Yuanta Securities Finance Co., Ltd.

2013 Annual Report

1. Contact information of company spokesperson and deputy spokesperson

	Company Spokesperson	Company Deputy Spokesperson
Name/Title	Chuang Yu-De / Chairman	Hong Rong-Ting / Vice President
Tel	(02) 2173-6656	(02) 2173-6851
E-mail	YudeChuang@yuanta.com	DavidHong@yuanta.com

2. Contact information of YSF

Company Name	Address	
	Website	Tel
Yuanta Securities Finance	12F , No.66 , Dunhua S. Rd., Sec. 1, Taipei Taiwan	
	http://www.yuantafinance.com.tw	(02) 2173-6833

3. Contact information of stock transfer agent

Stock Transfer Agent	Stock-Related Services Dept., Yuanta Securities	Tel	(02) 2586-5859
Website	http://agent.yuanta.com.tw	Address	B1,No.210, Chengde Rd., Sec. 3, Taipei Taiwan

4. Contact information of credit rating agency

Credit Rating Agency	Address	Tel
Taiwan Ratings Corporation	49F, No. 7, Xinyi Rd., Sec. 5, Taipei, Taiwan (Taipei 101 Building)	(02) 8722-5800

5. Contact information of independent accountants

Name	Lin Sk, Kuo Ellen	Tel	(02) 2729-6666
CPA Firm	PricewaterhouseCoopers Taiwan	Address	27F, International Trade Building, No.333, Keelung Rd., Sec. 1, Taipei, Taiwan
Website	http://www.pwc.com/tw/		

6. Name of foreign exchanges listed where company stock is and sources for searching the said foreign listed stock ：None

Contents

I. Letter to Shareholders

1. Business report for the 2013 fiscal year

A. Business plan and accomplishments.

Margin loans and stocks loans are the company's core business. The company upholds positive, reliable and efficient concepts to continue serving agency and consolidated securities firms and establish partnerships with agency. Due to the impact of capital gain tax and market environment, the stock market was very sluggish in 2013. The Company's margin loans balance dropped drastically. Our business accomplishments are as follows:

Unit: Hundred million NT$

Average balance of margin loans and re-financing	Average balance of stocks loans and stocks re-financing (guarantee fund + margin)	Average balance of securities lending
108.73	18.44	10.07

B. Financial income and expenses / profitability analysis

The company's operating revenue decreased by 27.79% in 2013 compare with 2012. As a result of averaged margin loans balance in 2013 less than that in 2012 by NT$3.432 billion, i.e. 23.99%. The decrease in operating revenue resulted in the decrease in loan and operating cost respectively and operating cost decreased by 42.54％ compared with 2012. The operating income decreased by 23.73%. As a result of the gain from disposal of financial assets in 2013, NT$7.176 million and the loss from disposal of financial assets was in 2012 NT$88.83 million, the non-operating revenue and expense increased by 41.09%.The net profit after tax decreased by 7.96% compare with 2012. Please see the following table:

Year	Total assets (thousand dollars)	Total income (thousand dollars)	Net income (thousand dollars)	EPS(NT$)
2012	19,532,631	1,062,996	425,625	0.71
2013	19,251,668	834,119	391,740	0.70

C. Research and development

The company is continuing to implement an information platform and in-depth cooperation program, strengthen securities trader information services, and engage in diversified business through a franchise channel approach in conjunction with the group's diversified products, ensuring that Yuanta Securities Finance's agent services indirectly benefit.

2. Summary of business plan for the 2014 fiscal year

A. Business plan

(1) Stabilize current agency firms: It will rely on sales promotion activities and service packages supporting agents to strengthen the competitiveness of agents and consolidate its relationships.

(2) Expand negotiable securities lending services: Responding to the growth of derivative markets and increase in strategic trading, it will take proprietary securities traders as its main customer base, and may even extend towards foreign investors.

(3) Save operating cost and expenses: and enhance operating profit margin.

(4) Create synergies within the financial holding group: Take the initiative in offering agency services to securities firms, such as re-consigned trading, futures introducing broker, settlement banking etc.

(5) Strictly manage credit risk: It will reinforce risk control and implementation of a quota mechanism, ensuring that risk control and sales growth develop in parallel.

B. Expected 2014 Business Status of Operations

Unit: Hundred million NT$

Average balance of margin loans and re-financing	Average balance of stocks loans and stocks re-financing (guarantee fund + margin)	Average balance of securities lending
106.10	15.11	10.00

3. Future development strategies of the company

A. With the changes in laws and regulations, we will develop other new businesses, and diversify current businesses.

B. Because the role of securities financing company has been significant change in the market, we will strive for the opportunity of new business and deregulation.

4. Impact from external competitive environment, regulatory environment and overall operational environment

In 2013, the structure of the market the company engaged in remained unchanged. However, due to the imposition of a capital gains tax and change in the market environment, the securities firms consolidated or securities traders in 2013, there are one agency run securities finance operations by themselves, and two agencies merged by another securities company. All these developments will affect the company's market share.

II. Company Profile

1. Date of establishment

Date founded: March 10, 1980

Date of incorporation: April 21, 1980

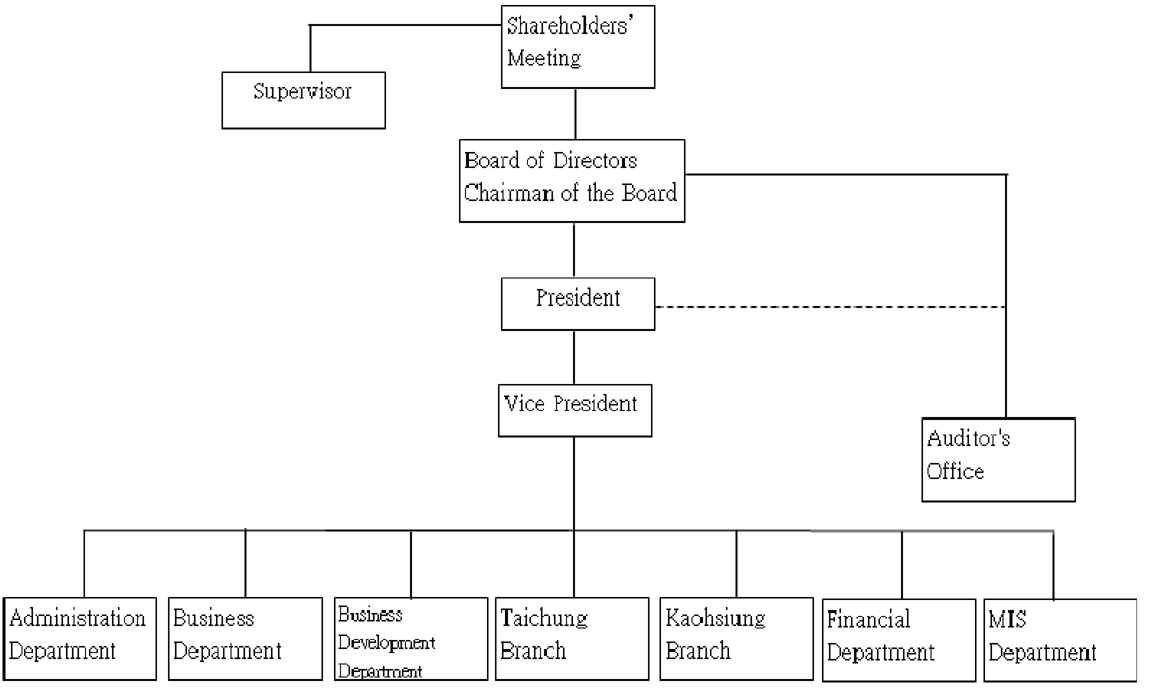
2. Company milestones

April 1980	The company granted permission by the Ministry of Finance and Securities and Futures Bureau to operate just the securities margin financing and security loans business. The founding vision of the company was to promote growth in the securities market, regulate the supply of money in the securities market and establish a comprehensive securities financing system.
September 1981	Operated stock depository business to provide safe and secure settlement in securities markets.
September 1990	1. Transferred stock depository business, staff, equipment and stock to the depository company. 2. Passage of the amendments to the Rules Governing *Securities* Finance Enterprises enabled the company to expand its business beyond securities margin financing to include refinancing business for securities margin financing firms.
July 1992	Taichung branch established
September 1993	Kaohsiung branch established
November 1994	Officially became a listed company, and shared the operating results with the public
February 2002	Co-transformed with Fuhwa Securities to establish Fuhwa Financial Holding Co., Ltd.
September 2007	Name changed to Yuanta Securities Finance.
November 2007	Completed NT $1 billion capital increase.
August 2008	Completed NT$6 billion capital increase.
May 2009	Completed NT$1.5 billion capital increase via capital reserve
February 2010	Acquirement of margin loans and stock loans from Entie Securities Finance.
September 2010	Acquirement of margin loans and stock loans and refinancing business from Fubon Securities Finance.
October 2010	Transfer of partial creditor's rights on certain business to Yuanta Securities.
November 2010	Completed NT$6 billion capital increase via statutory surplus and capital reserve
January 2011	Completed NT$16.5 billion capital decrease.
June 2011	Completed NT$3.8 billion capital increase via statutory surplus and capital reserve
November 2011	Completed NT$3.8 billion capital decrease.
August 2013	Completed NT$1 billion capital decrease.

III. Corporate Governance Report

1. Organizational system

A. Organization chart



B. Operating business of the various major departments

(1) Administration Department: Handles board affairs, human resources, general affairs, cashiering, clerical duties, custodial, security protection, and share affairs, etc.

(2) Business Development Department: Handles planning, analysis, estimation and evaluation of the company's overall business, management of reinvestment business, business expansion of credit transactions, legal matters, litigation, debt recovery, legal advisory service and legal compliance system, etc.

(3) Business Department: Credit transaction account processing, securities firms and securities refinancing, cash replenishment and underwriting securities financing, securities underwriter financing, securities settlement financing, securities lending financing , risk control management, etc.

(4) Financial Department: Handles financial management, financial scheduling, accounting, and "undertaking" government debentures trading.

(5) MIS Department: Handles the planning, design and implementation of the company's various business data processing affairs.

(6) Auditor's Office: Audit all internal business divisions.

(7) Branches: Operates and expands business in the company's respective business locations.

2. Information on directors, supervisors, president, vice president and managers

A. Information on directors and supervisors

January 31, 2014

Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Representative of Yuanta Financial Holdings Co. Ltd：Chuang Yu-De	2013.06.01	3	2001.05.22	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	Masters degree from National Taiwan Cheng Chi University, President and Vice President of the Company; Chief and Deputy Chief of the Ministry of Finance's Finance Bureau	Executive Vice President and Chief Secretary of Yuanta Financial Holdings; Director of Yuanta Foundation	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd：Lee Ya-pin	2013.06.01	3	2009.05.22	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	Master's degree, Soochow University Graduate School of Law Executive vice president, Yuanta Securities Co., Ltd.; Executive vice president, Senior vice-president, vice-president Yuanta Core Pacific Securities Co., Ltd.; Lecturer in Chung-Yuan Christian University Law department and Yuan-Ze University finance department; vice president, proprietary trading department, AVP Strategic planning office of Sampo Securities; Special Assistance and Manger department Manager of Jing-Huei Tong securities; Researcher in Securities and Futures Institute	The Company's President; Director, Yuanta Venture Capital; Director, Yuanta I Venture Capital.	—	—	—

Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation ship
Director	Representative of Yuanta Financial Holdings Co. Ltd：Yu Yao-ting	2013.06.01	3	2010.02.01	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	Ph.D., University of Texas at Austin (USA) School of Information, Senior Vice President for Yuanta Financial Holdings, Yuanta Core Pacific Securities and Yuanta Securities IT department. Chairman of Si-En IT Co Ltd	Senior Vice President for Yuanta Financial Holdings IT department ；Executive Vice President of Yuanta Securities Co., Ltd.; Director, Yuanta Futures; Director, SYF Information (Shanghai).	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd：Yu Kuang-hua	2013.06.01	3	2009.04.16	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	China Junior College of Marine Technology, Marine Engineering Department Vice-president and Senior assistant vice president, Yuanta Securities Co., Ltd.	Senior Vice-president, Yuanta Securities Co., Ltd.；Executive Vice President of Yuanta Securities Co., Ltd.; Director of Yuanta International Insurance Brokers	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd：Hong Rong-Ting	2013.06.01	3	2011.12.12	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	MBA from Oregon State University, Assistant Vice President, Senior Manager and Assistant Manager of the Company	The Company's Vice-president, Supervisor of Business Development Department	—	—	—

Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Supervisor	Representative of Yuanta Financial Holdings Co. Ltd : Chang Tsai-Yu	2013.06.01	3	2005.06.30	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	MBA, National Chengchi University; Executive Vice President Yuanta Commercial Bank; Vice President, Yuanta Core Pacific Securities; Director, Core Pacific-Yamaichi International (Hong Kong) Co., Ltd.; Assistant Vice President, Strategic Planning Office, Tingkong Securities Co., Ltd.; Manager, Underwriting (and Bond Department) Yung Li Securities	Senior Vice President, Yuanta Financial Holdings; Senior Vice President, Yuanta Bank; Director, Yuanta Life Insurance Agent; Supervisor, Yuanta Asset Management; Supervisor, Yuanta Venture Capital; Supervisor, Yuanta I Venture Capital; Supervisor, Yuanta Securities Finance; Director, Yuanta Securities Holdings (BVI); Director, SYF Information (Samoa); Director, Polaris Investment Management (Cayman); Director, Polaris Holdings (Cayman) Ltd.	—	—	—
Supervisor	Representative of Yuanta Financial Holdings Co. Ltd : Liao Yueh-Jung	2013.06.01	3	2010.07.28	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100 %	—	—	—	—	B.A from Tamkang University, Senior assistant vice president of Yuanta Securities Co., Ltd.	Senior assistant vice president of Yuanta Securities ; Director of Yuanta Securities Holding (BVI); Supervisor of Yuanta Insurance Brokers	—	—	—

Note:
1. Yuanta Financial Holdings holds all company shares, and assigns all directors and supervisors; the 12th term of directors and supervisors started from June 01, 2013 and will end on May 31, 2016.
2. The number of shares held while elected is based on the Yuanta Financial Holdings shares held on June 01, 2013.
3. The date elected is the date that the director or supervisor first takes office.

(1) Main institutional shareholders

7/25/2013

Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Yuanta Financial Holdings	Tsun Chueh Investment Co., Ltd.	3.88%
	Yuan Hung Investment Co., Ltd.	3.39%
	Singapore Government's investment account held in custody by Citibank (Taiwan)	2.87%
	Yuan Hsiang Investment Co., Ltd.	2.86%
	Yu Yang Investment Co., Ltd.	2.79%
	Dedicated investment account managed by Mega International Commercial Bank on behalf of Mega Securities (HK) Bank of Taiwan.	2.77%
	Bank of Taiwan Co., Ltd.	2.33%
	Lian Da Investment Co., Ltd.	2.18%
	Exclusive account for Vanguard Emerging Markets Stock Index Fund consigned by Standard Chartered Bank	2.05%
	Nan Shan Life Insurance Company, Ltd.	1.84%

Note: Data relating to the top ten shareholders was based on the latest book closure date by Yuanta Financial Holdings (2013.7.25).

(2) Major institutional shareholders whose main shareholders are judicial persons

1/31/2014

Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Tsun Chueh Investment Co., Ltd.	Teng Ta Investment Co. Ltd.	19.22%
	Lien Da Investment Co., Ltd.	19.49%
	Chiu Ta Investment Co., Ltd.	18.01%
	Lien Heng Investment Co., Ltd.	18.53%
	Hsing Tsai Investment Co., Ltd.	10.24%
	Ma Wei-Jian	8.27%
	Du Li-Chuang	4.69%
	Lin Yung Tsang	0.78%
	Ma Er Tai	0.69%
	Wu Shu Xuan	0.08%
Yuan Hung Investment Co., Ltd.	Mei Chia Li Investment	45.88%
	Lien Heng Investment Co., Ltd.	33.74%
	Teng Ta Investment Co. Ltd.	15.38%
	Du Li-Chuang	5.00%
Singapore Government's investment account held in custody by Citibank (Taiwan)	Not applicable	
Yuan Hsiang Investment Co., Ltd.	Lian Ta Investment Co., Ltd.	44.38%
	Lien Heng Investment Co., Ltd.	19.00%
	Teng Ta Investment Co. Ltd.	18.69%

Institutional Shareholders	Main Shareholders of Institutional Shareholders	
	Chiu Ta Investment Co., Ltd.	9.96%
	Du Li-Chuang	5.01%
	Hsing Tsai Investment Co., Ltd.	2.96%
Yu Yang Investment Co., Ltd.	Tsun Chueh Investment Co., Ltd.	100%
Dedicated investment account managed by Mega International Commercial Bank on behalf of Mega Securities (HK) Bank of Taiwan.	Not applicable	
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd.	100%
Lian Da Investment Co., Ltd.	Chiao Hua International Investment Co., Ltd.	45.79%
	Lien Heng Investment Co., Ltd.	37.14%
	Chiu Ta Investment Co., Ltd.	14.02%
	Hsing Tsai Investment Co., Ltd.	2.58%
	Du Li-Chuang	0.47%
Exclusive account for Vanguard Emerging Markets Stock Index Fund consigned by Standard Chartered Bank	Not applicable	
Nan Shan Life Insurance Company, Ltd.	Dedicated investment account managed by First Bank on behalf of Ruen Chen Investment Holding Co., Ltd.	83.11%
	Ruen Chen Investment Holding Co., Ltd.	7.55%
	Ying Tsung Tu	3.25%
	Dedicated stock trust property account managed by Taishin International Bank on behalf of Nanshan Life Insurance	1.45%
	Ruen Hua Dyeing & Weaving Co., Ltd.	0.28%
	Ruen Tex Leasing Co., Ltd.	0.15%
	Chi Pin Investment	0.11%
	Wen Te Kuo	0.11%
	Pao Chih Investment	0.05%
	Pao Yi Investment	0.05%
	Pao Hui Investment	0.05%
	Pao Huang Investment	0.05%

(3) Information on independency of directors and supervisors and required professional knowledge

Jan 31, 2014

Conditions / Names	Has at least five years of relevant work experience and the following professional qualifications			Compliance with independence criteria (Note)										Number of concurrent independent directorships held at listed companies
	Lecturer or higher ranking position at a public or private university / college in business, law, finance, accounting, or other subject relevant to work at the company	Holding a national examination certificate in a profession or expertise needed by the company; or judge, prosecutor, attorney or CPA credentials	Work experience in business, law, finance, accounting, or other area(s) needed by the company	1	2	3	4	5	6	7	8	9	10	
Chuang Yu-De			✓			✓	✓		✓	✓	✓	✓	✓	None
Lee Ya-pin			✓			✓	✓	✓	✓	✓	✓	✓	✓	None
Yu Yao-ting			✓			✓	✓			✓	✓	✓	✓	None
Yu Kuang-hua			✓			✓	✓			✓	✓	✓	✓	None
Hong Rong-Ting			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang Tsai-Yu			✓			✓	✓			✓	✓	✓	✓	None
Liao Yueh-Jung			✓			✓	✓	✓		✓	✓	✓	✓	None

Note: A "✓ " is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

(1) Not an employee of the company or an affiliate.

(2) Not a director or a supervisor of the company or an affiliate (this restriction does not apply, however, when the person is an independent director of the company, its parent company, or a subsidiary in which the company directly and indirectly holds more than 50% of voting shares).

(3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is one of the company's ten largest natural person shareholders.

(4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the three foregoing paragraphs.

(5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.

(6) Is neither a director, supervisor, or manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company

(7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.

(8) Is not the spouse or second degree relative of any other director

(9) Is not a person of the conditions specified in any of the subparagraphs of Article 30 of the Company Act

(10) Has not been elected as a representative for government units, institutions as prescribed in Article 27 of the Company Act.

B. Information on president, vice presidents and managers

01/31/2014

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Lee Ya-pin	2009.06.01	–	–	–	–	–	–	Master's degree, Soochow University Graduate School of Law Executive vice president, Yuanta Securities Co., Ltd.; Executive vice president, Senior vice-president, vice-president Yuanta Core Pacific Securities Co., Ltd.; Lecturer in Chung-Yuan Christian University Law department and Yuan-Ze University finance department; vice president, proprietary trading department, AVP Strategic planning office of Sampo Securities; Special Assistance and Manger department Manager of Jing-Huei Tong securities; Researcher in Securities and Futures Institute	The Company's President; Director, Yuanta Venture Capital; Director, Yuanta I Venture Capital.	–	–	–
vice President	Hong Rong-Ting	2010.05.01	–	–	–	–	–	–	MBA from Oregon State University, Assistant Vice President, Senior Manager and Assistant Manager of the Company; Nan Ya Plastics Assistant Cost Executive	–	–	–	–
Senior Assistant vice president of Finance Department	Hu Yi-Heng	2012.01.01	-	-	-	-	-	-	Department of Financial and Economic Law in Fu Jen Catholic University, Senior Assistant vice president of Finance Departmen,Senior Manager and Assistant Manager of the Company; Senior Assistant vice president of Finance		–	–	–

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
									Departmen of Yuanta Securities Co., Ltd.				
Assistant Vice-president of MIS Department	Chen Ying-Ling	2005.12.01	–	–	–	–	–	–	Department of Business in Providence University, Manager of MIS Department of Yuanta Core Pacific Securities; programmer of Union Insurance Company	–	–	–	–
Assistant Vice-president of Administration Department	Lin Tseng-Chun	2007.09.23							Department of Business Administration, National College of Business, Assistant Vice President of the Administration Department of Yuanta Securities, Company Department Manager and Senior Manager	Assistant Vice-president of the Administration Department of Yuanta Financial Holdings			
Manager of Business Department	Huang Shi-Chun	2010.05.01	–	–	–	–	–	–	Accounting Department in Jinwen University of Science and Technology, Section Chief of the Company; Chief Editor and Researcher of the Research Department of Global Securities	–	–	–	–
Supervisor of Auditor's Office	Cheng Shu-Chin	2010.05.01							Master's degree, Fo Guang University; Assistant Manager of Yuanta Securities; Manager of Fuhwa Securities; Manager of Shinong Securities.				

01/31/2014

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Senior assistant vice president of Taichung branch	Liu Ying-Shi	2002.07.01	–	–	–	–	–	–	Industrial Management, Vanung University, Manager of the company's Taichung and Kaohsiung branch, Designer of the Taxation Center of Ministry of Finance	–	–	–	–
Manager of Kaohsiung branch	Chen Chi-Ping	2006.11.01	–	–	–	–	–	–	National Chengchi University Department of Public Administration, Assistant Manager, Supervisor, and Section Chief of the Company	–	–	–	–

Note: The Company is a subsidiary of Yuanta Financial Holdings that holds 100% of the shares.

C. Remuneration to directors, supervisors, president and vice presidents

(1) Remuneration to directors

Units: NT$

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Directors' remuneration</th><th colspan="2" rowspan="2">Sum of A, B, C and D as percentage of net income after tax</th><th colspan="10">Remuneration to concurrent employees</th><th colspan="2" rowspan="2">Sum of A, B, C, D, E, F and G and that sum as percentage of net income after tax</th><th rowspan="4">Remuneration from investment in a non-subsidiary enterprise</th></tr>
<tr><th colspan="2">Wages (A)</th><th colspan="2">Severance and retirement payments (B)</th><th colspan="2">Allocated from distribution of earnings (C)</th><th colspan="2">Service expenses (D)</th><th colspan="2">Wages, bonuses, and special allowance, etc. (E)</th><th colspan="2">Severance and retirement payments (F)</th><th colspan="4">Employee bonuses from distribution of earnings (G)</th><th colspan="2">Number of exercised employee stock options (H)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated Subsidiaries</th><th colspan="2">The company</th><th colspan="2">Consolidated subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated subsidiaries</th><th rowspan="2">The company</th><th rowspan="2">Consolidated subsidiaries</th></tr>
<tr><th></th><th></th><th>Cash bonuses</th><th>Stock bonuses</th><th>Cash bonuses</th><th>Stock bonuses</th></tr>
<tr><td>Chairman</td><td>Yuanta Financial Holdings statutory representative: Chuang Yu-De</td><td rowspan="5">6,827,031</td><td rowspan="5">6,827,031</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">1,160,325</td><td rowspan="5">1,160,325</td><td rowspan="5">2.04%</td><td rowspan="5">2.04%</td><td rowspan="5">6,473,954</td><td rowspan="5">6,473,954</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">110,636</td><td rowspan="5">-</td><td rowspan="5">110,636</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">-</td><td rowspan="5">3.72%</td><td rowspan="5">3.72%</td><td rowspan="5">none</td></tr>
<tr><td>Director</td><td>Yuanta Financial Holdings statutory representative: Lee Ya-pin</td></tr>
<tr><td>Director</td><td>Yuanta Financial Holdings statutory representative: Hong Rong-Ting</td></tr>
<tr><td>Director</td><td>Yuanta Financial Holdings statutory representative: Yu Yao-Ting</td></tr>
<tr><td>Director</td><td>Yuanta Financial Holdings statutory representative: Yu Kuang-hua</td></tr>
</table>

Note: Chairmen have been assigned a corporate Vehicle and a driver.

