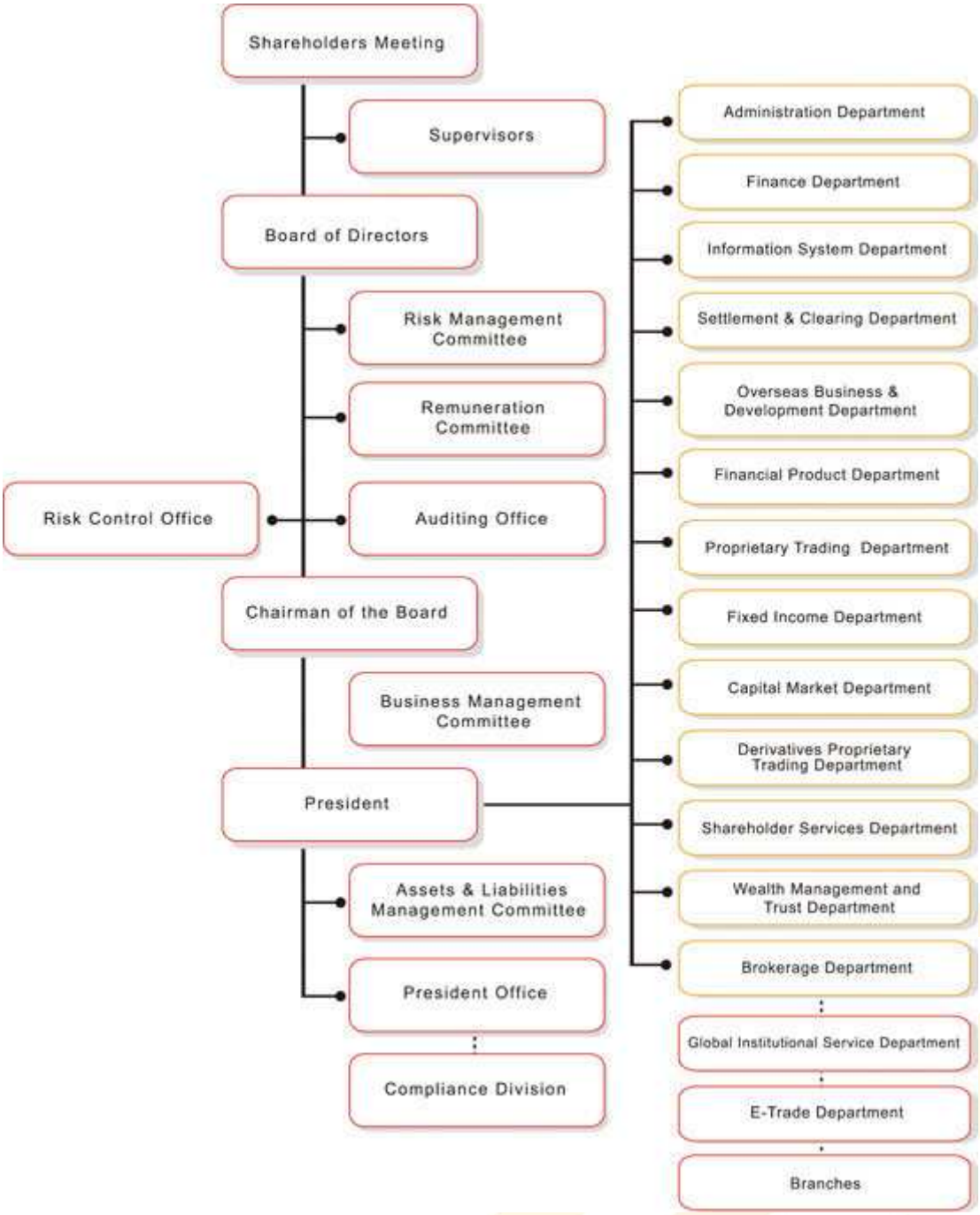
2. Company History

Year	Major Events
1988	Incorporated on Dec. 17, 1988 – President Securities Corp. (originally named President Securities Co., Ltd.) is a joint investment of Tung-Fu Investment Co., Ltd., Hsiang-Fa Investment Development Co., Ltd., Eternal Chemical Co., Ltd., Tung-Yi Investment Co., Ltd., and Uni-President Enterprises. Company was incorporated through the memorandum of Securities and Futures Commission, Ministry of Finance with no. (77) Tai-tsai-cheng-II-tzu-ti-20093 dated November 19, 1988.
1989	Amended business name to President Securities Corp on March 4. Commencement of official operations on April 3.
1991	Merged with Tung-Hsin, Tung-Yung, Tung-Wen, Tung-Ku, Tung-Fu, Tung-Yu, Tung-Hsing, Tung-Wang, Tung-Lai securities agencies under the President Securities banner on September 30; original place of business became a branch office. Founding capital of NT$1.4 Billion increased to actual paid-in capital of NT$3.362 Billion after the merger.
1994	Performed capital infusion; capital stock after infusion amounted to NT$4.02 Billion.
1995	Opening of new branches (Sanmin, New Taichung, and Hsinying), thereby bringing number of nationwide offices to 16. Business expansion and a capital infusion that bolstered capital to NT$7.03 Billion and made President Securities the largest securities company in the country. Then became the first Asian securities company to acquire the ISO9002 service quality certification.
1996	Opened new branches in Yenping, Taoyuan, Sanchung, Tunghsing, and Fengyuan.
1997	Opened new branches in Tienmu, Panchiao, Hankou, Tali, and Santo; thus bringing total offices to 26. Processed capital infusion; capital stock after infusion amounted to NT$8.08 Billion.
1998	Processed capital infusion; capital stock after infusion amounted to NT$10.18 Billion in May.
1999	In February, obtained official approval for OTC listing. In March, passed the credit rating of Taiwan Ratings Corporation with long-term twBBB and short-term twA-3 rating and “stable” outlook. In May, listed on the OTC. Relocated Hanko Branch to Szichih and was renamed Szichih Branch. In June, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$10.91 Billion.
2000	In August, acquired Ta Feng Securities Co., Ltd.; opened two more branches – Sungshan and Tucheng. Converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$12.255 Billion. In September, opened the Kinmen Branch, total offices numbered 29.

2001	Opened new branches in Yuanlin, Ilan, total branches amounted to 30; total number of offices including head office is 31. In October, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT$11.279 Billion.
2002	Closed Sungshan Branch in March, bringing total offices down to 30. In July, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$11.836 Billion. Listed on the main board in September. Executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT$11.406 Billion.
2003	Ku Ting Branch (July) and Song Jiang Branch (November) were established, expanding the number of operational branches to 32 (including Business Branch). Obtained business license for structured notes in July; Fixed Income business unit licensed as the main dealer for business operation of government bonds issued by Central Bank of China in September.
2004	East Tainan Branch (April), Nei Hu Branch (April) and Renai Branch was established, expanding the number of operational branches to 35 (including Business Branch). In August, PSC performed a capital reduction action on its treasury stocks, bringing the net worth of common stocks to NT$11.45billion. In September, PSC was upgraded from twBBB to twBBB+. Following that, PSC was again upgraded to twA- in December.
2006	Obtained business license for wealth management in February. In June, PSC performed a capital reduction action on its treasury stocks, bringing the net worth of common stocks to NT$11.37 billion. Received the 6th annual National Charity Award, and was the only for-profit business entity among twelve recipients.
2007	In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$11.768 billion. In December, PSC long-term credit rating was upgraded from TwA- to TwA, and short-term credit rating was upgraded from twA-2 to twA-1.
2008	Issued the first unsecured convertible corporate bond in Taiwan, and received NT$ 3 billion from the offering in May. In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$12.157 billion. Established PSC Xiamen business office in China on August 22nd.
2009	In April, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT$11.857 Billion.
2010	Closed East Tainan Branch and established Ta An Branch in March. The number of operational branches remained 35 (including Business Branch). In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$12.319 billion. In Sept. obtained trust business license issued by FSC.
2011	In August, established remuneration Committee and converted retained earnings to paid-in capital. The capital stock after infusion amounted to NT$13.046 billion. In December, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT$12.845 Billion.
2012	In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT$13.231billion.
2013	In September Daan branch relocated and renamed as Xindian branch. The total branches remain 35 (including head office.) In October established a subsidiary, PSC Venture Capital Investment Co., Ltd.

III. Corporate Governance

1. Organization Chart



2. Major Corporate Functions

Brokerage	■ Accept orders from clients to buy/sell listed securities and forward to TSE for execution. ■ Accept orders from clients to buy/sell listed securities and forward to the OTC exchange for execution. ■ Manage custodial services for clients. ■ Provide margin financing for securities trading. ■ Securities Borrowing and Lending Business ■ Consigned Trading of Foreign Securities ■ Futures Introducing Broker Business ■ Electronic transaction operations ■ Customer service coordination process
Financial Products	■ Underwrite equity warrants and conduct option-based hedging strategies ■ Develop and issue structured-note products. ■ Convertible bond asset swap and option business ■ Trading of equity derivatives ■ New financial product design and development. ■ Other financial products approved by the competent authority
Proprietary Trading	■ Trading of publicly listed securities on the TSE and OTC, using President Securities' own funds. ■ Hedge positions via futures and options markets ■ Expand international investment business involving legally-permitted overseas spot/futures market research and investments
Fixed Income Dealing	■ Proprietary trading in government bond, corporate bonds, and Convertible Bond. ■ Proprietary trading in foreign negotiable securities and other products ■ Accept orders from clients to buy/sell government bonds. ■ Repo and Reverse-Repo transactions. ■ Engage in NTD interest rate swap and government bond option business
Underwriting (Corporate Finance)	■ Assist corporations in application for public listing on TSE or OTC. ■ Assess and advise clients with respect to capital increase plans and applications to convert private equity into publicly traded stocks ■ Underwrite euro-convertible bonds and foreign depository receipts. ■ Assist in M&A activities; provide consulting services on corporate finance and other specialized areas ■ Other various types of underwriting business
Futures Proprietary Trading	■ Trading of futures contracts on the TAIFEX (Taiwan Futures Exchange) using President Securities' own funds.
Shareholder Services Coordinator	■ Coordinate shareholder services on behalf of publicly listed companies. ■ Manage delivery of shareholder materials. ■ Assist in the coordination of shareholder meetings. ■ Coordinate the issue and transfer of cash and/or stock dividends to shareholders. ■ Manage the creation and delivery of tax forms to shareholders. ■ Respond to shareholder enquiries and legal issues.

Wealth Management & Trust	■ Provide customers with the most complete asset arrangement and finance service planning service. ■ Conduct asset allocation for customers through trusts ■ Negotiable securities trust lending business ■ Provide branch customers with service of international securities asset allocation, wealth consulting service, foreign securities or other authorized foreign financial products.
Overseas Business	■ Establish development strategy in China for President Securities Group, engage in mainland joint ventures, equity participation and the establishment of new companies, and plan and take charge of operations at such companies and execute the investment and operation plan. ■ Develop the business cooperation in cross-strait capital market. ■ Strengthen the operation performance of our Hong Kong subsidiary to increase the earning ability of brokerage services, investment banking, proprietary trading, and wealth management. ■ Generate profit-making synergy though resource integration among the Group subsidiaries. ■ Evaluate overseas investment opportunities to strengthen President Securities Group as international financial services group.

3. Compensation for Directors & Supervisors

■ For Directors

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)		Compensation received by part-time employees												Sum of A,B,C,D,E,F and G/ after-tax profit (%)		Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)				Salary, Bonus and Special Disbursem (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)		Limited employee share (I)				
															PSC		Consolidation								
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	Cash Dividend	Stock Dividen	Cash Dividend	Stock Dividen	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	
Chairman / TENG, A-HUA Delegate of CANKING INVESTMENT CO.,LTD Director / LIN,KUAN-CHEN Director / CHANG,MING CHEN Delegate of LEG HORN INVESTMENT CO.,LTD Director / PI, CHIEN-KUO Delegate of HUI TUNG INVESTMENT CO.,LTD Director / HSIEH, CHIH-PENG Delegate of KAI NAN INVESTMENT CO.,LTD Director /	0	0	0	0	25,463	25,463	13,967	13,967	2.8956 %	2.8956%	0	0	0	0	0	0	0	0	0	0	0	0	2.8956 %	2.8956 %	none

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)		Compensation received by part-time employees												Sum of A,B,C,D,E,F and G/ after-tax profit (%)		Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)				Salary, Bonus and Special Disbursem (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)		Limited employee share (I)				
															PSC		Consolidation								
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	Cash Dividend	Stock Dividen	Cash Dividend	Stock Dividen	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	
LIN, CHENG-TE Delegate of KAI NAN INVESTMENT CO.,LTD																									
Director / HSIEH,HUNG HUI-TZU Delegate of KAI NAN INVESTMENT CO.,LTD																									
Director / LEE, SHY-LOU																									
Director / TU, LI-YANG Delegate of TA LE INVESTMENT HOLDING CO., LTD.																									
Director / CHENG, KAO-HUEI																									
Director / CHANG, LI-HSUN																									
Director / DUH, BOR-TSANG																									
Director / Kao Xiu Ling																									
Independent Director / WU, TSAI-YI																									
Independent Director /																									

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)		Compensation received by part-time employees												Sum of A,B,C,D,E,F and G/ after-tax profit (%)		Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)				Salary, Bonus and Special Disbursem (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)		Limited employee share (I)				
															PSC		Consolidation								
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	Cash Dividend	Stock Dividen	Cash Dividend	Stock Dividen	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	
LEE,KWANG-CHOU																									
Independent Director / FU, KAI-YUN																									

■ For Supervisors

Unit: NT$ thousands

Title/Name	Compensation						SUM of A,B and C / After-tax profit (%)		Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Rewards(A)		Pension(B)		Earning Distribution(C)				
	PSC	Consoli-dation	PSC	Consoli-dation	PSC	Consoli-dation	PSC	Consoli-dation	
Supervisor / Lee, Shu-Fen China F.R.P Corp.	0	0	5,456	5,456	1,080	1,080	0.48%	0.48%	None
Supervisor / Chuang, Tsai-Fa									
Supervisor / Lu, Li-An									

4. Implementation of Corporate Governance

4-1 Attendance of Board of Directors Meeting

Total of 5 meetings of the board of directors were held in the year of 2013.
Directors' attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
Chairman	Canking Investment Co., Ltd. Rep. Teng, A-Hua	5	0	100%
Independent Director	Wu, Tsai-Yi	4	0	80%
Independent Director	Fu, Kai-Yun	5	0	100%
Independent Director	Lee, Kwang-Chou	4	1	80%
Director	Lin, Kuan-Chen	5	0	100%
Director	Cheng, Kao-Huei	2	3	40%
Director	Kao Xiu Ling	1	1	50%
Director	Leg Horn Investment Co., Ltd. Rep. Chang, Ming-Chen	5	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh, Hong Hui-Zi	5	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Cheng-Teh	3	2	60%
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh, Chih-Peng	4	1	80%
Director	Hui Tung Investment Co., Ltd Rep. Pi, Chien-Kuo	3	2	60%
Director	Lee, Shy-Lou	5	0	100%

Director	Ta Le Investment Holding Co., Ltd. Rep. Tu, Li-Yang	4	**1**	80%
Director	Duh, Bor-Tsang	5	**0**	100%
Director	Chang, Li-Hsun	0	**0**	-

4-2 Attendance of Supervisors for Board Meeting

Total of 5 meetings of the board of directors were held in the year of 2013. Supervisors' attendance condition was as follows:

Title	Name	Attendance in Person	Attendance rate (%)
Supervisor	Chuang, TsaI-Fa	5	100%
Supervisor	Lu, Li-An	5	100%
Supervisor	Kaiyo Investment Co. Ltd. Rep. Lee, Shu-Fen	4	80%

4-3 Status of Corporate Governance

The status of our corporate governance efforts, any discrepancies between our organization and what is outlined in the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", and the reasons for these differences.

Item	Status	Actual differences
1. Company Share Structure and Shareholder Rights i) Methods for handling shareholder suggestions and disputes. ii) Maintain effective control over key shareholders and maintain the most up-to-date lists of key shareholders iii) Risk-control mechanism in form of fire-wall among subsidiaries.	i) We have assigned a spokesperson and a shareholder services representative to deal with any suggestions, complaints, or other problems from shareholders. On our corporate website, we have set up an "Investor's Area" as well as a "Investor Suggestion Box", which is managed by our shareholder spokesperson and by other management personnel who organize and forward all shareholder comments and questions on to the appropriate department for further action, if necessary. ii) PSC maintains close relationships with key shareholders and assigns dedicated shareholder services personnel to continually monitor any changes in the shareholdings of these key shareholders. iii) The finance and business of our company and its subsidiaries are in separate operation. In terms of management right/obligation there is a clear line between our company and its subsidiaries. All the relations and trades are dealt with in accordance	No Differences

Item	Status	Actual differences
	with law. 「Surveillance governing internal-control system for branch offices」has also been set up as a controlling and governing mechanism for our branch offices.	
2. The Board of Directors, its organization and obligations i) The company has independent directors serving on its Board of Directors ii) Regularly evaluate the independence of the company's accounting firm	i) At the 8th Board meeting (2009) PSC established 3 board seats specifically for independent directors. ii) Based on regulation of corporate governance of securities dealers, the Board evaluates and assigns the appointment of independent accountants annually. According to Accountants' Law article 47, "honesty, impartiality, objectivity and independence," the company sets up the independent items of declaration, which issued by the certified public detached accountants. Accountant Lin Se Kai, Huang Jin Ze, and Shu Chi Zhan from PricewaterhouseCoopers Taiwan proved to be qualified as CPA for company's financial and tax accountants.	No Differences
3. Lines of communication for company founders and with other Interested parties	i) The Finance Department has assigned personnel specifically to deal with banks and creditors that we deal with regularly. ii) The Management Department has assigned personnel specifically to deal with employees, investments, and sales business partners. iii) On our website, we have set up an "Investor Area" where users can access a "Customer's Suggestion Box" and an "Investor Suggestion Box", which are managed by our Customer Service Department and our Administration Department respectively. These departments are responsible for responding to all messages received. For our internal-use website, we have set up an "Employee Suggestion Box", which is manned by our Administration Department, responsible for responding to all comments received.	No Differences
4. Information Disclosure i) On the company website, we disclose our financial information and the status of our corporate governance. ii) The company also uses other methods of disclosure (e.g., English version of our website, personnel assigned to collect	i) "Investor Area" on our website (www.pscnet.com.tw), where we regularly disclose company financial information. We also post periodical and non periodical financial and operating information on the government-operated MOPS website. ii) We have assigned a spokesperson tasked with disseminating company information to investors and shareholders. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following: ■ Company introduction in Chinese & English ■ Company financial statements ■ Board of Director meeting minutes ■ Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments	No Differences

Item	Status	Actual differences
and disclose information, a spokesperson, full records of everything that takes place at institutional investor meetings are posted to our website)	received.	
5. The operations of company nominated or other functional committees	Establishment a Risk Control Committee by the Company: i) In accordance with governing principles approved by the Board of Directors, the Risk Control Committee shall: ■ Establish enterprise risk control policies and structures, and delegate to the appropriate departments. ■ Establish enterprise risk measurement standards. ■ Establish enterprise risk tolerance limits and department specific risk tolerance limits. ii) The Risk Control Committee is comprised of three members; including one independent Board director, one Board supervisor, and the highest ranking officer from the Risk Control Office. Risk Control Committee meetings are convened quarterly, aiming to assist the Board of Directors with planning and monitoring of all risk related issues, reporting implementation progress, and recommending when appropriate. Establishment of Remuneration Committee by the Company: i) Our Board of Directors passes the organizational rules of the Remuneration Committee and thus establishes said committee. The responsibilities of the Remuneration Committee are as follows: ■ Establish and regularly review remuneration policy, system, standards and structure for directors, supervisors and managers. ■ Regularly evaluate and determine remuneration for directors, supervisors and managers. ii) Committee members shall be appointed by via Board resolution and the committee shall comprise at least three members. We shall appoint independent directors in accordance with the Securities and Exchange Act, and the committee shall comprise at least one independent director. Members of the committee elect an independent director as the convener. iii) The committee shall meet at least twice every year and may meet at any time should it be necessary to do so.	All such key strategies are handled in accordance with the company's AOI and Board Meeting resolutions. With the exception of the Risk Management Committee, all other committees are still under review and evaluation. On August 30, 2011, the Company's Board of Directors passed the organizational rules of the Remuneratio n Committee and thus established said committee. The company appointed three independent directors as committee members, and the committee's

Item	Status	Actual differences
		first meeting was held in accordance with the rules on December 20, 2011, during which members elected a convener.
6. If the company has implemented a set of practices in accordance with "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", describe what practices were implemented and any differences between the practices implemented and those described in the abovementioned Principles The company has implemented a set off operating principles that are in line with "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and with "Corporate Governance Best-Practice Principles for Securities Firms". The principles implemented serve to protect shareholder rights, to strengthen board effectiveness, to enhance monitoring functions, to respect the rights of interested parties, to increase information transparency, and to help us achieve our operating goals.		No Differences
7. Other important information that can help shed light on the company's corporate governance operations (i.e., employee rights, hiring concerns, investor relations, supplier relations, the rights of interested parties, training for directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, liability insurance purchased by the company for directors and supervisors): **i) Environmental Protection Measures** The company is a securities house and, therefore, has no environmental concerns to be addressed. ii) **Customer Rights** We have assigned a spokesperson to be responsible for providing information to shareholders and investors, and for posting periodical and non periodical financial and operating information on the government-operated MOPS website. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following: ■ Company introduction in Chinese and English ■ Company financial statements ■ Board of Director meeting Minutes ■ Investor Suggestion Box, which is manned by Public Affairs personnel who are responsible for replying to all comments received. **iii) Employee Rights and Hiring Concerns** 1. To boost work efficiency and solidarity among our employees, we place particular emphasis on benefits programs and labor relations, and thus ensures employee welfare in a comprehensive manner. 2. General accident insurance has been purchased for each of our branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees.		No Differences

Item	Status	Actual differences
iv) **Interested parties Rights** Our company respects the right of Interested parties to voice their opinions and we have constructed lines of communication specifically for interested parties, such as: ■ The Finance Department has assigned personnel specifically to deal with banks and creditors whom we deal with regularly. ■ The Management Department has assigned personnel specifically to deal with employees, investments, and sales business partners. ■ On the company website, we have set up an “Investor Area” where users can find a “Customer Suggestion Box” and an “Investor’s Suggestion box”, which are managed by our Customer Service Department and our Administration Department, respectively, who are responsible for responding to all messages received. On our internal corporate website, we have set up an “Employee Suggestion Box”, which is manned by our Management Department, who is responsible for responding to all comments received. v) **Implementation of Customer Policy** Our Policy: “3 Goods and One Fair”, “Good Quality”, “Good Trust”, “Good Service”, and “Fair Price”. This is combined with “Passion for Excellence and Service”, in providing all customers with comprehensive services. Implementation: We have established a Customer Services Department—The Customer Service Center, which offers customers an avenue through which to register complaints, which operates a customer service hotline which is manned by customer service specialists who help to solve customer problems, and which ensures that all account correspondence sent to clients includes clear product risk warnings. vi) **Training for Directors and Supervisors** In addition to supporting directors and supervisors who choose to attend external training on their own, we will periodically organize corporate governance training classes and invite our directors and supervisors to attend these classes. In 2013, for example, besides Board of Directors and Supervisors’ self courses, the company and the Taiwan Securities Association co-hosted management courses. We particularly invited former President of Justice, Lai Yi Chun to lecture on "business integrity and legal responsibility", giving a better understanding of the spirit and practices of corporate governance for Board of Directors and Supervisors. **vii) Risk Management Policy and Risk Evaluation Standards** A. Risk Management Policy i) Ensure that we can operate various types of business from a position of solid risk management; and continue to enhance profitability, create shareholder value, and achieve return on capital targets using reasonable risk tolerance levels. ii) Set well-defined risk controls for every business area, implement risk management checks and balances, and set clear obligations for each department so as to enhance risk management effectiveness by breaking it down into manageable pieces. iii) Our risk management operations take into accounts all key forms of risk: market risk, credit risk, liquidity risk, operational risk, legal risk, model		

Item	Status	Actual differences
risk. B. Risk Evaluation Standards The company has set risk management principles. In order to ensure that all of our organization's businesses adhere to our operating policies, operating goals, and capital levels, we have set suitability evaluation policies that can react to changes in our business and in the market: ■ Market Risk Evaluation i) We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis so as to supplement missing risk values. ii) We evaluate the completeness of our evaluation models on various business areas, and review the assumptions, parameters, and data used for various product models, and then test that the models for the various products are reasonable. iii) We evaluate the effectiveness of risk control models: regularly perform back-testing to ensure the effectiveness of the models used. ■ Credit Risk Evaluation i) Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp. ii) Trading counter-party credit risk: we assess our company's maximum exposure in the event that a trading counterparty defaults, and then use maximum exposure limits set by the board of directors, in determining the credit risk of a trading counterparty. iii) Issuer's Credit Risk: we use KVM model to perform internal evaluations, and combine that with financial data and stock price data to calculate the probability of a default. Then, based on these measurements, we developed "Z-Score", an in-depth internal evaluation model of the company, and then use this to protect ourselves from potential credit risks and potential capital shortfalls. ■ Operational Risk Evaluation i) Operational risk is risk that is created when internal processes, employees, or systems, are inappropriate or cause errors; or risk that is caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk. ii) We create operations risk policy handbooks that entail every level of operations. iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled. C. Risk Management Categories Our risk management takes into account market risk, credit risk, liquidity risk, operational risk, legal risk, etc., for both on-balance sheet business and off-balance sheet businesses. Each day, every level of operations, every manager, and every trader is given fresh figures on position risk and key sensitivity values. Through this, the company's risk controls and trading strategies can be properly analyzed and necessary alerts can initiated. Setting risk control guidelines for each level of operations allows for comprehensive monitoring of risk. D. Our Risk Control Architecture As part of our risk control measures, we have created an independent risk control department and constructed an integrated risk control architecture that encompasses all facets of the organization, including the Board of Directors, the Risk Control Committee, the Office of the CEO, the		

Item	Status	Actual differences
	Assets/liabilities Committee, the Risk Control Office, the Auditing office, the Legal Compliance and Legal Matters Department, the Finance Department, and all sales departments. Each segment of the company has clearly spelled-out obligations and every level of the company has clearly defined authorities. ■ Board of Directors audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, is ultimately responsible for risk management. ■ Risk Control Committee is a committee established by the Board of Directors tasked with integrating all risk management operations, with supervising and assisting all the various risk management and related operations. The committee is also tasked with setting the various risk authorities, limits, and targets, for a centralized supervision of the status of all of the company's risk management efforts. ■ Office of the CEO Supervises the daily implementation of all of the company's risk management operations and authorizes any exceptions to the risk management protocols. ■ Assets/Liabilities Committee controls the company's overall asset structure, collects and analyzes domestic and international interest rates, exchange rates, and economic changes. ■ Risk Control Office has been established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations: ■ Trading Business Risk Management Team is responsible for trading department risk management, for amendments to the business operational risk regulations, for the construction of a back-office risk control system, for ensuring compliance with trading regulations, and for creating trading business risk reports. ■ Operating Risk Management Team is responsible for the drafting of risk policies and regulations, for monitoring market and credit risks, for monitoring liquidity risks, for compiling data on operational risk control and management, for constructing and maintaining the risk management system, for implementation of risk management systems and for ensuring company-wide regulatory compliance. ■ Auditing Office sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, and implements daily check routines. ■ Legal Compliance and Legal Matters Department implements legal risk controls and ensures that all businesses and risk management operations are in compliance with relevant laws and regulations. ■ Finance Department monitors capital adequacy rates and liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios. Sales Department based on the company's risk management policies and regulations sets risk management guidelines for various businesses, and produces a report on abnormal risk items for the Risk Control Office. **viii) The Purchase of Liability Insurance for Directors and Supervisors** Our company has already purchase liability insurance from ACE Insurance, Federal Insurance, and Fubon Insurance. (The policy is for US$10 million with a term of Sept. 1st, 2013 to Sept. 1st, 2014.)	
iii)	Any other corporate governance evaluations conducted either by	No

Item	Status	Actual differences
	President Securities itself or by an external institution, the findings of this report, its main recommendations, and the status of any changes made: In accordance with securities exchange requirements, we completed its corporate governance self-evaluation report in December 2011 and uploaded said report to the Market Observation Post System where investors may review it. The latest amendment was made in Dec. 2013.	Differences

4-4 Compensation review committee

(If the company has established a compensation review committee, the composition of this committee, its obligations, and operation, should be disclosed.)

1. The company has established the Remuneration Committee by Sept. 30th, 2011 in accordance with the order from government.

2. Operation: i) The committee is composed of three members.
ii) The tenure of the committee is effective from July. 2rd, 2012 to July 1st, 2015. Total of 4 meetings of the committee were held recently and the attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
convener	Wu, Tsai-Yi	**4**	**0**	**100%**
member	Lee, Kwang-Chou	**4**	**0**	**100%**
member	Fu, Kai-Yun	**4**	**0**	**100%**

4-5 Corporate Citizenship

Item	Status	Actual Differences

Item	Status	Actual Differences
1. Carry out company governance (1) Company sets up enterprise social obligation policies or systems and reviews implementation effects. (2) Company sets up an enterprise social obligation office (full or part time) (3) Company holds moral education training and guidance for Directors, Supervisors and staff members, and Integrate it into staff performance assessment system. Establish effective rewarding and punishment regulations.	(1) For the implementation of the corporate governance, the Company's Board of Directors approved the "President Securities Corporate Social Responsibility Best practice Principles" on July 2 rd, 2012. Our company has worked out "President Securities Social Obligation Report", which is put on our website. (Website: www.pscnet.com.tw) (2) The management Dept. is in charge of the enterprise social obligation. Some social obligation activities such as social contribution, social welfare, and community participation are held annually. (3) All of our Directors, Supervisors have completed the related advanced studies and trainings as required by regulations. The Company also gives guidance to staff members. The results of the internal control and the related system will be included into assessment mechanism.	No Differences No Differences There is no difference between training and guidance. It will be connected with evaluation and included into assessment.
2. Develop sustainable environment (1) Company dedicates to elevate the effiency of all resources, and use the recycled materials to minimize the impact to environment. (2) Company establishes the suitable environmental management system based on the industry characteristics.	(1) The company supports the green environment concept. We require the contractors to recycle the wrapping materials for machines. Other disposables wastes are also strictly classified and recycled. (2) Our company is in financial field with no environmental pollution. However, we still try to minimize the possible effect on environment when performing operating business.	No Differences
(3) Set up environmental management unit or related personnel to maintain the environment (4)Emphasize on the change of climate impact to business operation. Set up policies of Energy Conservation and Carbon Reduction.	(3) Office Of General Affairs is responsible for company's environment protection, which plan, promote and supervise the related policies' execution. The office announced the improved way to save the electricity and water of office and business units. They also require Procurement unit to put energy saving for top priority when purchase. They delicate to raise equipment's utilization efficacy and create other substituted policy to minimize the unnecessary waste. (4) Control air condition of working places, gradually replace energy-consuming machines, and review equipments on regular basis. The CO2 amount caused by electricity was 2.96 million kg In 2012 and 2.55 million kg	

Item	Status	Actual Differences
	in 2013. The carbon reduction has been executed effectively.	
3. Maintain social interest or welfare (1) Company abides by the related labor regulations, safeguard employee's legal rights, and sets up proper management measures and procedures.	(1) In taking care of our employees, besides setting up internal regulations in accordance with the Labor Law, we also conduct regular checks on the differences between our internal regulations and the Labor Law. We also provide opinion boxes for employees as communication channel in order to protect employee's legal rights. The related mechanisms are as below: i) Setting up a complaints review access In accordance with sexual harassment protection bill and sex equality in work place bill, our company has worked out measures of preventing, grievance-airing, investigating and handling sexual harassment. A committee is also set up to take charge of the related matters in order to prevent sexual harassment and protect victim's rights, including providing sexual harassment free environment. Sexual harassment Tel.: (02)2746-3850 Fax: (02)2746-3799 E-mail: heart@uni-psg.com ii) Attaching importance to office safety (a) All the branches have selected some employees for training and obtaining certificate of fire-prevention. We also work out fire-prevention plans for offices. (b) Public accident obligation insurance is also filed to protect customer's right. Employee accident obligation insurance is also filed to protect employee's rights.	No Differences
(2) Company provides employees with safe and healthy working environment and provides with the related courses on regular basis.	(2) The company focuses on the safety and health of the employees' working environment. Aside from improving the dangerous factors within the environment, we also hire a health management specialist, establish health consulting room, and offer employee health inspections on annual basis, with hope to let employee understand and manage their own health status in advance.	No Differences

Item	Status	Actual Differences
(3) Company has a system in place to ensure regular communications with employees, it also notifies employees in an appropriate manner regarding changes to operational changes that may significantly affect them.	(3)The company has a system in place to enable smooth communication, it also provides its employees with the relevant information and application channels, thus ensuring that their working environment is a good and fair one. i) The company has labor and employer representatives, who regularly hold labor-employer meetings to ensure sufficient communications between the two sides. ii) Each department holds regular department meetings, employees' views and needs are sounded out during manager-level meetings and appropriate measures are taken thereafter. III) All our employees can file their complains based on the labor law, labor safety hygiene bill, employee welfare fund bill, labor insurance bill, labor investigation bill etc. The channel is as below: e-mail: hr@uni-psg.com iv) The company announces relevant changes through an internal announcement system, thereby upholding the principles of openness and transparency.	No Differences
(4) Company sets up and publicizes its consumer's right policy and provides them with transparent and effective complaining procedures for its products and service.	(4) Given the nature of financial service, we provide customers with the related handling procedures and rules in a speedy, transparent, stable and cautious manner. i) Procedures of customer service Our customer service center was established in 2000, providing customers with service telephone line and the first on-line customer service system in the brokerage field in a "special person special service" (consideration, efficiency, satisfaction, contentment) manner. ii) Procedures of handling problems According to reactions of customers, we deal with and follow the cases individually and by classification. (a) of service nature: we solve problems by giving clear explanations and clear guidance (b) of issue nature: to clarify situation, we focus on key points, explain in good manner, deal in fair manner. (c) of customer right nature: we treat customer with empathy, communicate with consensus, protect customer's right and deal in fair manner iii) Customer personal information protection The company has gained BSI Company's BS-1002 verification. We will protect customers' rights with more professional and discrete attitude.	No Differences

Item	Status	Actual Differences
(5) Company cooperates with suppliers and works together to fulfill enterprise social obligation	(5) In our procurement regulations, we require to buy facilities that use green construction materials so as to play our role in energy saving and environment protection.	No Differences
(6) Company participates community development and welfare activities through commercial activities, donation, and volunteer work.	(6) Since 2001, our company has held "Love-giving activities" for 13 consecutive years, calling for all the employees in our business group including brokerage, futures, investment trust, investment consulting, insurance agent, and comprehensive insurance business to participate the activities. Due to our long-term commitment to public welfare, our group was honored with the 6th National Public Welfare Award, and the 2013 thankful enterprise from the Taiwan Fund for Children and Families (TFCF). We have been for long term devoted to social responsibility, and was rewarded sixth annual national social responsibility award, 2013 most thankful Enterprises by Taiwan Fund for Children and Family's' Association, and top 9 corporate citizenship among top 50 by Commonwealth Magazine.	No Differences
4. Step up information exposure (1) Reveal company's social responsibility and other related information (2) Compile company's social responsibility report, reveal execution of social responsibility	Our company has worked out "President Securities Social Obligation report**",** which has been put on our website (website: www.pscnet.com.tw)	No Differences
5. If a company has worked out its enterprise social obligation regulations based on "Enterprise social obligation regulations for listed companies/over-counter companies"」, please elaborate the differences of its operation and regulations. For the implementation of the corporate governance, the Company's Board of Directors approved the "President Securities Corporate Social Responsibility Best Practice Principles'' on July 2nd, 2012 and the 2013 Execution Report has been submitted at the tenth term of the ninth board meeting。		No Differences
6. Other information about social obligation fulfillment ■ Environmental Measures As a securities firm, our company does not have any environmental or polluting concerns. ■ Social Participation, Social Contribution, Social Service, Social Causes In light of our long-standing commitment to supporting key social causes, we were awarded the 7th annual Wenxin Award, the National Civic Service Award,		

Item	Status	Actual Differences
	the Award of 2013 thankful enterprise from the Taiwan Fund for Children and Families (TFCF), and top 9 corporate citizenship among top 50 by Commonwealth Magazine**.** Over the last several years, President Securities Corp. has planned and coordinated a number of charitable activities with the TFCF to help school children from poor family. We assist TFCF by mobilizing all company extensive employees, and customers. We contribute real money and resources to causes that we believe in and, in doing so, meet our social responsibilities as a good corporate citizen. ■ Customer Rights Our company has assigned a spokesperson to be responsible for providing information to shareholders and investors, and to post periodical and non-periodical financial and operational information on the government-operated MOPS website. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following: i) Company introduction in English and Chinese ii) Company financial statements iii) Board of Director meeting minutes iv) Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments received. ■ Employees' rights and welfare i) To boost work efficiency and solidarity among its employees, we place particular emphasis on benefits programs and labor relations, and thus ensure employee welfare in a comprehensive manner. ii) All the company's branches and work locations are covered by public liability insurance to protect clients' interests and covered by employers' liability insurance to protect employees' interests. ■ Interested parties' rights We respect the right of interested parties to express their opinions and has thus established the following communication channels: i) Our financial department has dedicated personnel serving corresponding banks and other creditors. ii) Our administration department has dedicated personnel serving employees, investors and companies that we have business dealings with. iii) We have set up mailboxes for our clientele and investors on our company website, which are respectively managed by dedicated personnel from our customer service center and administration department also set up mailboxes for our employees on our internal website, which we have managed by dedicated personnel from our administration department. ■ Implementation status of clientele policy i) Our Policy: "3 Goods and One Fair", "Good Quality", "Good Trust", "Good Service", and "Fair Price". This is combined with "Passion for Excellence and Service", in providing all customers with comprehensive services.	No Differences

Item	Status	Actual Differences
	ii) Implementation: We have established a Customer Service Center, and offers customers an avenue through which to register complaints, which operates a customer service hotline which is manned by customer service specialists who help to solve customer problems, and which ensures that all account correspondence sent to clients includes clear product risk warnings.	
7. If company's products or enterprise social obligation reports have passed the checking standards set by the related institutes, be sure to describe its details.	Our company's enterprise social obligation report was worked out by ourselves and has not been certified by the related institutes.	No Differences

5. Integrity Management Application

5-1 Our company has always applied the principle of "integrity and sustainable management," to serve our customers sincerely. We also inherit the spirit of ""three greatness and one fairness." We protect clients ' rights with flawless service. We pursuit long-term, steady and balanced growth in the spirit of integrity management.

