

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS**

MARCH 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 TRANSLATED FROM CHINESE

PWCR13000057

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

We have reviewed the accompanying consolidated balance sheets of Yuanta Futures Co., Ltd. and its subsidiaries (formerly Polaris Futures Co., Ltd. and subsidiaries) as of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods ended March 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a conclusion on these financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications or adjustments that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Regulations Governing the Preparation of the Financial Reports by Futures Commission Merchants", IAS 34, "Interim Financial Reporting" and IFRS 1, "First-time Adoption of International Financial Reporting Standards" as endorsed by the Financial Supervisory Commission.

Yuanta Futures Co., Ltd. re-consigned foreign futures trading business to MF Global Singapore Pte. Limited Taiwan Branch., and MF Global Futures Trust Co., Ltd., the investee of Yuanta Futures Co., Ltd. accounted for under the equity method, consigned trading business of MF Global Multi-Strategy Futures Trust Fund it managed to MF Global Singapore Pte. Limited that went into liquidation procedures in 2012 as described in Notes 6(3) and 9(1).

As described in Notes 1(1), 4(9), and 17(6) to the consolidated financial statements, on

October 6, 2011, the Board of Directors of the former Polaris Futures Co., Ltd. at their meeting resolved to merge with Yuanta Futures Co., Ltd. and set April 1, 2012 as the merger date by issuing new shares to increase capital based on a conversion ratio of 1 share of Yuanta Futures Co., Ltd. to 1.01 shares of Polaris Futures Co., Ltd. amounting to \$1,010,000 with a par value of \$10 (in dollar) per share and totaling 101,000 thousand shares. Polaris Futures Co., Ltd. has obtained the approval to change its name to “Yuanta Polaris Securities Co., Ltd.”. Further, subsidiary—Polaris Futures (Hong Kong) Co., Ltd. was renamed Yuanta Futures (Hong Kong) Co., Ltd.. According to the regulations, for structure reorganization of the Group under joint control through business combination between subsidiaries within the Group in share swaps it shall be assumed that the business combination had taken place on October 3, 2011 when preparing comparative consolidated financial statements, and prior years’ consolidated financial statements shall be restated. Therefore, the consolidated financial statements of the Company and its subsidiaries as of January 1, 2012 and for the first quarter, 2012 were restated based on consolidated financial statements of the former Polaris Futures Co., Ltd. and its subsidiaries and consolidated financial statements of Yuanta Futures Co., Ltd. and its subsidiaries for the corresponding period, which were audited by us, respectively and were adjusted to reflect the reporting presentation from previous R.O.C. GAAP to IFRSs as appropriate based on the standards mentioned in the third paragraph mentioned above.

PricewaterhouseCoopers, Taiwan

April 30, 2013

Taipei, Taiwan

Republic of China

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

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Assets | Notes | March 31, 2013 | | December 31, 2012 | | March 31, 2012 | | January 1, 2012 | | |
|---|-------------|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|--|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | 6(1) and 7 | \$ 4,945,741 | 13 | \$ 5,002,915 | 13 | \$ 4,865,193 | 12 | \$ 5,082,263 | 13 | |
| Financial assets at fair value through profit or loss - current | 6(2) and 11 | 24,481 | - | 31,620 | - | 54,118 | - | 40,829 | - | |
| Margin deposit | 6(3) and 7 | 31,869,862 | 82 | 32,222,749 | 83 | 32,766,353 | 83 | 33,976,856 | 83 | |
| Futures trading margin receivable | | 15 | - | 25 | - | 70 | - | 160 | - | |
| Accounts receivable - non-related parties | | 3,696 | - | 3,914 | - | 12,160 | - | 22,858 | - | |
| Accounts receivable - related parties | 7 | 4,214 | - | 12,502 | - | 20,898 | - | 11,298 | - | |
| Prepayments | | 14,310 | - | 7,897 | - | 8,117 | - | 5,567 | - | |
| Other receivables - non-related parties | 6(2) | 57,788 | - | 54,143 | - | 27,479 | - | 24,914 | - | |
| Other receivables - related parties | 6(2) and 7 | 8,074 | - | 9,804 | - | 145,526 | - | 130,633 | - | |
| Current income tax assets | | 112 | - | 112 | - | 69 | - | 3,750 | - | |
| Available-for-sale financial assets - current | 6(4) | 108,396 | - | 103,315 | - | 54,354 | - | - | - | |
| Other current assets | | 30 | - | 20 | - | 61 | - | - | - | |
| Total Current Assets | | <u>37,036,719</u> | <u>95</u> | <u>37,449,016</u> | <u>96</u> | <u>37,954,398</u> | <u>95</u> | <u>39,299,128</u> | <u>96</u> | |
| Non-current assets | | | | | | | | | | |
| Investments accounted for under the equity method | | 71,908 | - | 72,957 | - | 78,330 | - | 79,760 | - | |
| Available-for-sale financial assets - noncurrent | 6(4) | 847,328 | 2 | 783,671 | 2 | 837,330 | 2 | 689,210 | 2 | |
| Property and equipment | 6(7) | 139,710 | 1 | 136,960 | - | 111,770 | 1 | 121,474 | - | |
| Intangible assets | 6(8) | 38,572 | - | 40,421 | - | 53,942 | - | 12,933 | - | |
| Prepayments for equipment | | 14,831 | - | 25,062 | - | 14,440 | - | 13,360 | - | |
| Operations guarantee deposits | 6(5) and 7 | 200,000 | 1 | 195,000 | 1 | 285,000 | 1 | 285,000 | 1 | |
| Clearing and settlement funds | 6(6) | 496,979 | 1 | 327,098 | 1 | 389,099 | 1 | 396,000 | 1 | |
| Refundable deposits | | 16,148 | - | 15,770 | - | 18,856 | - | 18,777 | - | |
| Deferred expenses | | 5,318 | - | 6,808 | - | 11,278 | - | 36,281 | - | |
| Deferred income tax assets | 6(23) | 18,533 | - | 21,980 | - | 17,560 | - | 13,399 | - | |
| Total Non-current Assets | | <u>1,849,327</u> | <u>5</u> | <u>1,625,727</u> | <u>4</u> | <u>1,817,605</u> | <u>5</u> | <u>1,666,194</u> | <u>4</u> | |
| Total Assets | | <u>\$ 38,886,046</u> | <u>100</u> | <u>\$ 39,074,743</u> | <u>100</u> | <u>\$ 39,772,003</u> | <u>100</u> | <u>\$ 40,965,322</u> | <u>100</u> | |

(Continued)

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| Liabilities and Equity | Notes | March 31, 2013 | | December 31, 2012 | | March 31, 2012 | | January 1, 2012 | |
|---|------------|----------------------|------------|----------------------|------------|----------------------|------------|----------------------|------------|
| | | AMOUNT | % | AMOUNT | % | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | | | | |
| Financial liabilities at fair value through profit or loss - current | 11 | \$ 2,101 | - | \$ 10,312 | - | \$ 16,286 | - | \$ 13,410 | - |
| Provision -current | | 5,033 | - | 4,310 | - | 13,657 | - | 12,473 | - |
| Futures traders' equity | 6(3) and 7 | 31,740,664 | 82 | 32,106,544 | 82 | 32,733,168 | 83 | 33,876,957 | 83 |
| Accounts payable | | 61,651 | - | 66,459 | - | 88,911 | - | 73,049 | - |
| Accounts payable – related parties | 7 | 23,404 | - | 24,423 | - | 30,272 | - | 26,225 | - |
| Income tax payable | | 44,616 | - | 29,265 | - | 45,384 | - | 25,205 | - |
| Collection for third parties | | 5,593 | - | 5,415 | - | 6,170 | - | 4,497 | - |
| Other payables | | 168,402 | 1 | 161,139 | 1 | 505,818 | 1 | 240,443 | 1 |
| Other payables - related parties | 7 | 96 | - | - | - | 796 | - | 811 | - |
| Total current liabilities | | <u>32,051,560</u> | <u>83</u> | <u>32,407,867</u> | <u>83</u> | <u>33,440,462</u> | <u>84</u> | <u>34,273,070</u> | <u>84</u> |
| Other liabilities | | | | | | | | | |
| Other long-term provisions | | 1,650 | - | 1,320 | - | - | - | - | - |
| Provisions –non-current | | 39,547 | - | 39,197 | - | 60,090 | - | 59,733 | - |
| Total Other Liabilities | | <u>41,197</u> | <u>-</u> | <u>40,517</u> | <u>-</u> | <u>60,090</u> | <u>-</u> | <u>59,733</u> | <u>-</u> |
| Total liabilities | | <u>32,092,757</u> | <u>83</u> | <u>32,448,384</u> | <u>83</u> | <u>33,500,552</u> | <u>84</u> | <u>34,332,803</u> | <u>84</u> |
| Capital Stock | 6(10) | | | | | | | | |
| Common stock | 6(10) | 2,322,763 | 6 | 2,322,763 | 6 | 1,312,763 | 3 | 1,312,763 | 3 |
| Capital Reserve | 6(11) | | | | | | | | |
| Paid-in capital in excess of par value | | 1,952,712 | 5 | 1,952,712 | 5 | 361,300 | 1 | 361,300 | 1 |
| Paid-in capital from business merger | | 46,333 | - | 46,333 | - | 46,333 | - | 46,333 | - |
| Retained Earnings | | | | | | | | | |
| Legal reserve | 6(13) | 356,697 | 1 | 356,697 | 1 | 356,697 | 1 | 310,230 | 1 |
| Special reserve | 6(12) | 977,083 | 2 | 977,083 | 3 | 978,713 | 3 | 874,107 | 2 |
| Unappropriated earnings | 6(13) | 624,565 | 2 | 525,033 | 1 | 55,035 | - | 437,491 | 1 |
| Other Adjustments to Equity | 6(14) | | | | | | | | |
| Exchange differences arising from translation of foreign operations | | (13,042) | - | (17,984) | - | (16,004) | - | (11,672) | - |
| Unrealized gain (loss) on valuation of available-for-sale financial assets | 6(4) | 526,178 | 1 | 463,722 | 1 | 524,009 | 1 | 417,399 | 1 |
| Prior Interest under Joint Control | | | | | | | | | |
| Prior Interest under Joint Control | | - | - | - | - | 2,652,605 | 7 | 2,884,568 | 7 |
| Total Equity | | <u>6,793,289</u> | <u>17</u> | <u>6,626,359</u> | <u>17</u> | <u>6,271,451</u> | <u>16</u> | <u>6,632,519</u> | <u>16</u> |
| Significant Contingent Liabilities and Unrecognized Contract Commitments | 9 | | | | | | | | |
| TOTAL LIABILITIES AND EQUITY | | <u>\$ 38,886,046</u> | <u>100</u> | <u>\$ 39,074,743</u> | <u>100</u> | <u>\$ 39,772,003</u> | <u>100</u> | <u>\$ 40,965,322</u> | <u>100</u> |

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

See report of independent accountants dated April 30, 2013.