Range of remuneration

Breakdown of remuneration to company directors Units: NT$	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The company	All enterprises invested by the Company I	The company	All enterprises invested by the company J
Below 2,000,000	Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting
2,000,000 (inclusive) - 5,000,000				
5,000,000 (inclusive) - 10,000,000	Chuang Yu-De	Chuang Yu-De	Chuang Yu-De, Lee Ya-pin	Chuang Yu-De, Lee Ya-pin
10,000,000 (inclusive) - 15,000,000				
15,000,000 (inclusive) - 30,000,000				
30,000,000 (inclusive) - 50,000,000				
50,000,000 (inclusive) - 100,000,000				
Over 100,000,000				
Total	Chuang Yu-De , Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Chuang Yu-De , Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Chuang Yu-De , Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting	Chuang Yu-De , Lee Ya-pin, Yu Kuang-hua, Yu Yao-Ting, Hong Rong-Ting

(2) Remuneration to supervisors

Units: NT$

Title	Name	Supervisors' remuneration						Sum of A, B, C and that sum as percentage of net income after tax		Remuneration from investment in a non-subsidiary enterprise
		Wages (A)		Allocated from distribution of earnings (B)		business execution expenses (C)				
		The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	
Supervisor	Yuanta Financial Holdings statutory representative: Chang Tsai-Yu	—	—	—	—	430,000	430,000	0.11%	0.11%	None
Supervisor	Yuanta Financial Holdings statutory representative: Liao Yueh-Jung									

<u>Range of remuneration</u>

Breakdown of remuneration to supervisors Units: NT$	Supervisors	
	Sum of foregoing three items (A+B+C)	
	The company	All companies in the consolidated statement (D)
Below 2,000,000	Chang Tsai-Yu, Liao Yueh-Jung	Chang Tsai-Yu, Liao Yueh-Jung
2,000,000 (inclusive) - 5,000,000		
5,000,000 (inclusive) - 10,000,000		
10,000,000 (inclusive) - 15,000,000		
15,000,000 (inclusive) - 30,000,000		
30,000,000 (inclusive) - 50,000,000		
50,000,000 (inclusive) - 100,000,000		
Over 100,000,000		
Total	Chang Tsai-Yu, Liao Yueh-Jung	Chang Tsai-Yu, Liao Yueh-Jung

(3) Remuneration to the president and vice presidents

Units: NT$

Title	Name	Wages (A)		Severance and retirement payments (B)		Bonuses and special allowances (C)		Employee bonuses from distribution of earnings (D)				Sum of A, B, C, D and that sum as percentage of net income after tax %		Number of employee stock options obtained		Remuneration from reinvested enterprise via subsidiary
								The company		Consolidated Subsidiaries						
		The company	Consolidated subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated subsidiaries	Cash dividends	Stock dividend amount	Cash dividends	Stock dividend amount	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	
President Vice President	Lee Ya-Pin Hong Rong-Ting	5,640,000	5,640,000	-	-	3,791,174	3,791,174	157,572	-	157,572	-	2.41%	2.41%	-	-	None

Note 1: President have been assigned a corporate Vehicle and a driver. Vice Presiden Hong have been assigned a corporate Vehicle.
2 : Mr. Hong Rong-Ting is now responsible for supervising the Business Development Department, Business Department, Taichung branch and Kaohsiung branch etc.

Range of remuneration

Breakdown of remuneration to president and vice presidents Units: NT$	President and vice presidents	
	The company	All companies in the consolidated statement (E)
Below 2,000,000		
2,000,000 (inclusive) - 5,000,000	Hong Rong-Ting	Hong Rong-Ting
5,000,000 (inclusive) - 10,000,000	Lee Ya-Pin	Lee Ya-Pin
10,000,000 (inclusive) - 15,000,000		
15,000,000 (inclusive) - 30,000,000		
30,000,000 (inclusive) - 50,000,000		
50,000,000 (inclusive) - 100,000,000		
Over 100,000,000		
Total	Lee Ya-Pin, Hong Rong-Ting	Lee Ya-Pin , Hong Rong-Ting

(4) Employee Bonus Allotment to Managers

1/31/2014

	Title	Name	Stock dividend amount	Cash dividend amount	Total	Percentage of total amount to net profits after tax (%)
Managers	President	Lee Ya-pin	0	326,432	326,432	0.08%
	Vice President	Hong Rong-Ting				
	Senior assistant vice president of Financial Department	Hu Yi-Heng				
	Assistant Vice president of Administration Department	Lin Tseng-Chun				
	Assistant vice president of MIS department	Chen Ying-Ling				
	Supervisor of Business Department	Huang Shi-Chun				
	Supervisor of Auditor's Office	Cheng Shu-Chin				
	Assistant vice president of Taichung branch	Liu Ying-Shi				
	Manager of Kaohsiung branch	Chen Chi-Ping				

*The employee bonuses allotments are estimated value as it is not issued yet.

D. Analysis of Remuneration for Director(s), Supervisor(s), President and Vice-President(s) in the past two years

(1) Ratio of total amount to the net profits after tax of remuneration to Director(s), Supervisor(s), President and Vice-President(s):

Ratio of total amount to the net profits after tax of remuneration to director(s), supervisor(s), President and Vice-President(s) was around 4.48% in 2012; and around 4.56% in 2013.

(2) The relationships between the policy, standard, and combination of remuneration, remuneration establishment procedure and operating performance:

The remuneration to directors, supervisors, presidents and vice presidents, is in accordance with the regulations of Articles of Incorporation, and considers the company's operating performance and relevant reward bonus measures. The company's net profits after tax in 2013 was NT$391,740,000,which is about 93.05% the net profits after tax in 2012 (NT$420,989,000). Due to the decrease in net profits after tax, the total amount to directors, supervisors, presidents and vice presidents also decrease. The percentage of total amount of remuneration to the net profits after tax increased slightly.

3. State of corporate governance

A. Operation of the Board of Directors

A total of 11 (A) board meetings were held in 2013; the attendance of Directors and Supervisors is listed below:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A] (note 1)	Remark
Chairman	Yuanta Financial Holdings representative: Chuang Yu-De	11	0	100	
Director	Yuanta Financial Holdings representative: Lee Ya-pin	11	0	100	
Director	Yuanta Financial Holdings representative: Yu Yao-Ting	11	0	100	
Director	Yuanta Financial Holdings representative: Yu Kuang-hua	10	1	91	
Director	Yuanta Financial Holdings representative: Hong Rong-Ting	11	0	100	
Supervisor	Yuanta Financial Holdings representative: Chang Tsai-Yu	9	0	82	
Supervisor	Yuanta Financial Holdings representative: Liao Yueh-Jung	10	0	91	

Other required Items :

A. For resolution(s) passed pursuant to Article 14-3 of the Securities and Exchange Act or any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing, the minutes concerned shall clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all independent directors and the company's handling of the said opinions: None, The company does not have independent directors.

B. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

(1) The 29th Meeting of the 11th Board of Directors on May 12, 2013.

In order to execute our Company's policy to promote the "taken from community, feedback to society" spirit, fulfill enterprise obligation to complete and improve a good corporate image, the Company would like to contribute a sum of NT$3,500,000 to the Yuanta Cultural and Educational Foundation.

Resolution:

Chairman Chuang Yu-De recused himself from the resolution due to a potential conflict of interest. Lee Ya-pin was the chair person during the voting. The resolution was approved by all of the other directors in attendance.

(2) The 5th Meeting of the 12th Board of Directors on October 22, 2013.

In line with the overall planning and operational needs, The Company decide to terminate the lease agreement for "Yuanta Financial Holdings Building" with the interested party, "Yuanta Securities", earlier, and re-signed the agreement upon adjustment on the occupied area. As explained in detail.

Resolution:

Director Yu Yao-Ting and Yu Kuang-hua recused themselves from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

(3) The 6th Meeting of the 12th Board of Directors on November 13, 2013.

Proposed to amend the company's "Chairman & Vice Chairman Severance Pay Policy".

Resolution:

Chairman Chuang Yu-De recused himself from the resolution due to a potential conflict of interest. Lee Ya-pin was the chair person during the voting. The resolution was approved by all of the other directors in attendance.

C. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation: None.

Note: 1.The attendance rate (%) for Director(s) and Supervisor(s) is calculated by dividing the actual attendance by the total of number of meetings held during the period.

2. Baseline date: December 31, 2013.

B. Operations of the Audit Committee and Supervisor(s) Attendance of Board Meetings:

(1) The company does not have an audit committee.

(2) Supervisor attendance of board meetings:

A total of 11 (A) board meetings were held in the most recent year (2013) and the attendance records of the supervisor(s) are listed below:

Title	Name	Actual Attendance (B)	Attendance rate (%) (B / A) (note)	Remark
Supervisor	Yuanta Financial Holdings representative: Chang Tsai-Yu	9	82	
Supervisor	Yuanta Financial Holdings representative: Liao Yueh-Jung	10	91	

Other required items:

A. Supervisor composition and duties:

1. Communication between supervisors, company employees and shareholders:

In order to establish solid supervisory functions for the board of directors and supervisors, a suggestion and complaint mailbox has been set up on the website for use in receiving and handling major deficiencies, fraud and corruption cases and accepting suggesting and complains that can assist with Company business management and development in order to promote smooth communication between the board of directors and employees, investors and interested parties.

2. Communication between supervisors, internal audit supervisors and CPAs (for example communication items, methods and results regarding company finances and sales conditions):

(1) CPAs report and communicate the audit status of the financial report to the supervisors once each quarter.

(2) According to Article §16 of the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets”, After the submission of the audit report and follow-up reports, the completed audit items are passed to the supervisors for checking and the audit supervisor review the internal control system deficiencies before the end of the following month.

(3) Audit supervisors should review the deficiencies of internal control system and have a regular annual meeting with the person-in-charge (director, supervisor) and minutes are kept of the meeting.

B. If the supervisor states an opinion at a board meeting, record the date, term, resolution contents, director resolution results and how the opinion stated by the supervisor is handled by the board: None.

Note: 1.The attendance rate (%) is calculated by dividing the actual attendance by the total of number of meetings held during the period.

2. Baseline date: December 31, 2013.

C. Status of corporate governance, non-compliance with the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and related reasons

Item(s)	Implementation Status	Non-Compliance with *Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies with Explanations*
1. Shareholding structure and Shareholder rights, (1) Handling shareholder suggestions or disputes (2) The company has a roster of its major shareholders and the list of the ultimate owners of these major shareholders (3) Risk management mechanism and firewall between the company and its affiliates	(1) Yuanta Financial Holdings is the sole shareholder of the company; therefore, the company doesn't have this problem. (2) Yuanta Financial Holdings is the sole shareholder of the company. The only major shareholder with control over the company is Yuanta Financial Holdings. (3) a. The company followed the Yuanta Financial Holdings has established a "Risk Management Department" being responsible for supervising and implementing risk management measures. Each subsidiary has an independent risk management unit in place, depending on their respective sizes and risk attributes, to monitor the various risks involved. b. The company has complied with Articles 44 and 45 of the Financial Holding Company Act, regarding credit and non-credit transactions with stakeholders. In order to ensure proper financial dealings with affiliates, while preventing inappropriate channeling of corporate interests and non-arms length transactions, asset disposals, or loans etc with related parties, the company has established a set of policies to govern financial dealings among affiliates and non-credit authorizations to stakeholders as means of control.	None.
2. Composition and duties of the board of directors (1) Commissioning independent directors (2) Regular evaluation of the independence of CPAs	(1) The company has five directors. No independent directors have yet been placed. All perform their duties in accordance with the Company Act. (2) An evaluation of the independence of CPAs is submitted to the Board of Directors each year which approves their appointment.	No independent directors None.
3. Communication channels with interested parties	A database of interested parties has been established and a service mailbox is established on the company website. The communication channels are good.	None.
4. Information disclosure (1) Company website disclosing information on the company's finances, business and corporate governance status (2) Other forms of information disclosure (such as English Website, appointment of specific personnel to collect and disclose information, establishing a spokesperson system, posting investor conference proceedings on the company website.)	(1) On the home page of the company's website, the "About Yuanta Securities Finance " section provide financial information; the "Corporate Governance" section discloses information related to the operations of corporate governance at the company; the home page of the company's website, the "Our Business" and "Business-related regulations" section provide business information. (2) The company has appointed a spokesperson and an acting spokesperson. Information such as monthly revenue is posted on the Market Observation Post System and annual reports and financial reports are made available on the company's website.	None.
5. Establishment and operation of functional committees such as a nomination or remuneration committees	No functional committees such as audit, nomination or remuneration committees have been formed.	No functional committees such as audit, nomination or remuneration committees have been formed.
6.. Please state the company's corporate governance and any non-compliance with "Corporate Governance Best-Practice Principle for Financial Holding Companies" and the reasons for non-compliance: The company has established corporate governance best practice principles in accordance with regulations. There is no significant non-compliance with corporate governance best practice principles during their practice.		

Item(s)	Implementation Status	Non-Compliance with *Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies with Explanations*
7. Other important information enabling better understanding of the company's corporate governance (such as employee rights and interests, employee care, investor relations, stakeholders' rights and interests, continuing education of directors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, and purchase of liability insurance by the company for directors and supervisors): (1) Employee rights and interests: a. The company's human resources management mechanisms all comply with labor laws and regulations, and strive to realize employees' potential, enhance employees' on-the-job competitiveness and market value, and create a win-win situation for labor and management by safeguarding employees' legitimate rights and interests and encouraging a positive attitude toward corporate sustainability. b. Annual employee bonuses are reviewed and apportioned by the board of directors on the basis of the relative proportions specified in the articles of incorporation, and are distributed after approval by the shareholders meeting, allowing employees to share in the company's performance. (2) Employee care: This company cares about the physical and mental health and balance of its employees; it encourages employees to cultivate varied interests, and invests in employees through education and training, group insurance, employee shareholding trusts, and health check-ups, realizing care of employees and providing an outstanding working environment. (3) Investor relations and stakeholders interests: In its "Corporate Governance Best-Practice Principles," the company has defined the contents of investor relations and stakeholders' interests. These principles are implemented in day to day business and focus on the following aspects: a. The company maintains open channels of communication with investors, and respects and protects their legal rights. b. Taking advantage of the convenience of the Internet, the company has established a website, which carries information on financial affairs and corporate governance for reference by shareholders and stakeholders. (4) Continuing education of directors' and supervisors' ： See page 32. (5) Implementation of risk management policy and risk measurement criteria: The company followed the Yuanta Financial Holdings, promote an appropriate risk management-oriented business model, achieve operational targets and increase shareholder value. The company has also set up risk management mechanisms for its subsidiaries based on their operational scale and risk level; within the management guidelines for various areas of business, it sets various quotas and limits to monitor risk situations. Risk reports and significant risk issues are periodically submitted to the top management in order to effectively control and manage risk. (6) Implementation of customer policy: The company followed the Yuanta Financial Holdings has established "protects customer privacy based on Confidentiality Measures on Customer Information for Yuanta Financial Holdings and Its Subsidiaries", The company has established " Personal Data Protection Policy " and "Personal Data Management Rules ". The company uses customer information in accordance with the forgoing measures and within the scope of the law so as to fulfill its obligations in maintaining the confidentiality of customer information and protect customer privacy. (7) Purchase of liability insurance by the company for directors and supervisors: Yuanta Financial Holding has purchased liability insurance for all directors and supervisors. (8) Donations to political parties, interested parties, and non-profit organizations: a. Handled in accordance with the Company's guidelines governing public donations. Public donations mean those donations which comply with the following laws and regulations: (a) Donations to political parties, political groups and political candidates in accordance with Political Donations Act. (b) Donations to the public welfare groups and syndicates defined in the General Provisions of the Civil Code, or any other educational, cultural, public welfare or charity agencies or groups which are registered with the competent authorities or incorporated validly in accordance with the other relevant laws and regulations. b. Where the donated subject is a related party, the donations shall be reported to the board of directors for resolution, regardless of the amount of the donations.		
8. If the company has a corporate governance self-evaluation or has authorized any professional organization to conduct Such： None		

D. Establishment, Responsibility and Operation Status of Remuneration Committee:

The Company has not yet established Remuneration Committee.

E. Implementation of social responsibility:

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Exercising Corporate Governance (1)The company declares its corporate social responsibility policy and examines the results of the implementation. (2)The company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies. (3)The company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	(1) The company followed The Yuanta Financial Holdings approved "Corporate Social Responsibility Best Practice Principles" and approved "Corporate Social Responsibility Policy and Management Rules" of the actual operational situation. (2) None (3) The company held regular corporate ethics courses as means of promoting regulatory awareness. Employees were tested to ensure their understand towards the relevant regulations, thereby ensuring compliance and in various business activities. Should an employee's conduct violate these norms, the violation will be reported and punished depending on the severity of the circumstances and be incorporated into the performance appraisal system.	None.
2. Fostering a Sustainable Environment (1)The company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2)The company establishes proper environmental management systems based on the characteristics of their industries. (3)The company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment. (4)The company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	(1) The company's measures to raise resource utilization efficiency and its use of renewable materials are explained below: a. We recycle and reuse energy-intensive articles. This includes advocating and promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as execution status reporting. b. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction, waste water treatment. c. We use low energy, green energy office supplies and machines. At the time of procurement whether the above mentioned type of products are available to raise usage of such products. (2)Regarding the establishment of environment management systems and dedicated units for environment management (including water conservation, energy conservation, carbon and greenhouse gas reduction, we have taken the following measures: a. We follow the regulations for air conditioning temperatures in office buildings. b. The corporate headquarter building already complies with a number of green building regulations c. In order to realize water conservation,	None

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	energy conservation, carbon and greenhouse gas reduction, we regularly report the outcome of conservation measures for water, electricity and other items of energy consumption. d. Smoking is completely prohibited inside our offices. Smokers must use designated outdoor places. In order to meet regulations we regularly carry out disinfection, rodent and insect control. (3)The headquarter building’s management committee functions as a dedicated environmental management unit to maintain the environment.	
3. Preserving Public Welfare (1) The company's compliance with labor regulations and respect toward the basic labor human right principles recognized internationally, protection of employees' legal entitlements and adoption of employment policy free from discrimination, and the establishment of proper management and procedures. (2)The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis.	(1) Based on labor laws and regulations we have established work rules and related personnel management guidelines to prohibit discrimination toward job seekers or employees in terms of race, belief, religion, political party, native place, place of birth, gender, sex orientation, age and marriage, in order to establish an employment equality environment and protect employee rights. Meanwhile, we also called a labor and employer meeting periodically to facilitate communication between both parties and harmonize the relationship between laborers and employer. (2)Regarding the provision of safe and healthy work environments for our employees, and the organization of regular training on safety and health, we have taken the following measures: a. Strict entrance guard and security check measures to fully protect the safety of our employees at work and in everyday life. b. Regular safety inspections of drinking water, carbon dioxide and illumination. c. Regular public safety reports and inspections. d. Regular disinfection and sanitation of the environment. e. Confirming that office surveillance systems at all business locations function normally. f. Delivering a smoke-free work environment, providing a comfortable, healthy and fresh workspace. g. Regular occupational safety and firefighting trainings and drills as required by law. Moreover, based on Article 16 of the “Regulations for Labor Safety and Health Education and Training” by the Council of Labor Affairs, Executive Yuan, the company has established the following regulation: “The employer shall have new recruits	None

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	receive necessary safety and health education and trainings applicable to their new posts.” In order to protect the health and safety of all workers, we hired a business supervisor holding a certificate of labor safety to hold “educational trainings for new recruits on occupational health and safety” in fiscal year 2013.The educational trainings cover the following topics: An outline of laws and regulations relating to occupational health and safety, occupational health and safety concepts as well as safety and health work rules, emergency response management, basic knowledge and drills about firefighting and emergency rescue, as well as health and safety knowhow related to work operations.	
(3)Establishment of the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner	(3) a. The company calls a labor and employer meeting periodically to establish a communication platform between laborers and employer to upgrade employees’ participation and identification in the company’s policies so as to form a positive interactive model and to create a win-win situation. b. The various regulations and systems and benefit information for employees are posted in the intranet to help employees understand their own interests and rights. Meanwhile, a dedicated unit posts important daily news of the Financial Holding on the intranet for employees’ easy access so as to understand updated industrial developments and the company’s important messages. c. Material changes in the Company’s operation will also be published via email from time to time, so that employees will have access to timely.	
(4)The company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints.	(4) a. In order to fulfill our responsibility to keep customer information confidential the corporate has set up the “Yuanta Financial Holding Co. Ltd. and Subsidiaries Customer Information Confidentiality Measures” , “Statement of Customers’ Privacy Protection” and posted their content on the corporate website. The Company has set up the Personal Data Protection Policy and Personal Data Management Rules to follow. b. The company uses the following avenues and procedures to handle customer complaints: (i) TEL: 02-2173-6896 (ii) E-mail: auditcomm.sf@yuanta.com (iii) If a customer complaint is	

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
     (5)The company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (6)The company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	received, the relevant unit will be immediately notified to handle the complaint. The Company will take Moderately measure respond to the customer. (5) As for cooperation with suppliers to jointly foster a stronger sense of corporate social responsibility, we actively select and purchase equipment with energy labels, low-energy and green energy office supplies, office machines, IT equipment, illumination equipment and related devices. Office machines, for instance, that are on stand-by or not used automatically switch to power saving mode. Traditional incandescent light bulbs are replaced with energy-saving light bulbs. The central air conditioning system at company headquarters uses the more environment friendly refrigerant to prevent destruction of the ozone layer. (6) Grateful for the long-term support to "Yuanta Foundation" and “Polaris Research Institute” as means of active involvement in culture, education, charity, and cultural activities. Embrace mission of improving the health and raising cultural and living standards. Fulfill the social responsibility role of the financial holding group. In terms of education, we emphasized on nurturing financial talents, organizing academic workshops and seminars etc; with respect to charity, we focused on providing education assistance to the disadvantaged, promoting healthcare, and sponsoring cultural activities for a better society; in terms of culture, we have extended our supports to local artists and exhibitions.	
4. Enhancing Information Disclosure (1)The measures of disclosing relevant and reliable information relating to their corporate social responsibility. (2)The company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	 (1) Relevant information is posted on the corporate website. (2) The Yuanta Financial Holdings 2011 corporate social responsibility (CSR) report mainly described how Yuanta Group had contributed to the economy, the environment, and the society between January 1 and December 31, 2011. This report was drafted in reference to the guidelines and structures provided by The Global Reporting Initiative (GRI) Version G3; it was structured to contain 6 chapters: Company Overview, Corporate Governance, Customers Relationship , Care to Employees, Environmental Protection, and Social Involvement, with a special report on and Yuanta 50th celebration, Thanksgiving by	None

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Blood Donation. This report is made accessible to all stakeholders on the company's website and intranet.	
5. If the Company has established corporate social responsibility principles based on “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation :None		
6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.)： For further details please view our corporate website.		
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below : None		

F. Fulfillment of ethical management

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
1. Enactment of ethical management policy and program (1) The company expressly states the ethical policy in its Articles of incorporation and public documents, and its fulfillment by the board of directors and the management.	(1) The company followed The Yuanta Financial Holdings approved “Ethical Management Principles” and ” Procedures for Ethical Management and Guidelines for Conduct”. The Yuanta Financial Holdings has assembled a dedicated team to supervise this matter and report regularly to the board of directors. Based on clean, transparent and responsible management, the company will continue to promote a policy based on integrity. We will establish good corporate governance and risk management mechanisms to create a sustainable business environment.	None.
(2)The policy against unethical conduct defined by the company, and the SOP, guidelines and training defined in the policy.	(2) a. A "YFH Ethical Management Principles" , outlines a list of dishonest behaviors and conflicting interests, and prohibit any bribery, illegitimate political contributions, and improper donations, sponsorships, gifts, treatments, or benefits. Regular trainings are organized, and proper reporting systems and disciplinary policies have also been created. b. The Company organizes the “Anti-bribery and Anti-corruption and Enterprise Ethical Education” training program on a yearly basis in accordance with financial laws and regulations, "YFH Ethical Management Principles" and " YFH Procedures for Ethical Management and Guidelines for Conduct". All employees have to take part in the program and pass the test, to ensure that employees have correct knowledge and basic judgment of	