(1) Establish independent Director system
(2) With years of dedication on information transparency, the company had awarded A+ level evaluation. In 2012 and 2013 even A++.
(3) Insure company directors, supervisors, and managers ' liability insurance, also employees' credit insurance
(4) Actively participates in social benefit activities.

4-2 Integrity management execution:
(1) On August 23, 2012, the Board of Directors issued "Ethical Corporate Management Best Practice Principles" and revealed the principle in 2013 shareholders' meeting. This proves the management's commitment to Integrity management.
(2) To execute integrity management and prevent dishonesty, the company adds related rules to corporate governess. (Chapter 10 article 48), which authorized by the Ministry of Labor and publicly announced.
(3) To prevent dishonest behaviors, the rules are clearly set in the corporate governess and publicly announced.

6. Long-term Investment Ownership

As of 31/03/2014

Long-term Investment	Ownership by President Securities (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares %	Shares %	Shares %	Shares %	Shares %	Shares %
President Futures Corp.	**63,817,303**	**96.69%**	**0**	**0**	**0**	**0**
President Capital Management Corp.	**12,400,000**	**100.00%**	**0**	**0**	**0**	**0**
President Securities (HK) LTD	**10,000,000**	**5.19%**	**182,600,000**	**94.81%**	**192,600,000**	**100.00%**
President Securities (BVI) LTD	**67,746,000**	**100.00%**	**0**	**0**	**0**	**0**

Long-term Investment	Ownership by President Securities (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Uni-President Assets Management Corp.	**13,570,830**	**38.66%**	**12,000**	**0.03%**	**13,582,830**	**38.69%**
President Personal Insurance Agency Co., Ltd.	**500,000**	**100.00%**	**0**	**0**	**0**	**0**
President Insurance Agency Co., Ltd.	**500,000**	**100.00%**	**0**	**0**	**0**	**0**
PSC Venture Capital Investment Co., Ltd.	**30,000,000**	**100.00%**	**0**	**0**	**0**	**0**

IV. Capital Structure

1. Capital and Shares

1-1 Capitalization

Month/Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stork		Remark	
		1,000 Shares	Amount (NT$ thousands)	1,000 Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash
Jul-2002	10	1,500,000	15,000,000	1,183,651	11,836,510	Capital Increase by Earning	None
Dec-2002	10	1,500,000	15,000,000	1,140,673	11,406,730	Cancellation of Treasury Shares	None
Aug-2004	10	1,500,000	15,000,000	1,140,499	11,404,990	Cancellation of Treasury Shares	None
Jun-2006	10	1,500,000	15,000,000	1,137,072	11,370,720	Cancellation of Treasury Shares	None
Aug-2007	10	1,500,000	15,000,000	1,176,869	11,768,695	Capital Increase by Earning	None
Aug-2008	10	1,500,000	15,000,000	1,215,706	12,157,062	Capital Increase by Earning	None
Apr-2009	10	1,500,000	15,000,000	1,185,706	11,857,062	Cancellation of Treasury Shares	None
Aug-2010	10	1,500,000	15,000,000	1,231,933	12,319,334	Capital Increase by Earning	None
Aug-2011	10	1,500,000	15,000,000	1,304,646	13,046,456	Capital Increase by Earning	None
Dec-2011	10	1,500,000	15,000,000	1,284,582	12,845,816	Cancellation of Treasury Shares	None
Aug-2012	10	1,500,000	15,000,000	1,323,119	13,231,191	Capital Increase by Earning	None

1-2 Capital and Shares

Unit：Share

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	1,323,119,054	176,880,946	1,500,000,000

1-3 Structure of Shareholders

As of 20/04/2014

Structure of Shareholders / Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Holders	0	1	112	30,699	145	30,957
Shares	0	26,478,046	798,189,422	384,355,153	114,096,433	1,323,119,054
%	0	2.00%	60.33%	29.05%	8.62%	100%

1-4 Distribution Profile of Share Ownership

■ **Common Shares**

As of 20/04/2014

Shareholder Ownership (Unit：Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	16,121	2,373,558	0.18
1,000 ~ 5,000	7,569	17,134,305	1.30
5,001 ~ 10,000	2,522	17,939,328	1.35
10,001 ~ 15,000	1,471	17,950,035	1.36
15,001 ~ 20,000	549	9,689,156	0.73
20,001 ~ 30,000	794	19,352,115	1.46
30,001 ~ 40,000	349	12,166,858	0.92
40,001 ~ 50,000	262	11,819,951	0.89
50,001 ~ 100,000	587	41,553,780	3.14
100,001 ~ 200,000	335	46,635,088	3.53
200,001 ~ 400,000	191	53,563,184	4.05
400,001 ~ 600,000	67	31,572,542	2.39
600,001 ~ 800,000	31	21,814,330	1.65
800,001 ~ 1,000,000	21	18,572,725	1.40
Over 1,000,001	88	1,000,982,099	75.65
Total	30,957	1,323,119,054	100

1-5 Major Shareholders

As of 20/04/2014

Shareholders	Number of Shares	Ownership (%)
Uni-Present Enterprises Corp.	366,644,096	27.71
Nan Shan Life Insurance Company, Ltd	106,138,260	8.02
Kai Nan Investment Co., Ltd.	37,104,849	2.80
President Chain Store Corp.	35,604,872	2.69
Eternal Chemical Co., Ltd	31,907,681	2.41

Tainan Spinning Co., Ltd	**29,941,647**	**2.26**
Fubon Life Assurance Co., Ltd	**28,823,520**	**2.18**
Golo Chang Investment Co., Ltd.	**26,715,948**	**2.02**
President Securities' comprehensive Employee Stock Ownership Trust under Chinatrust's custody	**26,478,046**	**2.00**
Kao Chin-Yen Memorial and Education Foundation	**16,663,300**	**1.26**

1-6 Market Price Per Share, Net Value, Earnings & Dividends for Latest Two Years

Item			2012	2013	2014Q1
Market Price Per Share	Highest		**16.88**	**18.23**	**18.85**
	Lowest		**12.59**	**16.00**	**16.7**
	Average		**14.61**	**16.85**	**17.72**
Net Worth Per Share	Before Distribution		**16.34**	**16.90**	**17.26**
	After Distribution		**-**	**-**	**-**
Earnings Per Share	Weighted Average Shares (thousand shares)		**1,323,119**	**1,323,119**	**1,323,119**
	Earnings Per Share	Before Distribution	**0.88**	**1.03**	0.35
		After Distribution	**0.88**	**1.03**	-
Dividends Per Share	Cash Dividends (NT$)		**0.52**	**0.74**	**-**
	Stock Dividends	Retained Earnings	**-**	**-**	-
		Additional paid-in Capital.	**-**		-
	Accumulated Undistributed Dividend		**-**	**-**	
Return on Investment	Price/Earnings Ratio		**16.60**	**16.36**	
	Price/Dividend Ratio		**28.09**	**22.76**	
	Cash Dividend Yield		**3.56**	**4.39**	

2. Dividend Policy & Implementation Status

2-1 Dividend Policy

We take a policy of dividend payment to maintain sound long-term financial structure and stabilize continual growth to maximize benefits to shareholders, in the following manners:

- With regard to the surplus for the year (net of taxes payable and losses from previous years), after portions have been set aside in surplus reserves in accordance with the law and set aside or transferred to the special reserve in accordance with regulations, the balance and undistributed earnings (beginning of the year) may not be distributed if they do not make up at least five percent of paid-in capital.
- The total amount of dividend shall not be below 70% of the allocable profit as per the preceding paragraph.

- Out of the dividend which can be allocated according to the preceding paragraph, stock dividend shall not be below 50% and cash dividend shall not exceed 50%.
- Taking the operation situation of the year and the fiscal plan of next year into consideration, the company may decide the best stock and cash dividend on its discretion.

2-2 Distribution of Profit

The Board adopted a proposal for 2013 profit distribution at its Meeting on March 26th, 2014, and the proposal to distribute 2013 profits is listed as follows:

Cash Dividends	NT$0.74 per share

The company's bylaws require that, should there be any surplus remaining at the end of a fiscal year (excluding that used to pay taxes and offset prior-year losses), 10% and 20% of said surplus shall be respectively set aside in a statutory surplus reserve and special surplus reserve; should there be any remaining surplus, 3% and 2% of said surplus shall be respectively distributed as remuneration to directors and supervisors and as bonuses to employees, the remaining portion shall be distributed as shareholder dividends; should total distributable surplus be lower than 5% of paid-in capital, the company may choose not to distribute its surplus.

i) Board of Director passes proposed distribution of employee bonuses:

- On March 26th, 2014, our Board of Directors passed the proposed allocation of employee bonuses and remuneration for directors and supervisor as follows: Total cash bonus of NT$20,612,802 for employees and total remuneration of NT$30,919,203 for directors and supervisors. There was no difference between the estimates and the actual distributions approved at the Board Meeting for Employee bonus and Director/Supervisor compensation.

- In 2012, estimated employee bonus amounted to NT$14,484,672 while remuneration for directors and supervisors amounted to NT$21,727,007. There was no difference between the estimates and the actual distributions approved at the Board Meeting.

3. Buyback of Common Stock：None

4. Status of corporate bonds (including overseas bonds)

4-1 Issuance of Corporate Bond：None

4-2 Information of Convertible Corporate Bond：None

V. Overview of Business Operation

1. Description of Business Activities

1-1 Business Scope

- Underwriting business
- Proprietary trading of listed securities
- Brokerage for listed securities
- Proprietary trading of listed securities through retail locations
- Brokerage for listed securities through retail locations
- Consignment trading of foreign securities
- Securities borrowing and lending
- Shareholder services coordination
- Support for futures trading through equity-related business
- Concurrent operation of futures proprietary trading
- Engaging in short-buy and margin sales for trading securities
- Wealth Management business
- Trust business
- Financial derivatives products approved by the SFC
- Other business areas approved by the SFC

1-2 Breakdown of Revenues for Latest Three Years

Unit: NT$ thousands

Item	2011		2012		2013	
	Operating revenue	(%)	Operating revenue	(%)	Operating revenue	(%)
Brokerage	2,926,076	66.27	2,126,068	57.97	1,943,584	50.10
Proprietary Trading	1,397,223	31.65	1,285,253	35.04	1,581,671	40.77
Underwriting	91,819	2.08	256,498	6.99	354,146	9.13
Total	4,415,118	100.00	3,667,819	100.00	3,879,401	100.00

1-3 Products and Services

We offer a comprehensive range of financial services- brokerage, underwriting, proprietary trading, fixed income dealing, financial product development, wealth management, and shareholder services. The following is a brief description of our primary business units.

Business Area	Business highlights
Brokerage	1. In 2013, the market share for our brokerage business stood at 3.44%, ranking us as the 8th largest brokerage house. 2. We currently operate 35 branches, and THE COMPANY currently holds the 1st market share position in each individual market for which we operate a branch—clear proof of our exceptional operating efficiency. 3. Our company dedicates to promote electronic transactions, which accounted for 35.4% of company's trading volume in 2012 and up to 37.9% in 2013 with sustained growth. 4. We have developed an integrated online order entry system that allows

Business Area	Business highlights
	customers to trade equities, futures, and options, all from the same application. This allows our customers to take full control of their trading objectives and, at the same time, encourages clients to trade a wider range of products. 5. By offering a more all-inclusive market monitoring and order entry environment, we can provide services to a larger client base. 6. We integrate our sales of all types of products available in the market and thereby offer more value to our existing clients.
Proprietary Trading	1. Market positioning Over the past three years, our proprietary trading division has been among the top performers in the industry. Regardless of changes in the market, it was able to swiftly adjust positions and conduct investment analysis that closely reflected market changes. Thus it was able to effectively grasp swing trading trends and mainstream stocks, strictly control risk with futures hedging strategies. And supported by a diversified range of products and trading models, the company was able to make big profits, maintain a stable personnel structure with experienced traders, and leverage on its brand. 2. Specialty product System application supported by quantitative analysis and technical indicator modules
Fixed Income Dealing	1. In 2013, President Securities was ranked 17th in terms of market share for the monthly outright purchase and sales of government bonds with a monthly average market share of 1.63%. As bond trading volume shrinks alongside diminishing market opportunities, we are gradually reducing our domestic bond trading volume and shifting our attention to the international bond market. 2. In 2013, we held 15.42% of the market in Interest Rate Swap brokerage, giving us an overall 4th place ranking within the industry.
Futures Proprietary Trading	1. In 2013, the profit gained from options came up on top among competitors. 2. New Products/Services in Development As regulators continue to liberalize the industry and allow new financial products, we stand ready to add these new products to our trading and, in turn, to add to our revenue streams.
Financial Products	In 2013, our Financial Products Division was primarily engaged in issuing new warrants, structured note products, convertible bond assets swaps, and other derivative products authorized by the Taiwan's regulators. 1. Market Position (1) Warrants: We issued a total of 1,226 warrants in 2013, for a total dollar value of NT$13,335,547,000. (2) Structured Products: in 2013, the company undertook contracts amounting to a principal. of NT$2,929,300 thousand and had a total NT$93,400 thousand worth of structure note products in the market. 2. New Products/Services in Development We will focus on applying for permission to issue newly approved financial products and use leverage our financial engineering expertise to help those products bear fruit. We have a professional team that brings together skills from finance, information technology, and statistics, in developing profitable new products that help diversify our revenue streams.

Business Area	Business highlights
Underwriting (Capital Markets)	1. Market Position The company underwrote 62 issues in 2013, for a total dollar value of NT$5.681 billion. 2. New Products/Services in Development Our goal is to provide professional corporate financial services, to simultaneously act as both an effective market maker and also as a top-notch service provider, all with the aim of increasing the company's overall added value. Going forward we will continue to focus our energy on landing mid- and large-sized deals, and will continue to bolster our presence within the Greater China Region (i.e., TDRs, IPOs (including primary listings on the TWSE/GreTai Market, M&A, Private Equity, and consulting, etc.), so as to become a more competitive securities firm.
Shareholder Services	1. Market Position (1) By the end of 2013, we served as shareholder services representative for 135 companies, giving us a ranking of 7th in the industry. (2) The average size of companies that we represent has increased. As of the end of 2013, the total number of shareholders that we serviced stood at roughly 1.60million, giving us a ranking of 8th in the industry. 2. Operating Performance (1) The number of companies we represented in 2013 stayed the same as the previous year. (2) The average number of shareholders we serviced in 2013 also stayed the same as the previous year, thus allowing us to achieve a higher economy of scale and more efficient operations. 3. Long-term objectives Work with other departments within the company so as to implement cross-selling strategies and thereby become a shareholder services provider that can also provide financial management functions.
Wealth Management & Trust	1. Market ranking (1) The 1st and the only securities dealer in Taiwan that has started fortune management business, a brokerage that assists customers to do assets arrangement under the "asset management account". (2) The 1st brokerage that has got the approval letter of having a side business of trust business (3) First domestic securities dealer to receive the Central Bank's foreign exchange license and be permitted to engage in trust-related wealth management。 2. Operation performance (1) As of end of 2013, the number of the fortune management account customer totals 90 and the amount of the management customers assets totals NT$32,187,936. (2) As of end of 2013, the number of the trust account customer totals 2,686 and the amount of the management customers assets totals NT$1,411,465,589。83 trust customers for securities loaned, and $415,865,709 for asset management. 3. Vision of our department (1) Establish "wealth management platform" for Taiwan customers through wealth management and trust (2) Develop "characteristic cross-strait financial business" through international securities business branches.

1-4 New Products and Services to be developed

To comply with liberalization of the authorities, our company will set up international securities subsidiary branches, explore foreign individuals and corporate customers, introduce foreign goods, and participate in large international funding case.

■ Business of Wealth Management and Trust

(1) Individually managed non-discretionary monetary trust

- Expansion of trust product lines: continually increase new domestic and foreign funds, plan US stocks ETF artificial transactions
- Enhance convenience of transactions: establish authorized fund transactions
- Enhanced services: provide trust customer electronic billing services, plan on-line customer accounts instant enquiry service
- Apply for trust subsidiaries: Our company plans to submit applications to the authorities for 35 branches to operate trust business

(2) Lending securities business

The key to success is the efficiency of lending and control information of borrow side. We plan to achieve such goals through the operations of company borrow vouchers Centre, with hope to expand business scale.

(3) The wealth management planning in international securities business

The company applied set-up of international securities subsidiary branches to the authorities in February, 2014. We could provide foreign securities or other authorized foreign financial products to foreign customers and domestic professional investors with asset allocation or financial consulting service in the future..

2. Analysis of the Securities Industry

2-1 Overall Economic Environment

For the past year global economy had steady recovery through the turbulence. First of all, in Europe, despite the Cyprus bank run in March, which ECB promptly interfered and well-controlled, the Eurozone economy was out of recession in the third quarter and beginning its recovery after successively five quarters of recession. As for the US, with breakthrough of energy technology and strengthen of corporates confidence, the employment situation is improved. Political uncertainty also decreased due to Federal Government ‘s budget problems solved. However, the global financial market may still be affected if FED fiercely decreases bond purchase. China, on the other hand, will continue structural adjustment. Its financial growth may be affected by incidents like money shortage and the shadow Bank default rate.

As for Taiwan, in year 2013 domestic economic growth rate had increased from 1.48% in the previous year to 2.11%, mainly benefited from private investment and consumption. However, affected by China’s structural reform of the economy, Taiwan’s export did not perform well as previous years. In the domestic stock market, affected by the taxation of capital gains on securities started in first half year, and FED’s contious announcement on reducing debt purchase, trading volume in Taiwan stock market remained low. Fortunately, Taiwan stock market rose in the last half year due to the great adjustment on the taxation of capital gains on securities, FSC’s stock revitalization polices, and massive foreign investment. Annual TSEC weighted index rose from 7,699 to 8,611, reached 11.85% growth.

In 2013, America’s economy will remain stable expansion. Main countries in Europe would adjust economy estimate due to improvement of domestic demand and labor market. This indicates the economy recovery in advanced countries. However, emerging

markets may still be unstable due to QE and international capital withdraw. For Taiwan, along with the robust recovery in advanced countries, and the atmosphere of improved domestic consumption, exports and private consumption should sustain growth as expected. However, affected by China's industrial structure adjustment, and their local supply chain growth, our business gradually faced pressure. In February the DGBAS forecasted this year's economic growth rate will reach to 2.82%. In securities industry, FSC Minister Zeng Mingzong, who started term of office since August1, actively communicated with industry, releasing policies such as "open proprietary securities parties to buy (sold) securities when market rose (fell) ", "increase sold objective for Securities Lending" and "open investors apply buy-first, sell-later rule for daily reversed trading", all contribute to the growth in trading volume. In addition, the authorities also gradually expand the business scope of securities dealers. On February 18, securities firms could apply for the establishment of offshore securities unit (OSU), and expand their Asian business scale. With such favorable policies, securities industry is expected to have diversified development.

2-2 Product Trends and Relevant Competition

■ Proprietary Trading

A. Equities Markets

In 2013 global economy had mild recovery due to temporarily mitigation of European debt crisis, main countries remaining loose currency policy, and the positive effect of Japan's "Abenomics". The annual global economic growth rate rose from 0.8% in 2012 to 2.02% in 2013. The better-performed stock markets are the advanced countries like Europe and America. Dow Jones annual ROI reached 26.5% due to recovery of consumption and real estate. In European stock market, after temporarily mitigation of European debt crisis, Ireland and Portugal exit bailout programme, other countries average gain in stock market up to 16.3%, Germany even up to 25.48%. In Asian market, facing China's leadership shift, overall market did not perform well. Although Shanghai index fell 6.75%, Hong Kong's Hang Seng Indexes rose only 2.87%and Korea stock rose only 0.72%, Taiwan market perform relatively well by annual rose 912 points, growth 11.8 %. Benefited from Cross-Strait meetings and Cross-Strait Service Trade Agreement, "biotechnology industry regulation" leading development of biotech industry, and the tax amendment in June, Taiwan's stock market is expected to have greater performance.

Over a year which saw an overall gain of 900 points, the proprietary trading division responded by taking on short positions, and to adapt to market changes, it adjusted its treasury stock position to minimize systemic risk, kept a close watch on the fundamentals of listed companies so as to adjust positions accordingly and weed out weak stocks, and further hedged against risk and losses through futures positions. For the entire year, the division managed to post a profit of NT$820 million and its performance was among the best within the industry. Going forward, global economic research will become more in-depth and operation guidelines will focus the adjustment of positions and strategies. Also, investments will be diversified to expand the division's revenue sources. It is hopeful that we will continue to achieve industry-leading profit levels and retain our competitive strengths.

B. Risk Management

In addition to using VaR figures provided by the proprietary trading department's risk control office, stop losses and limit alerts are set for the stocks that each trader trades. Each trader is given trading limits and trading performances are updated in real time and,

when necessary, trading authorizations can be immediately revoked. The effect of all of these measures is to ensure maximum protections for our shareholders.

C. Hedging Operations

Futures and options are our primary hedging tools. By nimbly adjusting our market positions and by using futures and options for effective hedging, the company achieved the best return on assets rate in the industry in 2013.

■ Fixed Income Dealing

A. Outright Purchases and Sales of Government Bonds

In 2013, since there has been continuously low trading volume and liquidity shortage in local bond markets, focus has shifted to foreign bond for better profitable opportunities. We expect more transactions on foreign market in the future.

B. Convertible Bonds

In 2013, convertible bond decreased from 2.2 billion to 1.8 billion in the end of the year because of profit-taking. As December, 2013, the guaranteed position is 0.16 billion, 8.8% of total portfolio.

Compared to other industry players, the company's investment strategy for convertible bonds was centered on downside risk considerations and there were hence fewer positions in unsecured SME convertible bonds. This made it difficult to generate higher profits since the market indexes did not undergo significant shifts over the year. But when the European debt crisis struck and systemic risk rippled through the indexes, the company's positions had a comparatively limited loss ratio.

C. Government Bond Futures

As the trading volume in domestic bond market continued to shrink and stock borrow mechanism was not yet completed, all traders in the market, our company included, have no willingness to participate in, and the authorities do not require dealers' obligations to make market. The trading volume therefore remained zero last year.

D. Bond Options

Since the bond market is highly concentrated, and the trading volume continued to shrink, fluctuations of the bond yield rate remained low. Buyers and sellers had low intentions, and overall trading stayed thin. With fewer profit opportunities, bond options played a non-existent role in 2013.

E. Interest Rate Swaps (IRS)

Because of Taiwan market's low interest rates and funds deluge, IRS rates remained low. Under such circumstance, it was hard to gain profit in IRS market. The company has gradually decreased IRS operations with observing strategy.

F. Foreign Bonds

With the gradual liberalization of the OSU Business brokerages, we will seize this opportunity and continue expanding foreign bond transactions. Aside from Asian bonds, we also expand our business to European and emerging market bond business. Our team

has successfully transferred the Taiwan bond experience to foreign bond market through rigorous analysis and a detailed analysis of the economic fundamentals. The profit gained from foreign bond business has increased in recent years.

■ Financial Products Business

A. Equity Warrants

2013 saw strong expansion in Taiwan's equity warrant market, with all securities firms aggressively issuing warrant products. A total of 20,476 equity warrants were issued in 2013, for a total dollar value of just over NT$281.409 billion.

The total dollar value of all equity warrants issued by THE COMPANY in 2013 was NT$13.336billion, giving us a market share of 4.74%, making 9th in the market. Issue focuses mainly on the selection of stock performance with good Return on Equity (ROE) to creat a win-win situation with investors and stable profits through different derivatives, futures, and options, etc., with hope to effectively lower hedging costs.

B. Structured Note Products

In 2013, for the whole year, a total of NT$30.175 billion in structure note products were issued with NT$183.24billion. For the year of 2013, the company undertook contracts amounting to a principal of NT$29.293billion and was ranked sixth in the market.

C. Convertible Bond Asset Swaps

Fixed Income Trading with a total of NT$28.85billion worth of contracts currently outstanding, the company had an accumulated trading volume of NT$64.309 billion for 2013.
Option Trading with a total of NT$54.845 billion worth of contracts currently outstanding, the company had an accumulated trading volume of NT$83.222 billion for 2013.

For the year of 2013, the company undertook contracts amounting to a principal of NT$4.675 billion and became one of its stable income sources.

■ **Underwriting Business (Capital Markets)**

A. Domestic Bond and Equity Underwriting

As of the end of 2013, there were a total of 838 companies listed on the TWSE, and a total of 658 companies listed on the GreTai Market, representing an annual increase of 3.58% and3.13%, respectively. In 2013 the number of lead manager case totals 7deals, including Edimax Technology Co., Ltd. $400 million secured Convertible Bonds、Fu Ta Material Technology Co., Ltd. $300 million secured Convertible Bonds、CTBC Financial Holding Co., Ltd. raised $20 billion capital injection、Jaan Cherng Technologological Co., Ltd. $300 million secured Convertible Bonds、UDE Corp. $300 million unsecured Convertible Bonds、SciVision Biotech Inc. first listing、Johnson & Johnson Pharmaceuticals Ltd., first listing. We will continue to adhere to a strict screening process and select only high quality companies to underwrite, all the while being mindful of prudent risk controls.

B. Financial Advisory

We take great pride in providing professional corporate finance services. In recent years, our financial advisory business has also made great progress and expanded into advisory services dealing with employee stock option exercise prices, offering price for preferred stocks and stock repurchase by listed companies. In year 2013 we handled Union

Insurance Co., Ltd. and Data International Co., Ltd.'s financial advisory. We will no doubt continue to develop our financial advisory services business with a particular emphasis securities related consulting (i.e., IPOs, mergers, private placements, and other consulting services) around the Greater China Region.

C. Offshore Underwriting

In March 2008, the Executive Yuan allowed foreign enterprises to conduct initial listings in OTC and offer emerging stocks in Taiwan, thus expanding the local securities market. In 2013, our department assisted the Knorr-Brems, located in the Cayman Islands, listed their stocks. We also actively seek overseas enterprises coming to Taiwan for listing. We would also look on the market condition of Southeast Asia and Hong Kong-listed companies to issue TDR in Taiwan.

D. Emerging Market Exchange

The domestic economy continued growing in 2013, there were 261 companies listed on the Emerging Stock Board, 18 less than 2012's 279 and representing a 6.45% reduction. To capture more IPOs, the department has also been actively positioning itself with respect to emerging board targets. However, the IFRS's launch in 2013 has changed the way emerging board stocks will be assessed, and to take risk control into account, the number of emerging board companies being recommended will tentatively be no more than 35. As of the end of 2013, the number of officially recommended emerging board companies is 29. This year, the division will continue to compete for quality clients while maintaining risk control, and issue recommendations for emerging stocks based on the progress of its client counseling.

■ **Wealth Management**

In September 2009, the Financial Supervisory Commission (FSC) allowed securities dealers to engage in monetary trust and negotiable securities trust businesses. At the end of 2013, there are 7 securities firms offered particular individual money trust, less 1 comparing year 2012. (KGI securities and Grand Cathay Securities mergered) In year 2012, there are 2 securities trust firms, later increased to 5 in 2013. The main direction of securities trust firms in 2013 was completion of authorized business categories. In 2013, the total asset of specific individual management of trust fund was 30.9 billion, securities trust fund was 18 billion, total asset was 48.9 billion, which largely increased 22.1 billion comparing to 2012. The market share did not change much since dealers have their own niche. Besides the existing business line, securities firms would also apply to the authorities for allocation of trust business, hoping to increase the asset scale. OSU provides another opportunity of wealth management, which main brokers actively engaged in.

3. R&D for Derivative Product

■ Various Technical Expertise and R&D

We have put together a complete and well-rounded financial engineering research team that is capable of researching both trading strategies and derivative products themselves. Our team is comprised of professionals from the areas of finance, statistics, and information technology. They are able to effectively synergize their diverse talents in developing valuable hardware and software for trading and product valuation. By coupling cutting-edge financial engineering techniques with comprehensive product research and substantial trading experience, we are able to design various new financial products and

thus provide our clients with derivatives products and services that they need.

- Our Research Analysts, Their Training, and Our R&D Costs for the Most Recent 5 years

The company has been aggressively developing new products and working diligently to secure regulatory approvals for new products. Over the past 5-year period, we have spent an average of NT$4.5 million per year on R&D efforts.

- New products or Techniques Successfully Developed Within the Last 5 years

The company has been successful in the design and pricing of many structured note products, equity swaps, credit derivative products, as well as equity-linked forex derivative products, bonds and interest rates, and we stand ready to issue these products whenever appropriate market timing emerges.
We have successfully developed several market operating strategies, as well as option market making models and strategies.

- Electronic trading system improvements

The electronic trading market continues to grow and the company is able to raise customer service quality through an e-trading platform that is stable, convenient and diversified.

(1) President Securities 2013 Electronic Trading System R&D Plan

System	R&D capabilities
Promotion of PSC Golden island Trading system	1. Provide the most functional AP system for customers, free of charge 2. Explore new customers and assure previous customers who love research for more actuate judgment on investment
Electronic trading backup system	1. Update transaction system, lower errors caused by aged machines 2. Expand service volume triple more than year 2012, prepare for era of active transaction.
Set up website for teaching electronic trading	1. Timely update for user guideline of on-line transactions 2. Clear description of main functions of electronic trading system 3. Establishment of learning electronic trading channel for sales and new employee
Customized market watch and order placement system for mid-level customers	Customize and introduced VIP program based on customers' needs.

(2) R&D investment plan and progress

Project plan	Project content and outcome	Estimated R&D expense	Estimated time of completion

Customized AP software	1. Simplify application process, minimize customers' questions, and increase customers' trust towards company 2. Decrease processing time to help customers in need	NT$700 thousand	June 2014
Function improvements for electronic transaction system	1. Optimization of user interface of specialist order placement system. 2. Optimization of mobile transaction platform functions 3. Recommend optimizations for AP Order Placement System based on customers' needs. 4. Customize operation interface for VIPs.	NT$3 million	undergoing
Key production and system application for mobile device	1. Currently mobile required computer application, then send verification to mobile for completion 2. It's More complicated for new customers to require customer service support to finish application 3. After receiving confirmation, customer can directly use mobile to download system	NT$1 million	December 2014
Financial Trust Management System	Trust account immediate payment system	**NT$4 million**	**December 2014**
	Customers' authorization for the payment		
	Trust customers' electronic bill service		
	CRMS timely data transmittion		

4. Future Business Development

In an effort to establish our core competitiveness, it is essential that we have a clear understanding of future trends in the securities industry and then establish a corresponding business development plan. We must also develop strategies that will allow us to accommodate business areas newly approved by regulators so that we are in a position to move quickly in these new markets. Accordingly, we see our business developing in the following ways:

- Continue to recruit exceptional talent, and thereby improve our competiveness and, in doing so, increase our market share.
- Implement risk management practices and technologies, thereby improving profitability and stabilizing overall business operations.
- Improve IT and enhance e-business infrastructure.
- Offer professional asset management and provide personalized financial planning services.

- Develop foreign market to maximize profit
- Be ready to move on market liberalizations and, in particular, business opportunities across the Hong Kong-PRC-Taiwan market.
- Groom talented researchers and thus raise our abilities in designing new products.
- Move forward with consolidation within the President Group, thereby enhancing our securities business and financial services.
- Build and maintain alliances with financial institutions and corporations outside of the finance industry, relationships that allow for mutual cooperation and mutual benefit.

5. Market Conditions

5-1 Breakdown of Market Share According to Business Area

Business Area	Component	Market Share	Rank
Brokerage	Equity Brokerage Trading Volume	3.44%	8
	Individual Branch	0.098%	1
Financial Products	Warrants Issued (Value)	4.74%	9
	Structure Commodity Business Volume	1.60%	6
	Property Exchange Option Business Volume	0.07%	13
Fixed Income Dealing	Repo Transactions	0.83%	10
	Outright Purchases / Sales	1.63%	17
	Interest Rate Swaps	15.42%	4
Underwriting	Lead Underwriting Deals No./Value	7 / 3.74%	13 / 7
	Co-Lead Underwriting Deals No./Value	62 / 5.09%	4 / 5

5-2 A Look at Future Growth as well as Supply and Demand in the Market

In 2014, America's economy will remain stable expansion and Eurozone also exit recession. This indicates the economy recovery in advanced countries. With FED continusly decreased purchase debt, leading international capital withdrawn from emerging markets to advanced countries like Europe and the US. Under such circumstance, the stock and foreign exchange market in emerging markets might face disturbance. As China underwent economic structure adjustment, its economic growth would affected by money shortage, the shadow Bank default rate, and the local government debt problems. In domestic economy, export and private consumptions would increase with help from the stable recovery in advanced countries, and improvement of consumers' confidence, which lead to economic growth.