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

| | Notes | 2013 | | 2012 | |
|---|-------------|-------------------|--------------|-------------------|--------------|
| | | Amount | % | Amount | % |
| Revenues | | | | | |
| Brokerage | 6(15) and 7 | \$ 529,964 | 93 | \$ 562,081 | 78 |
| Clearance fee from consignment | 6(16) and 7 | 13,427 | 3 | 19,414 | 3 |
| Gain on disposal of derivative financial instruments | 6(17) | 22,399 | 4 | 136,505 | 19 |
| Futures management fee revenues | | 102 | - | - | - |
| Futures advisory revenues | | 1,185 | - | 577 | - |
| Other operating revenues | | 1,203 | - | 2,137 | - |
| Total Revenues | | <u>568,280</u> | <u>100</u> | <u>720,714</u> | <u>100</u> |
| Expenses | | | | | |
| Brokerage fee | 6(18)(19) | (86,883) | (15) | (97,201) | (14) |
| Dealer handling fee | 6(18) | (6,146) | (1) | (15,170) | (2) |
| Futures commission | 6(19) and 7 | (115,709) | (20) | (130,882) | (18) |
| Clearance fee | | (75,986) | (14) | (90,426) | (13) |
| Employee benefits fee | 6(21) | (120,595) | (21) | (128,621) | (18) |
| Depreciation and amortization expense | 6(20) | (22,785) | (4) | (22,225) | (3) |
| Financial cost | | (6,612) | (1) | (6,433) | (1) |
| Other operating expenses | 6(20) | (116,897) | (21) | (160,395) | (22) |
| Total Expenses | | <u>(551,613)</u> | <u>(97)</u> | <u>(651,353)</u> | <u>(91)</u> |
| Operating income | | <u>16,667</u> | <u>3</u> | <u>69,361</u> | <u>9</u> |
| Share of profit/(loss) of associates and joint ventures accounted for under equity method | | (1,048) | (1) | (1,430) | - |
| Other gains and losses | 6(22) | 113,613 | 20 | 100,192 | 14 |
| Income before income tax | | <u>129,232</u> | <u>22</u> | <u>168,123</u> | <u>23</u> |
| Income tax expense | 6(23) | (29,700) | (5) | (25,668) | (3) |

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE AMOUNTS)

| | Notes | 2013 | | 2012 | |
|---|-------|------------|------|------------|------|
| | | Amount | % | Amount | % |
| Net Income | | \$ 99,532 | 17 | \$ 142,455 | 20 |
| Other comprehensive income | 6(14) | | | | |
| Exchange differences arising from translation of foreign operations | | 4,942 | 1 | (4,332) | (1) |
| Unrealized gain on valuation of available-for-sale financial assets | | 62,456 | 11 | 106,610 | 15 |
| Other comprehensive income for the period | | 67,398 | 12 | 102,278 | 14 |
| Total comprehensive income for the period | | \$ 166,930 | 29 | \$ 244,733 | 34 |
| Net income attributable to : | | | | | |
| Equity holders of the Company | | \$ 99,532 | 18 | \$ 83,155 | 12 |
| Prior interest under joint control | | - | - | 59,300 | 8 |
| | | \$ 99,532 | 18 | \$ 142,455 | 20 |
| Total comprehensive income attributable to : | | | | | |
| Equity holders of the Company | | \$ 166,930 | 29 | \$ 185,433 | 26 |
| Prior interest under joint control | | - | - | 59,300 | 8 |
| | | \$ 166,930 | 29 | \$ 244,733 | 34 |
| Earnings per Share (in dollars) | 6(24) | | | | |
| Basic Earnings per Share | | | | | |
| Equity holders of the Company | | | 0.43 | | 0.36 |
| Prior interest under joint control | | | - | | 0.25 |
| Consolidated Net Income | | | 0.43 | | 0.61 |
| Diluted Earnings per Share | | | | | |
| Equity holders of the Company | | | 0.43 | | 0.36 |
| Prior interest under joint control | | | - | | 0.25 |
| Consolidated Net Income | | | 0.43 | | 0.61 |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 30, 2013.

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Capital Reserves | | | Retained Earnings | | | Exchange differences arising from translation of foreign operations | Unrealized gain (loss) on valuation of available-for-sale financial assets | Prior Interest under Joint Control | Total |
|--|---------------------|--|--------------------------------------|-------------------|-------------------|-------------------------|---|--|------------------------------------|---------------------|
| | Common Stock | Paid-in capital in excess of par value | Paid-in capital from business merger | Legal reserve | Special reserve | Unappropriated earnings | | | | |
| <u>2012</u> | | | | | | | | | | |
| Balance as of January 1, 2012 | \$ 1,312,763 | \$ 361,300 | \$ 46,333 | \$ 310,230 | \$ 874,107 | \$ 437,491 | (\$ 11,672) | \$ 417,399 | \$ 2,884,568 | \$ 6,632,519 |
| Appropriation of prior year's earnings | | | | | | | | | | |
| Legal reserve | - | - | - | 46,467 | - | (46,467) | - | - | - | - |
| Special reserve | - | - | - | - | 104,606 | (104,606) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (314,538) | - | - | - | (314,538) |
| Distribution of surplus by dissolving entity | - | - | - | - | - | - | - | - | (291,188) | (291,188) |
| Bad debts adjustments of the dissolved companies | - | - | - | - | - | - | - | - | (75) | (75) |
| Other comprehensive income for the period | - | - | - | - | - | - | (4,332) | 106,610 | - | 102,278 |
| Net income for the period | - | - | - | - | - | 83,155 | - | - | 59,300 | 142,455 |
| Balance at March 31, 2012 | <u>\$ 1,312,763</u> | <u>\$ 361,300</u> | <u>\$ 46,333</u> | <u>\$ 356,697</u> | <u>\$ 978,713</u> | <u>\$ 55,035</u> | <u>(\$ 16,004)</u> | <u>\$ 524,009</u> | <u>\$ 2,652,605</u> | <u>\$ 6,271,451</u> |
| <u>2013</u> | | | | | | | | | | |
| Balance as of January 1, 2013 | \$ 2,322,763 | \$ 1,952,712 | \$ 46,333 | \$ 356,697 | \$ 977,083 | \$ 525,033 | (\$ 17,984) | \$ 463,722 | \$ - | \$ 6,626,359 |
| Net income for the period | - | - | - | - | - | 99,532 | - | - | - | 99,532 |
| Other comprehensive income for the period | - | - | - | - | - | - | 4,942 | 62,456 | - | 67,398 |
| Balance at March 31, 2013 | <u>\$ 2,322,763</u> | <u>\$ 1,952,712</u> | <u>\$ 46,333</u> | <u>\$ 356,697</u> | <u>\$ 977,083</u> | <u>\$ 624,565</u> | <u>(\$ 13,042)</u> | <u>\$ 526,178</u> | <u>\$ -</u> | <u>\$ 6,793,289</u> |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 30, 2013.

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | 2013 | | 2011 (Restated) |
|--|-------------|----|-----------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Income before income tax | \$ 129,232 | \$ | 168,123 |
| Adjustments to reconcile income before income tax to net cash provided by operating activities: | | | |
| Income and expenses having no effect on cash flows | | | |
| Write-off of bad debts | - | (| 75) |
| Depreciation | 17,806 | | 13,557 |
| Amortization | 4,979 | | 8,668 |
| Interest income | (104,653) | (| 112,788) |
| Interest expense | 6,612 | | 6,433 |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | 1,048 | | 1,430 |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in operating assets | | | |
| Financial assets at fair value through profit or loss - current | 7,139 | (| 13,289) |
| Margin deposits | 352,887 | | 1,210,503 |
| Futures trading margin receivable | 10 | | 90 |
| Accounts receivable - non-related parties | 218 | | 10,698 |
| Accounts receivable - related parties | 8,288 | (| 9,600) |
| Prepayments | (6,413) | (| 2,550) |
| Other receivables - non-related parties | (878) | (| 9,618) |
| Other receivables - related parties | 1,730 | (| 14,893) |
| Other current assets | (10) | (| 61) |
| Net changes in liabilities relating to operating activities | | | |
| Financial liabilities at fair value through profit or loss - current | (8,211) | | 2,876 |
| Provision -current | 723 | | 1,184 |
| Futures traders' equity | (365,880) | (| 1,143,789) |
| Accounts payable | (4,808) | | 15,862 |
| Accounts payable - related parties | (1,019) | | 4,047 |
| Advance collections | 178 | | 1,673 |
| Other payables - non-related parties | 7,281 | (| 53,531) |
| Other payables - related parties | 96 | (| 15) |
| Provision -non-current | 350 | | 357 |
| Other long-term provision | 330 | | - |
| Cash generated from operations | 47,035 | | 85,292 |
| Interest received | 101,886 | | 119,841 |
| Income tax paid | (10,902) | (| 5,969) |
| Interest paid | (6,629) | (| 2,065) |
| Net cash provided by operating activities | 131,390 | | 197,099 |

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YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31,
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | 2013 | 2011 (Restated) |
|--|--------------|-----------------|
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Acquisition of available-for-sale financial assets - current | (\$ 6,283) | (\$ 95,864) |
| Acquisition of property and equipment | (5,145) | (3,853) |
| Increase in intangible assets | - | (24,674) |
| Increase in prepayments for equipment | (6,179) | (1,080) |
| Increase in operations guarantee deposits | (5,000) | - |
| Decrease (increase) in clearing and settlement funds | (169,881) | 6,901 |
| Increase in refundable deposits | (378) | (79) |
| Net cash used in investing activities | (192,866) | (118,649) |
| <u>CASH FLOWS FROM FINANCING ACTIVITY</u> | | |
| Payment of cash dividends | - | (291,188) |
| Effect of change in foreign exchange rates | 4,302 | (4,332) |
| Net decrease in cash and cash equivalents | (57,174) | (217,070) |
| Cash and cash equivalents at beginning of period | 5,002,915 | 5,082,263 |
| Cash and cash equivalents at end of period | \$ 4,945,741 | \$ 4,865,193 |

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated April 30, 2013.

