

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS  
MARCH 31, 2014 AND 2013

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR14000017

To the Board of Directors and Stockholders of Yuanta Futures Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Yuanta Futures Co., Ltd. (Formerly Polaris Futures Co., Ltd.) and its subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months ended March 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Yuanta Futures Co., Ltd.'s management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and IAS 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

**PricewaterhouseCoopers, Taiwan**

April 30, 2014

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

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

**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2014 and 2013 are reviewed, not audited)

ASSETS	Notes	March 31, 2014		December 31, 2013		March 31, 2013		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
111100	Cash and cash equivalents	6(1) and 7	\$ 5,642,728	15	\$ 5,222,284	14	\$ 4,945,741	13
112000	Financial assets at fair value through profit or loss - current	6(2) and 11	43,192	-	10,059	-	24,481	-
113400	Available-for-sale financial assets-current	6(5)	26,680	-	28,440	-	108,396	-
113500	Held-to-maturity financial assets-current	6(6)	29,491	-	29,644	-	-	-
114070	Margin deposits	6(3) and 7	31,663,791	81	29,973,105	81	31,869,862	82
114080	Futures trading margin receivable		-	-	-	-	15	-
114110	Notes receivable		-	-	162	-	-	-
114130	Accounts receivable - non-related parties		3,234	-	2,923	-	3,696	-
114140	Accounts receivable - related parties	7	4,103	-	2,944	-	4,214	-
114150	Prepayments		10,427	-	10,880	-	14,310	-
114170	Other receivables - non-related parties		44,161	-	31,762	-	57,788	-
114180	Other receivables - related parties	7	5,486	-	65,486	-	8,074	-
114600	Current income tax assets		366	-	366	-	112	-
119000	Other current assets		32	-	16	-	30	-
	<b>Subtotal current assets</b>		<u>37,473,691</u>	<u>96</u>	<u>35,378,071</u>	<u>95</u>	<u>37,036,719</u>	<u>95</u>
<b>Non-current assets</b>								
123400	Available-for-sale financial assets - non-current	6(5)	792,977	2	911,235	3	847,328	2
124100	Equity investments accounted for under the equity method	6(4)	9,992	-	10,564	-	71,908	-
125000	Property and equipment	6(9)	106,945	-	120,415	-	139,710	1
127000	Intangible assets	6(10)	47,685	-	40,694	-	38,572	-
128000	Deferred income tax assets		8,848	-	8,436	-	18,533	-
129010	Operating guarantee deposits	6(7) and 7	185,000	1	185,000	1	200,000	1
129020	Clearing and settlement funds	6(8)	486,141	1	490,030	1	496,979	1
129030	Refundable deposits	7	12,466	-	13,065	-	16,148	-
129040	Deferred assets		300	-	1,199	-	5,318	-
129130	Prepayment for equipments		3,875	-	7,811	-	14,831	-
	<b>Subtotal non-current assets</b>		<u>1,654,229</u>	<u>4</u>	<u>1,788,449</u>	<u>5</u>	<u>1,849,327</u>	<u>5</u>
	<b>Total assets</b>		<u>\$ 39,127,920</u>	<u>100</u>	<u>\$ 37,166,520</u>	<u>100</u>	<u>\$ 38,886,046</u>	<u>100</u>

(Continued)

**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)**  
**CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2014 and 2013 are reviewed, not audited)

LIABILITIES AND EQUITY	Notes	March 31, 2014		December 31, 2013		March 31, 2013	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>							
212000	Financial liabilities at fair value 11						
	through profit or loss	\$ 1,470	-	\$ 1,178	-	\$ 2,101	-
214080	Futures traders' equity 6(3) and 7	31,551,688	81	29,884,112	81	31,740,664	82
214130	Accounts payable - non-related parties	52,617	-	47,771	-	61,651	-
214140	Accounts payable - related parties 7	18,146	-	16,750	-	23,404	-
214160	Collection for third parties	4,202	-	3,529	-	5,593	-
214170	Other payables - non-related parties	119,492	-	150,813	-	173,435	1
214180	Other payables - related parties 7	187	-	183	-	96	-
214600	Current income tax liabilities	31,640	-	14,331	-	44,616	-
	<b>Subtotal current liabilities</b>	<b>31,779,442</b>	<b>81</b>	<b>30,118,667</b>	<b>81</b>	<b>32,051,560</b>	<b>83</b>
<b>Non-current liabilities</b>							
225100	Provision - non-current 6(11)	38,828	-	40,830	-	41,197	-
228000	Deferred income tax liabilities	-	-	1,958	-	-	-
	<b>Subtotal non-current liabilities</b>	<b>38,828</b>	<b>-</b>	<b>42,788</b>	<b>-</b>	<b>41,197</b>	<b>-</b>
	<b>Total liabilities</b>	<b>31,818,270</b>	<b>81</b>	<b>30,161,455</b>	<b>81</b>	<b>32,092,757</b>	<b>83</b>
<b>Equity attributable to owners of the parent company</b>							
<b>Capital 6(12)</b>							
301010	Common stock	2,322,763	6	2,322,763	6	2,322,763	6
<b>Additional paid-in capital 6(13)</b>							
302000	Capital surplus	1,940,976	5	1,940,976	5	1,999,045	5
<b>Retained earnings</b>							
304010	Legal reserve 6(15)	409,088	1	409,088	1	356,697	1
304020	Special reserve 6(14)	1,090,016	3	1,090,016	3	977,083	2
304040	Undistributed earnings 6(15)	1,028,212	3	657,865	2	624,565	2
<b>Other equity 6(16)</b>							
305000	Other equity interest	518,595	1	584,357	2	513,136	1
	<b>Total equity</b>	<b>7,309,650</b>	<b>19</b>	<b>7,005,065</b>	<b>19</b>	<b>6,793,289</b>	<b>17</b>
	<b>Total liabilities and equity</b>	<b>\$ 39,127,920</b>	<b>100</b>	<b>\$ 37,166,520</b>	<b>100</b>	<b>\$ 38,886,046</b>	<b>100</b>

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

**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)  
(UNAUDITED)

				For the three months ended March 31			
				2014		2013	
		Notes	AMOUNT	%	AMOUNT	%	
<b>Revenues</b>							
401000	Brokerage	6(17) and 7	\$ 426,980	92	\$ 529,964	93	
424200	Securities commission revenue	7	868	-	608	-	
424300	Clearance fee from consignment	6(18) and 7	19,757	4	13,427	3	
424400	Net gain on disposal of derivative financial instruments	6(2)(19)	16,355	4	22,399	4	
424800	Futures management fee revenues		52	-	102	-	
424900	Futures advisory revenues		1,576	-	1,185	-	
428000	Other operating revenues		1,242	-	595	-	
<b>Total revenues</b>			<u>466,830</u>	<u>100</u>	<u>568,280</u>	<u>100</u>	
501000	Brokerage fee	6(20)	( 66,358)	( 14)	( 86,883)	( 15)	
502000	Dealer handling fee	6(20)	( 2,437)	( 1)	( 6,146)	( 1)	
521200	Interest expense		( 5,370)	( 1)	( 6,612)	( 1)	
524100	Futures commission	6(21) and 7	( 87,663)	( 19)	( 115,709)	( 20)	
524300	Clearance fee		( 62,204)	( 13)	( 75,986)	( 14)	
531000	Employee benefit expense	6(23)	( 120,726)	( 26)	( 120,595)	( 21)	
532000	Depreciation and amortization	6(22)	( 19,390)	( 4)	( 22,785)	( 4)	
533000	Other operating expenses	6(22) and 7	( 91,163)	( 20)	( 116,897)	( 21)	
<b>Total expenses</b>			<u>( 455,311)</u>	<u>( 98)</u>	<u>( 551,613)</u>	<u>( 97)</u>	
<b>Operating income</b>			11,519	2	16,667	3	
601000	Share of the profit or loss of associates and joint ventures accounted for using the equity method	6(4)	( 572)	-	( 1,048)	( 1)	
602000	Other gains and losses	6(24)	383,650	82	113,613	20	
902001	<b>Income before income tax</b>		394,597	84	129,232	22	
701000	Income tax	6(25)	( 24,250)	( 5)	( 29,700)	( 5)	
902005	<b>Net income</b>		<u>370,347</u>	<u>79</u>	<u>99,532</u>	<u>17</u>	
<b>Other comprehensive income</b>							
805120	Translation gain and loss on the financial statements of foreign operating entities	6(16)	3,577	1	4,942	1	
805150	Unrealized gain or loss on available-for-sale financial assets	6(5)(16)	( 69,339)	( 15)	62,456	11	
<b>Total other comprehensive (loss) income (net of tax)</b>			<u>( 65,762)</u>	<u>( 14)</u>	<u>67,398</u>	<u>12</u>	
902006	<b>Total comprehensive income</b>		<u>\$ 304,585</u>	<u>65</u>	<u>\$ 166,930</u>	<u>29</u>	
<b>Consolidated net income attributable to:</b>							
Owners of the parent			<u>\$ 370,347</u>	<u>79</u>	<u>\$ 99,532</u>	<u>18</u>	
<b>Consolidated comprehensive income attributable to:</b>							
Owners of the parent			<u>\$ 304,585</u>	<u>65</u>	<u>\$ 166,930</u>	<u>29</u>	
<b>Earnings per share (in New Taiwan Dollars)</b>							
<b>Basic earnings per share</b>			<u>\$ 1.59</u>		<u>\$ 0.43</u>		
<b>Diluted earnings per share</b>			<u>\$ 1.59</u>		<u>\$ 0.43</u>		

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	Equity attributable to owners of the parent							Total equity	
		Capital Surplus			Retained Earnings			Other equity interest		
		Common stock	Paid-in capital in excess of par value	Paid-in capital from business merger	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities		Unrealized gain on available-for-sale financial assets
<u>For the three months ended March 31, 2013</u>										
Balance, January 1, 2013	6(12)	\$ 2,322,763	\$ 1,952,712	\$ 46,333	\$ 356,697	\$ 977,083	\$ 525,033	(\$ 17,984 )	\$ 463,722	\$ 6,626,359
Net income for the period		-	-	-	-	-	99,532	-	-	99,532
Total comprehensive income for the period	6(5)(16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,942</u>	<u>62,456</u>	<u>67,398</u>
Balance, March 31, 2013		<u>\$ 2,322,763</u>	<u>\$ 1,952,712</u>	<u>\$ 46,333</u>	<u>\$ 356,697</u>	<u>\$ 977,083</u>	<u>\$ 624,565</u>	<u>(\$ 13,042 )</u>	<u>\$ 526,178</u>	<u>\$ 6,793,289</u>
<u>For the three months ended March 31, 2014</u>										
Balance, January 1, 2014	6(12)	\$ 2,322,763	\$ 1,894,643	\$ 46,333	\$ 409,088	\$ 1,090,016	\$ 657,865	(\$ 12,314 )	\$ 596,671	\$ 7,005,065
Net income for the period		-	-	-	-	-	370,347	-	-	370,347
Total comprehensive income for the period	6(5)(16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,577</u>	<u>( 69,339 )</u>	<u>( 65,762 )</u>
Balance, March 31, 2014		<u>\$ 2,322,763</u>	<u>\$ 1,894,643</u>	<u>\$ 46,333</u>	<u>\$ 409,088</u>	<u>\$ 1,090,016</u>	<u>\$ 1,028,212</u>	<u>(\$ 8,737 )</u>	<u>\$ 527,332</u>	<u>\$ 7,309,650</u>

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	For the three months ended March 31,	
		2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax for the period		\$ 394,597	\$ 129,232
Adjustments to reconcile income before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(22)	15,050	17,806
Amortization	6(22)	4,340	4,979
Interest income	6(24)	( 106,082 )	( 104,653 )
Dividend income	6(24)	( 1,942 )	( 1,082 )
Interest expense		5,370	6,612
Share of the profit or loss of associates and joint ventures accounted for using the equity method		572	1,048
Amortisation of discount or premium on financial assets held to maturity		( 7 )	-
Gain on disposal of available-for-sale financial assets	6(24)	( 278,150 )	-
Prepayments for equipment transferred to expenses		16	-
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss - current		( 33,133 )	7,139
Margin deposits		( 1,690,686 )	352,887
Futures trading margin receivable		-	10
Notes receivable		162	-
Accounts receivable - non-related parties		( 311 )	218
Accounts receivable - related parties		( 1,159 )	8,288
Prepayments		453	( 6,413 )
Other receivables - non-related parties		( 1,102 )	( 878 )
Other receivables - related parties		60,000	1,730
Other current assets		( 16 )	( 10 )
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current		292	( 8,211 )
Futures traders' equity		1,667,576	( 365,880 )
Accounts payable-non-related parties		4,846	( 4,808 )
Accounts payable-related parties		1,396	( 1,019 )
Collection for third parties		673	178
Other payables-non-related parties		( 31,325 )	8,004
Other payables-related parties		4	96
Provision-non-current		( 2,002 )	680
Cash provided by operations		9,432	45,953
Dividend received		1,942	1,082
Interest received		94,785	101,886
Income tax paid		( 9,311 )	( 10,902 )
Interest paid		( 5,366 )	( 6,629 )
Net cash provided by operating activities		91,482	131,390