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
(3)Measures against bribery and illegal political donation with respect to operating activities with higher risk of unethical conduct defined by the Company.	relevant laws and ethical conduct, and to fulfill compliance with laws and corporate social responsibility for ethical business. (3)The company has already undertaken measures against bribery and illegal political donation with respect to operating activities with higher risk of unethical conduct . All procurement projects of the company have to be conducted in accordance with the" YFH Procedures for Ethical Management and Guidelines for Conduct".	
2. Implementation of ethical business (1)The company's business activities shall avoid any counterparts who have unethical business record, and shall expressly define the ethical business clauses in the business contract. (2)The Company's establishment of a dedicated unit (concurrently engaged in) to promote enterprise ethical business, and supervision by the board of directors. (3)Policy against conflict of interest defined by the Company and operation of adequate channel thereof.	(1) The company followed The Yuanta Financial Holdings' has already drawn up the "Checklist for Singing of Procurement Contracts ", to help the assessment when negotiating concluding contract with external procurement supplier involving the buyout of ownership of products. Further, when concluding the procurement contract, the company takes into consideration the supplier's compliance with the ethical business clause and Article 20 of the YFH Procedures for Ethical Management and Guidelines for Conduct. (2) a. The company followed The Yuanta Financial Holdings designate to form the unit dedicated to amending, of reported matters with respect to the YFH Procedures for Ethical. Periodic reports are submitted to the board of directors. b. The company has submitted the report on the overview of corporate governance and ethical business 2013 to 8th meeting of the 12th board of directors on Feb. 26, 2014. (3) a. The company followed "YFH Ethical Management Principles" , " YFH Procedures for Ethical Management and Guidelines for Conduct" and "Yuanta Securities Finance of Ethical Conduct" ("Code of Ethical Conduct") that where the company's director and manager , or their spouses, direct blood relatives, relatives within the third degree of kinship and the entities in which they are hired participate in the company's business transactions, due to their position and powers, the director and manager shall state the same voluntarily and deal with or avoid the situation in a timely manner. The company has established a well-founded management mechanism for execution in the internal and external business activities, in order to upgrade the effect of the Company's	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	ethical business. b. The avoidance of conflict of interest, disclosure of business secrets, non-inside trading and non-disclosure agreement with respect to the Company's staff (including directors and supervisors) shall comply with relevant requirements.	
(4)Operation of a valid accounting system and internal control system established by the Company to fulfill ethical business, and audit by the internal auditors.	(4) Under the "YFH Ethical Management Principles", the Company has linked the other relevant internal control regulations intensively to help various departments comply with the internal control and SOPs, and to prevent any staff's mis conduct, e.g. Code of Ethical Conduct, Board of Directors Procedure Rules, and Guidelines Governing Donations to the Public. Meanwhile. When any of the Company's staff is involved in unethical conduct, the Audit Dept. will be delegated to conduct audit, and the dedicated unit shall report the unethical conduct, response action and follow-up correction to the board of directors. Where any others engage in unethical conduct toward the Company and involve illegal activities, the Audit Dept. will also report the audit report to Legal Dept., and Legal Dept. will help the Company notify the judicial and prosecuting authorities.	
3. The complaint channels established by the Company, and disciplines and complaint system for violation of the ethical business rules.	(1)The Company set up the "Suggestion and Sharing" zone in its website is equipped with an email box to accept questions or suggestions from external or internal personnel. (2)Upon awareness or receipt of any complaint against unethical conduct of the Company's staff, the Company will render discipline pursuant to relevant laws or the Company's regulations after verifying the same, and claim damages through legal action, if necessary, to maintain the Company's goodwill and interest. The disciplined employee who disagrees with the discipline may apply for reconsideration under the complaint system. Upon verification of the case, the title and name of the employee who violates the code of ethical conduct, date of occurrence, contents of violation and treatment thereof will be disclosed at the Company's website, and the relevant unit will be delegated to review the internal control system and SOP and propose the corrective action to prevent the same from occurring again and fulfill the management philosophy of ethical business.	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
4. Enhancing Information Disclosure (1)The Company set up a website to disclose information about ethical business. (2)Other manners in which the Company discloses information (e.g. set-up of website, personnel dedicated to collecting the Company's information, and disclosure of the same on the Company's website, etc.)	(1) On the home page of The Yuanta Financial Holdings website, the "Corporate Governance section" Ethical Management Principles and "Guideline for Conduct". The Company's website, the "Corporate Governance section" discloses the "Code of Ethical Conduct". (2)The Company has set up the dedicated personnel are assigned to collect and disclose the Company's information and post the same on the Company's website.	None
5. If the Company has established ethical business principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None.		
6. Other information material to the understanding of ethical business operation (e.g. the Company's determination and policy to propagate the ethical business to trading counterparts and invitation of the trading counterparts to take part in the education training programs, discussion and amendment to the ethical business best practice principles defined by the Company): When procuring products and before signing the contract, the Company will ask the supplier to issue a written undertaking for ethical business and will search whether the trading counterpart has any unethical business record, such as bribery or illegal political donations, and include the ethical business clauses and relevant matters into the contract.		

G. Methods for inquiring about the Company's Corporate Governance Best Practice Principles and related rules and regulations: Posted on the Company's website.

H. Other important information that will facilitate understanding of Company corporate governance and working: None

I. Implementation of internal controls:

(1) Declaration on Internal Control Statement: See page 33.

(2) Appointment of CPAs to review internal control system: None

Schedule：Continuing education of directors' and supervisors'

Data baseline date: 1/31/2014

Title	Name	Course duration		Organizing agency	Course name	Course Hours
		From	To			
Chairman	Chuang Yu-De	4/25/2013	4/25/2013	Taiwan Securities Association	Talk about multinational merger and acquisition	3
Chairman	Chuang Yu-De	7/10/2013	7/10/2013	Taiwan Securities Association	From corporate sustainability report to value of sustainable investment	3
Director	Lee Ya-Pin	4/25/2013	4/25/2013	Taiwan Securities Association	Talk about multinational merger and acquisition	3
Director	Yu Yao-Ting	4/25/2013	4/25/2013	Taiwan Securities Association	Talk about multinational merger and acquisition	3
Director	Yu Kuang-hua	4/25/2013	4/25/2013	Taiwan Securities Association	Talk about multinational merger and acquisition	3
Director	Yu Kuang-hua	10/23/2013	10/23/2013	Taiwan Corporate Governance Association	Appraisal on functions and performance of the board of directors	3
Director	Hong Rong-Ting	10/23/2013	10/23/2013	Taiwan Corporate Governance Association	Appraisal on functions and performance of the board of directors	3
Supervisor	Chang Tsai-Yu	4/17/2013	4/17/2013	Accounting Research and Development Foundation of the R.O.C.	Discuss the latest business-related tax administrative remedy case	3
Supervisor	Chang Tsai-Yu	4/17/2013	4/17/2013	Accounting Research and Development Foundation of the R.O.C.	New accounting interpretations issued by parsing problems	1
Supervisor	Chang Tsai-Yu	4/25/2013	4/25/2013	Taiwan Securities Association	Talk about multinational merger and acquisition	3
Supervisor	Chang Tsai-Yu	7/19/2013	7/19/2013	Accounting Research and Development Foundation of the R.O.C.	Liability of criminal law "forgery" from the scandal of financial report	3
Supervisor	Liao Yueh-Jung	2/21/2013	2/22/2013	Accounting Research and Development Foundation of the R.O.C.	Taiwan Stock Exchange Corporation Chief Accounting Officer's Ongoing Education for Securities Issuers	12

Yuanta Securities Finance Co., Ltd

Declaration on Internal Control System

Date: February 26, 2014

The declarations of the self-inspection result of the company's internal control system between Jan. 1, 2013, to Dec. 31, 2013, are listed below:

1. The internal control system establishment, implementation and maintenance are the duty of the board and managers. The system has been established to ensure the achievement of operating efficiency (including profit, performance and safeguarding asset security), reliability of financial reports and the observance of relevant regulations, etc. objectives.
2. The internal control system has its inherent limitations. No matter how well designed it is, the effective internal control system is only able to provide reasonable guarantees for the three above mentioned objectives; moreover, due to the changes of environment and situations, the effectiveness of the internal control system may change as well. The company's internal control system has a self-monitoring mechanism, therefore, when the mistakes are identified, the company will immediately take corrective actions.
3. The company uses the *Securities and Futures Market Internal Control System Guidelines* (SFMICS Guidelines) to regulate the judgmental items for the effectiveness of the internal control system. The judgmental items that *SFMICS Guidelines* use have divided the internal control system into five elements according to the management control process, which are: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision. Each element also includes various items. (Please refer to the regulation of *SFMICS Guidelines*.)
4. The company has used the above mentioned internal control system judgmental items to inspect the effectiveness of the internal control system design and implementation.
5. Based on the inspection results, the design and implementation of the company's internal control system is effective. (The internal control system includes the monitoring and management of the subsidiaries.)
6. This declaration will be included in the annual report and the prospectus for perusal by the public. Any false statement or concealment in the said documents will be a violation against *Articles 20, 32, 171, and 174 of the Securities Exchange Act*.
7. This declaration was approved by the board on February 26, 2014; none of the 5 attending directors had negative opinions.

Yuanta Securities Finance Co., Ltd

Chairman: Chuang Yu-De

President: Lee Ya-Pin

J. Legal penalties imposed by regulatory authorities on the company or its employees for violations of internal control regulations, and major flaws and revisions of said regulations in the past year and as of publication of this annual report: None

K. Major resolutions of the shareholders' meetings and board meetings in the most recent fiscal year or in the current fiscal year before the date of publication of the annual report:

(After the company became a 100% shareholding subsidiary of Yuanta Financial Holding Co., Ltd on Feb. 04, 2002, the board of directors exercises the powers of the shareholders' meeting).

1. The 28th Meeting of the 11th Board of Directors on February 27, 2013.
   （1）Approved the Company's 2013 business plan.
   （2）Approved the Company's 2013 financial plan.
   （3）Approved the Company's 2012 internal control system declaration.
2. The 29th Meeting of the 11th Board of Directors on March 12, 2013.
   （1）Approved the Company's 2012 business report.
   （2）Approved the motions for evaluation of the CPA's independence in accordance with the company's Corporate Governance Rules, and the certification of the Company's financial and taxation statements 2013 by PricewaterhouseCoopers Certified Public Accountants.
   (3) Approved the Company's 2012 financial report.
   (4) Approved the Company's 2012 earnings distribution plan.
3. The 30th Meeting of the 11th Board of Directors on April 23, 2013.
   (1) Approved the Company's 2012 business report and financial report.
   (2) Approved the Company's 2012 earnings distribution plan.
   (3) Approved amendments to the Company's "Internal control system" and "Internal audit implementation rules".
   (4) Approved partial amendments to the Company's "Regulations Governing the Acquisition and Disposal of Assets".
4. The 31st Meeting of the 11th Board of Directors on May 14, 2013.
   Approved the Company's 12th term of directors and supervisors started from June 01, 2013 and will end on May 31, 2016.
5. The 1st Meeting of the 12th Board of Directors on June 01, 2013.
   Ratify the motion for election Chuang Yu-De of the Chairman of the 12th Board.
6. The 2nd Meeting of the 12th Board of Directors on June 26, 2013.
   (1) Ratify amendments to the bond proprietary business of the Company's "Internal control system" and "Internal audit implementation rules".
   (2) Approved to reduce capital in the sum of NT$1,000,000,000, at the par value of

NT$10/each shares, for write-off the already issued 100,000,000 shares. After capital reduction, the total share capital remains still NT$22,500,000,000, and the paid-in capital amount is NT$5,000,000,000.

(3) Approved the Company intends to sign the “Supplementary Agreement of Securities Investment Consulting Appointment contract” with the Yuanta Securities Investment Consulting.

7. The 3rd Meeting of the 12th Board of Directors on October 26, 2013.

(1) Approved the Company second quarter of 2013 financial report.

(2) Approved the Company’s 2013 cash dividend through capital via statutory surplus and capital reserves.

(3) Approved the Company’s 2013 financial update plan.

(4) Approved partial amendments of the “Yuanta Securities Finance and the Financial Holding Corporate Act, article 45, Authorized Operation Measures”.

8. The 4th Meeting of the 12th Board of Directors on September 24, 2013.

Approved the Company ”Measures preferential retired employees” in 2013.

9. The 5th Meeting of the 12th Board of Directors on October 22, 2013.

Approved the Company terminate the lease agreement for “Yuanta Financial Holdings Building” with the interested party, earlier, and re-signed the agreement upon adjustment on the occupied area.

10. The 6th Meeting of the 12th Board of Directors on November 13, 2013.

Approved to amend the company's "Chairman & Vice-Chairman Severance Pay Policy".

11. The 7th Meeting of the 12th Board of Directors on December 25, 2013.

(1) Approved the Company signed the “Securities Investment Consulting Appointment contract” with the Yuanta Securities Investment Consulting.

(2) Approved to amend the company's " Large exposure management Articles”.

(3) Ratify the motion the Company’s exposure management system for the transactions with the same person, group, industry and nation in 2014.

(4) Approved the Company’s 2013 Audit plan.

(5) Approved to Modified NT$3,500,000,000 to NT$2,400,000,000 of cash dividend through capital via statutory surplus and capital reserves.

L. Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors in recent years and up to the date of this annual report’s publication: None

M. Resignation of any individual associated with the financial statements in recent years as of publication of this annual report: None

4. Information on Service Fees Charged by the Certified Public Accountants (CPAs):

Range of Service fees by CPAs

Name of accounting firm	Name of CPAs		Audit period	Remark
PricewaterhouseCoopers Taiwan	Sk Lin	Ellen Kuo	Jan. 01,2013- Dec. 31,2013	

Note: if changes of accounting firms or CPAs occurred in the current fiscal year, separate itemized listing and reasons are required.

Units：thousand NT$

Range \ Fees Item		Audit fees	Non-Audit expenses	Total
1	Less than 2000	✓	✓	✓
2	2,000（inclusive）～4,000	-	-	-
3	4,000（inclusive）～6,000	-	-	-
4	6,000（inclusive）～8,000	-	-	-
5	8,000（inclusive）～10,000	-	-	-
6	10,000（inclusive）and above	-	-	-

A. Instances where the ratio of non-audit related expenses made up more than one quarter of audit fees: None

B. Instances where a change in the accounting firm results in reduction of the auditing fees in comparison to the year prior to the change: None

C. Instances where auditing fees decreased more than 15% over the previous year: None

5. Information on the replacement of CPAs: None.

6. Chairman, President, or Managers in Charge of Finance or Accounting Affairs, Who Were Employed by the CPA Firm or its Affiliates over the Past One Year: None.

7. Equity Change, Share Transfers and Pledges Made by Directors, Supervisor(s), Manager(s), or Major Shareholder(s) in Recent Years up to the Publication of This Annual Report:

A. Change in equity

Title	Name	2013		Ending Jan. 31, 2014	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman	Yuanta Financial Holdings Representative: Chuang Yu-De	(100,000,000)	-	-	-
Director	Yuanta Financial Holdings Representative: Lee Ya-Pin				
Director	Yuanta Financial Holdings Representative: Yu Yao-ting				
Director	Yuanta Financial Holdings Representative: Yu Kuang-hua				
Director	Yuanta Financial Holdings Representative: Hong Rong-Ting				
Supervisor	Yuanta Financial Holdings Representative: Chang Tsai-Yu				
Supervisor	Yuanta Financial Holdings Representative: Liao Yueh-Jung				
Major Shareholder	Yuanta Financial Holdings				
President	Lee Ya-Pin				
Vice-President	Hong Rong-Ting				
Senior assistant vice President	Hu Yi-Heng				
Assistant Vice President	Chen Ying-Ling				
Assistant Vice President and Secretary of the Board	Lin Tseng-Chun				
Senior assistant vice President	Liu Ying-Shi				
Manager	Chen Chi-Ping				
Manager	Huang Shi- Chun				
Assistant Manager	Cheng Shu-Chin				

Note: Yuanta Financial Holdings Co., Ltd holds all shares of the company.

B. Information on transfer of shares: None.

C. Information on equity pledged: None.

8. Information on the top 10 shareholders being related parties：

Baseline date: Jan. 31, 2014

Name	Shareholding Under Own Name		Spouse and Minor Shareholding		Shares Held Under Other's Names		Disclosure of information on related parties, or spousal relationship or relations within second degree of kinship among top ten shareholders, including their names and relationship		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Yuanta Financial Holdings Representative: Rong Jou Wang	500,000,000	100 %	—	—	—	—	—	—	—

Note: Yuanta Financial Holdings Co., Ltd holds all shares of the company.

9. Ratio of Comprehensive Shareholdings to the Same Business Entity That is Directly or Indirectly Controlled by Directors, Supervisors, or Management:

Jan. 31, 2014 Unit: Shares; %

Business entity invested (Note)	Company's investment		Investment directly or indirectly controlled by director(s), supervisor(s) or manager(s)		Total investment	
	Shares	%	Shares	%	Shares	%
TDCC	58,775,111	17.96	—	—	58,775,111	17.96
TAIFEX	14,207,932	5.00	—	—	14,207,932	5.00

Note: Long-term investment of the company

Ⅳ. Financing Status

1. Corporate Capital and shareholdings

A. Sources of capital

Jan. 31, 2014

Date	Issue Price (NT$)	Authorized capital		Paid-in capital		Remarks		
		Issue Price (thousand shares)	Amount (thousand NT$)	Issue Price (thousand shares)	Amount (thousand NT$)	Source of capital	Capital increase by assets other than cash	Other
July, 2001	10	1,470,000	14,700,000	1,470,000	14,700,000	Capital increase via capital reserve $700,000,000	None	Note 1
July, 2002	10	1,220,000	12,200,000	1,220,000	12,200,000	Capital reduction $2,500,000,000	None	Note 2
April, 2005	10	800,000	8,000,000	800,000	8,000,000	Capital reduction $4,200,000,000	None	Note 3
Nov. 2007	10	900,000	9,000,000	900,000	9,000,000	Capital increase (private placement) $1,000,000,000	None	Note 4
Aug. 2008	10	1,500,000	15,000,000	1,500,000	15,000,000	Capital increase (private placement) $6,000,000,000	None	Note 5
May, 2009	10	1,650,000	16,500,000	1,650,000	16,500,000	Capital increase via capital reserve $1,500,000,000	None	Note 6
Nov. 2010	10	2,250,000	22,500,000	2,250,000	22,500,000	Capital increase via statutory surplus and capital reserve $6,000,000,000	None	Note 7
Jan. 2011	10	2,250,000	22,500,000	600,000	6,000,000	Capital reduction $16,500,000,000	None	Note 8
June, 2011	10	2,250,000	22,500,000	980,000	9,800,000	Capital increase via statutory surplus and capital reserve $3,800,000,000	None	Note 9
Nov. 2011	10	2,250,000	22,500,000	600,000	6,000,000	Capital reduction $3,800,000,000	None	Note 10
Aug. 2013	10	2,250,000	22,500,000	500,000	5,000,000	Capital reduction $1,000,000,000	None	Note 11

Note 1: Approved on July 13, 2001 by Securities and Futures Commission letter Tai-Tsai-Cheng- (4)-Tzu no. 145372.
Note 2: Approved on July 19, 2002 by Securities and Futures Commission letter Tai-Tsai-Cheng-4-Tzu No. 0910140309.
Note 3: Approved on April 8, 2005 by Financial Supervisory Commission letter Jin-Guan-Cheng-4-Tzu No. 0940111322.
Note 4: Approved on October 19, 2007 by Financial Supervisory Commission letter Jin-Guan-Yin-6-Tzu No. 09600441890.
Note 5: Approved on July 29, 2008 by Financial Supervisory Commission letter Jin-Guan-Yin-6-Tzu No. 09700260910.
Note 6: Approved on April 01, 2009 by Financial Supervisory Commission letter Jin-Guan-Cheng-4-Tzu No. 0980012602.
Note 7: Approved on November 05, 2010 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 0990060491.
Note 8: Approved on January 10, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 0990073675.
Note 9: Approved on May 11, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 1000019441.
Note 10: Approved on October 12, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No.1000048613.
Note 11: Approved on August 06, 2013 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No.1020030434.

Data as of: Jan. 31, 2014 / Unit: shares

Category of shares	Authorized capital			Remarks
	Outstanding shares (note)	Unissued shares	Total	
Common shares	500,000,000	1,750,000,000	2,250,000,000	

Note: Unlisted company shares.

B. Shareholder structure

Jan. 31, 2014/ Unit: shares

Shareholders type / Number	Governmental institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and natural persons	Total
No. of shareholders	0	1	0	0	0	1
Shares held	0	500,000,000	0	0	0	500,000,000
Shareholding ratio	0	100%	0	0	0	100%

Note: Yuanta Financial Holdings Co., Ltd. holds all of the Company's shares

C. Distribution profile and shareholder ownership

(1) Common shares

Face value per share: 10 dollars Jan. 31, 2014/ Unit: shares

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1,000,001 and above	1	500,000,000	100%

Note: Yuanta Financial Holdings Co., Ltd. holds all of the Company's shares

(2) Preferred shares: None

D. Major shareholders

Baseline date: Jan. 31, 2014/ Unit: shares

Shares / Major shareholders	Shares held	Shareholding ratio (%)
Yuanta Financial Holdings Co., Ltd.	500,000,000	100%

Note: Yuanta Financial Holdings Co., Ltd. holds all of the Company's shares

E. Market price per share, net value, earnings, dividends and related information for the past two years

Items \ Years			2012	2013	Year-Jan.31.2014 (Note 2)
Market price per share (Note1)	Highest		—	—	—
	Lowest		—	—	—
	Average		—	—	—
Net value per share	Before distribution (NT$)		19.34	27.87	27.91
	After distribution (NT$)		18.71	Note 3	Note 4
Earnings per share	Weighted average Number of shares		600,000,000	561,369,863	500,000,000
	Earnings per share (NT$)		0.70	0.70	0.06
Dividends per share	Cash dividend (NT$)(Note5)		0.63	0.59	Note 4
	Stock dividend	From retained earnings	—	—	—
		From Capital Reserve	—	—	—
	Outstanding dividend accumulated		—	—	—
Return analysis	Price / earnings (P/E) ratio (Note6)		—	—	—
	Price / dividend (P/D) ratio (Note7)		—	—	—
	Cash dividend yield (note 8)		—	—	—

Note 1: Due to the merger of Yuanta Securities Co., Ltd. into Yuanta Financial Holdings Co., Ltd. , trading of the Company's shares ceased on January 23, 2002 and the Company was delisted on February 04. 2002.

Note 2: Year-January 31. 2014 data was self-compiled and are unaudited by CPAs.

Note 3: To be passed by the board of directors (acting as proxy for the AGM)

Note 4:The earnings for the fiscal Year 2014 have not yet been allocated.

Note 5: The cash dividend per share in the fiscal year of 2012 and 2013 was calculated based on the paid-in capital of total 600,000,000 and 500,000,000 shares.

Note 6: Price / earnings (P/E) ratio = Average market price over that year / Adjusted EPS

Note 7: Price / dividend (P/D) ratio = Average market price over that year / Cash dividend per share

Note 8: Cash dividend yield = Cash dividend per share / average closing price over that year

F. Dividend policy and implementation status

(1) Company dividend policy

The company has adopted a balanced dividend policy to uphold shareholder rights and achieve long-term business sustainability goals. The total proposed dividend by the board of directors in principle may be 80% to 100% of net earnings for the year following payment taxes, amendment of losses, allocation of legal reserve, director(s) and supervisor(s) remuneration and employee bonuses. The cash portion of the dividend shall make up 50% to 100% and stock portion of the dividend shall comprise 50% or less of the total dividend distributed.

Regarding the aforementioned principle, the company will decide the most appropriate policy for the distribution of stock dividends depending on actual profitability and capital conditions accordingly. The board will prepare a proposal for such distribution plan and submit it to the shareholders' meeting for approval and execution.

(2) Implementation status

Shareholders were allocated cash dividends NT$0.59 per share.

G. Impact on company financial results and EPS due to the issuance of bonus shares as proposed in the shareholders' meeting:

None

H. Employee Bonuses and remuneration to director(s) and supervisor(s)

(1) The range of Employee bonuses and remuneration to director(s) and supervisor(s) as set forth in the Company's Articles of Incorporation：

Following the Company's Articles of Incorporation, if annual earnings surplus exits after tax payment, amendment of losses from previous years shall take place than allocation of 30% for legal reserve. Of the remaining amount, 0.01% - 5% shall be appropriated as bonuses to employees. The remaining amount is combined with undistributed earnings from previous years and a distribution proposal by the Board of Directors is submitted to the Shareholders Meeting for approval.