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES
(FORMERLY POLARIS FUTURES CO., LTD. AND SUBSIDIARIES)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012 (RESTATED)
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

2) The Company is primarily engaged in onshore and offshore futures brokerage business, futures dealing, futures consulting, futures business management, securities dealing, and a variety of futures related businesses approved by the competent authority. As of March 31, 2012, the Company had 7 branches.

3) As of March 31, 2013, the Company and its subsidiaries had approximately 401 employees.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on April 30, 2013.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND NTERPRETATIONS

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

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

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

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

- a) The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November, 2009, which will take effect on January 1, 2015 with early application permitted. Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.
- b) IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.
- c) The Group 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 Group, 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 Group recognised gain (or loss) on equity instruments amounting to \$62,456 , in other comprehensive income for the three-month period ended March 31, 2013.

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

A. The following are the new standards and amendments issued by IASB that are effective but not yet endorsed by the FSC and have not been adopted by the Group:

| | <u>New Standards or Amendments</u> | <u>Effective Date</u> |
|--------|---|-----------------------|
| IFRS 1 | Limited exemption from comparative IFRS 7 disclosures for first-time adopters | July 1, 2010 |
| | 2010 improvements to IFRSs | January 1, 2011 |
| IFRS 7 | Disclosures - transfers of financial assets | July 1, 2011 |

| | <u>New Standards or Amendments</u> | <u>Effective Date</u> |
|------------------------------|--|-----------------------|
| IFRS 1 | Severe hyperinflation and removal of fixed dates for first-time adopters | July 1, 2011 |
| IAS 12 | Deferred tax: recovery of underlying assets | January 1, 2012 |
| IFRS 10 | Consolidated financial statements | January 1, 2013 |
| IFRS 11 | Joint arrangements | January 1, 2013 |
| IFRS 12 | Disclosure of interests in other entities | January 1, 2013 |
| IAS 27 | Separate financial statements | January 1, 2013 |
| IAS 28 | Investments in associates and joint ventures | January 1, 2013 |
| IFRS 13 | Fair value measurements | January 1, 2013 |
| IAS 19 | Employee benefits | January 1, 2013 |
| IAS 1 | Presentation of items of other comprehensive income | July 1, 2012 |
| IFRIC 20 | Stripping costs in the production phase of a surface mine | January 1, 2013 |
| IFRS 7 | Disclosures - offsetting financial assets and financial liabilities | January 1, 2013 |
| IFRS 1 | Government loans | January 1, 2013 |
| | 2009-2011 improvements to IFRSs | January 1, 2013 |
| IFRS 10, IFRS 11 and IFRS 12 | Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance | January 1, 2013 |

B. The following are the new standards and amendments issued by IASB that are not yet effective and not yet endorsed by the FSC and have not been adopted by the Group:

| | <u>New Standards or Amendments</u> | <u>Effective Date</u> |
|--------|--|-----------------------|
| IFRS 9 | Financial instruments: Classification and measurement of financial liabilities | January 1, 2015 |
| IAS 32 | Offsetting financial assets and financial liabilities | January 1, 2014 |

| | <u>New Standards or Amendments</u> | <u>Effective Date</u> |
|-----------------------------|---|-----------------------|
| IFRS 7 and IFRS 9 | Mandatory effective date and transition disclosures | January 1, 2015 |
| IFRS 10, IFRS 12 and IAS 27 | Investment entities | January 1, 2014 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1) Compliance statement

- A. These consolidated financial statements are the first interim consolidated financial statements prepared by the Group in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, IAS 34, ‘Interim Financial Reporting’, and IFRS 1, ‘First-time Adoption of International Financial Reporting Standards’, as endorsed by the FSC.
- B. In the preparation of the balance sheet of January 1, 2012, the Group has adjusted the amounts that were reported in the consolidated 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 the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins as endorsed by the FSC (collectively referred herein as the “IFRSs”) on the Group’s financial position, operating results and cash flows.

2) Basis of preparation

- A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:
- Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - Available-for-sale financial assets measured at fair value.
 - Liabilities on cash-settled share-based payment arrangements measured at fair value.
 - Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised prior period’s service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

- B. The significant accounting policies as stated below have been consistently applied to all the periods presented in these consolidated financial statements, including the opening IFRS balance sheet on January 1, 2012 (the Group's date of transition to IFRSs) that are prepared in transition to IFRSs.
- C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.
- b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

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

B. Subsidiaries included in the consolidated financial statements:

| Investor | Investor | Main activity | Ownership(%) | | Description |
|---------------------------|--|---------------------------------|------------------|---------------------|-------------|
| | | | 2013 March 31 | 2012 December 31 | |
| Yuanta Futures Co., Ltd. | Yuanta Futures (Hong Kong) Ltd.(Note 1) | Financial Services | 100.00% | 100.00% | |
| Yuanta Futures Co., Ltd. | SYF Information Co., Ltd (Note 2) | Information Technology Services | 100.00% | 100.00% | |
| SYF Information Co., Ltd. | SYF Information (SAMOA) Limited (Note 2) | Investment holdings | 100.00% | 100.00% | |

| Investor | Investor | Main activity | Ownership(%) | | Description |
|--------------------------|--|--------------------|------------------|-------------------|-------------|
| | | | 2012 March 31 | 2012 January 1 | |
| Yuanta Futures Co., Ltd. | Yuanta Futures (Hong Kong) Ltd.(Note 1) | Financial Services | 100.00% | 100.00% | |

Note 1: The Company merged with “Yuanta Futures Co., Ltd.” on April 1, 2012 and “Polaris Securities (Hong Kong) Co., Ltd.” was renamed as “Yuanta Futures (Hong Kong) Ltd.”.

Note 2: Main business activities have not started.

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

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

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

4) Foreign currency translation

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

A. Foreign currency transactions and balances

- a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss as part of the fair value gain 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 interest income. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

- iii. All resulting exchange differences are recognised in other comprehensive income.
- b) On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings for long-term investment purpose and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets :
 - a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- 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

- A. In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.
- B. Cash equivalents refer to short-term highly liquid investments that meet both the following criteria :
 - a) Readily convertible to known amount of cash; and
 - b) Subject to an insignificant risk of changes in value.

7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition :
- a) Hybrid (combined) contracts; or
 - b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
 - c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using trade date accounting. Financial assets designated as at fair value through profit or loss on initial recognition are recognised and derecognised using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

8) Margin deposits

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

9) Futures traders' equity/futures trading margin receivables

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

10) Available-for-sale financial assets

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

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

11) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

12) Impairment of financial assets

- A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows :
 - a) Significant financial difficulty of the issuer or debtor;
 - b) A breach of contract, such as a default or delinquency in interest or principal payments;
 - c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - e) The disappearance of an active market for that financial asset because of financial difficulties;

- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
 - g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
 - h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets :

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.

13) Derecognition of financial assets

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

- A. The contractual rights to receive cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

14) Investments accounted for under the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss arising through subsequent assessments.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

15) Property and equipment

- A. Equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of various assts are all 2~6 years.

16) Leased assets/ leases (lessee)

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Group assumes substantially all the risks and rewards incidental to ownership of the leased asset.
- a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.
 - b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.
 - c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.
- B. An operating lease is a lease other than a finance lease. Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

17) Intangible assets

- A. Intangible assets represent membership in a foreign Futures Exchange.
- Trademark right—membership in a foreign Futures Exchange is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right—membership in a foreign Futures Exchange is not amortised, but is tested annually for impairment.
- B. Computer software
- Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

18) Impairment of non-financial assets

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

B. Intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

19) Derivative financial instruments

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

20) Financial liabilities at fair value through profit or loss

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

- a) Hybrid (combined) contracts; or
- b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

a) Defined contribution plans

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

b) Defined benefit plans

- i. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in such corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.
- iii. 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.
- iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C. Termination benefits

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

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

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

22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

23) Share capital

Ordinary shares are classified as equity.

24) 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.

25) Revenue recognition

- A. Brokerage fee income : Service fee income that is generated from futures merchants exercising futures transaction is recognized on the date of settlement.
- B. Entrusted clearing settlement service fee : Service fee income that is generated by futures merchants who has the qualification of clearing membership while exercising clearing settlement transaction is recognized on the date of futures transaction.
- C. Derivative instrument net income :
 - a) Futures contract gains or losses : The margin of futures trading is recognized at cost and measured through mark-to-market accounting. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period ;
 - b) Options trading : The deposit of options trading is recognized at cost and assessed monthly through mark-to-market valuation before the obligation is fulfilled. Any gain and loss occurring due to the option exercise is recognized as gain and loss in the period.
- D. Supervisory income and brokerage income : These income are recognized on an accrual basis under the agreed terms.
- E. Interest income : Interest income is calculated through estimated cash income in the future discounted with the actual interest rate based on the estimated life of financial instruments on an accrual basis.

26) Business combination

The Accounting Research And Development Foundation (ARDF), ROC issued “IFRS 3 Questions on treatment of business combinations under common control” on IFRS Q&A on January 8, 2013. The description indicates that IFRS 3 ‘Business Combination’ has no clear regulation on treatment of business combinations under common control. Thus, these kinds of transaction shall follow the regulation in R.O.C.

The business combination between Company and its affiliates is classified as a reorganization in accordance with EITF 100-390 of the ARDF, R.O.C., and is recognized based on the carrying amount of the Company's long-term investments (the amount after impairment loss); the long-term investments should be reclassified as assets and liabilities when its affiliates are eliminated. Further, according to the ARDF Interpretations 95-141 and 101-301, this affiliated company was regarded as having been merged on October 3, 2011 and the prior years' consolidated financial statements were restated. Additionally, the prior interest in the dissolved company held by parent company was presented as "prior interest under joint control" in the consolidated financial statements. Polaris Securities Co., Ltd. was absorbed as a subsidiary of Yuanta Financial Holdings Co., Ltd. through share swaps on October 3, 2011. Polaris Futures Co., Ltd was formerly a subsidiary of Polaris Securities Co., Ltd.. Therefore, October 3, 2011 was regarded as the effective date of merger, in accordance with the ARDF Interpretation 101-301, the 100% interest in Yuanta Futures Co., Ltd. previously held by Yuanta Financial Holdings Co., Ltd. was presented as "prior interest under joint control" in the consolidated financial statements.