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	For the three months ended March 31,	
		2014	2013
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of available-for-sale financial assets		\$ -	(\$ 6,283 )
Acquisition of property and equipment	6(9)	( 1,515 )	( 5,145 )
Proceeds from disposal of available-for-sale financial assets		328,829	-
Increase in intangible assets	6(10)	( 90 )	-
Increase in prepayment for equipment		( 5,880 )	( 6,179 )
Increase in operating guarantee deposits		-	( 5,000 )
Decrease (increase) in clearing and settlement funds		3,889	( 169,881 )
Decrease (increase) in refundable deposits		599	( 378 )
Net cash provided by (used in) investing activities		<u>325,832</u>	<u>( 192,866 )</u>
Effect of change in foreign exchange rates		<u>3,130</u>	<u>4,302</u>
Increase (decrease) in cash and cash equivalents		420,444	( 57,174 )
Cash and cash equivalents at beginning of period		<u>5,222,284</u>	<u>5,002,915</u>
Cash and cash equivalents at end of period		<u>\$ 5,642,728</u>	<u>\$ 4,945,741</u>

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



YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

(Unaudited)

1. History and Organization

(1) Yuanta Futures Co., Ltd. (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.) and started its operations on April 9, 1997. The Company merged with “Refco Taiwan Co., Ltd.” on September 1, 2003 and was renamed as “Polaris Refco Futures Co., Ltd.”. As of 2005, on account of changes in foreign shareholders, an extraordinary shareholders’ meeting was held on February 15, 2006, and resolved to change its name to “Polaris Man Financial Futures Co., Ltd.” as approved by the Ministry of Economics.

On October 16, 2011, the Board of Directors of Polaris Man Financial Futures Co., Ltd. decided to merge with Yuanta Futures Co., Ltd. In relation to the share conversion with Yuanta Futures Co., Ltd. in accordance with Gin-Gwen-Zheng-Qi Letter No. 1000052507, the Company can exchange its common shares using a ratio of 1.01 share to 1 share of Yuanta Futures common share. Both parties agreed to set April 1, 2012 as the merger date. The Company has also obtained the approval to change its name to “Yuanta Futures Co., Ltd.”

(2) The Company and its subsidiaries (collectively referred herein as “the Group”) is primarily engaged in onshore and offshore futures brokerage business, futures dealing, futures consulting, futures business management, securities dealing, and a variety of futures related businesses approved by the competent authority. As of March 31, 2014, the Company had 5 branches.

(3) As of March 31, 2014, the Group had approximately 380 employees.

2. The date of authorization for issuance of the financial statements and procedures for authorization

These financial statements were authorized for issuance by the Board of Directors on April 30, 2014.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
Limited exemption from comparative IFRS 7 disclosures for first-time adopters(amendment to IFRS 1)	July 1, 2010

New Standards, Interpretations and Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures – Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures – Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009 – 2011	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 19 (revised), ‘Employee benefits’

In the revised standard, net interest, calculated by applying the discount rate to the net defined benefit liability (asset), is used to replace the finance charge and expected return on plan assets prior to amendment. The revised standard eliminates the election of accounting policies requiring actuarial gains and losses to be recognised under the ‘corridor approach’ or fully in profit or loss as incurred while stipulating actuarial gains and losses to be recognised in other comprehensive income in the period incurred. Past service cost shall be recognized in the period incurred and no longer be recognized as an expense on a straight-line basis over the average period. An entity shall not only recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs but also recognize termination benefits as a liability and an expense when it is demonstrably committed to relevant termination. Besides, the revised standard requires additional disclosures of defined benefit plan. For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the

tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

#### C. IFRS 13, 'Fair value measurement'

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

#### (3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>	<u>IASB Effective Date</u>
IFRS 9, 'Financial instruments'	Not yet been decided
IFRIC 14, 'Regulatory deferral accounts'	January 1, 2014
Services related contributions from employees or third parties (amendments to IAS 19R)	July 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014

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

#### 4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

##### (2) Basis of preparation

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

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Available-for-sale financial assets measured at fair value.
- (C) Liabilities on cash-settled share-based payment arrangements measured at fair value.

(D) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in compliance with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Note
			March 31, 2014	December 31, 2013	
The Company	Yuanta Futures (Hong Kong) Limited	Financial services	100	100	
The Company	SYF Information Limited	Information Technology Services	100	100	1
SYF Information Limited	SYF Information (Samoa) Limited	Investment holding	100	100	
SYF Information (Samoa) Limited	SYF Information (Shanghai) Limited	Information Technology Services	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Note
			March 31, 2013		
The Company	Yuanta Futures (Hong Kong) Limited	Financial services		100	
The Company	SYF Information Limited	Information Technology Services		100	1
SYF Information Limited	SYF Information (Samoa) Limited	Investment holding		100	

Note 1: Main business activities have not started.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value

through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'other gains and losses'.

#### B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(C) All resulting exchange differences are recognised in other comprehensive income.

#### (5) Classification of current and non-current items

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

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

(B) Assets held mainly for trading purposes;

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

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

Assets that do not meet aforesaid criteria are all classified as non-current assets by the Group.

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

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

(B) Liabilities arising mainly from trading activities;

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

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

Liabilities that do not meet aforesaid criteria are all classified as non-current liabilities.

(6)Cash equivalents

Cash and cash equivalents include petty cash, checking accounts, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(7)Financial assets at fair value through profit or loss

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

(A) Hybrid (combined) contracts; or

(B) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(C) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting. Financial assets designated as at fair value through profit or loss on initial recognition are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8)Available-for-sale financial assets

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

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

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

(9)Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using trade date accounting.

C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Margin deposits

In accordance with the Rules Governing Futures Commission Merchants, margin deposits accounts refer to the guarantee deposits and premiums collected from the futures customers, and the spread is calculated based on daily market price.

(11) Futures traders' equity / Futures trading margin receivable

Futures traders' equity is the trading margin/premiums deposited by customers and the difference of daily close-market balance. Futures traders' equity is shown under current liabilities. It cannot be offset except for the same customer with the same category of accounts. If payable to customer does not occur, it should be classified as futures trading margin receivable.

(12) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(13) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event' ) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
- (A) Significant financial difficulty of the issuer or debtor;
  - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (C) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
  - (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
  - (E) The disappearance of an active market for that financial asset because of financial difficulties;
  - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the



group;

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

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

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(A) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(14) Derecognition of financial assets

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

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

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

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

(15) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds,

directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- F. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

#### (16) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Equipment applies cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is

accounted for as a change in estimate under IAS 8, ‘‘Accounting Policies, Changes in Accounting Estimates and Errors’’, from the date of the change. The estimated useful lives of various fixed assets are all 3~6 years.

(17) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(18) Intangible assets

A. Membership in a foreign Futures Exchange

Membership in a foreign Futures Exchange is stated at acquisition cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Membership in a foreign Futures Exchange is not amortised, but is tested annually for impairment.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(19) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

(20) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(21) Financial liabilities at fair value through profit or loss

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

(A) Hybrid (combined) contracts; or

(B) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(C) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- b. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.
- c. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

- d. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(C) Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes termination benefits when it is demonstrably committed to a termination, when it has a detailed formal plan to terminate the employment of current employees and when it can no longer withdraw the plan. In the case of an offer made by the Group to encourage voluntary termination of employment, the termination benefits are recognised as expenses only when it is probable that the employees are expected to accept the offer and the number of the employees taking the offer can be reliably estimated. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

(D) Employees' bonus and directors' and supervisors' remuneration

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

(24) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it

arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(25) Share capital

Ordinary shares are classified as equity.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

- A. Brokerage fee income: Service fee income that is generated from futures merchants exercising futures transaction is recognized on the date of settlement.
- B. Security commission revenue: Commission revenues that are generated from the operation of securities introducing broker business by futures commission merchants. These income are recognised on an accrual basis under the agreed terms.
- C. Entrusted clearing settlement service fee: Service fee income that is generated by future merchants who has the qualification of clearing membership while exercising clearing settlement transaction is recognised on the date of futures transaction.
- D. Derivative instrument net income
  - (A) Futures contract gains or losses : The margin of futures trading is recognized at cost and measured through mark-to-market accounting. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period ;

(B) Options trading : The deposit of options trading is recognized at cost and assessed monthly through mark-to-market valuation before the obligation is fulfilled. Any gain and loss occurring due to the option exercise is recognized as gain and loss in the period.

E. Futures management fees revenues, supervisory income and brokerage income : These income are recognized on an accrual basis under the agreed terms.

F. Interest income : Interest income is calculated through estimated cash income in the future discounted with the actual interest rate based on the estimated life of financial instruments on an accrual basis.

## (28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

## 5. Critical accounting judgement, estimates and key sources of assumption uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

### (1) Critical judgements in applying the Group's accounting policies

#### Financial assets—impairment of equity investments

The Group follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (2) Critical accounting estimates and assumptions

#### A. Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

#### B. Evaluation on impairment of membership in a foreign Futures Exchange

The process of evaluation on impairment of membership in a foreign Futures Exchange depends on subjective judgement and includes identifying cash generating units and determining related recoverable amounts of cash generating units.

#### C. Impairment assessment of investments accounted for using equity method

The Group assesses the impairment of an investment accounted for using equity method as soon as there any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee and analyzes the reasonableness of related assumptions.

#### D. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales judgements and estimates of the management, including the assumptions of expected future sales Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

#### E. Calculation of accrued pension obligations

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

#### F. Financial assets - fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 19(3) for the financial instruments fair value information.

As of March 31, 2014, the carrying amount of unlisted stocks was \$725,315.

### 6. Details of significant accounts

#### (1)Cash and cash equivalents

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
<u>Cash</u>			
Petty cash	\$ 109	\$ 107	\$ 267
Checking deposits	15	15	16
Futures margin deposits	511,189	524,395	831,715
Demand deposits	116,534	102,772	216,310
Time deposits	<u>4,390,557</u>	<u>4,086,661</u>	<u>3,477,959</u>
Subtotal	5,018,404	4,713,950	4,526,267
<u>Cash equivalents</u>			
Commercial paper (expiring within three months)	<u>624,324</u>	<u>508,334</u>	<u>419,474</u>
Cash and cash equivalents as per consolidated cash flow statement	<u>\$ 5,642,728</u>	<u>\$ 5,222,284</u>	<u>\$ 4,945,741</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The



Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	March 31, 2014	December 31, 2013	March 31, 2013
Current items:			
Financial assets held for trading			
Non-hedging derivatives	\$ 43,192	\$ 10,059	\$ 24,481

A. The Group recognised net gain of \$16,355 and \$22,399 on financial assets held for trading for the three months ended March 31, 2014 and 2013, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative Instruments	March 31, 2014	December 31, 2013	March 31, 2013
Current items:			
Futures transaction - futures contract	\$ 41,470	\$ 8,801	\$ 20,613
Futures transaction - options contract	1,722	1,258	3,868
	\$ 43,192	\$ 10,059	\$ 24,481

C. Futures

The Group entered into futures contracts, which are futures contract and options contract, to earn the spread. As of March 31, 2014, December 31, 2013 and March 31, 2013, margin deposits for these contracts were \$554,381, \$534,454 and \$856,196, respectively, with excess margin of \$511,189, \$524,395 and \$831,715, and recognized in "cash and cash equivalents", respectively.

D. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Margin deposits /Futures traders' equity

	March 31, 2014	December 31, 2013	March 31, 2013
Margin deposits by customers:			
Cash in banks	\$ 25,428,273	\$ 24,270,994	\$ 25,597,671
Clearing house	4,920,672	4,548,350	4,730,316
Other futures commission merchants	1,314,846	1,153,761	1,541,875
Total	31,663,791	29,973,105	31,869,862
Less: Fees of revenue pending for transfer	( 103,038 )	( 82,043 )	( 119,653 )
Futures exchange tax pending for transfer	( 1,629 )	( 1,188 )	( 2,598 )
Temporary receipts	( 2,220 )	-	( 5,222 )
Others	( 5,216 )	( 5,762 )	( 1,725 )
Futures traders' equity	\$ 31,551,688	\$ 29,884,112	\$ 31,740,664

(4) Investments accounted for using equity method

A. Details of long-term equity investment are as follows:

<u>Investee company</u>	<u>March 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
MF Global Investment Consulting Company (Formerly MF Global Futures Trust Co., Ltd.)	\$ 9,992	33.33%	\$ 10,564	33.33%

<u>Investee company</u>	<u>March 31, 2013</u>	
	<u>Amount</u>	<u>Ownership (%)</u>
MF Global Investment Consulting Company (Formerly MF Global Futures Trust Co., Ltd.)	\$ 71,908	33.33%

B. The financial information of the Group's principal associates is summarized below:

<u>Name of company</u>	<u>March 31, 2014</u>				
	<u>Location</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit and loss</u>
MF Global Investment Consulting Company	Taiwan	\$ 30,439\$	459\$	-	(\$ 1,716)

<u>Name of company</u>	<u>December 31, 2013</u>				
	<u>Location</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit and loss</u>
MF Global Investment Consulting Company	Taiwan	\$ 148,246\$	116,551\$	27,247	(\$ 12,450)

<u>Name of company</u>	<u>March 31, 2013</u>				
	<u>Location</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit and loss</u>
MF Global Investment Consulting Company	Taiwan	\$ 228,064\$	12,318\$	9,418	(\$ 3,146)

(A) Global Holdings Ltd. has managed and transferred 'MF Global Multi-Strategy Futures Trust Fund' to Yuanta Securities Investment Trust Company on October 14, 2013, and has registered for renaming as MF Global Investment Consulting Company on October 28, 2013. The registration was approved by the Taipei City Government on January 3, 2014.

(B) Furthermore, return of share capital by eliminating 25,000 thousand shares was approved at the interim shareholders' meeting on November 1, 2013, and December 23 was set to be the record date for capital reduction. The Company recognised capital reduction to offset Company losses by \$28,082 and return share capital amounting to \$58,243.

(5) Available-for-sale financial assets

<u>Items</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Current items:			
Exchange traded funds	\$ 29,938	\$ 29,938	\$ 116,481
Valuation adjustment of available-for-sale financial assets	( 3,258 )	( 1,498 )	( 8,085 )
Total	<u>\$ 26,680</u>	<u>\$ 28,440</u>	<u>\$ 108,396</u>
Non-current items:			
Listed stocks	\$ 41,255	\$ 41,255	\$ 41,255
Non-Listed stocks	<u>221,132</u>	<u>271,811</u>	<u>271,811</u>
Subtotal	262,387	313,066	313,066
Valuation adjustment of available-for-sale financial asset	<u>530,590</u>	<u>598,169</u>	<u>534,262</u>
Total	<u>\$ 792,977</u>	<u>\$ 911,235</u>	<u>\$ 847,328</u>

The Group recognised (\$69,339) and \$62,456 in other comprehensive income for fair value change for the three months ended March 31, 2014 and 2013, respectively.

(6) Held-to-maturity financial assets

<u>Items</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Current items			
Financial bonds	<u>\$ 29,491</u>	<u>\$ 29,644</u>	<u>\$ -</u>

The Group recognised interest income of \$224 and \$0 for amortised cost in profit or loss for the three months ended March 31, 2014 and 2013, respectively.

(7) Operating guarantee deposits

As of March 31, 2014, December 31, 2013 and March 31, 2013, the Group provided time deposits as operations guarantee deposits maturing within one-year in Yuanta Bank with annual interest rate of 1.345% and 1.36%, respectively.

(8) Clearing and settlement funds

The Company exercises clearing and settlement transactions in accordance with the criteria of clearing membership's regulation of the Taiwan Futures Exchange. Before exercising clearing and settlement transaction, the Company should deposit \$40,000. After one year, the amount that should be deposited could be decreased to \$30,000 and the Company could deposit settlement and clearing fund through an appropriation method and an amount that is regulated by the Taiwan Futures Exchange. Every additional entrusting futures merchant performing settlement and clearing transaction, should deposit settlement and clearing fund of \$3,000 before entrusting. Every branch established that performs futures transactions or every additional entrusting futures introducing broker by clearing member or every branch established by such futures introducing broker, should deposit another \$1,000 settlement and clearing fund to the Taiwan Futures Exchange.

(9) Property and equipment

	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1, 2014			
Cost	\$ 142,521	\$ 86,827	\$ 229,348
Accumulated depreciation	( 72,780 )	( 36,153 )	( 108,933 )
	<u>\$ 69,741</u>	<u>\$ 50,674</u>	<u>\$ 120,415</u>
Three months ended March 31, 2014			
Opening net book amount	\$ 69,741	\$ 50,674	\$ 120,415
Additions	1,515	-	1,515
Reclassifications	( 8,331 )	( 6,719 )	( 15,050 )
Net exchange	15	50	65
Closing net book amount	<u>\$ 62,940</u>	<u>\$ 44,005</u>	<u>\$ 106,945</u>
At March 31, 2014			
Cost	\$ 144,056	\$ 86,888	\$ 230,944
Accumulated depreciation	( 81,116 )	( 42,883 )	( 123,999 )
	<u>\$ 62,940</u>	<u>\$ 44,005</u>	<u>\$ 106,945</u>
	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1, 2013			
Cost	\$ 185,441	\$ 99,302	\$ 284,743
Accumulated depreciation	( 104,796 )	( 42,987 )	( 147,783 )
	<u>\$ 80,645</u>	<u>\$ 56,315</u>	<u>\$ 136,960</u>
Three months ended March 31, 2013			
Opening net book amount	\$ 80,645	\$ 56,315	\$ 136,960
Additions	502	4,643	5,145
Reclassifications	4,179	11,232	15,411
Depreciation charge	( 9,981 )	( 7,825 )	( 17,806 )
Closing net book amount	<u>\$ 75,345</u>	<u>\$ 64,365</u>	<u>\$ 139,710</u>
At March 31, 2013			
Cost	\$ 190,122	\$ 115,177	\$ 305,299
Accumulated depreciation	( 114,777 )	( 50,812 )	( 165,589 )
	<u>\$ 75,345</u>	<u>\$ 64,365</u>	<u>\$ 139,710</u>

(10) Intangible assets

	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1, 2014			
Cost	\$ 24,309	\$ 40,516	\$ 64,825
Accumulated depreciation	( - )	( 24,131 )	( 24,131 )
	<u>\$ 24,309</u>	<u>\$ 16,385</u>	<u>\$ 40,694</u>
Three months ended March 31, 2014			
Opening net book amount	\$ 24,309	\$ 16,385	\$ 40,694
Additions-acquired separately	-	90	90
Reclassifications	-	9,800	9,800
Amortisation charge	-	( 3,441 )	( 3,441 )
Net exchange	542	-	542
Closing net book amount	<u>\$ 24,851</u>	<u>\$ 22,834</u>	<u>\$ 47,685</u>
At March 31, 2014			
Cost	\$ 24,851	\$ 50,406	\$ 75,257
Accumulated depreciation	-	( 27,572 )	( 27,572 )
	<u>\$ 24,851</u>	<u>\$ 22,834</u>	<u>\$ 47,685</u>
	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1, 2013			
Cost	\$ 23,685	\$ 87,931	\$ 111,616
Accumulated depreciation	( - )	( 71,195 )	( 71,195 )
	<u>\$ 23,685</u>	<u>\$ 16,736</u>	<u>\$ 40,421</u>
Three months ended March 31, 2013			
Opening net book amount	\$ 23,685	\$ 16,736	\$ 40,421
Reclassifications(cost)	-	1,000	1,000
Amortisation charge	-	( 3,489 )	( 3,489 )
Net exchange	640	-	640
Closing net book amount	<u>\$ 24,325</u>	<u>\$ 14,247</u>	<u>\$ 38,572</u>
At March 31, 2013			
Cost	\$ 24,325	\$ 88,931	\$ 113,256
Accumulated depreciation	-	( 74,684 )	( 74,684 )
	<u>\$ 24,325</u>	<u>\$ 14,247</u>	<u>\$ 38,572</u>

(11) Pension

A (A)The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

(B)For the aforementioned pension plan, the Group recognised pension costs of \$383 and \$639 for the three months ended March 31, 2014 and 2013, respectively.

(C)Expected contributions to the defined benefit pension plans of the Group within one year from March 31, 2014 amounts to \$1,149.

B (A)Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B)The pension costs under defined contribution pension plans of the Group for the three months ended March 31, 2014 and 2013 were \$3,890 and \$4,094, respectively.

(12) Share capital

A. As of March 31, 2014, the Company's authorized capital was \$2,500,000, and the paid-in capital was \$2,322,763 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. On October 6, 2011, the Board of Directors of the Company at their meeting resolved to merge with Yuanta Futures Co., Ltd. and set April 1, 2012 as the merger date by issuing new shares amounting to \$1,010,000 with a par value of \$10 (in dollar) per share and totaling 101,000 thousand shares.

(13) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(14) 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 has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be capitalized.
- B. The Company transferred provision on bad debt loss that had been set aside but not reversed to special reserve on initial application of IFRSs in accordance with Gin-Gwen-Zheng-Qi Letter No. 1010032090, dated July 10, 2012. Except for offsetting operating losses or special reserve exceeding 50% of the Company's paid-in capital after transferring, the Company could transfer half of special reserve as share capital.
- C. According to Gin-Gwen-Zheng-Qi Letter No. 1010048029, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative decrease in stockholders' equity of the prior period, the equal amount of special reserve set aside based on the undistributed earnings should not be distributed. If there is any reversal of the decrease in stockholders' equity, the earnings may be distributed based on the reversal proportion.

(15) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% and 20% of the remaining amount shall be set aside as legal reserve and special reserve. The remainder, if any, to be retained or to be appropriated shall be resolved according to following:
  - (A) Bonus distributed to the employees for 0.01%~5%
  - (B) Remuneration paid to the directors and supervisors for 0.1%~1%
  - (C) Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's distributable earnings as of the end of the period shall be appropriated as dividends, and cash dividends shall account for at least 30% of the total dividends distributed.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2012 earnings had been resolved by the Board of Directors (acting on behalf of stockholders) on May 17, 2013. Details are summarized below:

	2012	
	Amount	Dividends per Share (in dollars)
Legal reserve	\$ 52,391	
Special reserve	112,933	
Cash dividend	357,705\$	1.54

On May 17, 2013, the stockholders proposed to distribute capital surplus as cash dividends amounting to \$58,069. As of March 28, 2013, the directors proposed the distribution of 2012 earnings and distribution of capital surplus as cash dividends mentioned above. Information on the appropriation of the Company's earnings resolution will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

E. The appropriation of 2013 earnings had been proposed by the Board of Directors on February 27, 2014. Details are summarized below:

	2013	
	Amount	Dividends per Share (in dollars)
Legal reserve	\$ 65,387	
Special reserve	130,773	
Cash dividend	480,812\$	2.07

As of April 30, 2014, the abovementioned appropriations of 2013 net income have not been resolved at the stockholders' meeting.

F. Employees' bonus for the three months ended March 31, 2014 and 2013 were both accrued at \$900.

G. Employees' bonus and directors' and supervisors' remuneration for 2012 were estimated and accrued at \$3,035 and \$500, respectively, as resolved by the Board of Directors at the stockholders' meeting on May 17, 2013. Employees' bonus and directors' and supervisors' remuneration accrued in the 2012 financial statements were \$3,035 and \$468, respectively. The difference amounting to \$32 had been adjusted in the statement of comprehensive income for the year of 2013. Information on the resolution for employees' bonus and directors' and supervisors' remuneration will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

H. Employees' bonus and directors' and supervisors' remuneration for the year ended December 31, 2013 were accrued at \$2,935 and \$500, respectively, which were estimated based on certain percentages, as prescribed by the Company's Articles of Incorporation, of net income in this period after taking into account the legal reserve and other factors, and were recognized as operating expenses. However, if the appropriated amounts as resolved by the stockholders at the subsequent stockholders' meeting are different from the accrued amounts, those differences shall be adjusted in profit or loss of the following year.