(2) The accounting treatment of the discrepancy for the current period, if any, between the actual distributed amount and the estimated figure (for estimating the amount of employee bonuses and director/supervisor compensation, and calculating the number of shares to be distributed as stock bonuses)：

The basis for estimating the amount of employee bonuses is deducted allocation of legal reserve from annual net income, and multiplied by percentage in accordance with the Articles of Incorporation and related regulations. The estimates of employee bonuses are recognized as current period's operating expenses. In case of the difference in employee bonuses between the resolution of shareholders' meeting and the estimation, the estimation difference will be regarded as the profit and loss for the next year.

(3) Employee Bonuses approved by the board of directors:

(a) There was no discrepancy between the employee bonuses and the amount allocated from the Company's 2013 earnings as passed by the board of directors (acting as proxy for the AGM) and the financial report. Employees were allocated cash rewards totaling NT$687,990.

(b) Proposed stock bonus to employees and its percentage of total capital increase from earnings: No stock bonus was allocated to employees.

(c) Earnings per share after proposed allocation of bonus to employees and remuneration to director(s) and supervisor(s): Aim for NT$0.70 EPS after proposed allocation.

(4) Information regarding the allocation of earnings from the previous year for bonuses to employees and compensation to directors and supervisors:

There was no discrepancy between the employee bonuses and the amount allocated from the Company's 2012 earnings as passed by the board of directors (acting as proxy for the AGM) and the actual amount paid out. Cash bonuses paid to employees amounted to NT$702,310.

I. Information on Company's share repurchase: None

2. **Corporate bonds Issuance: None.**

3. **Preferred Shares Issuance: None.**

4. **Global depository receipts (GDRs) issuance: None.**

5. **Employee stock options issuance: None.**

6. **Mergers and acquisitions (M&A) or sales of shares in other company for issue of new shares: None.**

7. **Implementation of Capital Utilization Plans: None.**

Ⅴ. Operational Highlights

1. Business Activities

A. Business scope

(1) Main business services

a. Margin trading and short sale for the trading of securities.

b. Refinancing to securities firms.

c. Cash replenishment and underwriting securities financing.

d. Securities underwriter financing.

e. Securities settlement financing.

f. Securities lending.

g. Other relevant business approved by the authorities.

(2) Revenue summary

Unit: thousand NT$

Items \ Years	2011		2012		2013	
	Revenue	(%)	Revenue	(%)	Revenue	(%)
Margin trading and short sale	1,416,260	97.26	924,758	95.69	665,744	95.40
Refinancing	9,340	0.64	12,165	1.26	11,007	1.58
Securities lending	30,580	2.10	29,470	3.05	21,074	3.02
Total	1,456,180	100.00	966,393	100.00	697,825	100.00

(3) New financial products and services in development

To satisfy investors' short-term financing needs and activate the securities market, the company will seek approval from securities financial companies' authorities to engage in the securities-secured financing business.

B. Industry overview

(1) Margin trading and short sale

The impact of "imposition of capital gain tax" caused market investors' confidence to fall. Since the stock market drive and quantity were insufficient, the Company's financing balance dropped drastically. Notwithstanding, The Company's market share in the professional securities firms market remained 73％~75%. Margin trading and short sale services are currently still The Company's core business areas; it will continue to serve agents with a vigorous, reliable, and efficient attitude, and establish collaboration partnerships with agents, achieving a win-win outcome.

(2) Refinancing business

Refinancing services are chiefly aimed at securities traders, and not ordinary investors. Due to the relaxed funds market in recent years, securities traders have increased their capital, which has sharply reduced the need for refinancing from securities finance companies. As for stock loans to brokers, this accommodation provides stocks to securities traders so that they can make financed sales or repay shares, and is not a source of financing shares for short sale by securities trader investors. As a consequence, its balance of stock loans to brokers has always remained low. Refinancing business accounts for less than 1.5% of The Company's overall business.

(3) Securities lending

In 2013, the market continued to shrunken. Though The Company's financing balance and lendable securities decreased, it still worked hard to develop the securities lending service. This service accounts keep on 3% of The Company's revenues.

C. Technology and R&D

The Company is continuing to implement an information platform and in-depth cooperation program, strengthen securities trader information services, and engage in diversified business through a franchise channel approach in conjunction with the group's diversified products, ensuring that The Company's agent services indirectly benefit.

D. Long-term and short-term business development plans

Responding to fast-changing domestic and foreign economic and financial trends, and attempting to secure a competitive advantage in the securities finance market, The Company’s long-term and short-term business plans will focus on the following:

a. Short-term plans:

(1) Raise margin trading balance and short sale market share, achieve maximum benefit for this company: Take advantage of its nearly 75% share of agents to embark on diversified operations including information and channel franchises, while blocking price-cutting competition by rivals. This will boost The Company’s share of the margin trading and short sale balance, and maximize performance of value-added services.

(2) Expand negotiable securities lending services: Responding to the emergence of financial derivatives trading has given rise to new arbitrage and hedging needs. In addition to establishing “customer relationships with proprietary securities” traders, we may also engage new foreign institutional investors. We will also be looking for new sources of securities to lend, apart from using the collateral from investors’ financed share purchases.

b. Long-term plans：

(1) Strive for lifting of laws and regulations: Continuing to urge the competent authority to allow the “securities-secured financing business".

(2) Reduce operating expenses ratio: Saving operating expenses to make such expenses stay less than 30% of the operating revenue.

2. Market and business Overviews

A. Market analysis

(1) Supply, demand conditions, and growth potentials

After securities firms were granted permission to engage in stock market security financing business in 1990, the investor population and number of people opening margin loans accounts increased significantly due to the increase of credit agency institutions. The scale of market transactions and margin loans transactions also expanded rapidly. As of 2013, there are 35 consolidated securities firms and 2 security finance firms engaged in the security financing business. Looking at domestic securities market, the total stock market turnover in 2013 was NT$ 18.9409 trillion with over 543.1 billion shares traded. At the end of 2013, the market securities margin financing balance was NT$ 194.4 billion, the security loans balance was 646.68 million shares, and the Company's year-end market share of security loans was 4.60% and the market share of security loans was 2.94%. In 2013, the OTC annual stock turnover was NT$4.308 trillion, and the total volume was 97.2 billion shares. At the end of 2013, the OTC securities margin financing balance was NT$ 46.8 billion and the security loans balance was 123.74 million shares. The Company's year-end security margin financing market share was 4.34% and market share of security loans was 3.39%.

(2) Competitive niches

(a) Utilize financial holding synergy: Synergies may be created between the company's businesses and the various subsidiaries in the financial holding group. As the blueprint for the financial holding company takes shape, strategies of overall resources may be put to use, service functions can put to full effect. By expanding overall marketing channels across businesses, the company can stay on top of the pulse of the time and seize financial opportunities.

(b) Reduce operating cost: Operation costs may be reduced by streamlining of personnel and distribution of costs throughout the group.

(c) Strictly control credit risks: Implementation of effective and strict risk controls can raise credit quality and prevent bad debts.

(d) Develop outstanding reputation and professional level of service: The Company was the first domestic securities finance company in Taiwan's securities market. Through the experience accumulated in financial practices and marketing networks, the company can provide safe and reliable services for the investors credit transactions. Our sincerity can win the trust of customer and forever safeguard the long-term interests of customers.

(3) Advantages and disadvantages for future development and response measures

(a) Advantages

(i) More sufficient stocks source than other securities finance companies: the company has

75% market share, and owns more sufficient stocks source compared with other security finance companies and is in a position to offer more stocks for agency dealers, and investors to short sale.

(ii) Diversified business service: People are paying more attention to financial planning. The company can greatly enhance its competitiveness through offering a diverse range of services and leveraging the combined resources of the group.

(b) Disadvantages

(i) Trend for agency securities companies to set up independent security financing businesses by themselves:

As market skewed towards the needs of economy of scale, many agency securities companies have been acquired or established their own independent security financing business which has led to decline in the agency business. As of the end of 2013, consolidated securities firms' share of the security finance business reached 93.80%.

(ii) Fierce competition between securities finance companies: The fierce competition between security finance companies not only reduces interest spreads but also increases management and business promotion costs.

(c) Response strategies

(i) Consolidated security firms: Consolidated security firms with smaller scale are restricted by their small equity value and lack of security sources resulting in difficulties to expand their credit transaction volumes. The company can leverage its current advantage to assist them to turn into agency securities firms. This can reduce their risk and also increase their business volume and earnings.

(ii) Agency securities firms: Not following the price cutting competition with other securities finance firms, instead the company provides professional service, information, adequate source of securities, outstanding risk control, and stable operations to make Yuanta Securities Finance the only choice for agency securities firms.

B. Business Overviews

(1) Security Margin financing business Unit: Million NT$

Items \ Years		2012 Amount	2012 %	2013 Amount	2013 %
Investors' securities margin financing	TWSE market	12,061	84.31%	9,104	83.73%
	OTC market	2,244	15.69%	1,769	16.27%
Securities firms securities margin refinancing	TWSE market	0	-	0	-
	OTC market	0	-	0	-
Total		14,305	100.00%	10,873	100%

The amounts listed above are annualized averages.

(2) Security loans business Unit: thousand shares

Items \ Years		2012 Amount	2012 %	2013 Amount	2013 %
Investors' Security loans	TWSE market	24,861	77.13%	14,739	64.50%
	OTC market	3,156	9.79%	3,202	14.01%
Securities firms securities loans	TWSE market	3,800	11.79%	4,371	19.13%
	OTC market	415	1.29%	540	2.36%
Total		32,232	100.00%	22,852	100.00%

The amounts listed above are annualized averages

C. Usage and manufacturing processes for the company's main products：N/A

D. Supply situation for the company's major raw materials：N/A

E. A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years：None

F. An indication of the production volume for the 2 most recent fiscal years：N/A

G. An indication of the volume of units sold for the 2 most recent fiscal years：N/A

3. Employee demographics

Jan. 2014

Year		2012	2013	2014 (note)
Number of employees	Sales personnel	48	36	36
	Administrative personnel	14	12	12
	Total	62	48	48
Average age		45.50	48.60	48.68
Average years of service		13.65	15.42	15.50
Educational level	Ph. D.	0.00%	0.00%	0.00%
	Masters	19.35%	22.92%	22.92%
	College/University	75.81%	70.83%	70.83%
	Senior high school	3.23%	4.17%	4.17%
	Below senior high school	1.61%	2.08%	2.08%

Note: This information is annualized data up to the date of this annual report's publication (end of Jan. 2014). The number of employees listed in this Table to be understood excluding the short term part-time student workers.

4. Environmental Protection Expenditure Information: None

5. Labor Relations:

A. Employee welfare measures and implementation, labor agreements and safeguarding of employee interests

(1) Retirement plans and pension funds

Following the establishment of the company in 1980, pension and severance measures were adopted and approved at the fifth board meeting of the first term to fully safeguard employees' interests. The employee pension fund management committee, formally established in March 1981, is made up of nine members who are in charge of managing the pension funds, retirement, severance, death or resignation matters in accordance with regulations. On March 1, 1998, the company revised their retirement and severance regulations in line with the Labor Standards Law. A "Pension Fund Supervision Committee" was formed and contributions to the pension fund were set at a monthly rate of 8% of salaries and wages paid. This fund has been reported to the competent authority "The Taipei City Bureau of Labor". The original employee pension fund management committee is in charge of the management and use of the chairman and management pension funds which is disbursed at the same rate as regular employees.

On July 1, 2005, with the pass of Labor Pension Act, new pension system went into effect. Under the new system, the company is obligated to contribute no less than 6% of monthly paid salaries into pension accounts with the Labor Insurance Bureau which established a more comprehensive and diverse corporate pension system.

(2) Employee welfare measures

The Employee Welfare Committee was formed when the company was first founded. An employee welfare fund was also established in accordance with regulations and corporate capital. Each month, the operating revenue of the company is allocated to the employee welfare fund. This fund is placed under the independent custody of the Employee Welfare Committee. Assistance is also provided to employees to set up beneficial clubs and encourage long-term saving. An employee stock holding association was established in Nov. 2000, which purchases the company's stocks in regular fixed amounts and protects employee welfares after employee retirement or departure from the company.

(3) Harmonious labor relations

As a financial service enterprise, the company revised personnel and work rules to conform to the Labor Standard Law and meet business operation and management requirements on March 1, 1998. Regular "Labor-management" meetings are held not only to safeguard employee rights or overall company interests, but also to include employee-friendly management concepts in each employee welfare program as well as foster communication of opinions, promoting safe and secure lifestyles and ensure harmonious interpersonal relations. Relations between management and labor have been good since the company was founded. There have been no major losses incurred from labor disputes. In 2005, there was one lawsuit concerning severance pay that resulted from a dispute between the company and one employee, Mao Hao-Hsing. The company paid the difference based on the court ruling which settled the case.

6. Major Contracts

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (lease)	Between the company (Lessor) and the other party (Lessee)	Three years as of the date of lease referred to in the agreement	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office. The relevant rights and obligations for the lease.	General legal principles
House lease agreement (Lessee)	Between the company (Lessee) and the other party (Lessor)	3-5 years as of the date of lease referred to in the agreement	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office. The relevant rights and obligations for the lease.	General legal principles
Parking lot lease agreement (Lessee)	Between the company (Lessee) and the other party (Lessor)	Ten years as of the date of lease referred to in the agreement	In the duration of the lease, Lessee shall not sublet or assign the premises. The premises cannot be used for any purposes other than legal ones.	General legal principles

VI. Financial Statement

1. Summary of Five Years Condensed Balance Sheets and Income Statements

Condensed balance sheet

Unit: thousand NT$

Items \ Years		Five years Financial Information Summary（Note1）	
		2012	2013
Current assets		14,905,937	14,305,173
Property, plant and equipment		65,976	56,780
Intangible assets		6,172	6,707
Other assets		4,554,546	4,883,008
Total assets		19,532,631	19,251,668
Current liabilities	Before distribution	4,530,210	5,227,797
	After distribution	4,908,202	Note 2
Non-Current liabilities		104,736	87,741
Total liabilities	Before distribution	4,634,946	5,315,538
	After distribution	5,012,938	Note 2
Total equity attributable to the owner of parent company		14,897,685	13,936,130
Common stock		6,000,000	5,000,000
Capital reserve		3,328,301	3,328,301
Retained earnings	Before distribution	2,299,928	2,310,806
	After distribution	1,921,936	Note 2
Other equities		3,269,456	3,297,023
Treasury stock		–	–
Uncontrolled equity		–	–
Total shareholder equity	Before distribution	14,897,685	13,936,130
	After distribution	14,519,693	Note 2

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs
Note 2: The 2013 earnings distribution had not yet been approved by the board of directors (acting as proxy for the AGM) up to the publication date of this annual report.

Condensed income statements

Unit: thousand NT$

Items \ Years	Five years Financial Information Summary（Note）	
	2012	2013
Operating income	966,393	697,825
Operating gross profit	655,798	519,352
Operating profits (loss)	405,454	309,248
Non-operating income and expenses	96,603	136,294
Net income before tax	502,057	445,542
Continuing departments net income before tax	502,057	445,542
Non operating departments losses	—	—
Net profit (net loss) – current period	425,625	391,740
Other consolidated income (net after tax) – current period	395,474	24,697
Total consolidated income – current period	821,099	416,437
Net profit attributable to the owner of parent	425,625	391,740
Net profit attributable to uncontrolled equity	—	—
Net profit from total consolidated income attributable to the owner of parent	821,099	416,437
Total consolidated income attributable to uncontrolled equity	—	—
EPS(NT$)	0.71	0.70

Note: Financial information for the years of above-mentioned was audited and certified by CPAs

Condensed balance sheet -- Financial Accounting Standards in the R.O.C.

Unit: thousand NT$

Items \ Years		Five years Financial Information Summary (Note)			
		2009	2010	2011	2012
Current assets		67,083,158	41,579,263	18,125,086	14,905,937
Funds and investment		1,364,861	1,669,407	1,169,239	918,534
Fixed assets		89,267	70,598	83,090	65,976
Intangible assets		2,451	2,356	3,104	6,172
Other assets		823,250	684,971	359,483	349,048
Total assets		69,362,987	44,006,595	19,740,002	16,245,667
Current liabilities	Before distribution	32,036,384	8,802,459	8,085,022	4,530,160
	After distribution	33,596,383	10,102,287	8,522,488	4,908,152
Long-term liabilities		5,005,857	2,504,654	3,378	433
Other liabilities		113,717	112,916	115,151	111,800
Total liabilities	Before distribution	37,155,958	11,420,029	8,203,551	4,642,393
	After distribution	38,715,957	12,719,857	8,641,017	5,020,385
Common stock		16,500,000	22,500,000	6,000,000	6,000,000
Capital reserve		5,525,693	3,926,006	3,328,301	3,328,301
Retained earnings	Before distribution	10,144,281	6,041,179	2,305,793	2,289,316
	After distribution	8,584,282	4,741,351	1,868,327	1,911,324
Unrealized gain (loss) on Securities		37,055	119,381	(97,643)	(14,343)
Cumulative translation adjustments		–	–	–	–
Net loss not recognized as pension cost		–	–	–	–
Total shareholder equity	Before distribution	32,207,029	32,586,566	11,536,451	11,603,274
	After distribution	30,647,030	31,286,738	11,098,985	11,225,282

Note: Financial information for the years of above-mentioned was audited and certified by CPAs

Condensed income statements-- Financial Accounting Standards in the R.O.C.

Unit: thousand NT$

Items \ Years		Five years Financial Information Summary (Note)			
		2009	2010	2011	2012
Operating income		3,320,699	3,883,429	1,456,180	966,393
Operating gross profit		1,844,063	2,223,099	959,329	655,798
Operating profit (loss)		1,448,024	1,833,614	669,072	405,157
Non-operating income		977,861	837,048	250,780	173,246
Non-operating expenses		244,776	479,802	21,645	81,032
Gain (loss) from continuous operating departments before Tax		2,181,109	2,190,860	898,207	497,371
Gain (loss) from continuous operating departments		1,813,699	1,856,897	764,442	420,989
Non operating departments losses		—	—	—	—
Extraordinary gain (loss)		—	—	—	—
Cumulative impact of changes in accounting principles		—	—	—	—
Total profit (Loss)		1,813,699	1,856,897	764,442	420,989
EPS(NT$)	Before retrospective adjustment	1.10	0.83	0.75	0.70
	After retrospective adjustment	0.49	0.51	0.75	0.70

Note: Financial information for the years of above-mentioned was audited and certified by CPAs

Names of the CPAs and audited opinions for the past five years

Year	CPA Firm	CPAs	Opinion
2009	PricewaterhouseCoopers Taiwan	Hsiao Chin-Mu, Huang Chin-Tze	Unqualified opinion
2010	PricewaterhouseCoopers Taiwan	Hsiao Chin-Mu, Huang Chin-Tze	Modified unqualified opinion
2011	PricewaterhouseCoopers Taiwan	Lin Sk, Huang Chin-Tze (Note 1)	Unqualified opinion
2012	PricewaterhouseCoopers Taiwan	Lin Sk, Kuo Ellen (Note 2)	Unqualified opinion
2013	PricewaterhouseCoopers Taiwan	Lin Sk, Kuo Ellen	Unqualified opinion

Note 1: Due to the internal operating adjustment, the CPAs assigned to audit the company's financial statements were changed from PricewaterhouseCoopers Taiwan Hsiao Chin-Mu and Huang Jing-Tze to PricewaterhouseCoopers Taiwan Lin Sk and Huang Jing-Tze from 2011.

Note 2: Due to the internal rotation, the CPAs assigned to audit the company's financial statements were changed from PricewaterhouseCoopers Taiwan Lin Sk and Huang Jing-Tze to PricewaterhouseCoopers Taiwan Lin Sk and Kuo Allen from 2012.

2. Five Years Financial Analysis

Financial Analysis

Items (Note2) / Years (Note1)		Five years Financial Analysis 2012	2013
Financial Structure%	Debt-asset ratio	23.73	27.61
	Ratio of long-term capital to property, plant and equipment	22,739.21	24,698.61
Solvency %	Current ratio	329	274
	Quick ratio	327	274
	Interest coverage ratio	–	–
Operating Ability	Receivables turnover rate (times)	–	–
	Average collection days for receivables	–	–
	Inventory turnover rate (times)	–	–
	Payables turnover rate (times)	–	–
	Average days for sale	–	–
	Property, plant and equipment turnover rate (times)	12.97	11.37
	Total asset turnover ratio (times)	0.05	0.04
Profitability	Return on assets (%)	2.01	2.02
	Return on equity (%)	2.89	2.72
	Ratio of income before tax to paid-in capital (%)	8.37	8.91
	Profit margin before tax (%)	44.04	56.14
	EPS (NT$)	0.71	0.70
Cash Flow	Cash flow ratio (%)	73.84	30.35
	Cash flow adequacy ratio (%)	1,387.82	426.49
	Cash flow reinvestment ratio (%)	19.68	8.76
Leveraging	Operating leverage	2.33	2.21
	Financial leverage (Note 3)	–	–
The reason for changes in financial ratio within two years: 1. The decrease of total asset turnover ratio during 2013 was due to operating income decreased compared to 2012. 2. The increase of net profit margin during 2013 was due to operating income decreased compared to 2012. 3. The decrease of the cash flow ratio during 2013 was due to margin loans receivable collection and net cash inflow from operating activities decreased compared to 2012.			

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs
Note 2: Calculation methods for the financial analysis are listed below:
Note 3: Not applicable to the company

Calculation methods

1. Financial Structure
   (1) Debt-asset ratio = Total liabilities / Total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment
2. Solvency
   (1) Current ratio = Current assets / Current liabilities
   (2) Quick ratio = (Current assets - inventory - prepaid expenses) / Current liabilities
   (3) Interest coverage ratio = EBIT / Current interest expenses
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
   (2) Average collection days for receivables = 365 / receivables turn over rate
   (3) Inventory turnover ratio = cost of sales / Average inventory
   (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
   (5) Average days of sale = 365 / inventory turnover rate
   (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
   (7) Total asset turnover rate = net sales / average total assets
4. Profitability
   (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets
   (2) Return on equity = net income / average total equity
   (3) Profit margin before tax = net income / net sales
   (4) Earnings per share = (profit and loss attributable to owners of the parent – dividends on preferred shares) / weighted average number of issued shares
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)
6. Leverage
   (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
   (2) Financial leverage = operating income / (operating income – interest expenses)

Financial Analysis -- Financial Accounting Standards in the R.O.C.

Items (Note2)			Five years Financial Analysis (Note1) 2009	2010	2011	2012
Financial Structure%	Debt-asset ratio		53.57	25.95	41.56	28.58
	Ratio of long-term capital to fixed assets		41,687.17	49,705.69	13,888.35	17,587.77
Solvency %	Current ratio		209	472	224	329
	Quick ratio		206	472	220	327
	Interest coverage ratio		—	—	—	—
Operating Ability	Receivables turnover rate (times)		—	—	—	—
	Average collection days for receivables		—	—	—	—
	Inventory turnover rate (times)		—	—	—	—
	Payables turnover rate (times)		—	—	—	—
	Average days for sale		—	—	—	—
	Fixed assets turnover Ratio (times)		37.20	55.01	17.53	14.65
	Total asset turnover Ratio (times)		0.05	0.09	0.07	0.06
Profitability	Return on assets (%)		3.11	3.28	2.40	2.34
	Return on equity (%)		5.78	5.73	3.47	3.64
	Ratio to paid-in capital (%)	Operating income	8.78	8.15	11.15	6.75
		Income before tax	13.22	9.74	14.97	8.29
	Profit margin before tax (%)		54.62	47.82	52.50	43.56
	EPS (NT$)		0.49	0.51	0.75	0.70
Cash Flow	Cash flow ratio (%)		Note 3	Note 3	160.01	73.74
	Cash flow adequacy ratio (%)		1,560.07	1,220.22	1,226.10	1,387.73
	Cash flow reinvestment ratio (%)		Note 3	Note 3	99.01	24.56
Leveraging	Operating leverage		2.24	2.07	2.13	2.33
	Financial leverage (Note 4)		—	—	—	—

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs.
Note 2: Calculation methods for the financial analysis are listed below:
Note 3: This ratio was not calculated due to the net operating cash flow minus cash dividend being negative in the statement of cash flows.
Note 4: Not applicable to the company

Calculation methods

1. Financial structure
   (1) Debt-asset ratio = total liabilities / total assets
   (2) Ratio of long-term capital to fixed assets = (net shareholders' equity + long-term liabilities) / net worth of fixed assets
2. Solvency
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
   (3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses
3. Operating ability
   (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
   (2) Average collection days for receivables = 365 / receivables turn over rate
   (3) Inventory turnover rate = cost of sales / average inventory
   (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
   (5) Average days of sale = 365 / inventory turnover rate
   (6) Fixed assets turnover rate = net sales / average net worth of fixed assets
   (7) Total asset turnover rate = net sales / average total assets
4. Profitability
   (1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets
   (2) Return on shareholders' equity = net income / average shareholder's equity
   (3) Profit margin before tax = net income / net sales
   (4) Earnings per share = (net profit after tax – dividends on preferred shares) / weighted average number of issued shares.
5. Cash Flow
   (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
   (3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross fixed assets value + long-term investment + other assets + working capital)
6. Leveraging:
   (1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income
   (2) Financial leverage = operating income / (operating income – interest expenses)

3. Supervisors' Audit Report over recent years (see Page 60)

4. The latest consolidated financial statements audited and certified by the CPAs (See enclosed financial report).

5. Consolidated financial statements of the company and its subsidiaries audited and certified by the CPAs: None

6. Any financial problems encountered by the company and its affiliates which might affect the financial conditions of the company: None

Yuanta Securities Finance Co., Ltd
Supervisor's Examination Report

The Board of Directors has submitted the 2013 Business Report, Financial Statements, and Earnings Distribution Statements. The Financial Statements had been audited and certified by the CPAs, Lin Sk and Kuo Ellen of PricewaterhouseCoopers and an audit report has been issued.