27) 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 JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Judgements and estimates are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below :

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

A. Financial assets—Impairment of equity investments

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

2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below :

A. Impairment assessment of tangible and intangible assets (excluding goodwill)

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

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

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

C. Impairment assessment of investments accounted for under the equity method

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

D. Realisability of deferred 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 utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

E. Calculation of accrued pension obligations

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

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

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

As of March 31, 2013, the carrying amount of unlisted stocks was \$792,391.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|-----------------|-----------------------|--------------------------|
| <u>Cash</u> | | |
| Petty cash | \$ 267 | \$ 265 |
| Check deposits | 16 | 20 |
| Futures margin | 831,715 | 833,754 |
| Demand deposits | 216,310 | 156,518 |
| Time deposits | <u>3,477,959</u> | <u>3,453,244</u> |
| Subtotal | 4,526,267 | 4,443,801 |

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|---|-----------------------|--------------------------|
| <u>Cash equivalents</u> | | |
| Commercial paper (expiring within three months) | <u>419,474</u> | <u>559,114</u> |
| Cash and cash equivalents as per consolidated cash flow statement | <u>\$ 4,945,741</u> | <u>\$ 5,002,915</u> |
| Cash and cash equivalents designated in consolidated cash flow statement including items as follows : | | |
| Cash and cash equivalents as per consolidated cash flow statement | <u>\$ 4,945,741</u> | <u>\$ 5,002,915</u> |

| | <u>March 31, 2012</u> | <u>January 1, 2012</u> |
|---|-----------------------|------------------------|
| <u>Cash</u> | | |
| Petty cash | \$ 320 | \$ 320 |
| Check deposits | 729 | 1,280 |
| Futures margin | 1,266,128 | 1,274,309 |
| Demand deposits | 536,863 | 325,966 |
| Time deposits | <u>2,781,600</u> | <u>3,160,700</u> |
| Subtotal | 4,585,640 | 4,762,575 |
| <u>Cash equivalents</u> | | |
| Commercial paper (expiring within three months) | <u>279,553</u> | <u>319,688</u> |
| Cash and cash equivalents as per consolidated cash flow statement | <u>\$ 4,865,193</u> | <u>\$ 5,082,263</u> |
| Cash and cash equivalents designated in consolidated cash flow statement including items as follows : | | |
| Cash and cash equivalents as per consolidated cash flow statement | <u>\$ 4,865,193</u> | <u>\$ 5,082,263</u> |

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

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

2) Financial assets at fair value through profit or loss

| Items | March 31, 2013 | December 31, 2012 |
|-----------------------------------|------------------|-------------------|
| Current items : | | |
| Financial assets held for trading | | |
| Non-hedging derivatives | \$ <u>24,481</u> | \$ <u>31,620</u> |

| Items | March 31, 2012 | January 1, 2012 |
|-----------------------------------|------------------|------------------|
| Current items : | | |
| Financial assets held for trading | | |
| Non-hedging derivatives | \$ <u>54,118</u> | \$ <u>40,829</u> |

A. The Group recognised net gain of \$22,399 and \$136,505 for the three-month periods ended March 31, 2013 and 2012, respectively.

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

| Derivative Instruments | March 31, 2013 | December 31, 2012 |
|--|------------------|-------------------|
| Current items : | | |
| Futures transaction – futures contract | \$ 20,613 | \$ 19,040 |
| Futures transaction – options contract | <u>3,868</u> | <u>12,580</u> |
| | \$ <u>24,481</u> | \$ <u>31,620</u> |

| Derivative Instruments | March 31, 2012 | January 1, 2012 |
|--|------------------|------------------|
| Current items : | | |
| Futures transaction – futures contract | \$ 40,344 | \$ 6,197 |
| Futures transaction – options contract | <u>13,774</u> | <u>34,632</u> |
| | \$ <u>54,118</u> | \$ <u>40,829</u> |

C. Futures

The Group entered into futures contracts, which are stock index options, to earn the spread. As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, margin deposits for these contracts were \$856,196, \$865,174, \$1,420,162 and \$1,417,069, respectively, with excess margin of \$831,715, \$833,754, \$1,266,128 and \$1,274,309, and recognized in 'cash and cash equivalents', respectively. Otherwise, as of March 31, 2013 and December 31, 2012, the balance of excess margin that the Company deposited in the future account of MF Global Singapore Pte. Limited Taiwan Branch were \$ 25,103 and \$24,443 and recognized in 'other receivables-non-related parties', respectively. As of March 31, 2012 and January 1, 2012, the balance of excess margin that the Company deposited in the futures account of MF Global Singapore Pte. Limited Taiwan Branch were \$124,754 and \$127,413 and recognized in 'other receivables- related parties', respectively. For information on significant financial events and evaluation on possible effect of MF Global Holdings Ltd. (MF Global), please refer to Note 9 - Significant Contingent Liabilities and Unrecognized Contract Commitments.

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

3) Margin deposits/futures traders' equity

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|--|-----------------------|--------------------------|
| Margin deposits by customers : | | |
| Cash in banks | \$ 25,597,671 | \$ 25,898,081 |
| Clearing house | 4,730,316 | 4,811,888 |
| Other futures commission merchants | <u>1,541,875</u> | <u>1,512,780</u> |
| Total | 31,869,862 | 32,222,749 |
| Less: Fees of revenue pending for transfer | (119,653) | (108,114) |
| Futures exchange tax pending for transfer | (2,598) | (3,103) |
| Temporary receipts | (5,222) | - |
| Others | <u>(1,725)</u> | <u>(4,988)</u> |
| Futures trader' equity | <u>\$ 31,740,664</u> | <u>\$ 32,106,544</u> |

| | <u>March 31, 2012</u> | <u>January 1, 2012</u> |
|--|-----------------------|------------------------|
| Margin deposits by customers : | | |
| Cash in banks | \$ 26,478,058 | \$ 26,730,946 |
| Clearing house | 4,425,604 | 5,593,883 |
| Other futures commission merchants | <u>1,862,691</u> | <u>1,652,027</u> |
| Total | 32,766,353 | 33,976,856 |
| Less: Fees of revenue pending for transfer | (19,739) | (93,412) |
| Futures exchange tax pending for transfer | - | (2,044) |
| Others | <u>(13,446)</u> | <u>(4,443)</u> |
| Futures trader' equity | <u>\$ 32,733,168</u> | <u>\$ 33,876,957</u> |

A. As of March 31, 2013, the Group's customer trading margin had a balance of \$166,586 deposited in MF Global Singapore Pte. Limited Taiwan Branch. In accordance with the Executive Yuan, R.O.C., Gin-Gwen-Shun Rule No. 1000055081 of the Financial Supervisory Commission as to mitigate the impact on domestic futures traders' equity due to bankruptcy of U.S. MF Global Holdings Ltd., the Executive Yuan allowed futures commission merchants, whose customers' margin deposited in MF Global Singapore Pte, Limited Taiwan Branch was frozen and unable to be retrieved upon customers' requests or create a hedge position, to prepay with their own capital fund and recognize the amount as accounts receivable. As of March 31, 2013, the Company had a zero balance in its accounts receivable for such prepayments described above.

B. For details described above, please see Note 9 – Significant Contingent Liabilities and Unrecognized Contract Commitments.

4) Available-for-sale financial assets

| <u>Items</u> | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|---|-----------------------|--------------------------|
| Current items : | | |
| Listed stock | \$ 116,481 | \$ 110,198 |
| Valuation adjustment of available-for-sale financial assets | <u>(8,085)</u> | <u>(6,883)</u> |
| Total | <u>\$ 108,396</u> | <u>\$ 103,315</u> |
| Non-current items : | | |
| Listed stock | \$ 41,255 | \$ 41,255 |
| Unlisted stock | <u>271,811</u> | <u>271,811</u> |
| Subtotal | 313,066 | 313,066 |
| Valuation adjustment of available-for-sale financial assets | <u>534,263</u> | <u>470,605</u> |
| Total | <u>\$ 847,329</u> | <u>\$ 783,671</u> |

| Items | March 31, 2012 | January 1, 2012 |
|---|-------------------|-------------------|
| Current items : | | |
| Listed stock | \$ 54,609 | \$ - |
| Valuation adjustment of available-for-sale financial assets | (255) | - |
| Total | <u>\$ 54,354</u> | <u>\$ -</u> |
| Non-current items : | | |
| Listed stock | \$ 41,255 | \$ - |
| Unlisted stock | <u>271,811</u> | <u>271,811</u> |
| Subtotal | 313,066 | 271,811 |
| Valuation adjustment of available-for-sale financial assets | <u>524,264</u> | <u>417,399</u> |
| Total | <u>\$ 837,330</u> | <u>\$ 689,210</u> |

5) Operations guarantee deposits

As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the Company provided time deposits as operations guarantee deposits maturing within one-year in Yuanta Bank and Cathay United Bank with annual interest rate of 1.345% and 1.36% , respectively.