In securities business, the trading volume has increased due to FSC's multiple policies, which helped a lot for brokerage business. In addition, FSC would continue open new business. Following last year's opening of securities dealers to establish venture capital company, this year they could apply for the establishment of branches for international securities business. The authorities assist securities firms to explore overseas markets through various ways like

tax concessions. However, in the short term, human resources, introduction of products, and customers exploring were still problems; its effectiveness remains to be observed.

In the brokerage business, the authorities have already open securities-related business, such as: day-trade, RMB-denominated commodity, re-consigned trade of A share, international securities business, etc, to stimulating the market, expanding overall brokerage business scale. Our company also hopes to provide more completed product service to customers in the future.

Following the market trend in brokerage business, our company would also increase operating sites, hoping to accelerate growth pace of brokerage-related business and promote economies of scale and generating revenue.

As of this year our electronic trade has grown over 37%. We intend to enhance our online trading platform by adding and integrating new functionalities thereby giving the company an upper hand in the online trading. At the same time, we will keep expanding our electronic trade business and integrate the function of our trade platform, keeping our advantageous position in the field of electronic trade.

Looking at our underwriting business, given the intense competition that exists within the domestic securities industry for corporate underwriting deals, the reality is that not all deals end up being profitable endeavors. Accordingly, it is very important to carefully select convertible bond deals for high-quality companies with solid creditworthiness and sufficient assets. Having said that, the number of high-quality companies not yet publically listed are indeed fewer and harder to find. From increasing competition within certain industries is forcing a greater appetite for restructurings, which, in turn, driving the need for, and thus opportunities for, private placements, mergers, acquisitions, capital increases and reductions, and general financial consulting services.

Over the last few years, the Taiwan government has begun allowing access to more international business areas. This is allowing domestic underwriters to not only become more internationalized but more diversified. To this end, the Taiwan government hopes will encourage foreign companies to consider a primary, secondary listings, or TDR listing in Taiwan. Also the authorities open the application of offshore securities unit (OSU). It is the future trend of securities firms to go internationally..

Going forward, then, the company intends to offer investment banking services across the greater Hong Kong-PRC-Taiwan market, while continuing to search out quality foreign companies with an interest in listing their shares and/or raising capital in Taiwan.

Looking at our proprietary trading, with global capital flows moving so rapidly, a global investment strategy is the key to the future of our proprietary trading operations. As regulators begin allowing domestic securities firms to participate more in global financial markets, domestic securities firms will be able to better diversify their investments. Thus, going forward, those securities firms that can best understand global industries and can best grasp global economic trends will be the ones that will turn in the most profits.

With respect to our financial products business, in response to the authorities, we would provide multiple customized financial products based on customers' needs, to enhance hedge trading skill and risk control model, lower risk, and pursuit stable profit. Since the authorities has gradually open the international securities business, our company has also sent applications to explore foreign derivatives and increase multiple profit.

For our wealth management business, the development of wealth management would benefit from the authorities' policies and securities firms positive attitudes. Allowing sales to do wealth management business could expand the business line, lower cost, and escalate sales' quality.

Following the OSU business, we would increase customers of financial management and recruit good salesperson. All factors are in favor of financial management market growth.

5-3 Market supply forecast, growth opportunity, and business competitiveness

■ **Our Competitive Strengths**

a. Our corporate image is solid.
b. We respect professional management and leadership.
c. Our organization is flat and human resource costs are well-controlled.
d. Our brokerage business market share grows up steadily.
e. Our position management performance is outstanding in winning percentage.
f. Our operating costs and risk management are both well-controlled.

■ **Positive Factors**

a. The global economy is in recovery; consumption and investment are picking up, which will drive domestic economic growth.
b. Capital is readily available and the cost of capital is quite low.
c. Open day trading to boost volume of market, and increase company profit.
d. With competent authorities gradually widening the business scope of securities firms, the breadth of the company's operations will also be increased as well.
e. Proprietary trading and brokerage business are both industry leaders. Market share for individual retail branches is quite high. Solid management practices are having a positive effect on the entire organization.
f. Free from the shackles of a financial holding company and from restructuring and consolidation activities that would result from such M&A activities, employees can focus more on tasks at hand and the organization can enjoy smooth and unfettered development.
g. Growth in online trading shows no signs of slowing down. The company’s fast and reliable online trading technology is well-positioned to attract a new, young client base.
h. The level of computerization and automation of information and processes is one of the highest in the industry. Such organization translates into increased efficiency for the organization, overall.
i. Through President Group, the firm and our employees have access to superb sales channels and myriad resources.
j. The government is continuing to open up new areas of business to domestic securities firms and allowing new forms of investments.
k. With structured note products now available, products can be custom designed for either retail clients or institutional clients, thereby retaining clients who would have otherwise been drawn to banks and financial holding companies.
l. The government is planning to bring tax policies on financial products in line with international standards and this will encourage financial product innovation and spur new business.
m. The company encourages a corporate culture that emphasizes innovation and rising to challenges.
n. As financial markets continue to mature and become increasingly democratized, overall efficiency in these markets will also rise.

■ **Obstacles**

a. Financial holding companies have the advantage of capital employment and crisscross integration
b. It is hard to mark up brokerage handling charge due to fierce competition.

c. Exit of QE policy
d. Due to a rising rate of foreign investment, local securities firms are hard to explore foreign customers

■ **Strategies for Dealing with the Obstacles Identified**

Business Area	Strategy
Brokerage	1. Encourage various departments and subsidiaries to work together to develop new business. 2. Increase existing institutional clients' trading volume and frequency of position turnover. 3. Modify client structure so as to reduce the concentration of risks. 4. Expand our spread trading business, increase mid-level customer trading volumes and position turnovers rates. 5. Enhance internal auditing procedures, reduce client complaints 6. Customer- made online brokerage system for institutional investors. 7. Increase revenues from borrowed securities service to investors. 8. Cultivate all employees' abilities to cross-sell a range of financial products, particularly personal financial planning products and wealth management services. 9. Push forward with online brokerage business; implement comprehensive platform that integrates both information and trading systems. Bolster online trading system stability and order entry quality. 10. Improve our employee training, assistance in preparation for related licenses, performance management, and information system knowledge, to upgrade our employee's professionalism and productivity. 11. Continue to bring in new blood, groom strong management trainees and financial planning professionals who are familiar with a wide range of products. Train back-office staff to take on sales roles thereby streamlining HR costs. 12. Strengthen expense and cost controls in base areas, adjust and optimize logistics staffing.
Proprietary Trading	1. Recognize and adjust to different market conditions, switching between "Range Trading" and "Trend Trading" strategies, thereby maintaining an optimal market position. 2. Strictly implement risk control regulations to effectively reduce the impact of systemic risk. 3. Improve our research and trading of Emerging Market Exchange equities, foreign-listed equities, and futures markets, to create more diverse sources of revenue. 4. Add quantitative analysis and technical indicator model analysis to our operating systems.
Fixed Income Dealing	1. Expand internal databases and develop additional system tools to aid in increasing profitability. 2. Expand the flexibility of our traders and the range of products they trade 3. Enhance judgment ability of global trend to deepen trading ability 4. Strengthen foreign bond research and trading personnel lineup to meet the growing needs of expanding businesses.
Financial Products	1. In terms of future opening to day trade of stocks and warrants, aim to increase tools of futures and options, enhance transaction system effectiveness, lower transaction cost, and maximize profit 2. Be more responsive to consumer demand and develop new products to meet these demands.

Business Area	Strategy
	3. Strengthen market research and investment analysis of foreign market objectives and commodities to explore international securities business
Future Proprietary Trading	1. Diversify our trading strategies to better react to market changes. 2. Continue to improve the skills of our traders. 3. Increased the sharing of resources across multiple departments, thereby creating better synergies. 4. Expand our range of foreign products traded and increase profitability in foreign products.
Underwriting (Capital Markets)	1. Prior to taking initial steps on a given underwriting deal, consultations should be conducted with colleagues throughout the company's various departments and divisions so as to accurately access to the realistic profit opportunities and risks of the deal. Once a deal is ongoing, regular reassessments and revisions should be made in order to ensure the quality of the overall project. 2. When acting as exclusive sales agent for an issue, a risk assessment report must be generated to determine if risks fall within the firm's accepted parameters. Afterwards, daily risk values should be generated and market simulations should be conducted to as so have a clear and timely picture of risk exposure and thus determine when to initiate stop losses or when to take profits. The net effect of all of these efforts will be to lower overall risk while pursuing the largest possible profit. . 3. Leverage clients from across our Brokerage Division, Financial Products Division, Shareholder Services Coordination Division, President Investment Consulting Corp., and our President Investment Trust Corp. and provide these clients with financial planning products customized for either retail or institutional business, thereby implementing an effective cross-selling network. 4. Leverage contacts from our International Business Department to search out foreign companies interested in a primary listing or TDR issue in Taiwan (such as Hong Kong H-shares issuing TDRs).
Shareholder Services Coordination	1. Improve quality of service a) Respond quickly to legal changes which affect procedures and materials. Improve efficiency of training cycles. Develop employee knowledge on various regulations and procedures. Enhance mutual support and flexibility among employees. Increase efficiency of human resource utilization. b) Enhance inter-department cooperation and verifications, thereby ensuring accuracy and security of processes. 2. Enhance efficiency of operations Follow the internal objective of "Customer satisfaction, unceasing improvement and innovation; strive to become a shareholder services coordinator that can provide investment planning functions". Implementation of this philosophy will mean making this division an important conduit for developing new cross-selling opportunities from throughout the firm's various divisions.
Wealth Management & Trust	1. Help business personnel to obtain the relevant wealth management licenses and raise their professional competence. 2. Aside from providing multiple products, we focus more on the depth of product service 3. Strengthen securties firms' niche on lending securities to differ from banking trust business 4. Following the open policy of international securities business branches, provide customers with segmentation and differentiated products

Business Area	Strategy
	services

6. Employee Data

Analysis of Average Tenure, Age, and Education, for Sales Force in 2012, 2013, and the first quarter of 2014

Year		2012	2013	2014 Q1
Number of Employees	Management	102	103	100
	Regular Staff	1,399	1,396	1,391
	Total	1,500	1,499	1,491
Average Age		41.69	42.54	42.78
Average Tenure		10.74	11.32	11.53
Education (%)	Doctorate Degree	0.07	0.07	0.07
	Master's Degree	11.13	11.87	11.53
	Bachelor Degree / Junior College Graduate	72.4	72.05	72.30
	Senior High School	16.40	16.01	16.10
	High School or Less	--	--	--

Note: Management figures include position of "Manager" or senior.

7. Environmental Protection and Corporate Citizenship

7-1 Environmental Protection

Based on governmental order #0950007006, each company is required to disclose in its annual report its compliance with the European Union's Restriction of hazardous Substances Directive (RoHS). The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply.

7-2 Corporate Citizenship

President Securities Group has been a long-standing supporter of important social charitable activities and, for its efforts, has been recognized with the 7th annual Wenxin Award and the National Civic Service Award, and Top 9 among Top 50 by the Commonwealth magazine. Indeed, over the last several years, President Securities Corp. has planned and run a number of activities with groups such as the Taiwan Fund for Children and Families, the Taiwan Foundation for Rare Disorders, and the United Way of Taiwan. We assist these organizations by mobilizing all of our group's extensive resources, employees, and customers. We contribute real money and resources to causes that we believe in and, in doing so, meet our responsibilities as a good corporate citizen.

Every year since 2001, the company has called together all staff members from across all of our different divisions, along with many of our clients, to participate in the “Send Them Our Love” charity event, which raises money for donation to charity groups .we began working with the Taiwan Fund for Children and Families to provide scholarships for underprivileged primary school students.

In August 2006, the company held what would be its first annual employee blood donation drive. From the following year, in 2007, this successful annual blood donation drive was scaled up to twice a year. In 2010, the blood donation drive was increased to three times a year and was further expanded to bring in members of the local community to participate.

President Securities Group will continue to hold the spirit of “giving to society what you get from society”, and will continue to support underprivileged groups and strive to support charitable activities.

7-3 Work Environment Safety and Precautions

The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply. Each branch office is required to select an individual to undergo training to be certified as a fire safety manager, and must establish a fire safety plan for the work premises in accordance with the law, and thereby ensure the overall safety of the work premises. General accident insurance has been purchased for each of the company’s branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees.

8 Labor Relations

8-1 Employee Benefits

The company has always maintained a harmonious relationship with its employees. We have spared no expense in providing attractive employee benefits, in providing opportunities for personal growth, in providing a pleasant work environment, and in providing clear and accessible communication channels to all levels of management.

In addition, we go beyond simply offering benefits prescribed by domestic labor laws, such as annual leave time and number of working hours. Employees also enjoy additional benefits such as group life insurance, worker’s compensation coverage, and employee accident insurance. As well, we offer employees funds for weddings and in time of bereavement, and organizes and subsidized employee outings aimed at strengthening relationships between the firm and our employees, and among employees themselves.

The company is committed to creating a reasonable, friendly, and efficient work environment for its employees, an environment that includes strong lines of communication for employees to express opinions and suggestions about the firm. With this in mind, the firm has established an “Employee Suggestion Center” and also organizes regular employee workshops to actively solicit, discuss, and then respond to employee concerns and suggestions.

In January of 2004, the company expanded its employee benefits to include an “Employee Savings Program”, allowing those employees who participate to have a set portion of their monthly pay automatically deducted and placed in a special trust account, where matching funds will be provided by the company. The aim of this program is to promote long-term commitments from employees as well as encourage healthy savings habits and encourage responsible retirement planning.

Essentially, all such benefits and programs are designed to foster a harmonious relationship between employees and the company. Going forward, we are optimistic to continue to improve

upon these relationships, always with the ultimate aim of allowing both the company and our employees to enjoy mutual benefit and growth.

8-2 Employee Disputes and Protection of Employee Rights

In accordance with the Labor Standards Act, the company has instituted its own set of work rules and has submitted a copy of these work rules to the Taipei City Government Department of Labor for approval. In addition to notifying all employees via internet of the content of these work rules, we also have posted a copy of these work rules on the company's internal corporate web site where employees may view a copy of these rules at any time.

To date, the company has made every effort to maintain a harmonious and fulfilling work environment for all of its employees and, as such, has not suffered any loss or damage resulting from any employee disputes, in the firm's entire history. And, the company has every reason to believe that this harmonious dynamic will continue.

8-3 Loss or Damages Suffered as a result of Employee Disputes for recent 3 years: None.

8-4 Value of Present and Future Events with the Potential to Result in Financial Loss, and Corresponding Strategies for Dealing with These Events: None

8-5 Internal Legal Compliance and Material Information Management

a) On June 29, 2010, our Board of directors has passed and promulgated "internal material information handling procedures", assigning the Compliance Office to be in charge of internal major information in order to do coordination and prevent internal trading. In accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Listed Companies" and with the "Taiwan Stock Exchange Corporation Procedures for Press Conferences Concerning Material Information of Listed Companies", we have posted all such information on the company's internal corporate website where employees and managers may view it.
b) Within the Office of the CEO, we have established a Legal Compliance Department, which is tasked with ensuring that all of the company's processes and administrative procedures are in compliance with the most recent laws and regulations, that all activities are conducted in accordance with relevant laws and regulations. This department is also tasked with conducting regular legal compliance evaluations of each department and each branch office and then conducting legal compliance training specific to their needs.
c) We have created a legal compliance section on our internal corporate website where we routinely post information on any recent amendments made to relevant laws and regulations. We have also set up a hotline where employees can call to learn more about insider trading, its key principles, definitions, and the potential civil and criminal exposures involved. All of these measures, taken together, provide our employees with comprehensive legal guidance.
d) To comply with government personal information protection law, our company established personal information protection system in 2013. We also gained "BS 10012"certification of England Standard Association in November 22, 2013.

VI. Financial Information

1. Balance Sheet

Adoption of financial accounting standards (consolidated)

Unit: NT$ thousands

Item		2009	2010	2011	2012	2013	2014Q1
Current Assets						54,044,709	63,669,639
Property, plant and equipment						2,583,250	2,591,770
Intangible Assets						25,648	65,979
Other Assets						2,129,369	2,179,032
Total Assets						58,782,976	68,506,420
Current Liabilities	before distri.					36,354,161	45,589,618
	after distri.					-	-
Non-current liabilities						22,612	32,937
Total Liabilities	before distri.					36,376,773	45,622,555
	after distri.					-	-
Attributable to parent's ownership interest						22,365,280	22,842,122
Common Stock						13,231,191	13,231,191
Capital Surplus						256,116	256,116
Retained Earnings	before distri.					8,877,942	9,341,234
	after distri.					-	-
Other interests						31	13,581
Treasury Stocks						-	-
Non-controlling interests						40,923	41,743
Total Equity	before distri.					22,406,203	22,883,865
	after distri.					-	-

2. Balance Sheet

■ Adoption of financial accounting standards (consolidated)

Unit: NT$ thousands

Item		2009	2010	2011	2012
Current Assets		41,378,988	48,667,628	41,231,652	42,679,412
Funds and Investments		654,218	529,625	545,467	551,409
Fixed Assets		2,474,530	2,607,443	2,675,521	2,657,269
Intangible Assets		349	663	902	1,166
Other Assets		2,068,868	1,917,078	1,729,615	1,561,969
Total Assets		46,688,371	54,010,570	46,364,836	47,749,837
Current Liabilities	before distri.	23,862,740	33,091,572	25,591,544	25,937,950
	after distri.	24,810,399	33,661,151	25,591,544	26,625,972
Long-term Liabilities		2,865,024	-	-	-
Other Liabilities		454,093	433,101	4,533	4,845
Total Liabilities	before distri.	27,181,857	33,524,673	25,596,077	25,942,795
	after distri.	28,129,516	34,094,252	25,596,077	26,630,817
Common Stock		11,857,062	12,319,334	12,845,816	13,231,191
Capital Surplus		317,109	399,809	409,826	255,676
Retained Earnings	before distri.	7,670,170	8,063,587	7,684,986	8,567,531
	after distri.	6,260,239	6,766,886	7,453,761	7,879,509
Unrealized Gain/Loss on Financial Instruments		18,281	256,992	11,794	1,134
Cumulative Translation Adjustments		-87,565	-285,973	-211,249	-288,029
Net loss on Cost		-	-	-	-
Total Equity	before distri.	19,506,514	20,485,897	20,768,759	21,807,042
	after distri.	18,558,855	19,916,318	20,768,759	21,119,020

■ Adoption of international financial reporting standards (individual)

Unit: NT$ thousands

Item		2009	2010	2011	2012	2013	2014Q1
Current Assets						44,043,845	53,605,145
Property, plant and equipment						2,409,970	2,419,855
Intangible Assets						13,644	19,921
Other Assets						5,456,000	5,552,420
Total Assets						51,923,459	61,597,341
Current Liabilities	before distri.					29,525,131	38,711,743
	after distri.					-	-
Non-current liabilities						33,048	43,476
Total Liabilities	before distri.					29,558,179	38,755,219
	after distri.					-	-
Common Stock						13,231,191	13,231,191
Capital Surplus						256,116	256,116
Retained Earnings	before distri.					8,877,942	9,341,234
	after distri.					-	-
Other interests						31	13,581
Treasury Stocks						-	-
Non-controlling interests						-	-
Total Equity	before distri.					22,365,280	22,842,122
	after distri.					-	-

■ Adoption of financial accounting standards (individual)

Unit: NT$ thousands

Item		2009	2010	2011	2012
Current Assets		33,703,331	40,453,654	32,231,838	33,145,665
Funds and Investments		3,730,479	3,693,808	3,770,141	3,631,900
Fixed Assets		2,291,386	2,418,697	2,489,825	2,476,474
Intangible Assets		-	-	-	-
Other Assets		1,869,513	1,699,346	1,486,815	1,342,837
Total Assets		41,594,709	48,265,505	40,063,280	40,596,876
Current Liabilities	before distri.	18,896,419	27,479,848	19,292,981	18,758,995
	after distri.	19,844,078	28,049,427	19,292,981	19,447,017
Long-term Liabilities		2,865,024	-	-	-
Other Liabilities		342,278	323,441	29,126	21,476
Total Liabilities	before distri.	22,111,374	27,803,478	19,322,107	18,829,373
	after distri.	23,059,033	28,373,057	19,322,107	19,517,395
Common Stock		11,857,062	12,319,334	12,845,816	13,231,191
Capital Surplus		317,109	399,809	409,826	255,676
Retained Earnings	before distri.	7,670,170	8,063,587	7,684,986	8,567,531
	after distri.	6,260,239	6,766,886	7,453,761	7,879,509
Unrealized Gain/Loss on Financial Instruments		18,281	256,992	11,794	1,134

Cumulative Translation Adjustments		-87,565	-285,973	-211,249	-288,029
Net loss on Cost		-	-	-	-
Total Equity	before distri.	19,483,335	20,462,027	20,741,173	21,767,503
	after distri.	18,535,676	19,892,448	20,741,173	21,079,481

3. Condensed Income Statements

■ Adoption of international financial accounting standards (consolidated)

Unit: NT$ thousands

Item	2009	2010	2011	2012	2013	2014Q1
Operating Revenue					4,613,318	1,503,083
Gross Profit					4,026,842	1,355,521
Operating Income					1,213,703	533,635
Non-operating Income					275,784	-4,001
Pure profit before tax					1,489,487	529,634
Pure profit of continued operating units					1,365,453	464,136
Loss of Suspension units					-	-
Pure profit (loss)					1,365,453	464,136
Other total profit and loss (after tax)					67,690	13,526
Total profit and loss					1,433,143	477,662
Pure frofit attributable to parent company owners ' interests					1,361,715	463,292
Pure frofit belong to Non-controlling interests					3,738	844
Total profit and loss attributable to parent company owners ' interests					1,429,496	476,842
Total profit and loss belong to Non-controlling interests					3,647	820
Earnings Per Share					1.03	0.35

■ Adoption of financial accounting standards (consolidated)

Unit: NT$ thousands

Item	2009	2010	2011	2012
Operating Revenue	6,072,763	6,134,209	5,026,620	4,218,013
Gross Profit	5,461,260	5,322,536	3,635,418	3,580,145
Operating Income	1,992,975	1,836,383	447,352	785,133
Non-operating Income	457,873	275,440	446,876	556,495
Non-operating Expenses	182,651	223,596	183,781	101,799
Income(Loss) from Continuing Operations - before Income Taxes	2,268,197	1,888,227	710,447	1,239,829
Income(Loss) from Continuing Operations - after Income Taxes	2,026,971	1,805,364	570,200	1,116,860

Cumulative Effect of Changes in Accounting Principles	-	-	-	-
Net Income(Loss)	2,026,971	1,805,364	570,200	1,116,860
Earnings Per Share	1.55	1.38	0.43	0.84

■ Adoption of international financial reporting standards (individual)

Unit: NT$ thousands

Item	2009	2010	2011	2012	2013	2014Q1
Operating Revenue					3,879,401	1,287,566
Gross Profit					3,544,028	1,196,572
Operating Income					1,140,334	489,080
Non-operating profit and expense					327,338	34,955
Pure profit before tax					1,467,672	524,035
Pure profit of continued operating units					1,361,715	463,292
Loss of Suspension units					-	-
Pure profit (loss)					1,361,715	463,292
Other total profit and loss (after tax)					67,781	13,550
Non-operating profit and expense					1,429,496	476,842
Earnings Per Share					1.03	0.35

■ Adoption of financial reporting standards (individual)

Unit: NT$ thousands

Item	2009	2010	2011	2012
Operating Revenue	5,253,354	5,173,586	4,415,118	3,667,819
Gross Profit	4,907,951	4,594,514	3,370,794	3,258,045
Operating Income	1,856,462	1,513,063	610,507	894,851
Non-operating Income	523,184	523,230	246,812	402,403
Non-operating Expenses	147,739	173,016	166,343	77,230
Income(Loss) from Continuing Operations - before Income Taxes	2,231,907	1,863,277	690,976	1,220,024
Income(Loss) from Continuing Operations - after Income Taxes	2,025,194	1,803,348	566,895	1,113,770
Cumulative Effect of Changes in Accounting Principles	-	-	-	-
Net Income(Loss)	2,025,194	1,803,348	566,895	1,113,770
Earnings Per Share	1.55	1.38	0.43	0.84

4. Financial Analysis for the Past 5 Years

■ Adoption of international financial accounting standards (consolidated)

Unit: NT$ thousands

Item		2009	2010	2011	2012	2013	2014Q1
Capital Structure Analysis（%）	Debt Ratio					61.88	66.60
	Ratio of long term asset versus property and equipment					868.24	884.21
Liquidity Analysis (%)	Current Ratio					148.66	139.66
	Quick Ratio					148.51	139.60
Profitability Analysis	Return on Assets (%)					2.63	0.78
	Return on Equity (%)					6.20	2.05
	Ratio of profit before tax versus actual capital					11.26	4.00
	Net income ratio (%)					29.60	30.88
	Earnings Per Share (NT$)					1.03	0.35
Cash Flow	Cash Flow Ratio (%)					-	-
	Cash Flow Adequacy Ratio (%)					513.83	505.62
	Cash Flow Reinvestment Ratio (%)					-	
Other Ratio (%)	Debt to Equity Ratio					162.35	199.37
	Ratio of property and equipment verus total asset					5.34	4.58
	Total Underwriting to Quick Assets Ratio					1.53	0.26
	Total Margin Loan Balance to Equity Ratio					51.40	54.80
	Total Short Sales Amount to Equity Ratio					7.14	4.55

■ international financial accounting standards (consolidated)

Unit: NT$ thousands

Item		2009	2010	2011	2012
Capital Structure Analysis（%）	Debt Ratio	58.22	62.07	55.21	54.33
	Long-term Fund to Fixed Assets Ratio	904.07	785.67	776.25	820.66
Liquidity Analysis (%)	Current Ratio	173.40	147.07	161.11	164.54
	Quick Ratio	173.29	146.97	161.02	164.43
Profitability Analysis	Return on Assets (%)	5.15	3.84	1.41	2.64
	Return on Equity (%)	11.02	9.03	2.76	5.25
	Operating Income to Paid-in Capital Ratio (%)	16.81	14.91	3.48	5.93
	Pre-tax Income to Paid-in Capital Ratio (%)	19.13	15.33	5.53	9.37
	Net income ratio (%)	33.38	29.43	11.34	26.48
	Earnings Per Share (NT$)	1.55	1.38	0.43	0.84
Cash Flow	Cash Flow Ratio (%)	-	-	51.87	-
	Cash Flow Adequacy Ratio (%)	324.05	412.46	688.18	907.63

	Cash Flow Reinvestment Ratio (%)	-	-	60.37	-
Other Ratio (%)	Debt to Equity Ratio	139.35	163.65	123.24	118.97
	Fixed Assets to Total Assets Ratio	6.84	6.16	6.75	6.64
	Total Underwriting to Quick Assets Ratio	0.92	1.33	1.50	1.43
	Total Margin Loan Balance to Equity Ratio	82.10	94.52	51.44	44.81
	Total Short Sales Amount to Equity Ratio	12.02	9.64	8.38	7.37

■ Adoption of international financial reporting standards (individual)

Unit: NT$ thousands

Item		2009	2010	2011	2012	2013	2014Q1
Capital Structure Analysis (%)	Debt Ratio					56.93	62.92
	Ratio of long term asset versus property and equipment					928.03	945.74
Liquidity Analysis (%)	Current Ratio					149.17	138.47
	Quick Ratio					149.09	138.42
Profitability Analysis	Return on Assets (%)					2.99	0.87
	Return on Equity (%)					6.19	2.05
	Ratio of profit before tax versus actual capital					11.09	3.96
	Net income ratio (%)					35.10	35.98
	Earnings Per Share (NT$)					1.03	0.35
Cash Flow	Cash Flow Ratio (%)					-	-
	Cash Flow Adequacy Ratio (%)					482.87	487.61
	Cash Flow Reinvestment Ratio (%)					-	-
Other Ratio (%)	Debt to Equity Ratio					132.16	169.67
	Fixed Assets to Total Assets Ratio					5.53	4.66
	Total Underwriting to Quick Assets Ratio					1.87	0.31
	Total Margin Loan Balance to Equity Ratio					51.49	54.90
	Total Short Sales Amount to Equity Ratio					7.15	4.56

■ Adoption of financial reporting standards (individual)

Unit: NT$ thousands

Item / Year		2009	2010	2011	2012
Capital Structure Analysis (%)	Debt Ratio	53.16	57.61	48.23	46.38
	Long-term Fund to Fixed Assets Ratio	975.32	845.99	833.04	878.97
Liquidity Analysis (%)	Current Ratio	178.36	147.21	167.07	176.69
	Quick Ratio	178.24	147.11	166.96	176.56

Profitability Analysis	Return on Assets (%)	5.75	4.15	1.51	3.03
	Return on Equity (%)	11.03	9.03	2.75	5.24
	Operating Income to Paid-in Capital Ratio (%)	15.66	12.28	4.75	6.76
	Pre-tax Income to Paid-in Capital Ratio (%)	18.82	15.12	5.38	9.22
	Net income ratio (%)	38.55	34.86	12.84	30.37
	Earnings Per Share (NT$)	1.55	1.38	0.43	0.84
Cash Flow	Cash Flow Ratio (%)	-	-	67.98	0.46
	Cash Flow Adequacy Ratio (%)	284.19	340.73	574.00	939.77
	Cash Flow Reinvestment Ratio (%)	-	-4.42	59.57	0.39
Other Ratio (%)	Debt to Equity Ratio	113.49	135.88	93.16	86.50
	Fixed Assets to Total Assets Ratio	7.05	6.33	7.15	7.15
	Total Underwriting to Quick Assets Ratio	1.13	1.60	1.92	1.84
	Total Margin Loan Balance to Equity Ratio	82.19	94.63	51.52	44.91
	Total Short Sales Amount to Equity Ratio	12.03	9.65	8.39	7.38

VII. Financial Status ,Operation Performance & Risk Management

1. Financial Status

Unit: NT$ thousands

Item \ Year	2013	2012	Fluctuation	
			Amount	(%)
Current Assets	54,044,709	48,049,990	5,994,719	12.48%
Non -Current Assets	4,738,267	4,798,267	-60,000	-1.25%
Total Assets	58,782,976	52,848,257	5,934,719	11.23%
Current Liabilities	36,354,161	31,168,823	5,185,338	16.64%
Non-current Liabilities	22,612	16,183	6,429	39.73%
Total Liabilities	36,376,773	31,185,006	5,191,767	16.65%
Capital Stock	13,231,191	13,231,191	0	0%
Capital Surplus	256,116	256,116	0	0%
Retained Earnings	8,877,942	8,210,050	667,892	8.14%
Other interests	31	(73,551)	73,582	100.04%
Attributable to parent's ownership interest	22,365,280	21,623,806	741,474	3.43%
Non-controlling interests	40,923	39,445	1,478	3.75%
Total Equity	22,406,203	21,663,251	742,952	3.43%

2. Analysis of Operating Results

Unit: NT$ thousands

Item \ Year	2013	2012	Amount	(%)
Operating Revenue	4,613,318	4,085,093	528,225	12.93%
Operating Expenses	3,399,615	3,310,870	88,745	2.68%
Operating Income	1,213,703	774,223	439,480	56.76%
Non-operating Income	275,784	531,555	-255,771	-48.12%
Pure profit before tax	1,489,487	1,305,778	183,709	14.07%
Income tax expense	124,034	132,592	-8,558	-6.45%
Profit and loss	1,365,453	1,173,186	192,267	16.39%
Other total profit and loss (after tax)	67,690	-38,685	106,375	N/A
Total profit and loss	1,433,143	1,134,501	298,642	26.32%
Pure profit attributable to parent's ownership	1,361,715	1,170,034	191,681	16.38%
Non-controlling interests	3,738	3,152	586	18.59%
Total profit and loss attributable to parent's ownership	1,429,496	1,131,229	298,267	26.37%
Non-controlling interests	3,647	3,272	375	11.46%

3. Long-term Investment Policy and Results

In 2013, the company's domestic reinvestment operations generated healthy profits while its foreign reinvestment business was affected by factors. Benefited from economic recovery in 2013, our proprietary trading began to make profit. Each subsidiary's operations will still be

subject to strict risk control with timely stop-loss and stop-gain orders, so as to reduce risk and maintain steady development.

As for our present direct investment policy, we consider all areas of business currently permitted by Taiwan's regulators and look for effective cross-selling strategies and other possible synergies, with the overall aim of best leveraging all of the company's resources. Looking to the coming year, we expect regulators to again open up many new areas of business and we intend to be ready to move on each of these.

We are building international alliances with other industry players so as to expand into new business areas, to develop and promote new financial products. In particular, we are looking to Hong Kong and the PRC as key areas of expansion to bolster our presence in international financial services and our cross-strait business.

4. Analysis of Risk Management

4-1 Our Risk Management Policies

- In order to ensure that we have a solid and effective risk management system in place, our system has been developed so as to encompass all of our business areas. Then, with appropriate risk tolerance levels in place, we can effectively raise profits, create value for the company, and achieve our return on asset targets.
- By constructing risk controls for each individual business area, we are able to achieve a measured approach to risk management. Accordingly, each department is assigned risk parameters based on its respective responsibilities, thereby achieving layered yet comprehensive risk management.
- The company's risk management measures take into account the following forms of risk, market risk, credit risk, liquidity risk, operational risk, legal risk, and model risk.

4-2 Related Risk Management System Architecture

- Board of Directors audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, and is ultimately responsible for risk management.
- Risk Control Committee is a committee established by the Board of Directors tasked with integrating all risk management operations, with supervising and assisting all the various risk management and related operations. The committee is also tasked with setting the various risk authorities, limits, and targets, for a centralized supervision of the status of all of the company's risk management efforts.
- Office of the CEO Supervisors the daily implementation of all of the company's risk management operations and authorizes any exceptions to the risk management protocols.
- Assets/Liabilities Committee controls the company's overall asset structure, sets limits for different businesses, collects and analyzes domestic and international interest rates, exchange rates, and economic changes.
- Risk Control Office has been established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations:
- Trading Business Risk Management Team is responsible for trading department risk management, for amendments to the business operational risk regulations, for the construction of a back-office risk control system, for ensuring compliance with trading regulations, and for creating trading business risk reports.
- Operating Risk Management Team is responsible for the drafting of risk policies and regulations, for monitoring market and credit risks, for monitoring liquidity risks, for compiling data on operational risk control and management, for constructing and

maintaining the risk management system, for implementation of risk management systems, and for ensuring company-wide regulatory compliance.

- Auditing Office sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, and implements daily check routines.
- Legal Compliance and Legal Matters Department implements legal risk controls and ensures that all businesses and risk management operations are in compliance with relevant laws and regulations.
- Finance Department monitors capital adequacy rates and liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios.
- Sales Department based on the company's risk management policies and regulations sets risk management guidelines for various businesses, and produces a report on abnormal risk items for the General Manager Office.

4-3 Risk Evaluation Standards

The company has set risk management principles. In order to ensure that all of our organizations businesses adhere to our operating policies, operating goals, and capital levels, we must set suitability evaluation policies that can react to changes in our business and in the market:

- Market Risk Evaluation

  i) We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis to supplement missing risk values.
  ii) We evaluate the completeness of the evaluation models on different business areas, and evaluate the assumptions, parameters, and data for various product models, and then test if the models for the various products are reasonable.
  iii) We valuate the effectiveness of risk control models, and regularly perform Back Testing to ensure the reasonableness of the models used.

