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## 2009 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.

## Table of Contents

<b>I.</b>	<b>Letter to Shareholders</b>	<b>3</b>
<b>II.</b>	<b>Company Profile</b>	<b>6</b>
	1 Date of incorporation	
	2 Company History	
	3 Organization Chart	
<b>III.</b>	<b>Corporate Governance</b>	<b>9</b>
	1 Major Corporate Functions	
	2 Compensation for Directors and Supervisors	
	3 Implementation of Corporate Governance	
	4 Long-term Investment Ownership	
<b>IV.</b>	<b>Capital Structure</b>	<b>22</b>
	1 Capital and Shares	
	2 Dividend Policy & Implementation Status	
	3 Buyback of Common Stock	
	4 Long-Term Borrowings	
<b>V.</b>	<b>Overview of Business Operation</b>	<b>29</b>
	1 Business Activities	
	2 Analysis of the Securities Industry	
	3 R&D for Derivative Products	
	4 Future Business Development	
	5 Market Conditions	
	6 Employee Data	
	7 Corporate Social Responsibility	
	8 Labor Relations	
<b>VI.</b>	<b>Financial Information</b>	<b>49</b>
	1 Balance Sheet from 2005 to 2010Q1	
	2 Income Statement from 2005 to 2010Q1	
	3 Financial Analysis from 2005 to 2010Q1	
<b>VII.</b>	<b>Financial Status, Operating Results &amp; Risk Management</b>	<b>52</b>
	1 Analysis of Financial Status	
	2 Analysis of Operating Results	
	3 Long-term Investment Policy and Results	
	4 Analysis of Risk Management	
<b>VIII</b>	<b>Other Disclosures</b>	<b>60</b>
	1 Affiliated Companies Chart	
	2 Basic Information of Affiliates	
	3 Operational Highlights of Affiliated Companies	
	4 Capital Adequacy Ratio	
	<b>NON-CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>63</b>

## I. Letter to Shareholders

Following the global financial crisis of 2008 and the subsequent tightening of credit, overall economic demand fell and international trade dried up in 2009. The global economy began to shrink and Taiwan, as an export-driven economy, felt the effects. Governments around the world responded by pumping huge amounts of liquidity into the system and creating various financial and monetary policies aimed at reviving their economies. While fears of a double-dip recession continue to persist, it does appear that the global economy has now weather the worst of the storm and has begun to come out the other side, and is now set on a firm path towards recovery.

Within Taiwan, the government has been taking steps to lower taxes, to create jobs, to stimulate consumption, and to shore up domestic demand. On the international front, the government is moving to liberalize trade across the Taiwan Strait by opening up direct flights between Taiwan and the PRC, by allowing PRC tourists to visit Taiwan on a regular basis, and by signing the financial MOU and ECFA with the PRC. The result was to see Taiwan's economy go from negative growth in the third quarter of 2008, to bottoming out in the first quarter of 2009, and then slowly finding its legs and, by the fourth quarter of 2009, growth figures had already turned positive once again.

The stock market, as a leading economic indicator, reflected the abundance of new capital and the thawing of investor sentiment, with Taiwan's TAIEX rising from 4,591 points at the end of 2008 to 8,188 points at the end of 2009, for a rise of 3,597 points, or a 78% gain for the year. This marked the single biggest annual rise for the index in 16 years.

Fortunately, PSC's management team was able to accurately read market trends and, with prudent risk management systems in place, was able to turn in impressive operating performance for the year. Gross Revenues for 2009 came in at NT\$5,253 million, total operating costs were NT\$345 million, gross operating income was NT\$4,907 million, total operating expenses were NT\$3,051 million, net non-operating income was NT\$375 million, pre-tax net income was NT\$2,231 million, after-tax net income was NT\$2,025 million, pre-tax EPS was NT\$1.94, and after-tax was NT\$1.76. Comparing PSC to the 14 other large domestic securities firms we secured a 6<sup>th</sup> place ranking in terms of after-tax net profits and secured a 2<sup>nd</sup> place ranking in terms of EPS.

Looking at our brokerage business, in 2009, we implemented a personnel reshuffle aimed at fortifying our management team and enhancing customer service quality. The result was a brokerage market share for 2009 of 4.04%, which represented a 20% increase over 2008's market share figure of 3.37%. This gave our firm a ranking of 8<sup>th</sup> among the overall industry. We also held the #1 market share position per individual branch productivity.

Looking at our underwriting business, we worked on a total of 43 deals for the year, making us the #3 underwriter within the industry, with a total of NT\$1.9 billion in assets underwritten. We will continue to seek out high-quality Emerging Market Exchange companies and work closely with them to help them achieve their IPO objectives. As for SPOs, we will also continue to use rigid company and industry analysis in selecting solid companies to work with and those companies with appropriate and well-timed capital raising services, always mindful of potential risk exposures for our underwriting department.

Looking at our proprietary trading department, we have been successful in grooming

an exceptionally talented, disciplined, and market-weathered proprietary trading team. In the first quarter of 2009, we were able to confirm that the market had hit its bottom and we moved quickly to increase our positions and to be ready to capitalize on the coming market turnaround. This deft market timing, combined with our ability to adjust sector allocations to match market changes, allowed us to turn in another year of records performance.

Looking at our fixed income business, we were able to accurately predict central bank interest rate adjustments and use interest rate swaps (IRS), bond options, and nimble position modifications, to cash in impressive profits. In terms of outright purchase and sales of government bonds, PSC held the #1 ranking among all domestic securities firms and was recognized as the 3<sup>rd</sup> Best Performing Government Bond Appraiser.

Looking at our derivatives products business, we issued the 10<sup>th</sup> highest number of warrants among all securities firms in 2009, and were 11<sup>th</sup> in terms of total dollar value issued. Our structured note product trading has also been increasing, making us one of the top-5 firms in this area. Our futures and options proprietary trading department was unfortunately unable to create effective trading strategies that could capitalize upon the market volatility and market directional changes and, thus, was only able to turn in modest profits for the year.

As for our corporate governance efforts, we are continuing to increase transparency and refine our risk management systems. Indeed, in its annual evaluation of transparency levels at publicly listed companies, the SFI once again gave PSC a grade of A+ for the year. The TWSE and the GreTai Securities Market also conducted evaluations of risk management measures and PSC was given the highest score available, level 1. Taken together, these two honors serve as clear validation of PSC's commitment to and achievement in good corporate governance. Indeed, as many financial institutions are facing potential credit downgrades, Taiwan Ratings Corp. maintained its long-term credit rating for President Securities Corp. of twA. Clearly, stable long-term operating performance and a solid financial structure are the two key pillars on which PSC is based, and key reasons why PSC has consistently earned the trust of its investors.

Looking ahead to 2010, the global economy seems to have already stopped its downward slide and is returning to normal growth trends. The Taiwan economy appears to be following the global trend out of the fog with the worst already behind us. That being said, there still remain many uncertainties facing the global economy: high unemployment, weak demand, many governments taking on heavy debt burdens for the same of their economic recovery packages, asset value bubble risks. These all represent real obstacles to economic recovery. Moreover, with equity markets and equity prices quite high, investors will need to be particularly careful in looking for real value in the market. This will also make trading these markets more difficult.

Although it is clear that there remain many uncertainties in the market, we are confident that the global economy has already bottomed out and is on the rise again and that, when looking at the tremendous opportunities to come from normalized trade relations between Taiwan and the PRC, 2010 will no doubt be a year full of opportunities.

In business, a failure to move forward is the same as moving backwards. This year, we intend to expand our company's infrastructure, which will include fortifying our information system functionalities, revamping the software and hardware throughout our branches, and establishing a top-notch research team. We will also expand our range of services to include more complex order trading and trust account services. We will fight to land TDR underwriting deals and to increase our market share in warrants and structured notes.

We will expand the range of products that we invest in and spend more time looking at foreign markets to find regions and products that offer attractive investment value. Our cross-strait business will continue to move forward as we establish a joint-venture fund management company in Xiamen, China, thereby spearheading our move into asset management in the PRC. And, as cross-strait relations continue to improve and securities-related businesses are liberalized, we will push beyond the coastal regions of China and deeper into central China.

“Passion for excellence and service” is how our management team shows its sense of responsibility to itself, to its customers, and to its shareholders. We may not be the biggest securities firm, but we will work our hardest to be the best securities firm and, in doing so, will show our appreciation to every shareholder for his or her support and care.

Sincerely Yours,

*Teng A-Hua*

A-Hua Teng  
Chairman



Kuan-Chen Lin  
President

## II. COMPANY PROFILE

### 1. Date of incorporation: December 17, 1988

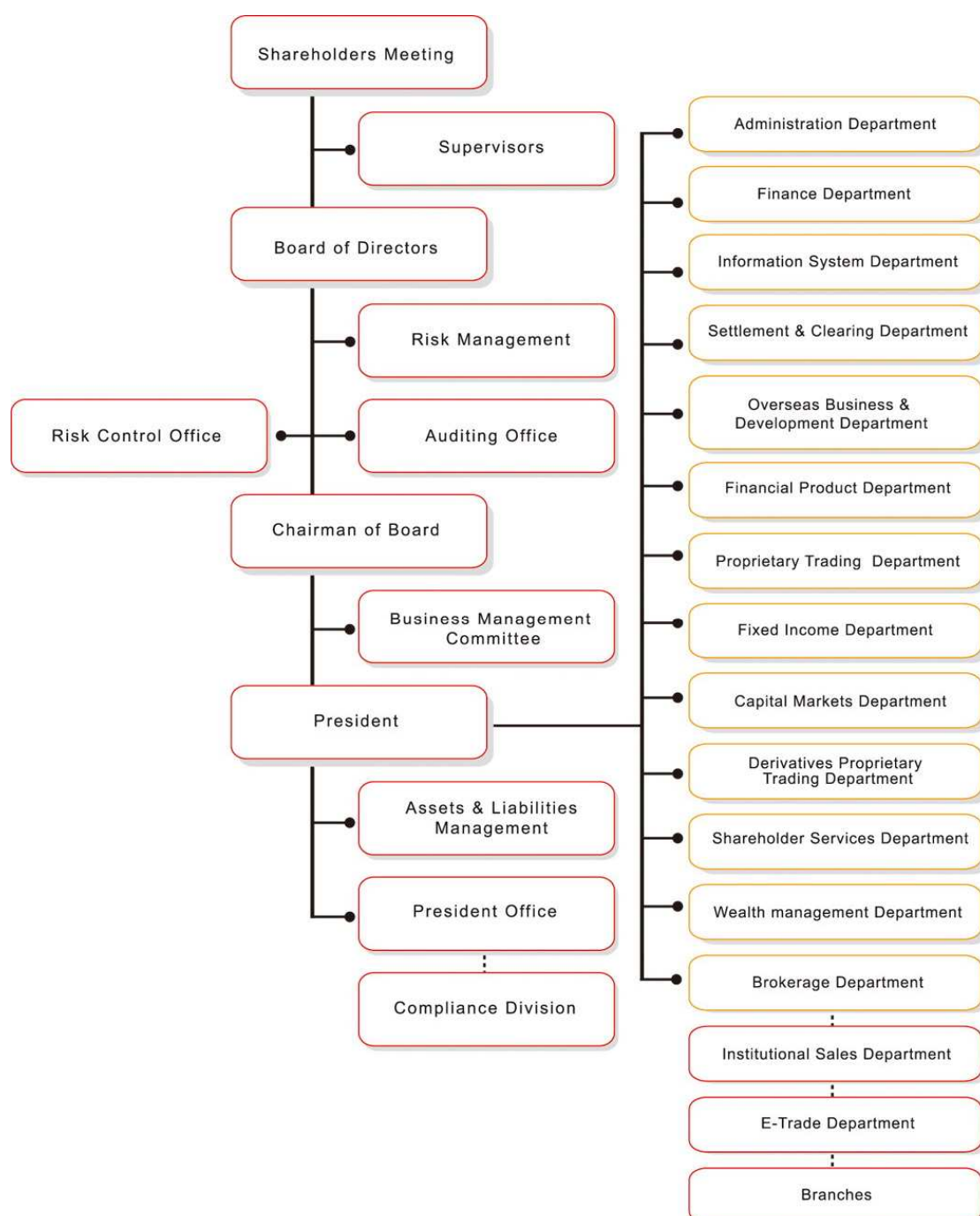
### 2. Company History

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.
1989	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, <u>listed on the OTC</u> . 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\$12.25 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). Last August, PSC performed a capital reduction action on its treasury stocks, bringing the net worth of common stocks to NT\$11.40billion. 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\$11.371 billion. Received the 6 <sup>th</sup> 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 22 <sup>nd</sup> .
2009	In April, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.857 Billion.

### 3. Organization Chart





### III. Corporate Governance

#### 1. Major Corporate Functions

President Securities offers a diverse and comprehensive range of financial services, from brokerage, to underwriting, proprietary trading, fixed income dealing, financial product development, and shareholder services coordination. The following is a description of each of the President Securities' primary business units.

Brokerage	<ul style="list-style-type: none"> <li>■ Accept orders from clients to buy/sell listed securities and forward to TSE for execution.</li> <li>■ Accept orders from clients to buy/sell listed securities and forward to the OTC exchange for execution.</li> <li>■ Manage custodial services for clients.</li> <li>■ Provide margin financing for securities trading.</li> <li>■ Futures Introducing Broker Business</li> </ul>
Underwriting (Corporate Finance)	<ul style="list-style-type: none"> <li>■ Assist corporations in application for public listing on TSE or OTC.</li> <li>■ Conduct and advise on rights offerings</li> <li>■ Underwrite euro-convertible bonds and foreign depository receipts.</li> <li>■ Assist in M&amp;A activities; provide consulting services on corporate finance and other specialized areas</li> <li>■ Other various types of underwriting business</li> </ul>
Proprietary Trading	<ul style="list-style-type: none"> <li>■ Trading of publicly listed securities on the TSE and OTC, using President Securities' own funds.</li> <li>■ Hedge positions via futures and options markets</li> <li>■ Coordinate with Corporate Finance Department (Underwriting) in ensuring smooth and successful launch of new issues by playing a market maker role.</li> </ul>
Fixed Income Dealing	<ul style="list-style-type: none"> <li>■ Trading of government and corporate bonds via the OTC market using President Securities' own funds.</li> <li>■ Accept orders from clients to buy/sell government bonds.</li> <li>■ Repo and Reverse-Repo transactions.</li> <li>■ Provide margin funds to clients for short-term and long-term investments; bond-related financial consulting services.</li> </ul>
Financial Products	<ul style="list-style-type: none"> <li>■ Underwrite equity warrants and conduct option-based hedging strategies</li> <li>■ Develop and issue structured-note products.</li> <li>■ New financial product design and development.</li> </ul>
Futures Proprietary Trading	<ul style="list-style-type: none"> <li>■ Trading of futures contracts on the TAIEX (Taiwan Futures Exchange) using President Securities' own funds.</li> <li>■ Trading of options contracts on the TAIEX (Taiwan Futures Exchange) using President Securities' own funds.</li> </ul>
Shareholder Services Coordinator	<ul style="list-style-type: none"> <li>■ Coordinate shareholder services on behalf of publicly listed companies.</li> <li>■ Manage delivery of shareholder materials.</li> <li>■ Assist in the coordination of shareholder meetings.</li> <li>■ Coordinate the issue and transfer of cash and/or stock dividends to shareholders.</li> <li>■ Manage the creation and delivery of tax forms to shareholders.</li> <li>■ Respond to shareholder enquiries and legal issues.</li> </ul>
Financial Consulting Services	<ul style="list-style-type: none"> <li>■ Manage both foreign and domestic funding operations on behalf of corporate clients.</li> <li>■ Assist clients in implementing mergers, acquisitions, spin-offs.</li> <li>■ Provide various other financial consulting services.</li> </ul>
New Business Areas	<ul style="list-style-type: none"> <li>■ Brokerage services and proprietary trading for corporate paper products.</li> <li>■ Proprietary trading of bond option contracts.</li> </ul>

## 2. 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 Disbursement (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)				
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation		PSC	Consolidation	PSC	Consolidation	PSC		Consolidation		PSC	Consolidation			
														Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
Chairman / TENG, A-HUA Delegate of CANKING INVESTMENT CO.,LTD	0	0	0	0	36,600	36,600	17,439	17,439	2.6683	2.6683	0	0	0	0	0	0	0	0	0	2.6683	2.6683	None
Director / LIN,KUAN-CHEN																						
Director / LEE,KUO-HWA Delegate of SUNTAY INVESTMENT CO.,LTD																						
Director / CHANG,MING CHEN Delegate of LEG HORN INVESTMENT CO.,LTD																						
Director / CHENG,PI-HUA																						
Director / PI, CHIEN-KUO Delegate of HUI TUNG INVESTMENT CO.,LTD																						
Director / LEE, SHY-LOU																						
Director / TU, LI-YANG Delegate of TA LEH																						

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 Disbursement (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)					
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation		PSC	Consolidation	PSC	Consolidation	PSC		Consolidation		PSC	Consolidation				
														Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend						
INVESTMENT CO.,LTD																							
Director / HSIEH HUNG,HUI-TZU Delegate of KAI NAN INVESTMENT CO.,LTD																							
Director / LIN, CHENG-TE Delegate of KAI NAN INVESTMENT CO.,LTD																							
Director / HSIEH, CHIH-PENG Delegate of KAI NAN INVESTMENT CO.,LTD																							
Director / LIN, JUNG-KUEN Delegate of KAI NAN INVESTMENT CO.,LTD																							
Independent Director / FU, KAI-YUN																							
Independent Director / WU, TSAI-YI																							
Independent Director / LEE,KWANG CHOU																							
Total	0	0	0	0	36,600	36,600	17,439	17,439	2.6683	2.6683	0	0	0	0	0	0	0	0	0	0	2.6683	2.6683	

■ 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	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	
Supervisor / DUH, BOR-TSANG	0	0	7,924	7,924	1,080	1,080	0.4446	0.4446	None
Supervisor / CHEN, KUO-HUI									
Supervisor / LEE, SHU-FEN CHINA F.R.P CORPORATION									

## 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 2009.  
Directors' attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Notes
Chairman	Canking Investment Co., Ltd. Rep. Teng, A-Hua	5	0	100%	Re-elected
Director	Lin, Kuan-Chen	5	0	100%	Re-elected
Independent Director	Fu, Kai-Yun	3	0	100%	Elected on June 19
Independent Director	Wu, Tsai-Yi	3	0	100%	Elected on June 19
Independent Director	Lee, Kwang Chou	3	0	100%	Elected on June 19
Director	Cheng, Pi-Hua	2	3	40%	Re-elected
Director	Leg Horn Investment Co., Ltd. Rep. Chang, Ming Chen	5	0	100%	Re-elected
Director	Kai Nan Investment Co., Ltd. Rep. Sheh, Hong Huei-Tzu	5	0	100%	Re-elected
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Cheng-Teh	4	1	80%	Re-elected
Director	Kai Nan Investment Co., Ltd. Rep. Sheh Tzu-Pon	1	4	20%	Re-elected
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Ron-Kun	5	0	100%	Re-elected
Director	Hui Tung Investment Co., Ltd. Rep. Pi, Chien-Kuo	5	0	100%	Re-elected
Director	Lee, Shy-Lou	5	0	100%	Re-elected
Director	Taleh Investment Holding Co., Ltd. Rep. Tuh, Li-Yang	4	1	80%	Re-elected
Director	Shentai Investment Co., Ltd. Rep. Li, Kuo-Hua	3	1	75%	Resigned on Nov. 18, 1998
Director	Kuo, Shu Shen-Ni	2	0	100%	Term Expired on June 19
Director	Chenchien Investment Co., Ltd. Rep. Hong, Shu-Shien	2	0	100%	Term Expired on June 19

### 3-1 Attendance of Supervisors for Board Meeting

Total of 5 meetings of the board of directors were held in the year of 2009. Supervisors' attendance condition was as follows:

Title	Name	Attendance in Person	Attendance rate (%)	Notes
Supervisor	Duh, Bor-Tsang	3	60%	Re-elected
Supervisor	China F.R.P. Corp. Rep. Lee, Shu-Fen	5	100%	Re-elected
Supervisor	Kaiyo Investment Co. Ltd. Rep. Chen, Kuo-Huei	2	100%	Term Expired on June 19
Supervisor	Chen, Kuo-Huei	3	100%	Re-elected

### 3-2 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	1. i) We have assigned a spokesperson and a shareholder services representative to deal with any suggestions, complaints, or other problems from shareholders. ii) 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.  2. 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.	No Differences
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	i) At the company's 8 <sup>th</sup> annual Shareholder meeting (2009) PSC established 3 board seats specifically for independent directors. ii) In accordance with the "Corporate Governance Best-Practice Principles for Securities Firms", each year our company evaluates the independence of the company's accounting firm and resolves a	No Differences



Item	Status	Actual differences
independence of the company's accounting firm	motion to continue retaining said accounting firm's services.	
3. Lines of communication for company founders and with other stakeholders.	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 the PSC 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 the company's Customer Service Department and its Management 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 Management Department, who is 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) Our company also uses other methods of disclosure (e.g., English version of our website, personnel assigned to collect and disclose information, a spokesperson, full records of everything that takes place at institutional investor meetings are posted to our website)	i) The company has already setup an "Investor Area" on our website ( <a href="http://www.pscnet.com.tw">www.pscnet.com.tw</a> ), 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) Our company has 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: <ul style="list-style-type: none"> <li>■ Company introduction in English</li> <li>■ Company financial statements</li> <li>■ Board of Director meeting minutes</li> <li>■ Investor Suggestion Box, which is manned by Management Department Personnel who are responsible for replying to all comments received.</li> </ul>	No Differences
5. Committees established to oversee nominations, compensation, etc.	The Company has established a Risk Control Committee. i) In accordance with governing principles approved by the Board of Directors, the Risk Control Committee shall: <ul style="list-style-type: none"> <li>■ Establish enterprise risk control policies and structures, and delegate to the</li> </ul>	All such key strategies are handled in accordance with the company's AOI and

Item	Status	Actual differences
	<p>appropriate departments.</p> <ul style="list-style-type: none"> <li>■ Establish enterprise risk measurement standards.</li> <li>■ Establish enterprise risk tolerance limits and department specific risk tolerance limits.</li> </ul> <p>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.</p>	<p>Board Meeting resolutions. With the exception of the Risk Management Committee, all other committees are still under review and evaluation.</p>
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	<p>PSC has implemented a set of 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 the company achieve its operating goals.</p>	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):	<p><b>i) Environmental Protection Measures</b> Our firm is a securities house and, therefore, has no environmental concerns to be addressed.</p> <p><b>ii) Community Participation</b> In August of 2008, our firm conducted our first annual employee blood donation drive. In 2007, the blood donation drive was increased to twice a year and has expanded to bring in even greater participation from the community.</p> <p><b>iii) Contributing to Society</b> Every year since 2001, our firm 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 such as Taiwan Fund for Children and Families (Yi-Lan), underprivileged children in Ping-Dong County,</p>	No Differences

Item	Status	Actual differences
<p>the United Way Taiwan, the Taiwan Foundation for Rare Disorders, the Taiwan Spinocerebellar Ataxia Association. PSC, as a long-standing supporter of social causes, was awarded the 6<sup>th</sup> annual National Civic Service Award.</p> <p><b>iv) Customer Rights</b> Our company has 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:</p> <ul style="list-style-type: none"> <li>■ Company introduction in Chinese and English</li> <li>■ Company financial statements</li> <li>■ Board of Director Minutes</li> <li>■ Investor Suggestion Box, which is manned by Public Affairs personnel who are responsible for replying to all comments received.</li> </ul> <p><b>v) Employee Rights and Hiring Concerns</b> 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, thereby ensuring 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.</p> <p><b>vi) Stakeholder Rights</b> Our company respects the right of stakeholders to voice their opinions and we have constructed lines of communication specifically for interested parties, such as:</p> <ul style="list-style-type: none"> <li>■ The Finance Department has assigned personnel specifically to deal with banks and creditors whom we deal with regularly.</li> <li>■ The Management Department has assigned personnel specifically to deal with employees, investments, and sales business partners.</li> <li>■ 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 the company's Customer Service Department and its Management 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.</li> </ul> <p><b>vii) Implementation of Customer Policy</b></p> <ul style="list-style-type: none"> <li>■ Our Policy: "3 Goods and One Fair", "Good Quality", "Good Trust", "Good Service", and "Fair Price". This is combined with "Professional Leadership, Kind Service", in providing all customers with comprehensive services.</li> <li>■ Implementation: We have established a Customer Services Department—The Customer Service Center, which offers customers an avenue through which to register complaints, which</li> </ul>		

Item	Status	Actual differences
	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.	
<p><b>viii) Training for Directors and Supervisors</b>  In addition to supporting directors and supervisors who choose to attend external training on their own, our company will periodically organize corporate governance training classes and invite our directors and supervisors to attend these classes. In 2009, for example, in addition to the training that the directors and supervisor undertook on their own, our firm worked with the Securities and Futures Institute (SFI) to organize a training course for all of our directors and supervisors focusing on corporate governance, and PRC-related financial analysis. This training allowed the directors and supervisors to gain a better understanding of the spirit of and practical application of corporate governance.</p> <p><b>ix) Risk Management Policy and Risk Evaluation Standards</b>  A. Risk Management Policy  i) Ensure that the company can operate various types of business from a position of solid risk management. Using reasonable risk tolerance levels, continue to enhance profitability, create shareholder value, and achieve return on capital targets.  ii) Set well-defined risk controls for every business area, implement risk management checks and balances, 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 risk.</p> <p>B. Risk Evaluation Standards  Our firm 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:</p> <p>■ 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 effectiveness of our evaluation models on various business areas: we review the assumptions, parameters, and data used for various product models, and then test that the models for the various products are reasonable.  iii) Evaluate the effectiveness of risk control models: regularly perform back-testing to ensure the effectiveness of the models used.</p> <p>■ Credit Risk Evaluation  i) Our company undergoes credit rating evaluations from Moody's, Standard &amp; Poor's, Fitch, and Taiwan Ratings Corp.  ii) Trading counter-partner 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</p>		

Item	Status	Actual differences
<p>determining the credit risk of a trading counterparty</p> <p>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 develop an in-depth internal evaluation of the company, and then use this to protect ourselves from potential credit risks and potential capital shortfalls.</p> <p>■ Operational Risk Evaluation</p> <p>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.</p> <p>ii) We create operations risk policy handbooks that entail every level of operations.</p> <p>iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled.</p> <p>C. Risk Management Categories</p> <p>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.</p> <p>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.</p> <p>D. Our Risk Control Architecture</p> <p>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: the Board of Directors, the Risk Control Committee, the Office of the CEO, the Assets/liabilities Committee, the Risk Control Office, the Auditing office, the Legal Compliance and Legal Matters Department, the Finance Department, all sales departments. Each segment of the company has clearly spelled-out obligations and every level of the company has clearly defined authorities.</p> <p>■ 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.</p> <p>■ Risk Control Committee: 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.</p> <p>■ 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.</p> <p>■ Assets/Liabilities Committee: controls the company's overall asset structure, sets limits for different businesses, collects and</p>		



Item	Status	Actual differences
<p>analyzes domestic and international interest rates, exchange rates, and economic changes.</p> <ul style="list-style-type: none"> <li>■ Risk Control Office: within this office has been established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations:</li> <li>■ Trading Business Risk Management Team: 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.</li> <li>■ Operating Risk Management Team: 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, for ensuring company-wide regulatory compliance.</li> <li>■ Auditing Office: sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, implements daily check routines.</li> <li>■ 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.</li> <li>■ Finance Department: monitors capital adequacy rates, liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios.</li> <li>■ 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.</li> </ul>		
<p><b>x) The Purchase of Liability Insurance for Directors and Supervisors</b> Our company has already purchase liability insurance from Chartis Taiwan Insurance Co. Ltd. (the policy is for US\$10,000,000 with a term of Sept. 1, 2009 to Sept. 1, 2010.</p> <p>8. Any other corporate governance evaluations conducted either by President Securities itself or by an external institution, the findings of this report, its main recommendations, and the status of any changes made: None</p>		No Differences

### 3-3 Compensation review committee

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

PSC has not established a compensation review committee.