6) Clearing and settlement funds

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

7) Property and equipment

| | Leasehold | | |
|--|------------------|---------------------|-------------------|
| | <u>Equipment</u> | <u>improvements</u> | <u>Others</u> |
| At January 1, 2013 | | | |
| Cost | \$ 185,441 | \$ 99,302 | \$ 284,743 |
| Accumulated depreciation and impairment | (104,796) | (42,987) | (147,783) |
| | <u>\$ 80,645</u> | <u>\$ 56,315</u> | <u>\$ 136,960</u> |
| <u>Three-month period ended March 31, 2013</u> | | | |
| Opening net book amount | \$ 80,645 | \$ 56,315 | \$ 136,960 |
| Additions | 502 | 4,643 | 5,145 |
| Reclassifications | 4,179 | 11,232 | 15,411 |
| Depreciation charge | (9,981) | (7,825) | (17,806) |
| Closing net book amount | <u>\$ 75,345</u> | <u>\$ 64,365</u> | <u>\$ 139,710</u> |
| At March 31, 2013 | | | |
| Cost | \$ 190,122 | \$ 115,177 | \$ 305,299 |
| Accumulated depreciation and impairment | (114,777) | (50,812) | (165,589) |
| | <u>\$ 75,345</u> | <u>\$ 64,365</u> | <u>\$ 139,710</u> |
| | | | |
| | Leasehold | | |
| | <u>Equipment</u> | <u>improvements</u> | <u>Others</u> |
| At January 1, 2012 | | | |
| Cost | \$ 151,090 | \$ 72,200 | \$ 223,290 |
| Accumulated depreciation and impairment | (67,680) | (34,136) | (101,816) |
| | <u>\$ 83,410</u> | <u>\$ 38,064</u> | <u>\$ 121,474</u> |
| <u>Three-month period ended March 31, 2012</u> | | | |
| Opening net book amount | \$ 83,410 | \$ 38,064 | \$ 121,474 |
| Additions | 3,853 | - | 3,853 |
| Disposals (Cost) | (622) | - | (622) |
| Disposals (Accumulated depreciation) | 622 | | 622 |
| Depreciation charge | (9,161) | (4,396) | (13,557) |
| Closing net book amount | <u>\$ 78,102</u> | <u>\$ 33,668</u> | <u>\$ 111,770</u> |
| At March 31, 2012 | | | |
| Cost | \$ 154,321 | \$ 72,200 | \$ 226,521 |
| Accumulated depreciation and impairment | (76,219) | (38,532) | (114,751) |
| | <u>\$ 78,102</u> | <u>\$ 33,668</u> | <u>\$ 111,770</u> |

8) Intangible assets

| | Membership in a foreign | | |
|---|----------------------------|------------------|------------------|
| | <u>Futures Exchange</u> | <u>Others</u> | <u>Total</u> |
| At January 1, 2013 | | | |
| Cost | \$ 24,125 | \$ 87,931 | \$ 112,056 |
| Accumulated amortisation | - | (71,195) | (71,195) |
| Foreign currency valuation | (440) | - | (440) |
| | <u>\$ 23,685</u> | <u>\$ 16,736</u> | <u>\$ 40,421</u> |
| Three-month period ended March 31, 2013 | | | |
| Opening net book amount | \$ 23,685 | \$ 16,736 | \$ 40,421 |
| Reclassifications | - | 1,000 | 1,000 |
| Amortisation charge | - | (3,489) | (3,489) |
| Foreign currency valuation | 640 | - | 640 |
| Closing net book amount | <u>\$ 24,325</u> | <u>\$ 14,247</u> | <u>\$ 38,572</u> |
| At March 31, 2013 | | | |
| Cost | \$ 24,125 | \$ 88,931 | \$ 113,056 |
| Accumulated amortisation | - | (74,684) | (74,684) |
| Foreign currency valuation | 200 | - | 200 |
| | <u>\$ 24,325</u> | <u>\$ 14,247</u> | <u>\$ 38,572</u> |
| | Membership in a foreign | | |
| | <u>Futures Exchange</u> | <u>Others</u> | <u>Total</u> |
| At January 1, 2012 | | | |
| Cost | \$ - | \$ 18,027 | \$ 18,027 |
| Accumulated amortisation | - | (5,094) | (5,094) |
| | <u>\$ -</u> | <u>\$ 12,933</u> | <u>\$ 12,933</u> |
| Three-month period ended March 31, 2012 | | | |
| Opening net book amount | \$ - | \$ 12,933 | \$ 12,933 |
| Additions-acquired separately | 24,068 | 606 | 24,674 |
| Reclassifications | - | 23,245 | 23,245 |
| Amortisation charge | - | (6,910) | (6,910) |
| Closing net book amount | <u>\$ 24,068</u> | <u>\$ 29,874</u> | <u>\$ 53,942</u> |
| At March 31, 2012 | | | |
| Cost | \$ 24,068 | \$ 41,878 | \$ 65,946 |
| Accumulated amortisation | - | (12,004) | (12,004) |
| | <u>\$ 24,068</u> | <u>\$ 29,874</u> | <u>\$ 53,942</u> |

9) Pensions

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

(b) The amounts recognised in the balance sheet are determined as follows:

| | <u>December 31, 2012</u> | <u>January 1, 2012</u> |
|-------------------------------------|--------------------------|------------------------|
| Present value of funded obligations | \$ 66,066 | \$ 93,293 |
| Fair value of plan assets | <u>(21,756)</u> | <u>(26,923)</u> |
| | 44,310 | 66,370 |
| Unrecognised past service cost - | <u>(6,368)</u> | <u>(6,899)</u> |
| Net liability in the balance sheet | <u>\$ 37,942</u> | <u>\$ 59,471</u> |

(c) The Group recognised pension expenses of \$639 and \$635 in the statement of comprehensive income for the three-month periods ended March 31, 2013 and 2012, respectively.

(d) As of December 31, 2012 and January 1, 2012, cumulative actuarial losses/(gains) recognised in other comprehensive income were \$22,556 and \$0, respectively.

(e) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of March 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

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

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

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|--------------|--------------------|
| Discount rate | <u>1.50%</u> | <u>1.75%</u> |
| Future salary increases | <u>3.00%</u> | <u>2.00%~3.00%</u> |
| | | <u>%</u> |
| Expected return on plan assets | <u>1.50%</u> | <u>1.75%</u> |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

| | <u>2012</u> |
|---|---------------------|
| Present value of defined benefit obligation | \$ 66,066 |
| Fair value of plan assets | <u>(21,756)</u> |
| Deficit in the plan | <u>\$ 44,310</u> |
| Experience adjustments on plan liabilities | <u>(\$ 26,007)</u> |
| Experience adjustments on plan assets | <u>(\$ 233)</u> |

(h) Expected contributions to the defined benefit pension plans of the Group within one year

from March 31, 2013 amounted to \$764.

- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Group for the three-month periods ended March 31, 2013 and 2012 were \$4,094 and \$4,938, respectively.

10) Share capital

- A. As of March 31, 2013, the Company's authorized capital was \$2,500,000, and the paid-in capital was \$2,322,763 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- B. On October 6, 2011, the Board of Directors of the Company at their meeting resolved to merge with Yuanta Futures Co., Ltd. and set April 1, 2012 as the merger date by issuing new shares amounting to \$1,010,000 with a par value of \$10 (in dollar) per share and totaling 101,000 thousand shares.

11) Capital surplus

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

12) Special reserve

- A. According to the “Rules Governing the Administration of Securities Firms”, 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be capitalized.
- B. In accordance with the Jin-Guan-Zheng (1) Letter No. 095000507, effective January 1, 2007, special reserve shall be set aside up to an amount equal to the sum of “unrealized gain on available-for-sale financial assets” under equity.
- C. The Company transferred provision on bad debt loss that had been set aside but not reversed to special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010011388, dated June 18, 2012. Except for offsetting operating losses or special reserve exceeding 50% of the Company's paid-in capital after transferring, the Company could transfer half of special reserve as share capital.

13) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve and 20% of the remaining amount shall be set aside as special reserve. Bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 0.1%~5% and 0.1%~1%, respectively, of the total distributed amount. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

According to the dividend policy adopted by the Board of Directors, at least 50% of the Company's distributable earnings shall be appropriated as dividends in which cash dividends shall account for at least 30% of the total dividends distributed.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve and special reserve shall not be used for any other purpose. The use of legal reserve and special reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2011 earnings had been resolved by the Board of Directors (acting on behalf of stockholders) on March 6, 2012. Details are summarized below:

| | <u>2011</u> | |
|-----------------|---------------|---|
| | <u>Amount</u> | <u>Dividends per share (in dollars)</u> |
| Legal reserve | \$ 46,467 | |
| Special reserve | 104,606 | |
| Cash dividend | 314,538 | \$ 2.40 |

There were no differences between the above-mentioned appropriation for 2011 and the resolution on appropriation resolved by the Board of Directors at the stockholders' meetings on January 17, 2012. Information on the appropriation of the Company's earnings resolution will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

- E. The appropriation of 2012 earnings had been resolved by the Board of Directors on March 28, 2013. Details are summarized below:

| | <u>2012</u> | |
|-----------------|---------------|---|
| | <u>Amount</u> | <u>Dividends per share (in dollars)</u> |
| Legal reserve | \$ 52,391 | |
| Special reserve | 112,933 | |
| Cash dividend | 357,705 | \$ 1.54 |

On March 28, 2013, the Board of Directors proposed to distribute capital surplus as cash dividends amounting to \$58,069. As of April 30, 2013, the stockholders had not resolved the distribution of earnings of 2012 and distribution of capital surplus as cash dividends mentioned above.

- F. For the three-month periods ended March 31, 2013 and 2012, employees' bonus was accrued at \$900 and \$910, respectively; Directors' and supervisors' remuneration had not been evaluated.

G. Employees' bonus and directors' and supervisors' remuneration for 2011 were estimated and accrued at \$3,220 and \$318, respectively, as resolved by the Board of Directors at the stockholders' meeting on March 6, 2012. Employees' bonus and directors' and supervisors' remuneration accrued in the 2011 financial statements were \$3,232 and \$350, respectively. The difference amounting to \$44 had been adjusted in the statement of comprehensive income for the year of 2012. Information on the resolution for employees' bonus and directors' and supervisors' remuneration will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

H. Employees' bonus and directors' and supervisors' remuneration for the year ended December 31, 2012 were accrued at \$3,035 and \$500, respectively, which were estimated based on certain percentages, as prescribed by the Company's Articles of Incorporation, of net income in this period after taking into account the legal reserve and other factors, and were recognized as operating expenses. However, if the appropriated amounts as resolved by the stockholders at the subsequent stockholders' meeting are different from the accrued amounts, those differences shall be adjusted in profit or loss of the following year.