- Credit Risk Evaluation

  i) Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp.
  ii) Trading counter-partner credit risk: assess our company's maximum exposure in the event that the counterparty defaults, and use maximum exposure limits set by the board of directors in determining the credit risk of a trading counterparty
  iii) Issuer's Credit Risk: we use KVM models to perform an internal evaluation, and combine that with financial data and stock price data, to calculate a probability of default. Based on these measurements, we then develop an internal evaluation, Z-Score model, to control the external credit risk gaps from issuers and augment.

- Operational Risk Evaluation

  i) Operational risk is risk that is created when internal processes, employees, or systems are inappropriate or cause errors; or risk that is caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.
  ii) We create operations risk policies handbooks that encompass every level of operations.
  iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled.

4-4 Risk Factors and Corresponding Responses

- **Management Crisis Risk**: Management Crisis Risk refers to significant market changes, a lack of access to capital, or significant losses from direct investments, that affect a company's operations and cause losses.

  Response: We have implemented a "Management Crisis Response Policy" that clearly lays out what steps should be followed in the event of a serious crisis so as to ensure normal operation of the company.

- **Market Risk**: Market risk refers to dramatic changes in pricing or volatility in interest rates, equities, or foreign exchange rate, that can result in serious losses to open positions.

  Response: We will attempt to lessen the impact of such market risks through prudent business analysis, product analysis, and process analysis, so as to clearly identify sources of market risk. Based on this, we then set effective management controls, we monitor investment position risk levels, risk structure, and risk changes, to ensure that they are all in line with our forecasts.

- **Credit Risk**: Credit risk refers to the exposure for underwriters for the terms and conditions of the securities that underwrite and for losses that may result from a counterparty being unable to fulfill its obligations to the security.

  Response: In an effort to shield ourselves from potential credit risk, we conduct extensive credit risk evaluations prior to a deal being executed and then conduct repeated evaluations after the deal has been executed. Based on these evaluations and a worst-case scenario for the counterparty in question, we set credit risk limits for that counterparty. In evaluating the risk to the underwriter for debt-related securities, we look not only at the TCRI rating, but also at default rates based on KMV models.

- **Operational Risk**: Operational risk refers to the risk created when internal processes, employees, or systems are inappropriate or cause errors, or the risks caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.

  Response: In order to reduce the probability of such operation risk occurring, we have created an operating manual that addresses every level of our operations, we perform regular audits of every business segment, as well as every work flow, every legal risk point, and every risk control point. Finally, we compile an audited risk report that helps us to ensure that our operating quality is properly balanced, controlled, and disclosed.

- **Legal/Regulatory Risk**: Legal/Regulatory risk refers risk related to non-compliance with laws and regulations governing our investment strategies and our business operations, and any resulting corrective orders or penalties from relevant authorities, or any civil or criminal actions taken against us. It also refers to risk related to our inability to perform our obligations under agreements that we have entered into with other parties.

  Response: In order to reduce our exposure to legal/regulatory risks, we have created a Legal Compliance and Legal Matters Department.

- **Liquidity Risk**: Liquidity risk refers to position liquidity risks and capital liquidity risks. Sometimes losses can be suffered as a result of illiquid markets that make it difficult to open or close a position at normal market prices requiring that a position be either bought at a premium or sold at a discount. Capital liquidity risks result when positions are increased beyond planned levels, leaving the company with insufficient funds to meet settlement requirements for a position.

  Response: In an effort to better manage liquidity risks, we have created centralized risk

management standards that take into consideration all departments and that set position limits for each department. We also have a team that performs daily forecasts of capital requirements based on the needs of all company guarantees and of departments that are required to service loans, and then monitors daily capital adjustments accordingly. We also produce a monthly "Capital Liquidity Risk Simulation Analysis Table" that analyzes multiple scenarios, forecasts the potential liquidity risks for those scenarios, and estimates the capital levels that each such scenario would require.

- **Model Risk**: Model risk refers to potential situations where market values and other variables are beyond normal and predictable conditions and therefore exceed the ability of the model to handle.

  Response: We effectively maintain and manage our models, with particular emphasis on financial product risk management. We have created a set of "Model Use Management Procedures" that clearly spell out procedures for developing models, for validating models, for managing variables, and for discontinuing the use of problem models.

4-5 An Evaluation of Key Risks

An Evaluation of Key Risks in Recent Years and the Status of those Risks at the Time of Printing of this Annual Report

- Effects of recent interest rates, foreign exchange rate fluctuations, and inflation concerns on our company and our strategies for dealing with these concerns

i. Interest Rates: Changes in interest rates have a direct impact on the income we derive from our fixed income-related businesses. In addition to conducting our own thorough research on domestic and foreign interest rate trends, we utilize various interest rate derivative tools as well a risk control system that manages our interest rate-related risks, that creates an effective interest rate hedging system for our fixed income-related businesses. Changes in interest rates also affect our company's financing costs. Going forward, we intend to utilize interest rate hedging and other capital raising avenues as ways to control our company's financing costs.

(A) Bond and interest derivative product business:

The amount of our company's major interest products in 2014Q1 and the likely loss of NT$109,002 thousand due to the 1% interest rate change

item	Amount (in thousand dollars)	Profit/loss based on 1% Interest rate change (in thousand dollars)
Government bond	**700,000**	**-27,318**
Corporate bond, financial bond	**5,320,544**	**-75,334**
Interest rate exchange	**797,996**	**-6,350**
Sum	**6,818,540**	**-109,002**

Countermeasures: Our Company has risk management rules and operational procedures on government bond, corporate bond, foreign/international bond and interest rate exchange. Our company has put the interest risk under good control by means of buying by evaluation beforehand and risk control afterward.

(B) Borrowing: The main risk of borrowing is the fluctuation of interest rate. Our company can adjust methods, conditions and terms of borrowing according to the

likely interest changing trend. We can also avert risks through the product of interest exchange etc.

Our total debt amount of short-term borrowing, and payable short-term bill totals NT$10.927 billion. They are both borrowing with interest rate risks. With every 1bp change in market interest rate, our company has to pay NT$1,092,700 more interest every year.

Looking into 2014, according to Central Bank, despite the improvement of international economic performance, there is still full of uncertainty. It is beneficial to maintain current credit rate for sustaining the market price and financial stability. Domestically, the rate in financial market hopefully stay stable for the future year, and our company's loan rate will not be dramatically raised.

ii. Exchange rate: The company's principal business targets and place of business are domestic; hence the impact of currency fluctuations is minimal**.** Potential foreign exchange risks include not just that arising from the par of exchange for foreign currency assets, but also that from foreign currency investment with respect to foreign reinvested or reinvested companies (when future earnings are repatriated or disposed). Whenever the company invests in foreign currency assets, FX swaps will always be in place to avoid foreign exchange risk. Since its overseas subsidiaries are running perpetual operations, the impact of exchange rate movements on long-term equity investments is limited to the changes to book value and does not affect profits and losses.

At Mar. 2014, the company's main exchange rate product positions, and 1% exchange rates fluctuation may result in a loss of NT$58.835 million (as show in the following table).

Unit: NT$

item	Position (thousand)	loss resulted by 1% exchange rates fluctuation (thousand)
stocks	**582,181**	**-10,246**
bonds	**5,320,544**	**-48,589**
total	**5,902,725**	**-58,835**

Response: Our company's transactions of US stock, HK stock, international bond, and foreign bond have risk management and standard operating process. The business above was lower the risk of exchange rate by trading foreign exchange swap.

iii. Inflation: The CPI growth rate in 1Q 2014 was 0.79%. Inflation had no meaningful effect on operations or on profits

- Recent High-Risk or High-Leverage Investments, Loans to Third Parties, Pledges Given for Third Parties, Derivative Products Trading Policy and Profitability and Losses, Reasons for Losses and Strategies for Correcting Such Losses Going Forward.

  i) In Q1 2014, we did not engage in any high-risk or highly-leveraged investments, did not provide any loans to third parties, and did not provide any pledge for any third parties.
  ii) We only trade those derivative products which have been approved by the relevant authorities and which are permitted by our company's Articles of Incorporation. We have also created and follow a "Derivatives Trading Procedures" in an effort to further reduce our exposure to related risk.

- Future Development Plans and Expected R&D Investments

  To assist with our development of ever-better products and trading strategies, we have assembled a professional financial engineering team, which brings together experts from

finance, statistics, mathematics, and information technology, to create trading and valuation software and hardware resources. Our annual spending on human resources and R&D in this area is in the millions of dollars every year. Please see Chapter 5 for more information on the status of our operations and on our R&D efforts.

Our company's wealth management trust business has significant growth on number of clients and assets managed. In 2014 we plan to set up Internet platform for authorized fund transaction, payment system, electronic bill, and customer relationship management, with hope to provide customers more convenient and instant transaction platform and explore potential trust customers. The set-up expense is around $4 million. For brokerage business, we plan to invest $ 3 million for developing and improving electronic transaction system.

- Effects of Significant Policy and Legal Changes both in Taiwan and Abroad and Measure for Dealing with These Issues

  We are constantly on watch for significant policy and legal changes both inside Taiwan and abroad and, to that end, routinely enlists the help of professional legal and accounting firms to assist in evaluating these changes, to help create effective responses to these changes, and to ensure compliance with these changes, thereby working to reduce the effects of policy and legal changes on our business. In recent years, we have been quite effective in adjusting to policy and legal changes both within and beyond Taiwan and, thus, our overall solid financial health has seen little impact from such changes.

- Article 36 of Securities and Exchange Act
  Unless under special circumstances as otherwise provided by the Competent Authority, an issuer under this Act shall perform public announcement and registration with the Competent Authority as follows:
  1. within three months after the close of each fiscal year, publicly announce and register with the Competent Authority financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors.
  2. within 45 days after the end of the first, second, and third quarters of each fiscal year publicly announce and register with the Competent Authority financial reports duly reviewed by a certified public accountant and reported to the board of directors.
  3. within the first ten days of each calendar month publicly announce and register with the Competent Authority the operating status for the preceding month.
  Regulations governing the applicable scope of "special circumstances" as referred to in the preceding paragraph, deadlines for public announcement and registration under such special circumstances, and other matters for compliance in connection therewith, shall be prescribed by the Competent Authority.
- Article 11 of Regulations Governing the Preparation of Financial Reports by Securities Firms
  A securities firm shall prepare consolidated financial reports in accordance with Chapter II of these Regulations and IAS 27, and shall prepare annual parent company only financial reports in accordance with Chapter IV of these Regulations. A securities firm preparing interim financial reports shall follow the provisions of Chapters II and III of these Regulations as well as IAS 34. A securities firm, when preparing semi-annual financial reports, shall also prepare semi-annual parent company only financial reports pursuant to Articles 25 to 27, or semi-annual individual financial reports pursuant to Article 27.
  Article 21 of Regulations Governing Securities Firms
  Within 3 months after the close of each fiscal year, a securities firm shall publicly announce and report to the FSC the annual financial reports audited and attested by certified public accounts, approved by the board of directors, and recognized by the supervisors; within 2 months after close of each half fiscal year, it shall publish and report to the FSC the financial reports audited and attested by certified public accountants, approved by the board of directors, and recognized

by the supervisors.

- Effects of Industry Changes and Technological Changes and Measures for Dealing with These Changes

  In response to changes in technology and subsequent increases in online trading in recent years, we moved to meet this market demand and has invested considerable effort and resources into developing and improving our online trading platform and ultimately providing a system that matches the habits of Taiwan's online traders.

- Significant Impairment of Corporate Image and Measures for Dealing with that Damage

  Our company has a core philosophy of "3 Goods and One Fair" ("Good Quality", "Good Trust", "Good Service", and "Fair Price"). This is combined with "Professional Leadership, Kind Service". We have no negative corporate image issues to report.

- Expected Benefits from On-Going M&A Activities, Potential Risks, and Measures for Dealing with Those Risks

  None.

- Expected Benefits from Expansion of Facilities, Potential Risks, and Measures for Dealing with Those Risks

  Following the market trend in brokerage business, our company will seek to merge securities brokerage firm or open new branches. Related risks will be evaluated by professional financial assessment.

- Potential Inventory Risks and Measures for Dealing with Those Risks

  N/A

- Effects of Large Transfers or Large Conversions of Company Stock by Directors, Supervisors, or Shareholders Holding More than 10% of the Company's Shares, Potential Risks, and Measures for Dealing with Those Risks

  None.

- Effects of Change in Management Control, Potential Risks, and Measures for Dealing with Those Risks

  None.

- Litigation and Non-litigation Issues

  i) Judgments already handed down or any ongoing litigation, non-litigation, or administrative action over the previous two years up to the time that this annual report was published, the potential effects on shareholder rights and on the company's share price, the key facts of the dispute, dollar values involved, the date that the litigation was initiated, the key parties involved, and the current status of said litigation(s): None

  ii) Any Company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that is involved in any judgments already handed down or any ongoing litigation, non-litigation, or administrative action over the previous two years up to the time that this annual report

was published, the potential effects on shareholder rights and on the company's share price, the key facts of the dispute, dollar values involved, the date that the litigation was initiated, the key parties involved, and the current status of said litigation(s): None.

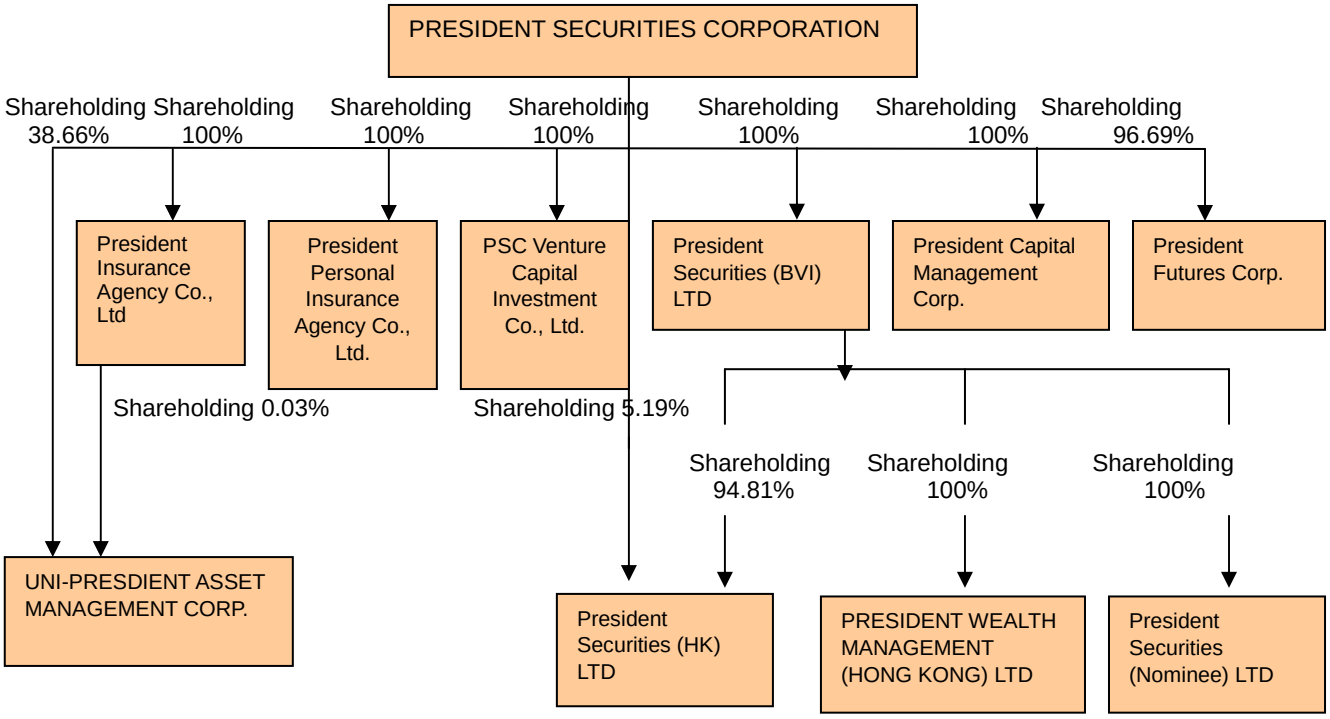
iii) Any company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that has been found in violation of Article 157 of the Securities and Exchange Act over the previous two-year period and up to the time that this annual report was published, and the current status of any related action taken or being taken against that person: None.

- Other Important Risks:

To comply with Personal Information Protection Act and Foreign Account Tax Compliance Act (FATCA), the company will enhance customers' information management and identification when opening accounts. In addition, we will continuously educate employees on personal information processing protection, anti money laundry, and related law risks.

VIII. Other Disclosures

1. Affiliated Companies Chart



2. Basic Information of Affiliates

Unit: NT$ thousands
As of April 30, 2014

Company	Established Date	Address	Currency	Paid-in Capital	Main business
President Futures Corp.	1994.03.01	B1.,No.8, Dongxing Rd., Taipei City	NTD	660,000	Futures brokerage
President Capital Management Corp.	1997.04.15	3F.,No.8, Dongxing Rd., Taipei City	NTD	124,000	Securities Investment Consulting
President Securities (HK) Ltd.	1994.07.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	192,600	Securities proprietary, brokerage, underwriting , and consulting
President Securities (BVI) Ltd.	1998.02.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	USD	67,746	Securities Investment and holding company
President Securities (Nominee) Ltd.	1999.08.06	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	1,000	Nominee Service
President Wealth Management (Hong Kong) Ltd.	2002.03.31	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	23,400	Wealth Management
Uni-President Asset Management Corp.	1992.09.03	8F.,No.8, Dongxing Rd., Taipei City	NTD	351,000	Investment Trust
President Personal Insurance Agency Co., Ltd.	2006.12.21	6F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent
President Insurance Agency Co., Ltd.	2008.05.06	6F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent
PSC Venture Capital Investment Co., Ltd.	2013.10.29	2F.,No.8, Dongxing Rd., Taipei City	NTD	300,000	Investment, management consultant, and venture capital investment

3. Operational Highlights of Affiliated Companies

As of 31/12/2013 Unit: NT$ thousands

Company	Currency	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income (Loss)	EPS
President Futures Corp.	NTD	660,000	7,560,205	6,331,346	1,228,859	594,400	35,370	112,957	1.71
President Capital Management Corp.	NTD	124,000	151,454	5,975	145,479	36,761	(2,171)	(563)	(0.05)
Uni-Presdient Asset Management Corp	NTD	351,000	738,926	128,270	610,656	576,155	165,910	143,500	4.09
President Personal Insurance Agency Co., Ltd.	NTD	5,000	13,102	3,835	9,267	14,623	2,782	3,178	6.36
President Insurance Agency Co., Ltd.	NTD	5,000	12,944	1,560	11,384	11,355	2,392	4,383	8.77
PSC Venture Capital Investment Co. Ltd.	NTD	300,000	300,791	135	300,656	0	(117)	656	0.02
President Securities (HK) Ltd.	HKD	192,600	801,382	494,940	306,442	47,924	8,121	19,531	0.1
President Securities (Nominee) Ltd.	HKD	1,000	625	19	606	0	(14)	(10)	(0.01)
President Wealth Management (Hong Kong) Ltd.	HKD	23,400	14,680	20	14,660	0	(29)	57	0.00
President Securities (BVI) Ltd.	USD	67,746	63,143	4	63,139	0	(68)	3,126	0.05

Notes：Foreign exchange rates for balance sheet amounts as follows:
USD/NTD=29.6913 HKD/NTD：3.8277
Foreign exchange rates for income statement amounts as follows: USD/NTD=29.8050
HKD/NTD：3.8430

4. Capital Adequacy Ratio:

Within the securities industry, a company's capital adequacy rate is viewed as a key performance indicator. Many BIS regulations require that a securities firm has a minimum capital adequacy rate of 200% in order to be permitted to operate in many key business areas. As such, this level can be seen as an important benchmark in evaluating a securities firm's

business performance and risk management measures. As of March of 2014, our capital adequacy rate stood at 478%, well above this key 200% level.

5. Market Share Rate

Market share of various business could be used for performance indicators. It could represent company's weighted market share and perceptive of future trend, which help to analyze management performance.

Our company's Brokerage market share was 3.44% in 2013, ranked 8 among top 10 competitors. Average single branch market share was 0.098%, ranked top 1 among top 10 competitors. Compared with other securities firms, our performance was more efficient and competitive.

Currently our company continues to build comprehensive and personalized information platform to improve stability of electronic transactions and orders, train sales with multiple financial ability, hoping to explore international market, create more profit for customers and company.

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

PRESIDENT SECURITIES CORPORATION AND ITS SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

The companies included in the consolidated financial statements of affiliated enterprises prepared by the Company for 2013 (from January 1, 2013 to December 31, 2013) in accordance with Article 33 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical with those to be included in the consolidated financial statements of the parent company and subsidiaries in accordance with IAS 27, "Consolidated and Separate Financial Statements" The relevant information to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the consolidated financial statements of the parent company and subsidiaries. Therefore, the Company does not prepare the consolidated financial statements of affiliated enterprises separately.

Hereby declare

PRESIDENT SECURITIES CORPORATION

AND ITS SUBSIDIARIES

Responsible person: DENG, A-HUA

March 26, 2014

Report of Independent Accountants Translated from Chinese

PWCR13003402

To the Board of Directors and Shareholders of President Securities Corporation

We have audited the accompanying consolidated balance sheets of President Securities Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of President Securities Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012 and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity 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.

We have audited the parent company only financial statements of President Securities Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified opinion thereon.

PricewaterhouseCoopers, Taiwan

March 26, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations 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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	Note	Amount	%	Amount	%	Amount	%
Current assets							
Cash and cash equivalents	6(1)	$ 5,287,484	9	$ 4,933,426	9	$ 4,002,165	8
Financial assets at fair value through profit or loss - current	6(2)	19,714,198	34	17,791,194	34	15,420,684	31
Available-for-sale financial assets - current	6(3)	349,870	1	218,050	-	746,733	2
Bonds purchased under resale agreements	6(4)	184,897	-	-	-	230,044	1
Margin loans receivable	6(5)	11,516,164	20	9,772,570	19	10,683,585	21
Refinancing security deposits		24,695	-	374	-	2,820	-
Receivables from refinance guaranty		59,634	-	12,901	-	36,522	-
Customer margin account	6(6)	4,917,434	8	5,637,662	11	5,234,807	11
Receivables from security lending		29,993	-	45,803	-	176,124	-
Security lending deposits		49,617	-	41,382	-	160,393	-
Notes receivable		3,360	-	1,674	-	1,630	-
Accounts receivable - net	6(7)	8,379,629	14	5,499,832	10	4,134,181	8
Prepayments		54,278	-	28,722	-	23,663	-
Other receivables	6(8)	173,323	-	412,497	1	83,254	-
Current tax assets		2,676	-	2,364	-	113	-
Other current assets	6(9)	3,297,457	6	3,651,539	7	4,098,046	8
Total current assets		54,044,709	92	48,049,990	91	45,034,764	90
Noncurrent assets							
Financial assets at fair value through profit or loss - noncurrent	6(2)	50,174	-	50,885	-	51,635	-
Financial assets at cost - noncurrent	6(10)	71,759	-	83,244	-	98,027	-
Investments in associates	6(11)	401,608	1	407,188	1	385,300	1
Property and equipment	6(12)	2,583,250	4	2,653,310	5	2,657,258	5
Investment property	6(13)	285,204	1	287,304	1	289,404	1
Intangible assets		25,648	-	-	-	-	-
Deferred tax assets	6(42)	53,466	-	38,137	-	64,301	-
Other assets - noncurrent	6(14)	1,267,158	2	1,278,199	2	1,459,352	3
Total noncurrent assets		4,738,267	8	4,798,267	9	5,005,277	10
TOTAL ASSETS		$ 58,782,976	100	$ 52,848,257	100	$ 50,040,041	100
LIABILITIES AND EQUITY							
Current liabilities							
Short-term loans	6(15)	$ 3,479,260	6	$ 3,816,336	7	$ 3,620,887	7
Commercial papers payable	6(16)	6,947,845	12	1,999,639	4	1,499,781	3
Financial liabilities at fair value through profit or loss - current	6(17)	1,232,154	2	448,956	1	427,237	1
Bonds sold under repurchase agreements	6(18)	6,272,115	11	7,979,713	15	8,616,273	17
Deposits on short sales		1,235,843	2	1,245,017	2	1,478,214	3

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

		December 31, 2013		December 31, 2012		January 1, 2012	
LIABILITIES AND EQUITY	Note	Amount	%	Amount	%	Amount	%
Short sale proceeds payable		$ 1,599,806	3	$ 1,606,777	3	$ 1,741,022	4
Guarantee deposit received on borrowed securities		529,309	1	1,144,289	2	1,795,332	4
Futures traders' equity		4,917,434	8	5,637,662	11	5,234,807	10
Accounts payable	6(19)	8,598,138	15	5,729,612	11	3,822,042	8
Advance receipts		450	-	7,162	-	75	-
Collections on behalf of third parties		428,091	1	259,893	1	234,018	-
Other payables	6(20)	951,286	1	1,138,984	2	788,228	2
Other financial liabilities - current	6(21)	93,398	-	121,597	-	83,498	-
Current tax liability	6(42)	64,432	-	28,166	-	46,937	-
Other current liabilities		4,600	-	5,020	-	3,122	-
Total current liabilities		36,354,161	62	31,168,823	59	29,391,473	59
Noncurrent liabilities							
Deferred tax liability	6(42)	14,210	-	176	-	1,001	-
Other liabilities-noncurrent	6(22)	8,402	-	16,007	-	128,038	-
Total noncurrent liabilities		22,612	-	16,183	-	129,039	-
Total liabilities		36,376,773	62	31,185,006	59	29,520,512	59
Equity attributable to owners of the parent company							
Capital							
Common stock		13,231,191	22	13,231,191	25	12,845,816	26
Capital reserve		256,116	-	256,116	1	409,826	1
Retained earnings	6(25)						
Legal reserve		2,071,935	4	1,960,558	4	1,903,868	4
Special reserve		5,792,801	10	5,482,607	10	5,198,754	10
Unappropriated earnings		1,013,206	2	766,885	1	122,078	-
Other equity		31	-	(73,551)	-	11,794	-
Total		22,365,280	38	21,623,806	41	20,492,136	41
Non-controlling interests		40,923	-	39,445	-	27,393	-
Total equity		22,406,203	38	21,663,251	41	20,519,529	41
TOTAL LIABILITIES AND EQUITY		$ 58,782,976	100	$ 52,848,257	100	$ 50,040,041	100

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

		For the years ended December 31,			
		2013		2012	
	Note	Amount	%	Amount	%
Revenues					
Securities brokerage fees	6(26)	$ 1,804,151	39	$ 1,861,544	45
Underwriting fees	6(27)	70,408	2	89,033	2
Gains (losses) on trading of securities	6(28)	1,015,852	22	413,973	10
Interest income	6(29)	788,232	17	865,232	21
Gain on valuation of trading securities	6(30)	303,088	7	74,720	2
Gain on short covering and trading securities - RS financing covering	6(31)	94,983	2	2,606	-
Gain on valuation of borrowed securities and bonds with resale agreements	6(32)	4,438	-	(17,164)	-
Gain on warrants issuance	6(33)	17,548	-	80,256	2
Gain on derivative financial instruments	6(34)	206,920	4	350,182	9
Other operating income	6(35)	307,698	7	364,711	9
Total revenues		4,613,318	100	4,085,093	100
Expenses					
Handling charges	6(36)	(276,165)	(6)	(256,486)	(6)
Interest expenses	6(37)	(126,838)	(3)	(151,360)	(4)
Futures commission expense		(92,254)	(2)	(81,932)	(2)
Clearing charges		(91,219)	(2)	(86,132)	(2)
Employee benefits	6(38)	(1,713,704)	(37)	(1,681,717)	(41)
Depreciation and amortization	6(39)	(114,547)	(3)	(111,530)	(3)
Other operating expenses	6(40)	(984,888)	(21)	(941,713)	(23)
Total expenditures and expenses		(3,399,615)	(74)	(3,310,870)	(81)

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(EXCEPT FOR EARNINGS PER SHARE AMOUNT)

		For the years ended December 31,			
		2013		2012	
	Note	Amount	%	Amount	%
Non-operating gains and losses					
Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(11)	$ 55,919	1	$ 71,805	2
Other gains and losses	6(41)	219,865	5	459,750	11
Total non-operating gains and losses		275,784	6	531,555	13
Profit before tax		1,489,487	32	1,305,778	32
Income tax expense	6(42)	(124,034)	(2)	(132,592)	(3)
Income from continuing operations		1,365,453	30	1,173,186	29
Income from discontinued operations		-	-	-	-
Net income		1,365,453	30	1,173,186	29
Other comprehensive income (loss)					
Translation gain and loss on the financial statements of foreign operating entities		46,966	1	(74,685)	(2)
Unrealized gain (loss) on financial instruments		26,616	-	(10,660)	-
Net actuarial (losses) gains on defined benefit plans		(9,756)	-	56,955	1
Other comprehensive (loss) income of associates and joint ventures accounted for under equity method		2,205	-	(613)	-
Income tax benefit (expense) relating to components of other comprehensive income		1,659	-	(9,682)	-
Current other comprehensive income (loss) (post-tax)		67,690	1	(38,685)	(1)
Total current comprehensive income		$ 1,433,143	31	$ 1,134,501	28
Income attributable to:					
Parent company		$ 1,361,715	30	$ 1,170,034	29
Non-controlling interests		$ 3,738	-	$ 3,152	-
Current comprehensive income attributable to:					
Parent company		$ 1,429,496	31	$ 1,131,229	28
Non-controlling interests		$ 3,647	-	$ 3,272	-
Earnings per share	6(43)				
Basic earnings per share (in dollars)		$ 1.03		$ 0.88	
Diluted earnings per share (in dollars)		$ 1.03		$ 0.88	

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Equity attributable to owners of the parent company									
	Share capital		Retained earnings			Other equity				
	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 instruments	Total	Non-controlling interest	Total equity
For the year ended December 31, 2012										
Balance as of January 1, 2012	$ 12,845,816	$ 409,826	$ 1,903,868	$ 5,198,754	$ 122,078	$ -	$ 11,794	$ 20,492,136	$ 27,393	$ 20,519,529
Appropriations of 2012 earnings:										
Legal reserve	-	-	56,690	-	(56,690)	-	-	-	-	-
Special reserve	-	-	-	283,853	(283,853)	-	-	-	-	-
Stock dividends	231,225	-	-	-	(231,225)	-	-	-	-	-
Change in capital reserve:										
Retained earnings transferred to capital	154,150	(154,150)	-	-	-	-	-	-	-	-
Difference between proceeds from disposal of subsidiary and carrying amount	-	440	-	-	-	-	-	440	-	440
Net income for the year	-	-	-	-	1,170,034	-	-	1,170,034	3,152	1,173,186
Other comprehensive income for the year	-	-	-	-	46,541	(74,685)	(10,660)	(38,804)	120	(38,684)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	8,780	8,780
Balance at December 31, 2012	$ 13,231,191	$ 256,116	$ 1,960,558	$ 5,482,607	$ 766,885	($ 74,685)	$ 1,134	$ 21,623,806	$ 39,445	$ 21,663,251
For the year ended December 31, 2013										
Balance as of January 1, 2013	$ 13,231,191	$ 256,116	$ 1,960,558	$ 5,482,607	$ 766,885	($ 74,685)	$ 1,134	$ 21,623,806	$ 39,445	$ 21,663,251
Appropriations of 2013 earnings:										
Legal reserve	-	-	111,377	-	(111,377)	-	-	-	-	-
Special reserve	-	-	-	310,194	(310,194)	-	-	-	-	-
Cash dividends	-	-	-	-	(688,022)	-	-	(688,022)	-	(688,022)
Net income for the year	-	-	-	-	1,361,715	-	-	1,361,715	3,738	1,365,453
Other comprehensive income for the year	-	-	-	-	(5,801)	46,966	26,616	67,781	(91)	67,690
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,169)	(2,169)
Balance at December 31, 2013	$ 13,231,191	$ 256,116	$ 2,071,935	$ 5,792,801	$ 1,013,206	($ 27,719)	$ 27,750	$ 22,365,280	$ 40,923	$ 22,406,203

The accompanying notes are an integral p

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax from continuing operations	$ 1,489,487	$ 1,305,778
Income from discontinued operations before tax	-	-
Profit before tax	1,489,487	1,305,778
Adjustments to reconcile profit before tax to net cash (used in) provided by operating activities:		
Income and expenses without cash flow impact		
Depreciation	103,752	103,161
Amortization	10,795	8,369
Write-off of bad debts classified as income	(512)	(2,594)
Provision for bad debts	12,846	331
Gain on valuation of trading securities	(303,088)	(74,720)
Financial expense	126,838	151,360
Interest income	(932,506)	(1,008,563)
Dividend income	(143,868)	(171,198)
Share of the profit of associates and joint ventures accounted for using the equity method	(55,919)	(71,805)
Loss on disposal of property and equipment	402	193
Income on valuation of open-ended funds and money-market instruments	3,850	(82,604)
Impairment loss on financial assets measured at cost	5,600	-
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets at fair value through profit or loss	(1,624,152)	(2,218,830)
Available-for-sale financial assets - current	(105,204)	518,023
Bonds purchased under resale agreements	(184,897)	230,044
Margin loans receivable	(1,744,158)	910,678
Refinancing security deposits	(24,321)	2,446
Receivables from refinance guaranty	(46,733)	23,621
Customer margin account	720,228	(402,855)
Receivables from security lending	15,810	130,321
Security lending deposits	(8,235)	119,011
Notes receivable	(1,686)	(44)
Accounts receivable	(2,917,055)	(1,443,122)
Prepayments	(25,556)	(5,059)
Other receivables	5,809	18,072
Other current assets	354,082	446,507
Changes in operating liabilities		
Financial liabilities at fair value through profit or loss - current	783,198	21,719
Bonds sold under repurchase agreements	(1,707,598)	(636,560)
Deposits on short sales	(9,174)	(233,197)
Short sale proceeds payable	(6,971)	(134,245)
Guarantee deposit received on borrowed securities	(614,980)	(651,043)
Futures traders' equity	(720,228)	402,855
Accounts payable	2,863,349	1,905,992
Advance receipts	(6,712)	7,087
Collections on behalf of third parties	168,198	25,875
Other payables	51,016	9,781
Other financial liabilities - current	(28,199)	38,099
Other current liabilities	(420)	1,898

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PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,	
	2013	2012
Cash used in operations	($ 4,496,912)	($ 755,218)
Dividends received	219,408	208,652
Interest received	942,208	1,099,823
Income tax paid	(87,716)	(138,065)
Net cash (used in) provided by operating activities	(3,423,012)	415,192
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(715)	-
Proceeds from capital reduction of financial assets measured at cost	6,600	14,783
Acquisition of property and equipment	(17,629)	(39,960)
Changes in intangible assets	(11,867)	-
Decrease in other non-current assets	3,708	159,570
Increase in prepayment for equipment	(41,364)	(44,694)
Net cash (used in) provided by investing activities	(61,267)	89,699
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in short-term loans	(337,076)	195,449
Increase in commercial papers payable	4,950,000	500,000
Decrease in other non-current liabilities	(7,605)	(54,514)
Cash dividends paid	(688,022)	-
Disposal of subsidiaries (without loss of control)	-	12,540
Changes in non-controlling interest	(2,169)	(3,320)
Interest paid	(123,757)	(149,100)
Net cash provided by financing activities	3,791,371	501,055
Effect of exchange rate changes	46,966	(74,685)
Net increase in cash and cash equivalents	354,058	931,261
Cash and cash equivalents, beginning of year	4,933,426	4,002,165
Cash and cash equivalents, end of year	$ 5,287,484	$ 4,933,426

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 30, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION
   1) President Securities Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 17, 1988, and was renamed as President Securities Corporation on March 4, 1989. The Company started commercial operations on April 3, 1989. As of December 31, 2013, the Company had 35 operating branches (including the head office).
   2) The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in underwriting of securities, dealing or brokerage business of securities at the securities exchange markets and business premises, registration and transfer agency service for securities, margin loans and short sales business of securities, securities lending and borrowing business, futures introducing brokerage services, futures dealing, issuance of call (put) warrants, new financial instrument transactions, wealth management business, and trust business.
   3) The Company's shares are listed on the Taiwan Stock Exchange.
2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION
   These consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2014.
3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS.
   1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")
      Not applicable as it is the first-time adoption of IFRSs by the Group this year.
   2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
      A. IFRS 9, 'Financial Instruments: Classification and measurement of financial instruments
         (A) The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted. (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.
         (B) IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group. With respect to the overall effect of the IFRS 9 adoption, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group based on preliminary evaluation. The reason is that IFRS 9 specifies the fair value changes in the

equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. IFRSs issued by IASB but not yet endorsed by the FSC.