### 3-4 Corporate Citizenship

In light of PSC's long-standing commitment to supporting key social causes, it was



awarded the 7<sup>th</sup> annual Wenxin Award and the National Civic Service Award.

Over the last several years, President Securities Corp. has planned and coordinated a number of charitable activities with respected organizations 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 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.

■ Environmental Measures

As a securities firm, our company does not have any environmental or polluting concerns.

■ Social Participation, Social Contribution, Social Service, Social Causes

Every year since 2001, our firm has called together all staff members from throughout our various divisions, and even many of our clients, to participate in the “Send Them Our Love” charity event, which raises money for donation to charity groups such as Taiwan Fund for Children and Families (Yi-Lan), Underprivileged Children (in Ping-Dong County), the United Way of Taiwan, the Taiwan Foundation for Rare Disorders, and the Taiwan Spinocerebellar Ataxia Association. Beginning in 2007, we established a scholarship in partnership with the Taiwan Fund for Children and Families that assists elementary school children from underprivileged families.

In August of 2006, our firm conducted the first employee blood donation drive, which was a rousing success. The blood donation drive was increased to twice a year from 2007 and was expanded to bring in even greater participation from the community.

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.

■ Customer Rights

Our Policy is “3 Goods and One Fair System”, (meaning, Good Quality, Good Trust, Good Service, and Fair Price). We combine this with “Professional Leadership and Kind Service” to provide comprehensive service to all of our customers.

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
- ii) Company financial statements
- iii) Board of Director meeting minutes
- iv) Investor Suggestion Box, which is manned by Management Department Personnel who are responsible for replying to all comments received.

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.

#### 4. Long-term Investment Ownership

As of 31/03/2010

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.	64,477,303	97.69%				
President Capital Management Corp.	15,000,000	100.00%				
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%				
President Securities (Nominee) LTD			1,000,000	100%	1,000,000	100.00%
President Wealth Management (Hong Kong) Ltd.			23,400,000	100%	23,400,000	100.00%
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%				
President Insurance Agency Corp.	500,000	100.00%				
Taiwan Depository & Clearing Corporation	726,092	0.24%				
Taiwan Futures Exchange	500,935	0.20%				
Hua Lu Venture Capital Corp.	9,000,000	8.70%				
Cathay Venture Capital Corp.	2,400,000	5.00%				
Taiwan Integrated Shareholder Service Corp.	1,580,000	5.27%				

## 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
91.07	10	1,500,000	15,000,000	1,183,651	11,836,510	Capital Increase by Earning	None
91.12	10	1,500,000	15,000,000	1,140,673	11,406,730	Cancellation of Treasury Shares	None
93.08	10	1,500,000	15,000,000	1,140,499	11,404,990	Cancellation of Treasury Shares	None
95.06	10	1,500,000	15,000,000	1,137,072	11,370,720	Cancellation of Treasury Shares	None
96.08	10	1,500,000	15,000,000	1,176,869	11,768,695	Capital Increase by Earning	None
97.08	10	1,500,000	15,000,000	1,215,706	12,157,062	Capital Increase by Earning	None
98.04	10	1,500,000	15,000,000	1,185,706	11,857,062	Cancellation of Treasury Shares	None

#### 1-2 Capital and Shares

Unit : Share

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	1,185,706,190	314,293,810	1,500,000,000

#### 1-3 Structure of Shareholders

As of 27/04/2010

Structure of Shareholders Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Holders	0	3	122	31,431	118	31,674
Shares	0	15,213,596	650,783,487	422,233,537	97,475,570	1,185,706,190
%	0	1.283%	54.886%	35.610%	8.221%	100%

## 1-4 Distribution Profile of Share Ownership

### ■ Common Shares

As of 27/04/2010

Shareholder Ownership (Unit : Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	13,426	2,395,150	0.202
1,000 ~ 5,000	9,613	22,313,405	1.882
5,001 ~ 10,000	3,289	24,208,381	2.042
10,001 ~ 15,000	1,520	18,040,816	1.522
15,001 ~ 20,000	855	15,655,839	1.32
20,001 ~ 30,000	796	19,317,659	1.629
30,001 ~ 50,000	715	28,007,835	2.361
50,001 ~ 100,000	662	46,818,503	3.949
100,001 ~ 200,000	389	54,682,608	4.612
200,001 ~ 400,000	203	55,766,978	4.703
400,001 ~ 600,000	59	28,609,472	2.413
600,001 ~ 800,000	39	27,042,071	2.281
800,001 ~ 1,000,000	19	16,973,491	1.432
Over 1,000,001	89	825,873,982	69.652
Total	31,674	1,185,706,190	100

## 1-5 Major Shareholders

April 27, 2010

Shareholders	Number of Shares	Ownership (%)
Uni-Present Enterprises Corp.	322,900,166	27.232
Kai Nan Investment Co., Ltd.	32,677,909	2.755
President Chain Store Corp.	31,356,892	2.644
Eternal Chemical Co., Ltd	28,100,810	2.369
Taiwan Spinning Co., Ltd	26,369,342	2.223
Golo Chang Investment Co., Ltd.	23,528,497	1.984
JP Morgan Chase & Co investment fund under Citibank Taiwan's custody account	16,231,500	1.368
Kao Chin-Yen Memorial and Education Foundation	14,675,221	1.237
President Securities' comprehensive Employee Stock Ownership Trust under Chinatrust's custody	14,553,596	1.227
Jihsun Best Choice Fund	14,257,000	1.202

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

Item			2008	2009	2010Q1
Market Price Per Share	Highest		27.59	22.3	22.7
	Lowest		7.26	8.35	16.7
	Average		16.98	16.99	19.74
Net Worth Per Share	Before Distribution		14.86	16.86	17.02
	After Distribution		14.86	-	-
Earnings Per Share	Weighted Average Shares (thousand shares)		1,206,793	1,148,748	1,155,681
	Earnings Per Share	Current	-0.44	1.76	0.18
		Adjusted	-0.44	1.69	-
Dividends Per Share	Cash Dividends (NT\$)		0	0.82	-
	Stock Dividends	Dividends from Retained Earnings	0	0.4	-
		Dividends from Capital Surplus	0	-	-
	Accumulated Undistributed Dividend		0	-	-
Return on Investment	Price/Earnings Ratio		-	9.41	-
	Price/Dividend Ratio		-	20.2	-
	Cash Dividend Yield		-	4.95	-

**2. Dividend Policy & Implementation Status****2-1 Dividend Policy**

The Company takes 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:

- The profit may be retained and not allocated if the total allocable profit is less than 5% of the paid-in capital after paying tax, making up the previous loss and setting aside the legal reserve in accordance with the Company Act.
- 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 2009 profit distribution at its Meeting on March 24, 2010. The proposal will be effected according to the relevant regulations, upon the

approval of shareholders at the Annual Shareholders' Meeting on June 25, 2010.

#### Proposal to Distribute 2009 Profits

Unit: NT\$	
Cash Dividends (NT\$0.82 per share)	947,658,576
Stock Dividends (40 shares for each 1,000 shares owned)	462,272,480

In addition, according to the Company's Articles of Association, PSC shall allocate 3% of earnings available for distribution (net income after a regulatory required deduction for prior years' losses and contributions to legal and special reserves) as a bonus to directors, and 2% as a bonus to employees.

In accordance with the order issued by the SFC on March 30, 2007 (order number Jin Guan Zheng No. 0960013218), the proposal for distribution of earnings approved by the Board of Directors is as follows:

- It is proposed that a total of NT\$29,682,759 be distributed to employees as bonus, and that a total of NT\$44,524,139 be allocated for director/supervisor compensation. Employee bonus will be distributed in cash.
- It was estimated that employee bonus for 2009 would be NT\$28,002,815 and Director/Supervisor compensation for 2009 would be NT\$42,004,223. Employee bonus and Director/Supervisor compensation estimates are based on internal profit and loss figures, which resulted in a discrepancy in the distribution values. Any discrepancy between the estimates and the actual distributions approved at the General Shareholder Meeting will be booked in 2010's profits and losses.

### 1. Buyback of Common Stock

As of 31.3.2010

Buyback Plan	7 <sup>th</sup> Buyback Plan	8 <sup>th</sup> Buyback Plan	9 <sup>th</sup> Buyback Plan
Purpose	For transferring to employees	For the shareholders' interest	For the shareholders' interest
Period	2008.9.18-2008.11.17	2008.11.21-2009.1.20	2009.3.27-2009.5.26
Planned Buyback Price Range (i) & (ii)	NT\$10-NT\$20 per common share	NT\$6.84-NT\$13.95 per common share	NT\$8.58-NT\$16.55 per common share
Class and Number of Shares Bought Back	40,000,000 common shares	30,000,000 common shares	0
Value of Shares bought Back	NT\$388,639,599	NT\$304,660,667	0
Number of Shares Cancelled	9,975,000 common shares	30,000,000 common shares	0
Accumulated Number of Treasury Shares Held	30,025,000 common shares	30,025,000 common shares	30,025,000 common shares
Accumulated Treasury Shares Held as a % of Total Outstanding	2.53%	2.53%	2.53%



Shares			
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Note: (i) Minutes of Board of Directors revealed that if the market value was below the lower limit of buyback price range the buyback plan preceded.

(ii) Of the 7<sup>th</sup> buyback plan 9,975 shares bought back had transferred to employees on 2009.10.19. Of the 8<sup>th</sup> buyback plan 30,000 shares bought back had cancelled on 2009.4.13

## 4. Long-Term Borrowings

### 4-1 Issuance of Corporate Bond

Issuance		1 <sup>st</sup> Unsecured Convertible Corporate Bond in 2008
Issuing Date		2008.5.28
Denomination		NT\$100,000
Issuance and Transaction Location		Domestic
Offering Price		Par
Total Amount		NT\$3,000,000,000
Coupon Rate		0% p.a.
Tenure		3 years Maturity : 2011.5.28
Guarantor		None
Trustee		Taipei Fubon Commercial Bank
Underwriter		Fubon Securities Corporation Ltd.
Legal Counsel		None
Auditor		None
Repayment		Bullet
Outstanding		NT\$2,357,600,000 (i)
Redemption or Early Repayment Clause		Referring to Article 17 of the prospectus of the 1 <sup>st</sup> unsecured corporate convertible bond
Covenants		Referring to Article 17 of the prospectus of the 1 <sup>st</sup> unsecured corporate convertible bond
Credit Rating		None
Other rights of Bondholders	Amount of Converted or Exchanged Common Shares, ADRs or Other Securities as of Printing Date	None
	Conversion Right	(ii)
Dilution Effect and Other Adverse Effects on Existing Shareholders		None
Custodian		None

Note : (i) As of 2009.12.31, the Company had bought back total face value of NT\$642,400,000 from 2008.9.16 and cancelled the bought-back on 2009.1.15 & 2009.6.8.

(ii) Referring to the prospectus of the 1<sup>st</sup> Unsecured Convertible Corporate Bond in 2008 revealed on M.O.P.S.

#### 4-2 Information of Convertible Corporate Bond

Type of Corporate Bond		1 <sup>st</sup> Unsecured Convertible Corporate Bond in 2008		
Item	Year	2008	2009	2010 (As of March 31 <sup>st</sup> )
	High	NT\$99	NT\$109	NT\$109
Market value	Low	NT\$83.1	NT\$92.5	NT\$101.5
	Average	NT\$91.05	NT\$100.75	NT\$105.25
Conversion Price		NT\$21.86	NT\$21.86	NT\$21.86
Issuance Date and Conversion Price When Issued		2008.5.28 at NT\$28.23	2008.5.28 at NT\$28.23	2008.5.28 at NT\$28.23
Method of Fulfilling Obligation Conversion		None	None	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 of listed securities via retail locations
- Margin trading financing
- Securities borrowing and lending
- Shareholder services coordination
- Support for futures trading through equity-related business
- Concurrent operation of futures proprietary trading
- Brokerage for foreign listed securities
- Wealth planning and management
- Financial derivatives products approved by the SFB
- Other business areas approved by the SFC

#### 1-2 Breakdown of Revenues for Latest Three Years

Unit: NT\$ thousands

Item	2007		2008		2009	
	Operating revenue	(%)	Operating revenue	(%)	Operating revenue	(%)
Brokerage	4,115,261	52.19	2,879,786	63.91	3,148,882	59.94
Proprietary Trading	3,556,720	45.11	1,349,458	29.95	1,857,311	35.35
Underwriting	213,071	2.7	276,424	6.14	247,161	4.71
Total	7,885,052	100	4,505,668	100	5,253,354	100

#### 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 PSC's primary business units.

Business Area	Description
Brokerage	<ol style="list-style-type: none"> <li>1. In 2009, the market share for our brokerage business stood at 4.04%, ranking us as the 8<sup>th</sup> largest brokerage house.</li> <li>2. We currently operate 35 branches, and PSC currently holds the #1 market share position in each individual market for which we operate a branch—clear proof of our exceptional operating</li> </ol>

Business Area	Description
	<p>efficiency</p> <ol style="list-style-type: none"> <li>3. We have been aggressively promoting our online trading business, and online trading now accounts for 28.57% of our overall trading. Thus, we are staying in tune with market trends and offering what our customers want.</li> <li>4. We have developed an integrated online order entry system that allows 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.</li> <li>5. By offering a more all-inclusive market monitoring and order entry environment, we can service a larger client base.</li> <li>6. We integrate our sales of all types of products available in the market and thereby offer more value to our existing clients.</li> </ol>
Proprietary Trading	<ol style="list-style-type: none"> <li>1. Market Position In 2009, the TAIEX climbed 3,597 points, for a gain of 78%. Our proprietary trading department was able to keep in step with the movements in the market and was able to capitalize on both short term trends and on larger market sector reallocations. The resulting profits added up quickly. We coupled this investment strategy with prudent hedging using futures products and product diversification. Thus, when the dust settled, we had reaped exceptionally high profits from the market's impressive rise.</li> <li>2. New Products/Services in Development               <ol style="list-style-type: none"> <li>i) We have been expanding our analysis of and investment in international spot and commodity markets that have been legally permitted by Taiwan's regulators, with particular interest in various Asian equities and global ETFs.</li> <li>ii) We have added quantitative analysis and technical indicator model analysis to our trading systems.</li> </ol> </li> </ol>
Fixed Income Dealing	<ol style="list-style-type: none"> <li>1. PSC held the number one ranking among all major brokerage houses in terms of outright purchases and sales of government bonds for each month of 2009, with an average monthly market share of 6.44%. Further, PSC was awarded the 3<sup>rd</sup> place in 2008 for Best Performing Government Bond Appraiser. It is clear that, in addition to turning in solid market share figures, PSC is also holding its own obligations as a key government bond trading firm.</li> <li>2. PSC held 17.59% of the market in Interest Rate Swap brokerage, giving us an overall 2<sup>nd</sup> place ranking within the industry.</li> </ol>
Futures Proprietary Trading	<ol style="list-style-type: none"> <li>1. Operating Performance Cumulative trading performance from January to December of 2009 for futures proprietary trading department was among the best 10 among all domestic firms.</li> <li>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.</li> </ol>
Financial Products	<p>In 2009, our Financial Products Division was primarily engaged in issuing new warrants, structured note products, convertible bond</p>

Business Area	Description
	<p>assets swaps, and other derivative products authorized by the Taiwan's regulators.</p> <ol style="list-style-type: none"> <li>1. Market Position               <ol style="list-style-type: none"> <li>(1) Warrants: We issued a total of 347 warrants in 2009, for a total dollar value of NT\$6,857,916,000.</li> <li>(2) Structured Products: in 2009, we had a total NT\$460,300,000 worth of structure note products in the market</li> <li>(3) Convertible Bond Warrants: as of the end of 2009, a total of NT\$214,500,000 in contracts outstanding.</li> </ol> </li> <li>2. New Products/Services in Development               <p>Because regulators placed derivatives products on a list of prohibited items, we will focus on applying for permission to issue other 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.</p> </li> </ol>
Underwriting (Capital Markets)	<ol style="list-style-type: none"> <li>1. Market Position               <p>PSC underwrote 43 issues in 2009, for a total dollar value of NT\$1,938,616,000</p> </li> <li>2. New Products/Services in Development               <p>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 our firm'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&amp;A, Private Equity, and consulting, etc.), so as to become a more competitive securities firm.</p> </li> </ol>
Shareholder Services	<ol style="list-style-type: none"> <li>1. Market Position               <ol style="list-style-type: none"> <li>i) By the end of 2009, we served as shareholder services representative for 124 companies, giving us a ranking of 8<sup>th</sup> in the industry.</li> <li>ii) The average size of companies that we represent has increased. As of the end of 2009, the total number of shareholders that we serviced stood at roughly 1.8million, giving us a ranking of 6<sup>th</sup> in the industry.</li> </ol> </li> <li>2. Operating Performance               <p>The number of companies we represented in 2009 was up 5% over the previous year.</p> <p>The average number of shareholders we serviced in 2009 represented a 12.5% increase over the previous year, thus allowing us to achieve a higher economy of scale and more efficient operations.</p> </li> <li>3. Long-term objectives               <p>Work with other departments within PSC so as to implement cross-selling strategies and thereby become a shareholder services provider that can also provide financial management functions.</p> </li> </ol>
Wealth	<ol style="list-style-type: none"> <li>1. Our wealth management business starts with a strict know your</li> </ol>

Business Area	Description
Management	<p>customer (KYC) process. Then, based on a thorough assessment of the client's individual risk tolerance levels and financial status, we provide an appropriate investment portfolio, financial planning advice, integrated trading strategies and investment solutions, not to mention prudent tax planning, all with the aim of wealth accumulation, preservation, and transfer.</p> <p>2. Each client is assigned a "Wealth Management Account" through which their assets are allocated. In the future, we plan to begin offering trust account services to manage client funds and thus better meet the needs of our customers.</p>

#### 1-4 New Products and Services to be developed

In September of 2009, regulators began allowing securities firms to offer money trusts and securities trusts. In 2010, PSC plans to begin offering clients special segregated money trusts by which to allocate the client's investments using various financial products, such as foreign and domestic currencies, time deposits, domestic and offshore mutual funds, foreign equities, foreign bonds, derivative products, and all other products approved by regulators. In effect, we will be able to provide our customers with comprehensive investment management services.

We always conduct significant planning and research on investment products prior to regulator's approval, so that we can be ready to hit the ground running with these new products while staying in compliance with all relevant laws and regulations for these new products. By providing our clients with a more diverse range of investment products, we can better develop our wealth management business which, in turn, allows for healthy cross-selling among our subsidiaries. This all comes together in providing our clients with more complete asset allocation options and financial planning services.

## 2. Analysis of the Securities Industry

### 2-1 Overall Economic Environment

On the heels of the global financial crisis, 2009 saw countries around the world institute recovery measures, such as loosening financial and monetary policies, in the hopes of slowing the rapidly deteriorating economy. Taiwan also moved to loosen its monetary policy and this was successful in helping the domestic economy recover. Economic growth in the first quarter of 2009 came in at -9.06%, but had risen to -0.98% by the third quarter and, by the fourth quarter, had even turned positive, hitting a blistering 9.22%--proving that the domestic Taiwan economy had broken free from the economic quagmire.

The central bank continued its low interest rate policy, holding the overnight discount rate at an average of only 0.109% in 2009, which was down significantly from the previous year's average of 2.014%. Plus, with a reduction in estate taxes and warming economic relations between Taiwan and the PRC, Taiwan saw significant inflows of capital from offshore Taiwanese-owned businesses, resulting in an annual increase of 16.54% to the M1b. However, the weakened economy and overall weaker domestic demand held the cost of goods flat, with the CPI showing a modest drop of 0.87%.



With the loose monetary environment, a return to fundamentals, and improved cross-strait relations, Taiwan's domestic stock exchanges saw healthy rebounds. From its lows in January of 4,164, the TAIEX rebounded to end the year at 8188, for a gain of 78%.

Looking forward to 2010, with the global economy continuing to recover, Taiwan's export industry is expected to pick up. However, as domestic unemployment rates remaining fairly high and wage increases remain modest, domestic demand will likely also remain weak and government-sponsored infrastructure projects will be needed to drive domestic demand. Plus, with Taiwan and the PRC set to sign the Economic Cooperation Framework Agreement (ECFA), Taiwan will soon have access to China's massive domestic market which will no doubt spur further economic growth for Taiwan.

As economies around the world begin to recovery, in an effort to stave off inflation and rising home prices, many central banks will begin to tighten their monetary policies. For the coming year then, the pairing of strong fundamentals and tightened capital should make for very volatile markets with an overall upward trend.

## **2-2 Product Trends and Relevant Competition**

### **■ Proprietary Trading**

#### **A. Equities Markets**

With governments around the world instituting economic recovery measures and loosening monetary policies, global financial markets saw impressive gains in 2009, with Taiwan's TAIEX seeing a gain of 78% for the year. And, with China instituting an aggressive NT\$4 trillion economic stimulus package aimed at replenishing inventory levels at electronics firms, Taiwan's electronics sector shares accounted for between 70-80% of all trading on Taiwan's equity markets, up from the normal 60% level. Taiwan's electronics sector showed a 96% rise for the entire year, making it Taiwan's biggest gainer.

Plus, with cross-strait relations improving and the signing of an MOU between Taiwan and the PRC, ECFA-related shares and asset-play shares can be expected to be at the forefront of investor's attention and can be expected to outperform the overall market.

Also, with foreign reserves in India and China continuing to swell, with the weakening U.S. dollar, with gold at historically high prices above US\$1200 an ounce, global hard and soft commodities are rebounding and continuing to show strength. Emerging market shares are also rebounding strongly, with industries such as natural resources, alternative energy, green technology, not to mention strong domestic demand in emerging economies, all becoming primary areas of focus for investors.

Looking at global financial markets, emerging economies and Asian economies turned in 60-85% returns in 2009, which translated into strong capital inflows into Taiwan equities. This, coupled with demand from industries looking to replenish inventories, pushed the TAIEX to a close of 8,188 for 2009.

Capital movements were clearly a factor in allowing the TAIEX to rise 78% for the year, with foreign investors buying a net total of NT\$459.3 billion in 2009, a significant

increase over the previous year's net sales of Taiwan shares.

Accordingly, the proprietary trading department used short-term trading strategies to capitalize on sharp market changes, nimbly adjusting portfolio positions and keeping systemic risk low, and ultimately reaping large profits by accumulating many small ones. Also, we were able to identify key fundamentals in individual stocks and then, based on changes in these fundamentals, moved quickly to drop weaker shares and pick up stronger ones, all the while using futures positions to hedge our positions and thus reduce risk and losses.

Going forward, we will continue to closely track market movements and be nimble in adjustments to our market positions and market strategies. When it comes to our foreign investments, we will use ETFs as a means of producing stable profits for the department. Thus, we fully expect our proprietary trading division to continue to be a leader in the industry and are confident that we can maintain our strong competitive advantage.

## 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, PSC achieved the best return on assets rate in the industry in 2009.

# ■ Fixed Income Dealing

## A. Outright Purchases and Sales of Government Bonds

PSC has earned the respect of regulators and of the Central Bank of Taiwan, not only because it has consistently maintained government bond trading volumes that are among the highest in the industry, but because of PSC's consistent financial performance, consistently high value of purchases at government bond auctions, and its excellent rate bid deviations. Thus, our strong market participation and strong research in government bonds has given us a solid competency in this arena which has translated into healthy profits for us.

With capital still plentiful, we fully expect large banks and insurance companies to remain interested in purchasing government bonds, a situation that should lead to a more stable market float which should reduce the market volatility that we have seen in recent years. As economic fundamentals continue to improve and the need for capital increases, government bond regulators, such as the Central Bank, the Financial Supervisory Commission (FSC), and the Ministry of Finance, will no doubt begin making policy adjustments and these changes will create market volatility once again. We will, therefore, continue to be active in the government bond market going forward and will be ready to seize the opportunities created by these economic and regulatory forces and turn them into handsome profits for the firm.

## B. Convertible Bonds

In 2008 and 2009, financial markets saw significant volatility. When it came to convertible bond activities, however, PSC held firm to its principles of strict position credit risk controls, setting strict position limits as well as setting department-wide 10% stop loss levels. Thus, despite the global economic crisis, these measures implemented allowed our department to sidestep any serious losses.

In the second half of 2009, with markets beginning to recover, our department adjusted its convertible bond positions that had been opened in Q4 of 2008 based on rates of return at that time. Despite the ensuing market recovery, we did not deviate from our risk control measures.

Going forward, when screening our investment targets, we will be more mindful of the effects that a recovery in equity prices can have on convertible bond prices. We will also focus more on convertible bond issues issued by large-cap companies and on issues with attractive rates of return at the time of issue.

## C. Government Bond Futures

Because the float of government bonds in the market remains thin, few speculators are interested in trading this market. Plus, the Central Bank's long-standing low interest policy has made the need for hedging for these products also quite weak. Although the TAIEX has tried to encourage proprietary trading departments to act as market makers for this market, even suggesting a minimum daily trading volume of 300 – 500 contracts, primarily for matched orders, most firms simply look at the average daily open interest of only 10 contracts over the past 6 months, sometimes even zero, and it is understandable why all of the major domestic securities firms, including PSC, have little or no interest in participating in the bond futures market.