14) Other equity items

| | Available-for-sale investment | Currency translation | Total |
|---|----------------------------------|-------------------------|-------------------|
| At January 1, 2013 | \$ 463,722 | (\$ 17,984) | \$ 445,738 |
| Available-for-sale financial assets: | | | |
| - Valuation adjustment period | 62,456 | - | 62,456 |
| Currency translation differences: | | | |
| - Exchange difference in the period | - | 4,942 | 4,942 |
| At March 31, 2013 | <u>\$ 526,178</u> | <u>(\$ 13,042)</u> | <u>\$ 513,136</u> |

| | Available-for-sale investment | Currency translation | Total |
|---|----------------------------------|-------------------------|-------------------|
| At January 1, 2012 | \$ 417,399 | (\$ 11,672) | \$ 405,727 |
| Available-for-sale financial assets: | | | |
| - Valuation adjustment period | 106,610 | - | 106,610 |
| Currency translation differences: | | | |
| - Exchange difference in the period | - | (4,332) | (4,332) |
| At March 31, 2012 | <u>\$ 524,009</u> | <u>(\$ 16,004)</u> | <u>\$ 508,005</u> |

15) Brokerage

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Dealer's commissions – domestic futures | \$ 368,824 | \$ 446,460 |
| Dealer's commissions – foreign futures | <u>161,140</u> | <u>115,621</u> |
| Total | <u>\$ 529,964</u> | <u>\$ 562,081</u> |

16) Clearance fee from consignment

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Clearance fee from consignment - non-related parties | \$ 10,339 | \$ 15,612 |
| Clearance fee from consignment - related parties | <u>3,088</u> | <u>3,802</u> |
| Total | <u>\$ 13,427</u> | <u>\$ 19,414</u> |

17) Gain (loss) on derivatives

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|--|------------------|-------------------|
| Non-hedging | | |
| Futures contract gains or losses | | |
| Futures contract gains | \$ 99,015 | \$ 243,127 |
| Futures contract losses | <u>(77,354)</u> | <u>(114,369)</u> |
| | <u>\$ 21,661</u> | <u>\$ 128,758</u> |
| Gain (loss) from trading options | | |
| Gain from trading options | \$ 20,414 | \$ 53,582 |
| Loss from trading options | <u>(19,676)</u> | <u>(45,835)</u> |
| | <u>\$ 738</u> | <u>\$ 7,747</u> |
| Non-hedging | | |
| Gains from derivative financial instruments | \$ 119,429 | \$ 296,709 |
| Losses from derivative financial instruments | <u>(97,030)</u> | <u>(160,204)</u> |
| | <u>\$ 22,399</u> | <u>\$ 136,505</u> |

18) Service charge

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|----------------------------|------------------|-------------------|
| Service charge – brokerage | \$ 86,883 | \$ 97,201 |
| Service charge - dealing | <u>6,146</u> | <u>15,170</u> |
| Total | <u>\$ 93,029</u> | <u>\$ 112,371</u> |

19) Futures commissions expenditures

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|-------------------|-------------------|
| Complex entrusted futures transaction | \$ 42,815 | \$ 46,677 |
| Futures auxiliary business | <u>72,894</u> | <u>84,205</u> |
| Total | <u>\$ 115,709</u> | <u>\$ 130,882</u> |

20) Operating expenses

For the three-month periods ended March 31,

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|-------------------|-------------------|
| Employee benefit expense | \$ 120,595 | \$ 128,621 |
| Depreciation expense | 17,806 | 13,557 |
| Amortization expense | 4,979 | 8,668 |
| Taxes | 33,068 | 65,723 |
| Future trader protection expenses | 28 | 2,853 |
| Computer information expenses | 22,430 | 24,846 |
| Operating lease payments | 9,179 | 11,375 |
| Repairs and maintenance expenses | 5,249 | 4,378 |
| Advertising costs | 5,761 | 11,854 |
| Service expenses | 2,409 | 1,512 |
| Other expenses | <u>38,773</u> | <u>37,854</u> |
| Total | <u>\$ 260,277</u> | <u>\$ 311,241</u> |

21) Employee benefit expense

For the three-month periods ended March 31.

| | <u>2013</u> | <u>2012</u> |
|---------------------------------|-------------------|-------------------|
| Wages and salaries | \$ 104,840 | \$ 111,118 |
| Labor and health insurance fees | 7,458 | 7,943 |
| Pension costs | 4,733 | 5,573 |
| Other personnel expenses | <u>3,564</u> | <u>3,987</u> |
| | <u>\$ 120,595</u> | <u>\$ 128,621</u> |

22) Other gains and losses

For the three-month periods ended March 31.

| | <u>2013</u> | <u>2012</u> |
|-----------------|-------------------|-------------------|
| Interest income | \$ 104,653 | \$ 112,788 |
| Dividend income | 1,082 | - |
| Exchange gains | 5,653 | - |
| Exchange losses | - | (16,307) |
| Others | <u>2,225</u> | <u>3,711</u> |
| Total | <u>\$ 113,613</u> | <u>\$ 100,192</u> |

23) Income tax

A. Income tax expense

a) Components of income tax expense:

For the three-month periods ended March 31.

| | <u>2013</u> | <u>2012</u> |
|---|------------------|------------------|
| Current tax: | | |
| Current tax on profits for the period | <u>\$ 29,790</u> | <u>\$ 21,521</u> |
| Total current tax | <u>29,790</u> | <u>21,521</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (90) | 4,147 |
| Total deferred income tax | <u>(90)</u> | <u>4,147</u> |
| Income tax expense | <u>\$ 29,700</u> | <u>\$ 25,668</u> |

b) The income tax (charge)/credit relating to components of other comprehensive income :
None.

B. As of March 31, 2013 and 2012, details of temporary differences resulting in deferred income tax assets and liabilities are as follows:

| | <u>March 31, 2013</u> | | <u>December 31, 2012</u> | |
|---|-----------------------|-------------------|--------------------------|-------------------|
| | <u>Amount</u> | <u>Tax effect</u> | <u>Amount</u> | <u>Tax effect</u> |
| Non-current items: | | | | |
| Temporary difference | | | | |
| Pension costs | \$ 39,547 | \$ 6,723 | \$ 24,274 | \$ 4,127 |
| Bad debt losses | 63,640 | 10,819 | 63,640 | 10,819 |
| Others | 5,828 | <u>991</u> | 41,381 | <u>7,034</u> |
| | | 18,533 | | 21,980 |
| Valuation allowance for deferred income tax | | <u>-</u> | | <u>-</u> |
| Deferred income tax assets | | <u>\$ 18,533</u> | | <u>\$ 21,980</u> |

| | <u>March 31, 2013</u> | | <u>December 31, 2012</u> | |
|---|-----------------------|-------------------|--------------------------|-------------------|
| | <u>Amount</u> | <u>Tax effect</u> | <u>Amount</u> | <u>Tax effect</u> |
| Non-current items: | | | | |
| Temporary difference | | | | |
| Pension costs | \$ 58,071 | \$ 9,872 | \$ 34,014 | \$ 5,782 |
| Others | 45,229 | <u>7,688</u> | 44,798 | <u>7,617</u> |
| | | 17,560 | | 13,399 |
| Valuation allowance for deferred income tax | | <u>-</u> | | <u>-</u> |
| Deferred income tax assets | | <u>\$ 17,560</u> | | <u>\$ 13,399</u> |

C. The Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

D. Unappropriated retained earnings:

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|---------------------------------------|-----------------------|--------------------------|
| Earnings generated in and before 1997 | \$ 21 | \$ 21 |
| Earnings generated in and after 1998 | 624,544 | 525,012 |
| | | |
| | <u>March 31, 2012</u> | <u>January 1, 2012</u> |
| Earnings generated in and before 1997 | \$ 21 | \$ 21 |
| Earnings generated in and after 1998 | 55,014 | 437,470 |

D. As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was \$79,841, \$70,042, \$10,358 and \$105,358, respectively. The creditable tax rate was 20.08% for 2011 and is estimated to be 15.21% for 2012.

24) Earnings per share

A. Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares in issue during the period.

B. Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to ordinary shareholders of the parent and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

| For the three-month period ended March 31, 2013 | | | | | | |
|---|--|---|-----------|---|------------|-----------|
| | | Weighted-average outstanding common stock | | <u>Earnings per share (in NT dollars)</u> | | |
| | | Before tax | After tax | (thousand shares) | Before tax | After tax |
| <u>Basic earnings per share</u> | | | | | | |
| Profit attributable to shareholders of parent company | | \$ 129,232 | \$ 99,532 | 232,276 | \$ 0.56 | \$ 0.43 |
| <u>Diluted earnings per share</u> | | | | | | |
| Profit attributable to shareholders of parent company | | \$ 129,232 | \$ 99,532 | | \$ 0.56 | \$ 0.43 |
| Dilutive effects of stock bonus on potential common share | | - | - | 27 | - | - |
| Consolidated net income | | \$ 129,232 | \$ 99,532 | 232,303 | \$ 0.56 | \$ 0.43 |

For the three-month period ended March 31, 2012

| | | | Weighted-average | | | |
|---|-------------------|-------------------|-----------------------------------|---|----------------|--|
| | | | outstanding | <u>Earnings per share (in NT dollars)</u> | | |
| | Before tax | After tax | common stock (thousand shares) | Before tax | After tax | |
| <u>Basic earnings per share</u> | | | | | | |
| Profit attributable to shareholders of parent company | \$ 97,088 | \$ 83,155 | 232,276 | \$ 0.42 | \$ 0.36 | |
| Net income before common controlling interest | <u>71,035</u> | <u>59,300</u> | | <u>0.30</u> | <u>0.25</u> | |
| Consolidated net income | <u>\$ 168,123</u> | <u>\$ 142,455</u> | | <u>\$ 0.72</u> | <u>\$ 0.61</u> | |
| <u>Diluted earnings per share</u> | | | | | | |
| Profit attributable to shareholders of parent company | \$ 97,088 | \$ 83,155 | | \$ 0.42 | \$ 0.36 | |
| Net income before common controlling interest | 71,035 | 59,300 | | 0.30 | 0.25 | |
| Dilutive effects of stock bonus on potential common share | <u>-</u> | <u>-</u> | <u>28</u> | <u>-</u> | <u>-</u> | |
| Consolidated net income | <u>\$ 168,123</u> | <u>\$ 142,455</u> | <u>232,304</u> | <u>\$ 0.72</u> | <u>\$ 0.61</u> | |

As employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year.

25) Operating leases

The Group leases the office of Yuanta Futures Co., Ltd. to others under non-cancellable operating lease agreements. These leases have terms expiring between 2011 and 2015. Rent expense of \$6,611 and \$6,821 were recognized for these leases for the three-month periods ended March 31, 2013 and 2012, respectively. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

| | <u>March 31, 2013</u> | <u>December 31, 2012</u> |
|---|-----------------------|--------------------------|
| Not later than one year | \$ 30,189 | \$ 33,251 |
| Later than one year but not later than five years | 34,227 | 36,625 |
| Later than five years | - | - |
| | <u>\$ 64,416</u> | <u>\$ 69,876</u> |

| | <u>March 31, 2012</u> | <u>January 1, 2012</u> |
|---|-----------------------|------------------------|
| Not later than one year | \$ 43,734 | \$ 58,311 |
| Later than one year but not later than five years | 239,372 | 239,372 |
| Later than five years | - | - |
| | <u>\$ 283,106</u> | <u>\$ 297,683</u> |

7. RELATED PARTY TRANSACTIONS

1) Parent and ultimate controlling party

The Company is controlled by Yuanta Financial Holdings, which owns 68.65% of the Company's shares. The remaining 31.35% of the shares are widely held. The ultimate parent and controlling party of the Company is Yuanta Financial Holdings.