The supervisors have reviewed and audited the above-mentioned documents issued, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, a supervisor's report is hereby issued in accordance with Article 219 of the Company Act.

Yuanta Securities Finance Co., Ltd 2014 Shareholder's Meeting

Yuanta Securities Finance Co., Ltd
Supervisor: Chang Tsai-Yu
Supervisor: Liao Yueh-Jung

March 12, 2014

VII. Financial Status, Operating Results and Risk Management

1. Financial status

Unit: thousand NT$

Items \ Years	2013	2012	Difference	
			Amount	%
Current Assets	14,305,173	14,905,937	(600,764)	(4)
Property, plant and equipment	56,780	65,976	(9,196)	(14)
Intangible assets	6,707	6,172	535	9
Other assets	4,883,008	4,554,546	328,462	7
Total assets	19,251,668	19,532,631	(280,963)	(1)
Current liabilities	5,227,797	4,530,210	697,587	15
Non-Current liabilities	87,741	104,736	(16,995)	(16)
Total liabilities	5,315,538	4,634,946	680,592	15
Common stock	5,000,000	6,000,000	(1,000,000)	(17)
Capital reserve	3,328,301	3,328,301	0	-
Retained earnings	2,310,806	2,299,928	10,878	-
Other equity	3,297,023	3,269,456	27,567	1
Total equity	13,936,130	14,879,685	(961,555)	(6)

Description of items with significant changes in the past two years:

A. Description of changes in Property, plant and equipment：

The decrease in property, plant and equipment during 2013 was due to a decrease in the 2013 leased assets compared to 2012.

B. Description of changes in non-current liabilities：

The decrease in non-current liabilities during 2013 was due to a decrease in the 2013 employee benefit liabilities ready compared to 2012.

C. Description of changes in common stock：

The decrease in common stock during 2013 was due to capital decrease compared to 2012.

2. Financial Performance

Unit: thousand NT$

Items \ Years	2013	2012	Increase (decrease)	% change
Operating income	697,825	966,393	(268,568)	(28)
Operating gross profit	519,352	655,798	(136,446)	(21)
Operating profit (loss)	309,248	405,454	(96,206)	(24)
Non-operating income and expenses	136,294	96,603	39,691	41
Net income before Tax	445,542	502,057	(56,515)	(11)
Continuing departments net income before tax	445,542	502,057	(56,515)	(11)
Net profit (net loss) – current period	391,740	425,625	(33,885)	(8)
Other consolidated income (net after tax) – current period	24,697	395,474	(370,777)	(94)
Total consolidated income – current period	416,437	821,099	(404,662)	(49)
Net profit attributable to the owner of parent	391,740	425,625	(33,885)	(8)
Net profit from total consolidated income attributable to the owner of parent	416,437	821,099	(404,662)	(49)

Description of items with significant changes in the past two years:

A. Description of changes in operating income:

The decrease in operating income during 2013 was due to NT$3.432 billion decrease in financing balance and the operating income decreased compared to 2012.

B. Description of changes in operating profit (loss):

The decrease in operating revenue resulted in the decrease in loan and operating cost relatively. The operating cost decreased by 42％ and the operating profit (loss) decreased by 24% compare with 2012,

C. Description of changes in non-operating income and expenses:

The increase in non-operating income and expenses was a result of the gain from disposal of financial assets in 2013, NT$7,176 thousand. The loss from disposal of financial assets was NT$88,830 thousand in 2012.

3. Cash flow

A. Liquidity analysis for the past two years

Years / Items	2013	2012	Change (%)
Current ratio (%)	30.35	73.84	(58.90)
Cash flow adequacy Ratio (%)	426.49	1,387.82	(69.27)
Cash flow reinvestment Ratio (%)	8.76	19.68	(55.49)

Description of items with significant changes:
Due to margin loans receivable collection decreased in 2013, the ratio of cash flow and cash flow reinvestment decreased compared to 2012.

B. Analysis of cash flows in the future year

Unit: thousand NT$

Initial cash balance	Net cash flow from operating activities for the year	Cash outflow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
1,875,431	(789,646)	(1,035,007)	50,778	—	—

(1) Analysis of current year's cash flows:

(a) Operating activities: (NT$789,646,000).

(b) Investment activities: (NT$85,098,000).

(c) Financing activities: (NT$949,909,000).

(2) Liquidity analysis and countermeasures against cash insufficiency: N/A.

4. Effects of Major Capital Expenditures in the Most Recent Fiscal Year on Financial Operations: None.

5. Major Cause(s) for Gain/Loss due to Investment Policies in the Past Years and Improvement Plan(s) thereof and Investment Plan(s) for the Coming Year:

A. Continue to make relevant reinvestments in line with the investment strategy of the parent Financial Holding Company and within the investment limits under the legal framework.

B. Stock dividends from the Company's reinvestment enterprises in 2013: Taiwan Depository & Clearing Corporation 1,152,453 shares, Taiwan Futures Exchange 278,586 shares.

C. Cash dividends from the Company's reinvestment enterprises in 2013: Taiwan Depository & Clearing Corporation NT$66,266,000, Taiwan Futures Exchange NT$27,162,000 are major sources of company earnings.

6. Risk assessment

A. The impact of changes in recent year interest rate, exchange rate and inflation conditions on company income and the future countermeasures:

(1) Interest rate: The Company's main business is credit transaction businesses, and the main profit is from security margin financing interest rate spreads. 2013's spread is slight higher than 2012's, to support the company's income.

(2) Exchange rate: The Company's main income is in NT dollars; therefore, exchange rates do not have a significant impact on the company's income.

(3) Inflation: No significant impact on the company's income.

B. Transactions of high risk, high leverage investments, loans to others, endorsements and derivatives trading: None.

C. Future R&D plans and planned investment of R&D funds: None.

D. The impact of change in major policies and laws in Taiwan and abroad upon the financial standing of the company and the measures: None.

E. The impact of technological change and industry changes upon the financial standing of the company and the countermeasures: None.

F. The impact of change in corporate image upon the corporate risk management and the countermeasures: None.

G. Expected benefit(s) and possible risk(s) for M&A activities: None.

H. Expected profit and possible risks of plant expansion: None.

I. Purchase and sales risks: None.

J. The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding of the directors and supervisors or major shareholders holding over 10%: None.

K. The impact of change in management and its potential risks: None.

L. Litigation and non-litigation matters: None.

M. Other major risks: None.

7. Other significant events: None.

VIII. Special Notes

1. Information on affiliates

A. Relationship between the controlling company and its affiliate companies

Units: Shares; %

Name of controlling company	Reasons for control	Shareholding and pledge by the controlling company			Information on directors, supervisors and management assigned by the controlling company	
		Number of shares held	Shareholding percentage	Number of pledged shares	Title	Name
Yuanta Financial Holdings Co., Ltd.	That company Has acquired 100% of the company shares.	500,000,000	100.00%	0	Director (Chairman) Director (President) Director Director Director Supervisor Supervisor	Chuang Yu-De Lee Ya-pin Yu Yao-ting Yu Kuang-hua Hong Rong-Ting Chang Tsai-Yu Liao Yueh-Jung
Modern Investment	Mr. Rong Jou Wang and Mr. Tony Shen are statutory representative of Modern Investment, and serve as Chairman, Vice Chairman of Yuanta Financial Holdings. According to Paragraph 2, Article 369-2 of the Company Act they are empowered to control personnel, financial, and operational activities.	—	—	—	—	—

Note: The baseline date for above information is Jan. 31, 2014.

B. Information on business transaction(s)
   (1) Purchase and Sales transaction: None
   (2) Property transaction: None
   (3) Capital financing: None
   (4) Assets leasing: None
   (5) Other important transactions: None

C. Endorsement and guarantees: None

D. Other matters having significant impact on financial and business operations: None

Yuanta Securities Finance' Declaration on Affiliation Report

It is hereby declared that the Affiliation Report for 2013 (from January 1, 2013 to December 31, 2013) is prepared and submitted pursuant to the "Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report." At the same time, there is no significant inconsistency between the information above and the supplementary information disclosed in the financial statements for the above period.

Company Name: Yuanta Securities Finance Co., Ltd

Chairman: Chuang Yu-De

Date: March 12, 2014

Independent Auditor's Review on Affiliation Report

Tzu Hui Tzong Zi No. 13006833

To: Yuanta Securities Finance

The 2013 Affiliation Report of Yuanta Securities Finance is reviewed by PwC in accordance with the Letter of Securities & Futures Commission of Financial Supervisory Commission, Executive Yuan dated November 30, 1999 under reference Tai.Tsai.Cheng (6) No. 04448. It reviewed whether the 2013 affiliation report was prepared in accordance with the "Guidelines for Compilation of the Consolidated Operating Report of Affiliated Enterprises and Consolidated Financial Statements and the Affiliation Report" and whether there is a significant nonconformity between the aforementioned information disclosed and then audited by Pwc.

Based on my review, the composition of the affiliation party report is in compliance with the "Guidelines for Compilation of the Consolidated Operating Report of Affiliated Enterprises and Consolidated Financial Statements and the Affiliation Report" and there are no significant nonconformities identified between the information disclosed in the aforementioned affiliation report and that in the said supplementary financial statements.

PricewaterhouseCoopers

Lin SK
CPA:
Kuo Ellen

Approved by Financial
Supervisory Commission Securities
and Futures Bureau letter
Jin-Guan-Cheng-6-Tzu
No. 0960072936
Approved by Financial
Supervisory Commission letter
Jin-Guan-Cheng-Shen
No. 1000035997

March 12, 2014

2. Private Placement of Securities in recent years as of the publication date of the annual report: None

3. Shares of the Company held or disposed of by subsidiaries in recent years as of the publication date of the annual report: None

4. Other supplemental items: None

IX. Significant Issues which might Affect Shareholders' Equity or Prices of the Shares Pursuant to Item 2, Paragraph 2, Article 36 of the Securities Exchange Act

None

YUANTA SECURITIES FINANCE CO., LTD.

FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

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

Report of Independent Accountants

PWCR13000328

To the Board of Directors and Shareholders of Yuanta Securities Finance Co., Ltd.

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

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Securities Finance Co., Ltd. as of December 31, 2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012 in conformity with the "Rules Governing the Preparations of Financial Statements by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

March 12, 2014

The accompanying 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.

YUANTA SECURITIES FINANCE CO., LTD.
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes		December 31, 2013 AMOUNT	%		December 31, 2012 AMOUNT	%		January 1, 2012 AMOUNT	%
	Current assets										
1100	Cash and cash equivalents	6(1) and 7(2)	$	1,875,431	10	$	1,217,611	6	$	413,951	2
1110	Financial assets at fair value through profit or loss-current	6(2) and 7(2)		714,501	4		633,206	3		622,498	3
1125	Available-for-sale financial assets - current	6(3)		277,564	1		555,960	3		532,778	2
1130	Held-to-maturity financial assets - current	6(4) and 8		-	-		300,401	1		499,856	2
1170	Margin loans receivable - net	6(5)		10,972,030	57		11,657,771	60		15,493,709	68
1200	Other receivables	7(2)		438,938	2		514,279	3		608,130	3
1220	Current income tax assets	6(18) and 7(2)		26,709	-		26,709	-		22,369	-
	Total current assets			14,305,173	74		14,905,937	76		18,193,291	80
	Non-current assets										
1523	Available-for-sale financial assets - non-current	6(3)		3,960,379	21		3,953,518	20		3,661,087	16
1527	Held-to-maturity financial assets - non-current	6(4) and 8		310,732	2		253,204	1		503,909	2
1600	Property and equipment	6(6)		56,780	-		65,976	1		83,090	-
1760	Investment property	6(7) and 7(2)		209,494	1		211,972	1		223,517	1
1780	Intangible assets			6,707	-		6,172	-		3,104	-
1840	Deferred income tax assets	6(18)		129,103	1		123,009	1		126,062	1
1900	Other non-current assets	6(5), 7(2) and 8		273,300	1		12,843	-		13,623	-
				4,946,495	26		4,626,694	24		4,614,392	20
1XXX	**Total assets**		$	19,251,668	100	$	19,532,631	100	$	22,807,683	100

(Continued)

YUANTA SECURITIES FINANCE CO., LTD.
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	LIABILITIES AND EQUITY	Notes	December 31, 2013 AMOUNT	%	December 31, 2012 AMOUNT	%	January 1, 2012 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(8)	$ -	-	$ -	-	$ 109,000	-
2110	Short-term notes and bills payable	6(9)	180,974	1	-	-	-	-
2170	Short sale proceeds payable	6(5)	1,806,377	9	1,442,500	7	1,664,722	7
2200	Other payables		405,121	2	433,887	2	505,763	2
2220	Other payables - related parties	7(2)	15,743	-	1,106	-	1,149	-
2230	Current income tax liabilities	6(18) and 7(2)	61,317	-	88,462	1	39,162	-
2305	Deposits-in of securities finance guarantee	6(5) and 7(2)	1,469,842	8	1,153,013	6	1,390,841	6
2320	Long-term liabilities - current portion	6(10)	-	-	-	-	2,500,000	11
2399	Deposits-in of securities borrowing and lending	6(5) and 7(2)	1,288,092	7	1,407,638	7	1,937,147	9
2300	Other current liabilities		331	-	3,604	-	5,443	-
	Total current liabilities		5,227,797	27	4,530,210	23	8,153,227	35
	Non current liabilities							
2550	Non-current provisions	6(11)	82,093	1	99,700	1	133,836	1
2600	Other non current liabilities		5,648	-	5,036	-	6,568	-
			87,741	1	104,736	1	140,404	1
2XXX	**Total liabilities**		5,315,538	28	4,634,946	24	8,293,631	36
	Equity							
	Capital stock	6(12)						
3110	Common stock		5,000,000	26	6,000,000	31	6,000,000	26
	Capital reserve	6(13)						
3210	Capital reserve - additional paid in capital		3,326,271	17	3,326,271	17	3,326,271	15
3280	Capital reserve other		2,030	-	2,030	-	2,030	-
	Retained earnings	6(14)						
3310	Legal reserve		1,896,981	10	1,770,684	9	1,541,351	7
3320	Special reserve		14,343	-	97,643	-	-	-
3350	Unappropriated retained earnings		399,482	2	431,601	2	746,286	3
3400	**Other equity interest**	6(3)(15)	3,297,023	17	3,269,456	17	2,898,114	13
3XXX	**Total equity**		13,936,130	72	14,897,685	76	14,514,052	64
	Commitments	9						
	TOTAL LIABILITIES AND EQUITY		$ 19,251,668	100	$ 19,532,631	100	$ 22,807,683	100

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

YUANTA SECURITIES FINANCE CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			For the years ended December 31			
			2013		2012	
		Notes	AMOUNT	%	AMOUNT	%
	Operating revenue					
4240	Interest revenue		$ 630,462	90	$ 854,771	88
4800	Other operating revenue	7(2)	67,363	10	111,622	12
	Total operating revenue		697,825	100	966,393	100
	Operating costs					
5240	Interest expense		(9,302)	(2)	(39,455)	(4)
5800	Other operating costs	7(2)	(169,171)	(24)	(271,140)	(28)
	Total operating costs		(178,473)	(26)	(310,595)	(32)
	Gross profit		519,352	74	655,798	68
6200	Operating expenses	6(16)(17) and 7(2)	(210,104)	(30)	(250,344)	(26)
	Operating income		309,248	44	405,454	42
	Non-operating income and expenses					
7100	Interest income	6(4) and 7(2)	18,958	3	21,827	2
7110	Rent income	6(7)(20) and 7(2)	7,647	1	6,604	1
7122	Dividend income		101,435	15	154,046	16
7225	Gains on sale of investments	6(2)(3) and 7(2)	7,176	1	(88,830)	(9)
7020	Other gains and losses	6(2)	1,078	-	2,956	-
7000	**Total non-operating income and expenses**		136,294	20	96,603	10
7900	**Income before income tax**		445,542	64	502,057	52
7951	Income tax expense	6(18)	(53,802)	(8)	(76,432)	(8)
8200	**Net income**		391,740	56	425,625	44
	Other comprehensive income					
8325	Unrealised gain on valuation of available-for-sale financial assets		27,567	4	371,342	38
8360	Actuarial (loss) gain on defined benefit plan		(3,458)	-	29,075	3
8399	Income tax relating to the components of other comprehensive income		588	-	(4,943)	-
	Total other comprehensive income (net of tax)		24,697	4	395,474	41
	Total comprehensive income		$ 416,437	60	$ 821,099	85
	Earnings per share					
	Basic and diluted earnings per share	6(19)	$	0.70	$	0.71

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

YUANTA SECURITIES FINANCE CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent						
			Retained Earnings			Other Equity Interest	
	Common stock	Capital reserve	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Unrealized gain on availabe-for-sale financial assets	Total equity
Year 2012							
Balance as of January 1, 2012	$ 6,000,000	$ 3,328,301	$ 1,541,351	$ -	$ 746,286	$ 2,898,114	$ 14,514,052
Appropriation and distribution of 2011 earnings (Note 1)							
Legal reserve	-	-	229,333	-	(229,333)	-	-
Special reserve	-	-	-	97,643	(97,643)	-	-
Cash dividends	-	-	-	-	(437,466)	-	(437,466)
Net income for 2012	-	-	-	-	425,625	-	425,625
Other comprehensive income for 2012	-	-	-	-	24,132	371,342	395,474
Total comprehensive income for 2012	-	-	-	-	449,757	371,342	821,099
Balance as of December 31, 2012	$ 6,000,000	$ 3,328,301	$ 1,770,684	$ 97,643	$ 431,601	$ 3,269,456	$ 14,897,685
Year 2013							
Balance as of January 1, 2013	$ 6,000,000	$ 3,328,301	$ 1,770,684	$ 97,643	$ 431,601	$ 3,269,456	$ 14,897,685
Appropriation and distribution of 2012 earnings (Note 2)							
Legal reserve	-	-	126,297	-	(126,297)	-	-
Special reserve	-	-	-	(83,300)	83,300	-	-
Cash dividends	-	-	-	-	(377,992)	-	(377,992)
Capital reduction	(1,000,000)	-	-	-	-	-	(1,000,000)
Net income for 2013	-	-	-	-	391,740	-	391,740
Other comprehensive income for 2013	-	-	-	-	(2,870)	27,567	24,697
Total comprehensive income for 2013	-	-	-	-	388,870	27,567	416,437
Balance as of December 31, 2013	$ 5,000,000	$ 3,328,301	$ 1,896,981	$ 14,343	$ 399,482	$ 3,297,023	$ 13,936,130

Note 1: Employees' bonus of $1,164 for the year ended December 31, 2011 have been eliminated in the statement of comprehensive income.
Note 2: Employees' bonus of $702 for the year ended December 31, 2012 have been eliminated in the statement of comprehensive income.

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

YUANTA SECURITIES FINANCE CO., LTD.
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	For the years ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 445,542	$ 502,057
Adjustments to reconcile income before tax to net cash provided by operating activities		
Income and expenses having no effect on cash flows		
Interest revenue	(649,420)	(876,598)
Depreciation (including investment property)	17,400	21,090
Amortization of intangible assets	2,410	2,185
Recovery of allowance for doubtful accounts	(359)	(2,599)
Interest expense	9,302	39,455
Dividend income	(101,435)	(154,046)
Unrealised gain (loss) on financial assets at fair value through profit or loss-current	(2,310)	293
Gain on disposal of property and equipment	(217)	-
Gain on disposal of investment property	-	(1,392)
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	(78,985)	(11,000)
Margin loans receivable	686,138	3,838,537
Other receivables	(16,963)	(10,640)
Net changes in liabilities relating to operating activities		
Short sale proceeds payable	363,877	(222,222)
Deposits-in of securities finance guarantee	316,829	(237,828)
Other payables	(16,864)	(40,437)
Deposits-in of securities borrowing and lending	(119,546)	(529,509)
Employee benefit liabilities reserve	(21,064)	(5,061)
Other non-current liabilities	700	700
Cash provided by operations	835,035	2,312,985
Interest received	743,222	982,164
Cash paid for interest during the year	(6,593)	(70,937)
Dividend received	101,435	154,046
Income tax paid	(86,454)	(33,362)
Net cash provided by operating activities	1,586,645	3,344,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in held-to-maturity financial assets	241,375	449,085
Decrease in available-for-sale financial assets	299,102	55,729
Acquisition of property and equipment	(9,024)	(6,721)
Proceeds from disposal of property and equipment	776	-
Proceeds from disposal of investment property	-	10,428
Increase in computer software cost	(206)	-
(Increase) decrease in refundable deposits	(260,495)	780
Net cash provided by investing activities	271,528	509,301
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(109,000)
Increase in short-term notes and bills payable	181,000	-
Decrease in total long-term liabilities - current portion	-	(2,500,000)
Decrease in deposits-in	86	713
Decrease in lease payables	(3,447)	(4,784)
Payment of cash dividends	(377,992)	(437,466)
Capital reduction by cash	(1,000,000)	-
Net cash used in financing activities	(1,200,353)	(3,050,537)
Increase in cash and cash equivalents	657,820	803,660
Cash and cash equivalents at beginning of year	1,217,611	413,951
Cash and cash equivalents at end of year	$ 1,875,431	$ 1,217,611

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

YUANTA SECURITIES FINANCE CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. History and Organization

(1) Subsequent to approval from the government of the Republic of China (ROC), Yuanta Securities Finance Co., Ltd. (the Company), formerly Fuhwa Securities Finance Co., Ltd., was established on January 17, 1980, and commenced operations on April 21, 1980. The Company listed its stock on the Taiwan Stock Exchange (TSE) on November 25, 1994. According to the Financial Holding Company Act, the Company and Yuanta Securities Co., Ltd, made an application to establish Yuanta Financial Holding Co., Ltd. (Yuanta Financial Holding) as the listed company on the TSE through share exchanges on February 4, 2002. The Company's stock was unlisted on the same day. As of December 31, 2013, the Company had 48 employees.

(2) The Company is primarily engaged in providing pecuniary and securities financing facilities for the trading of listed securities, refinancing to securities firms, financing of cash capital increase and underwriting and subscription, offering loans to securities firms for dealing with underwriting, financing of securities settlement, borrowing or lending securities, and other businesses as approved by the authorities.

(3) Yuanta Financial Holding Co., Ltd. holds 100% equity interest in the Company. Yuanta Financial Holding Co., Ltd. is the Company’s ultimate parent company.

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 March 12, 2014.

3. Application of new standards, amendments and interpretations

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

Not applicable as it is the first-time adoption of IFRSs by the Company this year.

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

IFRS 9, “Financial Instruments“: Classification and measurement of financial instruments.

A. The International Accounting Standards Board (“IASB”) published IFRS 9, ‘Financial Instruments’, in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 (“IAS 39”), ‘Financial Instruments:

Recognition and Measurement' reissued in 2009.

B.IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Company.

C.The Company has not evaluated the overall effect of the IFRS 9 adoption. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Company, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Company recognized gain (or loss) on debt instruments and on equity instruments amounting to $5,642 and $21,925, respectively, in other comprehensive income for the year ended December 31, 2013.

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

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past-service costs will be recognized immediately in the period incurred. Net interest	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income.	
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
Disclosures - offsetting of financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with	January 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
	legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Company 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 financial statements.