## D. Bond Options

Based on 2009 trading volumes for bond options, PSC's Fixed Income Department led the industry in terms of market share. Since the beginning of 2009, volatility in the bond market has been on the decline. As market demand from speculators has decreased, we have reduced our open bond options positions in an effort to better balance risk against reward. However, we did continue to provide full market data and did stay abreast of movements in the bond option market. Thus, going forward, when the time once again seems right, we are ready to again participate in the bond option market and to create profits for our department.

## E. Interest Rate Swaps (IRS)

The domestic bond market has been in a clear bear market for several years now. Unfortunately, it remains difficult to borrow bonds to initiate short positions, a situation which has kept the cost of borrowing bonds quite high. Interest rate swaps (IRS), however, do not have this same problem. Plus, PSC has always been very accurate at reading interest rate trends and thus has been able to do very well in interest rate swaps.

However, because trading volumes in interest rate swaps have declined in step with trading volumes for the government bond market, Taiwan's IRS market tends to swing dramatically whenever foreign investors trade even small positions. As a result, the ability to accurately read macroeconomic changes, coupled with the ability to read domestic and international monetary policy trends, will be key to securing reasonable

profits from the IRS market going forward.

#### F. Foreign Bonds

In an effort to diversify PSC's profits away from an overdependence on the domestic bond market, PSC had began trading foreign bonds long ago in the hopes of seizing upon attractive foreign bond trading opportunities.

### ■ Financial Products Business

#### A. Equity Warrants

2009 saw strong expansion in Taiwan's equity warrant market, with all securities firms aggressively issuing warrant products. A total of 7,155 equity warrants were issued in 2009, for a total dollar value of just over NT\$140 billion.

The total dollar value of all equity warrants issued by PSC in 2009 was NT\$685.8 billion, giving us a market share of 4.9%. Most of the warrants that we issued were based on the TAIEX or on quality large and mid-cap stocks. Through effective hedging we are able to enjoy stable profits from our warrant business and contribute to the depth of the warrant market overall.

#### B. Structured Note Products

In 2009, a total of 23 firms were authorized to issue structure note products. For the whole year, a total of NT\$82.386 billion in structure note products were issued, with NT\$7.461 billion still outstanding at year's end. Beginning from 2010, new tax regulations will set the tax rate on gains from structured note products for individual investors at 10%. This will no doubt serve to raise interest in structured note products and will help to drive development in Taiwan's derivatives market.

With the global economy in recovery in 2009, Taiwan's equity markets entered a clear bull market. This helped to attract many investors to structured note products and allowed PSC to issue NT\$2.479 billion worth of structured note products, giving us an industry ranking of 5<sup>th</sup>.

#### C. Convertible Bond Asset Swaps

Fixed Income Trading Department: A total of 23 securities firms have been authorized to operate this business, with a total of NT\$7.28 billion worth of contracts currently outstanding. PSC had an accumulated trading volume of NT\$36.359 billion for 2009. Option Trading Department: A total of 23 securities firms have been authorized to operate this business, with a total of NT\$20.988 billion worth of contracts currently outstanding. PSC had an accumulated trading volume of NT\$27.401 billion for 2009.

### ■ Underwriting Business (Capital Markets)

#### A. Domestic Bond and Equity Underwriting

As of the end of 2009, there were a total of 741 companies listed on the TWSE, and a total of 546 companies listed on the GreTai Market, representing an annual increase

of 3.20% and 1.30%, respectively. At the beginning of 2009, with the domestic economy contracting and no clear signs of recovery, we chose to take a more conservative approach to new underwriting deals, allowing prudent risk control concepts to overtake the need to grow our business. As such, we select deals based on a comparison of the company's TCRI rating and the size of the deal. Accordingly, we underwrote only one IPO in the first half of 2009, which was an IPO for Capital Futures.

In the second half of the year, as the market began its rebound, we once again began aggressively courting deals, eventually submitting and receiving approval for 5 deals. Two of these deals, a NT\$750 million convertible bond issue for Min Aik Technology Corp. and a NT\$200 million convertible bond issue for EDIMAX Technology, had already listed by the end of 2009. The remaining 3 deals, a NT\$200 million secured convertible bond for Jintex Corp., a NT\$250 million convertible bond for Golden Bridge, and a rights issue for JEM, were all successfully listed in Q1 of 2010.

Going forward, PSC 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

PSC aims to provide professional corporate financial advisory services and over the past several years we have been quite busy in this area, working on deals such as the Union Insurance Company private placement, the Chi Lin Technology private placement, China Ecotech-CSMC share divestiture, Solomon Technology-WT Microelectronics divestiture, and the Dawei private placement. In addition to providing general consulting services, we are able to assist our clients with pre-planning and timeline advice, and can also assist with working with regulators.

As for our Greater China business, we have already signed a consulting agreement with a PRC-based Taiwan enterprise to provide that company with internal controls advice.

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

On March 5, 2008, Taiwan's Executive Yuan passed the "1-2-3 Plan for Attracting Foreign Companies to List in Taiwan", aimed at promoting Taiwan's equity markets as an attractive place for foreign companies to list their shares and, in the process, allow Taiwan's equity markets to develop. In an effort to capitalize upon this new opportunity, we have been aggressively pursuing foreign Taiwan-owned business who may be considering an IPO or a TDR listing in Taiwan. We are currently working with one Hong Kong-listed company that we expect will be ready to submit its application for TDR listing by Q2 of 2010, and we expect to have another Hong Kong company ready to submit its application for listing by Q3 of 2010. Beyond this, we will be pursuing other South East Asian listed companies and Hong Kong H-Share companies for potential TDRs listing in Taiwan.

#### D. Emerging Market Exchange

Although domestic equity markets stabilized in 2009, the number of companies listed



on the Emerging Market Exchange in 2009 actually decreased by 10, with a total of 223 companies listed on the exchange at the end of 2009, down from 233 the year before. We believe this drop in interest in listing on the Emerging Market Exchange was due to either internal corporate concerns at these companies or because of their desire to list on the TWSE or GreTai Market.

PSC assists companies to trade on the Emerging Market Exchange in anticipation of their formal IPO and, by the end of 2009, we had sponsored 33 companies for trading on the Emerging Market Exchange. This year, we will continue to court high quality companies and work closely with them to achieve a listing on the Emerging Market Exchange.

#### ■ **Wealth Management**

In June of 2005, the FSC formally began allowing securities firms to offer wealth management services to their clients and, to date, 19 securities firms have received authorization to begin providing these services. These services are targeted at high net-worth clients. The objective is to offer wealth management consulting that is based on the client's own financial planning objectives or asset/debt allocations and then provide a range of approved financial products and services.

Plus, on April 11, 2008, regulators officially began allowing securities firms to offer "Managed Account" services to their clients. These accounts can be used to purchase a range of financial products and services on behalf of the clients, products as diverse as foreign-listed equities, bond repos, domestic equity investment trusts, structured note products, and securitized products. In 2008, PSC was granted approval from regulators to begin offering these "Managed Accounts". We fully expect to launch this service in 2009 and, by doing so, provide our clients with more effective asset allocation thereby satisfying our clients' needs for diversified foreign and domestic investments.

### **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**

PSC 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**



PSC 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.

#### 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 competitiveness 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.
- 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
Equity Brokerage	Equity Brokerage Trading Volume	4.04%	8
	Individual Branch	0.1154%	1
Financial Products	Warrants Issued (Value)	4.90%	11
	Structure Commodity Business Volume	3.01%	5
	Property Exchange Option Business Volume	1.60%	8
Fixed Income Dealing	Repo Transactions	2.17%	5 <sup>th</sup> vs. securities firms)
	Outright Purchases / Sales	6.44%	1 <sup>st</sup> vs. securities firms
	Interest Rate Swaps	17.59%	2 <sup>st</sup> vs. securities firms
Underwriting	Underwriting Deals (No.)	5.39%	3
	Underwriting Deals (Value)	1.86%	14

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

Looking beyond the current year, with governments around the world working aggressively on recovery measures, we fully expect the global economy to continue to improve. Taiwan will no doubt also enjoy the benefits of this improvement and both retail and institutional investors can be expected to renew their interest in the markets, a trend which will translate into healthy growth for PSC's business. But, eventually, central banks around the world will begin to see the signs of recovery and, in an effort to stave off inflation and containment of raising housing prices, they will once again begin implementing tightened monetary policies.

Since the Ma administration came into power, many cross-strait restrictions have been relaxed: restrictions on Taiwan businesses investing in the PRC have been loosened, direct flights between Taiwan and the PRC have become the norm, and a financial MOU has been signed between the two sides. The effect has been to bring both people and businesses on both sides of the Taiwan Strait even closer together. Add to this the expected signing of the ECFA agreement in June of 2010 and we see the enormous potential that the PRC market will bring to Taiwan businesses. This, in turn, will no doubt spur significant economic growth in Taiwan.

Looking at our brokerage business, we intend to continue hosting investor education seminars, which not only help to bring in new business for our firm, but also help to raise general awareness of our company. At the same time, we intend to enhance our online trading platform by adding and integrating new functionalities thereby giving PSC an upper hand in the online trading arena. Indeed, by integrating access to various financial products into our online trading platform we can diversify our brokerage business and, at the same time, offer our clients more all-encompassing yet customizable services.

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 launched the "1-2-3 Plan for Attracting Foreign Companies to List in Taiwan", which it hopes will encourage foreign companies to consider a primary or secondary listings in Taiwan. Regulators are also considering allowing Hong Kong-listed H-Share companies to issue TDRs in Taiwan.

Going forward, then, PSC 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 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.

Looking at our financial products business, with tax issues for warrants and other financial products finally resolved, we will continue to stay in step with liberalizations by Taiwan's regulators and be ready to offer customized products that meet our clients' demands. At the same time, we will be vigilant with our hedging strategies and strictly adhere to our risk control models so as to reduce overall risk and maintain consistent profitability.

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

#### **■ Our Competitive Strengths**

- a. Our brokerage business market share and our fixed income market position are both stable.
- b. Our human resource costs and operating costs are both well-controlled.
- c. Our corporate image is solid.
- d. We respect professional management and leadership.
- e. We use strict operating risk controls.
- f. We have access to complete range of resources across our group of companies.

#### **■ 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. The financial MOU between Taiwan and the PRC has been signed and cross-strait relations have begun to normalize. This presents significant opportunities for Taiwan financial institutions to enter the PRC securities market.
- d. Taiwan's regulators have been pushing for the internationalization of Taiwan's capital markets by encouraging foreign companies to have a primary or TDR listing on Taiwan's equity exchanges. The ultimate goal of the regulators is to expand the breadth of Taiwan's equity markets.
- 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. President Securities' 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 its 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. President Securities 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.
- o. A reduction in inheritance taxes will encourage capital flows into Taiwan. This will be bullish for Taiwan's equity markets and will also help to develop Taiwan's wealth management industry.

#### ■ Obstacles

- a. Unemployment rates remaining fairly high and wage increases remain modest. These factors will likely keep domestic demand fairly weak.
- b. In an effort to stave off inflation, central banks around the world will be implementing policies aimed at reducing liquidity, which will result in an increase in the cost of capital.
- c. Faced with the intense push towards horizontal integration and the cross-selling strategies, brought by the advent of financial holding companies, limitations exist as to the range of business areas that our firm can develop.
- d. Domestic institutional investors and foreign investors are account for an ever-increasing proportion of the market, a trend which does not bode well for our firm given our current client base.

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

Business Area	Strategy
Equity Brokerage	<ol style="list-style-type: none"> <li>1. Modify client structure so as to develop more institutional clients. Expand spread trading business; increase existing clients' trading volume and frequency of position turnover. Encourage various departments and subsidiaries to work together to develop new business.</li> <li>2. Expand our spread trading business, increase customer trading volumes and position turnovers rates.</li> <li>3. Enhance internal auditing procedures, reduce client complaints</li> <li>4. Cultivate all employees' abilities to cross-sell a range of financial products, particularly personal financial planning products and wealth management services.</li> <li>5. 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.</li> <li>6. Promote our online trading business, create integrated information and trading platform, increase electronic trading stability and order entry.</li> <li>7. Continue to bring in new blood, groom strong management</li> </ol>

Business Area	Strategy
	<p>trainees and financial planning professionals who are familiar with a wide range of products.</p> <ol style="list-style-type: none"> <li>8. Train back-office staff to take on sales roles thereby streamlining HR costs.</li> <li>9. Use improved risk tolerance rates to stabilize incomes and control costs.</li> </ol>
Proprietary Trading	<ol style="list-style-type: none"> <li>1. Recognize and adjust to different market conditions, switching between "Range Trading" and "Trend Trading" strategies, thereby maintaining an optimal market position.</li> <li>2. Shorten the futures and options learning curve; reduce risk exposure.</li> <li>3. Improve our research and trading of Emerging Market Exchange equities, foreign-listed equities, and futures markets, to create more diverse sources of revenue.</li> <li>4. Add quantitative analysis and technical indicator model analysis to our operating systems.</li> </ol>
Fixed Income Dealing	<ol style="list-style-type: none"> <li>1. Expand internal databases and develop additional system tools to aid in increasing profitability.</li> <li>2. Expand the flexibility of our traders and the range of products they trade.</li> <li>3. Utilize both IRS and options markets in properly ascertaining market trends and directions.</li> <li>4. Improve research and analysis of offshore products.</li> <li>5. Develop program trading, decrease human error in trading decisions, and improve the ability to trade in fast market situations.</li> </ol>
Financial Products	<ol style="list-style-type: none"> <li>1. Refine hedging techniques and enhance trading system functionality so as to improve profits.</li> <li>2. Be more responsive to consumer demand and develop new products to meet these demands.</li> <li>3. Increase cooperation between the brokerage department, the asset management department, and the capital markets department.</li> <li>4. Strengthen research and investment analysis for foreign markets, foreign underlyings, and foreign products; develop structured financial products based on foreign underlyings that meet client needs.</li> </ol>
Future Proprietary Trading	<ol style="list-style-type: none"> <li>1. Diversify our trading strategies to better react to market changes.</li> <li>2. Continue to improve the skills of our traders.</li> <li>3. Increased the sharing of resources across multiple departments, thereby creating better synergies.</li> <li>4. Expand our range of foreign products traded and increase profitability in foreign products.</li> </ol>
Underwriting (Capital Markets)	<ol style="list-style-type: none"> <li>1. 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).</li> <li>2. Leverage clients from across our Equity Brokerage Division, Financial Products Division, Shareholder Services Coordination Division, President Investment Consulting Corp., and 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</li> </ol>



Business Area	Strategy
	<p>network.</p> <ol style="list-style-type: none"> <li>3. Prior to taking initial steps on a given underwriting deal, consultations should be conducted with colleagues throughout President Securities' various departments and divisions so as to accurately assess 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.</li> <li>4. 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.</li> </ol>
Shareholder Services Coordination	<ol style="list-style-type: none"> <li>1. Improve quality of service               <ol style="list-style-type: none"> <li>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.</li> <li>b) Enhance inter-department cooperation and verifications, thereby ensuring accuracy and security of processes.</li> </ol> </li> <li>2. Enhance efficiency of operations               <ol style="list-style-type: none"> <li>a) 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.</li> </ol> </li> </ol>
Wealth Management	<ol style="list-style-type: none"> <li>1. Emphasize the integration of various internal processes; expand strategic alliances with third party firms and individuals; construct an efficient and effective financial consulting dynamic.</li> <li>2. Improve the overall level of professionalism of our staff, as well as their ability to execute services and their knowledge of the relevant industries, thereby raising the core competitiveness of the division, as a whole.</li> <li>3. Emphasize customer relationship management and information service quality so as to maintain close long-term relationships with our clients and to provide those clients with more valuable services.</li> <li>4. Expand the range and depth of products we offer so as to provide our clients with more complete and diversified financial options.</li> <li>5. Create a consensus between our trade association and regulators on the direction of the wealth management industry and thereby pave the way for a wealth management industry that will continue to flourish going forward.</li> </ol>

## 6. Employee Data



Analysis of Average Tenure, Age, and Education, for Sales Force in 2008, 2009, and the first quarter of 2010.

Year		2008	2009	2010 Q1
Number of Employees	Management	109	107	103
	Regular Staff	1,431	1,460	1,470
	Total	1,540	1,567	1,573
Average Age		38.31	39.2	39.33
Average Tenure		7.77	8.55	8.68
Education (%)	Doctorate Degree	0.06	0.13	0.13
	Master's Degree	9.42	10.85	10.17
	Bachelor Degree / Junior College Graduate	72.73	71.92	72.73
	Senior High School	17.79	17.10	16.97
	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). PSC 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 7<sup>th</sup> annual Wenxin Award and the National Civic Service Award. 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, our firm 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 such as the Taiwan Fund for Children and Families (Yi-Lan), underprivileged children in Ping-Dong County, the United Way of Taiwan, the Taiwan Foundation for Rare Disorders, and the Taiwan Spinocerebellar Ataxia Association. .

In 2007, we began working with the Taiwan Fund for Children and Families in creating the "No Child's Education Left Behind" program and this program was later repeated in 2008. Administered by the assistance of the Taiwan Fund for Children and Families, this program provides scholarships for underprivileged primary school students.

In 2009, Typhoon Morakot devastated the southern region of Taiwan and created what was to become known as the “8-8 Flood (i.e., 8-8 for August 8<sup>th</sup>). PSC moved quickly to provide immediate assistance to the children affected by this flood and established the “8-8 Flood Region Scholarship” which provides money to help get children in the affected region back to school. This initiative brought together all of PSC’s employees and many of its clients in collecting donations for this worthy cause. By the end, NT\$2.7 million had been raised to help send these children back to school.

In August 2008, PSC 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 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**

PSC 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**

President Securities 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, President goes 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, the company offers employees funds for weddings and in time of bereavement, and organizes and subsidized employee outings aimed at strengthening relationships between the firm and its employees, and among employees themselves.

President Securities 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, President Securities 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 its employees to enjoy mutual benefit and growth.

## **8-2 Education Reimbursement and In-house Training**

In 2009, in the wake of the global economic crisis, many domestic corporations instituted training budget freezes. PSC, however, believes that our employees are our greatest resource and, as such, we not only didn't cut back on our training efforts in 2009, but we actually expanded our training efforts. We were also able to take advantage of government sponsored training incentives. This allowed us on the one hand to save on training costs while, on the other hand, allowed us to achieve significant employee development goals—a win-win situation.

Also in 2008 and 2009, we pushed forward with aggressive recruitment of new brokers, bringing valuable new blood into the company. Each new employee that joins our firm is given a full month's training upon arrival, giving him/her a strong foundation from which to contribute to the company.

Beyond this, we also encourage our employees to develop on their own and to expand the depth of their professional abilities, knowledge, and value. So, in addition to providing our employees with regulator-sponsored training courses, we regularly organize various other training courses and also encourage employees to attend training classes on their own at reputable external training institutions. The end result of all of these efforts is to give our employees all of the tools they need to achieve their professional potentials and to have all of the skills they need to effectively perform their job functions.

## **8-3 Employee Pension Program and Related Benefits**

- Based on required pension contributions as calculated by an actuary, we deposit 3.2% of each employee's monthly salary into a trust account held at the Bank of Taiwan.
- According to the New Pension Scheme instituted by the Labor Pension act instituted in July 2005, in the interest of providing for the retirement our employees, PSC has a total of over 1300 employees currently enrolled in the New Pension Scheme. In accordance with relevant regulations, PSC deposits 6% of each employee's monthly salary into a pension account maintained by the Department of Labor.

## **8-4 Employee Disputes and Protection of Employee Rights**

In accordance with the Labor Standards Act, PSC 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 PSC's internal corporate web site where employees may view a copy of these rules at any time.

To date, President Securities 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, President Securities has every reason to believe that this harmonious dynamic will continue.

**8-5 Loss or Damages Suffered as a result of Employee Disputes for recent 3 years: None.**

**8-6 Value of Present and Future Events with the Potential to Result in Financial Loss, and Corresponding Strategies for Dealing with These Events: None**

**8-7 Internal Legal Compliance and Material Information Management**

- 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 PSC's internal corporate website where employees and managers may view it.
- 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.
- 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.

## VI. Financial Information

### 1. Balance Sheet from 2005 to 2010Q1

		Unit: NT\$ thousands					
Item		2005	2006	2007	2008	2009	2010Q1
Current Assets		41,286,529	37,070,803	43,393,049	22,454,699	33,703,331	32,095,011
Funds and Investments		5,453,291	5,411,319	6,440,005	3,544,465	3,730,479	3,760,138
Fixed Assets		2,474,474	2,267,372	2,258,141	2,260,863	2,291,386	2,308,191
Intangible Assets		-	-	-	-	-	-
Other Assets		1,913,517	2,175,065	1,806,075	1,831,136	1,869,513	1,895,382
Total Assets		51,219,624	47,057,045	53,940,612	30,112,983	41,594,709	40,058,722
Current Liabilities	Before Distribution	32,066,872	26,541,482	29,813,020	8,960,566	18,896,419	17,021,477
	After Distribution	32,820,128	27,639,655	31,072,269	8,960,566	-	-
Long-term Liabilities		2,000,000	2,000,000	4,349,936	3,678,430	2,865,024	2,881,531
Other Liabilities		266,349	292,756	207,744	233,025	342,278	298,946
Total Liabilities	Before Distribution	34,333,221	28,834,238	34,370,700	12,872,021	22,111,374	20,384,713
	After Distribution	35,086,477	29,932,411	35,629,949	12,872,021	-	-
Common stock		11,404,990	11,370,720	11,768,695	12,157,062	11,857,062	11,857,062
Capital surplus		58,990	47,002	50,110	255,234	317,109	317,109
Retained earnings	Before Distribution	5,503,800	6,912,012	7,822,209	5,644,976	7,670,170	7,872,937
	After Distribution	4,750,544	5,415,864	6,174,593	5,644,976	-	-
Unrealized Gain/loss on Financial Instruments		-	-759	-22,628	-231,626	18,281	19,718
Cumulative translation adjustments		-14,930	-39,721	-48,474	-35,122	-87,565	-101,095
Net loss on unrecognized pension cost		-	-	-	-3,017	-	-
Total Equity	Before Distribution	16,886,403	18,222,807	19,569,912	17,240,962	19,483,335	19,674,009
	After Distribution	16,133,147	17,124,634	18,310,663	17,240,962	-	-

## 2. Income Statement from 2005 to 2010Q1

Unit: NT\$ thousands

Item	2005	2006	2007	2008	2009	2010Q1
Operating Revenue	4,106,949	5,536,197	7,885,052	4,505,668	5,253,354	1,248,910
Gross Profit	3,687,423	5,116,577	6,201,219	2,786,760	4,907,951	887,128
Operating Income	1,349,544	2,384,910	3,014,108	319,872	1,856,462	194,918
Non-operating Income	176,773	361,020	409,697	264,726	523,184	89,579
Non-operating Expenses	170,156	245,729	523,101	930,802	147,739	33,528
Income(loss) from Continuing Operations - before Income Taxes	1,356,161	2,500,201	2,900,704	-346,204	2,231,907	250,969
Income(loss) from Continuing Operations - after Income Taxes	1,026,125	2,156,252	2,406,345	-529,617	2,025,194	202,767
Income (loss) from discontinued Operations	-	-	-	-	-	-
Extraordinary Income (loss)	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles	-	5,216	-	-	-	-
Net Income(loss)	1,026,125	2,161,468	2,406,345	-529,617	2,025,194	202,767
Earnings Per Share	0.84	1.79	1.98	-0.44	1.76	0.18



### 3. Financial Analysis from 2005 to 2010Q1

Item		2005	2006	2007	2008	2009	2010Q1
Capital Structure Analysis (%)	Debt Ratio	67.03	61.28	63.72	42.75	53.16	50.89
	Long-term Fund to Fixed Assets Ratio	763.25	891.91	1,059.27	925.28	975.32	977.2
Liquidity Analysis (%)	Current Ratio	128.75	139.67	145.55	250.59	178.36	188.56
	Quick Ratio	122.44	139.55	145.44	250.27	178.24	188.28
Profitability Analysis	Return on Assets (%)	2.86	4.74	5.69	-0.44	5.75	0.52
	Return on Equity (%)	6.08	12.31	12.73	-2.88	11.03	1.04
	Operating Income to Paid-in Capital Ratio (%)	11.54	20.97	25.31	2.63	15.66	1.64
	Pre-tax Income to Paid-in Capital Ratio (%)	11.89	21.99	24.65	-2.85	18.82	2.12
	Net income ratio (%)	25.18	39.03	30.52	-11.75	38.55	16.24
	Earnings Per Share (NT\$)	0.84	1.79	1.98	-0.44	1.76	0.18
Cash Flow	Cash Flow Ratio (%)	-	6.98	-	175.2	-	-
	Cash Flow Adequacy Ratio (%)	90.48	111.94	86.03	278.58	284.19	425.87
	Cash Flow Reinvestment Ratio (%)	-35.85	5.41	-4.14	66.7	-	-

## VII. Financial Status ,Operation Performance & Risk Management

### 1. Financial Status

Unit: NT\$ thousands

Item \ Year	2009	2008	Fluctuation	
			Amount	(%)
Current Assets	33,703,331	22,454,699	11,248,632	50.09%
Funds and Investments	3,730,479	3,544,465	186,014	5.25%
Fixed Assets	2,291,386	2,260,863	30,523	1.35%
Other Assets	1,869,513	1,831,136	38,377	2.10%
<u>Total Assets</u>	41,594,709	30,112,983	11,481,726	38.13%
Current Liabilities	18,896,419	8,960,566	9,935,853	110.88%
Long-term Liabilities	2,865,024	3,678,430	-813,406	-22.11%
Other Liabilities	342,278	233,025	109,253	46.88%
<u>Total Liabilities</u>	22,111,374	12,872,021	9,239,353	71.78%
Capital Stock	11,857,062	12,157,062	-300,000	-2.47%
Capital surplus	317,109	255,234	61,875	24.24%
Retained earnings	7,670,170	5,644,976	2,025,194	35.88%
<u>Total Equity</u>	19,483,335	17,240,962	2,242,373	13.01%

### 2. Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2009	2008	Amount	(%)
Operating Revenue	5,253,354	4,505,668	747,686	16.59%
Operating Expenses	3,396,892	4,185,796	-788,904	-18.85%
Operating Income	1,856,462	319,872	1,536,590	480.38%
Non-operating Income	523,184	264,726	258,458	97.63%
Non-operating Expenses	147,739	930,802	-783,063	-84.13%
Income(loss) from Continuing Operations - before Income Taxes	2,231,907	-346,204	2,578,111	744.68%
Income Tax Expense	206,713	183,413	23,300	12.70%
Cumulative Effect of Changes in Accounting Principles	-	-	-	-
Net Income	2,025,194	-529,617	2,554,811	482.39%

### 3. Long-term Investment Policy and Results

In light of the global financial crisis, our domestic direct investments were scaled back in 2009. Many of our overseas investments, however, were able to turn from being in the red to the black. By using strict risk controls that take into account the parent company and all its subsidiaries, we are able to view cumulative positions in real time and then set appropriate profit-taking and stop-loss points, thereby decreasing overall risk and increasing profits.