2) Significant transactions and balances with related parties

A. Cash and cash equivalents/Guarantee deposits/Margin deposits/Futures margin deposits

| | <u>March 31, 2013</u> | | | | |
|-------------------|-------------------------|---------------------------|--------------------------------|------------------|----------------------|
| | Ending balance | Operations | <u>Futures margin deposits</u> | | |
| | <u>of bank deposits</u> | <u>guarantee deposits</u> | <u>Margin Deposits</u> | <u>Own funds</u> | <u>Excess Margin</u> |
| Fellow subsidiary | <u>\$ 937,803</u> | <u>\$ 200,000</u> | <u>\$ 5,753,895</u> | <u>\$ -</u> | <u>\$ -</u> |

| | <u>December 31, 2012</u> | | | | |
|-------------------|--------------------------|---------------------------|--------------------------------|------------------|----------------------|
| | Ending balance | Operations | <u>Futures margin deposits</u> | | |
| | <u>of bank deposits</u> | <u>guarantee deposits</u> | <u>Margin Deposits</u> | <u>Own funds</u> | <u>Excess Margin</u> |
| Fellow subsidiary | <u>\$ 995,852</u> | <u>\$ 195,000</u> | <u>\$ 5,759,846</u> | <u>\$ -</u> | <u>\$ -</u> |

| | <u>March 31, 2012</u> | | | | |
|-------------------|-------------------------|---------------------------|--------------------------------|------------------|----------------------|
| | Ending balance | Operations | <u>Futures margin deposits</u> | | |
| | <u>of bank deposits</u> | <u>guarantee deposits</u> | <u>Margin Deposits</u> | <u>Own funds</u> | <u>Excess Margin</u> |
| Fellow subsidiary | <u>\$ 365,698</u> | <u>\$ 285,000</u> | <u>\$ 7,045,223</u> | <u>\$ -</u> | <u>\$ 22,812</u> |

| | January 1, 2012 | | | | |
|-------------------|------------------|--------------------|-----------------|-------------------------|---------------|
| | Ending balance | Operations | | Futures margin deposits | |
| | of bank deposits | guarantee deposits | Margin Deposits | Own funds | Excess Margin |
| Fellow subsidiary | \$ 447,368 | \$ 285,000 | \$ 7,161,099 | \$ - | \$ - |

B. Accounts receivable – related parties

| | March 31, 2013 | | December 31, 2012 | |
|-------------------|----------------|-----|-------------------|-----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 4,214 | 100 | \$ 12,502 | 100 |

| | March 31, 2012 | | January 1, 2012 | |
|-------------------|----------------|-----|-----------------|-----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 20,898 | 100 | \$ 11,190 | 99 |
| Associates | - | - | 108 | 1 |
| | \$ 20,898 | 100 | \$ 11,298 | 100 |

C. Other receivables – related parties

| | March 31, 2013 | | December 31, 2012 | |
|-------------------|----------------|-----|-------------------|-----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 8,074 | 100 | \$ 9,804 | 100 |

| | March 31, 2012 | | January 1, 2012 | |
|-------------------|----------------|-----|-----------------|-----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 145,526 | 100 | \$ 130,633 | 100 |

D. Refundable deposits

| | March 31, 2013 | | December 31, 2012 | |
|-------------------|----------------|----|-------------------|----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 6,586 | 41 | \$ 6,586 | 41 |

| | March 31, 2012 | | January 1, 2012 | |
|-------------------|----------------|----|-----------------|----|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 6,603 | 35 | \$ 6,603 | 35 |

E. Accounts payable – related parties

| | <u>March 31, 2013</u> | | <u>December 31, 2012</u> | |
|-------------------|-----------------------|------------|--------------------------|------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Fellow subsidiary | <u>\$ 23,404</u> | <u>100</u> | <u>\$ 24,423</u> | <u>100</u> |

| | <u>March 31, 2012</u> | | <u>January 1, 2012</u> | |
|-------------------|-----------------------|------------|------------------------|------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Fellow subsidiary | <u>\$ 30,272</u> | <u>100</u> | <u>\$ 26,225</u> | <u>100</u> |

F. Other payables – related party

| | <u>March 31, 2013</u> | | <u>December 31, 2012</u> | |
|---------------------|-----------------------|------------|--------------------------|----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| The ultimate parent | \$ 37 | 61 | \$ - | - |
| Fellow subsidiary | <u>59</u> | <u>39</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 96</u> | <u>100</u> | <u>\$ -</u> | <u>-</u> |

| | <u>March 31, 2012</u> | | <u>January 1, 2012</u> | |
|-------------------|-----------------------|------------|------------------------|------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Fellow subsidiary | <u>\$ 796</u> | <u>100</u> | <u>\$ 811</u> | <u>100</u> |

G. Futures traders' equity

| | <u>March 31, 2013</u> | | <u>December 31, 2012</u> | |
|--|-----------------------|-----------|--------------------------|-----------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Fellow subsidiary | \$ 1,530,285 | 5 | \$ 2,352,752 | 7 |
| Fellow company business management fund | 1,430,933 | 5 | 1,516,715 | 5 |
| Associates business management fund | 177,166 | 1 | 177,067 | 1 |
| Other stakeholder | 86,054 | - | 17,423 | - |
| President and significant shareholder of financial holding company and subsidiary | 54,790 | - | 45,749 | - |
| President of financial holding company and the company or organization operated by significant shareholder | <u>5,005</u> | <u>-</u> | <u>5</u> | <u>-</u> |
| | <u>\$ 3,284,233</u> | <u>11</u> | <u>\$ 4,109,711</u> | <u>13</u> |

| | March 31, 2012 | | January 1, 2012 | |
|--|---------------------|----------|---------------------|----------|
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 1,336,056 | 4 | \$ 1,568,349 | 4 |
| Fellow company business management fund | 440,959 | 1 | 829,984 | 2 |
| Associates business management fund | 399,624 | 1 | 331,890 | 1 |
| President and significant shareholder of financial holding company and subsidiary | 41,431 | - | 30,034 | - |
| Other stakeholder | 10,255 | - | 14,092 | - |
| President of financial holding company and the company or organization operated by significant shareholder | 6,597 | - | 6,665 | - |
| | <u>\$ 2,234,922</u> | <u>6</u> | <u>\$ 2,781,015</u> | <u>7</u> |

H. Brokerage

| | For the three-month periods ended March 31, | | | |
|---|---|----------|------------------|----------|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 7,780 | 1 | \$ 7,469 | 1 |
| Fellow company business management fund | 3,108 | 1 | 926 | - |
| President and significant shareholder of financial holding company and subsidiary | 897 | - | 2,471 | - |
| Other stakeholder | 44 | - | 939 | - |
| Associates business management fund | - | - | 804 | - |
| | <u>\$ 11,829</u> | <u>2</u> | <u>\$ 12,609</u> | <u>1</u> |

I. Clearance fee from consignment

| | For the three-month periods ended March 31, | | | |
|-------------------|---|----|----------|----|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 3,088 | 23 | \$ 3,802 | 20 |

J. Securities trading commissions income

| | For the three-month periods ended March 31, | | | |
|-------------------|---|---|----------|---|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 608 | 6 | \$ 1,118 | 1 |

K. Co-marketing revenue

| | For the three-month periods ended March 31, | | | |
|-------------------------------------|---|---|--------|---|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Associates | \$ 540 | 1 | \$ 350 | - |
| Associates business management fund | 9 | - | 71 | - |
| | \$ 549 | 1 | \$ 421 | - |

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

| | For the three-month periods ended March 31, | | | |
|-------------------|---|----|-----------|----|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 65,319 | 56 | \$ 73,342 | 56 |

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

M. Service expenses

| | For the three-month periods ended March 31, | | | |
|-------------------|---|----|----------|----|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 1,272 | 61 | \$ 1,035 | 64 |

N. Interest income

| | For the three-month periods ended March 31, | | | |
|-------------------|---|----|-----------|----|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 23,499 | 22 | \$ 33,524 | 29 |

Interest income includes the interest of demand deposits, time deposits, margin deposits, and operations guarantee deposits. See Note 6(5) for details of operations guarantee deposits.

O. Interest expense

| | For the three-month periods ended March 31, | | | |
|-------------------|---|----|--------|----|
| | 2013 | | 2012 | |
| | Amount | % | Amount | % |
| Fellow subsidiary | \$ 773 | 12 | \$ 956 | 14 |
| Associates | - | - | 3 | - |
| | \$ 773 | 12 | \$ 959 | 14 |

P. Rental fees

The Company paid the rental fees for a fellow subsidiary for the three-month periods ended March 31, 2013 and 2012 amounting to \$6,611 and \$6,821, respectively. The rentals were determined by reference to the rental rates of the office buildings and by contracts between the related parties.

Q. Others

The Company made donations to Yuanta Polaris Research Institute for the three-month period ended March 31, 2013 amounting to \$2,000, and recorded as “Operating expense – Donations”.

(3) Key management compensation

| | <u>For the three-month periods ended March 31,</u> | |
|---|--|------------------|
| | <u>2013</u> | <u>2012</u> |
| Salaries and other short-term employee benefits | \$ 41,480 | \$ 43,472 |
| Post-employment benefits | 1,963 | 1,594 |
| Other long-term benefits | <u>68</u> | <u>482</u> |
| Total | <u>\$ 43,511</u> | <u>\$ 45,548</u> |

A. Salaries and bonuses include regular wages, special responsibility allowances, pensions, severance pay, various bonuses, rewards, etc.

B. Service execution fees include travel or transportation allowances, special expenditures, various allowances, housing & vehicle benefits, etc.