(16) Other equity items

	<u>Available-for-sale investments</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2014	\$ 596,671	\$ 12,314	\$ 584,357
Available for sale investment revaluation-gross	( 69,339 )	-	( 69,339 )
Currency translation differences			
-Exchange differences	-	3,577	3,577
At March 31, 2014	<u>\$ 527,332</u>	<u>( \$ 8,737 )</u>	<u>\$ 518,595</u>

	<u>Available-for-sale investments</u>	<u>Currency translation</u>	<u>Total</u>
At January 1, 2013	\$ 463,722	( \$ 17,984 )	\$ 445,738
Available for sale investment revaluation - gross	62,456	-	62,456
Currency translation differences			
-Exchange differences	-	4,942	4,942
At March 31, 2013	<u>\$ 526,178</u>	<u>( \$ 13,042 )</u>	<u>\$ 513,136</u>

(17) Brokerage

	<u>For the three months ended March 31</u>	
	<u>2014</u>	<u>2013</u>
Dealer's commissions - domestic futures	\$ 291,148	\$ 368,824
Dealer's commissions - foreign futures	135,832	161,140
Total	<u>\$ 426,980</u>	<u>\$ 529,964</u>

(18) Clearance fee from consignment

	<u>For the three months ended March 31</u>	
	<u>2014</u>	<u>2013</u>
Clearance fee from consignment - non-related parties	\$ 9,633	\$ 10,339
Clearance fee from consignment - related parties	10,124	3,088
Total	<u>\$ 19,757</u>	<u>\$ 13,427</u>

(19) Gain (loss) on derivatives

	<u>For the three months ended March 31</u>	
	<u>2014</u>	<u>2013</u>
Non-hedging		
Futures contract interests		
Futures contract gains	\$ 91,801	\$ 99,015
Futures contract losses	( 79,329 )	( 77,354 )
	<u>\$ 12,472</u>	<u>\$ 21,661</u>
Gain (loss) from trading options		
Gain from trading options	\$ 9,692	\$ 20,414
Loss from trading options	( 5,809 )	( 19,676 )
	<u>\$ 3,883</u>	<u>\$ 738</u>
Non-hedging		
Gains from derivative financial instruments	\$ 101,493	\$ 119,429

	For the three months ended March 31	
	2014	2013
Losses from derivative financial instruments	( 85,138 )	( 97,030 )
	\$ 16,355	\$ 22,399
 (20) <u>Service charge</u>		
	For the three months ended March 31	
	2014	2013
Service charge - brokerage	\$ 66,358	\$ 86,883
Service charge - dealing	2,437	6,146
Total	\$ 68,795	\$ 93,029
 (21) <u>Futures commissions expenditures</u>		
	For the three months ended March 31	
	2014	2013
Complex entrusted futures transaction	\$ 35,102	\$ 42,815
Futures auxiliary business	52,561	72,894
Total	\$ 87,663	\$ 115,709
 (22) <u>Operating expenses</u>		
	For the three months ended March 31	
	2014	2013
Employee benefit expense	\$ 120,726	\$ 120,595
Depreciation charges	15,050	17,806
Amortisation charges	4,340	4,979
Tax expenses	17,253	33,068
Future trader protection expenses	-	28
Computer information expenses	18,659	22,430
Operating lease payments	9,695	9,179
Repair charge	6,215	5,249
Advertising costs	5,519	5,761
Service expenses	1,893	2,409
Other expenses	31,929	38,773
Total	\$ 231,279	\$ 260,277
 (23) <u>Employee benefit expense</u>		
	For the three months ended March 31	
	2014	2013
Wages and salaries	\$ 105,702	\$ 104,840
Labor and health insurance fees	7,835	7,458
Pension costs	4,273	4,733
Post-employment benefits	2,157	2,152
Other personnel expenses	759	1,412
Total	\$ 120,726	\$ 120,595

(24) Other gains and losses

	For the three months ended March 31	
	2014	2013
Interest income	\$ 106,082	\$ 104,653
Dividend income	1,942	1,082
Net currency exchange gains (losses)	( 1,692 )	5,653
Gains on disposal of investments	278,150	-
Others	( 832 )	2,225
Total	<u>\$ 383,650</u>	<u>\$ 113,613</u>

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three months ended March 31	
	2014	2013
Current tax:		
Current tax on profits for the period	\$ 25,876	\$ 29,790
Adjustments in respect of prior years	744	-
Total current tax	<u>26,620</u>	<u>29,790</u>
Deferred tax:		
Origination and reversal of temporary differences	( 2,370 )	( 90 )
Total deferred tax	<u>( 2,370 )</u>	<u>( 90 )</u>
Income tax expense	<u>\$ 24,250</u>	<u>\$ 29,700</u>

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

None.

B. As of March 31, 2014, the Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Earnings generated in and before 1997	\$ 21	\$ 21	\$ 21
Earnings generated in and after 1998	1,028,191	657,844	624,544

D. As of March 31, 2014, December 31, 2013 and March 31, 2013, the balance of the imputation tax credit account was \$130,800, \$130,800 and \$79,841, respectively. The creditable tax rate was 20.48% for 2012 and is estimated to be 19.88% for 2013.

(26) Earnings per share

	For the three months ended March 31, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per Share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 370,347	232,276	\$ 1.59
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 370,347	232,276	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	27	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 370,347	232,303	\$ 1.59

	For the three months ended March 31, 2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per Share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 99,532	232,276	\$ 0.43
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 99,532	232,276	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	27	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 99,532	232,303	\$ 0.43

(27) Operating leases

The Group leases in office and equipment under non-cancellable operating lease agreements. The lease terms are between 2011 and 2017 years, and all these lease agreements are renewable at the end of the lease period. The Group recognized rental expenses of \$8,088 and \$6,611 for the three months ended March 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Less than one year	\$ 59,770	\$ 59,860	\$ 30,189
Later than one year but less than five years	70,794	85,205	34,227
	<u>\$ 130,564</u>	<u>\$ 145,065</u>	<u>\$ 64,416</u>

7. Related party transactions

(1) Parent and ultimate controlling party

The Company is controlled by Yuanta Financial Holding Co., Ltd., which owns 68.65% of the Company's shares. The remaining 31.35% of the shares is widely held. The ultimate parent and the ultimate controlling of the Company is both Yuanta Financial Holding Co., Ltd.

(2) Significant related party transactions and balances

A. Cash and cash equivalents/ operating guarantee deposits/ customer margin deposits/ futures trading guarantees/ interest income

	<u>March 31, 2014</u>				
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>	<u>Self-capital</u>	<u>Futures trading guarantees Balance of excess futures guarantee deposits</u>
Fellow subsidiary	<u>\$ 1,017,205</u>	<u>\$ 185,000</u>	<u>\$ 6,804,188</u>	<u>\$ 275</u>	<u>\$ 24,628</u>

	<u>December 31, 2013</u>				
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>	<u>Self-capital</u>	<u>Futures trading guarantees Balance of excess futures guarantee deposits</u>
Fellow subsidiary	<u>\$ 1,233,319</u>	<u>\$ 185,000</u>	<u>\$ 7,029,045</u>	<u>\$ 567</u>	<u>\$ 23,801</u>

	<u>March 31, 2013</u>				
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>	<u>Self-capital</u>	<u>Futures trading guarantees Balance of excess futures guarantee deposits</u>
Fellow subsidiary	<u>\$ 937,803</u>	<u>\$ 200,000</u>	<u>\$ 5,753,895</u>	<u>\$ -</u>	<u>\$ -</u>

B. Accounts receivable - related parties

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Fellow subsidiary	<u>\$ 4,103</u>	<u>\$ 2,944</u>	<u>\$ 4,214</u>

C. Other receivables - related parties

	March 31, 2014	December 31, 2013	March 31, 2013
Fellow subsidiary	\$ 5,486	\$ 5,686	\$ 8,074
Associates	-	59,800	-
	<u>\$ 5,486</u>	<u>\$ 65,486</u>	<u>\$ 8,074</u>

D. Refundable deposits

	March 31, 2014	December 31, 2013	March 31, 2013
Fellow subsidiary	\$ 6,534	\$ 6,534	\$ 6,586

E. Accounts payable - related parties

	March 31, 2014	December 31, 2013	March 31, 2013
Fellow subsidiary	\$ 18,146	\$ 16,750	\$ 23,404

F. Other payables - related parties

	March 31, 2014	December 31, 2013	March 31, 2013
The ultimate parent	\$ -	\$ -	\$ 37
Fellow subsidiary	187	183	59
	<u>\$ 187</u>	<u>\$ 183</u>	<u>\$ 96</u>

G. Futures trader's equity

	March 31, 2014	December 31, 2013	March 31, 2013
Fellow subsidiary	\$ 1,300,241	\$ 1,405,777	\$ 1,530,285
Funds managed by fellow subsidiary	1,546,478	1,272,333	1,608,099
Other stakeholder	8,000	10,627	86,054
President and significant shareholder of financial holding company and subsidiary	26,158	24,613	54,790
	<u>\$ 2,880,877</u>	<u>\$ 2,713,350</u>	<u>\$ 3,279,228</u>

H. Brokerage

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 6,582	\$ 7,780
Funds managed by fellow subsidiary	5,288	3,108
President and significant shareholder of financial holding company and subsidiary	700	897
Other stakeholder	186	44
	<u>\$ 12,756</u>	<u>\$ 11,829</u>

I. Clearance fee from consignment

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 10,124	\$ 3,088

J. Securities trading commissions income

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 868	\$ 608

K. Co-marketing revenue

	For the three months ended March 31	
	2014	2013
Associates	\$ -	\$ 540
Funds managed by associates	-	9
Fellow subsidiary	360	-
	\$ 360	\$ 549

L. Futures commissions income and consigned/entrusted foreign futures trading commissions

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 48,512	\$ 65,319

The Group engaged with Yuanta Securities Co., Ltd. and Yuanta Securities (Hong Kong) Co., Ltd. for the purpose of futures trading and consigned/entrusted foreign futures trading, that is, the Company acts as an agent for trading of futures contracts and futures option contracts for its customers. The futures commission expense and payment terms do not have any significant difference between related parties and non-related parties.

M. Service fees

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 1,075	\$ 1,272

N. Interest income

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 26,836	\$ 23,499

Interest income includes the interest of demand deposits, time deposits, margin deposits, and operations guarantee deposits. See Note 6(7) for details of operations guarantee deposits.

O. Interest expense

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 672	\$ 773

P. Rental expense

	For the three months ended March 31	
	2014	2013
Fellow subsidiary	\$ 6,556	\$ 6,611

The rentals were determined by reference to the rental rates of nearby office buildings and by contracts between the related parties.

Q. Donation expenditure

	For the three months ended March 31	
	2014	2013
Polaris Research	\$ -	\$ 2,000

(3) Key management compensation

	For the three months ended March 31	
	2014	2013
Salaries and other short-term employee benefits	\$ 48,835	\$ 44,244
Post-employment benefits	1,788	-
Termination benefits	1,134	1,594
Other long-term benefits	403	482
	\$ 52,160	\$ 46,320

8. Pledged assets

None.

9. Significant commitments and contingent liabilities

Commitments

For information on operating leases agreements, please refer to Note 6(27) for details.

10. Significant loss from natural disaster

None.