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 PSC'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.

On March 5, 2010, PSC's board of directors approved the formation of a joint-venture fund management company with Fujian-based Union Trust. The new company, President-Industrial Global Asset Management Co., Ltd., is the first ever Taiwan-PRC joint venture fund management company.

Thus, we have a clear plan for expansion that leverages all of our company's resources to provide our clients with a diverse range of products and services. At the same time, 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.
- PSC'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, is ultimately responsible for risk management.
- Risk Control Committee: 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, sets limits for different businesses, collects and analyzes domestic and international interest rates, exchange rates, and economic changes.
- Risk Control Office: within this 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: 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: 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, 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, 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, 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.

#### 4-3 Risk Evaluation Standards

Our firm 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) Evaluate the completeness of the evaluation models for different business areas: evaluate the assumptions, parameters, and data for various product models, and then test that the models for the various products are reasonable.
  - iii) Evaluate the effectiveness of risk control models: regularly perform backtesting 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 and use this to control from issuers and to augment external credit risk gaps.

■ 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 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 rates, 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.

#### **4-4 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 borrowing costs. Going forward, we intend to utilize interest rate hedging and other capital raising avenues as ways to control our company's financing costs.



- ii) Foreign Exchange Rates: Because PSC's primary market and most of its customer are in Taiwan, foreign exchange rate fluctuations do not have a significant impact on our business. Going forward, we will continue to cautiously evaluate the effects of currency fluctuations on the areas of our business that are normally sensitive to such fluctuations and we will combine this with appropriate risk management measures that, combined, will work towards keeping the effects of currency fluctuations controlled within acceptable limits.
- iii) Inflation: In 2009, Taiwan's CPI saw a decline of 0.87%. Thus, our company's operations and profits were not overly affected. Inflation had No Meaningful Effect on Operations or on Profits

PSC will continue to keep a close watch on interest rate changes, currency fluctuations, and inflation, and their effects on our profitability and we will develop appropriate strategies for dealing with these concerns, when necessary.

■ 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 2009, PSC 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) PSC only trades 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.
- iii) PSC invests primarily in exchange-traded derivative products, such as warrants, equity index futures, and equity index options, all with the ultimate goal of hedging risk to our spot market positions and thereby producing more stable and consistent earnings.

■ 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.

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

Our firm is 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, PSC has 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.

■ 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, PSC 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.

To this end, we not only need to keep pace with technological changes, but we also need to create an online trading platform with unique features that set us apart from other firms. Thus, we set regular development goals and periodic system evaluations. Not surprisingly, the proportion of our brokerage revenues derived from online trading as compared to overall brokerage revenues rose from 26.7% in 2008 to 26.7% in 2009, showing a clear year-on-year growth trend.

■ 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

In 2009, our Ren-Ai Branch was relocated to a larger facility, leaving the original premises not in use. The Da-an Area of Taipei City is one market that we have identified as being of high potential but also extremely competitive. After a careful review of the possible benefits and after taking into consideration our company's overall strategy, we decided to establish an additional branch in that area. By opening an additional branch in an area that we already service, we will be able to save millions of dollars from normal branch setup costs. We have already assembled a professional team ready to be deployed to this branch and, because our presence in this area has already garnered us considerable reputation and good will among the local residents, we expect our risks for this venture to be reasonably low while the potential benefits look quite attractive.

■ Potential Inventory Risks and Measures for Dealing with Those Risks

As a securities firm, our business does not involve any manufacturing or inventory concerns. We routinely perform financial evaluations and risk management evaluations on our major clients. Our ultimate aim is to ensure an overall healthy trading environment and sufficient information collection which make for strong internal controls and internal auditing and thus better risk control.

■ 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.

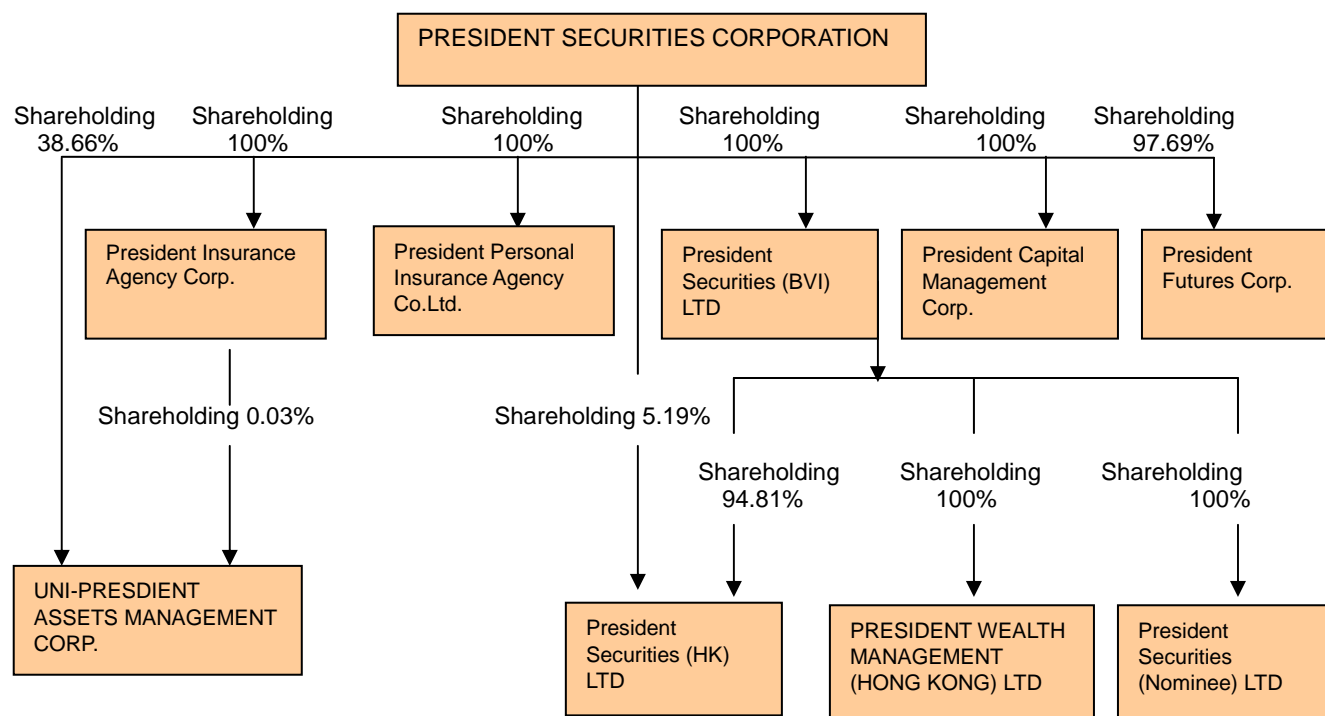
- Litigation and Non-litigation Issues

- 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).
- 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: None

## VIII. Other Disclosures

### 1. Affiliated Companies Chart



## 2. Basic Information of Affiliates

Unit: NTD\$1,000  
Up to April 30, 2010

Company	Established Date	Address	Currency	Paid-in Capital	Main business
President Futures Corp.	83.03.01	B1.,No.8, Dongxing Rd., Taipei City	NTD	660,000	Futures brokerage
President Capital Management Corp.	86.04.15	3F.,No.8, Dongxing Rd., Taipei City	NTD	124,000	Securities Investment Consulting
President Securities (HK) LTD	83.07.26	Unit 3-6,26/F., Vicwood Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	192,600	Securities brokerage, underwriting , and consulting
President Securities (BVI) LTD	87.02.26	Unit 3-6,26/F., Vicwood Plaza ,199 Des Voeux Road, Central , Hong Kong	USD	67,746	Securities Investment and holding company
President Securities (Nominee) LTD	84.07.06	Unit 3-6,26/F., Vicwood Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	1,000	Agent Business
President Wealth Management (Hong Kong) Ltd.	91.03.31	Unit 3-6,26/F., Vicwood Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	23,400	Wealth Management
Uni-President Assets Management Corp	81.09.03	8F.,No.8, Dongxing Rd., Taipei City	NTD	300,000	Mutual funds and discretionary management
President Personal Insurance Agency Co.Ltd.	95.12.21	5F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent
President Insurance Agency Corp.	97.05.06	5F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent

### 3. Operational Highlights of Affiliated Companies

As of 31/12/2009 unit : Thousand

Company	Currency	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Earnings per share
President Futures Corp.	NTD	660,000	6,667,675	5,664,245	1,003,430	694,102	22,592	1.170
President Capital Management Corp.	NTD	150,000	146,498	1,206	145,292	11,655	2,172	0.172
Uni-President Assets Management Corp.	NTD	351,000	614,259	70,200	544,059	394,089	92,244	3.130
President Personal Insurance Agency Co. Ltd.	NTD	5,000	5,104	506	4,598	3,384	(156)	(1.851)
President Insurance Agency Corp.	NTD	5,000	5,885	652	5,233	4,719	572	1.751
President Securities (HK) Ltd.	HKD	192,600	715,859	411,108	304,751	74,484	29,494	0.167
President Securities (BVI) Ltd.	USD	67,746	66,442	6,845	59,597	4,940	3,574	0.110
President Securities (Nominee) Ltd.	HKD	1,000	686	8	678	0	(23)	(0.021)
President Wealth Management (Hong Kong) Ltd.	HKD	23,400	14,668	12	14,656	0	(48)	(0.001)

Notes : Foreign exchange rates for balance sheet amounts as follows: USD/NTD= 31.99

HKD/NTD : 4.126

Foreign exchange rates for income statement amounts as follows: USD/NTD=33.0284

HKD/NTD : 4.2613

### 4. Capital Adequacy Rate:

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 have 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 2010, PSC's capital adequacy rate stood at 349%, well above this key 200% level.





## **NON-CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS**

**DECEMBER 31, 2009 AND 2008**

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.

## **Report of Independent Accountants Translated from Chinese**

PWCM09000110

To the Board of Directors and Shareholders of President Securities Corporation

We have audited the accompanying non-consolidated balance sheets of President Securities Corporation as of December 31, 2009 and 2008, and the related non-consolidated statements of operations, of changes in shareholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and related rules 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 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of President Securities Corporation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Firms", "Rules Governing the Preparation of Financial Statements by Futures Commission Merchants", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statements, effective July 1, 2008, the Company reclassified "Financial assets at fair value through profit or loss" to "Available-for-sale financial assets" in accordance with paragraph 104 of R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". As a result of this change of accounting principle, net loss decreased by \$171,972 thousand for the year ended December 31, 2008.

We have also audited the consolidated financial statements of President Securities Corporation and its subsidiaries (not presented herein) as of and for the years ended December 31, 2009 and 2008. In our reports dated March 22, 2010 and March 16, 2009, we expressed an unqualified opinion and a modified unqualified opinion on the consolidated financial statements, respectively.

### **PricewaterhouseCoopers**

March 22, 2010

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The accompanying non-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 non-consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

PRESIDENT SECURITIES CORPORATION  
NON-CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009		2008			2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<u>Current Assets</u>					<u>Current Liabilities</u>				
Cash and cash equivalents (Note 4 (1))	\$ 919,826	2	\$ 2,234,946	7	Short-term loans (Note 4 (7))	\$ 5,523,000	13	\$ 125,000	-
Financial assets at fair value through profit or loss - current (Notes 3, 4 (2), 5, 6 and 10)	10,437,265	25	9,540,698	32	Commercial papers payable (Note 4 (8))	2,299,701	5	449,832	1
Bonds purchased under resale agreements (Notes 4 (4) and 10)	853,313	2	738,658	3	Bonds sold under repurchase agreements (Notes 4 (9), 5, 6 and 10)	3,200,161	8	3,196,913	11
Margin loans receivable (Note 4 (5))	16,014,261	39	6,374,899	21	Financial liabilities at fair value through profit or loss-current (Notes 4 (11) and 10)	710,348	2	477,217	2
Refinancing security deposits	22,244	-	142	-	Deposits on short sales	1,917,091	4	961,119	3
Receivables from refinance guaranty	30,692	-	11,499	-	Short sale proceeds payable	2,343,855	6	1,084,416	4
Receivables from security lending	21,614	-	31,807	-	Guarantee deposit received on borrowed securities	392,126	1	-	-
Security lending deposits	19,526	-	28,730	-	Accounts payable	111,057	-	857,453	3
Notes receivable	2,307	-	1,830	-	Advance receipts	152	-	159	-
Accounts receivable - net	2,940,271	7	351,565	1	Collections on behalf of third parties	289,711	1	211,623	1
Prepayments	22,794	-	28,780	-	Other payables (Note 4(25))	1,640,358	4	1,535,535	5
Prepaid pension expenses - current (Note 4 (15))	84,834	-	78,078	-	Deferred tax liabilities - current (Note 4 (25))	8,664	-	36,299	-
Other receivables	178,855	1	198,673	1	Other financial liabilities - current (Note 4 (12))	460,195	1	25,000	-
Restricted assets (Note 6)	1,333,233	3	1,386,099	5	Total Current Liabilities	18,896,419	45	8,960,566	30
Available-for-sale financial assets - current (Notes 3, 4 (3) and 10)	822,296	2	1,448,295	5	<u>Long-term Liabilities</u>				
Total Current Assets	33,703,331	81	22,454,699	75	Bonds payable (Note 4 (13))	2,265,431	6	2,239,286	7
					Long-term loans (Note 4 (14))	599,593	1	1,439,144	5
<u>Funds and Investments</u>					Total Long-term Liabilities	2,865,024	7	3,678,430	12
Investments accounted for under the equity method (Note 4 (6))	3,515,844	9	3,357,565	11	<u>Other Liabilities</u>				
Available-for-sale financial assets-non-current (Notes 4 (3) and 10)	135,845	-	135,845	1	Reserve for default (Note 4 (16))	200,000	1	200,000	1
Financial assets at fair value through profit or loss-non-current (Notes 4 (2), 6 and 10)	78,790	-	51,055	-	Reserve for trading loss (Note 4 (17))	138,935	-	27,111	-
Total Funds and Investments	3,730,479	9	3,544,465	12	Deposits-in	3,343	-	5,914	-
<u>Fixed Assets</u> (Note 6)					Total Other Liabilities	342,278	1	233,025	1
Land	1,462,848	4	1,434,274	5	Securities Brokerage Debit Accounts - Net (Note 4 (27))	7,653	-	-	-
Buildings	928,263	2	902,794	3	<u>Total Liabilities</u>	22,111,374	53	12,872,021	43
Equipment	494,092	1	503,136	1	<u>SHAREHOLDERS' EQUITY</u>				
Prepayments for equipment	15,343	-	3,796	-	Capital				
Leasehold improvements	32,805	-	57,534	-	Common stock (Note 4 (18))	11,857,062	29	12,157,062	40
Less: Accumulated depreciation	( 641,965 )	( 1 )	( 640,671 )	( 2 )	Capital reserve (Note 4 (19))				
Total Fixed Assets	2,291,386	6	2,260,863	7	Common stock	13,558	-	13,901	-
<u>Other Assets</u>					Treasury stock (Notes 4 (23) and (24))	137,274	-	72,229	-
Operating guarantee deposits (Note 6)	702,000	2	700,000	2	Stock warrants	166,277	-	169,104	1
Exchange clearing deposits (Note 5)	387,385	1	350,554	1	Retained earnings				
Deposits-out (Note 6)	276,721	1	187,147	1	Legal reserve (Note 4 (20))	1,521,014	4	2,026,430	7
Deferred assets	1,317	-	3,128	-	Special reserve (Note 4 (21))	4,123,962	10	4,123,962	14
Rental assets (Note 5)	254,702	-	166,352	1	Unappropriated earnings(Accumulated deficit) (Notes 4 (22) and (25))	2,025,194	5	( 505,416 )	( 2 )
Idle assets (Note 6)	210,045	-	377,044	1	Cumulative translation adjustments	( 87,565 )	-	( 35,122 )	-
Deferred tax assets - non-current (Note 4 (25))	37,343	-	46,911	-	Net loss on unrecognized pension cost	-	-	( 3,017 )	-
Total Other Assets	1,869,513	4	1,831,136	6	Treasury stock (Notes 4 (23) and (24))	( 291,722 )	( 1 )	( 546,545 )	( 2 )
Securities Brokerage Debit Accounts - Net (Note 4 (27))	-	-	21,820	-	Unrealized gain or loss on financial instruments	18,281	-	( 231,626 )	( 1 )
					<u>Total Shareholders' Equity</u>	19,483,335	47	17,240,962	57
					<u>Commitments and Contingent Liabilities</u> (Note 7)				
					<u>Subsequent Event</u> (Note 9)				
					<u>Other Disclosure Items</u> (Note 11)				
					<u>Segment Financial Information</u> (Note 12)				
<b>TOTAL ASSETS</b>	<b>\$ 41,594,709</b>	<b>100</b>	<b>\$ 30,112,983</b>	<b>100</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 41,594,709</b>	<b>100</b>	<b>\$ 30,112,983</b>	<b>100</b>

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

PRESIDENT SECURITIES CORPORATION  
NON-CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,  
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2009		2008	
	Amount	%	Amount	%
Revenues				
Securities brokerage fees	\$ 2,393,993	41	\$ 1,783,725	37
Security lending	1,171	-	-	-
Underwriting fees	33,339	1	20,341	-
Gain on trading of securities - dealer (Notes 4 (2)(3)(29) and 5)	1,143,845	20	-	-
Gain on trading of securities - underwriter (Notes 4 (2)(29))	33,117	1	-	-
Gain on trading of securities - hedging (Notes 4 (2)(29))	57,512	1	-	-
Stock custodian income (Note 5)	78,156	1	84,088	2
Interest income (Note 10)	733,052	13	1,101,438	23
Dividend income	90,008	2	151,553	3
Gain on valuation of operating securities (Note 4 (2))	413,009	7	-	-
Gain on short covering and trading securities - RS financing covering	47,582	1	214,297	5
Gain on valuation of borrowed securities and bonds with resale agreements	-	-	6,673	-
Gain on warrants issuance (Note 10)	39,969	1	288,877	6
Commissions on futures (Note 5)	70,096	1	98,510	2
Gain on derivative financial instruments - FUTURES (Note 10)	87,881	1	492,858	10
Gain on derivative financial instruments - OTC (Note 10)	-	-	238,389	5
Other operating income (Note 5)	30,624	-	24,919	1
Non-operating income (Notes 4 (6)(30), 5 and 10)	523,184	9	264,726	6
	<u>5,776,538</u>	<u>100</u>	<u>4,770,394</u>	<u>100</u>
Expenses				
Handling charges - brokerage	( 171,285) (	3) (	( 120,145) (	3)
Handling charges - dealing	( 34,930) (	1) (	( 26,862) (	1)
Service charges - refinancing	( 2,326) (	- (	( 795) (	-
Loss on trading of securities - dealer (Notes 4 (2)(3)(29) and 5)	-	- (	( 757,455) (	16)
Loss on trading of securities - underwriter (Notes 4 (2)(3)(29))	-	- (	( 144,825) (	3)
Loss on trading of securities - hedging (Notes 4 (2)(29))	-	- (	( 435,076) (	9)
Interest expense	( 19,713) (	- (	( 152,556) (	3)
Loss on valuation of operating securities (Note 4(2))	-	- (	( 63,607) (	1)
Loss on valuation of security lending and bonds with resale agreements	( 5,795) (	-	-	-
Warrants issuance expenses	( 17,306) (	- (	( 10,418) (	-
Clearing charges (Note 5))	( 14,084) (	- (	( 5,651) (	-
Loss on derivative financial instruments - OTC (Note 10)	( 79,464) (	1) (	-	-
Operating expenses (Notes 3 and 4 (28))	( 3,051,489) (	53) (	( 2,466,888) (	52)
Other operating expenses	( 500) (	- (	( 1,518) (	-
Non-operating expenses (Notes 4 (6)(31))	( 147,739) (	3) (	( 930,802) (	19)
	<u>( 3,544,631) (</u>	<u>61) (</u>	<u>( 5,116,598) (</u>	<u>107)</u>
Income (loss) before income tax	2,231,907	39	( 346,204) (	7)
Income tax expense (Note 4 (25))	( 206,713) (	4) (	( 183,413) (	4)
Net income (loss)	<u>\$ 2,025,194</u>	<u>35</u>	<u>(\$ 529,617) (</u>	<u>11)</u>
	Before tax	After tax	Before tax	After tax
Basic earnings (loss) per share (Note 4 (26)) (in NT Dollars)				
Net income (loss)	<u>\$ 1.94</u>	<u>\$ 1.76</u>	<u>(\$ 0.29)</u>	<u>(\$ 0.44)</u>

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

PRESIDENT SECURITIES CORPORATION  
NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings					Cumulative	Net loss on	Unrealized Gain or		
	Common Stock	Capital reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Translation Adjustments	unrecognized pension cost	Treasury Stock	Loss on Financial Instruments	Total
Balance at January 1, 2008	\$ 11,768,695	\$ 50,110	\$ 1,785,795	\$ 3,612,071	\$ 2,424,343	(\$ 48,474)	\$ -	\$ -	(\$ 22,628)	\$ 19,569,912
Appropriations of 2007 earnings:										
Legal reserve	-	-	240,635	-	( 240,635)	-	-	-	-	-
Special reserve	-	-	-	511,891	( 511,891)	-	-	-	-	-
Cash bonus to employees	-	-	-	-	( 32,952)	-	-	-	-	( 32,952)
Remuneration to directors and supervisors	-	-	-	-	( 49,428)	-	-	-	-	( 49,428)
Stock dividends	388,367	-	-	-	( 388,367)	-	-	-	-	-
Cash dividends	-	-	-	-	( 1,176,869)	-	-	-	-	( 1,176,869)
Net loss for 2008	-	-	-	-	( 529,617)	-	-	-	-	( 529,617)
Unrealized gain or loss on financial instruments	-	-	-	-	-	-	-	-	( 231,626)	( 231,626)
Unrealized gain or loss on hedged cash flow	-	-	-	-	-	-	-	-	22,628	22,628
Cumulative translation adjustments	-	-	-	-	-	13,352	-	-	-	13,352
Net loss from unrecognized pension cost of investee company	-	-	-	-	-	-	( 3,017)	-	-	( 3,017)
Reacquired treasury stock	-	-	-	-	-	-	-	( 546,545)	-	( 546,545)
Issuance of convertible bonds	-	166,500	-	-	-	-	-	-	-	166,500
Conversion price reset of convertible bonds	-	38,624	-	-	-	-	-	-	-	38,624
Balance at December 31, 2008	<u>\$ 12,157,062</u>	<u>\$ 255,234</u>	<u>\$ 2,026,430</u>	<u>\$ 4,123,962</u>	<u>(\$ 505,416)</u>	<u>(\$ 35,122)</u>	<u>(\$ 3,017)</u>	<u>(\$ 546,545)</u>	<u>(\$ 231,626)</u>	<u>\$ 17,240,962</u>
Balance at January 1, 2009	\$ 12,157,062	\$ 255,234	\$ 2,026,430	\$ 4,123,962	(\$ 505,416)	(\$ 35,122)	(\$ 3,017)	(\$ 546,545)	(\$ 231,626)	\$ 17,240,962
Accumulated deficit offset by legal reserve	-	-	( 505,416)	-	505,416	-	-	-	-	-
Net income for 2009	-	-	-	-	2,025,194	-	-	-	-	2,025,194
Unrealized gain or loss on financial instruments	-	-	-	-	-	-	-	-	249,907	249,907
Cumulative translation adjustments	-	-	-	-	-	( 52,443)	-	-	-	( 52,443)
Net loss from unrecognized pension cost of investee company	-	-	-	-	-	-	3,017	-	-	3,017
Treasury stocks sold to employees	-	66,536	-	-	-	-	-	96,917	-	163,453
Reacquired treasury stock	-	-	-	-	-	-	-	( 146,755)	-	( 146,755)
Retired treasury stock	( 300,000)	( 4,661)	-	-	-	-	-	304,661	-	-
Balance at December 31, 2009	<u>\$ 11,857,062</u>	<u>\$ 317,109</u>	<u>\$ 1,521,014</u>	<u>\$ 4,123,962</u>	<u>\$ 2,025,194</u>	<u>(\$ 87,565)</u>	<u>\$ -</u>	<u>(\$ 291,722)</u>	<u>\$ 18,281</u>	<u>\$ 19,483,335</u>

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

PRESIDENT SECURITIES CORPORATION  
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 2,025,194	(\$ 529,617)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation (including rental and idle assets)	66,204	67,666
Amortization	1,811	2,161
(Gain) loss on valuation of open-ended funds and money-market instruments	( 20,298)	40,443
(Gain) loss on valuation of operating securities	( 413,009)	63,607
Write-off of bad debts classified as revenue	( 686)	( 596)
Provision for bad debts	274	6,387
(Income) loss on long-term investments accounted for under the equity method	( 372,832)	355,908
Impairment loss on long-term investments accounted for under the equity method	39,587	38,481
Proceeds from cash dividends - under the equity method	125,541	100,587
(Gain) loss on disposal of fixed assets	( 12,219)	398
Provision for trading loss	111,824	23,733
Discount on bonds payable	65,917	47,159
(Gain) loss on redemption of bonds payable	275	( 23,568)
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss	384,805	5,535,967
Bonds purchased under resale agreements	( 114,655)	5,915,140
Net cash funded from margin loans and short sales transactions	( 7,423,951)	12,019,821
Refinancing security deposits	( 22,102)	( 142)
Receivables from refinance guaranty	( 19,193)	( 2,841)
Receivables from stock borrowing guaranty	10,193	( 31,807)
Securities lending deposits	9,204	( 28,730)
Guarantee deposit received on borrowed securities	392,126	-
Notes receivable	( 477)	( 519)
Accounts receivable	( 2,590,909)	( 120,494)
Prepayments	5,986	5,579
Prepaid pension expenses	( 6,756)	( 8,817)
Other receivables	22,433	210,530
Deferred tax assets / liabilities	( 18,067)	1,809
Bonds sold under repurchase agreements	3,248	( 5,457,244)
Financial liabilities at fair value through profit or loss - current	233,129	( 2,568,428)
Accounts payable	( 746,396)	654,004
Advance receipts	( 7)	( 216)
Collections on behalf of third parties	78,088	( 14,406)
Other payables	104,823	( 463,481)
Other financial liabilities - current	435,195	( 160,917)
Securities brokerage debit accounts - net	29,473	21,522
Net cash (used in) provided by operating activities	( 7,616,227)	15,699,079

(Continued)



PRESIDENT SECURITIES CORPORATION  
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2008
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted assets - current	\$ 52,866	\$ 338,431
Long-term equity investments accounted for under the equity method - subsidiaries	-	( 5,000)
Return of share capital from capital reduction in long-term equity investments accounted for under the equity method - subsidiaries	-	150,000
Return of share capital due to capital reduction in available-for-sale financial assets	-	6,000
Acquisition of fixed assets	( 47,859)	( 66,861)
Proceeds from disposal of fixed assets	42,000	35
Increase in exchange clearing deposits	( 36,831)	( 17,775)
Increase in deposits-out	( 89,574)	( 18,599)
Increase in operating guarantee deposits	( 2,000)	-
Net cash (used in) provided by investing activities	( 81,398)	386,231
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term loans	5,398,000	( 4,471,000)
Increase (decrease) in commercial papers payable	1,850,318	( 5,595,872)
Repayment of convertible bonds	-	( 2,000,000)
Proceeds from issuance of convertible bonds	-	3,000,000
Proceeds from redeemed bonds	( 39,940)	( 538,245)
Repayment of long-term loans	( 840,000)	( 2,910,791)
(Decrease) increase in deposits-in	( 2,571)	1,548
Treasury stocks sold to employees	163,453	-
Reacquired treasury stock	( 146,755)	( 546,545)
Payment for cash dividends	-	( 1,176,869)
Payment for cash bonus to employees	-	( 32,952)
Payment for remuneration to directors and supervisors	-	( 49,428)
Net cash (used in) provided by financing activities	6,382,505	( 14,320,154)
Net (decrease) increase in cash and cash equivalents	( 1,315,120)	1,765,156
Beginning balance of cash and cash equivalents	2,234,946	469,790
End balance of cash and cash equivalents	\$ 919,826	\$ 2,234,946
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 43,124	\$ 459,229
Cash paid for income tax	\$ 614,933	\$ 449,030

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

PRESIDENT SECURITIES CORPORATION  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

**1. HISTORY AND ORGANIZATION**

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 started commercial operations on March 4, 1989. As of December 31, 2009, the Company had 35 operating branches with approximately 1,600 employees.