B. The following are the assessments of the new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC. Application of the new standards, interpretations and amendments should follow the regulations of the FSC. Except for assessment on the following which may have relevant impact, the rests do not have significant impact on the consolidated financial statements:

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparers received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	1. IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in 'other comprehensive income', and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in 'other comprehensive income' would create or enlarge an accounting mismatch (inconsistency) in 'profit or loss'. (That determination is made at initial recognition and is not reassessed subsequently.) 2. Separate application of regulations set out above is permitted.	After publication dated November 19, 2013, any version of the standard and amendments published by IASB is available for immediate application, and the previous mandatory effective date has been removed.
Disclosures - transfers of financial assets	The amendment enhances qualitative and quantitative disclosures for all transferred financial	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
(amendment to IFRS 7)	assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 12,'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27,'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28,'Investments in associates and joint ventures'(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in	The revised standard eliminates corridor approach and requires actuarial gains and losses to be	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
2011)	recognized immediately in other comprehensive income. Past service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income.	
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
	profit of loss instead of consolidating them.	
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that where the original counterparties to the derivatives agree to use one or more clearing counterparties as the new counterparties to each of the parties and when the derivatives that are being novated complies with specified criteria, the novation of derivatives would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting.	January 1, 2014
IFRS 9 "Financial assets: hedge accounting" and amendments to IFRS 9, IFRS 7 and IAS 39	1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity. 2. An entity can elect to early adopt the requirement to recognize the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.	After publication dated November 19, 2013, any version of the standard and amendments published by IASB is available for immediate application, and the previous mandatory effective date has been removed.
Services related contributions from employees or third parties	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of	July 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	Effective Date
(amendments to IAS 19R)	benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

A. The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Firms", "Rules Governing the Preparation of Financial Statements by Futures Commission Merchants" and generally accepted accounting principles in the Republic of China. The Company's significant accounting policies are described below:

1) Compliance statement

A. These consolidated financial statements are the first consolidated financial statements prepared by the Group 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 FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet of January 1, 2012 ("the opening IFRSs balance sheet"), the Group has adjusted the amounts that previously were reported in the consolidated financial statements in accordance with R.O.C. GAAP. Please refer to Note 22 for the impact of transitioning from R.O.C. GAAP to the IFRSs on the Group's financial position, operating results and cash flows.

2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities are recognized based on the net amount of pension fund assets plus unrecognized past service cost and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its

judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(B) Intercompany transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012
The Company	President Futures Corp. (President Futures)	Futures brokerage	96.69%	96.69%
The Company	President Capital Management Corp. (President Capital Management)	Securities investment consulting	100%	100%
〃	President Securities (HK)	Securities dealer,	5.19%	5.19%

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2013	Ownership (%) December 31, 2012
	Ltd.("President Securities (HK)") (Note 1)	brokerage, underwriting and consulting		
〃	President Securities (BVI) Ltd.("President Securities (BVI)")	Securities investment and holding company	100%	100%
〃	President Personal Insurance Agency Co., Ltd. (President Personal Insurance Agency)	Insurance Agent	100%	100%
〃	President Insurance Agency Corp. (President Insurance Agency)	Insurance Agent	100%	100%
〃	PSC Venture Capital Investment Limited Company (President Venture Capital)	Venture Capital	100%	-
President Securities (BVI)	President Securities (HK) Ltd.("President Securities (HK)") (Note 1)	Securities dealer, brokerage, underwriting and consulting	94.81%	94.81%
〃	President Wealth Management (HK) Ltd.("President Wealth Management (HK)")	Wealth management	100%	100%
〃	President Securities (Nominee) Ltd. (President Securities (Nominee))	Nominee Service	100%	100%
				January 1, 2012
The Company	President Futures Corp.	Futures brokerage		97.69%
〃	President Capital Management Corp.	Securities investment consulting		100%
〃	President Securities (HK) Ltd. (President Securities (HK)) (Note 1)	Securities dealer, brokerage, underwriting and consulting		5.19%
〃	President Securities (BVI) Ltd.	Securities investment and holding company		100%
〃	President Personal Insurance Agency Co., Ltd. (President Personal Insurance Agency)	Insurance Agent		100%
〃	President Insurance Agency Corp. (President Insurance Agency)	Insurance Agent		100%
President Securities (BVI) Ltd.	President Securities (HK) Ltd. (Note 1)	Securities dealer, brokerage, underwriting and consulting		94.81%
〃	President Wealth Management (HK) Ltd.	Wealth management		100%
〃	President Securities (Nominee) Ltd.	Nominee Service		100%

Note 1: The Company holds all the shares of President Securities (HK) with President Securities (BVI).

4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

5) Translation of foreign currency transactions

A. Foreign currency translation and presentation

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). Functional currency and bookkeeping currency of the Company and its domestic subsidiaries are all New Taiwan Dollars; functional currency and bookkeeping currency of overseas subsidiaries-President Securities (HK), President Wealth Management (HK), and President Securities (Nominee) are Hong Kong Dollars; and functional currency and bookkeeping currency of President Securities (BVI) are US Dollars. The consolidated financial statements are presented in New Taiwan Dollars.

B. Foreign currency transactions and balances

Foreign currency transactions denominated in a foreign currency or required to settle in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities denominated in foreign currency are translated by the closing exchange rate at balance sheet date. The closing exchange rate is determined by the market exchange rate. Non-monetary assets and liabilities denominated in foreign currencies which are carried at historical cost are re-translated at the exchange rates prevailing at the original transaction date.

Non-monetary assets and liabilities denominated in foreign currencies which are held at fair value through profit or loss are re-translated at the exchange rates prevailing at the date at which the fair value is determined.

Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other

comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income.

6) Cash and cash equivalents

A. In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

B. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

7) Financial assets and financial liabilities at fair value through profit or loss

A. Financial assets and financial liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading or financial assets and financial liabilities designated as at fair value through profit or loss on initial recognition. Financial assets and financial liabilities are classified in this category of held for trading if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also categorized as financial instruments held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets held for trading are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss. Derivative assets, that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery, of such unquoted equity instruments are presented in ‘financial assets measured at cost, if their fair value cannot be reliably measured. Derivative liabilities that are linked to equity instruments which do not have a quoted market price in an active market and cannot be measured reliably at fair value, and that must be settled by delivery of such unquoted equity instruments are presented in ‘financial liabilities measured at cost’, if their fair value cannot be reliably measured.

8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

D. If there has been objective evidence of impairment, the Group will account for impairment. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring

after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

9) Notes and accounts receivable, other receivables and margin loans receivable

A. Notes and accounts receivable and margin loans receivable are claims resulting from the sales of goods or services; other receivables are receivables other than the above. Notes and accounts receivable and margin loans receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment loss.

B. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment of financial asset is established when there is objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss being recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not make the asset's carrying amount greater than its amortized cost without impairment loss being recognized. The recoveries of amounts are recognized in profit or loss.

10) Bonds sold under repurchase agreements and bonds purchased under resale agreements

Bonds transactions under repurchase or resale agreements are stated at the amount of actual payment or receipt. When transactions of bonds with a condition of resale agreements occur, the actual payment or receipt shall be recognized in 'bonds purchased under resale agreements' under current assets. When transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognized in 'bonds sold under repurchase agreements' under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized in interest income or interest expense.

11) Financial assets at cost – non-current

A. Financial assets measured at cost are initially recognized at fair value plus transaction costs of acquisition. On a regular way purchase or sale basis, financial assets measured at cost are recognized and derecognized using trade date accounting.

B. If the variability in the range of reasonable fair value estimate vary significantly, and the probabilities of the various estimates cannot be reasonably measured, the financial assets should be measured at cost.

C. With respect to impairment assessment of the said financial asset, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

12) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more

events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is an objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made in accordance with aforesaid accounting policies of various financial assets.

13) <u>Derecognition of financial instruments</u>

A. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

(A) The contractual rights to receive cash flows from the financial asset expire.

(B)The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

(C)The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

B. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

14) <u>Offsetting financial instruments</u>

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

15) <u>Investments accounted for under the equity method</u>

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes its share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital reserve' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.

G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

16) <u>Property and equipment</u>

A. Property and equipment are initially recorded at cost. Borrowing costs incurred during

the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property and equipment are as follows:

	Useful lives
Buildings	5~50 years
Furniture and fixtures	4~10 years
Computer equipment	3~5 years
Electrical equipment	3~10 years
Leasehold improvements	5 years

D. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.

17) Investment property

A. Investment property of the Group is the property held either to earn long-term rental income or for capital appreciation or for both.

B. Part of the property may be held by the Group for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Group can be sold individually, then the accounting treatment should be made respectively. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

C. When the future economic benefit related to the investment property is highly likely to flow into the Group and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized in profit or loss as incurred.

D. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

18) Intangible assets

The cost of computer software is amortized using the straight-line method over the useful lives based on acquisition cost, with an amortization period of 4 years.

19) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

20) Liabilities reserve, contingent liabilities and contingent assets

A. The Group recognizes liabilities when all of the following three conditions are met:

(A) Present obligation (legal or constructive) has arisen as a result of past event;

(B) The outflow of economic benefits is highly probable upon settlement; and

(C) The amount is reliably measurable.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Liability reserve should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions for liabilities are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation.

B. Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Group did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

C. Contingent asset is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. The Group did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Termination benefits

Termination benefit is paid to the employees who are eligible for retirement and terminated or voluntarily dismissed in exchange of termination benefit. The Group has made commitments in the formal detailed employment termination plan which is irrevocable, and shall recognize liabilities and expenses when providing termination benefit to employees who voluntarily resign as a result of encouragement. Termination benefit not paid in 12 months after the balance sheet date should be discounted.

C. Pensions

(A) Defined contribution plans

Effective July 1, 2005, the Group established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. Prepaid pension assets can only be recognized when there is a cash refund or elimination in the future accrued pension liabilities.

(B) Defined benefit plans

In a defined benefit plan, the pension paid is determined based on the amount that an employee shall receive upon retirement, which could vary with age, work seniority and salary compensations. The Group recognizes the employee benefit liabilities reserve in the consolidated balance sheet based on the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net of past service cost recognized as liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The present value of the defined benefit obligation is determined using the market yield of government bonds of a currency and maturity consistent with the currency and maturity of the defined benefit obligation to discount the future cash flow.

Actuarial pension gain or loss of defined benefit plans is recognized in other comprehensive income in the period as incurred.

Past service costs are recognized immediately in profit or loss if vested immediately; if not, the past service costs are amortized on a straight-line basis over the vesting period.

D. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

22) Revenues and expenses

The Group's revenues and expenses are recognized as incurred, which mainly include:

A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.

B. Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.

C. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost. Costs and expenses are recognized as incurred.

D. Operating expenses: operating expenses refer to required expenses invested in the Group's operations, which primarily include employee benefit expense, depreciation and amortization, and other business and administrative expenses.

23) Income tax

A. Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where a company operates and generates taxable income. Except for the transactions or other matters directly recognized in other comprehensive income or equity, in which cases the related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense for the period.

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included in the consolidated balance sheet are calculated using the liability method and recognized as deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss). Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. If the future taxable income is probable to provide unused loss carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax asset.

C. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions for income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

24) Share capital

Incremental costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, from equity. Dividends from common stocks are recognized as equity in the financial period in which they are approved by the Group's shareholders. If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.

25) Earnings per share

A. Earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.

B. When the Group calculates earnings per share, basic earnings per share and diluted earnings per share for all potential ordinary shares shall all be disclosed in accordance

with IAS 33 “Earnings per share”.

26) Operating segment

The Group’s operating segments are reported in a manner consistent with the internal reports provided to the chief operating decision-maker. The chief operating decision-maker, who may be a person or a team, is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

1) As the consolidated financial statements of the Group may be affected by the adoption of accounting policy, accounting estimate and assumption, the Group’s management shall properly exercise its professional judgment, estimates, and assumptions on the information of the key risks that is hardly obtained from other resources and could affect the carrying amounts of financial assets and liabilities in the next fiscal year while adopting critical accounting policies as stated in Note 4. Estimates and assumptions of the Group are the best estimates made in compliance with IFRSs as endorsed by the FSC. Estimates and assumptions are made based on past experience and other factors deemed relevant; however, the actual results may differ from the estimates. The Group evaluates the estimates and assumptions on an ongoing basis and recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.

2) Relevant information on key assumptions to be made in the future, key sources of assumption uncertainty made at balance sheet date, and assumptions and estimates that may cause key risks that could affect the carrying amounts of financial assets and liabilities are as follows:

A. Fair value of financial instruments

Financial instruments with no active market or quoted price use valuation technique to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible.

B. Reliability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the reliability of deferred income tax assets involves critical accounting judgments and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

C. Calculation *of* accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension

obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2013	December 31, 2012
Petty cash	$ 173	$ 170
Checking deposits	560,334	525,304
Current deposits:		
Deposits denominated in NTD	517,306	560,630
Deposits denominated in foreign currencies	637,181	905,687
Time deposits	3,572,490	2,941,635
	$ 5,287,484	$ 4,933,426

	January 1, 2012
Petty cash	$ 215
Checking deposits	226,226
Current deposits:	
Deposits denominated in NTD	364,291
Deposits denominated in foreign currencies	436,503
Time deposits	2,974,930
	$ 4,002,165

As of December 31, 2013, December 31, 2012 and January 1, 2012, the annual interest rates of time deposits, including foreign time deposits were 0.22% ~ 3.7%, 0.22% ~ 1.365%, and 0.35% ~ 1.90%, respectively.

2) Financial assets at fair value through profit or loss

	December 31, 2013	December 31, 2012
Current items:		
Open-end funds and money market instruments and securities investment by brokers		
Open-end mutual funds beneficiary certificates	$ 416,843	$ 505,000
Overseas stocks and funds	229,039	217,074
Money market instruments	140,003	-
Listed (TSE and OTC) stocks	36,024	-
Subtotal	821,909	722,074
Adjustment of open-end mutual funds beneficiary certificates	(49,573)	(49,762)
Total	772,336	672,312
Trading securities - dealer		
Listed (TSE and OTC) stocks	3,066,132	1,191,365
Government bonds	956,471	4,316,367
Corporate bonds	1,203,650	220,000

	December 31, 2013	December 31, 2012
Convertible corporate bonds	1,980,835	2,012,191
Emerging stocks	174,668	173,771
Exchange traded funds	-	45,298
Overseas stocks	7,114,809	5,747,553
Subtotal	14,496,565	13,706,545
Adjustment of trading securities - dealer	162,369	(40,189)
Total	14,658,934	13,666,356
Trading securities - underwriter		
Listed (TSE and OTC) stocks	282,895	187,679
Convertible corporate bonds	599,915	619,939
Subtotal	882,810	807,618
Adjustment of trading securities - underwriter	113,444	23,716
Total	996,254	831,334
Trading securities - hedging		
Listed (TSE and OTC) stocks	1,501,830	544,727
Convertible corporate bonds	93,660	127,837
Warrants	18,494	21,313
Exchange traded funds	131,413	270,500
Others	403	-
Subtotal	1,745,800	964,377
Adjustment of trading securities - hedging	26,914	29,600
Total	1,772,714	993,977
Buy option - futures	9,185	12,627
Futures guarantee deposits receivable	1,461,550	1,559,320
Derivative financial instrument assets - OTC	43,225	55,268
Total	$ 19,714,198	$ 17,791,194
Non-current items:		
Trading securities - dealer - government bonds	$ 51,889	$ 52,001
Adjustment of trading securities	(1,715)	(1,116)
Total	$ 50,174	$ 50,885

	January 1, 2012
Current items:	
Open-end funds and money market instruments and securities investment by brokers	
Open-end mutual funds beneficiary certificates	$ 390,000
Overseas stocks and funds	226,306
Securities investing	3,838
Subtotal	620,144

	January 1, 2012
Adjustment of open-end mutual funds beneficiary certificates	(136,177)
Total	483,967
Trading securities - dealer	
Listed (TSE and OTC) stocks	690,702
Government bonds	6,453,767
Corporate bonds	1,499,296
Convertible corporate bonds	1,831,857
Emerging stocks	246,153
Overseas stocks	1,266,976
Subtotal	11,988,751
Adjustment of trading securities - dealer	(84,790)
Total	11,903,961
Trading securities - underwriter	
Listed (TSE and OTC) stocks	135,595
Convertible corporate bonds	608,000
Subtotal	743,595
Adjustment of trading securities - underwriter	(11,860)
Total	731,735
Trading securities - hedging	
Listed (TSE and OTC) stocks	298,313
Convertible corporate bonds	221,008
Warrants	54,281
Exchange-traded funds	63,291
Subtotal	636,893
Adjustment of trading securities - hedging	(16,460)
Total	620,433
Buy option - futures	8,032
Futures guarantee deposits receivable	1,516,582
Derivative financial instrument assets - OTC	155,974
Total	$ 15,420,684
Non-current items:	
Trading securities - dealer - government bonds	$ 52,114
Adjustment of trading securities	(479)
Total	$ 51,635

3) Available-for-sale financial assets

	December 31, 2013	December 31, 2012
Current items:		
Trading securities - dealer		
Listed stocks	$ 322,120	$ 61,833
Exchange traded funds	-	155,083
Subtotal	322,120	216,916
Adjustment of trading securities - dealer	27,750	1,134
	$ 349,870	$ 218,050

	January 1, 2012
Current items:	
Trading securities - dealer	
Listed stocks	$ 494,678
Adjustment of trading securities - dealer	5,387
	500,065
Trading securities - underwriter	
Listed stocks	240,261
Adjustment of trading securities - dealer	6,407
	246,668
	$ 746,733

4) Bonds purchased under resale agreements

	December 31, 2013	December 31, 2012
Overseas bonds	$ 184,897	$ -

	January 1, 2012
Government bonds	$ 230,044

A. The above bonds purchased under resale agreements as of December 31, 2013, December 31, 2012 and January 1, 2012 were due within one year and were contracted to be resold at the agreed-upon price plus interest charge on the specific date after transaction. The total resale amounts were $184,881, $0 and $230,066, respectively. The annual interest rates of every currency were as follows:

Currency	December 31, 2013	December 31, 2012
NTD	-	-
Foreign currencies(Note)	-0.10% ~ -0.3125%	-

Currency	January 1, 2012
NTD	0.76% ~ 0.78%
Foreign currencies(Note)	-

(Note)：Foreign currencies include USD and Euro.

B. The fair value of bonds purchased under resale agreements' collateral as of December 31, 2013, December 31, 2012 and January 1, 2012 were $173,043, $0, and $288,564, respectively.

5) Margin loans receivable

Margin loans receivable were secured by the securities purchased by customers under

margin loans. The annual interest rate was adjusted to 6.4% starting from November 1, 2012, and the annual interest rates before October 31, 2012 and the year 2011 were both 6.525%.

6) Customer margin account

	December 31, 2013	December 31, 2012
Bank deposit	$ 3,738,046	$ 4,745,807
Futures clearing house	842,846	599,076
Other futures commission merchant	333,105	284,022
Securities	3,437	8,757
Total	$ 4,917,434	$ 5,637,662

	January 1, 2012
Bank deposit	$ 4,437,339
Futures clearing house	529,092
Other futures commission merchant	267,214
Securities	1,162
Total	$ 5,234,807

The Group's re-consigned upstream future commission merchant for foreign futures trade, MF Global (S) Pte. Ltd., Taiwan branch's parent company has filed for bankruptcy protection in USA. As a result, the headquarters, MF Global (S) Pte. Ltd., also initiated the liquidation procedures on November 1, 2011. MF Global (S) Pte. Ltd. has transferred clients' subscriptions to other futures commission merchants and suspended the customer margin deposit account. As of December 5, 2013, self-owned capital amounting to USD6,177.08 and customer margin deposit amounting to USD1,562,222.52 were fully recovered with non-operating income amounting to USD128,182.44 recognized under other gains and losses.

7) Accounts receivable

	December 31, 2013	December 31, 2012
Accounts receivable - non related parties		
Settlement price receivable - brokers	$ 5,755,424	$ 4,044,062
Settlement price	937,251	789,721
Interest receivable	244,600	258,252
Settlement price receivable - dealer	1,363,971	336,023
Others	78,383	71,774
	$ 8,379,629	$ 5,499,832

	January 1, 2012
Accounts receivable - non related parties	
Settlement price receivable - brokers	$ 2,741,315
Settlement price	697,343
Interest receivable	349,976
Settlement price receivable - dealer	273,090
Others	72,457
	$ 4,134,181

8) Other receivables

	December 31, 2013	December 31, 2012
Other receivables-FX Swap	$ 101,870	$ 340,258
Interest receivables	30,220	25,173
Others	41,233	47,066
	$ 173,323	$ 412,497

	January 1, 2012
Interest receivables	$ 18,315
Others	64,939
	$ 83,254

9) Other current assets

	December 31, 2013	December 31, 2012
Pending settlements	$ 739,384	$ 674,122
Pledged time deposits	1,738,910	1,765,581
Deposits-in for foreign currency securities	579,598	1,184,108
Others	239,565	27,728
	$ 3,297,457	$ 3,651,539

	January 1, 2012
Pending settlements	$ 504,783
Pledged time deposits	1,899,223
Deposits-in for foreign currency securities	1,672,841
Others	21,199
	$ 4,098,046

10) Financial assets at cost – non-current

	December 31, 2013	December 31, 2012
Taiwan Depository & Clearing Corp.	$ 2,450	$ 2,450
Taiwan Futures Exchange	35,115	34,400
Hua Liu Venture Capital Corporation	17,391	17,391
Cathay Venture Capital I	1,408	13,608
Taiwan Integrated Shareholder Service Company	15,395	15,395
Total	$ 71,759	$ 83,244

	January 1, 2012
Taiwan Depository & Clearing Corp.	$ 2,450
Taiwan Futures Exchange	34,400
Hua Liu Venture Capital Corporation	32,174
Cathay Venture Capital I	13,608
Taiwan Integrated Shareholder Service Company	15,395
Total	$ 98,027

Assets above are measured at cost as the variability in the range of reasonable fair value estimate could vary significantly and the probabilities of the various estimates cannot be reasonably measured.

As of December 31, 2013 and 2012, investment values of certain investees above were impaired based on the Company's assessment. Details are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Cathay Venture Capital I	$ 5,600	$ -

11) Investments accounted for under the equity method

	December 31, 2013	December 31, 2012
Uni-President Assets Management Corp.	$ 401,608	$ 407,188

	January 1, 2012
Uni-President Assets Management Corp.	$ 385,300

B. The Group's share of its associates' profits or losses recognized in long-term equity investment accounted for under the equity method for the years ended December 31,
2013 and 2012 was $55,919 and $71,805, respectively.

C. The financial information of the Group's principal associates is summarized as follows:

	December 31, 2013		For the year ended December 31, 2013		December 31, 2013
	Assets	Liabilities	Revenue	Profit	% interest held
Uni-President Assets Management Corp.	$ 738,926	$ 128,270	$ 756,155	$ 143,500	38.69%

	December 31, 2012		For the year ended December 31, 2012		December 31, 2012
	Assets	Liabilities	Revenue	Profit	% interest held
Uni-President Assets Management Corp.	$ 765,698	$ 139,623	$ 602,487	$ 186,198	38.69%

	January 1, 2012		January 1, 2012
	Assets	Liabilities	% interest held
Uni-President Assets Management Corp.	$ 710,475	$ 141,604	38.69%

12) Property and equipment

	Land	Buildings	Equipment	Leasehold improvements	Total
January 1, 2013					
Cost	$ 1,680,129	$ 1,099,486	$ 268,470	$ 117,603	$ 3,165,688
Accumulated depreciation and impairment	-	(311,945)	(146,359)	(54,074)	(512,378)
Total	$ 1,680,129	$ 787,541	$ 122,111	$ 63,529	$ 2,653,310
From the year ended December 31, 2013					
January 1, 2013	$ 1,680,129	$ 787,541	$ 122,111	$ 63,529	$ 2,653,310
Additions	-	620	14,286	2,723	17,629
Disposals	-	-	(127)	(275)	(402)
Reclassifications	-	4,694	224	9,447	14,365
Depreciation	-	(32,436)	(48,437)	(20,779)	(101,652)
December 31, 2013	$ 1,680,129	$ 760,419	$ 88,057	$ 54,645	$ 2,583,250
December 31, 2013					
Cost	$ 1,680,129	$ 1,101,174	$ 246,315	$ 109,939	$ 3,137,557
Accumulated depreciation and impairment	-	(340,755)	(185,258)	(55,294)	(554,307)
Total	$ 1,680,129	$ 760,419	$ 88,057	$ 54,645	$ 2,583,250

January 1, 2012	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	$ 1,680,129	$ 1,107,662	$ 236,631	$ 85,463	$ 3,109,885
Accumulated depreciation and impairment	-	(288,355)	(121,077)	(43,195)	(452,627)
Total	$ 1,680,129	$ 819,307	$ 115,554	$ 42,268	$ 2,657,258
From the year ended December 31, 2012					
January 1, 2012	$ 1,680,129	$ 819,307	$ 115,554	$ 42,268	$ 2,657,258
Additions	-	1,350	36,820	1,790	39,960
Disposals	-	-	(193)	-	(193)
Reclassifications	-	-	17,559	39,787	57,346
Depreciation	-	(33,116)	(47,629)	(20,316)	(101,061)
December 31, 2012	$ 1,680,129	$ 787,541	$ 122,111	$ 63,529	$ 2,653,310
December 31, 2012					
Cost	$ 1,680,129	$ 1,099,486	$ 268,470	$ 117,603	$ 3,165,688
Accumulated depreciation and impairment	-	(311,945)	(146,359)	(54,074)	(512,378)
Total	$ 1,680,129	$ 787,541	$ 122,111	$ 63,529	$ 2,653,310

A. No interest was capitalized for property and equipment as of December 31, 2013 and 2012.

B. The information on property and equipment pledged or restricted as of December 31, 2013, December 31, 2012 and January 1, 2012 is described in Note 8.

13) Investment property

	Land	Buildings	Total
January 1, 2013			
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(17,871)	(17,871)
Total	$ 198,099	$ 89,205	$ 287,304
For the year ended December 31, 2013			
January 1, 2013	$ 198,099	$ 89,205	$ 287,304
Depreciation	-	(2,100)	(2,100)
December 31, 2013	$ 198,099	$ 87,105	$ 285,204
December 31, 2013			
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(19,971)	(19,971)
Total	$ 198,099	$ 87,105	$ 285,204

	Land	Buildings	Total
January 1, 2012			
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(15,771)	(15,771)
Total	$ 198,099	$ 91,305	$ 289,404
For the year ended December 31,			

	Land	Buildings	Total
2012			
January 1, 2012	$ 198,099	$ 91,305	$ 289,404
Depreciation	-	(2,100)	(2,100)
December 31, 2012	$ 198,099	$ 89,205	$ 287,304

December 31, 2012	Land	Buildings	Total
Cost	$ 198,099	$ 107,076	$ 305,175
Accumulated depreciation and impairment	-	(17,871)	(17,871)
Total	$ 198,099	$ 89,205	$ 287,304

A. For the years ended December 31, 2013 and 2012, rental income from the lease of the investment property was $17,247, and $16,491, respectively, and direct operating expenses arising from the investment property was $3,521, and $3,159, respectively. Direct operating expenses arising from investment property that did not generate rental income was $0 and $668, respectively, and relevant depreciation charge was $2,100.

B.The fair value of investment property held by the Group as of December 31, 2013,December 31, 2012 and January 1, 2012 was $619,647, $600,519, and $475,762, respectively, which were assessed by external valuation experts using comparison approach and income approach.

14) Other noncurrent assets

	December 31, 2013	December 31, 2012
Operation guaranteed deposits	$ 842,000	$ 842,000
Clearing and settlement fund	306,030	364,961
Refundable deposits	39,958	36,363
Deferred expenses	15,486	29,879
Prepaid pension expenses	42,433	1,037
Prepayment for equipment	21,251	3,959
	$ 1,267,158	$ 1,278,199

	January 1, 2012
Operation guaranteed deposits	$ 842,000
Clearing and settlement fund	505,941
Refundable deposits	57,997
Deferred expenses	33,579
Prepaid pension expenses	1,572
Prepayment for equipment	18,263
	$ 1,459,352

15) Short-term loans

	December 31, 2013	December 31, 2012
Secured loans	$ 1,124,485	$ 2,397,141
Unsecured loans	2,354,775	1,419,195
Total	$ 3,479,260	$ 3,816,336
Interest rates	0.95%~1.85%	1.01%~1.25%

	January 1, 2012
Secured loans	$ 2,106,490
Unsecured loans	1,514,397
Total	$ 3,620,887

	December 31, 2013	December 31, 2012
Secured loans	$ 1,124,485	$ 2,397,141
Unsecured loans	2,354,775	1,419,195
Total	$ 3,479,260	$ 3,816,336
Interest rates		0.95%~1.50%

16) Commercial papers payable

	December 31, 2013	December 31, 2012
Face value	$ 6,950,000	$ 2,000,000
Less: discount on commercial papers payable	(2,155)	(361)
Total	$ 6,947,845	$ 1,999,639
Interest rates	0.63%~0.77%	0.80%~0.875%

	January 1, 2012
Face value	$ 1,500,000
Less: discount on commercial papers payable	(219)
Total	$ 1,499,781
Interest rates	0.79%~0.87%

The commercial papers payable were secured by the bills-financing institutions and banks.

17) Financial liabilities at fair value through profit or loss - current

	December 31, 2013	December 31, 2012
Investments in bonds with resale agreements - short sales	$ 323,980	$ -
Valuation adjustment of financial assets held for trading	(2,557)	-
Subtotal	321,423	-
Liabilities on sale of borrowed securities - hedged	39,719	148,617
Valuation adjustment on liabilities on sale of borrowed securities - hedged	944	2,879
Liabilities on sale of borrowed securities - non-hedged	46,705	-
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	55	-
Subtotal	87,423	151,496
Liabilities on covering of bonds	397,889	-
Valuation adjustment on covering of bonds	(114)	-
Subtotal	397,775	-
Issuance of call (put) warrants	6,173,925	7,343,510
(Gain) loss on price fluctuation	281,463	(1,351,547)
Market value (A)	6,455,388	5,991,963
Warrants redeemed	(5,835,702)	(7,052,979)
(Gain) loss on price fluctuation	(331,026)	1,203,431

Market value (B)	(6,166,728)	(5,849,548)
Warrants - net (A+B)	288,660	142,415
Sell option - TAIFEX	11,660	28,005
Derivative financial liabilities - OTC	125,213	127,040
Total	$ 1,232,154	$ 448,956

	January 1, 2012
Liabilities on sale of borrowed securities - hedged	$ 178,567
Valuation adjustment on liabilities on sale of borrowed securities - hedged	(14,285)
Subtotal	164,282
Issuance of call (put) warrants	7,271,841
(Gain) loss on price fluctuation	(2,526,876)
Market value (A)	4,744,965
Warrants redeemed	(6,879,139)
(Gain) loss on price fluctuation	2,221,958
Market value (B)	(4,657,181)
Warrants - net (A+B)	87,784
Sell option - TAIFEX	1,201
Derivative financial liabilities - OTC	173,970
Total	$ 427,237

Among the warrants issued by the Group, except for contract-based warrants which are European-style warrants, all other warrants are American-style warrants. Warrants are stated as liabilities for issuance of warrants at issuance price prior to expiration. Upon repurchase of warrants after issuance, the repurchased amounts are recognized as warrants repurchase and charged as a deduction to liabilities for issuance of warrants. The warrants have six to twelve months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

18) Bonds sold under repurchase agreements

	December 31, 2013	December 31, 2012
Government bonds	$ 1,013,761	$ 4,513,568
Corporate bonds	-	220,000
Foreign bonds	5,258,354	3,246,145
Total	$ 6,272,115	$ 7,979,713

	January 1, 2012
Government bonds	$ 7,062,746
Corporate bonds	1,500,015
Foreign bonds	53,512
Total	$ 8,616,273

The above bonds sold under repurchase agreements as of December 31, 2013, December 31, 2012 and January 1, 2012 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after the transaction. The total repurchase amounts were $6,286,603 $7,987,973 and $8,618,119, respectively, and the annual interest rates in every currency were shown as follows:

Currency	December 31, 2013	December 31, 2012
NTD	0.58%~0.59%	0.60%~0.82%

Foreign currencies (Note)	0.05556%~3.31111%	0.19%~3.83%

Currency	January 1, 2012
NTD	0.65%~0.90%
Foreign currencies (Note)	1.22%

Note: Foreign currencies include AUD, EURO, and USD.

19) Accounts payable

	December 31, 2013	December 31, 2012
Settlement accounts payable - brokered trading	$ 6,460,821	$ 4,818,640
Settlement proceeds	650,318	383,690
Settlement accounts payable-operating	537,504	128,944
Accounts payable- foreign bonds	881,500	348,116
Others	67,995	50,222
Total	$ 8,598,138	$ 5,729,612

	January 1, 2012
Settlement accounts payable - brokered trading	$ 3,526,770
Settlement proceeds	237,274
Settlement accounts payable-operating	35,068
Others	22,930
Total	$ 3,822,042

20) Other payables

	December 31, 2013	December 31, 2012
Salary and bonus payable	$ 399,838	$ 427,200
Employees' bonus and directors' compensation payable	55,314	39,386
Other payables -Fx Swap	101,867	340,258
Others	394,267	332,140
	$ 951,286	$ 1,138,984

	January 1, 2012
Salary and bonus payable	$ 521,209
Employees' bonus and directors' compensation payable	18,160
Others	248,859
	$ 788,228

21) Other financial liabilities - current

	December 31, 2013	December 31, 2012
Equity-linked notes (ELN) - Options	$ 53,400	$ 41,600
Principal guaranteed notes (PGN) - fixed income	39,998	79,997
Total	$ 93,398	$ 121,597

	January 1, 2012
Equity-linked notes (ELN) - Options	$ 33,500

	December 31, 2013	December 31, 2012
Principal guaranteed notes (PGN) - fixed income		49,998
Total		$ 83,498

The Group deals in equity linked products and combines fixed income instruments with call or put options. These products are categorized into ELN (Equity-Linked Notes) and PGN (Principal Guaranteed Notes). On trade date, the contracted amounts are collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts and be calculated as trading price less option strike price on maturity. All the linked products are financial instruments under the supervision of the SFB (Securities and Futures Bureau).