## 11. Derivative instrument transactions

The Company had financial instrument trading - derivatives as follows:

March 31, 2014						
Item	Object of transaction	Open Interest		Margin paid (received) (margin received)	Fair value	Remarks
		Buyer /Seller	Number of contract(s) (lot)			
Futures contracts (Domestic)	TX	Buyer	176	\$ 307,735	\$ 309,408	
	MTX	Seller	4	( 1,749 )	( 1,758 )	
	TE	Buyer	6	7,968	7,985	
	TF	Seller	2	( 1,982 )	( 1,985 )	
	GDF	Seller	35	( 17,202 )	( 16,886 )	
Futures contracts (Overseas)	XIF	Buyer	4	4,628	4,724	
	Foreign Exchange	Seller	21	( 78,105 )	( 77,520 )	
	Metal Futures	Buyer	39	84,190	84,902	
	Metal Futures	Seller	126	( 176,032 )	( 176,689 )	
	Index Futures	Buyer	100	208,231	208,060	
	Index Futures	Seller	224	( 215,392 )	( 216,483 )	
	Energy Futures	Buyer	17	53,250	53,272	
	Grain Futures	Buyer	73	83,729	85,010	
	Grain Futures	Seller	1	( 1,749 )	( 1,778 )	
	Option contracts	TXO	Buy call	1,772	671	867
TXO		Sell call	1,758	( 576 )	( 795 )	
TXO		Buy put	600	587	174	
TXO		Sell put	565	( 634 )	( 189 )	
TFO		Buy call	8	32	35	
TFO		Sell put	8	( 11 )	( 10 )	
TGO		Buy call	82	737	546	
TGO		Sell put	82	( 272 )	( 450 )	
TGO	Buy put	12	68	100		
TGO	Sell call	12	( 55 )	( 26 )		

December 31, 2013

Item	Object of transaction	Open Interest		Margin paid	Fair value	Remarks
		Buyer /Seller	Number of contract(s) (lot)	(received) (margin received)		
Futures contracts (Domestic)	TX	Buyer	37	\$ 63,593	\$ 63,884	
	TX	Seller	17 (	29,340 ) (	29,352 )	
	MTX	Seller	18 (	7,604 ) (	7,770 )	
	TE	Buyer	1	1,228	1,238	
	TF	Seller	2 (	2,108 ) (	2,111 )	
	TX	Seller	5 (	180 ) (	184 )	
	TX	Buyer	5	180	184	
	Futures contracts (Overseas)	Index Futures	Buyer	32	17,906	18,145
Index Futures		Seller	7 (	2,545 ) (	2,548 )	
Metal Futures		Buyer	16	5,952	6,035	
Metal Futures		Seller	2 (	200 ) (	194 )	
Energy Futures		Buyer	2	259	257	
Energy Futures		Seller	9 (	731 ) (	717 )	
Grain Futures		Buyer	2	86	83	
Grain Futures		Seller	14 (	639 ) (	632 )	
Option contracts	TXO	Buy call	1,706	911	1,006	
	TXO	Sell call	1,819 (	870 ) (	801 )	
	TXO	Buy put	1,324	516	218	
	TXO	Sell put	1,399 (	725 ) (	377 )	
	TXO	Buy call	305	6	6	
	TXO	Buy put	375	27	27	
	TGO	Buy put	3	2	2	

March 31, 2013

Item	Object of transaction	Open Interest		Margin paid	Fair value	Remarks
		Buyer /Seller	Number of contract(s) (lot)	(received) (margin received)		
Futures contracts (Domestic)	TX	Buyer	101	\$ 159,136	\$ 160,045	
	TX	Seller	101 (	158,899 ) (	160,045 )	
	MTX	Buyer	101	39,837	40,011	
	MTX	Seller	9 (	3,528 ) (	3,565 )	
	TE	Buyer	1	1,188	1,188	
	TF	Buyer	3	2,816	2,839	
	TX	Buyer	97	6,534	6,611	
	TX	Seller	15 (	1,542 ) (	1,548 )	
	Interest rate futures	Seller	1 (	8,121 ) (	8,128 )	
	Futures contracts (Overseas)	Grain Futures	Seller	7 (	1,811 ) (	1,791 )
Index Futures		Buyer	12	522	523	
Index Futures Foreign		Seller	159 (	4,895 ) (	4,920 )	
Exchange		Seller	20	2,654	2,658	
Metal Futures		Buyer	33	2,610	2,598	
Metal Futures		Buyer	141 (	257,944 ) (	254,104 )	
Energy Futures		Seller	6	561	583	
Option contracts	TXO	Buy call	3,237	3,398	3,458	
	TXO	Sell call	2,913 (	1,601 ) (	1,014 )	
	TXO	Buy put	269	711	410	
	TXO	Sell put	506 (	1,810 ) (	1,087 )	

12. Restrictions and enforcement of the Company's various financial ratios under R.O.C. Futures Commission Merchants Laws

According to Rules Governing the Preparation of Financial Statements by Futures Commission Merchants

Article	Calculation formula	1/1/2014 ~ 3/31/204		1/1/2013 ~ 3/31/203		Standard	Enforcement (Note 3)
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Equity}}{\text{(Total liabilities – Future traders' equity)}}$	$\frac{7,309,650}{266,582}$	27.42	$\frac{6,793,289}{352,093}$	19.29	$\geq 1$	Satisfied
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{37,473,691}{31,779,442}$	1.18	$\frac{37,036,719}{32,051,560}$	1.16	$\geq 1$	Satisfied
22	$\frac{\text{Equity}}{\text{Minimum paid – in capital (Note1)}}$	$\frac{7,309,650}{1,175,000}$	622.10%	$\frac{6,793,289}{1,190,000}$	570.86%	$\geq 60\%$ $\geq 40\%$ (Note 2)	Satisfied
22	$\frac{\text{Post – adjustment net capital}}{\text{Total margin deposit required for futures traders, not yet off set}}$	$\frac{5,755,486}{4,166,282}$	138.14%	$\frac{5,141,977}{3,377,824}$	152.23%	$\geq 20\%$ $\geq 15\%$	Satisfied

Note 1: "Minimum paid-in capital" shall be in compliance with futures commission merchants standard set of capital amount or designated appropriation of operating capital amount.

Note 2: For the entrusted foreign futures trading of foreign futures merchants, the standard ratios (shareholders' equity/minimum paid-in capital) are adjusted to 50% and 30%, respectively.

Note 3: "Enforcement" column shall state whether or not the financial ratio requirements are satisfied; if not, an explanation is needed to be filed with a specific appointed institution or establish an improvement plan.

### 13. Specific inherent risks in operating as futures dealer

- (1) Credit risk is the main risk for engaging in futures brokerage business since the Company must demand collecting trading margin deposits from customers. The credit risk occurs when the customers fail to pay margin deposits. The Company and its subsidiaries act as agents for trading futures and options contracts and should pay attention to daily margin credit as to control credit risk. Market risk is also noted in the industry due to dealer business. Dealer business is price index sensitive, therefore, the Company pre-sets stop loss point for risk management purposes.
- (2) The specific risks of the Company's futures brokerage business are outlined below: Futures trading has a characteristic of low margin. Therefore, the risks of futures trading include: when the futures market trend is unfavorable for customers, futures firms may demand to collect additional trading margin deposits from customers to keep certain margin level. If the customers fail to pay margin deposits in a period prescribed, futures firms have the right to offset the contract amount of the customers by the additional margin deposits demanded. Further, futures firms may incur losses when futures market prices fluctuate drastically and the customers are unable to settle futures contracts.
- (3) See Note 19(5) for significant risk information on futures dealer business.

### 14. Segment information

#### (1) General information – type of product and service of reporting segments' income source

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker, i.e. Board of Directors, that are used to make strategic decisions. The chief operating decision-maker considers the source of income, and the Company's operating segments are divided into broker and dealer. The primary source of income by each segment is as follows:

Broker: Consigned and entrusted to futures trading and financial instruments trading approved by relevant regulations in the R.O.C.

Dealer: Used capital funds to engage in trading stocks, futures, options, and other derivatives financial instruments approved by relevant regulations in the R.O.C.

#### (2) Measurement of segment information

##### A. Information on segment profit (loss); measurement of assets and liabilities

Measurement of profit (loss), assets and liabilities of the Company are consistent with Note 4 – Summary of significant accounting policies. Measurement of profit (loss) performance is based on income before tax.

In order to establish a fair and reasonable performance evaluation, the Company would offset the income and expense incurred internally from each segment for external financial reporting purposes.

Income and expense are classified directly to the segment where they belong to. For expense incurred indirectly, it will consider its classification based on the usage purpose by proportionally dividing into each segment when a reasonable rate can be assigned. Otherwise, it will be classified as "Other segment" when a reasonable rate cannot be assigned.

##### B. Identifying factors for reportable segments

The measurement of segment performance will be evaluated periodically to ensure that it achieves the goals of the Company. The results of its evaluation will be used as the framework

for resource allocation.

C. Information on segment profit (loss)

For the three months ended March 31, 2014						
Items	Broker		Dealer		Total	
	Amount	%	Amount	%	Amount	%
Direct segment profit (loss)						
Segment revenue						
Brokerage	\$ 426,980	95	\$ -	-	\$ 426,980	92
Securities commission revenue	868	-	-	-	868	-
Clearance fee from consignment	19,757	4	-	-	19,757	4
Net gain on disposal of derivative	-	-	16,355	100	16,355	4
Futures management fees income	52	-	-	-	52	-
Futures advisory	1,576	-	-	-	1,576	-
Other operating revenue	1,242	-	-	-	1,242	-
Total revenue	<u>450,475</u>	<u>100</u>	<u>16,355</u>	<u>100</u>	<u>466,830</u>	<u>100</u>
Segment expense						
Brokerage	( 66,358)	( 15)	-	-	( 66,358)	( 14)
Dealers' brokerage	-	-	( 2,437)	( 15)	( 2,437)	( 1)
Futures commission	( 86,311)	( 19)	( 1,352)	( 8)	( 87,663)	( 19)
Clearance fee	( 60,588)	( 13)	( 1,616)	( 10)	( 62,204)	( 13)
Employee benefit expense	( 84,104)	( 19)	( 7,706)	( 47)	( 91,810)	( 20)
Depreciation and amortization	( 16,058)	( 4)	( 2,546)	( 16)	( 18,604)	( 4)
Financial cost	( 5,370)	( 1)	-	-	( 5,370)	( 1)
Other operating expense	( 73,992)	( 16)	( 11,907)	( 73)	( 85,899)	( 18)
Total expense	<u>( 392,781)</u>	<u>( 87)</u>	<u>( 27,564)</u>	<u>( 169)</u>	<u>( 420,345)</u>	<u>( 90)</u>
Segment operating income	<u>57,694</u>	<u>13</u>	<u>( 11,209)</u>	<u>( 69)</u>	<u>46,485</u>	<u>10</u>
Share of the profit or loss of associates and joint ventures accounted for using the equity method	( 572)	-	-	-	( 572)	-
Other gains and losses	382,714	85	936	6	383,650	83
Segment profit (loss)	<u>\$ 439,836</u>	<u>98</u>	<u>( \$ 10,273)</u>	<u>( 63)</u>	<u>429,563</u>	<u>93</u>
Indirect segment profit (loss)						
Management expense					( 34,966)	( 8)
Total					( 34,966)	( 8)
Net income before income taxes					394,597	85
Income tax expense					( 24,250)	( 5)
Net income					<u>\$ 370,347</u>	<u>79</u>

	Broker	Dealer	Other	Total
Segment assets (Note 1)	\$ -	\$ -	\$ -	\$ -

For the three months ended March 31, 2013						
Items	Broker		Dealer		Total	
	Amount	%	Amount	%	Amount	%
Direct segment profit (loss)						
Segment revenue						
Brokerage	\$ 529,964	98	\$ -	-	\$ 529,964	93
Securities commission revenue	608	-	-	-	608	-
Clearance fee from consignment	13,427	2	-	-	13,427	3
Net gain on disposal of derivative	-	-	22,399	100	22,399	4
Futures management fees income	102	-	-	-	102	-
Futures advisory	1,185	-	-	-	1,185	-
Other operating revenue	595	-	-	-	595	-
Total revenue	<u>545,881</u>	<u>100</u>	<u>22,399</u>	<u>100</u>	<u>568,280</u>	<u>100</u>
Segment expense						
Brokerage	( 86,883)	( 16)	-	-	( 86,883)	( 15)
Dealers' brokerage	-	-	( 6,146)	( 27)	( 6,146)	( 1)
Futures commission	( 114,454)	( 21)	( 1,255)	( 6)	( 115,709)	( 20)
Clearance fee	( 71,865)	( 13)	( 4,121)	( 18)	( 75,986)	( 13)
Employee benefit expense	( 84,580)	( 15)	( 8,697)	( 40)	( 93,277)	( 16)
Depreciation and amortization	( 19,032)	( 3)	( 2,987)	( 13)	( 22,019)	( 4)
Financial cost	( 6,612)	( 1)	-	-	( 6,612)	( 1)
Other operating expense	( 96,967)	( 18)	( 28,919)	( 129)	( 125,886)	( 22)
Total expense	<u>( 480,393)</u>	<u>( 87)</u>	<u>( 52,125)</u>	<u>( 233)</u>	<u>( 532,518)</u>	<u>( 92)</u>
Segment operating income	<u>65,488</u>	<u>13</u>	<u>( 29,726)</u>	<u>( 133)</u>	<u>35,762</u>	<u>8</u>
Share of the profit or loss of associates and joint ventures accounted for using the equity method	( 1,048)	-	-	-	( 1,048)	-
Other gains and losses	<u>112,637</u>	<u>21</u>	<u>976</u>	<u>4</u>	<u>113,613</u>	<u>19</u>
Segment profit (loss)	<u>\$ 177,077</u>	<u>34</u>	<u>( \$ 28,750)</u>	<u>( 129)</u>	<u>148,327</u>	<u>27</u>
Indirect segment profit (loss)						
Management expense					( 19,095)	( 3)
Total					( 19,095)	( 3)
Net income before income taxes					129,232	23
Income tax expense					( 29,700)	( 5)
Net income					<u>\$ 99,532</u>	<u>18</u>

	Broker	Dealer	Other	Total
Segment assets (Note 1)	\$ -	\$ -	\$ -	\$ -

Note1: The Group's Chief Operating Decision-Maker does not use segment assets and liabilities as a basis for decision-making, therefore, the Group does not have to disclose the assets and liabilities of the operating segments.