4. Summary of significant accounting policies

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

(2) Compliance statement

A. The financial statements are the first financial statements prepared by the Company in accordance with International Financial Reporting Standards, International Accounting Standards, "Rules Governing the Preparation of Financial Statements by Securities Issuers" IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet of January 1, 2012 (the Company's date of transition to IFRSs) ("the opening IFRSs balance sheet"), the Company has adjusted the amounts that were reported in the financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Company's financial position, operating results and cash flows.

(3) Basis of preparation

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

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

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

(C) Defined benefit liabilities 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(4) Foreign currency translation

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

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'.

(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 realized, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be 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.

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.

(6) Cash and cash equivalents

Cash equivalents refer to short-term highly liquid investments that meet both the following criteria:

A. Readily convertible to known amount of cash.

B. Subject to an insignificant risk of changes in value.

(7) Financial assets and liabilities

In accordance with IFRSs, as endorsed by the FSC all the financial assets and liabilities are recognized in the balance sheet and are properly classified.

A. Financial assets

All financial assets held by the Company are classified into the following four categories: “loans and receivables”, “financial assets at fair value through profit and loss”, “held-to-maturity financial assets” and “available-for-sale financial assets”.

(A) Regular way purchase or sale

Financial assets held by the Company are all accounted for using trade date accounting.

(B) 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.

b. 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.

(C) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include margin loans receivable, accounts recievable, other receivables, etc. Those loans and receivables are measured at the basis of fair value plus transaction cost and measured using effective interest rate method, subsequently. Interest accruing on such financial assets are recognized as ‘interest revenue’. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(D) 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. 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. The cumulative valuation gain or loss is recognized as gain and loss in the period when it is derecognized from the financial assets.

(E) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company 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. 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.

B. Financial liabilities

Ordinary corporate bonds issued by the Company are initially recognised at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortised cost;

any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

C. Determination of fair value

Fair value and hierarchy information on financial instruments are provided in Note 12(2).

(7) Impairment of financial assets

A. The Company 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 Company 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 Company, 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 reorganization;

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

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

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

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

C. When the Company 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.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when the following conditions are met:

A. There is a legally enforceable right to offset the recognized amounts; and

B. There is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) Margin loans, short sale stock loans and securities borrowed

A. According to the "Rules Governing Securities Finance Enterprises" (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. The margin loans are accounted for "Margin loans receivable" as incurred and such loans are secured by the securities purchased by the investors, and the Company records these securities at par value under the memorandum accounts "securities held for collateral" and "liability for holding collateral securities", and is not included in the balance sheets.

B. According to Article 10 of the RGSFE, when providing margin loans to principals, the Company shall obtain the margin pursuant to the ratio prescribed by the competent authority.

C. Short sale stock loans represent securities financing affected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities, to investors. When the securities are lent to investors, the Company records the par value of the securities lent under the memorandum account “short sale stock loans”. Additionally, according to Article 10 of the RGSFE, the investors need to deposit a regulated amount equal to a certain percentage of the proceeds from short sale stock financing or equivalent collateral as guarantee with the Yuanta Company. The proceeds are accounted for as “deposits - in”. The Company deals with these securities at par value under the memorandum account “Guarantee deposits”. The proceeds from sale of securities lent, less any dealer's commission, financing commission and securities exchange tax, are held by the Company as collateral and recorded under “Short sale proceeds payable”.

D. In accordance with the Explanatory Letter Tai-Tsai-Jen (4) No. 03452 of the SEC in 1999, when the securities financed by borrowers terminate trading, are delisted from the stock market, or are the securities of the borrowers’ credit accounts which are unable to be disposed of, these margin loans will be recorded as “Other receivables” or “Overdue receivables” according to the results of negotiation or collection. When the maintenance of secured accounts is less than the regulatory standard and the borrower does not pay a portion of the remaining loans after offsetting the proceeds from disposal of securities, the related margin loans shall be recorded as overdue receivables.

E. Securities borrowed represent securities borrowed from one broker/dealer to another, who must eventually return the same security as repayment. When the securities are lent to investors, the Company records the par value of the securities borrowed under the memorandum account “securities borrowed”. The borrower needs to deposit an amount equal to a certain percentage of the proceeds from securities borrowed or equivalent collateral as guarantee with the Company. The proceeds are accounted for as “Refundable deposits for securities lending”. The Company deals with securities at par value under the memorandum account “Refundable collaterals”. When the securities are lent to investors, the Company records the par value of the securities lent under the memorandum account “Short sale stock loans”. Additionally, a lender needs to deposit an amount equal to a certain percentage of the proceeds from securities lent or equivalent collateral as guarantee with the Company. The proceeds are accounted for as “Deposits-in”. The Company deals with these securities at par value under the memorandum account “Collaterals received”.

(10)Property and equipment

A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised. Property and equipment apply cost model and are depreciated using the straight-line method based on the estimated economic useful lives of the assets, except for leasehold improvements which are amortized based on useful lives or the terms of the contract. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

Land is not depreciated. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets. Useful life is as follows:

Buildings	55 years

Computer equipment	4 years
Transportation equipment	5 years
Other equipment	6 years
Leasehold improvements	6 years
Leasehold assets	4 years

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 Company 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. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in the statement of comprehensive income within 'other gains and losses'.

(11)Investment property

Investment property of the Company is the property held either to earn long-term rental income or for capital appreciation or for both. An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

The fair value of investment property is disclosed in the financial statements at each balance sheet date. Each year, the appraisal of fair value is conducted by external appraisal contractor, and managing segments of the Company review the characteristics, location and status of the investment property to determine its fair value accordingly. However, the fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

(12)Lease

Pursuant to IAS 17 and IFRIC 4 as endorsed by the FSC, lease contracts can be divided into operating lease and finance lease.

The lease contract of the Company includes operating lease and finance lease.

A. Operating lease

Payments that the Company receives or charges under the operating lease are recognized as gain and loss on a straight-line basis during the contract term, which are recognized under "operating expenses" and "rental income", respectively. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

B. Finance lease

When the Company is the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortized to finance leasing liabilities and the interest expense is recognized. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognized as gains and losses. Finance leasing liabilities are recognized under "other current liabilities" and "other non-current liabilities". Property and equipment acquired through finance leasing contract are measured by cost model.

(13)Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14)Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, 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 amortized historical cost would have been if the impairment had not been recognized.

(15)Revenue recognition

The Company's revenues are recognized as incurred, which mainly include:

A. Financing interest income: financing interest income refers to interest income received from providing financing service, which is recognized on an accrual basis during the financing periods.

B. Service fee income on margin trading: service fee income on margin trading refers to service fee charged for processing margin trading, which is recognized on an accrual basis during the margin trading periods.

C. Income on securities lending: income on securities lending refers to income and service fee income the lender receives from the borrower for securities lending, which is recognized on an accrual basis during the securities lending periods.

(16)Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For the defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount was contributed to the independent and public pension fund accounts. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized 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. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized 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 unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using market yields at the balance sheet date on high-quality corporate bonds with a currency and term consistent with the currency and term of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rate 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.

C. Employees' bonus

Employees' bonus 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 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.

(17)Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions 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 recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. In accordance with Article 49 of the Financial Holding Company Act and Income Tax Act, the Company selected the parent company, Yuanta Financial Holding Co., Ltd., as the taxpayer to file the tax returns for the profit-seeking enterprise income tax and the additional 10% tax payment levied on undistributed earnings. When filing the tax return, the Company shall first compute its income tax on an individual filing basis pursuant to the IAS No. 12, “Income Taxes”. However, for the appropriation received for the tax returns, current deferred income tax assets (liabilities) or current income tax liabilities (current income tax assets) shall be adjusted on a reasonable, systematic, and consistent basis.

(18)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.

(19)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 financial statements requires management to make critical judgements in applying the Company'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. The information is addressed below:

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

Financial assets—impairment of equity investments

The Company 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 Company 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. Fair value of financial instruments

Financial instruments with no active market or quoted price use valuation technique to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible while management needs to estimate the fluctuation and correlation specifically in relation to the credit risks (risks of its own and counterparties and others).

As of December 31, 2013, the carrying amount of unlisted stocks without an active market that are recognized in available-for-sale financial assets-non-current was $3,960,379.

B. Realizability of deferred income tax assets

Deferred income 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 utilized. Assessment of the realizability of deferred income tax assets involves critical accounting judgements and estimates of the management. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets. As of December 31, 2013, the Company recognized deferred income tax assets amounting to $129,103.

C. Post-employment benefit

When calculating the present value of defined pension obligations, the Company 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.

As of December 31, 2013, the carrying amount of accrued pension obligations was $82,093.

6. Details of significant accounts

(1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and petty cash	$ 550	$ 560	$ 560
Checking accounts	4,671	8,656	7,504
Demand deposits			
- NTD	22,182	19,335	6,930
- USD	165,553	211,068	262,015
Time deposits			
- NTD	-	19,000	-
- USD	-	-	136,942
Subtotal	192,956	258,619	413,951
Cash equivalents			
-Repurchase agreement	1,682,475	958,992	-
Total	$ 1,875,431	$ 1,217,611	$ 413,951

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

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

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

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments			
Beneficiary certificates	$ 710,000	$ 631,015	$ 620,015
Adjustment of beneficiary certificates	4,501	2,191	2,483
Total	$ 714,501	$ 633,206	$ 622,498

A. For the years ended December 31, 2013 and 2012, net gain (loss) on related financial assets were as follows:

	2013	2012
Realized gain (loss) on disposal:		
Beneficiary certificates	$ 1,192	$ 5,110
Unrealized loss on disposal:		
Beneficiary certificates	$ 2,310	($ 293)

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

(3) Available-for-sale financial assets

Item	December 31, 2013	December 31, 2012	January 1, 2012
Current:			
Listed stocks	$ 245,174	$ 512,577	$ 555,295
Beneficiary securities	424,571	456,270	469,281
Subtotal	669,745	968,847	1,024,576
Valuation adjustments	1,974	(18,732)	(97,643)
Accumulated impairment	(394,155)	(394,155)	(394,155)
	$ 277,564	$ 555,960	$ 532,778
Non- current:			
Unlisted stocks	$ 665,330	$ 665,330	$ 665,330
Valuation adjustments	3,295,049	3,288,188	2,995,757
	$ 3,960,379	$ 3,953,518	$ 3,661,087

Pursuant to IAS 39, 'Financial Instruments: Recognition and Measurement', financial instruments classified as 'available-for-sale financial assets' should be measured at fair value. As above mentioned unlisted stocks do not have a quoted market price in an active market, their fair values shall be measured in accordance with the Company's regulations governing valuation of unlisted equity securities.

For the years ended December 31, 2013 and 2012, net gain (loss) on disposal of related financial assets were as follows:

	2013	2012
Realized (loss) gain on disposal:		
Listed stocks	$ 5,984	($ 93,940)

(4) Held-to-maturity financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Current items:	-		
Financial bonds	$ -	$ -	$ 100,501
Government bonds	-	300,401	399,355
	$ -	$ 300,401	$ 499,856
Non-current items:			
Government bonds	$ 310,732	$ 253,204	$ 503,909

A. As of December 31 2013, December 31, 2012 and January 1, 2012, the effective interest rates of the bonds held by the Company was 1.13%~1.56%, 1.13%~2.44% and 1.18%~2.68%, respectively.

B. The Company recognized interest income of $5,525 and $13,411 in profit or loss for amortized cost for the years ended December 31, 2013 and 2012, respectively.

C. According to the RGSFE, a securities finance company should deposit an amount of cash, government bonds, financial bonds or bank guaranteed corporate bond in the Central Bank of China (CBC) which is equal to or exceeds 5% of its capital. For the amounts of securities financing deposits, please refer to Note 8 for details.

(5) Margin loans, short sale stock loans and securities borrowed

	December 31, 2013	December 31, 2012	January 1, 2012
Margin loans receivable	$ 10,972,930	$ 11,658,564	$ 15,494,739
Less: allowance for doubtful accounts	(900)	(793)	(1,030)
	$ 10,972,030	$ 11,657,771	$ 15,493,709
Shorts sale proceeds payable	$ 1,806,377	$ 1,442,500	$ 1,664,722

A. The percentages of margin loans for listed stocks were 60% (TSE) and 50% (OTC) in 2013 and 2012, respectively. Interest rates for pecuniary financing to securities firms and investors were 6.25 % and 6.35% per annum in 2013 and 2012, respectively.

B. As of December 31, 2013, December 31, 2012 and January 1, 2012, the stipulated percentage of deposits from the proceeds of short sale stock financing (recognized as 'deposits-in of securities finance guarantee') was 90%. The annual interest rates on the short sale proceeds payable and deposits-in in 2013 and 2012 were 0.2%.

C. As of December 31, 2013, December 31, 2012 and January 1, 2012, the stipulated percentage of deposits from securities lending business (shown in "deposits-in of securities borrowing and lending") was 140%. The annual interest rates on the interest payable for such deposits in 2013 and 2012 were 0.2%.

D. Due to the insufficient margin percentage for collateral from a decrease in stock price, the uncovered balance of the margin loans by disposing of the respective stocks was recorded as overdue receivables. As of December 31, 2013, December 31, 2012 and January 1, 2012, accounts recognized in other non-current assets-overdue receivables were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Overdue receivables	$ -	$ 76	$ 75
Less: allowance for bad debts	-	(38)	(37)
Total	$ -	$ 38	$ 38

(6) Property and equipment

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Leasehold assets	Others	Total
At January 1, 2013									
Cost	$ 50,700	$ 40,339	$ 20,398	$ 23,297	$ 8,399	$ 17,979	$ 13,580	$ 2,235	$ 176,927
Accumulated depreciation and Impairment	(31,886)	(23,483)	(12,965)	(18,426)	(5,883)	(11,114)	(7,194)	-	(110,951)
	$ 18,814	$ 16,856	$ 7,433	$ 4,871	$ 2,516	$ 6,865	$ 6,386	$ 2,235	$ 65,976
2013									
Opening net book amount	$ 18,814	$ 16,856	$ 7,433	$ 4,871	$ 2,516	$ 6,865	$ 6,386	$ 2,235	$ 65,976
Additions	-	-	273	7,420	-	87	171	1,073	9,024
Disposals- cost	-	-	(8,695)	(4,994)	-	-	-	-	(13,689)
- Accumulated depreciation	-	-	8,695	4,435	-	-	-	-	13,130
Depreciation	-	(474)	(4,699)	(2,766)	(1,400)	(2,997)	(2,586)	-	(14,922)
Transfers - cost	-	-	7,000	-	-	-	(6,746)	(2,993)	(2,739)
-Accumulated depreciation	-	-	(4,963)	-	-	-	4,963	-	-
Closing net book amount	$ 18,814	$ 16,382	$ 5,044	$ 8,966	$ 1,116	$ 3,955	$ 2,188	$ 315	$ 56,780
At December 31, 2013									
Cost	$ 50,700	$ 40,339	$ 18,976	$ 25,723	$ 8,399	$ 18,066	$ 7,005	$ 315	$ 169,523
Accumulated depreciation and Impairment	(31,886)	(23,957)	(13,932)	(16,757)	(7,283)	(14,111)	(4,817)	-	(112,743)
	$ 18,814	$ 16,382	$ 5,044	$ 8,966	$ 1,116	$ 3,955	$ 2,188	$ 315	$ 56,780

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Leasehold assets	Others	Total
At January 1, 2012									
Cost	$ 50,700	$ 40,339	$ 24,365	$ 22,409	$ 8,399	$ 17,979	$ 20,173	$ 5,434	$ 189,798
Accumulated depreciation and									
Impairment	(31,886)	(23,009)	(15,776)	(14,699)	(4,483)	(8,117)	(8,738)	-	(106,708)
	$ 18,814	$ 17,330	$ 8,589	$ 7,710	$ 3,916	$ 9,862	$ 11,435	$ 5,434	$ 83,090
2012									
Opening net book amount	$ 18,814	$ 17,330	$ 8,589	$ 7,710	$ 3,916	$ 9,862	$ 11,435	$ 5,434	$ 83,090
Additions	-	-	731	888	-	-	757	4,345	6,721
Disposals- cost	-	(474)	(6,014)	(3,727)	(1,400)	(2,997)	(3,969)	-	(18,581)
- Accumulated depreciation	-	-	(14,338)	-	-	-	-	-	(14,338)
Depreciation	-	-	14,338	-	-	-	-	-	14,338
Transfers - cost	-	-	9,640	-	-	-	(7,350)	(7,544)	(5,254)
-Accumulated depreciation	-	-	(5,513)	-	-	-	5,513	-	-
Closing net book amount	$ 18,814	$ 16,856	$ 7,433	$ 4,871	$ 2,516	$ 6,865	$ 6,386	$ 2,235	$ 65,976
At December 31, 2012									
Cost	$ 50,700	$ 40,339	$ 20,398	$ 23,297	$ 8,399	$ 17,979	$ 13,580	$ 2,235	$ 176,927
Accumulated depreciation and									
Impairment	(31,886)	(23,483)	(12,965)	(18,426)	(5,883)	(11,114)	(7,194)	-	(110,951)
	$ 18,814	$ 16,856	$ 7,433	$ 4,871	$ 2,516	$ 6,865	$ 6,386	$ 2,235	$ 65,976

(7) Investment property

	Land	Buildings	Total
At January 1, 2013			
Cost	$ 251,899	$ 217,313	$ 469,212
Accumulated depreciation and impairment	(127,885)	(129,355)	(257,240)
Total	$ 124,014	$ 87,958	$ 211,972
2013			
At January 1	$ 124,014	$ 87,958	$ 211,972
Depreciation expense	-	(2,478)	(2,478)
At December 31	124,014	85,480	209,494
At December 31, 2013			
Cost	$ 251,899	$ 217,313	$ 469,212
Accumulated depreciation and impairment	(127,885)	(131,833)	(259,718)
Total	$ 124,014	$ 85,480	$ 209,494

	Land	Buildings	Total
At January 1, 2012			
Cost	$ 265,910	$ 223,534	$ 489,444
Accumulated depreciation and impairment	(136,364)	(129,563)	(265,927)
Total	$ 129,546	$ 93,971	$ 223,517
2012			
At January 1	$ 129,546	$ 93,971	$ 223,517
Disposals- cost	(14,011)	(6,221)	(20,232)
- Accumulated depreciation	-	2,100	2,100
- Impairment	8,479	617	9,096
Depreciation	-	(2,509)	(2,509)
At December 31	$ 124,014	$ 87,958	$ 211,972
At December 31, 2012			
Cost	$ 251,899	$ 217,313	$ 469,212
Accumulated depreciation and impairment	(127,885)	(129,355)	(257,240)
Total	$ 124,014	$ 87,958	$ 211,972

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	2013	2012
Rental income from the lease of the investment property	$ 7,647	$ 6,604
Direct operating expenses arising from the investment property that generated rental income in the period	$ 3,411	$ 3,565
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ 56

B. The Company has selected to measure investment property using the cost model. The fair value of the investment property as at December 31, 2013, December 31, 2012 and January 1, 2012 was $251,368, $242,306, and $229,555, respectively, which was valued by independent valuers. Valuations were made using the comparison approach and income approach based on market data.

(8) Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loans	$ -	$ -	$ 109,000
Annual interest rates	-	-	0.95%

In accordance with Article 4 of the "Regulations Governing the Central Bank of the Republic of China (Taiwan) Administration of Accommodations Extended by Banks to Securities Finance Companies or Securities Firms", the total capital borrowed by a securities finance company from all banks should not exceed 6 times a securities finance company's net assets value, and a securities finance company's total liabilities should not exceed 11.5 times its net assets value.

(9) Short-term notes and bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper payable	$ 181,000	$ -	$ -
Less: Discount on commercial paper payable	(26)	-	-
Total	$ 180,974	$ -	$ -

A. The annual interest rate of commercial paper payable for the year ended December 31, 2013 was 0.76%.

B. Pursuant to Article 56 of Regulations Governing Securities Finance Enterprises, the Company's total amount of issued commercial paper shall not exceed six times the net worth of the Company.

(10) Bonds payable

	December 31, 2013	December 31, 2012	January 1, 2012
Bonds payable	$ -	$ -	$ 2,500,000
Less: current prortion	-	-	(2,500,000)
Total	$ -	$ -	$ -

The Company issued domestic unsecured ordinary corporate bonds on May 30, 2007. The significant terms of the bonds are summarized as follows:

A. Total issue amount: Two types of bonds, A and B, totaling $7,500,000, with different issue periods.

B. Issuance price: At par value of $1,000 per bond.

C. Interest rate: The annual interest rates on A-type and B-type bonds are fixed at 2.05% and 2.13%, respectively.

D. Repayment of bonds: The principal of A-type bonds will be repaid in lump sum at maturity; 50% and 50% repayments of B-type bonds principal will be made in the fourth and fifth years after the issuance date.

E. Life of bonds: Time limit for issuance of A-type bonds is three years, and time limit for issuance of B-type bonds is five years.

F. Payment of interests: Payments of interests are made annually after issuance of bonds based on the designated interest rates and simple interest calculation. Interests are accrued for each $1,000,000 of bonds and are rounded off.

G. All these bonds had been due and redeemed on May 30, 2012.

(11) Pension

A. The Company has a defined benefit pension plan in accordance with the Labor Standard Law (the “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. The Company provides benefits based on an employees’ length of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year of service thereafter, with a maximum of 61 units. The Company contributes monthly an amount equal to 8% of employees’ monthly base salaries and wages to an independent fund with the Bank of Taiwan, the trustee.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	$ 109,802	$ 125,286	$ 158,123
Fair value of plan assets	(27,709)	(25,586)	(24,287)
Net liability in the balance sheet	$ 82,093	$ 99,700	$ 133,836

(B) Changes in present value of defined benefit obligations are as follows:

	2013	2012
Present value of defined benefit obligations as at January 1	$ 125,286	$ 158,123
Current service cost	4,194	4,981
Interest cost	1,879	2,688
Actuarial profit and loss	3,434	(29,211)
Benefits paid	(3,213)	(4,324)
Settlement	(21,778)	(6,971)
Present value of defined benefit obligations as at December 31	$ 109,802	$ 125,286

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

	2013	2012
Fair value of plan assets at January 1	$ 25,586	$ 24,287
Expected return on plan assets	384	413
Actuarial profit and loss	(23)	(136)
Employer contributions	4,975	5,346
Benefits paid	(3,213)	(4,324)
Fair value of plan assets at December 31	$ 27,709	$ 25,586

(D) Amounts of expense recognized in comprehensive income statements are as fpllows:

	2013	2012
Current service cost	$ 4,194	$ 4,981
Interest cost	1,879	2,688
Expected return on plan assets	(384)	(413)
Current pension cost	$ 5,689	$ 7,256

(E) Actuarial profit and loss recognized in other comprehensive income are as follows:

	2013	2012
Recognition for current period	($ 3,458)	$ 29,075
Accumulated amount	$ 25,617	$ 29,075

(F) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

Actual return on plan assets for the years ended December 31, 2013 and 2012 were $360 and $277, respectively.

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

	2013	2012	2011
Discount rate	1.80%	1.50%	1.70%
Future salary increases	2.50%	2.50%	2.50%
Expected return on plan assets	1.80%	1.50%	1.70%

Assumptions regarding future mortality rate for 2013, 2012, and 2011 are set based on the Taiwan Standard Ordinary Experience Mortality Table (2011), the Taiwan Standard Ordinary Experience Mortality Table (2011), and the Taiwan Standard Ordinary Experience Mortality Table (2002), respectively.

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

	2013	2012
Present value of defined benefit obligation	$ 109,802	$ 125,286
Fair value of plan assets	(27,709)	(25,586)
Surplus in the plan	$ 82,093	$ 99,700
Experience adjustments on plan liabilities	$ 6,591	($ 32,751)
Experience adjustments on plan assets	($ 23)	($ 136)

(I) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2013 amounts to $2,888.

B.(A)Effective July 1, 2005, the Company has 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)Under the defined contribution plan, the Company recognized pension expense of

$1,979 and $2,130 for the years ended December 31, 2013 and 2012, respectively.

(12) Common stock (Par value per share is expressed in New Taiwan Dollars)

A. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's authorized capital was $22,500,000 with a par value of $10 (in dollars) per share; the common stocks and outstanding common stocks issued were 500,000 thousand shares, 600,000 thousand shares, and 600,000 thousand shares (including 233,333 thousand shares, 280,000 thousand shares, and 280,000 thousand shares through private placement), respectively.

B. The Board of Directors at their meeting on June 26, 2013 adopted a resolution to process capital reduction of 100,000 thousand shares on behalf of the stockholders. The capital reduction was approved by the competent authority on August 6, 2013 with the effective date set on August 13, 2013.