22) Other liabilities-non-current

	December 31, 2013	December 31, 2012
Accrued pension obligations	$ 5,490	$ 11,161
Guarantee deposits received	2,912	4,846
Total	$ 8,402	$ 16,007

	January 1, 2012
Accrued pension obligations	$ 123,505
Guarantee deposits received	4,533
Total	$ 128,038

23) Pension plan

A. Defined benefit plans

(A) The Group has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 46 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Group contributes monthly an amount which ranges between 1.2% and 7.2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Under the defined benefit pension plan, the Group recognized the pension costs for the years ended December 31, 2013 and 2012 in the statement of comprehensive income in the amount of $6,226 and $9,394, respectively.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	December 31, 2012
Present value of funded obligations	$ 635,385	$ 616,290
Fair value of plan assets	(672,328)	(606,166)
Net liability (asset) in the balance sheet	($ 36,943)	$ 10,124

	January 1, 2012
Present value of funded obligations	$ 669,647
Fair value of plan assets	(547,714)
Accrued pension liability	$ 121,933

(C) Changes in the present value of defined benefit obligation are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Present value of defined benefit obligation at January 1	$ 616,290	$ 669,647
Current service cost	6,074	7,261
Interest cost	9,244	11,718
Actuarial gains and losses	7,806	(61,574)
Benefits paid	(4,029)	(10,762)
Present value of defined benefit obligation at December 31	$ 635,385	$ 616,290

(D) Changes in fair value of plan assets are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Fair value of plan assets at January 1	$ 606,166	$ 547,714
Expected return on plan assets	9,092	9,585
Actuarial losses	(1,951)	(4,619)
Employer contributions	63,050	64,248
Benefits paid	(4,029)	(10,762)
Fair value of plan assets at December 31	$ 672,328	$ 606,166

(E) Amounts of expenses recognized in comprehensive income statements are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current service cost	$ 6,074	$ 7,261
Interest cost	9,244	11,718
Expected return on plan assets	(9,092)	(9,585)
Current pension costs	$ 6,226	$ 9,394

Details of cost and expenses recognized in comprehensive income statements are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Operating expenses	$ 6,226	$ 9,394

(F) Actuarial gains and losses recognized in other comprehensive income are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Recognition for current period	$ 9,756	($ 56,955)
Accumulated amount	($ 47,199)	($ 56,955)

(G) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements

shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(H) The principal actuarial assumptions used were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Discount rate	2.00%	1.50%
Future salary increases	2.50%~3.00%	2.50%~3.00%
Expected return on plan assets	2.00%	1.50%

	For the year ended December 31, 2011
Discount rate	1.75%
Future salary increases	2.50%~3.00%
Expected return on plan assets	1.75%

(I) Historical information of experience adjustments was as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Present value of defined benefit obligation	$ 635,385	$ 616,290
Fair value of plan assets	(672,328)	(606,166)
(Surplus)/deficit in the contribution	($ 36,943)	$ 10,124
Experience adjustments on plan liabilities	($ 15,003)	($ 85,733)
Experience adjustments on plan assets	($ 1,951)	($ 4,619)

Assumptions regarding future mortality rate are set based on the Taiwan Standard Ordinary Experience Mortality Table (2011).

(J) Expected contributions to the defined benefit pension plans of the Group within one year from December, 2013 amounts to $63,509.

B. Defined contribution plans:

Effective from July 1, 2005, the Group established a defined contribution plan pursuant to the "Labor Pension Act", which covers employees with R.O.C. nationality and those who chose or are required to apply the "Labor Pension Act". The contributions are made monthly based on not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts. The employees can choose to receive such pension benefits monthly or in lump sum. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were $ 52,917 and $55,428, respectively.

C. President Securities (HK), President Wealth Management, and President Securities

(Nominee) have defined benefit pension plans in accordance with local laws, and recognized the current pension expenses by contributing to the accrued pension assets. President Securities (HK) recognized pension expenses of $2,094 and $1,493, respectively, for the years ended December 31, 2013 and 2012.

24) Equity

A. Common stock

As of December 31, 2013, the Company's authorized capital was $15,000,000 with a par value of $10 (in dollars) per share. As of December 31, 2013, December 31, 2012 and January 1, 2012, the common stocks issued were 1,323,119 thousand shares, 1,323,119 thousand shares, and 1,284,582 thousand shares, respectively, and the outstanding common stocks were 1,323,119 thousand shares, 1,323,119 thousand shares, and 1,284,582 thousand shares, respectively.

Because the beginning and the ending outstanding shares for the year ended December 31, 2013 were the same, there was no need to reconcile. For the difference between the beginning and ending outstanding shares for the year ended December 31, 2012, the Company increased its capital by capitalizing the unappropriated earnings by distribution of stock dividends amounting to $231,225, equivalent to 23,122 thousand shares, and the capital surplus amounting to $154,150, equivalent to 15,415 thousand shares as resolved by the stockholders at the stockholders' meeting dated June 22, 2012. The capital increase has been approved by the Securities and Futures Bureau of FSC with the effective date set on August 13, 2012.

B. Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided it should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

As of December 31, 2013 and 2012, components of the Company's capital surplus included share premium of $25,524, treasury share transactions of $230,152, and difference between proceeds from disposal of subsidiary and carrying amount of $440.

C. Legal reserve

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D. Special reserve

According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company had already accumulated a special reserve of at least 50% of its paid-in capital stock and only half

of such special reserve may be capitalized.

In accordance with the regulations, the Company shall set aside an equivalent amount of special reserve from accumulated unappropriated retained earnings of the current year based on the decreased amount of equity. If there is any subsequent reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.

25) Unappropriated earnings and dividends policy

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses first, and then set aside as legal reserve, accounted for as 10% of the remaining amount, and special reserve, accounted for as 20% of the remaining amount. Upon provision or reversal of special reserve in accordance with the law, any remaining amount together with unappropriated earnings at beginning of the period shall be distributed according to the following resolution adopted at the shareholders' meeting: 3% as directors' and supervisors' remuneration, 2% as employees' bonus, and 95% as dividends to shareholders. Distribution shall not be made if the balance of distributable earnings is less than 5% of paid-in capital.

B. In addition, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50% and cash dividends shall be lower than 50%.

C. The Company may determine a better proportion of cash and stock dividends distribution based on its actual operating conditions and capital utilization plan for the following year.

D. The Company's earnings distributions for 2012 and 2011 were resolved by the stockholders at the stockholders' meeting dated June 19, 2013 and June 22, 2012, respectively. Details are as follows:

	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 111,377		$ 56,690	
Special reserve	310,194		283,853	
Stock dividends	-		231,225	$ 0.18
Cash dividends	688,022	$ 0.52	-	
Total	$ 1,109,593		$ 571,768	

The Company distributed stock dividends from capital reserve of $0.12 per share, amounting to $154,150, equivalent to 15,415 thousand shares, as approved during the shareholders' meeting on June 22, 2012.

E. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the shareholders would be posted in the "Market Observation Post System" on the Taiwan Stock Exchange official website. With respect to the earnings distribution for 2012 as resolved by the stockholders, actual distributed amount for employees' bonus and directors' and supervisors' remuneration was $14,485 and $21,727, respectively, which were in agreement with those amounts accrued in 2012.

F. For the years ended December 31, 2013 and 2012, the accrued amounts for employees' bonus was $20,613, and $14,485, respectively; and the accrued amounts

for directors' and supervisors' remuneration was $30,919, and $21,727, respectively. Aforesaid amounts were estimated based on certain percentages (prescribed by the Company's Articles of Incorporation) of net income in the current period after taking into account the legal reserve and other factors, and were accrued as operating expenses for the years ended December 31, 2013 and 2012, respectively.

G. The earnings distribution for 2013 as resolved by the Board of Directors on March 26, 2014 is set forth below:

	2013	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 101,321	
Special reserve	202,641	
Special reserve	(286,895)	
Cash dividends	979,108	$ 0.74
	$ 996,175	

26) Brokerage handling fee revenue

	For the year ended December 31, 2013	For the year ended December 31, 2012
Revenues from brokered trading - TWSE	$ 917,230	$ 1,070,346
Revenues from brokered trading - OTC	290,161	227,847
Revenues from brokered trading - Futures	500,863	485,958
Others	95,897	77,393
Total	$ 1,804,151	$ 1,861,544

27) Revenues from underwriting business

	For the year ended December 31, 2013	For the year ended December 31, 2012
Revenues from underwriting securities on a firm commitment basis	$ 39,149	$ 33,272
Others	31,259	55,761
Total	$ 70,408	$ 89,033

28) Gain on trading of securities - dealer

	For the year ended December 31, 2013	For the year ended December 31, 2012
Dealer:		
- TAIEX	$ 507,859	$ 217,589
- OTC	261,149	55,078
- Overseas trading	80,326	98,324
Subtotal	849,334	370,991
Underwriters:		
- TAIEX	78,227	36,064
- OTC	25,608	28,604
Subtotal	103,835	64,668
Hedging:		
- TAIEX	11,468	(48,470)
- OTC	51,215	26,784
Subtotal	62,683	(21,686)
Total	$ 1,015,852	$ 413,973

With respect to information shown above, amounts recognized for trading of securities

generated from available-for-sale financial assets for the years ended December 31, 2013 and 2012 was $18,445 and $35,529, respectively.

29) Interest income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Interest income from margin loans	$ 641,549	$ 670,348
Interest income from bonds	144,551	191,433
Others	2,132	3,451
Total	$ 788,232	$ 865,232

30) Gain on valuation of securities - dealer

	For the year ended December 31, 2013	For the year ended December 31, 2012
Gain on sale of securities - dealer	$ 215,932	($ 6,916)
Gain on sale of securities - underwriting	89,728	35,576
Gain on sale of securities - hedging	(2,686)	46,060
	114	-
Total	$ 303,088	$ 74,720

31) Gain on covering of borrowed securities and bonds with resale agreements - short sales

	For the year ended December 31, 2013	For the year ended December 31, 2012
Gain from the bond investments under resale agreements	$ 77,183	$ 773
Gain from securities borrowing transactions - warrants	4,665	3,328
Loss from covering - warrants	(7,661)	(5,929)
Gain from securities borrowing transactions - dealer	20,796	4,434
Total	$ 94,983	$ 2,606

32) Valuation gain or loss on borrowed securities and bonds with resale agreements - short sales

	For the year ended December 31, 2013	For the year ended December 31, 2012
Valuation gain from the bond investments under resale agreements	$ 2,558	$ -
Valuation (loss) gain from securities borrowing transactions - dealer	(55)	15,297
Valuation loss from securities borrowing transactions - warrants	(1,031)	(13,700)
Valuation gain (loss) from covering - warrants	2,966	(18,761)
Total	$ 4,438	($ 17,164)

33) Gain on warrants issuance

	For the year ended December 31, 2013	For the year ended December 31, 2012
Gain on changes in fair value of call (put) warrant liabilities and redemption	$ 120,886	$ 135,955

Loss on exercise of call (put) warrants before maturity	(52,030)	(27,140)
Expenses arising out of issuance of call (put) warrants	(51,308)	(28,559)
Total	$ 17,548)	$ 80,256

34) Gain on derivative financial instruments

	For the year ended December 31, 2013	For the year ended December 31, 2012
Futures contract gains	$ 426,275	$ 520,977
Option trading losses	(230,502)	(104,392)
Gain (loss) from asset swap options	8,192	(53,540)
Others	2,955	(12,863)
	$ 206,920	$ 350,182

35) Other operating income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Income from securities lending	$ 20,546	$ 49,330
Revenue from providing agency service for stock affairs	72,675	80,329
Handling fee revenues from funds	36,981	36,931
Dividend income	128,735	157,282
Others	48,761	40,839
Total	$ 307,698	$ 364,711

36) Handling charges

	For the year ended December 31, 2013	For the year ended December 31, 2012
Brokerage handling fee expense	$ 169,753	$ 178,311
Dealer handling fee expenses	105,389	76,766
Refinancing processing fee expense	1,023	1,409
Total	$ 276,165	$ 256,486

37) Financial expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Repurchase agreement interest	$ 42,253	$ 72,643
Loans interest	72,753	66,502
Other interests	11,832	12,215
Total	$ 126,838	$ 151,360

38) Employee benefits

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries	$ 1,466,376	$ 1,441,422
Labor and health insurance	103,840	98,773
Pension	61,236	66,870
Other employee benefits	82,252	74,652
Total	$ 1,713,704	$ 1.681,717

39) Depreciation and amortization

	For the year ended	For the year ended

	December 31, 2013	December 31, 2012
Depreciation	$ 103,752	$ 103,161
Amortization	10,795	8,369
Total	$ 114,547	$ 111,530

40) Other operating expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Rentals	$ 115,513	$ 119,734
Taxes	328,935	257,438
Computer information expenses	154,005	152,705
Others	386,435	411,836
Total	$ 984,888	$ 941,713

41) Other gains and losses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Financial income	$ 144,364	$ 143,423
Gains (losses) on disposal of investments	18,818	(13,874)
Valuation (losses) gains from open-end funds and money market instruments	(3,850)	82,604
Net currency exchange gains (losses)	(24,262)	124,925
Other non-operating revenues and gains	84,795	122,672
Total	$ 219,865	$ 459,750

42) Income tax

A. Income tax expense

a)Components of income tax expense:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current tax:		
Current tax on profits for the periods	$ 121,555	$ 99,771
Over provision of prior year's income tax	2,210	17,073
Prior year income tax underestimation	(95)	91
Total current tax	123,670	116,935
Deferred taxes:		
Temporary differences	364	15,657
Total deferred taxes	364	15,657
Income tax expense	$ 124,034	$ 132,592

b)The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Actuarial gains (losses) on defined benefit obligations	($ 1,659)	$ 9,682

B.Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Tax calculated based on profit before tax and statutory tax rate	$ 273,176	$ 238,900
Effects from items disallowed by tax	5,306	1,327

	For the year ended December 31, 2013	For the year ended December 31, 2012
regulation		
Prior year income tax underestimation	2,210	17,073
Effects from tax exempt income	(212,157)	(124,799)
Minimum tax	55,594	-
Offshore income tax payment (refund)	(95)	91
Income tax expense	$ 124,034	$ 132,592

C. Deferred income tax assets or liabilities arising from temporary differences, loss carryforwards, and investment tax credits are as follows:

	For the year ended December 31, 2013			
	January 1	Items recognized in profit or loss	Items recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Bad debts expense	$ 13,286	$ -	$ -	$ 13,286
Others	24,851	13,550	1,779	40,180
Subtotal	$ 38,137	$ 13,550	$ 1,779	$ 53,466
Deferred income tax liabilities				
Others	($ 176)	($ 13,914)	($ 120)	($ 14,210)
Subtotal	($ 176)	($ 13,914)	(120)	(14,210)
Total	$ 37,961	($ 364)	$ 1,659	$ 39,256

	For the year ended December 31, 2012			
	January 1	Items recognized in profit or loss	Items recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Bad debts expense	$ 13,286	$ -	$ -	$ 13,286
Others	51,015	(16,387)	(9,777)	24,851
Subtotal	$ 64,301	($ 16,387)	($ 9,777)	$ 38,137
Deferred income tax liabilities				
Others	($ 1,001)	$ 730	$ 95	($ 176)
Subtotal	(1,001)	730	95	(176)
Total	$ 63,300	($ 15,657)	($ 9,682)	$ 37,961

D. As of December 31, 2013, the Company's income tax returns through 2011 have been assessed by the National Tax Authority. Income tax returns of the subsidiaries, President Futures, President Capital Management, President Personal Insurance Agency and President Insurance Agency have also been assessed through 2011.

E. Unappropriated earnings

	December 31, 2013	December 31, 2012
1998 and onwards	$ 1,013,206	$ 766,885
		January 1, 2012
1998 and onwards		$ 122,078

F. Imputation tax system

a) As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of

the imputation tax credit account and the creditable tax rate are $640,034, $723,179, and $681,267, respectively.

b) Creditable tax rate = balance of imputation credit account / cumulative unappropriated balance of account

The imputation tax credit rate based on the appropriation of 2011 earnings was 21.07% in 2012; the imputation tax credit rate based on the appropriation of 2012 earnings is estimated to be 20.48% in 2013.

G. With respect to the income tax returns of the Company for 2008, 2010 and 2011, the Tax Authority assessed to increase income tax payable by $18,779. However, the Company disagreed with the assessments and had filed for administrative litigation. Moreover, the Company had recognized the income tax expense relating to the additional income tax payable.

43) Earnings per share

	For the year ended December 31, 2013		
	After tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 1,361,715	1,323,119	$ 1.03
Dilutive effect of common stock equivalents			
Employee bonus	-	1,165	
Diluted earnings per share	$ 1,361,715	1,324,284	$ 1.03

	For the year ended December 31, 2012		
	After tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
Basic earnings per share			
Net income attributable to common shareholders	$ 1,170,034	1,323,119	$ 0.88
Dilutive effect of common stock equivalents			
Employee bonus	-	857	
Diluted earnings per share	$ 1,170,034	1,323,976	$ 0.88

7. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

Names of related parties	Relationship with the Company
UNI-President Enterprises Corp.	Major shareholder
Uni-President Assets Management Corp.	Majority-owned subsidiory
President Chain Store Corp. (PCSC)	Affiliate company
President Pharmaceutical Corporation	Affiliate company
Ton Yi Industrial Corp.	Affiliate company

Names of related parties	Relationship with the Company
President Tokyo Co., LTD.	Affiliate company
Ttet Union Corp.	Affiliate company
Prince Housing & Development Corp.	Affiliate company(Note)

Note: The general manager of UNI-President Enterprises Corp. became the director of Prince Housing & Development Corp. on June 18, 2013. Indirectly, the Group was the related party in substance with Prince Housing & Development Corp. mutually.

2) Significant related party transactions and balances

A. Handling charge revenue from sales of funds on behalf of others

Associates:	For the year ended December 31, 2013	For the year ended December 31, 2012
Uni-President Assets Management Corp.	$ 34,799	$ 34,453

The revenues were collected on a monthly basis in accordance with contract terms.

B. Rent revenue

	Period	Deposit	For the years ended December 31 2013	2012
Associates:				
Uni-President Assets Management Corp.	2011.05.01~2014.06.30	$ 512	$ 8,177	$ 8,177
Other related party				
President Pharmaceutical Corp.	2012.08.01~2015.07.31	110	5,880	4,556
President Tokyo Co., Ltd.	2012.04.01~2015.03.31	-	6,533	6,528
Others	2013.01.01~2014.09.30	-	547	711
			$ 21,137	$ 19,972

C. Stock custodian income

	For the year ended December 31, 2013	For the year ended December 31, 2012
Other related party:		
Uni-President Enterprise Corp.	$ 3,481	$ 3,726
Prince Housing & Development Corp.	2,441	2,289
President Chain Store Corp. (PCSC)	1,708	1,799
Others	7,636	5,934
	$ 15,266	$ 13,748

D. Purchases of trading securities – dealer

	December 31, 2013 Ending Shares	Ending Balance	For year ended December 31, 2013 Gain (loss)
Other related parties：			
UNI-President Enterprises Corp.	431	$ 22,213	($ 1,328)
Ton Yi Industrial Corp.	37	1,154	9,882
President Chain Store Corp.	22	4,546	102
Ttet Union Corp.	-	-	(68)
Prince Housing & Development Corp.	-	-	(1,264)
Total		$ 27,913	$ 7,324

	December 31, 2012 Ending Shares	Ending Balance	For year ended December 31, 2012 Gain (loss)
Other related parties：			

UNI-President Enterprises Corp.	1,010	$ 53,425	$ 5.332
Ton Yi Industrial Corp.	-	-	(174)
President Chain Store Corp.	-	-	1,166
Prince Housing & Development Corp.	-	-	(57)
Total		$ 53,425	$ 6,267

E. Compensation of key management personnel

The compensation of key management such as directors, supervisors, general managers, vice general managers were as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salary and short-term employee benefits	$ 107,634	$ 125,851
Retirement benefits	1,728	1,729
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$ 109,362	$ 127,580

8. PLEDGED ASSETS

The Company's assets pledged or restricted for use were as follows:

Assets	December 31, 2013	December 31, 2012	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	$ -	$ 220,000	Securities for bonds sold under repurchase agreements
- Government bonds	917,100	4,135,800	Securities for bonds sold under repurchase agreements
- Overseas bonds	5,640,689	3,697,422	Securities for bonds sold under repurchase agreements
Financial assets at fair value through profit or loss-non-current (par value)			
- Government bonds	50,000	50,000	Trust fund deposit-out
Restricted assets:			
- Demand deposits	239,489	27,648	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	1,738,910	1,765,581	Securities for short-term loans and guarantees for issuance of commercial papers
Property and equipment			
- Land and buildings (book value)	1,333,347	1,341,028	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	842,000	842,000	Security deposits
- Clearing and settlement fund	306,030	78,000	Security deposits
Investment property			
- Land and buildings (book value)	37,935	38,177	Securities for short-term loans and guarantees for issuance of commercial papers

Assets	January 1, 2012	Purposes

Assets	December 31, 2013	December 31, 2012	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	$	1,500,000	Securities for bonds sold under repurchase agreements
- Government bonds		6,408,000	Securities for bonds sold under repurchase agreements
- Overseas bonds		60,550	Securities for bonds sold under repurchase agreements
Financial assets at fair value through profit or loss-non-current (par value)			
- Government bonds		50,000	Trust fund deposit-out
Restricted assets:			
- Demand deposits		20,895	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits		1,899,223	Securities for short-term loans and guarantees for issuance of commercial papers
Property and equipment			
- Land and buildings (book value)		1,351,710	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits		842,000	Security deposits
- Clearing and settlement fund		78,000	Security deposits
Investment property			
- Land and buildings (book value)		38,418	Securities for short-term loans and guarantees for issuance of commercial papers

9. SIGNIFICANT COMMITMENTS

None.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

12. INFORMATION ON THE FAIR VALUES AND HIERARCHY OF THE FINANCIAL INSTRUMENTS

B. Fair values of the financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bonds purchased under resale agreements, margin loans receivable, refinancing guaranty deposits, guaranteed proceeds receivable from refinancing, guaranteed price deposits for security borrowing, security borrowing deposits, customer margin deposit account, notes and accounts receivable, other receivables, other assets-current, short-term loans, commercial paper payable, bonds sold under repurchase agreements, guarantee deposit received from short sales, guaranteed price deposits received from securities borrowers, security borrowing deposits, equity of futures traders, accounts payable, collection for others, and other payables) approximate their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(2).

	December 31, 2013

	Book value	Fair value
Other financial assets	$ 4,485,369	$ 4,485,369
Other financial liabilities	$ 93,398	$ 93,398

	December 31, 2012	
	Book value	Fair value
Other financial assets	$ 4,894,783	$ 4,894,783
Other financial liabilities	$ 121,597	$ 121,597

	January 1, 2012	
	Book value	Fair value
Other financial assets	$ 5,503,680	$ 5,503,680
Other financial liabilities	$ 83,498	$ 83,498

2)Fair value hierarchy of the financial instruments

A. Definitions for the hierarchy classifications of financial instruments measured at fair value

(A)Level 1

That is the quoted prices in active markets for identical assets or liabilities. An active market has to satisfy all the following conditions:

a. The products traded in the market share a common nature; and

b. The willing buying and selling parties can be readily found in the market and the prices are observable for the public. The fair value of the investments of the Group, such as listed stocks investment, bonds with a quoted price in an active market, are deemed as level 1.

(B)Level 2

Inputs, other than quoted prices in active market, are those observable prices, either directly or indirectly in an active market. Investments of the Group such as non-popular government bonds, corporate bonds, financial bonds, convertible corporate bonds, currency swaps, interest rate swaps, options, asset swaps, and most derivatives are all classified within level 2. For the years ended December 31, 2013 and 2012, there was no significant transfer of financial instruments between Level 1 and Level 2.

(C)Level 3

Input for the asset or liabilities that is not based on observable market data. There is no financial instrument in level 3.

B. For financial instruments held for trading purposes which are classified as non-derivative instruments, their fair values are based on their quoted prices in an active market. For those classified as derivative instruments, their fair values are based on their market prices if their quoted prices are available from an active market. However, if they have no quoted prices in an active market, their fair values are determined based on the amounts to be received or paid assuming that the contracts are settled as of the reporting date.

C. When available-for-sale financial assets have quoted market prices available in an active market, the fair value is determined using the market price. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. Estimates and assumptions of valuation technique adopted by the Group are in agreement with the information of estimates and assumptions adopted by market users for financial instrument pricing and the said information shall be accessible to the Group.

D.Hierarchy of fair value estimation of financial instruments

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 6,106,643	$ 5,959,474	$ 147,169	$ -
Bond investments	11,370,027	10,266,708	1,103,319	-
Others	723,569	583,566	140,003	-
Available-for-sale financial assets	349,870	349,870	-	-
Financial assets at fair value through profit or loss -noncurrent	50,174	-	50,174	-
Liabilities				
Financial liabilities at fair value through profit or loss	806,621	806,621	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	1,513,960	1,470,735	43,225	-
Liabilities				
Financial liabilities at fair value through profit or loss-noncurrent	425,533	300,320	125,213	-

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 2,828,021	$ 2,760,403	$ 67,618	$ -
Bond investments	12,433,841	8,649,033	3,784,808	-
Others	902,117	743,123	158,994	-
Available-for-sale financial assets	218,050	218,050	-	-

Financial assets at fair value through profit or loss-noncurrent	50,885	-	50,885	-
Liabilities				
Financial liabilities at fair value through profit or loss	151,496	151,496	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	1,627,215	1,571,947	55,268	-
Liabilities				
Financial liabilities at fair value through profit or loss-noncurrent	297,460	170,420	127,040	-

	January 1, 2012			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	$ 1,698,429	$ 1,485,721	$ 212,709	$ -
Bond investments	11,448,699	5,061,629	6,387,070	-
Others	592,968	484,735	108,233	-
Available-for-sale financial assets	746,733	746,733	-	-
Financial assets at fair value through profit or loss-noncurrent	51,635	-	51,635	-
Liabilities				
Financial liabilities at fair value through profit or loss	164,282	164,282	-	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss-current	1,680,588	1,524,614	155,974	-
Liabilities				
Financial liabilities at fair value through profit or loss-noncurrent	262,955	88,985	173,970	-

13. MANAGEMENT OBJECTIVE AND POLICY OF FINANCIAL RISKS

1) Summary

A. Risk management objective

The Group continually strengthens risk culture to every employee and makes sure that the Group can actively develop various businesses under a healthy and effective risk management system. At the same time, by creating value of an entity and continually increasing profit, profit maximization may be achieved within appropriate risk

tolerance.

B. Risk management system

Risk management system is to ensure that the Group is actively engaged in development of various businesses under a healthy and effective system and continually increases profit and creates company value to achieve maximization of capital return under an appropriate risk tolerance.

The Group' s risk management system covers risks incurred from businesses in and off the balance sheet, such as market risk, credit risk, liquidity risk, operating risk, legal risk, model risk which are all included in the risk management.

C. Risk management organization

Risk management organization: Board of Directors, Risk Management Committee, Risk Control Office, Business units and other related segments (such as Office of Auditing, Office of General Manager, Compliance segment, Legal segment and Finance segment) are in charge of planning, supervising and execution.

(A) The Board of Directors should ensure the effectiveness of risk management and be responsible for the ultimate result and the following duties:

a. To establish proper risk management system, operating process, and risk management culture in the Group with allocation of necessary resource for better execution and operation

b. Policy of risk management review

c. Review and approval of business application, transaction authorization and risk limit

(B) The Risk Management Committee reports to the Board of Directors and is responsible for the following:

a. Review risk management policy

b. Review the highest risk tolerance

c. Submit regular report to the Board of Directors in relation to the risk management status of the whole Group

(C) The General Manager supervises daily risk management of the whole Group and is responsible for the following:

a. Supervise and monitor daily risk management of the whole Group

b. Approval of management exceptions

(D) Assets and liabilities committee reports to the General Manager and is responsible for the following:

a. Set up the ultimate guidelines for assets and liabilities management of the whole Group

b. Analyze and control the whole Group's assets and liabilities portfolio

c. Approval of various businesses' quotas

d. Gather and analyze information on domestic and offshore interest rate, exchange rate, prosperity fluctuation, political and economic environmental changes, and predict the financial trend in the future

(E) Risk Control Office implements risk management policy and related regulations and reports to the Risk Management Committee. Risk Control Office also reports daily risk management to the General Manager and is responsible for the following:

a. Establish Risk Management Policy of the whole Group

b. Develop effective method for measurement and risk management in an entity

c. Review risk management system of business units

d. Generate risk report through information gathering and consolidation
e. Analyze various business risks and report to the General Manager
f. Report the risk management situation to the Risk Management Committee according to a meeting's nature and needs
g. Carry out duties as designated by the Risk Management Committee and control risks of business units

(F) Auditing Office is responsible for the following:
a. Execute operating risk control
b. Include the risk management system into internal audit program and carry out the daily audit schedule.
c. Assess the effectiveness of internal control and verify the executed result.

(G) Compliance segment and legal segment under the Office of General Manager are responsible for the following:
a. Compliance segment should make sure that the business operation and risk management system are in compliance with relevant regulations.
b. Legal segment is responsible for legal risk control

(H) Finance segment is responsible for the followings:
a. Verify the correctness of position information and reasonability of profit and loss calculation.
b. Control and analyze self-owned capital adequacy ratio.
c. Analyze the appropriateness of structures of the assets and liabilities.

(I) Business units are responsible for the following:
a. Set up risk management details of various businesses according to the risk management policy and other related regulations.
b. Provide sufficient position information and risk control information to the Risk Control Office.

D. Risk management policy

In order to ensure the wholeness of risk management system, run the balancing mechanism of risk management, and improve the division efficiency of risk management, the Group sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Group and enable every layer of the Group engaged in different tasks to identify, evaluate, monitor, and control various risks with establishment of consistent compliance rules for risks of each business so that the risks can be controlled within the limits set in advance.

Risk management processes include risk identification, risk evaluation, risk supervision and various risk control. Each kind of risk evaluations and responding strategies are described as follows:

(A) Market risk management

The Group has implemented risk management information system (Risk Manager) in relation to market risk control. All trading positions of the Group have been included in the daily risk control system for the calculation of Value at Risk (VaR). Limit exceeding indicators are mainly the nominal principal, stop-loss, sensitivity (Greeks) and VaR. The risk management report is presented on a daily basis for implementation of regular control and limit exceeding handling procedures.

(B) Credit risk management

In relation to risk control, the quantitative model of default rate adopts KMV

model to calculate the default rate of issuers with credit exposure of the issuing company and the trading counterparties, and credit risk of securities disclosed in the report. The credit exposure is mitigated through regular review of credit status.

(C) Fund liquidity risk

Unit in charge of fund procurement regularly predicts future fund demand and supply, and consolidates company guarantee or endorsement and capital lending businesses to monitor the condition of fund procurement on a daily basis.

E. Hedging and risk-offsetting strategy

(A) Policies of hedging and risk mitigating are parts of the Group's risk management policies, and the hedging position and hedged trading position are supposed to be one portfolio, of which the gain and loss and risk information are measured on a consolidated basis.

(B)The overall position (hedging position and trading position) is included in the daily risk management system to calculate Value at Risk and other relevant information. Limit exceeding indicators mainly include nominal principal, stop-loss point, price sensitivity and VaR. With the presentation of daily risk management report, routine control and limit exceeding treatment can be executed.

2) Credit risk

A. Source and definition of credit risk

The credit risks exposed to the Group as a result of engagement in financial transactions include issuer's credit risk, credit risk of counterparty and credit risk of underlying assets:

(A) Credit risk of the issuer refer to the financial debt instruments held by the Group fails to repay its obligation due to the fact that the issuer breaches the contract resulting the risk of financial loss occurred to the Group.

(B) Credit risk of counterparty refers to risk of financial loss to the Group arising from default by the counterparty of financial instruments on the settlement or payment obligation.

(C) Credit risk of the underlying assets happens when the credit rating of the underlying assets linked to the financial instrument is downgraded by the rating agency or when the losses occur as a result of contract default.

The financial assets held by the Group which could result in credit risk include bank deposit, debt securities, derivatives transactions in OTC, bonds purchased/sold under resale/repurchase agreements, refundable deposit of securities lending, futures trade margins, other refundable deposits and receivables.

B. Maximum credit risk exposure and credit risk concentration

The maximum exposure to credit risk of financial assets in the consolidated balance sheet, without consideration of the collateral or other credit strengthening instruments, is equivalent to the carrying amount. In Taiwan, the sources of credit risk of the Group are primarily resulted from cash deposited with banks or other financial institutions, debt securities issued or guaranteed by a bank, derivative instruments transaction underwritten by the Group, and all counterparties of customer margin deposits accounts being financial institutions. Credit risks of various financial assets are as follows:

(A)Cash and cash equivalent

Cash and cash equivalent include time deposit, demand deposits, checking

deposits and short-term bills. Correspondent institutions are mainly domestic financial institutions.

(B) Financial assets at fair value through profit and loss -current

a.Fund

The funds held by the Group are bond funds. As the positions held are not significant, credit risk is deemed low.

b.Debt securities

Debt securities are mainly positions like government bonds, convertible corporate bonds and foreign bonds and the issuers are primarily R.O.C. government, domestic and foreign legal entities. Details are as follows:

(a)Bonds

The bonds held by the Group are mostly government bonds (inclusive of central and local government). As a whole, the credit risk of the bonds held by the Group is low.

(b)Convertible corporate bond

The convertible corporate bonds held by the Group are mostly issued by the domestic legal entities. The Group mitigates highly risky credit exposure of the issuers by control through TCRI. Currently, no highly risky convertible corporate bonds are held.

(c)Foreign bonds

The foreign bonds held by the Group are mainly underlying investment with good credit rating and those with rating above (S&P BB).

c.Derivatives- futures trade margin

When engaging in futures trades in stock exchange market, the Group needs to deposit margin into a margin deposit account of a financial institution designated by the futures merchants as a guarantee to fulfill contractual obligation in the future. As a result, the credit risk is remote.

d.Derivatives-OTC

The Group signs ISDA with each counterparty when engaging in OTC derivatives as an agreement regarding such transactions for both parties. In the agreement, it provides a fundamental contractual model for OTC derivative transactions. If any party breaches the contract or terminate the transactions early, then all the open interest covered in the agreement should be settled by net amount as bound in the contract. When the ISDA is signed, the Credit Support Annex (CSA) is also signed. According to CSA, collateral will be transferred from a party to the other during transaction process to mitigate the risk of counterparty in open interest.