#### 15. Subsequent events

None.

16. Related information of significant transitions

(1) Financing activities to any company or person: None.

(2) Endorsements and guarantees provided: None.

(3) Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital: None

(4) Disposal of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital: None

(5) Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000,000 : None.

(6) Purchases or sales transactions with related parties in excess of \$100 million or over 20% of paid-in capital balance: None.

(7) Other: Significant transactions between parent company and subsidiaries: None.

(Blank)



17. Information on investee (not including investees in Mainland China)

(1) Name of investee company, location, and related information are as follows:

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2014			Net income (loss) of the investee	Investment income (loss) recognized by the company	Note
				Balance as at March 31, 2014	Balance as at December 31, 2013	Number of shares (in thousands)	Ownership (%)	Book value			
Yuanta Futures Co., Ltd.	MF Global Investment Consulting Company	Taiwan	Investment and management consulting services	\$ 13,665	\$ 99,990	1,367	33.33	\$ 9,992	(\$ 1,716)	(\$ 572)	
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Ltd.	Hong Kong	Financial services	193,319	193,319	6,000	100.00	172,985	( 4,721)	( 4,721)	
Yuanta Futures Co., Ltd.	SYF Information Co., Ltd.	Taiwan	Information Technology Services	50,000	50,000	5,000	100.00	45,349	( 2,277)	( 2,277)	
SYF Information Co., Ltd	SYF Information (SAMOA) Limited	Samoa	Investment holdings	29,046	29,046	1,000	100.00	28,142	( 1,279)	( 1,279)	

(2) Information on investee companies with direct or indirect controlling interest is as follows:

- A. Financing activities to any company or person: None.
- B. Endorsements and guarantees provided: None.
- C. Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital: None
- D. Disposal of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital: None
- E. Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000,000 : None.
- F. Purchases or sales transactions with related parties in excess of \$100 million or over 20% of paid-in capital balance: None.
- G. Other: Significant transactions between parent company and subsidiaries: None.

18. Disclosure of information on indirect investment in Mainland China

(1)Basic information:

Name of investee in Mainland China	Main business activities	Issued capital	Investment method (Note 1)	Beginning balance of foreign investment from Taiwan	Investment movement within this period		Ending balance of foreign investment from Taiwan	Net income of investee	Percentage of direct or indirect investment holding	Gain (loss) recognized during the period (Note 2 & 3)	Book value as of March 31, 2014	Accumulated gain returned to Taiwan at end of period
					Invested amount	Returned amount						
SYF Information (Shanghai) Limited	R&D and creation of Computer software, E-commerce software, financial software; sale of self-manufactured products, wholesale and commission agency (import/export, except for auction) of similar products as mentioned above, provision of relevant technical consultancy services	\$24,288	(2) SYF Information (Samoa) Limited	\$4,887		-	\$4,887	(\$1,083)	\$100	(\$1,083)	\$3,590	-

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2014	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
SYF Information Limited	\$ 4,887	\$ 4,887	\$ 80,000

Note 1: Investment types are categorized into three sub-sections, as follows:

- (1) Direct investment in entities of Mainland China.
- (2) Reinvest in entities of Mainland China through indirect investment in the third place.
- (3) Others.

Note 2: In the 'Gain (loss) recognized during the period' column:

- (1)It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- (2)Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.

B. The financial statements that are audited and attested by R.O.C. parent company's CPA.

C. Others.

Note 3: Evaluated according to the financial statements of the Taiwan parent company which was audited by an independent accountant.

Note 4: The numbers in this table are expressed in New Taiwan Dollars.

(2) Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

(Blank)

## 19. Financial risk management

### (1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at March 31, 2014, December 31, 2013 and March 31, 2013 were as follows:

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Total borrowings	\$ -	\$ -	\$ -
Less: cash and cash equivalents	( 5,642,728 )	( 5,222,284 )	( 4,945,741 )
Net debt (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total equity (B)	<u>7,309,650</u>	<u>7,005,065</u>	<u>6,793,289</u>
Gearing ratio (A) / (B)	<u>-</u>	<u>-</u>	<u>-</u>

(2) Financial instruments

A. Fair value information of financial instruments

	March 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
<u>Non-derivative financial instruments</u>				
<u>Financial assets</u>				
Cash and cash equivalents	\$ 5,642,728	\$ 5,642,728	\$ 5,222,284	\$ 5,222,284
Held-to-maturity financial assets	29,491	29,410	29,644	29,351
Customer margin deposit	31,663,791	31,663,791	29,973,105	29,973,105
Accounts receivable - non-related parties	3,234	3,234	2,923	2,923
Accounts receivable - related parties	4,103	4,103	2,944	2,944
Other receivables - non-related parties	44,161	44,161	31,762	31,762
Other receivables - related parties	5,486	5,486	65,486	65,486
Other current assets	32	32	16	16
Available-for-sale financial assets-current	26,680	26,680	28,440	28,440
Available-for-sale financial assets - noncurrent	792,977	792,977	911,235	911,235
Operating guarantee deposits	185,000	185,000	185,000	185,000
Clearing and settlement funds	486,141	486,141	490,030	490,030
Refundable deposits	12,466	12,466	13,065	13,065
<u>Financial liabilities</u>				
Marginal loans from other securities lenders	31,551,688	31,551,688	29,884,112	29,884,112
Accounts payable - non-related parties	52,617	52,617	47,771	47,771
Accounts payable - related parties	18,146	18,146	16,750	16,750
Other payables - non-related parties	119,492	119,492	150,813	150,813
Other payables - related parties	187	187	183	183
<u>Derivative financial instruments</u>				
<u>Financial assets held for trading</u>				
Margin deposits - non-hedging	41,470	41,470	8,801	8,801
Purchased options - non-hedging	2,095	1,722	1,462	1,258
	Note 1	Note 1		
Sale of options liabilities	1,421	1,470	1,595	1,178
	Note 2	Note 2		

Note 1: Contract amount or margin paid was \$2,095; fair value on balance sheet date was \$1,722.

Note 2: Contract amount or margin paid was \$1,421; fair value on balance sheet date was \$1,470.

	March 31, 2013	
	Book value	Fair value
<u>Non-derivative financial instruments</u>		
<u>Financial assets</u>		
Cash and cash equivalents	\$ 4,945,741	\$ 4,945,741
Held-to-maturity financial assets	31,869,862	31,869,862
Customer margin deposit	15	15
Accounts receivable - non-related parties	3,696	3,696
Accounts receivable - related parties	4,214	4,214
Other receivables - non-related parties	57,788	57,788
Other receivables - related parties	8,074	8,074
Other current assets	30	30
Available-for-sale financial assets-current	108,396	108,396
Available-for-sale financial assets - noncurrent	847,328	847,328
Operating guarantee deposits	200,000	200,000
Clearing and settlement funds	496,979	496,979
Refundable deposits	16,148	16,148
<u>Financial liabilities</u>		
Marginal loans from other securities lenders	31,740,664	31,740,664
Accounts payable - non-related parties	61,651	61,651
Accounts payable - related parties	23,404	23,404
Other payables - non-related parties	173,435	173,435
Other payables - related parties	96	96
<u>Derivative financial instruments</u>		
Financial assets held for trading		
Margin deposits - non-hedging	20,613	20,613
Purchased options - non-hedging	4,109	3,868
Sale of options liabilities	3,411	2,101

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- (A) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments.
- (B) Financial assets for trading purpose, the fair value of non-derivative financial instruments were based on active quoted market price.
- (C) The fair values of operations guarantee deposits, clearing and settlement funds, and refundable deposits were determined based on their carrying values because their present value of expected cash flow amount is approximately equal to their carrying value.
- (D) The fair value of derivative financial instruments was based on active quoted market price if available.

- (E) Margin deposits and futures traders' equity are the amount that the Group should collect from customers. The fair value of these were determined based on daily closing market price.
- (F) For available-for-sale financial assets, the fair value was based on active quoted market price. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The discount rates used were the same as those of financial instruments with similar terms and characteristics, including credit status of the debtor, fixed rate covered period, maturity date and contract currency.

(G) The methods for valuations of the fair values of the various financial instruments are shown as follows:

a. Equity securities:

Except for those securities valued at cost as required by relevant laws and regulations, equity securities shall be adjusted to fair value which is the closing price at the stock exchange.

b. Debt securities:

For government bonds and corporate bonds, the valuation is based on the market price calculated using the average yield rate published by OTC. The derivatives related to bonds are valued by the valuation models which take the yield rates stated above or the prices of the bonds as parameters; if there is no active market for the bond, such bond will be valued by the valuation models which take the yield rates published by OTC as parameters.

c. Foreign exchanges instruments:

Shall be valued taking reference to foreign exchange rates published by the designated banks, the applied exchange rate will be the average of the buy and sell exchange rates.

d. Interest rate instruments:

For instruments like Interest Rate Swaps, sources for parameters for interest rates will be obtained from authoritative price reporting systems (for example, Reuters), markets for commercial papers of the approximately the same period, and the buy and sell interest rates published at fixed times during the day. Other parameters will also be brought into valuation models.

B. The methods of reporting derivative financial instruments on financial statements

(A) As of March 31, 2014, December 31, 2013 and March 31, 2013, the account balances of margin deposits were \$554,381, \$534,454 and \$856,196, respectively, and the amounts of deposits exceeding the limit were \$511,189, \$524,395 and \$831,715 were recognized in "cash and cash equivalents", respectively, other balances were recognized in "futures margin deposits - house fund".

(B) The gains on futures trading were \$91,801 and \$99,015 for the three months ended March 31, 2014 and 2013, respectively, and were recognized as "gain on disposal of financial instrument – futures".

(C) As of March 31, 2014 and 2013, the Group engaged in purchasing and selling of options with gains amounting to \$9,692 and \$20,414, respectively, and were recognized as

“gain on disposal of derivative financial instruments – gain on options contract”.

(D) The losses on futures were \$79,329 and \$77,354 for the three months ended March 31, 2014 and 2013, respectively, and were recognized as “loss on disposal of derivative financial instruments – loss on futures”.

(E) The Group was engaged in purchasing and selling of options with losses amounting to \$5,809 and \$19,676 for the three months ended March 31, 2014 and 2013, respectively, and were recognized as “gain on disposal of derivative financial instruments – loss on options contract”.

(F) As of March 31, 2014, December 31, 2013 and March 31, 2013, the account balances – disposal of options amounted to \$1,470, \$1,178 and \$2,101, and were recognized as “financial liabilities at fair value through profit or loss – current” and classified as “liability on disposal of options”. As of March 31, 2014, December 31, 2013 and March 31, 2013, the account balances – purchase of options amounted to \$1,722, \$1,258 and \$3,868, and were recognized as “financial assets at fair value through profit or loss – current” and classified as “purchase of options – non-hedging”.

### (3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group’s financial assets and liabilities that are measured at fair value at March 31, 2014, December 31, 2013 and March 31, 2013:

March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Futures	\$ 41,470	\$ -	\$ -	\$ 41,470
Options	1,722	-	-	1,722
Available-for-sale financial assets				
Exchange traded funds	26,680	-	-	26,680
Equity securities	67,662	-	725,315	792,977
Total	<u>\$ 137,534</u>	<u>\$ -</u>	<u>\$ 725,315</u>	<u>\$ 862,849</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 1,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,470</u>



December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Futures	\$ 8,801	\$ -	\$ -	\$ 8,801
Options	1,258	-	-	1,258
Available-for-sale financial assets				
Exchange traded funds	28,440	-	-	28,440
Equity securities	70,164	-	841,071	911,235
Total	<u>\$ 108,663</u>	<u>\$ -</u>	<u>\$ 841,071</u>	<u>\$ 949,734</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 1,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,178</u>
March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss				
Futures	\$ 20,613	\$ -	\$ -	\$ 20,613
Options	3,868	-	-	3,868
Available-for-sale financial assets				
Equity securities	163,333	-	792,391	955,724
Total	<u>\$ 187,814</u>	<u>\$ -</u>	<u>\$ 792,391</u>	<u>\$ 980,205</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 2,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,101</u>

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

- (A) Quoted market prices or dealer quotes for similar instruments.
- (B) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- (C) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- (D) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. The following table presents the changes in level 3 instruments as at March 31, 2014, December 31, 2013 and March 31, 2013.