The Company is primarily engaged in the underwriting, dealing, brokerage, financing of marketable securities, futures, warrants, derivative financial instruments and wealth management business.

The Company's shares are listed on the Taiwan Stock Exchange.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1) Foreign currency transactions**

- A. The Company maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the transaction dates.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are, in nature, deemed long-term are accounted for as a reduction of shareholders' equity.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

**2) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and in banks and other short-term highly-liquid investments which are readily convertible to a known amount of cash and subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

**3) 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 recognized and derecognized using trade date accounting and are recognized initially at fair value. The account is classified into current and noncurrent. Noncurrent assets or liabilities are recorded as "Financial assets or financial liabilities at fair value through profit or loss – noncurrent" under funds and

investments or long-term liabilities, respectively.

- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of delisted (TSE and OTC) stocks and emerging stocks are based on the cost at the balance sheet date when the Company has no ability to exercise significant influence. The fair value of derivative financial instruments is based on the value estimated using the pricing model.
  - C. Profit or loss on derivatives not qualifying for hedge accounting and fall within the definition of option trading is recognized at the fair value on the trading date. For non-option trading, it is recognized at a fair value of zero on the trading date.
  - D. Financial assets and liabilities designated at fair value through profit or loss are those that meet one of the following requirements:
    - A) The product is a mixed product;
    - B) The designation can significantly eliminate the inconsistency in measurement or recognition; or
    - C) The position is mutually managed in accordance with the risk management or investment strategies of the Company and is designated for the purpose of fair value evaluation.
  - E. For call options and resetting options, which are embedded in bonds payable, please refer to Note 2(13).
  - F. The Company had properly reclassified certain financial instruments from "Financial assets at fair value through profit or loss" to "Available-for-sale financial assets" during the third quarter of 2008 in accordance with the amended paragraph 104 of R.O.C. SFAS No. 34 "Financial Instruments: Recognition and Measurement" as those assets were no longer held for sale in the short-term.
- 4) Hedged derivative financial instruments
- Profit or loss on derivatives qualifying for hedge accounting is eliminated with that of the hedged target. The following are the accounting treatments:
- A. Fair value hedges: Changes in the fair value of derivatives designated and qualified as fair value hedges are recognized in profit or loss. Changes in the fair value of the hedged asset or liability attributable to the hedged item are recognized in profit or loss and as an adjustment to the carrying amount of the hedged item.
  - B. Cash flow hedges: Gain or loss on a hedging instrument is recorded as an adjustment item to the stockholders' equity. The following are the information in detail:
    - A) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.
    - B) If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss in the period when the hedged item affects profit or loss, as an adjustment to the original cost or carrying amount of the hedged item.
  - C. Foreign operation net investment hedge:
 

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Gains and losses accumulated in equity are recognized in profit or loss when the foreign

operation is disposed.

5) Available-for-sale financial assets

- A. Available-for-sale financial assets are recognized and derecognized using trade date accounting. Individual assets are recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. The financial assets are remeasured and stated at fair value or fundamental value derived from a model evaluation and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds and beneficiary certificates is determined based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of delisted (TSE and OTC) stocks and emerging stocks is based on the cost at the balance sheet date when the Company has no ability to exercise significant influence.
- C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed and recognized in profit or loss.

6) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the management's assessment of the collectibility of margin loans receivable, receivables from refinance guaranty, notes receivable, accounts receivable, other receivables and overdue accounts.

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

Bonds sold with repurchase or purchased with resale agreements are stated at cost. The variance between the contracted price and the cost is amortized over the period of the transactions.

8) Investments accounted for under the equity method

- A. Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized, effective January 1, 2006. Retrospective adjustment of the amount of goodwill amortized in previous year(s) is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to extraordinary gains. However, negative goodwill that occurred prior to December 31, 2005 is continuously amortized. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis.
- B. Exchange differences arising from the translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under shareholders' equity.

9) Fixed and rental assets

- A. Fixed and rental assets are stated at cost. Interest incurred on the loans required to complete and prepare the asset for its intended use is capitalized. Depreciation is provided using the straight-line method based on the estimated

economic useful lives of the assets plus one year as residual value, except for leasehold improvements which are depreciated based on useful lives or the term of the contracts whichever is shorter. Fully depreciated assets still in use are depreciated based on the residual value over the re-estimated useful lives. The estimated useful lives of major fixed assets range from 3 to 5 years, except for buildings which is 50 years.

- B. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed when incurred.
  - C. 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.
  - D. Fixed assets which are not used for operations are recorded as idle assets or leased assets based on the lower of net realizable value or book value, and any loss is recorded as non-operating expense.
- 10) Intangible assets  
Intangible assets, mainly franchises, are stated at cost and amortized over their estimated useful lives using the straight-line method.



11) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

12) Financial institution asset securitization

According to R.O.C. SFAS No. 33 "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities", in using special purpose trusts, the Company transfers bonds held as well as related rights and obligations to trustees as the basis to issue beneficiary certificates and receives funds raised thereon. Under the transaction structure, the transaction is deemed as a sale since the Company loses control over the transferred assets. On the other hand, the transfer of subordinated bonds is not treated as a sale and instead, as long-term investments since those bonds are held for the purpose of assuming the risk for all beneficiary certificates.

13) Bonds payable

A. For the bonds payable with call option, put option, conversion option and conversion price reset issued after January 1, 2006, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. These bonds are accounted for as follows:

(A) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

(B) The value of any derivative features (such as a call option and resetting option) embedded in the compound financial instrument is recognized as "financial assets or financial liabilities at fair value through profit or loss". These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized as "Gain/loss on valuation of financial assets or financial liabilities". At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative is recognized as "paid-in capital"; however, if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as "gain or loss". Upon reset of conversion price, the reduction of fair value due to reset is reclassified to "Shareholders' equity".

(C) A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized in "capital reserve from stock warrants", net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued, and the resulting difference shall be recognized as "gain or loss" in the current period. The cost of the common stock issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of the stock warrants.

B. Bonds payable issued before December 31, 2005 are accounted for as follows:

The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

14) Pension plan

The Company has a non-contributory and funded defined benefit pension plan



covering all regular employees. The Company recognizes the pension cost based on an actuarial valuation report. The pension cost includes service cost, interest cost, expected return on fund assets, amortization of unrecognized net transition obligation and unrecognized pension loss.

15) Income tax

- A. In accordance with R.O.C. SFAS No. 22, "Accounting for Income Taxes", the income tax effect of temporary differences, losses available for carryforward and income tax credits is recorded as deferred tax asset/liability. The realization of deferred tax assets is evaluated at the balance sheet date and any portion not realizable is accounted for as an allowance. Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset and liability or the expected reversal date of the temporary difference. Over or under provision of prior years' income tax liabilities is included in the current year's income tax expense.
- B. In accordance with R.O.C. SFAS No. 12, "Accounting for Investment Tax Credits", investment tax credits resulting from expenditures for the acquisition of machinery or technology, research and development, employees' trainings, and equity investments are recognized in the year the related expenditures are incurred.
- C. The additional 10% income tax on undistributed earnings of the Company is recognized as tax expense in the year the shareholders approve a resolution to retain the earnings.
- D. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.

16) Treasury stock

- A. When the Company acquires its outstanding shares as treasury stock, the acquisition cost should be debited to the treasury stock account (classified as a contra account under shareholders' equity) if the shares are purchased.
- B. Treasury stocks transferred to employees on or after January 1, 2008 are accounted for in accordance with R.O.C. SFAS No. 39, "Accounting for Share-based Payment".
- C. When a company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus- premium on stock account and capital stock account should be debited proportionately according to the share ratio. An excess of the carrying value of treasury stock over the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. An excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be credited to capital surplus from the same class of treasury stock transactions.
- D. The cost of treasury stock is accounted for on a weighted-average basis.

17) Share-based payment -employee compensation plan

For the grant date of the share-based payment agreements set on or after January 1, 2008, the Company shall measure the services received during the vesting period by reference to the fair value of the equity instruments granted and account for those amounts as payroll expenses during that period.

18) Employees' bonus and directors' and supervisors' remuneration

Effective January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration", the costs of employees' bonus and directors' and supervisors' remuneration are accounted for

as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the year of distribution. In addition, according to EITF97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

19) Earnings per share

- A. Basic 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. The Company adopted the amended R.O.C. SFAS No. 24 "Earnings per share", which requires the calculation of earnings per share by disclosing basic and diluted earnings per share if there are potential common stocks.

20) Revenues and expenses

Revenues and expenses are recorded as follows:

- A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.
- B. Interest revenues on margin loans are recognized and accrued over the loan period. Interest expense on short selling is recognized and accrued over the short selling period.
- C. Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.
- D. Stock custodian income is recognized monthly based on the terms of the contract.
- E. Commission income – Futures is recognized on the transaction date. The Company assists in futures transaction and fees collection.
- F. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost.

Costs and expenses are recognized as incurred.

21) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

22) Classification of current and non-current assets and liabilities

- 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 consumed, or are intended to be sold 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; and
  - 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 arising from operating activities 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; and
- d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### 1) Employees' bonus and directors' and supervisors' remuneration

Effective January 1, 2008, the Company adopted EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration". The adoption of EITF96-052 had no significant effect on net income and earnings per share for the year ended December 31, 2008.

#### 2) Reclassification of financial assets

The Company had properly reclassified certain financial instruments (excluding derivative financial instruments) from "Financial assets at fair value through profit or loss" to "Available-for-sale financial assets" during the third quarter of 2008 in accordance with the amended paragraph 104 of R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". As a result of this change in accounting principle, net loss and losses per share decreased by \$171,972 and \$0.14 (in dollars), respectively, for the year ended December 31, 2008.

### 4. DETAILS OF SIGNIFICANT ACCOUNTS

#### 1) CASH AND CASH EQUIVALENTS

	DECEMBER 31,	
	2009	2008
Check Deposit	\$ 152,515	\$ 112,456
Current Deposit :		
Deposit denominated in NTD	265,585	189,895
Deposit denominated in foreign currencies	459	305
Time Deposit	2,719,500	3,330,500
Subtotal	3,138,059	3,633,156
Less : Restricted Assets-current	( 1,333,233)	( 1,386,099)
Restricted Assets-non-current	( 885,000)	( 817,000)
Bonds purchased under resale agreements	-	804,889
Total	\$ 919,826	\$ 2,234,946

2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2009	2008
Current items:		
Financial assets held for trading - current:		
<u>Open-end mutual funds beneficiary certificates and money market instruments</u>		
Open-end mutual funds beneficiary certificates	\$ 570,000	\$ 480,622
Adjustment of open-end mutual funds beneficiary certificates	( 6,905)	( 27,138)
Total	<u>563,095</u>	<u>453,484</u>
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	3,224,893	175,539
Government bonds	(4,787)	4,002,825
Secured corporate bonds	98,665	98,073
Financial bonds	492,588	487,404
Convertible corporate bonds	1,868,421	1,570,917
Emerging stocks	189,640	144,390
Other	<u>23,500</u>	<u>-</u>
Subtotal	5,892,920	6,479,148
Adjustment of trading securities - dealer	<u>168,094</u>	<u>( 77,831)</u>
Total	<u>6,061,014</u>	<u>6,401,317</u>
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	37,052	-
Convertible corporate bonds	781,161	818,487
Other	<u>18,000</u>	<u>-</u>
Subtotal	836,213	818,487
Adjustment of trading securities - underwriter	<u>24,614</u>	<u>( 75,328)</u>
Total	<u>\$ 860,827</u>	<u>\$ 743,159</u>

	December 31,	
	2009	2008
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	\$ 964,504	\$ 43,038
Convertible corporate bonds	279,812	405,111
Warrants	338	22,894
Other	16,649	-
Subtotal	1,261,303	471,043
Adjustment of trading securities - hedging	49,752	(16,193)
Total	1,311,055	454,850
<u>Buy option - futures</u>	8,271	18,329
<u>Futures guarantee deposits receivable</u>	1,409,942	1,236,148
<u>Derivative financial instrument assets - OTC</u>	223,061	233,411
Total	\$ 10,437,265	\$ 9,540,698
Noncurrent items:		
Trading securities - dealer-government bonds	\$ 77,400	\$ 50,861
Adjustment of trading securities	1,390	194
Total	\$ 78,790	\$ 51,055

A. For derivative financial instruments, please refer to Note 10.

B. Changes in financial assets at fair value through profit or loss are as follows:

	For the year ended December 31, 2009	
	Gain on disposal	Gain on valuation
Open-end mutual funds beneficiary certificates	\$ 5,879	\$ 20,298
Trading securities - dealer	1,115,129	245,458
Trading securities - underwriter	33,117	99,942
Trading securities - hedging	57,512	67,609
Total	\$ 1,211,637	\$ 433,307

	For the year ended December 31, 2008	
	Loss	Gain (loss)
	on disposal	on valuation
Open-end mutual funds beneficiary certificates	(\$ 61,996)	(\$ 40,443)
Trading securities - dealer	( 700,023)	( 33,107)
Trading securities - underwriter	( 119,083)	( 36,080)
Trading securities - hedging	( 435,076)	5,580
Total	(\$ 1,316,178)	(\$ 104,050)

C. For the listed stocks reclassified to "Available-for-sale financial assets-current", please refer to Note 4(3).

### 3) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investees	December 31, 2009		December 31, 2008	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<u>Current</u>				
<u>Trading securities - dealer</u>				
Listed stocks	\$ 517,070	-	\$ 1,392,977	-
Adjustment of trading securities - dealer	34,892		( 169,240)	
Subtotal	551,962		1,223,737	
<u>Trading securities - underwriter</u>				
Listed stocks	286,945	-	286,944	-
Adjustment of trading securities - underwriter	( 16,611)		( 62,386)	
Subtotal	270,334		224,558	
Total	\$ 822,296		\$ 1,448,295	
<u>Non-Current</u>				
<u>Unlisted stocks</u>				
Taiwan Depository&Clearing Corp.	\$ 2,450	0.24%	\$ 2,450	0.24%
Taiwan Futures Exchange	4,000	0.20%	4,000	0.20%
Hua Liu Venture Capital Corporation	90,000	8.70%	90,000	8.70%
Cathay Venture Capital I	24,000	5.00%	24,000	5.00%
Taiwan Integrated Shareholder Service Company	15,395	5.27%	15,395	5.27%
Total	\$ 135,845		\$ 135,845	

A. Gain (loss) on disposal of available-for-sale financial assets is as follows:

Items	For the years ended December 31,	
	2009	2008
Trading securities - dealer	\$ 28,716	(\$ 57,432)
Trading securities - underwriter	-	( 25,742)
	\$ 28,716	(\$ 83,174)



B. Due to the global financial crisis in 2008, the Company reclassified listed stocks totaling \$865,241, which were originally recorded as "Financial assets at fair value through profit or loss" to "Available-for-sale financial assets" during the third quarter of 2008 in accordance with the amended paragraph 104 of R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". The relevant information is set forth below:

- a) As of December 31, 2009 and 2008, the carrying amount/fair value of the reclassified listed stocks stated above is as follows:

Items	December 31, 2009	December 31, 2008
Listed stocks	\$ 820,762	\$ 632,043

- b) Changes in the fair values of the reclassified listed stocks stated above for the year ended December 31, 2009 and six-month period ended December 31, 2008 were as follows:

	For the year ended December 31, 2009 Changes in fair values		For the six-month period ended December 31, 2008 Changes in fair values	
	Recognized in gain/(loss)	Recognized in adjustments to shareholders' equity	Recognized in gain/(loss)	Recognized in adjustments to shareholders' equity
Listed stock:	\$ -	\$ 189,961	(\$ 83,174)	(\$ 171,972)

For those listed stocks stated above, had they not been reclassified to "available-for-sale financial assets-current" during the third quarter of 2008, the loss from change in fair values of those listed stocks would have been recognized as "gain or loss" as follows:

Items	Amount
September 30, 2008~December 31, 2008	(\$ 171,972)
For the year ended December 31, 2009	189,961
Total	\$ 17,989

#### 4) BONDS PURCHASED UNDER RESALE AGREEMENTS

	For the years ended December 31,	
Items	2009	2008
Government bonds	\$ 853,313	\$ 738,658

The above bonds purchased under resale agreements as of December 31, 2009 and 2008 was 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 amount was \$853,324 and \$738,761, respectively. Annual interest rates of those bonds ranged from 0.03% to 0.2% and 0.43% to 1.18%, respectively.

5) MARGIN LOANS RECEIVABLE

Margin loans receivable are secured by the securities purchased by customers under margin loans. For the years ended December 31, 2009 and 2008, the annual interest rates were 6.525% and 6.775%, respectively.

6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	December 31, 2009		December 31, 2008	
	Amount	Percentage of ownership	Amount	Percentage of ownership
President Futures Corp.	\$ 980,251	97.69%	\$ 989,138	97.69%
President Securities (HK) Ltd.	65,259	5.19%	59,867	5.19%
President Capital Management Corp.	145,292	100.00%	142,709	100.00%
President Securities (BVI) Ltd.	1,906,506	100.00%	1,711,717	100.00%
Uni-President Assets Management Corp.	408,705	38.66%	442,525	38.66%
President Personal Insurance Agency	4,598	100.00%	7,251	100.00%
President Insurance Agency Corp.	5,233	100.00%	4,358	100.00%
	<u>\$ 3,515,844</u>		<u>\$ 3,357,565</u>	

- A. The Company and President Securities (BVI) Limited jointly own 100% of the outstanding shares of President Securities (HK) Limited. Accordingly, this investment is accounted for under the equity method.
- B. Investment income (loss) accounted for under the equity method for the years ended December 31, 2009 and 2008 was \$372,832 and (\$355,908), respectively.
- C. In coordination with the shareholders' funding requirements, the Company's subsidiary – President Capital Management Corp. – reduced its share capital by \$150,000 and returned this amount to its shareholders, which was resolved at the shareholders' meeting on September 5, 2008.
- D. Impairment loss of \$39,587 and \$38,481 were recognized for the years ended December 31, 2009 and 2008, respectively, in accordance with R.O.C. SFAS No. 35, "Accounting for Asset Impairment".
- E. The Company has included investee companies which the Company holds more than 50% of the investee company's voting shares or has control over investee's operational decisions, into the consolidated financial statements.

7) SHORT-TERM LOANS

	December 31,	
	2009	2008
Secured loans	\$ 3,573,000	\$ 125,000
Credit loans	1,950,000	-
Total	<u>\$ 5,523,000</u>	<u>\$ 125,000</u>
Interest rates	<u>0.63%~1.34%</u>	<u>1.85%</u>

8) COMMERCIAL PAPERS PAYABLE

	December 31,	
	2009	2008
Face value	\$ 2,300,000	\$ 450,000
Less: Discount	( 299)	( 168)
Total	<u>\$ 2,299,701</u>	<u>\$ 449,832</u>
Interest rates	<u>0.2%~0.38%</u>	<u>1.5%~2.48%</u>

The commercial papers payable were secured by a bills-financing institution.

#### 9) BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31,	
	2009	2008
Government bonds	\$ 2,601,537	\$ 2,598,713
Corporate bonds	100,000	100,000
Financial bonds	498,624	498,200
Total	<u>\$ 3,200,161</u>	<u>\$ 3,196,913</u>

The above bonds sold under repurchase agreements as of December 31, 2009 and 2008 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after transaction. The total repurchase amount was \$3,200,201 and \$3,197,151, respectively. As of December 31, 2009 and 2008, annual interest rates of those bonds ranged from -0.2% to 0.26% and 0.35% to 1.20%, respectively.

#### 10) FINANCIAL INSTITUTION ASSET SECURITIZATION

- A. On September 29, 2006, the Company sold bonds totaling \$7,569,542 to a financial institution under asset securitization for the issuance of beneficiary certificates in the amount of NTD\$3,800,000 and USD\$115,400,000. In accordance with R.O.C. SFAS No. 33, the Company transfers bonds held as well as related rights and obligations to trustees as the basis to issue beneficiary certificates and receives funds raised thereon. Under the transaction structure, the transaction is deemed as a sale since the Company loses control over the transferred assets. The proceeds amounting to \$15,970 have been fully received.
- B. The abovementioned bonds are guaranteed. If there are any changes, the Company will pay in cash to repurchase the proceeds within 10 business days upon receipt of advice from the trustees.

11) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2009	2008
<u>Financial liabilities held for trading:</u>		
Bonds purchased under resale agreements		
-securities financing	\$ 395,980	\$ 321,505
Adjustment of bonds purchased under resale agreements - securities financing	( 278)	550
Subtotal	395,702	322,055
Securities borrowing & lending :		
Payables for securities borrowing		
hedging	21,692	31,894
Adjustment of payables for securities borrowing		
hedging	3,383	( 3,240)
Subtotal	25,075	28,654
Warrants	3,498,344	2,443,300
Loss (gain) on price fluctuation	( 25,694)	( 1,146,790)
Market value (A)	3,472,650	1,296,510
Repurchase of warrants	( 2,869,760)	( 1,272,169)
Loss (gain) on price fluctuation	( 399,602)	60,053
Market value (B)	( 3,269,362)	( 1,212,116)
Warrants-net (A+B)	203,288	84,394
Liabilities for sale of options - futures	51,124	16,682
Derivative financial instrument liabilities - OTC	35,159	25,432
Total	\$ 710,348	\$ 477,217

A. For derivative financial instrument liabilities - OTC, please refer to Note 10.

B. Among the warrants issued by the Company, except that contract-based warrants 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 repurchasing amounts are recognized as warrants repurchase and charged as a deduction to liabilities for issuance of warrants. The warrants have six months to nine months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery. The details of outstanding warrants as of December 31, 2009 are as follows:

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT LH	12,000	UNIMICRON	2009.7.2	\$ 2.320	\$ 9.20	\$ 39.30
PRESIDENT LI	10,000	OPTOTECH	2009.7.3	2.400	0.11	42.00
PRESIDENT LJ	10,000	GMT	2009.7.3	2.500	3.46	209.25
PRESIDENT LK	10,000	CHIMEI	2009.7.6	0.990	0.12	9.13
PRESIDENT LL	10,000	REALTEK	2009.7.6	1.760	4.57	99.30
PRESIDENT LN	10,000	CHT	2009.7.20	2.240	0.87	96.45
PRESIDENT LP	10,000	CATHAY HOLDINGS	2009.7.20	3.090	2.98	76.95
PRESIDENT LQ	10,000	CATHAY HOLDINGS	2009.7.20	2.730	0.09	25.65
PRESIDENT LR	15,000	NOVATEK	2009.7.21	1.500	1.55	133.35
PRESIDENT LS	15,000	PAN	2009.7.21	1.350	3.66	58.13
PRESIDENT LT	10,000	TSMC	2009.7.23	2.960	2.43	82.95
PRESIDENT LU	10,000	TSMC	2009.7.23	2.390	0.16	27.65
PRESIDENT LV	10,000	INNOLUX	2009.7.28	1.150	0.92	64.80
PRESIDENT LW	10,000	INNOLUX	2009.7.28	0.940	0.20	21.60
PRESIDENT LX	12,000	CSC	2009.7.30	3.050	1.33	45.53
PRESIDENT LY	12,000	CSC	2009.7.30	1.350	0.28	15.18
PRESIDENT LZ	20,000	ASUS	2009.7.30	1.330	2.21	78.00
PRESIDENT MA	20,000	ASUS	2009.7.30	1.180	0.08	26.00
PRESIDENT MB	10,000	TCB BANK	2009.7.30	1.160	0.51	29.70
PRESIDENT MC	10,000	TCB BANK	2009.7.30	0.970	0.24	9.90
PRESIDENT ME	20,000	MTK	2009.8.5	0.590	0.47	679.50
PRESIDENT MF	20,000	MTK	2009.8.5	0.510	0.10	226.50
PRESIDENT MG	10,000	Fubon Financial	2009.8.11	1.990	2.96	50.25
PRESIDENT MI	10,000	FFHC	2009.8.13	1.180	0.59	28.95
PRESIDENT MJ	10,000	FFHC	2009.8.13	0.970	0.25	9.65
PRESIDENT MK	10,000	MTK	2009.8.19	0.670	0.87	709.50
PRESIDENT ML	10,000	MTK	2009.8.19	0.530	0.15	236.50
PRESIDENT MM	10,000	AUO	2009.8.19	2.000	2.35	50.55
PRESIDENT MN	10,000	AUO	2009.8.19	0.360	0.10	16.85
PRESIDENT MP	10,000	TSMC	2009.8.19	2.450	0.54	28.80
PRESIDENT MQ	10,000	CATHAY HOLDINGS	2009.8.20	3.180	5.30	70.95
PRESIDENT MR	10,000	CATHAY HOLDINGS	2009.8.20	2.530	0.37	23.65
PRESIDENT MS	12,000	ASE	2009.8.21	1.680	2.65	36.38
PRESIDENT MT	12,000	SPIL	2009.8.21	2.700	1.94	61.95
PRESIDENT MU	12,000	SPIL	2009.8.21	2.380	0.53	20.65
PRESIDENT MV	10,000	Yuanta Group	2009.8.21	1.270	1.44	31.28

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT MW	10,000	Yuanta Group	2009.8.21	\$ 1.050	\$ 0.49	\$ 10.43
PRESIDENT MX	10,000	INNOLUX	2009.8.24	2.770	4.96	57.45
PRESIDENT MY	10,000	INNOLUX	2009.8.24	0.500	0.09	19.15
PRESIDENT MZ	10,000	CHB	2009.8.24	1.680	1.42	20.18
PRESIDENT NA	10,000	CHB	2009.8.24	1.380	0.31	6.73
PRESIDENT NB	10,000	ACER	2009.8.25	3.420	8.75	105.00
PRESIDENT NC	10,000	ACER	2009.8.25	3.270	0.18	35.00
PRESIDENT ND	10,000	LARGAN	2009.8.25	0.470	0.13	193.75
PRESIDENT NE	10,000	RICHTEK	2009.8.25	0.360	0.06	126.50
PRESIDENT NF	10,000	CHI MEI	2009.8.27	2.510	2.65	24.30
PRESIDENT NG	10,000	CHI MEI	2009.8.27	0.890	0.03	8.10
PRESIDENT NH	10,000	TBB	2009.8.31	0.850	0.51	11.55
PRESIDENT NI	10,000	Quanta	2009.9.1	1.480	0.62	102.30
PRESIDENT NJ	10,000	Quanta	2009.9.1	0.610	0.32	34.10
PRESIDENT NK	10,000	TSMC	2009.9.4	2.960	1.67	89.70
PRESIDENT NL	10,000	CHB	2009.9.7	1.630	1.16	21.38
PRESIDENT NM	10,000	HONHAI	2009.9.7	1.550	2.37	184.50
PRESIDENT NN	10,000	HONHAI	2009.9.7	1.300	0.28	61.50
PRESIDENT NQ	10,000	HTC	2009.9.15	0.450	0.27	528.00
PRESIDENT NR	10,000	HTC	2009.9.15	0.400	0.21	176.00
PRESIDENT NS	10,000	COMPAL	2009.9.16	0.940	1.11	56.25
PRESIDENT NT	10,000	WISTRON	2009.9.16	1.590	0.92	94.50
PRESIDENT NU	10,000	FPC	2009.9.16	1.050	0.57	97.50
PRESIDENT NV	10,000	NPC	2009.9.16	2.330	3.41	73.58
PRESIDENT NX	10,000	Taiwan Mobile	2009.9.16	1.510	2.30	26.23
PRESIDENT NY	10,000	FPCC	2009.9.21	1.420	0.68	130.35
PRESIDENT NZ	10,000	AUO	2009.9.25	3.720	5.70	36.50
PRESIDENT 01	10,000	Yuanta Group	2009.9.25	1.410	0.70	34.73
PRESIDENT 02	10,000	MEGA FHC	2009.9.25	1.290	0.26	29.03
PRESIDENT 03	10,000	MEGA FHC	2009.9.25	1.070	1.05	9.68
PRESIDENT 04	10,000	EVERGREEN	2009.9.25	1.090	0.80	28.05
PRESIDENT 05	10,000	EVERGREEN	2009.9.29	0.880	0.46	9.35
PRESIDENT 06	10,000	EPISTAR	2009.9.29	2.300	2.82	108.00
PRESIDENT 07	10,000	INNOLUX	2009.9.30	2.710	3.33	59.85
PRESIDENT 08	10,000	INNOLUX	2009.9.30	0.910	0.23	19.95
PRESIDENT 09	10,000	Fubon Financial	2009.10.1	1.970	1.47	54.45



Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT 10	10,000	Fubon Financial	2009.10.1	\$ 1.590	\$ 1.14	\$ 18.15
PRESIDENT 11	10,000	AUO	2009.10.2	1.800	3.37	46.65
PRESIDENT 12	10,000	AUO	2009.10.2	0.640	0.11	15.55
PRESIDENT 13	10,000	HONHAI	2009.10.2	1.400	2.20	193.50
PRESIDENT 14	10,000	HONHAI	2009.10.2	1.130	0.36	64.50
PRESIDENT 15	10,000	TBB	2009.10.2	0.880	0.49	12.57
PRESIDENT 16	10,000	HTC	2009.10.5	3.920	3.46	520.50
PRESIDENT 17	10,000	HTC	2009.10.5	0.350	0.21	173.50
PRESIDENT 18	10,000	TSMC	2009.10.5	1.220	0.99	94.05
PRESIDENT 19	10,000	HONHAI	2009.10.7	2.880	4.78	193.50
PRESIDENT 20	10,000	HONHAI	2009.10.7	1.100	0.28	64.50
PRESIDENT 21	10,000	UMC	2009.10.7	1.940	2.02	24.00
PRESIDENT 22	10,000	UMC	2009.10.7	0.920	0.37	8.00
PRESIDENT 23	12,000	TUNGHOSTEEL	2009.10.7	2.280	1.03	49.88
PRESIDENT 24	12,000	TUNGHOSTEEL	2009.10.7	2.050	1.75	16.63
PRESIDENT 25	10,000	EPISTAR	2009.10.9	1.380	1.40	161.25
PRESIDENT 26	10,000	EPISTAR	2009.10.9	1.080	0.65	53.75
PRESIDENT 27	10,000	CATHAY HOLDINGS	2009.10.9	1.410	0.85	88.80
PRESIDENT 28	10,000	CATHAY HOLDINGS	2009.10.9	1.210	0.79	29.60
PRESIDENT 29	10,000	CST	2009.10.9	4.690	5.30	99.45
PRESIDENT 30	10,000	FFHC	2009.10.12	1.010	0.41	30.98
PRESIDENT 31	10,000	FFHC	2009.10.12	0.820	0.96	10.33
PRESIDENT 32	10,000	CSC	2009.10.12	2.980	3.15	45.75
PRESIDENT 33	12,000	CSC	2009.10.12	1.350	1.04	15.25
PRESIDENT 34	10,000	CHT	2009.10.13	0.460	0.42	86.55
PRESIDENT 35	10,000	TACHEN	2009.10.13	2.060	1.41	52.35
PRESIDENT 36	10,000	WEICHUAN	2009.10.13	1.280	0.93	67.20
PRESIDENT 37	10,000	HIGHWEALTH	2009.10.13	1.460	0.96	72.38
PRESIDENT 39	10,000	FARGLORY	2009.10.16	2.300	1.13	85.00
PRESIDENT 40	10,000	FARGLORY	2009.10.16	1.350	0.63	115.50
PRESIDENT 41	15,000	MTK	2009.10.20	0.600	0.94	777.00
PRESIDENT 42	15,000	MTK	2009.10.20	0.500	0.19	259.00
PRESIDENT 43	10,000	REALTEK	2009.10.20	1.050	2.25	112.95
PRESIDENT 44	10,000	SEEC	2009.10.20	1.000	0.57	61.73
PRESIDENT 45	10,000	CATCHER	2009.10.20	1.010	1.06	125.55
PRESIDENT 46	10,000	UMING	2009.10.20	1.250	1.10	95.40

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT 47	10,000	WPG	2009.10.21	\$ 1.120	\$ 1.53	\$ 72.00
PRESIDENT 48	10,000	RUENTEX DEVELOP	2009.10.21	0.950	0.82	57.08
PRESIDENT 49	10,000	INNOLUX	2009.10.21	1.180	0.84	73.35
PRESIDENT 50	10,000	UMC	2009.10.21	1.040	0.74	25.65
PRESIDENT 51	10,000	FOXCONNTECH	2009.10.22	1.090	1.44	156.75
PRESIDENT 52	10,000	FOXCONNTECH	2009.10.22	0.970	1.03	52.25
PRESIDENT 53	10,000	CST	2009.10.22	1.540	1.62	102.00
PRESIDENT 54	10,000	CST	2009.10.22	1.550	1.09	34.00
PRESIDENT 55	10,000	YFO	2009.10.23	0.610	0.24	594.00
PRESIDENT 56	10,000	SZS	2009.10.23	2.190	1.69	234.75
PRESIDENT 57	10,000	E-SUN	2009.10.27	0.730	0.62	21.23
PRESIDENT 58	10,000	GMT	2009.10.27	1.800	4.66	209.25
PRESIDENT 59	10,000	LARGAN	2009.10.27	0.390	0.18	187.75
PRESIDENT 60	15,000	Yuanta Group	2009.10.28	0.500	0.55	35.10
PRESIDENT 61	15,000	Yuanta Group	2009.10.28	0.450	0.34	11.70
PRESIDENT 62	10,000	FSC	2009.10.28	0.900	1.71	67.50
PRESIDENT 63	10,000	FEDS	2009.10.28	1.030	0.99	54.98
PRESIDENT 64	10,000	MTK	2009.10.28	0.520	0.91	705.75
PRESIDENT 65	10,000	SINOPAC	2009.10.29	0.820	0.66	19.58
PRESIDENT 66	10,000	ASUS	2009.10.29	1.040	0.85	92.85
PRESIDENT 67	10,000	HONHAI	2009.10.29	1.370	2.25	202.50
PRESIDENT 68	10,000	TAIWANCEMENT	2009.10.30	0.600	0.42	51.68
PRESIDENT 69	10,000	LARGAN	2009.10.30	0.460	0.57	573.75
PRESIDENT 70	10,000	HUAKU	2009.10.30	1.060	0.96	119.25
PRESIDENT 72	15,000	Fubon Financial	2009.11.2	0.800	0.73	55.35
PRESIDENT 73	15,000	Fubon Financial	2009.11.2	0.730	0.70	18.45
PRESIDENT 74	10,000	ASIACEMENT	2009.11.2	0.640	0.48	52.05
PRESIDENT 75	10,000	POUCHEN	2009.11.3	1.140	1.40	33.90
PRESIDENT 76	10,000	POUCHEN	2009.11.3	0.520	0.37	11.30
PRESIDENT 77	10,000	PAN	2009.11.3	1.140	1.77	72.75
PRESIDENT 78	10,000	ASUS	2009.11.3	1.220	0.78	30.40
PRESIDENT 79	10,000	RICHTEK	2009.11.5	0.400	0.68	390.00
PRESIDENT 80	10,000	WISTRON	2009.11.5	1.210	1.32	84.30
PRESIDENT 81	10,000	FOXLINK	2009.11.6	1.360	2.52	94.95
PRESIDENT 82	10,000	FOXLINK	2009.11.6	1.230	1.10	31.65
PRESIDENT 83	10,000	TBB	2009.11.6	0.920	0.68	4.10

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT 84	10,000	TCB BANK	2009.11.9	\$ 0.850	\$ 0.64	\$ 29.70
PRESIDENT 85	10,000	TCB BANK	2009.11.9	0.840	0.82	9.90
PRESIDENT 86	10,000	PTI	2009.11.9	0.880	1.58	136.50
PRESIDENT 87	10,000	PTI	2009.11.9	1.030	0.47	45.50
PRESIDENT 88	10,000	EVERLIGHT	2009.11.10	2.200	5.20	136.05
PRESIDENT 89	10,000	EVERLIGHT	2009.11.10	1.030	0.26	45.35
PRESIDENT 90	10,000	HONHAI	2009.11.10	1.300	2.05	201.75
PRESIDENT 91	10,000	CATHAY HOLDINGS	2009.11.12	1.260	1.00	90.90
PRESIDENT 92	10,000	CATHAY HOLDINGS	2009.11.12	1.200	1.04	30.30
PRESIDENT 93	10,000	RICHTEK	2009.11.12	0.450	0.27	138.50
PRESIDENT 94	15,000	MTK	2009.11.13	0.550	0.74	763.50
PRESIDENT 95	15,000	MTK	2009.11.13	0.490	0.36	254.50
PRESIDENT 96	10,000	TSMC	2009.11.13	3.140	2.73	93.30
PRESIDENT 97	10,000	TSMC	2009.11.13	0.490	0.30	31.10
PRESIDENT 98	10,000	AUO	2009.11.16	0.650	1.56	47.48
PRESIDENT 99	10,000	COMPAL	2009.11.17	0.830	0.80	66.15
PRESIDENT A1	10,000	CHB	2009.11.19	1.630	1.34	22.80
PRESIDENT A2	10,000	CHB	2009.11.19	1.560	1.61	7.60
PRESIDENT A3	10,000	ACER	2009.11.19	1.320	2.67	124.50
PRESIDENT A4	10,000	ACER	2009.11.19	1.540	0.50	41.50
PRESIDENT A5	10,000	TSMC	2009.11.20	1.320	1.19	94.35
PRESIDENT A6	10,000	TSMC	2009.11.20	1.100	0.86	31.45
PRESIDENT A7	10,000	YULON	2009.11.20	1.130	0.70	61.88
PRESIDENT A8	10,000	YULON	2009.11.20	0.460	0.55	20.63
PRESIDENT A9	10,000	INNOLUX	2009.11.20	0.560	0.64	68.10
PRESIDENT B1	10,000	RUENTEX	2009.11.23	1.480	1.86	81.15
PRESIDENT B2	10,000	RUENTEX	2009.11.23	0.680	0.52	27.05
PRESIDENT B3	10,000	UMC	2009.11.23	0.960	0.62	7.98
PRESIDENT B4	10,000	EVERGREEN	2009.11.24	1.720	2.25	25.95
PRESIDENT B5	10,000	Yuantan Group	2009.11.24	1.130	1.40	33.75
PRESIDENT B6	10,000	MEGA FHC	2009.11.25	0.930	0.87	28.50
PRESIDENT B7	10,000	MEGA FHC	2009.11.25	0.980	0.98	9.50
PRESIDENT B8	10,000	SNC	2009.11.26	0.820	1.10	59.25
PRESIDENT B9	10,000	SNC	2009.11.26	0.840	0.62	19.75
PRESIDENT C1	10,000	UNIMICRON	2009.11.26	1.020	1.70	58.35

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)			
				Issuance Price	Market Value	Strike Price	
PRESIDENT C2	10,000	UNIMICRON	2009.11.26	\$ 0.420	\$ 0.31	\$ 19.45	
PRESIDENT C3	10,000	TFC	2009.11.26	1.590	1.99	157.50	
PRESIDENT C4	15,000	MITAC	2009.11.27	0.760	1.13	24.00	
PRESIDENT C5	10,000	Fubon Financial	2009.11.27	1.930	2.34	56.55	
PRESIDENT C6	10,000	WINTEK	2009.11.27	1.660	3.94	32.18	
PRESIDENT C7	10,000	AMBASSADOR	2009.11.27	1.120	1.29	56.18	
PRESIDENT C8	10,000	EITC	2009.12.2	0.780	0.83	40.05	
PRESIDENT C9	10,000	CCI	2009.12.2	1.420	1.19	68.25	
PRESIDENT D1	10,000	AMTRAN	2009.12.2	0.830	1.50	48.30	
PRESIDENT D3	10,000	MACRONIX	2009.12.3	1.130	1.78	23.40	
PRESIDENT D4	10,000	FARADAY	2009.12.3	1.660	2.68	89.40	
PRESIDENT D5	10,000	YFY	2009.12.3	0.760	0.80	20.63	
PRESIDENT D6	10,000	MTK	2009.12.3	6.100	6.90	765.00	
PRESIDENT D7	10,000	FRG	2009.12.4	1.660	2.13	37.58	
PRESIDENT D8	10,000	TRANSCEND	2009.12.4	1.430	2.25	155.25	
PRESIDENT D9	10,000	ALI	2009.12.8	1.380	1.23	125.40	
PRESIDENT E1	10,000	CYBERTAN	2009.12.8	1.150	1.40	74.40	
PRESIDENT E2	10,000	TRIPOD	2009.12.8	1.460	2.64	123.90	
PRESIDENT E3	10,000	ELAN	2009.12.10	1.220	1.80	78.90	
PRESIDENT E4	10,000	DELTA	2009.12.10	1.080	1.52	141.00	
PRESIDENT E5	10,000	LITE-ON IT	2009.12.11	0.840	0.92	45.90	
PRESIDENT E6	10,000	NOVATEK	2009.12.11	1.300	1.97	143.25	
PRESIDENT E7	10,000	KINSUS	2009.12.11	1.190	1.50	123.60	
PRESIDENT E8	10,000	GFRT	2009.12.14	0.640	0.63	621.00	
PRESIDENT E9	10,000	UNITY-OPTO	2009.12.14	0.850	0.80	97.80	
PRESIDENT F1	10,000	REALTEK	2009.12.14	2.210	2.92	132.00	
PRESIDENT F2	10,000	ZINWELL	2009.12.14	1.280	1.67	88.95	
PRESIDENT F3	10,000	SYNNEX	2009.12.14	0.940	0.97	101.85	
PRESIDENT F4	10,000	GEMTEK	2009.12.17	0.680	0.80	82.35	
PRESIDENT F5	15,000	ITETECH	2009.12.17	0.670	0.86	101.10	
PRESIDENT F6	10,000	UNICHIP	2009.12.17	1.710	2.34	237.75	
PRESIDENT F7	10,000	SONIX	2009.12.18	1.030	1.12	118.05	
PRESIDENT F8	10,000	OUCC	2009.12.18	1.530	1.57	37.20	
PRESIDENT F9	10,000	RADIANT	2009.12.18	1.090	1.24	65.40	
PRESIDENT G1	10,000	FOREPI	2009.12.22	0.890	0.90	80.40	
PRESIDENT G2	10,000	FORHOUSE	2009.12.22	1.150	1.51	64.20	

Warrants	Units Issued	Underlying Securities	Issuance Date	Warrants (in NT Dollars)		
				Issuance Price	Market Value	Strike Price
PRESIDENT G3	10,000	TBB	2009.12.25	\$ 0.890	\$ 0.90	\$ 12.17
PRESIDENT G4	10,000	GMT	2009.12.25	1.990	2.15	261.00
PRESIDENT LM	10,000	TW50	2009.7.16	1.700	0.03	23.53
PRESIDENT MD	10,000	TW50	2009.8.3	2.220	0.04	24.51
PRESIDENT MH	10,000	TW50	2009.8.12	3.880	0.11	24.21
PRESIDENT NP	10,000	TW50	2009.9.7	0.720	0.14	25.53
PRESIDENT NW	10,000	TW50	2009.9.16	1.900	0.42	26.23
PRESIDENT 38	10,000	TW50	2009.10.15	0.730	0.36	27.18
PRESIDENT 71	10,000	TW50	2009.10.30	0.620	0.18	25.78
PRESIDENT D2	10,000	TW50	2009.12.2	1.890	1.33	26.63
PRESIDENT QN	5,000	PixArt	2009.10.26	4.190	4.76	400.50
PRESIDENT QP	10,000	CHINESEGAMER	2009.10.26	0.720	0.60	669.00
PRESIDENT QQ	10,000	PHISON	2009.10.26	0.490	0.64	384.75
PRESIDENT QR	10,000	SIMPLO	2009.10.26	1.920	2.55	267.75
PRESIDENT QS	10,000	ADATA	2009.10.26	1.150	2.42	117.45
PRESIDENT QT	10,000	VIS	2009.11.4	0.730	1.61	19.13
PRESIDENT QU	10,000	TSMT	2009.11.30	1.140	1.66	110.25
PRESIDENT QV	10,000	Sino-American Silicon	2009.11.30	1.240	1.66	117.30
PRESIDENT QW	8,000	WAFER WORKS	2009.12.1	4.100	3.90	87.00
PRESIDENT QX	10,000	DYNAPACK	2009.12.9	1.190	1.89	151.50
PRESIDENT QY	10,000	QUANTA STORAGE	2009.12.16	0.830	1.06	88.20
PRESIDENT QZ	8,000	P-TWO	2009.12.16	1.070	1.10	102.60
PRESIDENT RA	10,000	MOTECH	2009.12.16	2.070	3.56	200.25
PRESIDENT RB	10,000	SOLAR	2009.12.16	1.070	1.06	121.20
PRESIDENT RC	10,000	SOFTWORLD	2009.12.16	2.810	3.57	284.25
PRESIDENT RD	10,000	CORETRONIC	2009.12.21	1.040	1.28	64.80

## 12) OTHER FINANCIAL LIABILITIES – CURRENT

	December 31,	
	2009	2008
ELN - Options	\$ 310,300	\$ 25,000
PGN - fixed income	149,895	-
Total	<u>\$ 460,195</u>	<u>\$ 25,000</u>

13) BONDS PAYABLE

	December 31,	
	2009	2008
Unsecured convertible bonds payable	\$ 2,357,600	\$ 2,400,000
Less: Discount of bonds payable	( 92,169)	( 160,714)
Total	\$ 2,265,431	\$ 2,239,286

## A. The first domestic unsecured convertible bonds:

- a) On May 28, 2008, the Company issued zero coupon, three-year unsecured convertible bonds with the principal amount of \$3,000,000. The bonds were listed on the Taiwan Over-The-Counter Securities Exchange.
- b) The conversion price will be adjusted based on the terms of the convertible bonds. As of December 31, 2009, none of bonds were converted to common stocks.
- c) Under the terms of the convertible bonds, all bonds (redeemed, matured and converted) are retired and not to be re-issued. The convertible bonds in the amount of \$39,940 (par value of \$42,400) were repurchased by the Company from the Taiwan Over-The-Counter Securities Exchange for the year ended December 31, 2009, and the loss on redemption was \$275 (shown as other losses). As of December 31, 2009, the total par value of the convertible bonds repurchased by the Company from the Taiwan Over-The-Counter Securities Exchange amounted to \$642,400.
- d) Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds are the same as the issued and outstanding common stock.
- e) The fair value of convertible option of \$166,500 was separated from bonds payable, and was recognized in "Capital reserve from stock warrants" in accordance with R.O.C. SFAS No. 36 "Financial Instruments: Disclosure and Presentation". The fair value of call options and reset options was separated from bonds payable, and was recognized in "Liabilities on derivative instruments – Taiwan Over-The-Counter Securities Exchange" under the account of "Financial assets or financial liabilities at fair value through profit or loss" in accordance with R.O.C. SFAS No. 34 "Financial Instruments: Recognition and Measurement". The effective annual interest rate of the bonds after separation was 2.8%.



14) LONG-TERM LOANS

	December 31,	
	2009	2008
Commercial papers payable	\$ 600,000	\$ 600,000
Less: Discount	( 407)	( 856)
Subtotal	599,593	599,144
Long-term loans	-	840,000
Total	\$ 599,593	\$ 1,439,144
Interest rates	0.45%~0.50%	1.12%~1.68%

On October 31, 2007, the Company entered into a three-year syndicated revolving credit facility agreement with Bank of Taiwan as the lead bank. The significant terms and conditions under the agreement are set forth below:

- a) Time limit for the loan: three years from the first draw-down of the loan.
- b) Credit line and draw-down: total credit line is \$4,200,000 and can be drawn down revolvingly during the contract period.
- c) Commitment fee: for the period from the following date of six months after the contract signing date to the maturity date of the loan, the Company shall pay commitment fees equal to 50% of the unused credit line multiplied by the annual fee rate of 0.1% at the end of each three-month term.
- d) During the contract period, the Company should maintain a) current assets to current liabilities ratio of at least 1:1, b) liabilities not exceeding 300% of tangible net equity, and c) net book value of tangible assets of at least \$15,000,000.

15) PENSION PLAN

- A. The Company has a defined benefit plan under the Labor Standards Law which provides benefits based on an employee's length of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year of service thereafter, with a maximum of 45 units. The Company contributes monthly an amount equal to 3.2% of employees' monthly base salaries and wages to an independent fund with the Bank of Taiwan, the trustee. For the years ended December 31, 2009 and 2008, the Company recognized net periodic pension cost of \$22,759 and \$21,879, respectively. The fund balance was \$325,313 and \$303,355 as of December 31, 2009 and 2008, respectively. The retirement fund the Company contributed under the name of the independent retirement fund committee amounted to \$62,758 and \$71,372, respectively.

The following sets forth the actuarial assumptions about pension based on the actuarial report:

- (1) Actuarial assumptions:

Discount rate, expected rate of return on plan assets, rate of compensation increase were 2.25% and 2.75%, 2.25% and 1.50%, 2.50% and 2.50% for the years ended December 31, 2009 and 2008, respectively. Unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

- (2) Funded status of the pension plan

	December 31,	
	2009	2008
Benefit obligation		
Vested benefit obligation	(\$ 16,465)	(\$ 8,896)
Non-vested benefit obligation	( 370,792)	( 290,007)
Accumulated benefit obligation	( 387,257)	( 298,903)
Effect of future salary increments	( 185,878)	( 124,546)
Projected benefit obligation	( 573,135)	( 423,449)
Fair value of plan assets	388,071	374,727
Funded status	( 185,064)	( 48,722)
Unrealized net transition obligation	( 1,228)	( 1,842)
Unrecognized gain on plan assets	271,126	128,642
Prepaid pension expense	\$ 84,834	\$ 78,078
Vested benefit	\$ 18,425	\$ 10,321

(2) Net pension cost comprises the following:

	For the years ended December 31,	
	2009	2008
Service cost	\$ 9,504	\$ 10,740
Interest cost	11,645	13,369
Expected return on plan assets	( 5,621)	( 9,310)
Amortization of unrecognized gain on plan assets	7,845	7,694
Amortization of unrecognized net transition obligation	( 614)	( 614)
Net pension cost	\$ 22,759	\$ 21,879

- B. Effective July 1, 2005, the Company 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. The total pension expenses amounted to \$48,254 and \$52,572 under the New Plan for the years ended December 31, 2009 and 2008, respectively.

#### 16) RESERVE FOR DEFAULT

- A. In accordance with the "Rules Governing the Administration of Securities Firms", the Company provides a monthly default reserve at 0.0028% of the settlement value up to a maximum reserve balance of \$200,000.
- B. This reserve shall be used only to offset against actual loss resulting from customers' default on securities transactions or other losses approved by the

Securities and Futures Commission (SFC).