Types of OTC derivative transactions in which the Group is engaged include interest rate swap and swap transaction. The counterparties are all from financial service industry and mainly located in Taiwan.

e.Bonds investment under a resale agreement

Bonds sold under a resale agreement are the bonds that the client sold to the Group at a price, interest rate, length of period as agreed by two parties and the client shall repurchase the bonds at the specified price upon maturity. The Group needs to assume credit risk from counterparties when underwriting such business, as the payment being delivered to the other party. With consideration of good collateral obtained, the net of credit risk exposure from counterparties can be effectively reduced. As all the counterparties are financial institutions with good

credit rating, the credit risks from counterparties are extremely low.

f.Margin loans receivable

Margin loans receivable are the loans provided to the client in order to process businesses of margin trading and short sale using the securities purchased through financing as collateral. The Group monitors the clients' margin ratio through information system on a daily basis. As the margin ratio of margin trading is set at 120% according to Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, the credit risk is extremely low.

g.Guaranteed price for securities lending

Guaranteed price for securities lending is the sale price of the Group's securities sold by other securities firms through margin trading after deduction of securities transactions tax and service fee, which is deposited in other securities firms as collateral. As all the counterparties are financial institutions with good credit rating, the credit risk from counterparties is extremely low.

h.Refundable deposits for securities lending

Refundable deposits for securities lending are the margins deposited in other securities firm as collateral when the Group's securities are sold. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.

i.Receivables

Receivables are the credit rights arising from the securities business including settlement receivables of consignment trading, settlement receivables of operating securities sold, financing interest receivables of self-operating credit transaction, and receivables of consignment trading for securities. As the majority of the Group's receivables from the consignment businesses and self-operating businesses are settlement of securities from OCT or TWSE, the credit risk is extremely low.

j.Other receivables

Other receivables are the receivables primarily from banks' underwriting on foreign exchange transactions and foreign fund demand, interest receivable from self-owed bonds position, and financing interest receivable from brokerage business. As the foreign exchange transactions are simply the receipt or payment of different currencies and the correspondent banks are of good credit rating, the credit risk is extremely low. Also, since the self-owed bond positions are government bonds or domestic and foreign bonds with credit rating of BBB or above, the credit risks from counterparties are low. As to the financing interest receivable of credit transactions from brokerage business, with strict control over overall margin ratio of credit transactions and regular impairment assessment, the overall credit exposure is extremely low.

k.Other current assets

Other current assets are mainly the collateral deposited in the bank for application for short-term debt limit and guarantee for application for issuance of commercial papers. As the correspondent banks are all financial institutions with good credit rating, the credit risk is extremely low.

l.Financial assets at fair value through profit and loss – non-current

In order to underwrite trust business, the Group deposits central government bonds in the Central Bank as collateral. Regardless of the bonds themselves or

the financial institutions where the bonds deposited, the credit risk is extremely low.

m.Other non-current assets

Other non-current assets mainly comprise operating guarantee deposits, settlement funds, and refundable deposits. Operating guarantee deposits are mainly deposited in domestic banks with good credit rating. Settlement funds are deposited in securities exchange. Settlement funds are used as compensation when a party to a marketable securities transaction fails to fulfill the settlement obligation. The credit risks from the institutions where these two assets are deposited are extremely low. The refundable deposits refer to cash or other assets which are deposited externally by the Group and can be used as refundable deposits. Because deposits are placed in various financial institutions and each deposit amount is small, the credit risk is dispersed and the credit exposure of overall refundable deposit is extremely low.

C. Credit quality rating

The Group' s internal credit rating can be categorized into low risk, medium risk and high risk. Definition of each rating is as follows:

(A) Low risk: a company or the underlying position is capable of fulfilling the financial commitment to a stable extent even when facing with a significant uncertain factor or being exposed to adverse condition.

(B) Medium risk: a company or the underlying position's capability to fulfill the financial commitment is weak. Any adverse operation, financial or economic movement shall further weaken its ability to fulfill the financial commitment.

(C) High risk: a company or the underlying position's capability to fulfill the financial commitment is uncertain. The capability to fulfill the financial commitment shall be determined by whether the operating environment and financial position are favorable.

(D) Impairment: a company or the underlying position fails to fulfill its obligation and the potential impairment assessed has reached the standard for recognition.

The Group uses internal and external credit rating as specified in below table. In the table below, above-mentioned two credit ratings are not directly correlated. They are mainly used to represent the similarity of credit quality. The internal credit rating is based on credit rating of Taiwan Ratings and TCRI. Default rate of certain foreign bonds is calculated using bond pricing method. The credit risk classification and management are based on historical default rate (1 year).

Internal credit rating	Credit rating of Taiwan Ratings	Credit rating of TCRI	Historical default rate (1 year)
Low risk	twAAA ~twBBB-	1~4	0.03%~1.21%
Medium risk	twBB+ ~ twBB	5~6	1.21%~5.10%
High risk	twBB- ~ twC	7~9	5.10%~26.85%
Impairment	D	D	-

The Group has classified financial assets into three categories based on the credit quality including normal asset, assets overdue but not impaired and impaired assets:

The table of the credit quality of financial assets

As of December 31, 2013:

	Normal assets					
Financial assets	Low risk	Medium risk	High risk	Impaired	Provisions	Total
Cash and cash equivalents	$ 5,287,172	$ 312	$ -	$ -	$ -	$ 5,287,484
Financial assets at fair value through profit or loss – current						
Open-end mutual funds beneficiary certificates and money market instruments	415,450	-	-	-	-	415,450
Debt security investments	10,522,873	829,432	17,722	-	-	11,370,027
Buy Option – TAIFEX	9,185	-	-	-	-	9,185
Derivative instruments-Futures Margin	1,461,550	-	-	-	-	1,461,550
Derivative instruments-OTC	43,225	-	-	-	-	43,225
Bonds purchased under resale agreements	184,897	-	-	-	-	184,897
Margin loans receivable	11,516,164	-	-	-	-	11,516,164
Refinancing security deposits	24,695	-	-	-	-	24,695
Receivables from refinance guaranty	59,634	-	-	-	-	59,634
Customer margin account	4,917,434	-	-	-	-	4,917,434
Receivables from security lending	29,993	-		-	-	29,993
Security lending deposits	49,617	-	-	-	-	49,617
Notes receivable	3,360	-	-	-	-	3,360
Accounts receivable	8,379,629	-	-	-	-	8,379,629
Other receivables	173,323	-	-	-	-	173,323
Other current assets	3,297,457	-	-	-	-	3,297,457
Financial assets at fair value through profit or loss – non current	50,174	-	-	-	-	50,174
Other assets – non current	1,187,988	-	-	-	-	1,187,988
Total	$ 47,613,820	$ 829,744	$ 17,722	$ -	$ -	$ 48,461,286

The table of the credit quality of financial assets

As of December 31, 2012:

	Normal assets			Past due but		
	Low risk	Medium risk	High risk	not impaired	Impaired	Total
Cash and cash equivalents	$ 4,933,168	$ 258	$ -	$ -	$ -	$ 4,933,426
Financial assets at fair value through profit or loss – current						
Funds	416,468	-	-	-	-	416,468
Debt security investments	12,205,657	387,178	-	-	-	12,592,835
Buy Option – TAIFEX	12,627	-	-	-	-	12,627
Derivative instruments-Futures Margin	1,559,320	-	-	-	-	1,559,320
Derivative instruments-OTC	55,268	-	-	-	-	55,268
Bonds purchased under resale agreements	-	-	-	-	-	-
Margin loans receivable	9,772,570	-	-	-	-	9,772,570
Refinancing security deposits	374	-	-	-	-	374
Receivables from refinance guaranty	12,901	-	-	-	-	12,901
Customer margin account	5,637,662	-	-	-	-	5,637,662
Receivables from security lending	45,803	-		-	-	45,803
Security lending deposits	41,382	-	-	-	-	41,382
Notes receivable	1,674	-	-	-	-	1,674
Accounts receivable	5,499,832	-	-	-	-	5,499,832
Other receivables	412,497	-	-	-	-	412,497
Other current assets	3,651,539	-	-	-	-	3,651,539
Financial assets at fair value through profit or loss – non current	50,885	-	-	-	-	50,885
Other assets – non current	1,243,324	-	-	-	-	1,243,324
Total	$ 45,552,951	$ 387,436	$ -	$ -	$ -	$ 45,940,387

The table of the credit quality of financial assets

As of January 1, 2012:

	Normal assets			Past due but		
	Low risk	Medium risk	High risk	not impaired	Impaired	Total
Cash and cash equivalents	$ 4,001,840	$ 325	$ -	$ -	$ -	$ 4,002,165
Financial assets at fair value through profit or loss - current						
Funds	89,358	50,182	-	-	-	139,540
Debt security investments	10,920,253	636,679	-	-	-	11,556,932
Buy Option - TAIFEX	8,032	-	-	-	-	8,032
Derivative instruments-Futures Margin	1,516,582	-	-	-	-	1,516,582
Derivative instruments-OTC	155,974	-	-	-	-	155,974
Bonds purchased under resale agreements	230,044	-	-	-	-	230,044
Margin loans receivable	10,683,585	-	-	-	-	10,683,585
Refinancing security deposits	2,820	-	-	-	-	2,820
Receivables from refinance guaranty	36,522	-	-	-	-	36,522
Customer margin account	5,234,807	-	-	-	-	5,234,807
Receivables from security lending	176,124	-	-	-	-	176,124
Security lending deposits	160,393	-	-	-	-	160,393
Notes receivable	1,630	-	-	-	-	1,630
Accounts receivable	4,134,181	-	-	-	-	4,134,181
Other receivables	83,254	-	-	-	-	83,254
Other current assets	4,098,046	-	-	-	-	4,098,046
Financial assets at fair value through profit or loss – non current	51,635	-	-	-	-	51,635
Other assets – non current	1,405,938	-	-	-	-	1,405,938
Total	$ 42,991,018	$ 687,186	$ -	$ -	$ -	$ 43,678,204

3) Liquidity risk

A. Definition and source of liquidity risk

Liquidity risk refers to possible financial losses arising from the incapability to realize the asset or to obtain sufficient fund to fulfill the financial liabilities soon to be matured. Above situations may weaken the sources of cash from the Group' s trading and investment activities.

B. Liquidity risk management procedure and stimulation test

In order to prevent operational crisis as a result of liquidity risk, the Group has established responding crisis process with regular monitoring over liquidity gap of fund.

(A) Procedure

In addition to the operating capital for various business and long-term investment, the Group needs to maintain revolving funds at a certain level for daily operation. The use of remaining fund shall avoid high concentration and should be based on the principle of holding sound earning assets with high liquidity and treated in compliance with policies of the Group.

The responsive unit for fund procurement adjusts the liquidity gap to ensure proper liquidity according to the daily volume and movement in the market.

(B) Stimulation test

a. The Group reviews fund liquidity risk from a perspective of supply and demand of fund every month with simulation analysis of available fund for emergency including scenario analysis of cash, funding limit of financial institutions, margin loans and short sale, and value of disposal of position in order to compute maximum available fund and fund demand. Finally, safety stock of fund is reviewed to monitor liquidity risk.

b. Above liquidity risk is generally reviewed monthly. However, if the available limit of increment banking credit risk in financing limit of a financial institution is lower than a certain amount (that is, the amount may be timely adjusted according to the fund liquidity in the market and the actual fund demand and supply in an entity), the safety stock will be reviewed weekly. After the early warning report for fund is submitted, the head of finance segment will call for a fund control meeting.

c. Other than individual funding liquidity risk of an entity, stress test of minimization funding supply and maximization funding demand in the event of significant crisis is simulated, including:

(a) When there is a significant crisis in the market, the financing limit of the financial institutions and the value of disposal of position can be deemed the minimized ratio of fund supply which is then adjusted according to actual condition to compute the total fund supply under maximum stress.

(b) Except for the operating expense, the stock concept is adopted for the calculation of total fund demand under maximum stress.

(c) The Group should conduct a review to see whether the total minimized fund supply is more than maximized total fund demand. The Group should further review how long (by month) the difference may cover the operating expenses so that the safety stock of fund (by month) under stress test can be computed.

(d) The minimum safety stock of fund under stress test (by month) may be adjusted according to the crisis itself and only operating expense for at least 6 months under a normal stimulation can be deemed safe.

(C) Maturity analysis for the financial assets and financial liabilities held for liquidity risk management

a. The Group holds cash and sound earning assets with high liquidity in order to fulfill the payment obligation and potential emergency fund demand in the market. Financial assets held for liquidity risk management are mainly cash and cash equivalents, among which, all time deposits mature within a year. Financial assets at fair value through profit and loss are mainly listed stocks, convertible bonds and debt securities. As all of them have positions in active market, the liquidity risk is deemed low.

b. Maturity analysis for the financial liabilities is as follows:

As of December 31, 2013

	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 1,350,000	$ 2,129,260	$ -	$ -	$ -	$ 3,479,260
Commercial papers payable	-	6,950,000	-	-	-	6,950,000
Financial liabilities at fair value through profit or loss						
Non-derivative financial liabilities	806,621	-	-	-	-	806,621
Derivative financial liabilities	340,028	2,959	2,312	80,823	-	426,122
Bonds sold under repurchase agreements	-	6,286,603	-	-	-	6,286,603
Deposits on short sales	1,235,843	-	-	-	-	1,235,843
Deposits payable for securities financing	1,599,806	-	-	-	-	1,599,806
Securities lending refundable deposits	529,309	-	-	-	-	529,309
Futures traders' equity	4,917,434	-	-	-	-	4,917,434
Accounts payable	8,576,532	21,606	-	-	-	8,598,138
Collections on behalf of third parties	328,167	5,584	-	94,340	-	428,091
Other payables	101,867	185,530	622,000	41,889	-	951,286
Other financial liabilities -current	-	93,398	-	-	-	93,398
	$ 19,785,607	$ 15,674,940	$ 624,312	$ 217,052	$ -	$ 36,301,911

As of December 31, 2012

	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 300,000	$ 3,516,336	$ -	$ -	$ -	$ 3,816,336
Commercial papers payable	200,000	1,800,000	-	-	-	2,000,000
Financial liabilities at fair value through profit or loss						
Non-derivative financial liabilities	151,496	-	-	-	-	151,496
Derivative financial liabilities	170,467	17,764	(29,497)	140,334	-	299,068
Bonds sold under repurchase agreements	-	7,987,973	-	-	-	7,987,973
Deposits on short sales	1,245,017	-	-	-	-	1,245,017
Deposits payable for securities financing	1,606,777	-	-	-	-	1,606,777
Securities lending refundable deposits	-	507,690	636,599	-	-	1,144,289
Futures traders' equity	5,637,662	-	-	-	-	5,637,662
Accounts payable	5,728,255	1,357	-	-	-	5,729,612
Collections on behalf of third parties	160,769	5,565	-	93,559	-	259,893
Other payables	-	501,197	637,787	-	-	1,138,984
Other financial liabilities -current	-	121,597	-	-	-	121,597
	$ 15,200,443	$ 14,459,479	$ 1,244,889	$ 233,893	$ -	$ 31,138,704

As of January 1, 2012

	Immediately	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term loans	$ 1,050,000	$ 2,570,887	$ -	$ -	$ -	$ 3,620,887
Commercial papers payable	-	1,500,000	-	-	-	1,500,000
Financial liabilities at fair value through profit or loss						
Securities borrowing transactions						
Warrants liabilities	164,282	-	-	-	-	164,282
Non-hedging derivatives	96,672	(1,667)	121,131	67,915	-	284,051
Bonds sold under repurchase agreements	-	8,618,119	-	-	-	8,618,119
Deposits on short sales	1,478,214	-	-	-	-	1,478,214
Deposits payable for securities financing	1,741,022	-	-	-	-	1,741,022
Securities lending refundable deposits	-	995,313	800,019	-	-	1,795,332
Futures traders' equity	5,234,807	-	-	-	-	5,234,807
Accounts payable	3,795,564	26,478	-	-	-	3,822,042
Collections on behalf of third parties	127,698	9,311	-	97,009	-	234,018
Other payables	-	153,818	634,410	-	-	788,228
Other financial liabilities -current	-	83,498	-	-	-	83,498
	$ 13,688,259	$ 13,955,757	$ 1,555,560	$ 164,924	$ -	$ 29,364,500

(D) Maturity analysis for lease contracts and capital expenditures

Operating lease commitment is the total minimum lease payments that the Group should make as a lessee or minimum lease income as lessor under an operating lease term which is not cancelable. The capital expenditure commitment is the contract commitment signed for acquisition of capital expenditure of construction and equipment.

The following table illustrates maturity analysis for lease contract and capital expenditure commitment of the Group:

Years	Operating leases expenditures (Lessee)	Operating leases income (Lessor)
2014	$ 95,477	$ 14,218
2015	81,107	6,130
2016	53,746	384
2017	23,967	-
2018 and above	12,306	-
Total	$ 266,603	$ 20,732

4) Market risk

A. Definition of market risk

Market risk refers refer to the risk of decrease in the Group’s revenue or value of investment portfolio as a result of the changes in exchange rate, commodity price, interest rate, and stock price or other market risk factors.

The Group continually exercises risk management tools such as sensitivity analysis, Value at Risk, stress test and so on to completely and effectively measure, monitor and manage market risk.

B. Value at Risk (VaR)

Value at Risk is used to measure the possible maximum potential losses in investment portfolio as a result of movement in market risk factor in a specified period and confidence level. The Group currently uses confidence level of 95% to calculate Value at Risk of one day.

A VaR model must reasonably, completely and accurately measure the maximum potential risks of financial instruments or investment portfolio before being adopted as a risk management model by the Group. The VaR model used in risk management is continually certified and retrospectively tested to demonstrate that the model can reasonably and effectively measure the maximum potential risks of financial instruments or investment portfolios.

Statistical table for one-day VaR of transactions		Statistical table for one-day VaR of transactions	
For the year ended December 31, 2013	Amount	For the year ended December 28, 2012	Amount
December 31, 2013	58,001	December 28, 2012	45,150
VaR Maximum	150,136	VaR Maximum	139,906
VaR Average	55,550	VaR Average	56,946
VaR Minimum	22,493	VaR Minimum	20,596

Statistical table for VaR of various risk indicators of transactions:

For the year ended December 31, 2013	Foreign exchange	Interest	Share ownership
December 31, 2013	$ 2,000	$ 10,629	$ 59,092
VaR Maximum	19,345	22,447	146,906
VaR Average	6,437	7,682	56,201
VaR Minimum	865	1,962	19,179

Statistical table for VaR of various risk indicators of transactions:

For the year ended December 28, 2012	Foreign exchange	Interest	Share ownership
December 28, 2012	$ 3,559	$ 8,085	$ 47,417
VaR Maximum	56,768	15,813	144,948
VaR Average	7,713	8,217	60,845
VaR Minimum	1,351	4,273	23,417

C. Information on gap of foreign exchange risk

The following table summarizes financial instruments of foreign assets or liabilities by currency and the foreign exchange exposure presented by book value as of December 31, 2013, December 31, 2012 and January 1, 2012:

	December 31, 2013						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 824,461	$ 32,305	$ 3,715	$ 1,320,353	$ 595,395	$ 3,900	$ 2,780,129
Financial assets at fair value through profit or loss	4,220,373	1,141,497	1,074,570	2,103,939	322,002	14,101	8,876,482
Bonds purchased under resale agreements	29,832	155,065	-	-	-	-	184,897
Other current assets	1,550,062	16,415	-	646	940,745	55,452	2,563,320
Financial liabilities in foreign currencies							
Bonds sold under repurchase agreements	2,960,768	1,027,286	973,241	297,059	-	-	5,258,354
Covering securities and bonds with resale agreements	175,340	146,083	-	-	-	-	321,423
Other liabilities-deposits-in	579,599	-	-	-	-	-	579,599

Note: As of December 31, 2013, foreign exchange rates of the above currencies to TWD were 1 USD = 29.805 TWD; 1 EUR=41.090 TWD; 1 AUD=26.585 TWD; 1 RMB=4.919 TWD; and 1 HKD=3.843 TWD, respectively.

	December 31, 2012						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 863,131	$ 36,582	$ 185,380	$ 323,277	$ 490,517	$ 115	$ 1,899,002
Financial assets at fair value through profit or loss	3,238,657	1,250,884	588,389	819,314	202,055	12,946	6,112,245
Bonds purchased under resale agreements	1,394,293	1,450	-	508	717,719	21	2,113,991
Financial liabilities in foreign currencies							
Bonds sold under repurchase agreements	2,043,479	1,028,581	174,085	-	-	-	3,246,145
Other liabilities-deposits-in	1,184,108	-	-	-	-	-	1,184,108

Note: As of December 31, 2012, foreign exchange rates of the above currencies to TWD were 1 USD = 29.040 TWD; 1 EUR=38.490 TWD; 1 AUD=30.165 TWD;
1 RMB=4.6642 TWD; and 1 HKD=3.747 TWD, respectively.

	January 1, 2012						
	USD	EUR	AUD	RMB	HKD	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 593,043	$ 29,032	$ 280	$ 238,992	$ 637,965	$ 346	$ 1,499,658
Financial assets at fair value through profit or loss	654,454	18,380	-	742,401	100,713	8,639	1,524,587
Bonds purchased under resale agreements	1,801,519	16	-	437	745,917	42	2,547,931
Financial liabilities in foreign currencies							
Bonds sold under repurchase agreements	53,512	-	-	-	-	-	53,512
Other liabilities-deposits-in	1,672,841	-	-	-	-	-	1,672,841

Note: As of January 1, 2012, foreign exchange rates of the above currencies to TWD were 1 USD = 30.275 TWD; 1 RMB=4.7735 TWD; and 1 HKD=3.897 TWD, respectively.

14. CAPITAL MANAGMENT

1) Objective of capital management

A. The represented capital adequacy ratio basically shall not be lower than 200% in compliance with the warning standard addressed in the "Rules Governing Securities Firms".

B. The Group includes all risks involved in the investment position as a part of risk management, such as market risk, credit risk, liquidity risk, operating risk, legal risk, and model risk and so on. Each risk management responsive unit should identify, evaluate, monitor and control various risks in order to enable the Group to defend impact from financial market, reflect the current operating strategies and make the investment portfolio applied to business planning and development.

2) Capital management policy and procedure

In order to secure the long-term and stable development of various businesses and effectively assume risks, the Group manages capital based on the business development, related regulations and financial market environment. Major capital evaluation processes include:

A. Each segment should provide accurate and valid source of information to maintain calculation accuracy of capital adequacy ratio.

B. After the reporting at the 10th of each month, capital adequacy ratio should be computed by the end of every month. If the result is close to the legal standard, every unit will be called to attend a meeting for discussion and strategic planning to ensure that the basic objective of capital adequacy ratio is not less than 200%.

C. Both the risk limits and economic capital of the Group should be agreed by the Board of Directors. The Group should quarterly report details of risk control with disclosure of investment condition in order to assess whether the risk position exceeds the limit and whether the investment direction is in line with the market trend. Within the authorized risk limits, the Group is actively engaged in development of various businesses and continually increases profit, creates company value, and complies with the capital management objective.

The Group calculates and reports the capital adequacy ratio according to "Rules Governing Securities Firms". According to Jin-Guan-Zeng-Chuan Letter No. 1010016685, from July 2012, advanced calculation method applied to capital adequacy ratio for securities firms is applicable to non-financial-holdings securities firms who file the report about information on capital adequacy ratio for June 2012. As of December 31, 2013, December 31, 2012 and January 1, 2012, the capital adequacy ratio were 509%, 564% and 505%, respectively as required by the regulations.

15. ASSETS AND LIABILITIES OF TRUST ACCOUNTS

Pursuant to Article 17 of Enforcement Rules of the Trust Enterprise Act, balance sheet, income statement, and property list of trust accounts shall be disclosed in the financial statements on a semiannual basis. Details are as follows:

A. Balance sheet of trust accounts

	December 31	
Trust assets	2013	2012
Bank savings	$ 141,982	$ 119,678
Structured notes	53,107	-
Stock	339,383	-
Fund	792,684	708,042
Securities lending	76,426	-
Accounts receivable	7,884	816
Total of trust assets	$ 1,411,466	$ 828,536
Trust liabilities		
Accounts payable	$ 11,131	$ 13,597
Trust capital	1,373,838	814,650
Retained earnings	26,497	289
Total of trust liabilities	$ 1,411,466	$ 828,536

B. Income statement of trust accounts

	For the Years ended December 31	
Item	2013	2012
Trust income		
Interest income	$ 112	$ 14
Cash dividends received	613	-
Income from stocks lending	392	-
Investment gains- realized	8,652	190
Investment loss- unrealized	27,097	113
Subtotal	36,866	317
Trust expenses		
Management fee	(21)	(3)
Service fee	(22)	-
Borrowing costs	(76)	-
Income before income tax	36,747	314
Income tax expense	(11)	(1)
Net income	$ 36,736	$ 313

C. Property list of trust accounts

	December 31	
Items	2013	2012
Bank savings	$ 141,982	$ 119,678
Structured notes	53,107	-
Funds	792,684	708,042
Bank savings	339,383	-
Securities lending	76,426	-
Others	7,884	816
Total	$ 1,411,466	$ 828,536

16. STATUS OF THE COMPANY IN THE LIMITATIONS ON FINANCIAL RATIOS IMPOSED BY FUTURES TRADING ACT, AND THE RELATED IMPLEMENTATION

The table below is prepared according to "Regulations Governing Futures Commission Merchants".

Article	Calculation formula	December 31, 2013		December 31, 2012		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity / (Total liability－futures trader's equity －reserve for trading losses －reserve for breach of contract losses)	2,896,911 / 68,883	42.05	2,859,555 / 108,778	26.29	≧1	Met the requirement
17	Current assets / Current liabilities	2,949,995 / 16,714	176.5	2,954,892 / 35,132	84.11	≧1	Met the requirement
22	Stockholders' equity / Minimum paid-in capital	2,896,911 / 400,000	724.23%	2,859,555 / 400,000	714.89%	≧60% ≧40%	Met the requirement
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	2,769,432 / 81,588	3394.43%	2,743,594 / 160,298	1711.55%	≧20% ≧15%	Met the requirement

17. STATUS OF THE SUBSIDIARY IN THE LIMITATIONS ON FINANCIAL RATIOS IMPOSED BY THE FUTURES TRADING ACT AND THE RELATED IMPLEMENTATION

The table below is prepared according to "Regulations Governing Futures Commission Merchants".

Article	Calculation formula	December 31, 2013		December 31, 2012		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity / (Total liability－futures trader's equity －reserve for trading losses －reserve for breach of contract losses)	1,228,860 / 109,589	11.21	1,187,166 / 105,149	11.29	≧1	Met the requirement
17	Current assets / Current liabilities	7,092,199 / 6,287,527	1.13	7,828,786 / 7,049,792	1.11	≧1	Met the requirement
22	Stockholders' equity / Minimum paid-in capital	1,228,860 / 645,000	190.52%	1,187,166 / 645,000	184.06%	≧60% ≧40%	Met the requirement
22	Adjusted net capital / Total amount of customer margins required for the open positions of futures traders	908,851 / 825,271	110.13%	906,968 / 712,689	127.26%	≧20% ≧15%	Met the requirement

18. PROSPECTIVE RISK FOR FUTURES TRADING

The main risk for futures merchants engaging in futures trading is credit risk, which could happen if the margin call cannot be made when it should have been made. While being consigned to conduct the futures trading, the Group pays attention to the individual margin account on a daily basis and request additional margin call or reduction in trading volume when necessary according to the condition of individual customer transactions in order to control the credit risk accordingly. The main risk faced by the Group while engaging in self-operating businesses is market price risk- that is risk of changes in market prices of futures or options contracts as a result of fluctuation in underlying investment index. Losses may occur if the market index price and underlying investment move adversely. However, the Group has set up stop-loss point to control such risk for reasons of risk management.

19. OPERATING SEGMENTS

1) General information

Financial information by the Group's segments is disclosed in accordance with IFRS 8. Management has determined the reportable operating segments based on the reports reviewed by the CODM that are used to make strategic decisions. The Group's operating segments are classified into brokerage, capital market, dealing, and reinvestment according to the sources of income. The remaining operating results which have not reached the threshold requirements are consolidated in 'other operating segments'. Sources of income from products and services rendered by each segment are as follows:

A. Brokerage segment: consigned trading of the listed securities, margin trading and short sale, assistance in futures trading and other instruments trading as approved by the regulations.

B. Capital market segment: providing services such as assisting enterprises in application for going public, handling assessment of cash capital increase, financial certificate issuance for domestic and foreign convertible bonds, as well as underwriting or financial consulting businesses

C. Self-operating segment: using the self-owned equity to conduct securities trading such as stocks and bonds trading, and futures and options hedging in Stock Exchange and OTC

D. Reinvestment segment: companies reinvested by the consolidated entities.

E. Other operating segment includes futures dealing segment, financial instrument segment, and stock agency segment.

2) Segments information

The accounting policies applied to the Group's operating segments and summary of accounting policies disclosed in notes to the financial statements are consistent and identical. The operating gains and losses are measured by the amount before tax and used as basis for performance appraisal. Income and expense attributable to each operating segment are attributed to the segmental gains and losses. Non-attributable indirect expenses and expenses from logistic support segment are amortized to each operating segment based on reasonable calculation standards and the expense nature. Those that cannot be reasonably amortized are listed under "Others".

3) Profit or loss of segments information

	For the year ended December 31, 2013						
	Brokerage segment	Capital market segment	Self-operating segment	Reinvestment segment	Other operating segment	Others	Total
Segment revenues	$ 1,864,956	$ 344,636	$ 1,120,104	$ 840,580	$ 476,086	($ 33,044)	$ 4,613,318
Segment profit or loss	$ 205,254	$ 260,045	$ 891,431	$ 235,381	($ 95,626)	($ 6,998)	$ 1,489,487
	For the year ended December 31, 2012						
	Brokerage segment	Capital market segment	Self-operating segment	Reinvestment segment	Other operating segment	Others	Total
Segment revenues	$ 2,037,950	$ 181,873	$ 387,649	$ 657,346	$ 885,458	($ 65,183)	$ 4,085,093

Segment profit or loss	$ 327,660	$ 108,120	$ 247,771	$ 69,820	$ 486,167	$ 66,240	$ 1,305,778

Note 1: As operating income (loss) in total is consistent with consolidated statement of comprehensive income, there is no need for adjustment.

Note 2: the Company measures the performance of reportable operating segment based on specific performance indicators instead of assets and liabilities. The performance of reportable operating segment is regularly reviewed and assessed by the operating decision-maker as a referene for making resources allocation decision.

4) Informations on products and service: The Group' s reportable segments are based on different products and services with disclosure of general information about types of products and services of the reportable segments' income sources. There is no requirement for additional disclosure of income from products and services.

5) Informations on regions: There was no disclosure since the revenues from foreign customers were not significant.

6) Informations on major customers: There was no disclosure because no customers accounted for 10% of the Group's operating revenues for the current period.

20. SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

1. For the year ended December 31, 2013

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	President Securities Corp.	President Futures Corp.	1	Futures Margin - Own Funds	$ 1,304,322	Note 4	2.22%
0	President Securities Corp.	President Futures Corp.	1	Deposit-out	38,000	Note 4	0.06%
0	President Securities Corp.	President Futures Corp.	1	Accounts receivable	3,476	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Future commission revenue	44,200	Note 4	0.96%
0	President Securities Corp.	President Futures Corp.	1	Expense of clearing and settlement	37,563	Note 4	0.81%
0	President Securities Corp.	President Futures Corp.	1	Deposit-in	16,000	Note 4	0.03%
0	President Securities Corp.	President Futures Corp.	1	Other non-operating revenues	2,039	Note 4	0.04%
0	President Securities Corp.	President Futures Corp.	1	Other payables	1,002	Note 4	0.00%
0	President Securities Corp.	President Futures Corp.	1	Accounts receivable	1,661	Note 4	0.00%
0	President Securities Corp.	President Capital Management Corp.	1	Other payables	1,723	Note 4	0.00%
0	President Securities Corp.	President Capital Management Corp.	1	Expense from investment advisory	21,432	Note 4	0.46%
0	President Securities Corp.	President Capital Management	1	Rental income	3,362	Note 4	0.07%

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
		Corp.					
0	President Securities Corp.	President Capital Management Corp.	1	Charge for books and magazines	1,285	Note 4	0.03%
0	President Securities Corp.	President Securities (HK) Ltd.	1	Cash and cash equivalents	55,347	Note 4	0.09%
0	President Securities Corp.	President Securities (HK) Ltd.	1	Service expense on self-operation	1,633	Note 4	0.04%
0	President Securities Corp.	President Securities (HK) Ltd.	1	Accounts receivable	2,701	Note 4	0.00%
0	President Securities Corp.	President Securities (HK) Ltd.	1	Accounts payable	5,482	Note 4	0.01%
1	President Capital Management Corp.	President Securities Corp.	2	Accounts receivable	1,723	Note 4	0.00%
1	President Capital Management Corp.	President Securities Corp.	2	Revenue from investment advisory	21,432	Note 4	0.46%
1	President Capital Management Corp.	President Securities Corp.	2	Rent expense	3,362	Note 4	0.07%
1	President Capital Management Corp.	President Securities Corp.	2	Other operating revenues	1,285	Note 4	0.03%
2	President Futures Corp.	President Securities Corp.	2	Customer margin account /Futures traders' equity	1,304,322	Note 4	2.22%
2	President Futures Corp.	President Securities Corp.	2	Deposit-in	38,000	Note 4	0.06%
2	President Futures Corp.	President Securities Corp.	2	Accounts payable	3,476	Note 4	0.01%
2	President Futures Corp.	President Securities Corp.	2	Futures commission expense - futures introducing broker	44,200	Note 4	0.96%
2	President Futures Corp.	President Securities Corp.	2	Revenue from consignment of clearing and settlement	37,563	Note 4	0.81%
2	President Futures Corp.	President Securities Corp.	2	Deposit-out	16,000	Note 4	0.03%
2	President Futures Corp.	President Securities Corp.	2	Other operating expenses	2,039	Note 4	0.04%
2	President Futures Corp.	President Securities Corp.	2	Other receivable	1,002	Note 4	0.00%
2	President Futures Corp.	President Securities Corp.	2	Other payables	1,661	Note 4	0.00%
3	President Securities (HK) Ltd.	President Securities Corp.	2	Handling fee revenue	1,633	Note 4	0.04%
3	President Securities (HK) Ltd.	President Securities Corp.	2	Accounts payable	52,566	Note 4	0.09%

Note 1：The numbers in the No. column are represented as follows:

1. The number zero is for parent company.

2. According to the sequential order, subsidiaries are numbered from 1.

Note 2：There are three kinds of transactions between related parties and numbered from 1 to 3 were shown as follows:

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 3：The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets if it is attributed to the balance sheet accounts, and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.

Note 4：All the prices of the service revenues and consulting service provided between related parties were traded by contracts.

Note 5：Based on materiality, only the amounts of the transactions that were above $1 million would be shown in the table.

21.OTHER DISCLOSURE ITEMS

1) Information about significant transactions

A. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.

B. Endorsements and guarantees for others：None.

C. Acquisitions of real estate exceeding $100,000 or 20 percent of contributed capital：None.

D. Disposals of real estate exceeding $100,000 or 20 percent of contributed capital：None.

E. Purchases or sales transactions discount on brokers' charges with related parties in excess of $5,000：None.

F. Receivables from related parties exceeding $100,000 or 20 percent of contributed capital：None.

2) Related information of investee companies

A. Related information of investee companies

Name of the investor	Name of the investee company	Location	Major operating activities	Original investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized by the Company	Notes
				Balance on December 31, 2013	Balance on January 1, 2013	Shares	Percentage	Book value			
President Securities Corp.	President Futures Corp.	Taipei	Futures brokerage	$ 644,650	$ 644,650	63,817,303	96.69%	$ 1,188,210	$ 112,957	$ 107,794	Subsidiary of the Company
	President Capital Management Corp.	Taipei	Securities investment consulting	150,000	150,000	12,400,000	100.00%	145,479	(563)	(563)	Subsidiary of the Company
	President Securities (HK) Ltd.	Hong Kong	Securities dealer , brokerage, underwriting and consulting	34,030	34,030	10,000,000	5.19%	61,140	74,758	3,899	Subsidiary of the Company
	President Securities (BVI) Ltd.	British Virgin Islands	Securities investment and holding company	2,264,573	2,264,573	67,746,000	100.00%	1,882,216	92,813	93,160	Subsidiary of the Company
	Uni-President Assets Management Corp.	Taipei	Investment Trust	624,940	624,940	13,570,830	38.66%	401,250	143,500	55,870	Note
	President Personal Insurance Agency Co., Ltd.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	9,267	3,178	3,178	Subsidiary of the Company
	President Insurance Agency Corp.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	11,384	4,383	4,383	Subsidiary of the Company

	PSC Venture Capital Investment Limited Company	Taipei	Venture capital	300,000	-	30,000,000	100.00%	300,656	656	656	Subsidiary of the Company
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	Securities dealer , brokerage, underwriting and consulting	814,705	814,705	182,600,000	94.81%	1,116,883	74,758	71,223	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	Wealth management	92,091	92,091	23,400,000	100.00%	56,338	217	217	Indirect subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	Nominee Service	3,403	3,403	1,000,000	100.00%	2,328	(37)	(37)	Indirect subsidiary of the Company
President Insurance Agency Corp.	Uni-President Assets Management Corp.	Taipei	Investment Trust	478	478	12,000	0.03%	358	143,500	49	Note

Note: Investee company accounted for under the equity method.

B. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.

C. Endorsements and guarantees for others：None.

D. Acquisitions of real estate exceeding $100,000 or 20 percent of contributed capital：None.

E. Disposals of real estate exceeding $100,000 or 20 percent of contributed capital：None.

F. Purchases or sales transactions discount on brokers' charges with related parties in excess of $5,000：None.

G. Receivables from related parties exceeding $100,000 or 20 percent of contributed capital：None.

H. In accordance with Jin-Guan-Zheng-Quan-Zi Letter No. 10100371661, the Group is required to disclose details of businesses run by foreign enterprises that were incorporated in the countries identified as non-signatories to the IOSCO MMoU or have not obtained securities or futures license of signatories to the IOSCO MMoU：

a) Securities held as of December 31, 2013 of President Securities (BVI) Ltd

Expressed in U.S. Dollars

			Carrying value		Fair value		
Securities types and name	Type	Number of shares	Unit price	Amount	Unit price	Amount	Note
Financial assets at fair value through profit or loss - current							
Open-end mutual funds beneficiary certificates and money market instruments							
FL. R GSC EUROPEAN CDO	STRUCTURED NOTES	2,500,000	$1.000	$ 2,500,000	$0.640	$ 1,599,890	
FL. R ARES VIR	STRUCTURED NOTES	5,000,000	0.995	4,975,000	0.679	3,396,362	
				7,475,000		4,996,252	
Less : impairment loss				(2,000,000)		-	
Total				$ 5,475,000		$ 4,996,252	

Investments in associates							
President Securities (HK) Ltd.	STOCK	182,600,000	$0.205	$ 37,461,371	$0.205	$ 37,461,371
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.081	1,890,209	0.081	1,890,209
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.078	78,112	0.078	78,112
Total				$ 39,429,692		$ 39,429,692

b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd:

As of December 31, 2013, the carrying value of USD5,475,000 of asset securitization for derivatives was undertaken with the Company's own capital of USD 7,475,000

c) Revenue from assets management business, service contents and litigation：None.

d) Balance Sheet

PRESIDENT SECURITIES (BVI) LTD.

BALANCE SHEETS

December 31,

Expressed in U.S. dollars

	2013		2012			2013		2012	
Assets	Amount	%	Amount	%	Liabilities and equity	Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	$ 18,209,39	29	$ 17,491,567	29	Other payables	$ 3,331	-	$ 3,212	-
Financial assets at fair value through profit or loss - current	5,475,000	9	5,475,000	9	Total liabilities	3,331	-	3,212	-
Other receivables	28,645	-	13,636	-	Equity				
Current assets	23,713,043	38	22,980,203	38	Capital	67,746,000	107	67,746,000	113
Investment in associates	39,429,692	62	37,062,127	62	Capital reserve	757,813	1	757,813	1
					Retained earnings				
					Unappropriated earnings	(6,100,697)	(10)	(9,226,648)	(15))
					Other equity				
					Translation gain or loss on the financial statements of foreign operating entities adjustments	736,288	2	761,953	1
					Total equity	63,139,404	100	60,039,118	100
Total asset	$ 63,142,73	100	$ 60,042,33	100	Total liabilities and equity	$ 63,142,73	100	$ 60,042,33	100

President Wealth Management (HK) Ltd

BALANCE SHEETS

December 31,

Expressed in Hong Kong dollars

Assets	2013 Amount	2013 %	2012 Amount	2012 %	Liabilities and equity	2013 Amount	2013 %	2012 Amount	2012 %
Current assets					Current liabilities				
Cash and cash equivalents	$ 14,649,489	100	$ 14,612,164	100	Other payables	$ 20,200	-	$ 10,100	-
Other receivables	30,532	-	1,036	-	Total liabilities	20,200	-	10,100	-
Current assets	14,680,021	100	14,613,200	100	Equity				
					Capital	23,400,000	160	23,400,000	160
					Retained earnings				
					Unappropriated earnings	(8,740,179)	(60)	(8,796,900)	(60)
					Total equity	14,659,821	100	14,603,100	100
Total asset	$ 14,680,021	100	$ 14,613,200	100	Total liabilities and equity	$ 14,680,821	100	$ 14,613,200	100

President Securities (Nominee) Ltd

BALANCE SHEETS

December 31

Expressed in Hong Kong dollars

Assets	2013 Amount	2013 %	2012 Amount	2012 %	Liabilities and equity	2013 Amount	2013 %	2012 Amount	2012 %
Current assets					Current liabilities				
Cash and cash equivalents	$ 624,292	100	$ 624,952	100	Other payables	$ 19,000	3	$ 9,500	2
Other receivables	518	-	10	-	Total liabilities	19,000	3	9,500	2
Current assets	624,810	100	624,962	100	Equity				
					Capital	1,000,000	160	1,000,000	160
					Retained earnings				
					Unappropriated earnings	(394,190)	(63)	(384,538)	(62)
					Total equity	605,810	97	615,462	98
Total asset	$ 624,810	100	$ 624,962	100	Total liabilities and equity	$ 624,810	100	$ 624,962	100

e) Consolidated statement of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31,

Expressed in U.S. dollars

Accounts	2013 Amount	2013 %	2012 Amount	2012 %
Expenditures and expenses				
Interest expenses	($ 1)	-	$	-
Employee benefits	(50,356)	-	(54,342)	-
Other operating expenses	(17,668)	-	(17,227)	-
Total expenditures and expenses	(68,039)	-	(71,569)	-
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	2,393,230	-	(3,929,611)	-
Other gains and losses	800,760	-	2,523,362	-
Total non-operating gains and losses	3,193,990	-	(1,406,249)	-
Profit (loss) before tax	3,125,951	-	(1,477,818)	-
Income tax expense	-	-	-	-
Income from continuing operations	3,125,951	-	(1,477,818)	-
Income from discontinuing operations	-	-		-
Net income	$ 3,125,95	-	($ 1,477,81)	-

President Wealth Management(HK) Ltd

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31,

Expressed in Hong Kong dollars

Accounts	2013 Amount	2013 %	2012 Amount	2012 %
Expenditures and expenses				
Other operating expenses	($ 28,50)	-	($ 40,56)	-
Total expenditures and expenses	(28,500)	-	(40,560)	-
Non-operating gains and losses				
Other gains and losses	85,221	-	23,279	-
Profit (loss) before tax	56,721		(17,281)	
Income tax expense	-	-	-	-
Income from continuing operations	56,721	-	(17,281)	-
Income from discontinuing operations	-	-	-	-
Net income (loss)	$ 56,72	-	($ 17,28)	-

President Securities (Nominee) Ltd

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31,

Expressed in Hong Kong dollars

Accounts	2013 Amount	2013 %	2012 Amount	2012 %
Expenditures and expenses				
Other operating expenses	($ 14,35)	-	($ 21,74)	-
Total expenditures and expenses	(14,350)	-	(21,740)	-
Non-operating gains and losses				
Other gains and losses	4,698	-	(2,946)	-
Loss before tax	(9,652)		(24,686)	
Income tax expense	-	-	-	-
Income from continuing operations	(9,652)	-	(24,686)	-
Income from discontinuing operations	-	-	-	-
Net loss	($ 9,65)	-	($ 24,68)	-

f)Transactions between related parties and foreign business：None.

3). Disclosure of investment in Mainland China：Not applicable.

22. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions selected by the Group, exceptions to the retrospective application of IFRSs in relation to first-time adoption of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

1) Exemptions selected by the Group

i. Business combinations

The Group has elected not to apply the requirements in IFRS 3, 'Business Combinations', retrospectively to business combinations that occurred prior to the date of transition to IFRSs ("the transition date"). This exemption also applies to the Group's previous acquisitions of investments in associates.

ii. Designation of previously recognized financial instruments

The Group has elected to designate investments which were originally measured at cost, as available-for-sale financial assets at the transition date.

iii. Decommissioning liabilities included in the cost of property, plant and equipment

The Group has elected to measure the decommissioning liabilities included in the cost of property, plant and equipment at the transition date in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'.

iv. Unrecognized actuarial gains or losses

The Group has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

v. Compound financial instruments

The Group has elected not to segregate between liability components and equity components of compound financial instruments whose liability components were no longer outstanding at the transition date.

vi. Share-based payment transactions

The Group has elected not to apply the requirements in IFRS 2, 'Share-based Payment', retrospectively to equity instruments that were vested arising from share-based payment transactions prior to the transition date.

vii. Cumulative translation differences

The Group has elected to reset the cumulative translation differences arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

2) Except for hedge accounting and non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with any transaction of the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that an entity should prepare reconciliations for equity, comprehensive income and cash flows for the comparative periods. Reconciliations for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown as follows:

1. Reconciliation for equity on January 1, 2012:

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
Current assets					Current assets	
Cash and cash equivalents	$ 4,002,165	$ -	$ -	$ 4,002,165	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	15,385,022	(13,845)	49,507	15,420,684	Financial assets at fair value through profit or loss - current	(1)
	-	-	746,733	746,733	Available-for-sale financial assets-current	(11)
Bonds purchased under resale agreements	230,044	-	-	230,044	Bonds purchased under resale agreements	
Margin loans receivable	10,683,585	-	-	10,683,585	Margin loans receivable	
Refinancing security deposits	2,820	-	-	2,820	Refinancing security deposits	
Receivables from refinance guaranty	36,522	-	-	36,522	Receivables from refinance guaranty	
Customer margin account	5,234,807	-	-	5,234,807	Customer margin account	
Receivables from security lending	176,124	-	-	176,124	Receivables from security lending	
Security lending deposits	160,393	-	-	160,393	Security lending deposits	
Notes receivable	1,630	-	-	1,630	Notes receivable	
Accounts receivable	332,970	3,800,099	1,112	4,134,181	Accounts receivable	(8),(9)
Prepayments	23,698	-	(35)	23,663	Prepayments	(11)
Prepaid pension expense - current	119,561	(117,989)	(1,572)	-	Prepaid pension expense - current	(2)
Other receivable	486,073	(352,201)	(50,618)	83,254	Other receivable	(1),(3) (9)
	-	113	-	113	Current tax assets	(3)
	-	505,053	3,592,993	4,098,046	Other current assets	(8),(9) (11)
Restricted assets	3,592,959	-	(3,592,959)	-		(11)
Deferred tax assets-current	16,546	(16,546)	-	-		(3)
Available-for-sale financial assets - current	746,733	-	(746,733)	-		(11)
Total current assets	41,231,652			45,034,764	Total current assets	
Funds and investments					Non-current assets	
Investments accounted for under the equity method	395,805	(10,505)	(385,300)	-		(4),(11)
Available-for-sale financial assets – non-current	98,027	-	(98,027)	-		(11)
Financial assets at fair value	51,635	-	-	51,635	Financial assets at fair value	

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
through profit or loss – non-current					through profit or loss – non-current	
Total funds and investments	545,467					
		-	98,027	98,027	Financial assets at cost – non-current	(11)
		-	385,300	385,300	Investments in associates	(11)
Fixed assets		-	2,657,258	2,657,258	Property and equipment	(5),(11)
Land	1,680,129	-	(1,680,129)	-		(11)
Buildings	1,107,661	-	(1,107,661)	-		(11)
Equipment	236,631	-	(236,631)	-		(11)
Prepayments for equipment	18,263	(18,263)	-	-		(10)
Leasehold improvements	85,463	-	(85,463)	-		(11)
Less: accumulated depreciation	(452,626)	-	452,626	-		(11)
Total fixed assets	2,675,521					
Deferred pension costs	902	(902)	-	-		(2)
Other assets						
Operating guarantee deposits	842,000	-	(842,000)	-		(11)
Exchange clearing deposits	505,941	-	(505,941)	-		(11)
Deposits-out	57,997	-	(57,997)	-		(11)
Deferred debits	33,578	-	(33,578)	-		(11)
Rental assets	250,985	-	(250,985)	-		(11)
Idle assets	38,419	-	(38,419)	-		(11)
	-	-	289,404	289,404	Investment property	(5),(11)
Deferred tax assets - non-current	695	63,606	-	64,301	Deferred tax assets	(2),(3),(5)
		18,264	1,441,088	1,459,352	Other assets-non-current	(10),(11)
Total other assets	1,729,615	-	-	-		
Securities brokerage debit accounts - net	181,679	(181,679)	-	-		
				5,005,277	Total non-current assets	
Total assets	$ 46,364,836	$ 3,675,205	$ -	$ 50,040,041	Total assets	
Current liabilities					Current liabilities	
Short-term loans	$ 3,620,887	$ -	$ -	$ 3,620,887	Short-term loans	
Commercial papers payable	1,499,781	-	-	1,499,781	Commercial papers payable	
Bonds sold under repurchase agreements	8,616,273	-	(8,616,273)	-		(11)
Financial liabilities at fair value through profit or loss - current	427,237	-	-	427,237	Financial liabilities at fair value through profit or loss - current	
		-	8,616,273	8,616,273	Bonds sold under repurchase agreements	(11)
Deposits on short sales	1,478,214	-	-	1,478,214	Deposits on short sales	
Short sale proceeds payable	1,741,022	-	-	1,741,022	Short sale proceeds payable	
Guarantee deposit received on borrowed securities	1,795,332	-	-	1,795,332	Guarantee deposit received on borrowed securities	
Futures traders' equity	5,234,807	-	-	5,234,807	Futures traders' equity	
Accounts payable	46,917	3,773,992	1,133	3,822,042	Accounts payable	(8),(9) (11)
Advance receipts	45	-	30	75	Advance receipts	(11)
Collections on behalf of third parties	230,578	-	3,440	234,018	Collections on behalf of third parties	(11)

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
Other payables	816,953	(24,122)	(4,603)	788,228	Other payables	(2),(3) (6),(9)
		-	83,498	83,498	Other financial liabilities-current	(11)
		46,937	-	46,937	Current tax liabilities	(3)
Other financial liabilities-current	83,498		(83,498)	-		(11)
		3,122	-	3,122	Other current liabilities	(9)
Total current liabilities	25,591,544			29,391,473	Total current liabilities	
Other liabilities						
Deposit-in	4,533	-	(4,533)	-		(11)
Total other liabilities	4,533					
Total liabilities	$ 25,596,077					
					Non-current liabilities	
		1,001	-	1,001	Deferred tax liabilities	(2),(3),(6)
		123,505	4,533	128,038	Other non-current liabilities	(2),(11)
				129,039	Total non-current liabilities	
				$ 29,520,512	Total liabilities	
Shareholders' equity					Equity attributable to owners of the parent company	
Common stock	12,845,816	-	-	12,845,816	Common stock	
Capital reserve			409,826	409,826	Capital reserve	(11)
Common stock	13,558	-	(13,558)	-		(11)
Treasury stock	396,268	-	(396,268)	-		(11)
Retained earnings					Retained earnings	
Legal reserve	1,903,868	-	-	1,903,868	Legal reserve	
Special reserve	5,198,754	-	-	5,198,754	Special reserve	
Unappropriated earnings	582,364	(460,286)	-	122,078	Unappropriated earnings	(1),(2),(3) (4),(6),(7)
Other adjustments to shareholders' equity					Other adjustments to shareholders' equity	
Cumulative translation adjustments	(211,249)	211,249	-	-	Translation gain or loss on the financial statements of foreign operating entities	(7)
Unrealized gain or loss on financial instruments	11,794	-	-	11,794	Unrealized gain or loss on financial instruments	
Minority interest	27,586	(193)	-	27,393	Non-controlling interest	**(2),(6)**
Total shareholders' equity	20,768,759			20,519,529	Total equity	
Total liabilities and shareholders' equity	$ 46,364,836	$ 3,675,205	$ -	$ 50,040,041	Total liabilities and equity	

Reasons for reconciliation are outlined below:

(1) In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value.

The Group therefore designated emerging stocks at cost to be measured at fair value with provision of evaluation losses and decrease in both financial assets at fair value through profit

or loss-current by ($13,845) and retained earnings by ($13,845) at the transition date. The Group also reclassified futures guarantee deposit of $49,507 from other receivables of the subsidiary, President Securities (HK), into financial assets at fair value through profit or loss-current.

(2) The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the balance sheet date) instead. The Group has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and the Group adjusted the actuarial difference based on the actuarial report, to decrease retained earnings by ($204,380), to decrease prepaid pension expenses-current by ($117,989), to increase other payables by $4,039, to increase other liabilities-noncurrent by $123,505, to decrease deferred pension cost by ($902), to decrease non-controlling interest by ($161), to increase deferred tax assets-non-current by $41,898, and to increase deferred tax liability-non-current by $4.

(3) In accordance with IAS 12 'Income taxes', tax refundable of $113 in other receivables was reclassified into current tax assets, and tax payable of $46,937 in other payables was reclassified into current tax liability. In accordance with R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. Previously under ROC GAAP, deferred tax assets or liabilities are categorized into current or non-current items according to the categorization of related liabilities or assets. Deferred tax assets or liabilities that are not related to any liabilities or assets in the financial statements should be classified as current or non-current items according to their expected time period to realize or settle. However, under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current, and accordingly, deferred tax assets-current of $16,546 was reclassified to deferred tax assets-non-current. Under IAS 12, the deferred income tax asset (liability)-non-current which was originally presented in net value should be presented in gross amounts resulting in an adjustment of $1,082 in deferred income tax asset-non-current and deferred income tax liability-non-current .

(4) The Group adjusted difference in profits or losses of the investee incurred after IFRS transition resulted in the decrease of the investment accounted for using equity method by ($10,505) and retained earnings by ($10,505).

(5) In accordance with Rules Governing the Preparation of Financial Statements by Securities Firms, the property and equipment, investment property and intangible assets designated such initial cost as 'deemed cost', and were measured subsequently using the cost model.

(6) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognizes such costs as expenses upon actual payment. However, IAS 19, 'Employee Benefits', requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period. However, the Group adjusted the GAAP differences at the transition date to decrease retained earnings by ($20,306), to decrease non-controlling interest by ($32), to increase deferred tax assets-non-current by $4,080, to decrease deferred tax liability-non-current by ($85), and increase other payable by $24,503.

(7) The Group has elected to reset the cumulative translation differences of ($211,249) arising on

the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates'.

(8) The Securities brokerage debit and credit accounts were not in conformity with the offsetting of financial assets and financial liabilities requirements of IAS 32, 'Financial Instruments: Presentation'. As a result, the Group adjusted the GAAP difference to increase accounts receivable by $3,448,281, to increase other current assets by $504,783, to increase accounts payable by $3,771,385, and to decrease securities brokerage debit and credit accounts by ($181,679).

(9) According to "Criteria Governing the Preparation of Financial Reports by Securities Firms" adopted in R.O.C. in 2013, creditor's right and liabilities arising from business of securities firms which were recorded under other receivables of $352,088 and other payables of $5,729 should be recognized in accounts receivable of $351,818, accounts payable of $2,607, other current assets of $270 and other current liabilities of $3,122.

(10) Prepayment for acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Firm". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.

(11) To coordinate the differences in presentation of accounts in assets and liabilities and comprehensive income according to the newly revised chart of account code, Criteria Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Group has made reclassification to these accounts after transition to IFRSs.

2. Reconciliation for equity on December 31, 2012:

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
Current assets					Current assets	
Cash and cash equivalents	$ 4,933,426	$ -	$ -	$ 4,933,426	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	17,796,364	(5,170)	-	17,791,194	Financial assets at fair value through profit or loss - current	(1)
	-	-	218,050	218,050	Available-for-sale financial assets-current	(10)
Bonds purchased under resale agreements	-	-	-	-	Bonds purchased under resale agreements	
Margin loans receivable	9,772,570	-	-	9,772,570	Margin loans receivable	
Refinancing security deposits	374	-	-	374	Refinancing security deposits	
Receivables from refinance guaranty	12,901	-	-	12,901	Receivables from refinance guaranty	
Customer margin account	5,637,662	-	-	5,637,662	Customer margin account	
Receivables from security lending	45,803	-	-	45,803	Receivables from security lending	
Security lending deposits	41,382	-	-	41,382	Security lending deposits	
Notes receivable	1,674	-	-	1,674	Notes receivable	
Accounts receivable	378,104	5,121,728	-	5,499,832	Accounts receivable	(7),(8)
Prepayments	28,722	-	-	28,722	Prepayments	
Prepaid pension expense - current	142,048	(141,011)	(1,037)	-	Prepaid pension expense - current	(2)
Other receivable	683,252	(270,755)	-	412,497	Other receivable	(3),(7),(8)
	-	2,364	-	2,364	Current tax assets	(3)

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
	-	674,202	2,977,337	3,651,539	Other current assets	(7),(8),(10)
Restricted assets	2,977,337	-	(2,977,337)	-		(10)
Deferred tax assets-current	9,743	(9,743)	-	-		(3)
Available-for-sale financial assets - current	218,050	-	(218,050)	-		(10)
Total current assets	42,679,412			48,049,990	Total current assets	
Funds and investments					Non-current assets	
Investments accounted for under the equity method	417,280	(10,092)	(407,188)	-		(4),(10)
Available-for-sale financial assets – non-current	83,244	-	(83,244)	-		(10)
Financial assets at fair value through profit or loss – non-current	50,885	-	-	50,885	Financial assets at fair value through profit or loss – non-current	
Total funds and investments	551,409	-	-	-		
		-	83,244	83,244	Financial assets at cost – non-current	(10)
		-	407,188	407,188	Investments in associates	(4),(10)
Fixed assets		-	2,653,310	2,653,310	Property and equipment	(5),(10)
Land	1,680,129	-	(1,680,129)	-		(10)
Buildings	1,099,486	-	(1,099,486)	-		(10)
Equipment	268,470	-	(268,470)	-		(10)
Prepayments for equipment	3,959	(3,959)	-	-		(9)
Leasehold improvements	117,603	-	(117,603)	-		(10)
Less: accumulated depreciation	(512,378)	-	512,378	-		(10)
Total fixed assets	2,657,269					
Deferred pension costs	1,166	(1,166)	-	-		(2)
Other assets						
Operating guarantee deposits	842,000	-	(842,000)	-		(10)
Exchange clearing deposits	364,961	-	(364,961)	-		(10)
Deposits-out	36,363	-	(36,363)	-		(10)
Deferred debits	29,879	-	(29,879)	-		(10)
Rental assets	249,127	-	(249,127)	-		(10)
Idle assets	38,177	-	(38,177)	-		(10)
		-	287,304	287,304	Investment property	(5),(10)
Deferred tax assets - non-current	1,462	36,675	-	38,137	Deferred tax assets	(2),(3),(5)
		3,959	1,274,240	1,278,199	Other assets-non-current	(9),(10)
Total other assets	1,561,969					
Securities brokerage debit accounts - net	298,612	(298,612)	-	-		(7)
				4,798,267	Total non-current assets	
Total assets	$ 47,749,837	$ 5,098,420	$ -	$ 52,848,257	Total assets	
Current liabilities					Current liabilities	
Short-term loans	$ 3,816,336	$ -	$ -	$ 3,816,336	Short-term loans	
Commercial papers payable	1,999,639	-	-	1,999,639	Commercial papers payable	
Bonds sold under repurchase agreements	7,979,713	-	(7,979,713)	-		(10)
Financial liabilities at fair value through profit or loss -	448,956	-	-	448,956	Financial liabilities at fair value through profit or loss - current	

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
current						
		-	7,979,713	7,979,713	Bonds sold under repurchase agreements	(10)
Deposits on short sales	1,245,017	-	-	1,245,017	Deposits on short sales	
Short sale proceeds payable	1,606,777	-	-	1,606,777	Short sale proceeds payable	
Guarantee deposit received on borrowed securities	1,144,289	-	-	1,144,289	Guarantee deposit received on borrowed securities	
Futures traders'equity	5,637,662	-	-	5,637,662	Futures traders' equity	
Accounts payable	494,514	5,234,591	507	5,729,612	Accounts payable	(7),(8),(10)
Advance receipts	7,179	-	(17)	7,162	Advance receipts	(10)
Collections on behalf of third parties	258,385	-	1,508	259,893	Collections on behalf of third parties	(10)
Other payables	1,177,886	(36,903)	(1,999)	1,138,984	Other payables	(2),(5)
		-	121,597	121,597	Other financial liabilities-current	(10)
		28,166	-	28,166	Current tax liabilities	(3)
Other financial liabilities-current	121,597		(121,597)	-		(10)
		5,020	-	5,020	Other current liabilities	(8),(10)
Total current liabilities	25,937,950			31,168,823	Total current liabilities	
Other liabilities						
Deposit-in	4,845	-	(4,845)	-		(10)
Total other liabilities	4,845			-		
Total liabilities	$ 25,942,795					
					Non-current liabilities	
		176	-	176	Deferred tax liabilities	(3)
		11,161	4,846	16,007	Other non-current liabilities	(2),(10)
				16,183	Total non-current liabilities	
				$ 31,185,006	Total liabilities	
Shareholders' equity					Equity attributable to owners of the parent company	
Common stock	13,231,191	-	-	13,231,191	Common stock	
Capital reserve			256,116	256,116	Capital reserve	(10)
Common stock	25,524	440	(25,964)	-		(4),(10)
Treasury stock	230,152	-	(230,152)	-		
Retained earnings					Retained earnings	
Legal reserve	1,960,558	-	-	1,960,558	Legal reserve	
Special reserve	5,482,607	-	-	5,482,607	Special reserve	
Unappropriated earnings	1,124,366	(357,481)	-	766,885	Unappropriated earnings	(1),(2),(4),(5),(6)
Other adjustments to shareholders' equity					Other adjustments to shareholders' equity	
Cumulative translation adjustments	(288,029)	213,344	-	(74,685)	Translation gain and loss on the financial statements of foreign operating entities	(6),(10)
Unrealized gain or loss on financial instruments	1,134	-	-	1,134	Unrealized gain or loss on financial instruments	
Minority interest	39,539	(94)	-	39,445	Non-controlling interest	(2),(5)
Total shareholders' equity	21,807,042			21,663,251	Total equity	
Total liabilities and shareholders' equity	$ 47,749,837	$ 5,098,420	$ -	$ 52,848,257	Total liabilities and equity	

3. Reconciliation for comprehensive income for the year ended December 31, 2012:

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
Revenues						
Securities brokerage fees	$ 1,861,251	$ -	$ 293	$ 1,861,544	Securities brokerage fees	(10)
Security lending	49,330	-	(49,330)	-		(10)
Underwriting fees	89,033	-	-	89,033	Underwriting fees	
	-	-	413,973	413,973	Gain on trading of securities	(10)
Gain on trading of securities - dealer	370,991	-	(370,991)	-		(10)
Gain on trading of securities - underwriting	64,668	-	(64,668)	-		(10)
Stock custodian income	80,329	-	(80,329)	-		(10)
Interest income	865,232	-	-	865,232	Interest income	(10)
Dividend income	157,283	-	(157,283)	-		(10)
Gain on valuation of trading securities	66,045	8,675	-	74,720	Gain on valuation of trading securities	(1)
Gain on short covering and trading securities - RS financing covering	2,606	-	-	2,606	Gain on short covering and trading securities - RS financing covering	
	-	-	(17,164)	(17,164)	Gain on valuation of borrowed securities and bonds with resale agreements	(10)
Gain on warrants issuance	108,814	-	(28,558)	80,256	Gain on warrants issuance	(10)
Revenue from consignment of clearing and settlement	12	-	(12)	-		(10)
	-	-	350,182	350,182	Gain on derivative financial instruments	(10)
Gain on derivative financial instruments - futures	416,585	-	(416,585)	-		(10)
Revenue from futures advisory	12,140	-	(12,140)	-		(10)
Other operating income	73,694	-	291,017	364,711	Other operating income	(10)
Non-operating income	556,495	-	(556,495)	-		(10)
	4,774,508			4,085,093	Total revenues	
Expenses						
Handling charges - brokerage	(178,311)	-	178,311	-		(10)
		-	(256,486)	(256,486)	Handling charges	(10)
Handling charges – dealing	(76,766)	-	76,766	-		(10)
Service charges - refinancing	(1,409)	-	1,409	-		(10)
Loss on trading of securities - hedging	(21,686)	-	21,686	-		(10)
Interest expense	(78,303)	-	(73,057)	(151,360)	Interest expense	(10)
Loss on valuation of borrowed securities and bonds with resale agreements	(17,164)	-	17,164	-		(10)
Warrants issuance expenses	(28,559)	-	28,559	-		(10)
Futures commission expense	(81,932)	-	-	(81,932)	Futures commission expense	
Clearing charges	(86,132)	-	-	(86,132)	Clearing charges	
Loss on derivative financial instruments - OTC	(66,403)	-	66,403	-		(10)
Operating expenses	(2,795,012)	-	2,795,012	-		(10)
Other operating expenses	(1,203)	-	1,203	-		(10)

R.O.C GAAP		Effect of transition From R.O.C. GAAP to IFRSs		IFRSs		
Description	Amount	Recognition	Presentation	Amount	Description	Remark
Non-operating expenses	(101,799)	-	101,799	-		(10)
	(3,534,679)			-		
	-	56,607	(1,738,324)	(1,681,717)	Employee benefits	(2),(10)
	-	-	(111,530)	(111,530)	Depreciation and amortization	(10)
	-	-	(941,713)	(941,713)	Other operating expenses	(10)
				(3,310,870)	Total cost and expenses	
	-	1,025	70,780	71,805	Share of the profit of associates and joint ventures accounted for using the equity method	(4),(10)
	-	(358)	460,108	459,750	Other gain and loss	(4),(10)
Profit before tax	1,239,829			1,305,778	Profit before tax	
Income tax expense	(122,969)	(9,623)	-	(132,592)	Income tax expense	(2),(5)
Net income	$ 1,116,860	$ 56,326	$ -	$ 1,173,186	Net income	
					Other comprehensive income	
	-	(74,685)	-	(74,685)	Translation gain or loss on the financial statements of foreign operating entities	(6)
	-	(10,660)	-	(10,660)	Unrealized loss on financial instruments	
	-	56,955	-	56,955	Actuarial gain and loss of defined benefit plans	(2)
	-	(613)	-	(613)	Share of the comprehensive profit of associates and joint ventures accounted for using the equity method	(4)
	-	(9,682)	-	(9,682)	Income tax relating to components of other comprehensive income	(2)
	-	(38,685)	-	(38,685)	Current other comprehensive income	
				$ 1,134,501	Current comprehensive income	
Consolidated income attributable					Income attributable :	
Consolidated net income	1,113,770	56,264	-	1,170,034	Parent company	
Income for minority	3,090	62	-	3,152	Non-controlling interests	
Consolidated net income	$ 1,116,860	$ 56,326	$ -	$ 1,173,186		
					Comprehensive income attributable :	
	-	$ 1,131,229	-	$ 1,131,229	Parent company	
	-	3,272	-	3,272	Non-controlling interests	
				$ 1,134,501		

Reasons for reconciliation for December 31, 2012 are outlined below:

(1)In accordance with IAS 39, 'Financial Instruments: Recognition and Measurement', investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value. The Group therefore designated emerging stocks at cost to be measured at fair value with provision of evaluation losses and decreased both financial assets at fair value through profit or loss-current by ($5,170) and retained earnings by ($13,845) at the transition date. The Group also increased

net gain of trading securities at fair value through profit or loss by $8,675.

(2)The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the balance sheet date on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the balance sheet date) instead.

In accordance with previous accounting standards in R.O.C., actuarial pension gain or loss of the Group is recognized in net pension cost of current period using the corridor method. However, in accordance with IAS 19, 'Employee Benefits', the Group elects to recognize actuarial pension gain or loss immediately in other comprehensive income. As a result, the Group decreased retained earnings by ($204,380) and prepaid pension cost-current by ($141,011); increased other payables by $4,039 and accrued pension obligations by $11,161 (recognized in other liabilities-noncurrent); decreased deferred pension cost by ($1,166) and the minority interest by ($26); increased deferred income tax asset-non-current by $26,758; decreased pension expenses by ($32,103); increased actuarial gains under a defined benefit plan-net by $56,955, income tax expense by $5,457, and income tax expense recognized in other comprehensive income by $9,682.

(3) In accordance with IAS 12 'Income taxes', the tax refundable of $2,364 in prepayment was reclassified into current tax assets and tax payable in other payables of $28,166 was reclassified into current tax liability. Previously under ROC GAAP, deferred tax assets or liabilities are categorized into current or non-current items according to the categorization of related liabilities or assets. Deferred tax assets or liabilities that are not related to any liabilities or assets in the financial statements should be classified as current or non-current items according to their expected time period to realize or settle. However, under IAS 1, 'Presentation of Financial Statements', an entity should not classify a deferred tax asset or liability as current, and accordingly, deferred tax assets-current of $9,743 was reclassified to deferred tax assets-non-current. Under IAS 12, the deferred income tax asset (liability)-non-current which was originally presented in net value should be presented in gross amounts resulting in an adjustment of $176 in deferred income tax asset-non-current and deferred income tax liability-non-current.

(4) The Group adjusted difference in profits or losses of the investee incurred after IFRS transition resulted in the decrease of the investment accounted for using equity method by ($10,092), the retained earnings by ($10,505), shares of profits or losses of the associates by $1,025, shares of comprehensive income by ($613) of the associated, and joint ventures accounted for using the equity method. The Group also sold the 1% of shares of the investee-President Futures in 2012. As the Group still had control over President Futures, the Group reclassified the resulting gain on disposal of $440 into capital surplus.

(5) In accordance with Rules Governing the Preparation of Financial Statements by Securities Firms, the Group designated such initial cost of property and equipment, investment property and intangible assets as 'deemed cost', and were measured subsequently using the cost model.

(6) The Group has elected to reset the cumulative translation differences of $211,249 arising on the translation of the financial statements of foreign operations under R.O.C. GAAP to zero at the transition date, and to deal with translation differences of $74,685 arising subsequent to the transition date in accordance with IAS 21, 'The Effects of Changes in Foreign Exchange Rates' in the current year.

(7) The Securities brokerage debit and credit accounts were not in conformity with the offsetting

of financial assets and financial liabilities requirements of IAS 32, 'Financial Instruments: Presentation'. As a result, the Group adjusted the GAAP difference to increase accounts receivable by $4,851,344, to increase other current assets by $674,122, to increase accounts payable by $5,226,854, and to decrease securities brokerage debit and credit accounts by ($298,612).

(8) According to "Criteria Governing the Preparation of Financial Reports by Securities Firms" adopted in R.O.C. in 2013, creditor's right and liabilities arising from business of securities firms should be reclassified from other receivables of $270,464 and other payables of $12,757 into accounts receivable of $270,384, accounts payable of $7,737, other current assets of $80 and other current liabilities of $5,020.

(9) Prepayment for acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Firm". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.

(10) To coordinate the differences in presentation of accounts in assets and liabilities according to newly revised chart of account code, Criteria Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Group has made reclassification to these accounts after transition to IFRSs.