(13) Capital reserve

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

(14) Retained earnings

	2013	2012
At January 1	$ 2,299,928	$ 2,287,637
Appropriation of earnings	(377,992)	(437,466)
Profit for the period	391,740	425,625
Actuarial profit and loss on post employment benefit obligations net of tax	(2,870)	24,132
At December 31	$ 2,310,806	$ 2,299,928

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 year's operating losses and then 30% of the remaining amount shall be set aside as legal reserve, and special reserve shall be set aside according to relevant regulations. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders. The bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 0% and 0.01%~5%, respectively, of the total distributed amount.

B. Effective from January 1, 1994, the Company sets aside 30% of net income after tax as legal reserve following the instructions of Ministry of Finance. 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 Board of Directors (acting on behalf of the stockholders) of the Company on April 23 2013, and April 24, 2012 resolved to appropriate 2012 and 2011 earnings. The details are as follows:

	2012		2011	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 126,297	$	$ 229,333	
(Reversal of) special reserve	(83,300)		97,643	
Cash dividends	377,992	$ 0.63	437,466	$ 0.73

E. The appropriation of the Company's 2013 earnings as proposed by the Board of Directors on March 12, 2014 is as follows:

	2013	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 117,522	
(Reversal) special reserve	(14,343)	
Cash dividends	296,303	$ 0.59

As of March 12, 2014, aforesaid earnings distribution for 2013 has not yet been approved by the Company's shareholders.

F. For the years ended December 31, 2013 and 2012, employees' bonus was accrued at $688 and $702, respectively. Employees' bonus of 2012 as resolved by the stockholders were in agreement with those amounts recognised in the 2012 financial statements.

Information on the appropriation of the Company's appropriation of earnings and employees' bonus as resolved by the Board of Directors (acting on behalf of stockholders) will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(15) Other equity items

	2013	2012
Unrealised gain on valuation of available-for-sale financial assets		
At January 1	$ 3,269,456	$ 2,898,114
Revaluation in the period	27,567	371,342
At December 31	$ 3,297,023	$ 3,269,456

(16) Expenses by nature

	2013	2012
Employee benefits expense	$ 110,119	$ 124,746
Property and equipment depreciation	14,922	18,581
Investment property depreciation	2,478	2,509
Intangible assets amortisation	2,410	2,185
Rental expenses	19,670	20,994
Taxes	16,286	22,068
Professional fees	10,696	13,551
Others expense	33,523	45,710
Operating expenses	$ 210,104	$ 250,344

(17) Employee benefits expense

	2013	2012
Salaries	$ 92,308	$ 104,365
Employees' bonus	688	702
Labor and health insurance fees	4,956	5,441
Pension expense	7,668	9,386
Others expense	4,499	4,852
	$ 110,119	$ 124,746

(18) Income tax

A. Income tax expense

(A) Components of income tax expense:

	2013	2012
Current tax:		
Current tax on profits for the period	$ 63,252	$ 77,865
Adjustments in respect of prior years	(3,944)	457
Total current tax	59,308	78,322
Deferred tax:		
Origination and reversal of temporary differences	(5,506)	(1,890)
Total deferred tax	(5,506)	(1,890)
Income tax expense	$ 53,802	$ 76,432

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

	2013	2012
Actuarial gains/losses on defined benefit obligations	($ 588)	$ 4,943

B. Reconciliation between income tax expense and accounting profit

	2013	2012
Tax calculated based on profit before tax and statutory tax rate	$ 75,742	$ 85,350
Effects from items disallowed by tax regulation	859	2,043
Adjusted effects on income tax exemption and others	(18,855)	(11,418)
Prior year income tax (over) under estimation	(3,944)	457
Income tax expense	$ 53,802	$ 76,432

C. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in Other Comprehensive Income	December 31
Temporary differences:				
Deferred income tax assets:				
Book-tax difference of pension	$ 27,212	$ -	$ 588	$ 27,800
Book-tax difference of financial assets	17,656	5,389	-	23,045
Impairment	77,615	-	-	77,615
Others	526	117	-	643
Total	$ 123,009	$ 5,506	$ 588	$ 129,103

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in Other Comprehensive Income	December 31
Temporary differences:				
Deferred income tax assets:				
Book-tax difference of pension	$ 32,841	($ 686)	($ 4,943)	$ 27,212
Book-tax difference of financial assets	15,444	2,212	-	17,656
Impairment	77,721	(106)	-	77,615
Others	56	470	-	526
Total	$ 126,062	$ 1,890	($ 4,943)	$ 123,009

D. As of December 31, 2013, the Company's income tax returns through 2008 have been assessed by the Tax Authority.

E. Unappropriated earnings recorded in the financial statements were accrued after 1998.

F. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balances of the Company's imputation tax credit account was $23,634, $990 and $31,827, respectively. The creditable tax rate was 2.18% for 2012 and is estimated to be 6.14% for 2013.

G. The Tax Authority has assessed the Company an additional income tax of $35,917 (2003~2007). The Company did not agree with the Tax Authority's ruling and is considering filing an administrative remedy. However, based on conservatism, such additional tax payable has been accrued by the Company.

(19) Earnings per share

	2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	$ 391,740	561,370	$ 0.70

	2012		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	$ 425,625	600,000	$ 0.71

(20) Operating lease

A. The Company leases office building to others under non-cancellable operating lease agreements. Rental income from these leases amounting to $7,647 and $6,604 were recognized for the years ended December 31, 2013 and 2012, respectively. The leases of office building to others are based on a series of lease agreements which have terms expiring between 2010 and 2016. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 1 year	$ 7,547	$ 6,959	$ 6,294
1 ~5 years	8,667	4,131	11,090
Total	$ 16,214	$ 11,090	$ 17,384

B. The Company has leases in offices and parking spaces under non-cancellable operating lease agreements. The lease terms are expiring between 3 and 10 years, and all these lease agreements are renewable at the end of the lease period. The Company recognized rental expenses of $18,827 and $20,056 for these leases for the years ended December 31, 2013 and 2012, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 1 year	$ 11,813	$ 19,217	$ 19,738
1 ~5 years	20,040	9,439	28,629
Later than 5 years	92	118	145
Total	$ 31,945	$ 28,774	$ 48,512

7. Related party transactions

(1) Parent and ultimate controlling party

The Company is controlled by Yuanta Financial Holding Co., Ltd., which owns 100% of the Company's shares. The ultimate parent of the Company is Yuanta Financial Holding Co., Ltd.

(2) Significant transactions and balances with related parties

A. Securities lending

	2013	2012
Associates	$ 3,344	$ 14,266

Revenues from securities borrowing received from the related parties are valued and paid as agreed by both parties. Terms and conditions of relevant transactions are similar to those of transactions with other counterparties.

B. Operating cost/expense

(A) Details of fees on services rendered by related parties are set forth below:

	2013	2012
Associates	$ 6,370	$ 9,000

(B) Donations:

	2013	2012
Related party in substance		
Yuanta Cultural & Education Foundation	$ 3,500	$ 8,000
Polaris Research Institute	2,500	1,500
	$ 6,000	$ 9,500

(C) The Company leases offices from Yuanta Securities commencing from June 2008. The leases will expire in June 2014. The rentals were determined by reference to the rental rates of the near-by offices and contracted by the related parties. Future lease payments required under the rents are payable according to the terms of the lease contracts. Rents of $17,627 and $18,856 had been paid for years 2013 and 2012, respectively. Future lease payments required under these leases are shown below:

Period	2013
2014	$ 10,711
2015	10,711
2016	9,223
Total	$ 30,645

C. Rent revenue

The Company rented office and parking premises to its related parties as follows:

	2013	2012
Associates	$ 6,644	$ 5,828

Rent is based on the rental rates of near-by offices and agreed to by the related parties. Rents are payable according to the terms of lease contracts.

D. Other receivables

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 338	$ 1,789	$ 3,253

E. Current income tax assets

	December 31, 2013	December 31, 2012	January 1, 2012
The parent company	$ 26,709	$ 26,709	$ 22,369

F. Other non-current assets -refundable deposits

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ -	$ 4,504	$ 5,067

G. Other payables

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 15,379	$ 822	$ 1,011
The parent company	364	284	138
Total	$ 15,743	$ 1,106	$ 1,149

H. Short sale proceeds payable

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 9,541	$ 17,164	$ 26,414

I. Current income tax liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
The parent company	$ 25,297	$ 49,007	$ -

J. Deposits-in of securities finance guarantee

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 1,798	$ 15,435	$ 1,009

K. Deposits-in of securities borrowing and lending

The following sets out guarantee deposits received because of the securities financing transactions between the Company and Associates:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 110,391	$ 272,623	$ 536,430

L. Other non-current liabilities deposits-in

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 1,686	$ 1,599	$ 1,088

M. Property transactions

Open-end mutual funds and money market instruments:

	December 31, 2013	December 31, 2012	January 1, 2012
Funds managed by associates	$ 100,006	$ 6,869	$ 200,000

Gains on disposal of funds managed by associates for the years ended December 31, 2013 and 2012 were $ 1,089 and $ 95, respectively.

N. Others

Bank deposits and interest income

Details of deposits of the Company from associates are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Bank deposits			
-Recognized in cash and cash equivalents	$ 7,978	$ 21,479	$ 34,452
-Recognized in refundable deposits	100,000	-	-
Total	$ 107,978	$ 21,479	$ 34,452
Interest income	$ 1,345	$ 31	$ -

(3) Key management compensation

	December 31, 2013	December 31, 2012
Salaries and other short-term employee benefits	$ 33,915	$ 37,965
Post-employment benefits	3,298	3,931
Total	$ 37,213	$ 41,896

A. Key management includes: officers at all levels (including the directors and supervisors) under the stakeholder database according to Articles 44 and 45 of the Financial Holding Company Act.

B. Salaries and short-term employee benefits include salaries (including various allowances), unused compensated absences, festival bonuses, other bonuses, employees' bonus, transportation allowance, and attendance fee.

C. Post-employment benefits include pension under old plan, pension under new plan, and termination and pension benefits for the president and vice-president.

8. Pledged assets

Assets	Book value December 31, 2013	December 31, 2012	January 1, 2012	Purpose of pledge
Held-to-maturity financial assets				
- Government bonds	$ 10,148	$ 10,171	$ 9,974	Operating guarantee deposits for
- Government bonds	40,594	240,681	299,067	Stock borrowings
- Government bonds	259,990	302,753	304,030	Securities financing deposit in Central Bank of the Republic of China (Taiwan)
- Government bonds	-	-	1,896	Provisional seizure
Other non-current assets				
Refundable deposits	100,000	-	-	Stock borrowings

9. Significant contingent liabilities and unrecognized contract commitments

(1) As of December 31, 2013, December 31, 2012 and January 1, 2012, the stocks entrusted to the custody of the Company by clients were 7,483,000, 7,485,000, and 7,485,000 shares, respectively. The market value of these entrusted stocks was approximately $77,812, $77,785, and $77,851, respectively.

(2) As of December 31, 2013, the Company has leases in offices and parking spaces under non-cancellable operating lease agreements. The future rents payable under non-cancellable operating leases are provided in Note 6 (20).

10. Significant losses from disasters

None.

11. Significant subsequent events

The Company initially resolved to distribute cash dividends amounting to $3.5 billion based on legal reserve and capital reserve through the Board of Directors' meeting on August 26, 2013. However, the resolution was changed to distribute cash dividends amounting to $2.4 billion based on capital reserve at NT$4.8 per share through the Board of Directors' meeting on December 25, 2013, which was approved by the competent authority on January 2, 2014.

12. Others

(1) Capital management

A. Objective of capital management

The Company's objectives when managing capital are to meet the capital requirement for the business plan and acceptance of various risks, to maintain an optimal capital structure to reduce the cost of capital, and to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and return capital to shareholders.

B.Procedures of capital management

The Board of Directors has the ultimate approval right in the Company's capital management. The responsive unit should effectively identify, measure, monitor and control relevant risks to assess the minimum capital requirements in accordance with regulations of the competent authority and the Company's regulations or procedures governing various risks and legal and compliance risk. The Company's self-owned capital adequacy ratio is regularly calculated as net of qualifying self-owned capital divided by the equivalent amount of operating risk.

(2) Hierarchy of fair value estimation of financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, margin loans receivable, other receivables, refundable deposits, overdue receivables, short-term loans, short-term notes and bills payable, short sale proceeds payable, other payables, deposits-in of securities finance guarantee, deposits-in of securities borrowing and lending, lease payables, and deposits-in) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(2)4.

	December 31, 2013	
Financial assets	Book value	Fair Value
Held-to-maturity financial assets - current		
Government bonds	$ 310,732	$ 312,341

	December 31, 2012	
Financial assets	Book value	Fair Value
Held-to-maturity financial assets - current		
Government bonds	$ 553,605	$ 557,860

	January 1, 2012	
Financial assets	Book value	Fair Value
Held-to-maturity financial assets - current	$	$
Financial bonds	100,501	100,553
Government bonds	903,264	912,940
Total	$ 1,003,765	$ 1,013,493

	January 1, 2012	
	Book value	Fair Value
Financial liabilities		
Corporate bond payable	$ 2,500,000	$ 2,543,697

B. The assumptions and methods used to estimate the financial instruments not measured by fair value are as follows:

(A) For short-term instruments, the fair values were determined based on their carrying values since the impact of discount rates is insignificant. This valuation method can be applied to such asset accounts as cash and cash equivalents, margin loans receivable, other receivables, overdue receivables, short-term borrowings, short sale proceeds payable, other payables, deposits-in of securities finance guarantee, deposits-in of securities borrowing and lending, lease payable, and deposits-in.

(B) The fair values of refundable deposits at the balance sheet date were valued at book value since the impact of discount rates is insignificant.

(C) The fair value of corporate bonds is based on the present value of expected cash flow amount. The discount rate is the market interest rate of corporate bonds with the same credit rating.

C.Financial instruments measured at fair value

Fair value is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable, willing parties in an arm's length transaction.

Financial instruments are initially recognized by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognized by amortized cost. In the subsequent measurements, the best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, valuation techniques will be adopted to measure the fair value of financial instruments. If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value.

The fair values by classification and nature are as follows:

(A) NTD Central Government Bond: the yield rates across different contract length bulletined by Over-The-Counter (hereinafter OTC) are used.

(B) NTD government bonds, corporate bonds, financial bonds and beneficiary securities: the yield rates across different contract length bulletined by OTC are adopted.

(C) Listed stocks and ETF： the closing price on the date that the stock or ETF being listed in TSE or OTC for the first-time or the prior transaction price is adopted.

(D) Domestic funds: the net fund values announced by the investment trust company are adopted.

(E) Unlisted stocks: Under the situation of sufficient information, the Company first uses the market method to determine the fair value of unlisted stocks, then the income method. Only when the market method and income method can not appropriately assess the fair value of the unlisted stocks, the replacement cost method be used.

D. Fair value information of financial instruments

(A) Definition for the hierarchy classification of financial instruments measured at fair value

a. Level 1

That is the quoted prices in active markets for identical assets or liabilities. An active market has to satisfy all the following conditions: the products traded in the market share a common nature; the willing buying and selling parties can be readily found in the market; and the prices are observable for public. The fair value of the investments of the Company, such as listed stocks investment, beneficiary certificates, popular Taiwan government bonds is deemed as Level 1.

b. Level 2

Inputs, other than quoted prices in active markets, are those observable price, either directly (that is, as prices) or indirectly (that is, derived from prices) in active market.

c. Level 3

The inputs used to measure fair value at this level are not based on available data from the markets. The Company's investments in equity instruments without active market and securitization beneficiary securities belong to this category.

(B) Fair value information of financial instruments

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 714,501	$ 714,501	$ -	$ -
Available-for-sale financial assets				
Stock investments	4,184,466	224,087	-	3,960,379
Others	53,477	-	-	53,477
Total	$ 4,952,444	$ 938,588	$ -	$ 4,013,856

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 633,206	$ 633,206	$ -	$ -
Available-for-sale financial assets				
Stock investments	4,429,943	476,425	-	3,953,518
Others	79,535	-	-	79,535
Total	$ 5,142,684	$ 1,109,631	$ -	$ 4,033,053

	January 1, 2012			
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 622,498	$ 622,498	$ -	$ -
Available-for-sale financial assets				
Stock investments	4,117,509	456,422	-	3,661,087
Others	76,356	-	-	76,356
Total	$ 4,816,363	$ 1,078,920	$ -	$ 3,737,443

(C) Movements of financial instruments classified into Level 3 of fair value are as follows:

2013

Items	Beginning balance	Gain and loss on valuation: Gain and loss	Gain and loss on valuation: Other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Repayment of the principal at maturity Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Available-for-sale financial assets								
Unlisted stocks	$ 3,953,518	$ -	$ 6,861	$ -	$ -	$ -	$ -	$ 3,960,379
Others	79,535	-	5,641	-	-	(31,699)	-	53,477
Total	$ 4,033,053	$ -	$ 12,502	$ -	$ -	($ 31,699)	$ -	$ 4,013,856

2012

Items	Beginning balance	Gain and loss on valuation: Gain and loss	Gain and loss on valuation: Other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Repayment of the principal at maturity Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Available-for-sale financial assets								
Unlisted stocks	$ 3,661,087	$ -	$ 292,431	$ -	$ -	$ -	$ -	$ 3,953,518
Others	76,356	-	16,190	-	-	(13,011)	-	79,535
Total	$ 3,737,443	$ -	$ 308,621	$ -	$ -	($ 13,011)	$ -	$ 4,033,053

Above valuation gains and losses are recognized in gain and loss in the period. As of 2013 and 2012, the gains on liabilities were $12,502 and $308,621, respectively.

(D) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value

The fair value measurement that the Company made onto the financial instruments is deemed reasonable; however, different valuation model or input could result in different result. Specifically, if the valuation input of financial instrument classified in Level 3 moves upward or downward by 7%, and securitization beneficiary securities moves upward or downward by 1%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

	Change in fair value recognized in current profit and loss	
	Favorable movements	Unfavorable movements
December 31, 2013		
Available-for-sale financial assets		
Unlisted stocks	$ 277,226	($ 277,226)
Others	535	(535)
Total	$ 277,761	($ 277,761)

	Change in fair value recognized in current profit and loss	
	Favorable movements	Unfavorable movements
December 31, 2012		
Available-for-sale financial assets		
Unlisted stocks	$ 276,746	($ 276,746)
Others	795	(795)
Total	$ 277,541	($ 277,541)

	Change in fair value recognized in current profit and loss	
	Favorable movements	Unfavorable movements
January 1, 2012		
Available-for-sale financial assets		
Unlisted stocks	$ 256,276	($ 256,276)
Others	764	(764)
Total	$ 257,040	($ 257,040)

Favorable and unfavorable movements of the Company refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

If the fair value of a financial instrument is affected by one or more inputs, above table only illustrates the effect as a result of one single unobservable input, and the correlation and variance of input are not put into consideration.

(3) Management for financial risk

A. Risk management policy and structural organization

The organization structure of the Company's risk management includes: The Board of Directors, senior management, risk management personnel, legal and compliance dedicated segment and other business segments. For the purpose of controlling risk from margin purchase and short sale, the Company established 'business safety group' which is responsible for control over listed securities financing and refinancing to securities firms and related business. Dedicated personnel is also arranged to handle implementation of risk control for the trading positions on investments.

The Company is mainly engaged in credit trading and mostly exposed to credit risk. To control the customer risk, other than the compliance with regulations governing the margin sale and short sale business from SEC and the decreased ratio or allocated securities for warning of abnormal individual stock as defined by OTC, the Company also sets up risk management structure such as quota allocation, pre-warning indicators and process standards, and credit diversification standards armed with specific associate being responsible for related risk control. In addition, the comprehensively computerized risk information system can help assist with enhancing the pre-warning function of margin sale and short sale credit so that being aware of market movement in an early stage may be achieved. With respect to investment transactions, the Company sets up control mechanism for each instrument and regularly monitors the status of risk exposure.

B. Methods for risks measurement and controlling and exposure quantitative information

(A) Market risk

a. Source and definition of market risk and the management principle

The financial assets held by the Company includes domestic listed stocks, unlisted stocks, open-ended funds, beneficiary securities, government bonds, financial debentures, and other instruments that have been approved by the competent authority. Except for investment in unlisted stocks, the values of the financial assets held are subject to changes in market rates and stock prices. To manage market risk, the Company has defined the various portfolio investment risk management rules against its own funded investment, including stock and fund positions. The Company has also defined the control mechanism according to the nature of the product risk such as position limits, stop loss limits, market liquidity limits and exceptional management to certainly measure and monitor market risks of various positions.

b. Market risk assessment

(a) Foreign exchange risk management

The Company conducts certain businesses that involve other non-functional currencies (the Company's functional currency: NTD). Information on non-functional currency assets and liabilities that may be significantly affected by fluctuations in the foreign exchange rate are set forth below:

	December 31, 2013					
				Sensitivity analysis		
	Foreign Currency Amount	Exchange Rate	Book value (NTD)	Degree of variation	Effect on profit or loss by sensitivity analysis	Effect on equity
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 5,541	29.88	$ 165,553	+/-1%	+/-$1,656	$ -
Financial liabilities						
Monetary items						
USD:NTD	$ 5,446	29.88	$ 162,728	+/-1%	+/-$1,627	$ -

	December 31, 2012					
				Sensitivity analysis		
	Foreign Currency Amount	Exchange Rate	Book value (NTD)	Degree of variation	Effect on profit or loss by sensitivity analysis	Effect on equity
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 7,283	28.98	$ 211,068	+/-1%	+/-$2,111	$ -
Financial liabilities						
Monetary items						
USD:NTD	$ 7,212	28.98	$ 209,004	+/-1%	+/-$2,090	$ -

	January 1, 2012					
				Sensitivity analysis		
	Foreign Currency Amount	Exchange Rate	Book value (NTD)	Degree of variation	Effect on profit or loss by sensitivity analysis	Effect on equity
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 13,197	30.23	$ 398,957	+/-1%	+/-$3,989	$ -
Financial liabilities						
Monetary items						
USD:NTD	$ 13,170	30.23	$ 398,135	+/-1%	+/-$3,981	$ -

(b) Price risk management

The Company is exposed to equity securities price risk because of investments in equity instruments held by the Company are classified on the balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company's investments in equity securities comprise domestic listed and unlisted stocks. If the prices of these equity securities had increased/decreased by 7% and the prices of securitization beneficiary securities had increased/decreased by 1% with all other variables held constant, stockholders' equity as of December 31, 2013, December 31, 2012 and January 1, 2012 would have increased/decreased by $293,447, $312,041, and $289,339, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

(c) Interest rate risk management

The Company's interest rate risk mainly arises from held-to-maturity financial assets- bond investments, short-term loans, short-term notes and bills payable, and corporate bonds. Variable-rate financial assets/liabilities expose the Company to cash flow interest rate risk. Risk from financial liabilities is partially offset by cash and cash equivalents held at variable rates. Fixed-rate financial assets/liabilities expose the Company to fair value interest rate risk.

Income before taxes for the years ended December 31, 2013 and 2012 would have been $172 and $676 lower/higher, respectively, if the global market yield curves for the years ended December 31, 2013 and 2012 all changed by 10 basis points.

(B) Credit risk

a. Source and definition of credit risk and the management principle

Since the main business of the Company is margin trading and securities lending, its major business risk is credit risk. To control customers' risk, the Company complies with the rules and regulations of the Taiwan Stock Exchange Corporation and the GreTai Securities Market that require lower trading percentages or a lower number of allocated stocks in the event of abnormal price fluctuation for individual shares. The Company has also established internal operational standard that uses allocation methods for the limits of margin purchases and short sales, early warning and handling principles as well as credit risk dispersion criteria in order to mitigate credit risks.