17) RESERVE FOR TRADING LOSS

In accordance with the “Rules Governing the Administration of Securities Firms” and the “Rules Governing Futures Commission Merchants”, the Company provides a monthly reserve for trading loss on realized gain of the Futures Department at 10% of the net gain from trading of securities. This reserve shall only be used to offset actual loss on securities trading.

18) COMMON STOCK

As of December 31, 2009 and 2008, the Company's authorized capital was \$15,000,000. The Company's issued common stocks were 1,185,706,000 shares and 1,215,706,000 shares, respectively, and the outstanding common stocks were 1,155,681,000 and 1,160,528,000 shares as of December 31, 2009 and 2008, respectively, with a par value of \$10 (dollars) per share. For treasury stock transactions, please refer to Note 4 (23).

19) CAPITAL RESERVE

Under the Company Law, up to 10% of the total amount of capital reserve may be used to cover accumulated deficit except for the paid-in capital in excess of par from the issuance of common stock and treasury stock which may be used to increase capital provided the amount to be capitalized does not exceed 10% of the balance.

20) LEGAL RESERVE

As required by the Company Law, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals the total amount of paid-in capital. The legal reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purposes. Such capitalization shall not be permitted unless the Company had already accumulated a legal reserve of at least fifty percent of its paid-in capital and only half of such legal reserve may be capitalized.

21) SPECIAL RESERVE

- A. 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 fifty percent of its paid-in capital stock and only half of such special reserve may be capitalized.
- B. For dividend distribution purposes, listed and over-the-counter companies shall exclude the balances of contra accounts from the unappropriated earnings balance in the shareholders' equity account.

22) UNAPPROPRIATED EARNINGS

- A. In accordance with the Company's Articles of Incorporation, the current year's earnings after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve and special reserve. In addition, an amount shall be appropriated from the remaining net income following a resolution approved by the Company's stockholders during their meeting as follows: 3% as special bonus to directors and supervisors; 2% as bonus to employees, and the remainder as dividends to stockholders.
- 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%.
- C. The Company's dividend policy is adopted taking into consideration the Company's operating results and future capital utilization plans.
- D. In accordance with the resolution adopted by the Board of Directors on June 19, 2009, the Company decided not to distribute earnings for the year ended December 31, 2008 and decided to use legal reserve to cover accumulated deficits. Appropriation of 2007 earnings as resolved by the stockholders at their meeting on June 13, 2008 is as follows:

	2007	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 240,635	
Special reserve	511,891	
Stock dividends	388,367	\$0.33
Cash dividends	1,176,869	1.00
Directors' and supervisors' remuneration	49,428	
Employees' cash bonus	32,952	
Total	<u>\$ 2,400,142</u>	

- E. The estimated amount of employees' bonus and directors' and supervisors' remuneration for the years ended December 31, 2009 was \$28,003 and \$42,004, respectively. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange. As the Company incurred accumulated deficits in year 2008, the Company did not estimate employees' bonus and directors' and supervisors' remuneration as at December 31, 2008.

### 23) TREASURY STOCK

- A. Details of treasury stock transactions for the year ended December 31, 2009 are as follows:

	(In thousands of shares)				
Purpose	Beginning Balance	Repurchase	Write Off	Transferred	Ending Balance
Employee ownership	40,000	-	-	( 9,975)	30,025
Enhancing the shareholders' equity	15,178	14,822	( 30,000)	-	-
Total	<u>55,178</u>	<u>14,822</u>	<u>( 30,000)</u>	<u>( 9,975)</u>	<u>30,025</u>

The Company adopted a resolution to reissue 10,000,000 shares of treasury stocks to the employees, with the effective date set on August 31, 2009. As of October 8, 2009, 9,975,000 shares have been transferred. An excess of the transferred value of treasury stocks over their carrying value amounting to \$2,236 was credited to "Capital reserve - treasury stock".

- B. Details of treasury stock transactions for the year ended December 31, 2008 are as follows:

(in thousand of shares)					
Purpose	Beginning Balance	Repurchase	Write Off	Transferred	Ending Balance
Employee ownership	-	40,000	-	-	40,000
Enhancing the shareholders' equity	-	15,178	-	-	15,178
Total	-	55,178	-	-	55,178

- C. According to the Securities and Exchange Law, the total number of treasury stocks shall not exceed 10% of total shares outstanding and the total amount shall not exceed the sum of the balance of retained earnings, paid in capital in excess of par and realized capital reserve.
- D. Under the Securities and Exchange Law, treasury stocks shall not be pledged and shall bear no shareholder's right before reissuance.
- E. Under the Securities and Exchange Law, treasury stocks acquired to enhance shareholder value shall be retired within six months from the date of acquisition. In addition, treasury stocks acquired for employee ownership shall be transferred within three years from the date of acquisition. Otherwise, these shares shall be retired.

#### 24) Share-based payment - employee compensation plan

- A. As of December 31, 2009, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Contract Period	Vesting conditions	Actual resignation rate period	Estimated future resignation rate
Treasury stocks sold to employees	2009.8.31	10,000,000 shares	-	Vested immediately	-	-

- B. The information about the estimation of the fair value of the stock options stated above using the option-pricing model is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected vesting period	Expected dividend yield rate	Risk-free interest rate	Fair value per unit
Treasury stocks sold to employees	2009.8.31	16.4	9.97	33.848%	40 days	-	0.14%	6.43

- C. Expenses incurred on share-based payment transactions are shown below:

For the years ended December 31,	
2009	2008
Equity-settled	
\$ 64,300	\$ -

25) INCOME TAX

A. Income tax expense and payable are reconciled as follows:

	December 31,	
	2009	2008
Income tax payable, recorded as other payable	\$ 584,222	\$ 991,440
Prepaid income tax	136,346	191,669
Tax effect of amendments to the tax laws	7,170	-
Net effect of deferred tax assets	( 25,237)	( 60,303)
Under (over) provision of prior year's income tax	41,024	( 24,742)
Unpaid amount of prior year's income tax	( 537,855)	( 915,887)
Retention tax (10%) on unappropriated earnings	-	( 620)
Tax on separately taxed income	1,043	1,236
Income tax expense - current	206,713	182,793
Retention tax (10%) on unappropriated earnings	-	620
Income tax expense	<u>\$ 206,713</u>	<u>\$ 183,413</u>

B. The deferred tax assets (liabilities) are as follows:

	December 31,			
	2009		2008	
Temporary differences	Amount	Tax effect	Amount	Tax effect
Current:				
- Bad debts	\$ 78,153	\$ 15,631	\$ 78,153	\$ 19,538
- Gain on valuation of financial instruments	( 178,186)	( 35,637)	( 224,294)	( 56,073)
- Others	56,711	11,342	943	236
		<u>(\$ 8,664)</u>		<u>(\$ 36,299)</u>
Non-current:				
- Unrealized loss on default	\$ 177,568	\$ 35,514	\$ 177,568	\$ 44,392
- Others	9,147	1,829	10,077	2,519
		<u>\$ 37,343</u>		<u>\$ 46,911</u>

C. Imputation tax system

The balance of the imputation tax credit account and the creditable tax rate are shown below:

	December 31,	
	2009	2008
Balance of imputation credit account	<u>\$ 892,111</u>	<u>\$ 40,332</u>
	2009	2008
Expected (Actual) rate of imputation credit	<u>33.33%</u>	<u>\$ -</u>



## D. Unappropriated earnings (accumulated deficit)

	December 31,	
	2009	2008
Before 1997	\$ -	\$ 10,497
1998 and onwards	2,025,194	( 515,913)
	<u>\$ 2,025,194</u>	<u>(\$ 505,416)</u>

E. As of December 31, 2009, the Company's income tax returns through 2007 have been assessed by the Tax Authority.

F. The Tax Authority assessed additional income tax amounting to \$1,148,003. The Company contested the assessment and provided time deposits as security for the appeal and had paid half of the additional income tax imposed. As of December 31, 2009, the appeal is still pending. However, the Company has accrued the additional income tax in the financial statements.

26) BASIC EARNINGS PER SHARE

The Company's capital structure is a simple capital structure. The basic earnings per share for the years ended December 31, 2009 and 2008 were calculated based on the weighted-average outstanding common shares of 1,148,748,000 and 1,206,793,000, respectively, which had been adjusted retroactively.

27) SECURITIES BROKERAGE ACCOUNTS - NET

	December 31,	
	2009	2008
Debits:		
Cash in bank - settlement	\$ 35,790	\$ 28,284
Accounts receivable		
- customers' purchases	26,466	2,656,023
Accounts receivable - settlement	1,318,964	1,386,611
Net exchange clearing receivable	<u>11,248,860</u>	<u>533,312</u>
	<u>12,630,080</u>	<u>4,604,230</u>
Credits:		
Accounts payable - sales consignment of securities	( 4,832)	( 2,622,113)
Accounts payable - settlement	( 11,111,862)	( 1,477,265)
Net exchange clearing payable	<u>( 1,521,039)</u>	<u>( 483,032)</u>
	<u>( 12,637,733)</u>	<u>( 4,582,410)</u>
Securities brokerage accounts - net	<u>(\$ 7,653)</u>	<u>\$ 21,820</u>

28) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Nature/ Function	For the year ended December 31, 2009				
	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	\$ 1,108,802	\$ 50,878	\$ 46,654	\$ 594,760	\$ 1,801,094
Insurance	58,782	4,138	4,104	9,423	76,447
Pension	58,114	3,278	2,799	6,822	71,013
Others	43,770	1,892	2,315	19,882	67,859
Depreciation (Note)	41,975	5,923	2,699	11,741	62,338
Amortization	-	-	-	1,811	1,811
Nature/ Function	For the year ended December 31, 2008				
	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	\$ 965,218	\$ 54,558	\$ 45,908	\$ 205,834	\$ 1,271,518
Insurance	62,427	4,082	3,703	8,177	78,389
Pension	62,683	3,561	2,804	5,403	74,451
Others	52,325	3,279	2,980	13,889	72,473
Depreciation (Note)	41,235	5,182	2,356	14,933	63,706
Amortization	-	-	-	2,161	2,161

Note : Depreciation on rental and idle assets for the years ended December 31, 2009 and 2008 was both \$3,866, and \$3,960, respectively, which was recorded as non-operating expense.

29) GAINS (LOSS) ON TRADING OF SECURITIES

	For the years ended December 31,	
	2009	2008
Dealer:		
- TAIEX	\$ 744,817	(\$ 536,820)
- OTC	399,028	( 220,047)
- Foreign securities	-	( 588)
Subtotal	1,143,845	( 757,455)
Underwriters:		
- TAIEX	10,917	( 142,047)
- OTC	22,200	( 2,778)
Subtotal	33,117	( 144,825)
Hedging:		
- TAIEX	62,265	( 174,696)
- OTC	( 4,753)	( 260,380)
Subtotal	57,512	( 435,076)
Total	\$ 1,234,474	(\$ 1,337,356)

30) NON-OPERATING REVENUES AND GAINS

	December 31,	
	2009	2008
Interest revenue	\$ 25,836	\$ 67,378
Foreign exchange gains	4,260	35,867
Investment gain accounted for under the equity method	333,245	-
Other non-operating revenues	159,843	161,481
Total	<u>\$ 523,184</u>	<u>\$ 264,726</u>

31) NON-OPERATING EXPENSES AND LOSSES

	December 31,	
	2009	2008
Interest expense	\$ 96,271	\$ 355,792
Investment loss accounted for under the equity method	-	394,389
Foreign exchange losses	145	29,594
Loss on disposal of investments	-	61,996
Loss on valuation of open-ended funds and money-market instruments	-	40,443
Bank handling fees	11,694	19,685
Other non-operating expenses	39,629	28,903
Total	<u>\$ 147,739</u>	<u>\$ 930,802</u>

32) FINANCIAL STATEMENT PRESENTATION

Certain accounts in the December 31, 2008 financial statements have been reclassified to conform to the December 31, 2009 financial statement presentation.

5. RELATED PARTY TRANSACTIONS1) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationships with the Company</u>
UNI-President Enterprises Corp.	Major Shareholder
President Capital Management Corp. (PCMC)	Majority-owned subsidiary
President Futures Corp. (PFC)	Majority-owned subsidiary
Uni-President Assets Management Corp.	Majority-owned subsidiary
President Securities (BVI) Limited (PSBVI)	Majority-owned subsidiary
President Securities (Nominee) Limited	Indirectly-owned subsidiary
President Wealth Management (HK) Ltd.	Indirectly-owned subsidiary
President Securities (HK) Ltd.	Majority-owned subsidiary
President Personal Insurance Agency Co., Ltd.	Majority-owned subsidiary
President Insurance Agency Corp.	Majority-owned subsidiary
President Chain Store Corp. (PCSC)	Affiliate Company
President Pharmaceutical Corporation	Affiliate Company

<u>Names of related parties</u>	<u>Relationships with the Company</u>
Ton Yi Industrial Corp.	Affiliate Company
President Tokyo Co., LTD.	Affiliate Company
Ttet Union Corp.	Affiliate Company

2) Significant related party transactions and balances

A. Futures security deposits receivable

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
PFC	\$ 1,409,942	\$ 1,236,148

The futures deposits are used for futures transactions.

B. Receivables from related parties

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
PFC	\$ 4,212	\$ 9,801

The above receivables pertain to commission revenue from President Futures Corp.

C. Deposits-out

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
PFC	\$ 38,000	\$ 38,000

The above deposits-out pertain to futures settlement.

D. Commission income - Futures

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
PFC	\$ 70,096	\$ 98,510

PFC is the only broker for this transaction. Commission income was collected on a monthly basis in accordance with contract terms.

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

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Uni-President Assets Management Corp.	\$ 22,040	\$ 21,320

The revenue was collected on a monthly basis in accordance with contract terms.

F. Rent revenue

			<u>For the years ended December 31,</u>	
	<u>Period</u>	<u>Deposit</u>	<u>2009</u>	<u>2008</u>
UNI-President Enterprises Corp.	2005.09~2008.09	\$ -	\$ 12	\$ 7,544
President Pharmaceutical Corp.	2007.11~2010.07	-	3,978	4,063
Uni-President Assets Management Corp.	2006.05~2011.04	-	8,179	6,527
President Tokyo Co., Ltd.	2009.04~2012.03	-	4,810	-
Others	2009.01~2010.05	230	2,197	1,863
			\$ 19,176	\$ 19,997

The rent was determined based on negotiation between the parties, and

payable quarterly during the contract period.

G. Stock custodian revenue

	For the years ended December 31,	
	2009	2008
UNI-President Enterprises Corp.	\$ 4,183	\$ 3,634
Others	4,717	4,598
Total	<u>\$ 8,900</u>	<u>\$ 8,232</u>

H. Bonds sold under repurchase agreements(for the year ended December 31, 2009:None)

	For the year ended December 31, 2008	
	Interest interval	Balance
PFC	0.4%~1.92%	\$ 30,000
Total		<u>\$ 30,000</u>

Interest rate on bonds sold under repurchase agreement stated above is determined based on the quoted market interest rate at transaction.

I. Clearing charges-futures

	For the years ended December 31,	
	2009	2008
PFC	<u>\$ 14,084</u>	<u>\$ 5,651</u>

J. Purchases of trading securities - dealer

For the years ended December 31, 2009 and 2008, stock trading transactions with related parties were as follows:

	For the year ended December 31, 2009		
	Shares	Balance	Gain/(Loss)
UNI-President Enterprises Corp.	30,000	\$ 1,148	(\$ 166)
TON YI	-	-	( 912)
PCSC	-	-	( 227)
TTET UNION CORP.	-	-	( 131)
Total		<u>\$ 1,148</u>	<u>(\$ 1,436)</u>

	For the year ended December 31, 2008		
	Shares	Balance	Gain/(Loss)
UNI-President Enterprises Corp.	40,000	\$ 1,133	(\$ 2,002)
TON YI	-	-	11
PCSC	117,000	9,162	943
MOSPEC CORP.	-	-	( 399)
Total		<u>\$ 10,295</u>	<u>(\$ 1,447)</u>

K. Disposal of fixed assets (for the year ended December 31, 2008: None)

The sales price was set by reference to the appraisement report issued by Taiwan Dawa Real Estate Appraiser & Associates on March 18, 2009.

	For the year ended December 31, 2009	
	Book value	Sales Price
Uni-Presdient Assets Managemant Corp.	\$ 30,552	\$ 42,000

## L. The salaries/rewards information of key management, such as directors, supervisors, general manager, vice general manager, etc.:

	For the years ended December 31	
	2009	2008
Salaries	\$ 28,299	\$ 26,459
Bonus	69,199	27,413
Service execution fees	18,519	9,620
Earnings distribution	43,304	-
Share-based payment-Treasury stocks sold to employees	3,472	-
Total	\$ 162,793	\$ 63,492

- a) Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.
- b) Bonuses include various bonuses and rewards.
- c) Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing & vehicle benefits, etc.
- d) Earnings distribution refers to directors' and supervisors' remuneration and employees' bonuses accrued in the statement of operations for the current year.
- e) The relevant information above was posted in the Company's annual report.

6. PLEDGED ASSETS

The book values of assets pledged or restricted for use are as follows:



Assets	December 31,		Purpose
	2009	2008	
Financial assets at fair value through profit or loss - current			
Trading securities (par value)			
- Corporate bonds	\$ 100,000	\$ 100,000	Securities for bonds sold under repurchase agreements
- Government bonds	1,874,500	1,807,200	Securities for bonds sold under repurchase agreements
- Financial bonds	500,000	50,000	Securities for bonds sold under repurchase agreements
Financial assets at fair value through profit loss- non-current (par value)			
- Government bonds	-	53,500	Securities for bonds sold under repurchase agreements and IRS
- Government bonds	68,700	-	IRS refundable deposit
- Government bonds	10,000	-	Securities for bids for bonds
Restricted assets			
- Demand deposits	20,733	2,599	Collections on behalf of third parties and reimbursement for wages and compensation and for short-terms loans
- Pledged time deposits	1,312,500	1,383,500	Securities for short-term loans and guarantees for issuance of commercial papers
Fixed Assets			
- Land and buildings (book value)	1,373,072	1,383,753	Securities for short-term loans and guarantees for issuance of commercial papers
Other assets			
- Operating guarantee deposits	702,000	700,000	Security deposits
- Deposits-out	183,000	105,000	Additional corporate income taxes
- Deposits-out	-	12,000	Guarantee for default customers' properties held
Idle assets			
- Land and buildings (book value)	38,902	39,144	Securities for short-term loans and guarantees for issuance of commercial papers

## 7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

1) The Company entered into various operating lease agreements and the future minimum rental commitments are as follows:

Year	Amount
2010	\$ 76,883
2011	65,077
2012	44,050
2013	24,426
2014 and onwards	6,750
	<u>\$ 217,186</u>

2) For guarantees provided for the income tax administrative appeal, please refer to Note 4 (25).

## 8. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

## 9. SIGNIFICANT SUBSEQUENT EVENTS

The stockholders at their annual stockholders' meeting on March 5, 2010 approved an investment of RMB\$49,000,000 to establish a joint fund management company.

However, it has not yet obtained the necessary approval from the competent authority.

## 10. OTHER EVENTS

### 1) The fair values of the financial instruments

	December 31, 2009		
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
Assets:			
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 22,336,142	\$ -	\$ 22,336,142
Financial assets for trading purposes - current	8,795,991	8,795,991	-
Available-for-sale financial assets - current	822,296	822,296	-
Available-for-sale financial assets - non-current	-	-	-
Financial assets at fair value through profit or loss-non-current	78,790	78,790	-
Operating guarantee deposits	702,000	-	702,000
Exchange clearing deposits	387,385	-	387,385
Deposits-out	276,721	-	276,331
<u>Derivative financial instruments</u>			
Buy option - futures	8,271	8,271	-
Futures guarantee deposits receivable	1,409,942	1,409,942	-
Derivative financial instrument assets - OTC	223,061	-	223,061
Total	<u>\$ 35,040,599</u>	<u>\$ 11,115,290</u>	<u>\$ 23,924,919</u>
Liabilities:			
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 17,143,834	\$ -	\$ 17,143,834
Financial liabilities for trading purposes (excluding derivative financial instruments)	395,702	395,702	-
Bonds payable (including current portion)	2,265,431	-	2,265,431
Long-term liabilities	599,593	-	599,593
Security lending payable	25,075	25,075	-
<u>Derivative financial instruments</u>			
Call option - futures	51,124	51,124	-
Warrants	3,472,650	3,472,650	-
Repurchase of warrants	( 3,269,362)	( 3,269,362)	-
Derivative financial instrument liabilities - OTC	35,159	-	35,159
Other financial liabilities - current	460,195	-	460,195
Total	<u>\$ 21,179,401</u>	<u>\$ 675,189</u>	<u>\$ 20,504,212</u>

	December 31, 2008		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Assets:			
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 11,380,668	\$ -	\$ 11,380,668
Financial assets for trading purposes - current	8,052,810	8,052,810	-
Available-for-sale financial assets - current	1,448,295	1,448,295	-
Financial assets at fair value through profit or loss-noncurrent	51,055	51,055	-
Operating guarantee deposits	700,000	-	700,000
Exchange clearing deposits	350,554	-	350,554
Deposits-out	187,147	-	186,453
<u>Derivative financial instruments</u>			
Buy option - futures	18,329	18,329	-
Futures guarantee deposits receivable	1,236,148	1,236,148	-
Derivative financial instrument assets - OTC	233,411	-	233,411
Total	<u>\$ 23,658,417</u>	<u>\$ 10,806,637</u>	<u>\$ 12,851,086</u>
Liabilities:			
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 7,436,365	\$ -	\$ 7,436,365
Financial liabilities for trading purposes (excluding derivative financial instruments)	322,055	322,055	-
Bonds payable (including current portion)	2,239,286	-	2,239,286
Long-term liabilities	1,439,144	-	1,439,144
Security lending payable	28,654	28,654	-
<u>Derivative financial instruments</u>			
Call option - futures	16,682	16,682	-
Warrants	1,296,510	1,296,510	-
Repurchase of warrants	( 1,212,116)	( 1,212,116)	-
Derivative financial instrument liabilities - OTC	25,432	-	25,432
Other financial liabilities - current	25,000	-	25,000
Total	<u>\$ 11,617,012</u>	<u>\$ 451,785</u>	<u>\$ 11,165,227</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- A) For short-term instruments, the fair values were determined based on their carrying values because of their short maturities. This method was applied to Cash and cash equivalents, Bonds purchased under resale agreements, Margin loans receivable, Refinancing security deposits, Receivables from refinancing security, Receivables from security lending, Security lending deposits, Notes receivable, Accounts receivable, Other receivables, Restricted assets-current, Operating guarantee deposits, Exchange clearing deposits, Securities brokerage debit accounts-net, Short-term loans, Commercial papers payable, Bonds sold under repurchase agreements, Deposit on short sales, Short sale proceeds payable, Guarantee deposit received on borrowed securities, Accounts payable, Collections on behalf of third parties, Other payables (excluding income tax payable), Deposits-in and Securities brokerage credit accounts-net.
- B) For securities purchased and underwritten, the fair values were determined based on quoted market prices at the balance sheet date except for emerging stocks which were based on cost.
- C) The fair value of deposits-out was based on present value of expected cash flow

amount. The discount rate was the one-year deposit rate of the Directorate General at Postal Remittances and Savings Bank.

- D) The fair values of operating security deposits and exchange clearing deposits at the balance sheet date were valued at book value, as they primarily consisted of time deposits pledged.
  - E) The fair value of bonds payable was based on their quoted market prices.
  - F) The fair value of long-term loans was based on the present value of expected cash flow amount.
  - G) The fair values of derivative financial instruments were determined based on the amounts to be received or paid assuming the contracts were settled as of the reporting date, which include unrealized gains or losses on unsettled contracts.
- 2) As of December 31, 2009, the financial assets and financial liabilities with fair value risk due to the change of interest amounted to \$22,943,339 and \$18,936,660, respectively, and the financial assets with cash flow risk due to the change of interest amounting to \$198,538.
  - 3) For the year ended December 31, 2009, total interest income and total interest expense on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$692,980 and \$50,068, respectively.
  - 4) Procedure of financial risk control hedge

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a treasury department (Company Treasury) under policies approved by the Board of Directors. Company Treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

In early 2003, the Company added a Risk Controller to supervise all of the Company's risk management strategies. The responsibility of the Risk Controller includes the following:

- A. Setting all of the Company's risk management systems;
- B. Developing efficient methods to measure and manage the Company's risks;
- C. Reviewing the risk management system, business quota, evaluation model and application of exception management of the business departments;
- D. Collecting data, summarizing information, generating risk reports;
- E. Analyzing the market, situation of credit and liquidity risk and reporting the results to the CEO;
- F. Reporting the risk management situation to the risk management and audit committee based on the demand and essence of the meeting; and
- G. Executing the items designated by the risk management and audit committee.

(A) Financial risk management:

The purpose of financial risk management is to ensure the completeness of the risk management system, execute the monitoring mechanism, increase the efficiency of the risk management and set the risk management policies. By setting a consistent compelling standard, the Company can control all the possible risks within a presetting range, actively seek growth in every business scope and attain the objective of maximizing capital return.

The risks faced by the Company include market risk, credit risk, liquidity risk, cash flow risk, operating risk and lawsuit risk. The risk management system

is established to efficiently control the entire Company's risk. The Company's risk management system includes an independent risk management department and a risk management organizational structure, including the Board of Directors, risk and audit management committee, risk control office, inspection and audit office, legal affairs section and the financial department.

(B) Hedging strategies (financial hedging):

The Company's strategies use derivatives to control the risk of price volatility within a certain range. The strategies are set according to the Company's capacity for tolerating risk.

a. Equity securities

The Company will bear the risk of value loss when there is an unfavorable change in the price of the target security. The methods adopted include lowering the current position and employing TX futures, TF futures and TE futures. The market value of open position is limited to the market value of the current position of TSE stocks held by the Company or a certain percentage of the net value of the Company at the end of the prior month, whichever is lower. When the net value is less than the paid-in capital, paid-in capital is used.

b. Fixed income securities

The major risk associated with fixed income securities results from changes in interest rates. The Company bears market risk when the change in interest rates is unfavorable. The Company uses derivatives such as interest rate swaps, governmental bond futures and bond options to hedge the market risk.

c. Warrants

The market risk of warrants includes Delta risk, Gamma risk, position risk, VaR risk, warrant market creating risk and reissuance risk.

The Company adopts the following hedging principles to minimize the market risk:

(a) Delta principle:

Acquiring the underlying securities as basic position and adjusting the number of shares based on the dynamic hedging model on an on-going basis.