	<u>Equity securities</u>	
January 1, 2014	\$	841,071
Disposed of in the period	(	156,817)
Gains and losses recognised in profit or loss	(	278,150)
Gains and losses recognised in other comprehensive income		319,211
March 31, 2014	<u>\$</u>	<u>725,315</u>
	<u>Equity securities</u>	
January 1, 2013	\$	739,485
Gains and losses recognised in other comprehensive income		52,906
March 31, 2013	<u>\$</u>	<u>792,391</u>

#### (4) System of risk management

##### A. Objectives of risk management

The Group controls any potential losses that might incur in operations within its tolerable limits by increasing completeness of risk management mechanism, establishing efficient risk management measures, models and systems, and monitoring the changes of whole risks strictly. The Group also puts efforts in allocating its capital more efficiently to raise the risk adjusted return on capital.

##### B. Risk management system

The Group's risk management system is in compliance with the "Risk Management Policy" of Yuanta Financial Holding Co., Ltd. and "Risk Management Practice Principles for Futures Commission Merchants" of Taiwan Futures Exchange. The Group has established the Risk Management Policy, which is the internally highest risk management standard authorized by the Board of Directors, comprising objectives, scopes, powers and responsibilities, and procedures of risk management.

##### C. Organizational structure of risk management

(A) The Group's organizational structure of risk management comprises the Board of Directors, Audit Committee, high management level, Risk Management Department, Legal Compliance Department, Auditing Office, each business unit and each functional committee; they all together form three lines of defense for risk management.

- a. First line of defense: First line of defense includes each business unit and each functional committee, whose personnel are serving in the operational or administration division and have responsibilities for risk identification, risk assessment and risk control.
- b. Second line of defense: Second line of defense includes high management level, Risk Management Department and Legal Compliance Department, which are responsible for risk monitoring, risk management and taking measures in response to risk issues in accordance with the Company's Risk Management Policy. The Group also takes part in the Risk Management Committee of Yuanta Financial Holding Co., Ltd. for integration of risk control and management in the Group.
- c. Third line of defense: Third line of defense includes the Board of Directors, Audit Committee and Auditing Office. Auditing Office conducts audits especially in the risk consideration to ensure every risk is under control.

(B) The function of each unit in the structure of risk management of the Group is as follows:

- a. The Board of Directors: The Board of Directors has ultimate responsibility for risk management on all businesses and operations in the Group; it shall be fully aware of every risk exposure to the Group, and then determines tolerable limit for every risk, allocates resources effectively, and authorizes relevant departments to execute risk measures for the achievement of effective risk management. The Board of Directors hears risk management and other related reporting by Risk Management Department, Auditing Office and Finance Department regularly to evaluate the impact of every risk and the impact on capital allocation, and determines responding strategies.
- b. Audit Committee: Audit Committee directs the execution of the risk management system under the commission of the Board of Directors; its main duties include review of the Group's risk scopes and risk toleration capability, of the Risk Management Policy and relevant principles, and of annual authorized acceptable limit of risk of each kind, as well as directing the execution of the risk management system.
- c. Risk Management Department: Risk Management Department, an independent department under the Board of Directors, is responsible for market risk, liquidity risk and credit risk management, and controls operational risk with Auditing Office together; its main duties include daily risk monitoring and assessments of risk management affairs. Risk Management Department exercises its authority independently from business units and trading activities, and holds accountability to the Board of Directors directly. By employing the risk management information system, Risk Management Department monitors trading conditions in the futures market during the trading time every day and performs analyses after the closing of trading time; it also checks the use status of risk limits authorized to each business unit, and assesses risk exposures and extent of risk concentration, and submits risk management reports regularly.
- d. Auditing Office: Auditing Office, an independent department under the Board of Directors, is responsible for legislation and internal control system compliance management, operational risk management and supervision of operational risk management procedures. In accordance with the internal control rules of regulatory authorities, and adjusted operational risk management procedures appropriately in line with the amendments to the regulations of regulatory authorities, Taiwan Futures Exchange and Chinese National Futures Association or for the changes in the Group's business.

- e. Legal Compliance Department: Legal Compliance Department is responsible for review of legal compliance for the Group's businesses, operations, trading and transaction contracts/documents and offering legal options on those aspects and pushing the execution of legal compliance within the Group together with Auditing Office.
- f. Each business unit: Each business unit is liable for the first-line risk management. The directors of each business unit are in charge of the whole risk management on businesses and trading activities of the unit, including analyzing and controlling risk exposures, drawing up responding plans and taking measures against risk when necessary, and also conveying related information to Risk Management Department to ensure the risk control mechanism and procedures are all effectively executed, and comply with the legislation and the Group's Risk Management Policy and regulations.

#### D. Procedures of risk management

The Group's procedures of risk management include risk identification, risk measurement, risk management and risk reporting. The design of these procedures is to ensure all risks faced by the Group can be effectively controlled.

(A) Risk identification: The Group identifies risks, through business and product analyses, that may arise during the courses of operations, including market risk, credit risk, liquidity risk, operational risk, legal risk and model risk, and finds out risk factors of risk exposure of each kind, selects appropriate method of risk measurement, and establishes risk indexes and judgment principles and risk control procedures that can be connected to the internal information system.

(B) Risk measurement: The Group measures market risk by using scenario analysis, sensitivity analysis and VaR model and credit risk by using the credit rating system, option pricing model (ex. KMV) and following the Group's credit risk assessment rules. Operational risk is controlled by establishing standard operating procedures, establishing internal and external event notification mechanism, reviewing current operating procedures and employing operational risk management methods.

(C) Risk management: Risk monitoring and control are performed through the use of risk management tools, establishment of acceptable limits of risks and division of authority and responsibilities. Different risk management tools and information systems and statements are developed and employed for different risks to raise the efficiency and quality of risk management.

(D) Risk reporting: Risk information and risk management performing results are compiled as risk management statements or reports. These results are disclosed periodically and provided as a reference to the management in making risk management policy and rules.

#### E. Hedging and risk diminishing strategies

The Group has established hedging tools and hedging mechanisms for risks of each business based on its capital scale and risk toleration capability. Through hedging mechanisms, the Group may restrict risks within authorized limits, and employ authorized financial instruments, based on market conditions, business strategies, characteristics of commodities and risk management rules, to adjust risk positions within acceptable levels.

#### (5) Market risk

The Group's financial assets include bank deposits, government bonds, treasury bonds, bank debentures, negotiable certificates of deposit, commercial papers or other short-term notes and

bills authorized by Ministry of Finance, domestic listed stocks, securities investment trust funds, offshore funds authorized by competent authorities to be raised and sold in ROC, futures trust funds, futures trading listed in Article 5 of Futures Trading Act, hedging trading of bond options and other financial instruments authorized by competent authorities. The fair value of these financial assets would be changed by the fluctuations of market prices or interest rates.

To manage market risk, the Group has established the Rules of Financial Instruments Investment Risk Management, including Rules of Dealer Trading Risk Management and Rules of Medium and Long-term Securities Investment Risk Management, and established various control mechanisms based on the characteristics of financial instrument risks, such as position limits, stop-loss amounts and exception management. The Group also conducts market risk quantitative management by employing VaR model in the measurement and control of market risk of each position.

Through the VaR model, the Group measures market risk by estimating maximum possible losses of the trading positions for the next day at the 99% confidence level. The average VaR of all trading for the three months ended March 31, 2014 was NT\$ 3.672 million. According to the types of trading, the average VaR of equity trading, commodity trading, foreign-exchange-rate trading and interest-rate trading was NT\$ 2.090 million, NT\$ 2.904 million, NT\$ 599 million and NT\$ 0 million, respectively, for the three months ended March 31, 2014 (see the table below).

<Table> VaR of Trading of Different Types

Period: January 1 ~ March 31, 2014

Amount in thousands of NTD

Type of Trading	Equity	Commodity	Foreign Exchange Rate	Interest Rate	Total
March 31, 2014	4,185	3,471	1,137	-	6,215
Average	2,090	2,904	599	-	3,672
Lowest	1,088	782	-	-	1,484
Highest	4,246	6,028	1,299	-	6,226

Note 1 : Trading included futures dealer trading and securities dealer trading but excluded medium and long-term securities investments.

Note 2 : Total category of value-at-risk may be less than the amount of value-at-risk of equity, commodity, foreign exchange rate and interest rate, that's due to diversification effects between different categories.

The Group continues to run model validation and back testing to ensure that the Group's VaR model can reasonably, completely and correctly measure maximum potential losses of financial instruments.

#### (6) Credit risk analysis

The Group is exposed to credit risk from financial trading, including issuer credit risk, counterparty credit risk and underlying asset credit risk.

A. Issuer credit risk occurs when issuer (or guarantor) of the financial debt instruments held by the Group or bank with which the Group deposits money fails to fulfill contractual obligations (or guarantor's obligations) because of its default, bankruptcy or liquidation, which would cause a financial loss to the Group.

B. Counterparty credit risk occurs when counterparty of the financial instrument transaction

undertaken by the Group fails to fulfill settlement or payment obligation on the appointed day, which would cause a financial loss to the Group.

C. Underlying asset credit risk refers to the risk of loss that may arise from deterioration of credit quality of the underlying asset linked to the financial instruments or increasing of credit risk premium or downgrade of credit rating or contract default.

The financial assets of the Group with credit risk include bank deposits, debt securities, OTC derivative trade, repurchase agreement/reverse repurchase agreement of bonds (bills), deposits for securities borrowing and lending trade, margins for futures trade, other margins and receivables.

#### A. Analysis of concentration of credit risk

##### (A) Geography location:

Percentages of credit risk exposure amounts of the Group's financial assets by geographic area were as follows (see the table below): The first highest—Taiwan 92.70%, the second highest—Asia (excluding Taiwan) 4.25%, the third highest—Europe 2.94%. Compared to the same period last year, the proportion of investments in Europe and Asia has increased slightly in this period.

	March 31, 2014	December 31, 2013	March 31, 2013
Taiwan	\$ 35,334,255	\$ 33,664,220	\$ 35,761,486
Asia(not including Taiwan)	1,618,474	1,364,912	1,035,344
Europe	1,119,231	935,181	728,689
America	44,506	59,146	102,894
Other	1,636	1,601	1,602
Total	<u>\$ 38,118,102</u>	<u>\$ 36,025,060</u>	<u>\$ 37,630,015</u>

##### (B) Industry:

Percentages of credit risk exposure amounts of the Group's financial assets by industry were as follows (see the table below): Financial institutions are 99.96% and other industries is 1% below. Credit risk is concentrated in financial institutions because the Group's own capital and margins received from customers were both deposited with financial institutions, debt securities held by the Group were issued or guaranteed by banks, and counterparties of derivative trade and reverse repurchase agreement of bonds undertaken by the Group were banks, futures clearing and settlement institution and re-consigned futures firms. The percentages distribution did not change significantly in this period compared to the corresponding period of last year.

	March 31, 2014	December 31, 2013	March 31, 2013
Privately owned businesses	\$ -	\$ -	\$ 54,208
Financial institutions	38,105,605	36,011,947	37,559,607
Individuality	-	-	16
Other	12,497	13,113	16,184
Total	<u>\$ 38,118,102</u>	<u>\$ 36,025,060</u>	<u>\$ 37,630,015</u>

#### B. Analysis of credit risk levels

Credit risk rating is categorized into Excellent, Standard, Below standard, Other and the definitions are illustrated below:

(A) Excellent: The underlying position or an entity is capable of fulfilling its financial commitment even if facing significant uncertain factors or exposed to an adverse

condition.

- (B) Standard: the underlying position or an entity's capacity to fulfill the contractual obligation is weak, and any adverse movement toward operation, finance or economy could further weaken its capacity to fulfill financial commitment.
- (C) Below standard: the underlying position or an entity's capacity to fulfill the contractual obligation is weak, and the fulfillment of the contractual commitment depends on the advantageous movement in operating environment and financial status.
- (D) Other: This level shows that the counterparty or the underlying asset does not fulfill contractual obligations, or for other reasons fails to (or not) do the internal credit risk ratings.