Besides, potential credit risk of financial instruments held by the Company mainly arises from default by the clients or counterparties of financial instruments on the contract obligations, which then results in financial loss to the Company. Counterparties, issuers, or guarantee institutions of invested financial instruments are all financial institutions with excellent credit quality, so the possibility of default by counterparties on the contracts is extremely low. Moreover, different investment limits are set in advance based on credit ratings of counterparties, issuers, or guarantee institutions in order to control the Company's exposure to the risk of each financial institution. The Company assesses credit status of counterparties, issuers, or guarantee institutions before conducting any transaction, so the probability of credit risk is remote.

b. The maximum exposure to credit risk

The maximum exposure to credit risk of the Company's financial assets is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash and cash equivalents	$ 1,875,431	$ 1,217,611	$ 413,951
Financial assets at fair value through profit or loss -current	704,918	616,777	617,499
Available-for-sale financial assets - current	447,632	473,690	470,511
Margin loans receivables	10,972,930	11,658,564	15,494,739
Other receivables	438,938	514,279	608,130
Held-to-maturity financial assets	310,732	553,605	1,003,765
Other non-current assets	-	-	-
-Refundable deposits	273,300	12,805	13,585
-Overdue receivables	-	76	75
Total	$ 15,023,881	$ 15,047,407	$ 18,622,255

c. Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The Company does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry and location are shown as follows:

(a) Industry

	December 31, 2013	December 31, 2012	January 1, 2012
Government-owned businesses	$ 193	$ 171	$ 171
Privately owned businesses	1,538,978	1,426,087	1,617,919
Individuality	10,846,234	11,835,998	15,564,094
Financial institutions	2,325,936	1,225,231	536,589
Governmental institutions	312,540	559,920	903,482
Total	$ 15,023,881	$ 15,047,407	$ 18,622,255

(b) Geography location:

	December 31, 2013	December 31, 2012	January 1, 2012
Taiwan	$ 14,576,080	$ 14,573,717	$ 18,148,838
Asia(not including Taiwan)	169	-	2,906
Europe	447,632	473,690	470,511
Total	$ 15,023,881	$ 15,047,407	$ 18,622,255

As to the sources of the Company's credit risk, geographic concentration, primarily in Taiwan, accounts for up to 97% in its entirety. Industrial concentration accounts for about 72% in its entirety as the nature of industry is based on individuality.

d. Analysis on credit quality and overdue impairment of financial assets held by the Company

   For certain financial assets held by the Company such as cash and cash equivalents, financial assets at fair value through profit or loss, held-to-maturity financial assets, and refundable deposits, as the counterparties of these assets all have excellent credit ratings, credit risk is deemed to be minimal based on the Company's judgement.

   Credit risk rating is categorized into Excellent, Standard, Below standard, Impaired 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) Impaired: the underlying position or an entity has incurred an objective evidence of impairment at the reporting date.

December 31, 2013	Positions that are neither past due nor impaired: Excellent	Standard	Below standard	Subtotal (A)	Positions that are past due but not impaired(B)	Impaired amount (C)	Total (A)+(B)+(C)	Recognized losses(D)	Net Amount (A)+(B)+(C)-(D)
Cash and cash equivalents	$ 1,875,431	$ -	$ -	$ 1,875,431	$ -	$ -	$ 1,875,431	$ -	$ 1,875,431
Financial assets at fair value through profit or loss	704,918	-	-	704,918	-	-	704,918	-	704,918
Available-for-sale financial assets - current	-	-	-	-	-	447,632	447,632	394,155	53,477
Margin loans receivables	10,469,197	501,083	2,650	10,972,930	-	-	10,972,930	900	10,972,030
Other receivables	427,336	11,541	61	438,938	-	-	438,938	-	438,938
Held-to-maturity financial assets	310,732	-	-	310,732	-	-	310,732	-	310,732
Refundable deposits	273,300	-	-	273,300	-	-	273,300	-	273,300

December 31, 2012	Positions that are neither past due nor impaired: Excellent	Standard	Below standard	Subtotal (A)	Positions that are past due but not impaired(B)	Impaired amount (C)	Total (A)+(B)+(C)	Recognized losses(D)	Net Amount (A)+(B)+(C)-(D)
Cash and cash equivalents	$ 1,217,611	$ -	$ -	$ 1,217,611	$ -	$ -	$ 1,217,611	$ -	$ 1,217,611
Financial assets at fair value through profit or loss	616,777	-	-	616,777	-	-	616,777	-	616,777
Available-for-sale financial assets - current	-	-	-	-	-	473,690	473,690	394,155	79,535
Margin loans receivables	10,999,303	659,261	-	11,658,564	-	-	11,658,564	793	11,657,771
Other receivables	485,656	28,623	-	514,279	-	-	514,279	-	514,279
Held-to-maturity financial assets	553,605	-	-	553,605	-	-	553,605	-	553,605
Refundable deposits	12,805	-	-	12,805	-	-	12,805	-	12,805
Overdue receivables	-	-	-	-	76	-	76	38	38

January 1, 2012	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)	Impaired amount (C)	Total (A)+(B)+(C)	Recognized losses(D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Standard	Below standard	Subtotal (A)					
Cash and cash equivalents	$ 413,951	$ -	$ -	$ 413,951	$ -	$ -	$ 413,951	$ -	$ 413,951
Financial assets at fair value through profit or loss	617,499	-	-	617,499	-	-	617,499	-	617,499
Available-for-sale financial assets - current	-	-	-	-	-	470,511	470,511	394,155	76,356
Margin loans receivables	9,883,897	5,610,545	297	15,494,739	-	-	15,494,739	1,030	15,493,709
Other receivables	393,691	214,428	11	608,130	-	-	608,130	-	608,130
Held-to-maturity financial assets	1,003,765	-	-	1,003,765	-	-	1,003,765	-	1,003,765
Refundable deposits	13,585	-	-	13,585	-	-	13,585	-	13,585
Overdue receivables	-	-	-	-	75	-	75	37	38

e. The credit quality information of financial instruments that are neither past due nor impaired is as follows:

The credit quality of margin loans receivable and other receivables that were neither past due nor impaired was provided in Note 12, and Note (3)2.(2)D based on the Company's Credit Quality Control Policy.

f. Analysis of financial assets that were impaired is as follows:

Based on the Company's assessment, asset securitization beneficiary securities recognized as available-for-sale financial assets were impaired due to a decrease in issuer credit rating. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company has set aside accumulated impairment amounting to $394,155.

With lower possibility to claim margin loans and insufficient margin ratio for collateral due to a decrease in stock price, the uncovered balance of the margin loans arising from disposing of the respective stocks was recorded as 'overdue receivables'. As of December 31, 2013, December 31, 2012 and January 1, 2012, allowance for doubtful accounts recognized in overdue receivables was $0, $38, and $37, respectively.

(C) Liquidity risk

a. Source and definition of liquidity risk and the management principle

Fund liquidity risk happens when the fund supply cannot be sufficiently obtained in an expected period of time leading to a failure of fulfilling the capital need as maturity comes due.

According to different business natures, the Company has defined the capital liquidity indicator for its capital liquidity management, and set the precautionary indicators for the Company's liquidity ratio, credit limit and funding gap. In addition to prior assessment on possible fund gaps of each time period and effective control over liquidity risks of overall capital, pre-established capital transferring plan is also ready in case of systematic risk event and abnormal capital liquidity to sufficiently respond to the liquidity risk of the whole company. In order to ensure that current assets are of realizability, marketability and safety, the Company defined the funding utilization risk control regulations to ensure that the bank deposit, bond and RP/RS attain the specific rates under the internal rating system, and risk control staff shall control the overview of position and liquidity periodically.

b. Risk assessment

(a) The following is the maturity analysis on financial liabilities. The Company's working capital is sufficient for future capital demand, therefore there is no liquidity risk regarding inability to raise fund for meeting contractual obligations.

(b) Except for unlisted stocks, the Company's investments in financial assets all have an active market. These financial assets are expected to be sold easily and immediately at a price approximate to their fair values. Therefore, no significant liquidity risk is expected.

(c) Maturity analysis on non-derivative financial liabilities

December 31, 2013	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Short-term notes and bills payable	$ 180,974	$ -	$ -	$ -	$ -	$ 180,974
Short sale proceeds payable	-	-	1,806,377	-	-	1,806,377
Other payables	51,418	3,280	27,072	688	322,663	405,121
Other payables- related parties	820	-	14,923	-	-	15,743
Deposits-in of securities finance guarantee	-	-	1,469,842	-	-	1,469,842
Deposits-in of securities borrowing and lending	-	-	1,288,092	-	-	1,288,092
Lease payable (recognized in other current liabilities and other non current liabilities)	44	51	78	158	259	590
Deposits-in (recognized in other non current liabilities)	-	-	-	-	1,890	1,890
Total	$ 233,256	$ 3,331	$ 4,606,384	$ 846	$ 324,812	$ 5,168,629

December 31, 2013	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Short sale proceeds payable	$ -	$ -	$ 1,442,500	$ -	$ -	$ 1,442,500
Other payables	88,190	20,945	1,340	784	322,628	433,887
Other payables- related parties	1,051	-	55	-	-	1,106
Deposits-in of securities finance guarantee	-	-	1,153,013	-	-	1,153,013
Deposits-in of securities borrowing and lending	-	-	1,407,638	-	-	1,407,638
Lease payable (recognized in other current liabilities and other non current liabilities)	390	785	1,000	1,429	433	4,037
Deposits-in (recognized in other non current liabilities)	-	-	-	-	1,803	1,803
Total	$ 89,631	$ 21,730	$ 4,005,546	$ 2,213	$ 324,864	$ 4,443,984

January 1, 2012	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Short-term borrowings	$ 109,000	$ -	$ -	$ -	$ -	$ 109,000
Short sale proceeds payable	-	-	1,664,722	-	-	1,664,722
Other payables	118,977	30,078	32,921	1,164	322,623	505,763
Other payables- related parties	1,076	-	73	-	-	1,149
Deposits-in of securities finance guarantee	-	-	1,390,841	-	-	1,390,841
Total long-term liabilities - current portion	-	-	2,500,000	-	-	2,500,000
Deposits-in of securities borrowing and lending	-	-	1,937,147	-	-	1,937,147
Lease payable (recognized in other current liabilities and other non current liabilities)	562	1,129	1,363	2,388	3,379	8,821
Deposits-in(recognized in other non current liabilities)	-	-	-	-	1,090	1,090
Total	$ 229,615	$ 31,207	$ 7,527,067	$ 3,552	$ 327,092	$ 8,118,533

13. Other disclosure items

(1) Information about significant transactions

A. Lending to others: Since the Company engages in providing pecuniary and securities financing facilities for the trading of listed securities, and refinancing to securities firms and other businesses, no disclosure is required.

B. Endorsements and guarantees:None.

C. Information regarding securities held as of December 31, 2013:

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	As of December 31, 2013 Number of shares (In thousands)	Book value	Percentage of ownership	Fair value	Note
The Company	Beneficiary certificates:							
	Yuanta Emerging Markets ESG Strategy Fd	The management company was an affiliated company controlled by the same company as the Company	Financial assets at fair value through profit or loss	8,513	$ 100,006	N/A	$ 100,006	
	Shin Kong Growth and Income Fund	-		960	9,583	"	9,583	
	Shin Kong Chi-Li Money-market Fund	-		39,925	604,912	"	604,912	
	Financial assets at fair value through profit or loss-current				$ 714,501		$ 714,501	
	Beneficiary securities:							
	952 Polaris C	-	Available-for-sale financial assets - current		$ 53,477	N/A	$ 53,477	
	Listed stocks:							
	Formosa Plastics	-	Available-for-sale financial assets - current	1,708	$ 137,468	N/A	$ 137,468	
	CSC	-	"	1,394	37,644	"	37,644	

Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	As of December 31, 2013 Number of shares (In thousands)	Book value	Percentage of ownership	Fair value	Note
	WPG	-	"	1,428	48,975	"	48,975	
	Subtotal				224,087		224,087	
	Total available-for-sale financial assets - current				$ 277,564		$ 277,564	
	Unlisted stocks:							
	Taiwan Depository & Clearing Co., Ltd.	-	Available-for-sale financial assets non-current	58,775	$ 3,276,125	17.96	$ 3,276,125	
	Taiwan Futures Exchange Co., Ltd.	-	"	14,208	684,254	5.00	684,254	
	Total available-for-sale financial assets – non current				$ 3,960,379		$ 3,960,379	
	Government Bonds - non-current							
	A99105	-	Held-to-maturity financial assets non-current	-	$ 50,742	N/A	$ 50,250	
	A94107	-	"	-	201,485	"	203,590	
	A90108	-	"	-	58,505	"	58,201	
	Total held-to-maturity financial assets - non-current				$ 310,732		$ 312,041	

D. Disposals of real estate exceeding NT$300 million or 20 percent of contributed capital：None.

E. Information on the acquisition of the real estate for which the purchase amount exceeded NT$300 million or 20% of paid-in capital: None.

F. Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 20% of paid‐in capital: None

G. Information regarding related‐party purchases and / or sales for which the amount exceeded of NT$100 million or 20% paid-in capital: Not applicable.

H. Information reagrding receivables from related parties for which the amount exceeded NT$100 million or 20% of paid-in capital: None.

I. Information regarding trading in derivative financial instruments: None.

(2) Information on investees

Not applicable.

(3) Disclosure of investments in Mainland China

Not applicable.

14. Segment financial

(1) General information

The Company operates business only in a single industry. The Chief Operating Decision-Maker(CODM), which allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Measurement of segment information

The CODM assesses the performance of the operating segments based on the profit before tax.

(3) Information on segment profit (loss), assets and liabilities

The Company operates business only in a single industry. The segment information provided to the CODM for the reportable segments for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Segment revenue from external customers	$ 697,825	$ 966,393
Segment profit before tax	445,542	502,057
Segment profit assets	19,251,668	19,532,631

(4) Reconciliation for segment profit (loss), assets and liabilities

The Company operates business only in a single industry. The business operation activities are mainly domestic. Therefore, reconciliation is not required.

15. Initial application of IFRSs

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

(1) Exemptions selected by the Company

A. Employee benefits

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

B. Designation of previously recognised financial instruments

The Company has elected to designate investments in TDCC and Taiwan Futures Exchange amounting to $565,330 and $100,000, respectively, which were originally recognized as 'financial assets measured at cost', as available-for-sale financial assets at the transition date. The fair value of investments in TDCC and Taiwan Futures Exchange at the transition date was $3,100,380 and $560,707, respectively.

C. Share-based payment transactions

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

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

Accounting estimates

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

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

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

A. Reconciliation of equity as of January 1, 2012

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Note
Current assets				
Margin loans receivable – net	$ 15,577,359	($ 83,650)	$ 15,493,709	(1)
Other receivables	478,644	129,486	608,130	(1)&(2)
Current income tax assets	-	22,369	22,369	(2)
Others	2,069,083	-	2,069,083	
Total current assets	18,125,086	68,205	18,193,291	
Non-current assets				
Available-for-sale financial assets-non-current	-	3,661,087	3,661,087	(3)
Financial assets measured at cost-non-current	665,330	(665,330)	-	(3)
Investment property	-	223,517	223,517	(5)&(8)
Lease asset	214,449	(214,449)	-	(5)
Idle asset	9,068	(9,068)	-	(5)
Refundable deposits	13,585	(13,585)	-	
Overdue receivables	38	(38)	-	
Deferred income tax assets	122,343	3,719	126,062	(4)
Other non-current assets	-	13,623	13,623	
Others	590,103	-	590,103	(8)
Total non-current assets	1,614,916	2,999,476	4,614,392	
Total assets	$ 19,740,002	$ 3,067,681	$ 22,807,683	
Current liabilities				
Short sale proceeds payable	1,651,043	13,679	1,664,722	(1)
Other payables	483,406	22,357	505,763	(1)&(6)
Current income tax liabilities	-	39,162	39,162	(6)
Other current liabilities	-	5,443	5,443	
Deposits-in of securities finance guarantee	1,397,834	(6,993)	1,390,841	(1)
Lease payable - current	5,443	(5,443)	-	
Others	4,547,296	-	4,547,296	
Total current liabilities	8,085,022	68,205	8,153,227	
Non-current liabilities				
Lease payable - non-current	3,378	(3,378)	-	
Accrued pension obligations	111,961	(111,961)	-	(4)
Provision for liabilities—non-current	-	133,836	133,836	(4)
Deposits-in	1,090	(1,090)	-	
Other liabilities-others	2,100	(2,100)	-	
Other non-current liabilities	-	6,568	6,568	
Total non-current liabilities	118,529	21,875	140,404	
Total liabilities	8,203,551	90,080	8,293,631	
Equity attributable to owners of the parent				
Unappropriated earnings	764,442	(18,156)	746,286	(4)
Unrealized gain (loss) on available-for-sale financial instruments	(97,643)	2,995,757	2,898,114	(3)
Others	10,869,652	-	10,869,652	
Total equity	11,536,451	2,977,601	14,514,052	
Total liabilities and equity	$ 19,740,002	$ 3,067,681	$ 22,807,683	

B. Reconciliation of equity as of December 31, 2012

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Note
Current assets				
Margin loans receivable – net	$ 11,657,771	$ -	$ 11,657,771	
Other receivables	540,988	(26,709)	514,279	(2)
Current income tax assets	-	26,709	26,709	(2)
Others	2,707,178	-	2,707,178	
Total current assets	14,905,937	-	14,905,937	
Non-current assets				
Available-for-sale financial assets-non-current	-	3,953,518	3,953,518	(3)
Financial assets measured at cost-non-current	665,330	(665,330)	-	(3)
Investment property	-	211,972	211,972	(5)&(8)
Lease asset	211,972	(211,972)	-	(5)
Refundable deposits	12,805	(12,805)	-	
Overdue receivables	38	(38)	-	
Deferred income tax assets	124,233	(1,224)	123,009	(4)
Other non-current assets	-	12,843	12,843	
Others	325,352	-	325,352	(8)
Total non-current assets	1,339,730	3,286,964	4,626,694	
Total assets	$ 16,245,667	$ 3,286,964	$ 19,532,631	
Current liabilities				
Short sale proceeds payable	$ 1,442,500	$ -	$ 1,442,500	
Other payables	473,292	(39,405)	433,887	(6)
Other payables - related parties	50,113	(49,007)	1,106	(6)
Current income tax liabilities	-	88,462	88,462	(4)&(6)
Other current liabilities	-	3,604	3,604	
Lease payable - current	3,604	(3,604)	-	
Others	2,560,651	-	2,560,651	
Total current liabilities	4,530,160	50	4,530,210	
Non-current liabilities				
Lease payable - non-current	433	(433)	-	
Accrued pension obligations	107,197	(107,197)	-	(4)
Provision for liabilities—non-current	-	99,700	99,700	(4)
Deposits-in	1,803	(1,803)	-	
Other liabilities-others	2,800	(2,800)	-	
Other non-current liabilities	-	5,036	5,036	
Total non-current liabilities	112,233	(7,497)	104,736	
Total liabilities	4,642,393	(7,447)	4,634,946	
Equity attributable to owners of the parent				
Unappropriated earnings	420,989	10,612	431,601	(4)&(7)
Unrealized gain (loss) on available-for-sale financial instruments	(14,343)	3,283,799	3,269,456	(3)&(7)
Others	11,196,628	-	11,196,628	
Total equity	11,603,274	3,294,411	14,897,685	
Total liabilities and equity	$ 16,245,667	$ 3,286,964	$ 19,532,631	

C. Statement of comprehensive income reconciliation for the year ended December 31, 2012

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Note
Operating revenue	$ 966,393	$ -	$ 966,393	
Operating costs	(310,595)	-	(310,595)	
Gross Profit	655,798	-	655,798	
Operating expenses	(250,641)	297	(250,344)	(4)
Operating profit	405,157	297	405,454	
Non-operating revenue and expenses	92,214	4,389	96,603	(7)
Profit before income tax	497,371	4,686	502,057	
Income tax expense	(76,382)	(50)	(76,432)	(4)
Income from continuing operations	420,989	4,636	425,625	
Net income	420,989	4,636	425,625	
Other comprehensive income				
Unrealised gain on valuation of available-for-sale financial assets	-	371,342	371,342	(3)&(7)
Actuarial gain (loss) on defined benefit plan	-	29,075	29,075	(4)
Income tax relating to the components of other comprehensive income	-	(4,943)	(4,943)	(4)
Other comprehensive income for the year, net of tax	-	395,474	395,474	
Total comprehensive income for the year	$ 420,989	$ 400,110	$ 821,099	

Reasons for reconciliation are outlined below:

Note 1: The regular way purchase or sale of financial assets: In place of settlement date accounting, trade date accounting is adopted for credit trading. The change has resulted in ‘margin loans receivable’ and ‘deposits-in of securities finance guarantee’ decreasing by $83,650 and $6,993, respectively, and ‘other receivables’, ‘short sale proceeds payable’, and ‘other payables’ increasing by $151,855, $13,679, and $61,519 on January 1, 2012, respectively.

Note 2: Pursuant to IAS 12, ‘Income Taxes’, receivables-consolidated income tax return: system (recognized in ‘other receivables’) of current and prior periods should be shown separately as current income tax assets. As a result, on January 1, 2012 and December 31, 2012, amounts of $22,369 and $26,709 shall be respectively reclassified to ‘current income tax assets’.

Note 3: In accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” before amendment on July 7, 2011, unlisted stocks held by the Company was measured at cost and recognised as ‘financial assets measured at cost’. However, in accordance with IAS 39, ‘Financial Instruments: Recognition and Measurement’, investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability in the range of reasonable fair value estimates is insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value. Therefore, in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers” amended on December 22, 2011, the Company designated such financial assets measured at cost as 'available-for-sale financial assets' and increased unrealised gain on valuation of available-for-sale financial assets on the date of transition to IFRSs, which was the difference between the fair value on that date and the previous ROC GAAP carrying amount. The change has resulted in 'available-for-sale financial asset-non-current' increasing by $3,661,087 and $3,953,518, 'unrealized gain (loss) on available-for-sale financial assets' increasing by $2,995,757 and $3,288,188, and 'financial assets measured at cost' decreasing by $665,330 and $665,330 on January 1, 2012 and December 31, 2012, respectively. In addition, the effect on the other comprehensive income for the year ended December 31, 2012 resulted in 'unrealized gain (loss) on available-for-sale financial assets' increasing by $292,431.

Note 4: The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, 'Employee Benefits', requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.

In accordance with R.O.C. GAAP, actuarial pension gain or loss of the Company is recognised in net pension cost of current period using the 'corridor'method. However, in accordance with IAS 19, 'Employee Benefits', the Company selects to recognise immediately actuarial pension gain or loss in other comprehensive income. As a result, the Company reclassified 'accrued pension liabilities' amounting to $133,836 and $99,700 to 'liabilities reserve', increased and decreased 'deferred income tax assets' by $3,719 and $1,224, and decreased 'unappropriated earnings' by $18,156 and $17,909 on January 1, 2012 and December 31, 2012, respectively. Besides, the effect on the statement of comprehensive income for the year ended December 31, 2012 resulted in 'employee benefits expense' decreasing by $297 and 'income tax expense' increasing by $50. The effect on other comprehensive income for the year ended December 31, 2012 resulted in 'actuarial gain and loss of defined benefit plans' increasing by $29,075 and 'income tax relating to components of other comprehensive income' increasing by $4,943.

Note 5: Pursuant to IAS 40, the Company's idle and lease asset satisfy the definition of 'investment property'. As a result, idle and lease asset amounting to $223,517 and $211,972 shall be reclassified to 'investment property' on January 1, 2012 and December 31, 2012, respectively.

Note 6: Pursuant to IAS 12, 'Income taxes', receivables-consolidated income tax return: system (respectively recognized in 'other payables' and 'other payables-related parties') of current and prior periods should be shown separately as current income tax liabilities. As a result, amounts of $39,162 and $88,412 were reclassified to 'current income tax liabilities' on January 1, 2012 and December 31, 2012, respectively.

Note 7: Pursuant to paragraph 32 of R.O.C. SFAS 32, in relation to equity securities investment, except for financial assets at fair value through profit or loss measured by fair value, cash dividends received in the current year should be recognized as the return of capital. However, as no rules regarding to liquidating dividends has been set out in IAS, it should be recognized as dividend income. The change has resulted in 'unrealized gain (loss) on available-for-sale financial assets' decreasing by $4,389 and 'unappropriated earnings' increasing by $4,389 on December 31, 2012. Additionally, the effect on the statement of comprehensive income for the year ended December 31, 2012 resulted in 'dividend income' increasing by $15,395 and 'loss on disposal of investment' increasing by $11,006. The effect on other comprehensive income for the year ended December 31, 2012 resulted in 'unrealized valuation gain (loss) on available-for-sale financial assets' decreasing by $4,389.

Note 8: The Company uses the initial costs of property, equipment, investment property and intangible assets as 'deemed cost'. These assets are subsequently measured using the cost model.

D. Major adjustments for the statements of cash flows for year ended December 31, 2012:

(A) According to the R.O.C. GAAP, the Company uses the cash flow statement made by indirect method together with receipt of interest, receipt of dividend, payment of income tax and payment of interest as the cash flows from operating activities, and no separate disclosure is required. However, according to IAS 7, "Statement of Cash Flows", as endorsed by the FSC, the Company recognized all receipt of interest, payment of interest, receipt of dividend, and payment of income tax in the cash flow of operating activities.

(B) Pursuant to R.O.C. GAAP and IFRSs, dividends paid shall be accounted for cash flows from financing activities.

(C) The transition from R.O.C. GAAP to IFRSs has no effect on the Company's cash flows reported.

(D) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Company's cash flows reported.

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Yuanta Securities Finance Co., Ltd.