(b) Gamma principle:

Purchasing warrants issued by others with the same underlying securities to offset the risks caused by the fluctuations.

d. Structured notes

Structured notes are a combination of fixed income securities and options. The market risk of structured instruments includes risk resulting from changes in stock prices, volatility and interest rates. To lower the market risk resulting from engaging in business, not only the interest generated from investing in fixed income securities is used to repay the principal due, but also the Company establishes a dynamic hedging position. Hedging position is usually within a range centering on the theoretical hedge amount.

e. Convertible bond asset swap

The Company detaches the option from the convertible bond and sells them to the market separately. This business involves market risk and credit risk of the counterparty. To lower the market risk, the Company sells the fixed income security part and the option part separately while credit limit is applied to lower the credit risk from the counterparty.

5) Information of financial risk

A) Derivative financial instruments

Items	December 31,	
	2009	2008
	Book value	Book value
<u>Assets:</u>		
Buy option - futures	\$ 8,271	\$ 18,329
Futures guarantee deposits receivable	1,409,942	1,236,148
Interest rate swap contracts	198,538	214,755
Financial assets held for trading - CB options	21,902	13,992
ELN-Options	2,620	4,664
Total	<u>\$ 1,641,273</u>	<u>\$ 1,487,888</u>
<u>Liabilities:</u>		
Warrants	\$ 203,288	\$ 84,394
Sell option - futures	51,124	16,682
Asset swap options	34,898	24,849
Bond options	155	583
Structured notes	105	-
ELN liabilities:		
- Option premium (Note)	310,300	25,000
PGN liabilities:		
- Fixed income securities (Note)	149,895	-
Total	<u>\$ 749,765</u>	<u>\$ 151,508</u>

Note: Recorded as "Other Financial Liabilities".

B) The Company's derivative financial instruments were as follows:

	For the year ended December 31, 2009	
	Gain (loss) on derivative financial assets - OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	(\$ 64,005)	(\$ 16,217)
Options - asset swaps	( 15,695)	( 21,605)
Investment loss before treasury bonds issued	21,606	-
Equity - linked note	( 21,231)	( 8,502)
Principal guaranteed note	( 1,927)	-
Options - CB	8,017	8,017
Bond options - non-hedging	( 6,379)	217
Buy options - hedging	150	-
Total	<u>(\$ 79,464)</u>	<u>(\$ 38,090)</u>



	For the year ended December 31, 2008	
	Gain (loss) on derivative financial assets - OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	(\$ 3,643)	(\$ 21,250)
Options - asset swaps	79,559	( 14,819)
Investment loss before treasury bonds issued	109,631	-
Equity - linked note	12,304	2,419
Principal guaranteed note	( 6,276)	-
Options - CB	54,929	54,929
Bond options - non-hedging	( 7,218)	( 407)
Buy options - hedging	( 897)	2,285
Total	<u>\$ 238,389</u>	<u>\$ 23,157</u>

C) Information on financial instruments

a) Trading of futures

The list of deposits for trading futures:

	December 31,	
	2009	2008
Futures security deposits receivable	\$ 1,409,942	\$ 1,236,148
Excess security deposits	\$ 1,266,816	\$ 1,195,831

Gain (loss) on derivative financial assets – Futures of futures department - dealer:

	For the years ended December 31,	
	2009	2008
Gain (Loss) on futures contract	\$ 892,917	(\$ 286,748 )
Gain (Loss) on trading options	( 776,616)	786,773
Total	<u>\$ 116,301</u>	<u>\$ 500,025</u>

Gain (loss) on derivative financial assets – Futures of futures department - hedging:

	For the years ended December 31,	
	2009	2008
Gain (loss) on futures contract - realized	(\$ 8,572)	\$ -
Gain (loss) on futures contract - unrealized	( 1)	-
Gain (loss) on options contract - realized	( 19,305)	( 7,230)
Gain (loss) on options contract - unrealized	( 542)	64
Total	<u>(\$ 28,420)</u>	<u>(\$ 7,166)</u>

b) Warrants

For information relating to issuance of warrants: please refer to Note 4 (11).

c) Convertible bond asset swaps and options

The Company engages in the business of asset swaps and options. Under an asset swap, the Company sells convertible bonds to the counterparty and receives proceeds. Over the contract period, the Company exchanges its cash flows with the counterparty and retains the right to buyback the convertible bonds. Under an option transaction, the Company keeps the right to buyback the

convertible bonds or the counterparty has the right to buy the convertible bonds. The Company can clear the position by rendering its currently owned bonds. As of December 31, 2009 and 2008, notional principal of convertible bond options sold were \$214,500 and \$480,000, respectively.

d) Interest rate swap contracts

The purpose of the Company to enter into an interest rate swap contract is to earn the interest gap based on the Company's estimation toward the interest rate trend. The contracts entered with financial institutions are valid for 1~5 years without any anticipation of material credit risk, and the interest will be received and paid according to floating interest rate and fixed interest rate, respectively. Most of the counterparties are financial institutions. As of December 31, 2009 and 2008, the nominal principals were \$240,740,000 and \$212,370,000, respectively.

e) Structured notes

The Company 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 were collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts. All the linked products are financial instruments under the supervision of the SFB (Securities and Futures Bureau). As of December 31, 2009 and 2008, the nominal principals of ELN were \$310,300 and \$25,000, respectively, and the nominal principals of PGN were \$150,000 and \$0, respectively.

f) Bond options

The Company enters into bond options for trading purposes. Option premiums are paid to or received from counterparties on contract date. On settlement date, interests are received from or paid to counterparties or physical instruments delivered. The Company will take advantage of price arbitrage arising from interest rate fluctuations. As of December 31, 2009 and 2008, the nominal principals of bond options sold were \$100,000 and \$600,000, respectively.

D) Information of financial risk

a) Market risk

Market risk refers to risk of asset impairments resulting from market risk factors such as changes in stock prices, interest rates, exchange rates and commodity prices, including directional and non-directional risk.

The Company sets authorization limit and VaR (value at risk) limit for each business department as the standard of executing risk management.

The Company measures risk using the Monte Carlo Simulation to calculate VaR with a confident interval of 95%.

b) Credit risk

(A) Failure to deliver risk

Failure to deliver risk refers to the risk resulting from the counterparty's failure to execute the duty of delivery.

(B) Risk of degradation of the issuer's credit rating

The risk occurs due to the degradation of the issuer's credit rating.

(C) Default risk

Default risk refers to the risk that the issuer cannot execute its duty.

The maximum credit exposure is equal to the book value of the Company's financial assets minus allowances. Since the Company does not have significant commitment or guaranty items, no significant credit risk is expected to occur.

c) Liquidity risk

1) Position liquidity risk

Liquidity risk occurs when the volume of transactions is insufficient in the market

such that the Company will experience difficulty in disposing its position within a reasonable time.

(A) Market liquidity risk:

- (a) Liquidity risk results from external factors such as customized products.
- (b) Sudden decline in the volume of transactions due to market factors.

(B) Trading liquidity risk:

Position liquidity risk arising from internal factors, such as position exceeding the market normal trading volume.

2) Cash liquidity risk:

Cash liquidity risk refers to the Company's inability to raise funds at reasonable costs to fulfill the following demand:

- (a) The investing position exceeds the original plan so that the Company cannot afford sufficient cash to clear the transaction.
- (b) The Company cannot deposit security on time so the position held is cleared irrevocably.
- (c) Other factors.

The Company ensures the safety of cash flow via cash flow management and control over the credit line. The purpose of the Company's market risk management is to maximize the efficiency of the VaR. While the Company pursues this purpose, economic situation, competition, and market value risk and its effect on the Company's net interest income are all considered.

d) Fair value risk from changes in interest rates

Fair value risk from changes in interest rates refer to the uncertainty of future cash flows resulting from changes in index interest rates. If the possible risk from interest rate change exceeds the acceptable range, the Company uses interest swaps to hedge the risk.

e) Hedge strategy and related information (accounting hedge):

In December 2003, the Company issued anti-floating bonds and used interest rate swap as the tool to hedge the cash flows. Under the contract, anti-LIBOR interest rates are exchanged to fixed interest rates.

For the purpose of risk management, the Company focuses its hedge activities on two major changes: interest payments and interest rate risk. The relationship between the two changes is employed to manage cash flow risk and avoid interest rate risk.

While the major terms of the hedged target and the instrument employed are the same and changes in fair value and cash flows can be completely eliminated, the instrument is considered efficient and the hedge is in accordance with the hedge accounting.

At December 31, 2009 and 2008, the instruments employed and hedged items are as follows: (For the year ended December 31, 2009:None)

Fair value hedge, cash flow hedge and hedge of a net investment in foreign operation

Hedge item	Financial instrument designated as hedging instrument	Fair value		Period of anticipated cash flow	Period of gain (loss) recognized in income statement
		December 31, 2009	December 31, 2008		
Bonds payable	Interest Rate Swap	\$ -	\$ -	By contracts	Recognized over the period
				For the years ended December 31,	
Items				2009	2008
Amount removed from equity and recognized in profit or loss				\$ -	\$ 22,628

## 11. OTHER DISCLOSURE ITEMS

## A. Information about significant transactions

- 1) 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.
- 2) Endorsements and guarantees for others : None.
- 3) Acquisitions of real estate exceeding \$100,000,000 or 20 percent of contributed capital : None.
- 4) Disposals of real estate exceeding \$100,000,000 or 20 percent of contributed capital : None.
- 5) Purchases or sales transactions discount on broker's charges with related parties in excess of \$5,000,000 : None.
- 6) Receivables from related parties exceeding \$100,000,000 or 20 percent of contributed capital : None.

## B. Related information of investee companies

## 1.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, 2009	Balance on December 31, 2008	Shares	Percentage	Book value			
President Securities Corp.	President Futures Corp.	Taipei	Futures brokerage	\$ 651,317	\$ 651,317	64,477,303	97.69%	\$ 980,251	\$ 76,914	\$ 75,140	Subsidiary of the Company
	President Capital Management Corp.	Taipei	Securities investment consulting	150,000	150,000	15,000,000	100.00%	145,292	2,583	2,583	Subsidiary of the Company
	President Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting and consulting	34,030	34,030	10,000,000	5.19%	65,259	137,425	7,132	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%	1,906,506	245,492	245,492	Subsidiary of the Company
	Uni-President Assets Management Corp.	Taipei	Investment Trust	624,940	624,940	13,570,830	38.66%	408,705	110,019	42,536	Notes
	President Personal Insurance Agency Co., Ltd.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	4,598	( 926)	( 926)	Subsidiary of the Company
	President Insurance Agency Corp.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	5,233	875	875	Subsidiary of the Company
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting and consulting	814,705	814,705	182,600,000	94.81%	1,192,145	137,425	130,293	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	Wealth management	92,091	92,091	23,400,000	100.00%	60,471	( 130)	( 130)	Indirect subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	Nominee Service	3,403	3,403	1,000,000	100.00%	2,797	( 91)	( 91)	Indirect subsidiary of the Company
President Insurance Agency Corp.	Uni-President Assets Management Corp.	Taipei	Investment Trust	477	-	12,000	0.03%	477	110,019	-	Notes

2. 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.
3. Endorsements and guarantees for others : None.
4. Acquisitions of real estate exceeding \$100,000,000 or 20 percent of contributed capital : None.
5. Disposals of real estate exceeding \$100,000,000 or 20 percent of contributed capital : None.
6. Purchases or sales transactions discount on broker's charges with related parties in excess of \$5,000,000 : None.
7. Receivables from related parties exceeding \$100,000,000 or 20 percent of contributed capital : None.
8. Disclosure required by Ministry of Finance, Ruling No. 0920004507:

a) Securities held as of December 31, 2009 of President Securities (BVI) Ltd.:

Expressed in U.S. Dollars							
Securities types and name	Type	Number of shares	Carrying value		Fair value		Note
			Unit price	Amount	Unit price	Amount	
<u>Financial assets at fair value through profit or loss - current</u>							
Funds and money market instruments :							
AA	STOCK	3,125	\$16.120	\$50,375	\$16.120	\$50,375	
AAPL	STOCK	999	210.732	210,521	210.732	210,521	
ABC	STOCK	1,998	26.070	52,088	26.070	52,088	
ABV	STOCK	580	101.090	58,632	101.090	58,632	
AGU	STOCK	845	61.500	51,968	61.500	51,968	
AIXG	STOCK	1,448	33.530	48,551	33.530	48,551	
AKAM	STOCK	2,060	25.340	52,200	25.340	52,200	
ALTR	STOCK	2,283	22.630	51,664	22.630	51,664	
ALXN	STOCK	1,102	48.820	53,800	48.820	53,800	
AMSC	STOCK	1,270	40.900	51,943	40.900	51,943	
AMT	STOCK	1,220	43.210	52,716	43.210	52,716	
AMZN	STOCK	736	134.520	99,007	134.520	99,007	
APA	STOCK	478	103.170	49,315	103.170	49,315	
ASR	STOCK	1,635	51.810	84,709	51.810	84,709	
AZO	STOCK	330	158.070	52,163	158.070	52,163	
BBBY	STOCK	1,285	38.610	49,614	38.610	49,614	
BBD	STOCK	2,413	21.870	52,772	21.870	52,772	
BBY	STOCK	1,360	39.460	53,666	39.460	53,666	
BHP	STOCK	842	76.580	64,480	76.580	64,480	
BIG	STOCK	1,781	28.980	51,613	28.980	51,613	
BIIB	STOCK	1,099	53.500	58,797	53.500	58,797	
BRCM	STOCK	3,403	31.470	107,092	31.470	107,092	
BRF	STOCK	1,082	49.410	53,462	49.410	53,462	
BUCY	STOCK	1,005	56.370	56,652	56.370	56,652	
CBG	STOCK	3,621	13.570	49,137	13.570	49,137	

Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value		Fair value		Note
			Unit price	Amount	Unit price	Amount	
CLF	STOCK	1,390	\$46.090	\$64,065	\$46.090	\$64,065	
CREE	STOCK	1,050	56.370	59,189	56.370	59,189	
CRM	STOCK	1,519	73.770	112,057	73.770	112,057	
CY	STOCK	4,902	10.560	51,765	10.560	51,765	
DBA	STOCK	30,500	26.440	806,420	26.440	806,420	
DBB	STOCK	2,426	22.500	54,585	22.500	54,585	
DTV	STOCK	1,567	33.350	52,259	33.350	52,259	
EEM	STOCK	2,428	41.500	100,762	41.500	100,762	
EL	STOCK	1,100	48.360	53,196	48.360	53,196	
ENOC	STOCK	3,552	30.390	107,945	30.390	107,945	
ENR	STOCK	825	61.280	50,556	61.280	50,556	
ESRX	STOCK	1,134	86.420	98,000	86.420	98,000	
EWJ	STOCK	5,005	9.740	48,749	9.740	48,749	
EWT	STOCK	40,010	12.970	518,930	12.970	518,930	
EWY	STOCK	10,000	47.640	476,400	47.640	476,400	
EWZ	STOCK	1,972	74.610	147,131	74.610	147,131	
EXPE	STOCK	3,826	25.730	98,443	25.730	98,443	
F	STOCK	4,960	10.000	49,600	10.000	49,600	
FCX	STOCK	1,229	80.290	98,676	80.290	98,676	
FSLR	STOCK	386	135.400	52,264	135.400	52,264	
GLW	STOCK	5,495	19.310	106,108	19.310	106,108	
GOOG	STOCK	206	619.980	127,716	619.980	127,716	
HRS	STOCK	1,130	47.550	53,732	47.550	53,732	
HSP	STOCK	1,044	51.000	53,244	51.000	53,244	
ICF	STOCK	1,011	52.520	53,098	52.520	53,098	
IEO	STOCK	1,100	53.990	59,389	53.990	59,389	
IEZ	STOCK	1,176	43.020	50,592	43.020	50,592	
IGW	STOCK	1,144	49.230	56,319	49.230	56,319	
IHF	STOCK	1,145	48.420	55,441	48.420	55,441	
IMAX	STOCK	6,025	13.310	80,193	13.310	80,193	
INP	STOCK	791	64.060	50,671	64.060	50,671	
ISRG	STOCK	424	303.430	128,654	303.430	128,654	
IYT	STOCK	699	73.820	51,600	73.820	51,600	
JBL	STOCK	2,931	17.370	50,911	17.370	50,911	
JCG	STOCK	1,095	44.740	48,990	44.740	48,990	



Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value		Fair value		Note
			Unit price	Amount	Unit price	Amount	
KSS	STOCK	907	\$53.930	\$48,915	\$53.930	\$48,915	
LULU	STOCK	2,130	30.100	64,113	30.100	64,113	
MA	STOCK	200	255.980	51,196	255.980	51,196	
MMM	STOCK	630	82.670	52,082	82.670	52,082	
MOO	STOCK	1,208	43.790	52,898	43.790	52,898	
MOS	STOCK	829	59.730	49,516	59.730	49,516	
MU	STOCK	5,005	10.560	52,853	10.560	52,853	
MYL	STOCK	2,732	18.430	50,351	18.430	50,351	
OIH	STOCK	400	118.880	47,552	118.880	47,552	
ORCL	STOCK	2,022	24.530	49,600	24.530	49,600	
PBW	STOCK	4,798	11.000	52,778	11.000	52,778	
PCLN	STOCK	605	218.410	132,138	218.410	132,138	
QCOM	STOCK	1,109	46.260	51,302	46.260	51,302	
RAX	STOCK	2,800	20.850	58,380	20.850	58,380	
RBCN	STOCK	2,390	20.310	48,541	20.310	48,541	
RIMM	STOCK	818	67.540	55,248	67.540	55,248	
RSG	STOCK	1,771	28.310	50,137	28.310	50,137	
RSH	STOCK	2,469	19.500	48,146	19.500	48,146	
RSX	STOCK	2,200	31.190	68,618	31.190	68,618	
RTH	STOCK	600	93.840	56,304	93.840	56,304	
SFSF	STOCK	3,096	16.580	51,332	16.580	51,332	
SLX	STOCK	879	61.520	54,076	61.520	54,076	
SNDK	STOCK	1,769	28.990	51,283	28.990	51,283	
STX	STOCK	3,255	18.190	59,208	18.190	59,208	
SWN	STOCK	1,013	48.200	48,827	48.200	48,827	
SXCI	STOCK	1,046	53.950	56,432	53.950	56,432	
SYMC	STOCK	2,773	17.890	49,609	17.890	49,609	
SYNA	STOCK	1,687	30.650	51,707	30.650	51,707	
TCK	STOCK	1,597	34.970	55,847	34.970	55,847	
TEVA	STOCK	961	56.180	53,989	56.180	53,989	
THC	STOCK	9,058	5.390	48,823	5.390	48,823	
TLM	STOCK	2,807	18.640	52,322	18.640	52,322	
TRW	STOCK	2,830	23.880	67,580	23.880	67,580	
UNG	STOCK	5,086	10.080	51,267	10.080	51,267	
URBN	STOCK	1,675	34.990	58,608	34.990	58,608	

Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value		Fair value		Note
			Unit price	Amount	Unit price	Amount	
V	STOCK	570	\$87.460	\$ 49,852	\$87.460	\$49,852	
VALE	STOCK	1,753	29.030	50,890	29.030	50,890	
VMW	STOCK	1,151	42.380	48,779	42.380	48,779	
VTI	STOCK	896	56.370	50,508	56.370	50,508	
VWO	STOCK	2,444	41.000	100,204	41.000	100,204	
WBD	STOCK	2,800	23.830	66,724	23.830	66,724	
WDC	STOCK	2,669	44.150	117,836	44.150	117,836	
X	STOCK	1,182	55.120	65,152	55.120	65,152	
XBI	STOCK	977	53.640	52,406	53.640	52,406	
XHB	STOCK	35,000	15.110	528,850	15.110	528,850	
XME	STOCK	1,052	51.610	54,294	51.610	54,294	
FL. R GSC EUROPEAN CDO	STRUCTURED NOTES	2,500,000	1.000	2,500,000	0.478	1,195,652	
FL. R ARES VIR	STRUCTURED NOTES	5,000,000	0.995	4,975,000	0.476	2,379,348	
Less: Impairment loss				(3,900,000)			
Subtotal				12,456,660		12,456,660	
Securities for futures transactions - own capital				4,404,164		4,404,164	
Total				<u>\$ 16,860,824</u>		<u>\$ 16,860,824</u>	
Long-term investment - equity method							
President Securities (HK) Ltd.	STOCK	182,600,000	0.204	\$ 37,266,167			
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.008	1,890,299			
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.087	87,419			
				<u>\$ 39,243,885</u>			

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

As of December 31, 2009, the carrying value of USD\$3,575,000 of asset securitization for derivatives was undertaken with the Company's own capital of USD\$7,475,000.

c) Revenue from consulting in assets management, services and litigation:

PSBVI engages in consulting services. For the year ended December 31, 2009, the company recognized revenue of USD\$9,677 from consulting service and has no litigation cases.

## d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.  
BALANCE SHEETS  
DECEMBER 31, 2009 and 2008

Assets	2009		2008		Liabilities and Stockholders' Equity	2009		Expressed in U.S. Dollars 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents	\$ 7,421,521	12	\$ 5,990,129	7	Short-term loans	\$ 6,740,000	10	\$ 15,390,000	19
Financial assets at fair value through profit or loss - current	16,860,824	25	28,789,951	35	Bonds sold under repurchase agreements	-	-	13,858,486	17
Accounts receivable	635	-	471,088	1	Other payables	105,372	-	28,659	-
Other receivables	15,440	-	2,258,666	3	Total liabilities	6,845,372	10	29,277,145	36
Restricted assets	2,900,000	4	3,720,000	5	Stockholders' Equity				
Total current assets	27,198,420	41	41,229,834	51	Share capital	67,746,000	102	67,746,000	83
Long-term investment - equity method	39,243,885	59	35,327,989	43	Capital reserve	757,813	1	757,813	1
Held-to-maturity financial assets: non-current	-	-	5,742,203	7	Cumulative translation adjustments	756,615	1	778,947	1
Accumulated impairment: held-to-maturity financial assets: non-current	-	-	(836,383)	(1)	Accumulated deficit	(9,663,495)	(14)	(17,096,262)	(21)
Total held-to-maturity financial assets	-	-	4,905,820	6	Total stockholders' equity	59,596,933	90	52,186,498	64
Total Assets	\$ 66,442,305	100	\$ 81,463,643	100	Total Liabilities and Stockholders' Equity	\$ 66,442,305	100	\$ 81,463,643	100

## e) Statements of operations

PRESIDENT SECURITIES (BVI) LTD.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

Accounts	2009		Expressed in U.S. Dollars 2008	
	Amount	%	Amount	%
Revenues				
Gain on disposal of financial assets at fair value through profit or loss	\$ 1,881,063	20	\$ -	-
Gain on valuation of financial assets at fair value through profit or loss	-	-	100,303	4
Gain on futures transactions	1,367,326	15	50,951	2
Investment income accounted for under the equity method	3,938,228	43	-	-
Interest revenue	1,389,057	15	2,033,709	83
Consulting service revenue	9,677	-	12,437	1
Operating revenue	653,504	7	180,028	7
Non-operating revenue	-	-	60,642	3
Total	9,238,855	100	2,438,070	100
Expenditures				
Loss on disposal of financial assets at fair value through profit or loss	-	-	( 14,458,654 )	( 593 )
Loss on valuation of financial assets at fair value through profit or loss	( 1,259,995 )	( 14 )	-	-
Loss on futures transactions	-	-	-	-
Investment loss accounted for under the equity method	-	-	( 3,370,211 )	( 138 )
Operating expenses	( 466,981 )	( 5 )	( 1,024,578 )	( 42 )
Non-operating expenses	( 79,112 )	( 1 )	-	-
Total	( 1,806,088 )	( 20 )	( 18,853,443 )	( 773 )
Net (loss) income	\$ 7,432,767	80	( \$ 16,415,373 )	( 673 )

f) Transactions between related parties and foreign business : None

C. Disclosure of investment in Mainland China :

Not applicable.

12. SEGMENT FINANCIAL INFORMATION

## 1) Operating in different industries:

For the years ended December 31,

	2009		
	Brokerage	Underwriting	Dealings
Department revenue - external	\$ 3,148,882	\$ 247,161	\$ 1,857,311
Administration department income			523,184
Subtotal			\$ 5,776,538
Department income	\$ 1,139,465	\$ 176,482	\$ 1,254,943
Investment revenues			333,245
Administration department income			189,939
Interest expenses			( 107,965)
Other expenses			( 39,775)
Administration department expenses			( 714,427)
Net income before income tax			\$ 2,231,907
Departmental recognizable assets	\$ 17,952,157	\$ 1,401,335	\$ 14,532,975
Funds and long-term investments			3,730,479
Administration department assets			3,977,763
Total assets			\$ 41,594,709
Depreciation	\$ 41,975	\$ 2,699	\$ 5,923
Capital expenditures	\$ 15,039	\$ -	\$ 2,200

	2008			
	Brokerage	Underwriting	Dealings	Total
Department revenue - external	<u>\$ 2,879,786</u>	<u>\$ 276,424</u>	<u>\$ 1,349,458</u>	\$ 4,505,668
Administration department income				264,726
Subtotal				<u>\$ 4,770,394</u>
Department income	<u>\$ 1,046,977</u>	<u>(\$ 118,542)</u>	<u>(\$ 280,922)</u>	\$ 647,513
Investment revenues				-
Administration department income				264,726
Interest expenses				( 375,476)
Other expenses				( 556,843)
Administration department expenses				( 326,124)
Net income before income tax				<u>(\$ 346,204)</u>
Departmental recognizable assets	<u>\$ 8,407,185</u>	<u>\$ 1,312,535</u>	<u>\$ 12,622,190</u>	\$ 22,341,910
Funds and long-term investments				3,544,465
Administration department assets				<u>4,226,608</u>
Total assets				<u>\$ 30,112,983</u>
Depreciation	<u>\$ 41,235</u>	<u>\$ 2,356</u>	<u>\$ 5,182</u>	
Capital expenditures	<u>\$ 44,600</u>	<u>\$ -</u>	<u>\$ 450</u>	

Department revenue, department income and department recognizable assets aforementioned were recognized in accordance with R.O.C. SFAS No.20.

While cost or expense can not be attributed to a specific department, the Company uses the ratio of relative cost to relative revenue as the basis to allocate.

If an asset is employed by two or more departments, related costs and expenses are allocated according to the usage ratio.

- 2) Operations in different geographic areas: the Company did not have foreign revenues or assets in excess of total consolidated revenues or assets in 2008 and 2009.
- 3) Export sales: the Company had no export sales.
- 4) Information on major customers: there is no single customer from whom the Company generated more than 10% of its revenues.