The credit quality levels of the Group's financial assets were classified as follows: Excellent is 98.77%, standard is 1.19%, below the standard is 0.04%. The result of credit quality level classification did not change significantly in this period compared to the corresponding period of last year.

	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Excellent	\$ 37,650,700	\$ 35,759,541	\$ 37,321,407
Standard	452,237	250,045	97,714
Below standard	15,165	15,474	210,894
Total	<u>\$ 38,118,102</u>	<u>\$ 36,025,060</u>	<u>\$ 37,630,015</u>

(7)Liquidity risk analysis

- A. Liquidity risk of capital refers to the risk arising from the Group's inability to raise funds adequately in a period, which makes it unable to fulfill repayment or disbursement obligations on the expiry days. For liquidity risk management, the Group has established a warning system based on the nature of its businesses, including capital liquidity index, current ratio, loan lines granted by financial institutions and capital shortfall indication, which can estimate in advance the possible capital shortfall in certain periods and help the Group be aware of the overall liquidity risk of capital; the Group has also established a fund procurement plan in response to the occurrence of systematic risk events or exceptional capital flows. For the realization, marketability and safety of current assets, the Group has established the rules of capital risk management, which state the Group's bank deposits, bond trade, repo trade, etc. must meet certain level above of the internal rating and their positions and liquidity shall be monitored regularly.
- B. The information about the maturity of the Group's financial liabilities is shown below. The Group's working capital is sufficient enough to meet its funding requirements in the future. Therefore it has no liquidity risk that would arise from inability to raise funds to fulfill repayment or disbursement obligations.

Expressed in Thousands of New Taiwan Dollars

Cash flow analysis of financial liabilities on March 31, 2014

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit and loss	\$ 1,470	\$ -	\$ -	\$ -	\$ -	\$ 1,470
214080	Futures trader's equity	31,551,688	-	-	-	-	31,551,688
214130	Accounts payable-non-related parties	-	52,109	508	-	-	52,617
214140	Accounts payable-related parties	-	18,146	-	-	-	18,146
214170	Other payables-non-related parties	-	50,658	65,838	2,799	197	119,492
214180	Other payables-related parties	-	187	-	-	-	187
	Total	<u>\$ 31,553,158</u>	<u>\$ 121,100</u>	<u>\$ 66,346</u>	<u>\$ 2,799</u>	<u>\$ 197</u>	<u>\$ 31,743,600</u>
	Percentage (%) of overall	99.40%	0.38%	0.21%	0.01%	0.00%	100.00%



Expressed in Thousands of New Taiwan Dollars

Cash flow analysis of financial liabilities on December 31, 2013

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit and loss	\$ 1,178	\$ -	\$ -	\$ -	\$ -	\$ 1,178
214080	Futures trader's equity	29,884,112	-	-	-	-	29,884,112
214130	Accounts payable-non-related parties	-	47,263	508	-	-	47,771
214140	Accounts payable-related parties	-	16,750	-	-	-	16,750
214170	Other payables-non-related parties	-	120,289	15,562	14,765	197	150,813
214180	Other payables-related parties	-	183	-	-	-	183
	Total	<u>\$ 29,885,290</u>	<u>\$ 184,485</u>	<u>\$ 16,070</u>	<u>\$ 14,765</u>	<u>\$ 197</u>	<u>\$ 30,100,807</u>
	Percentage (%) of overall	99.28%	0.61%	0.05%	0.05%	0.00%	100.00%

Expressed in Thousands of New Taiwan Dollars

Cash flow analysis of financial liabilities on March 31, 2013

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit and loss	\$ 2,101	\$ -	\$ -	\$ -	\$ -	\$ 2,101
214080	Futures trader's equity	31,740,664	-	-	-	-	31,740,664
214130	Accounts payable-non-related parties	61,651	-	-	-	-	61,651
214140	Accounts payable-related parties	23,404	-	-	-	-	23,404
214170	Other payables-non-related parties	-	74,488	40,686	58,064	197	173,435
214180	Other payables-related parties	-	96	-	-	-	96
	Total	<u>\$ 31,827,820</u>	<u>\$ 74,584</u>	<u>\$ 40,686</u>	<u>\$ 58,064</u>	<u>\$ 197</u>	<u>\$ 32,001,351</u>
	Percentage (%) of overall	99.46%	0.23%	0.13%	0.18%	0.00%	100.00%

The group raises funds for a period of three months or less by borrowing short-term loans and issuing commercial papers and bonds sold under repurchase agreement. Financial liabilities with a period of three months above are OTC derivative instruments, including forward foreign exchange contracts and other payables.

Amounts shown in the table of cash flow of financial liabilities are the total amounts of cash flow of such liabilities, which are not discounted.

Expressed in Thousands of New Taiwan Dollars

The analysis of cash flow gap on March 31, 2014

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,252,171	\$ 1,952,258	\$ 2,438,299	\$ -	\$ -	\$ 5,642,728
112000	Financial assets at fair value through profit or loss-current	43,192	-	-	-	-	43,192
114070	Margin deposits	31,663,791	-	-	-	-	31,663,791
114130	Accounts receivable-non-related parties	-	3,234	-	-	-	3,234
114140	Accounts receivable-related parties	-	4,103	-	-	-	4,103
114170	Other receivables-non-related parties	-	44,130	31	-	-	44,161
114180	Other receivables-related parties	-	5,486	-	-	-	5,486
113400	Available-for-sale financial assets-current	26,680	-	-	-	-	26,680
113500	Held-to-maturity financial assets-current	-	29,491	-	-	-	29,491
119000	Other current assets	-	32	-	-	-	32
123400	Available-for-sale financial assets-non-current	-	-	-	792,977	-	792,977
129010	Operating guarantee deposits	-	-	-	-	185,000	185,000
129020	Clearing and settlement funds	-	-	-	-	486,141	486,141
129030	Refundable deposits	-	-	-	12,466	-	12,466
	Subtotal	\$ 32,985,834	\$ 2,038,734	\$ 2,438,330	\$ 805,443	\$ 671,141	\$ 38,939,482
	Cash inflow	\$ 32,985,834	\$ 2,038,734	\$ 2,438,330	\$ 805,443	\$ 671,141	\$ 38,939,482
	Cash outflow	31,553,158	121,100	66,346	2,799	197	31,743,600
	The amount of capital gap	\$ 1,432,676	\$ 1,917,634	\$ 2,371,984	\$ 802,644	\$ 670,944	\$ 7,195,882

Expressed in Thousands of New Taiwan Dollars

The analysis of cash flow gap on December 31, 2013

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,135,623	\$ 780,717	\$ 3,305,944	\$ -	\$ -	\$ 5,222,284
112000	Financial assets at fair value through profit or loss-current	10,059	-	-	-	-	10,059
114070	Margin deposits	29,973,105	-	-	-	-	29,973,105
114110	Notes receivable	-	162	-	-	-	162
114130	Accounts receivable- non-related parties	-	2,923	-	-	-	2,923
114140	Accounts receivable-related parties	-	2,944	-	-	-	2,944
114170	Other receivables-non-related parties	-	31,731	-	31	-	31,762
114180	Other receivables-related parties	-	65,486	-	-	-	65,486
113400	Available-for-sale financial assets-current	28,440	-	-	-	-	28,440
113500	Held-to-maturity financial assets-current	-	-	29,644	-	-	29,644
119000	Other current assets	-	16	-	-	-	16
123400	Available-for-sale financial assets-non-current	-	-	-	911,235	-	911,235
129010	Operating guarantee deposits	-	-	-	-	185,000	185,000
129020	Clearing and settlement funds	-	-	-	-	490,030	490,030
129030	Refundable deposits	-	-	-	13,065	-	13,065
	Subtotal	\$ 31,147,227	\$ 883,979	\$ 3,335,588	\$ 924,331	\$ 675,030	\$ 36,966,155
	Cash inflow	\$ 31,147,227	\$ 883,979	\$ 3,335,588	\$ 924,331	\$ 675,030	\$ 36,966,155
	Cash outflow	29,885,290	184,485	16,070	14,765	197	30,100,807
	The amount of capital gap	\$ 1,261,937	\$ 699,494	\$ 3,319,518	\$ 909,566	\$ 674,833	\$ 6,865,348

Expressed in Thousands of New Taiwan Dollars

The analysis of cash flow gap on March 31, 2013

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,669,021	\$ 1,277,150	\$ 1,999,570	\$ -	\$ -	\$ 4,945,741
112000	Financial assets at fair value through profit or loss-current	24,481	-	-	-	-	24,481
114070	Margin deposits	31,869,862	-	-	-	-	31,869,862
114080	Futures trading margin receivable	-	-	15	-	-	15
114130	Accounts receivable- non-related parties	-	3,696	-	-	-	3,696
114140	Accounts receivable-related parties	-	4,214	-	-	-	4,214
114170	Other receivables-non-related parties	-	57,788	-	-	-	57,788
114180	Other receivables-related parties	-	8,074	-	-	-	8,074
113400	Available-for-sale financial assets-current	108,396	-	-	-	-	108,396
119000	Other current assets	30	-	-	-	-	30
123400	Available-for-sale financial assets-non-current	-	-	-	847,329	-	847,329
129010	Operating guarantee deposits	-	-	-	-	200,000	200,000
129020	Clearing and settlement funds	-	-	-	-	496,979	496,979
129030	Refundable deposits	-	-	-	16,148	-	16,148
	Subtotal	\$ 33,671,790	\$ 1,350,922	\$ 1,999,585	\$ 863,477	\$ 696,979	\$ 38,582,753
	Cash inflow	\$ 33,671,790	\$ 1,350,922	\$ 1,999,585	\$ 863,477	\$ 696,979	\$ 38,582,753
	Cash outflow	31,827,820	74,584	40,686	58,064	197	32,001,351
	The amount of capital gap	\$ 1,843,970	\$ 1,276,338	\$ 1,958,899	\$ 805,413	\$ 696,782	\$ 6,581,402

## (8) Currency risk

The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

Financial instrument	March 31, 2014		December 31, 2013		March 31, 2013	
	Foreign currency (in thousands)	Exchange rate	Foreign currency (in thousands)	Exchange rate	Foreign currency (in thousands)	Exchange rate
<u>Financial assets</u>						
<u>Monetary items</u>						
USD/NTD	\$ 478,817	30.4700	\$ 428,899	29.8050	\$ 13,036,832	29.8250
JPY/NTD	807,793	0.2960	1,085,210	0.2839	347,385	0.3172
HKD/NTD	63,271	3.9270	60,977	3.8430	389,957	3.8430
EUR/NTD	3,147	41.9300	3,219	41.0900	148,723	38.2300
GBP/NTD	763	50.7100	971	49.2800	48,082	45.3200
AUD/NTD	387	28.1350	387	26.5850	6,800	31.0750
SGD/NTD	71	24.1700	83	23.5800	2,191	24.0700
CNY/NTD	250,737	4.9000	251,837	4.9190	96,349	4.8060
USD/HKD	5,198	7.7578	6,179	7.7557	27,655	7.7609
USD/CNY	113	6.0969	163	6.0592	-	-
KRW/HKD	257,099	7.2540	309,669	0.0074	-	-
CNY/HKD	24,273	1.2503	24,188	1.2800	68	1.2495
GBP/HKD	9	12.8989	-	-	-	-
EUR/HKD	29	10.6429	-	-	989	9.9480
JPY/HKD	289	0.0760	-	-	21,958	0.0825
CNY/USD	-	-	1,306	0.1650	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD/NTD	473,840	30.4700	424,815	29.8050	12,802,931	29.8250
JPY/NTD	677,376	0.2960	967,271	0.2839	302,475	0.3172
HKD/NTD	55,464	3.9270	54,042	3.8430	363,142	3.8430
EUR/NTD	2,771	41.9300	3,050	41.0900	100,741	38.2300
GBP/NTD	489	50.7100	695	49.2800	27,365	45.3200
AUD/NTD	386	28.1350	387	26.5850	6,679	31.7500
SGD/NTD	70	24.1700	81	23.5800	1,633	24.0700
USD/HKD	3,643	7.7578	4,504	7.7557	4,481	7.7609
KRW/HKD	256,825	7.2540	307,011	0.0074	-	-
JPY/HKD	286	0.0760	-	-	1	0.0825
GBP/HKD	9	12.8989	-	-	-	-
EUR/HKD	29	10.6429	-	-	-	-
CNY/USD	216	0.1644	-	-	-	-