C. Directors' and supervisors' remuneration and employees' bonus are those that are estimated in the statements of comprehensive income in the current period.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

1) Contingencies

The Company re-consigned foreign futures trading business to MF Global Singapore Pte. Limited Taiwan Branch. MF Global Futures Trust Co., Ltd., the investee of the Company accounted for under the equity method, consigned trading business of MF Global Multi-Strategy Futures Trust Fund it managed to MF Global Singapore Pte. Limited. The parent company of MF Global Singapore Pte. Limited and MF Global Singapore Pte. Limited Taiwan Branch, MF Global Holdings Ltd., has filed for bankruptcy protection in the U.S.A., so that MF Global Singapore Pte. Limited also went into liquidation procedures on November 1, 2011 and has transferred customers trading business to other futures firms and frozen customers margin accounts. The press release issued by the provisional liquidators of MF Global Singapore Pte. Limited on May 28, 2012 stated that the margin position on hand and in control was raised from 86% to 95% of total margin; the collectible amount of the remaining margin that was in the hand of trading counterparties or other futures brokers shall be confirmed by the end of the liquidation. As of March 31, 2013, margin totaling NT\$255,329 thousand deposited by the Company in MF Global Singapore Pte. Limited Taiwan Branch was frozen and unable to be retrieved because of the incident above (shown under "Other receivable-non-related parties" and "Current assets – customer margin account"). According to the opinion letter of the lawyers

appointed by the Chinese National Futures Association in connection with the collectibility of margin deposited by domestic futures firms in MF Global Singapore Pte. Limited Taiwan Branch, the collection of margin shall be assured.

However, after the Company retrieved 70% of customers margin from the first allotment during April to June, 2012, there was no further allotment. According to the opinion letter issued by the law firm in December, 2011, if the customers margin of US\$45,000 thousand deposited by Taiwan futures firms in MF Global Singapore Pte. Limited cannot be retrieved fully, the portion that cannot be retrieved can be fully compensated from customers margin of approximately US\$20,000 thousand in MF Global Singapore Pte. Limited Taiwan Branch, based on customers margin having been retrieved as published by liquidator KPMG then. However, all customers margin of approximately US\$20,000 thousand in MF Global Singapore Pte. Limited Taiwan Branch had been allocated in the first allotment during April to June, 2012, and although MF Global Singapore Pte. Limited Taiwan Branch's own capital may be included in the future allotments, there is still doubt whether the Company can be compensated for the remaining customers margin that has not yet been retrieved. Moreover, as announced at the Creditors' Meeting, there is still customers margin of US\$31,050 thousand in affiliated companies of MF Global that has not been retrieved; the collectibility rate of such customers margin was evaluated to be 0%~50%. To this day, liquidator KPMG has not published collection progress and collectibility rate, so the Company expects that it may not be fully compensated.

After the first allotment, the Company tried to negotiate with liquidator KPMG through Taiwan and Singapore competent authorities and also sent letters inquiring on the collection progress of the customers margin; however, it had not received any positive response. The data published at the Creditors' Meeting in Singapore on May 28, 2012 showed that the collectability rate of customers margin, evaluated by liquidator KPMG, was to be 92.6%~96.8%. Based on conservatism principle, the Company estimated that its customers margin of US\$2,190 thousand (equivalent to NT\$63,640 thousand; original margin receivable of US\$29,550 thousand multiplied by 7.4%) may not be collected, which was used to write off the balance on allowance for bad debts in December, 2012.

In addition, according to the website information of MF Global Singapore Pte. Limited, liquidator KPMG has increased the estimated conservative collectability rate of customers margin from 92.6% to 97.7% and also increased the estimated optimistic collectability rate of customers margin from 96.8% to 99.6%, which are both higher than the rates published at the Creditors' Meeting in Singapore on May 28, 2012. A remaining US\$52 million of customers margin is still frozen in the associates of MF Global Group in other nations. Also by reference to the explanation of liquidator KPMG in March 2013 about the status of customers margin, the Company assesses that there is no requirement to provide for additional bad debts for uncollectible customers margin, because it had written off the balance on allowance for bad

debts for estimated uncollectible customers margin in December 2012.

Further, to prevent the investors of MF Global Multi-Strategy Futures Trust Fund from encountering losses, on February, 2012, the board of MF Global Futures Trust Co., Ltd. was committed to assume all losses resulting from the uncollectible futures margin of MF Global Multi-Strategy Futures Trust Fund for the incident above. However, the compensation shall not be greater than the company's useful fund. Based on conservatism principle, MF Global Futures Trust Co., Ltd. estimated that its customers margin of US\$175.5 thousand could not be collected. Polaris Futures Co., Ltd. will then adjust the related investment income (loss) accordingly.

2) Commitments

For information on operating lease agreements, please refer to Note 6(25).

10. SIGNIFICANT DISASTER LOSS

None.

11. INFORMATION ON FINANCIAL INSTRUMENTS

The Company had financial instrument trading - derivatives as follows:

March 31, 2013

| Item | Object of Transaction | Purchaser/Seller | Open Interest | | Fair Value | Remarks |
|-----------------------------|-----------------------|------------------|-----------------------------|---|------------|---------|
| | | | Number of Contract(s) (Lot) | Contract Amount or Margin Paid (Received) | | |
| Futures contract (Domestic) | TX | Purchaser | 101 | \$ 159,136 | \$ 160,045 | |
| Futures contract (Domestic) | TX | Purchaser | 101 | (158,899) | (160,045) | |
| Futures contract (Domestic) | MTX | Purchaser | 101 | 39,837 | 40,011 | |
| Futures contract (Domestic) | MTX | Seller | 9 | (3,528) | (3,565) | |
| Futures contract (Domestic) | TE | Purchaser | 1 | 1,188 | 1,188 | |
| Futures contract (Domestic) | TF | Purchaser | 3 | 2,816 | 2,839 | |
| Futures contract (Domestic) | TX | Purchaser | 97 | 6,534 | 6,611 | |
| Futures contract (Domestic) | TX | Seller | 15 | (1,542) | (1,548) | |
| Futures contract | CPF | Seller | 1 | (8,121) | (8,128) | |

| <u>Open Interest</u> | | | | | | |
|-----------------------------|------------------------------|-------------------------|------------------------------------|--|-------------------|----------------|
| <u>Item</u> | <u>Object of Transaction</u> | <u>Purchaser/Seller</u> | <u>Number of Contract(s) (Lot)</u> | <u>Contract Amount or Margin Paid (Received)</u> | <u>Fair Value</u> | <u>Remarks</u> |
| (Domestic) | | | | | | |
| Futures contract (Overseas) | Grains Futures | Seller | 7 | (1,811) | (1,791) | |
| Futures contract (Overseas) | Index Futures | Purchaser | 12 | 522 | 523 | |
| Futures contract (Overseas) | Index Futures | Seller | 159 | (4,895) | (4,920) | |
| Futures contract (Overseas) | Foreign Exchange Futures | Seller | 20 | (2,654) | (2,658) | |
| Futures contract (Overseas) | Metal Futures | Purchaser | 33 | 2,610 | 2,598 | |
| Futures contract (Overseas) | Metal Futures | Seller | 141 | (257,944) | (254,104) | |
| Futures contract (Overseas) | Energy Futures | Purchaser | 6 | 561 | 583 | |
| Options contract (Domestic) | TXO | Buy call | 3,237 | 3,398 | 3,458 | |
| Options contract (Domestic) | TXO | Sell call | 2,913 | (1,601) | (1,014) | |
| Options contract (Domestic) | TXO | Buy put | 269 | 711 | 410 | |
| Options contract (Domestic) | TXO | Sell put | 506 | (1,810) | (1,087) | |

December 31, 2012

| <u>Open Interest</u> | | | | | | |
|-----------------------------|------------------------------|-------------------------|------------------------------------|--|-------------------|----------------|
| <u>Item</u> | <u>Object of Transaction</u> | <u>Purchaser/Seller</u> | <u>Number of Contract(s) (Lot)</u> | <u>Contract Amount or Margin Paid (Received)</u> | <u>Fair Value</u> | <u>Remarks</u> |
| Futures contract (Domestic) | TX | Purchaser | 59 | \$ 90,032 | \$ 90,589 | |
| Futures contract (Domestic) | TX | Seller | 59 | (89,824) | (90,589) | |
| Futures contract (Domestic) | MTX | Purchaser | 16 | 6,102 | 6,142 | |
| Futures contract (Domestic) | MTX | Seller | 53 | (20,328) | (20,344) | |
| Futures contract | TE | Purchaser | 4 | 4,582 | 4,611 | |

| Open Interest | | | | | | |
|--------------------------------|--------------------------|------------------|-----------------------------|--|------------|---------|
| Item | Object of Transaction | Purchaser/Seller | Number of Contract(s) (Lot) | Contract Amount or Margin Paid (Received) (Margin Received) | Fair Value | Remarks |
| (Domestic) | | | | | | |
| Futures contract (Domestic) | TF | Purchaser | 1 | 844 | 840 | |
| Futures contract (Domestic) | TX | Purchaser | 8 | 335 | 330 | |
| Futures contract (Domestic) | TX | Seller | 2 (| 297) (| 299) | |
| Futures contract (Overseas) | Grains Futures | Seller | 6 (| 424) (| 423) | |
| Futures contract (Overseas) | Index Futures | Purchaser | 72 | 3,661 | 3,720 | |
| Futures contract (Overseas) | Index Futures | Seller | 44 (| 1,938) (| 1,933) | |
| Futures contract (Overseas) | Foreign Exchange Futures | Seller | 18 (| 2,496) (| 2,434) | |
| Futures contract (Overseas) | Metal Futures | Purchaser | 48 | 4,882 | 4,872 | |
| Futures contract (Overseas) | Metal Futures | Seller | 93 (| 196,947) (| 200,322) | |
| Futures contract (Overseas) | Energy Futures | Purchaser | 6 | 546 | 551 | |
| Options contract (Domestic) | TXO | Buy call | 4,028 | 6,171 | 9,533 | |
| Options contract (Domestic) | TXO | Sell call | 3,973 (| 5,921) (| 7,614) | |
| Options contract (Domestic) | TXO | Buy put | 1,248 | 4,027 | 3,047 | |
| Options contract (Domestic) | TXO | Sell put | 1,074 (| 4,032) (| 2,698) | |

March 31, 2012

| <u>Open Interest</u> | | | | | | | |
|--------------------------------|------------------------------|-------------------------|------------------------------------|--|--------------------------|-------------------|----------------|
| <u>Item</u> | <u>Object of Transaction</u> | <u>Purchaser/Seller</u> | <u>Number of Contract(s) (Lot)</u> | <u>Contract Amount or Margin Paid (Received)</u> | <u>(Margin Received)</u> | <u>Fair Value</u> | <u>Remarks</u> |
| Futures contract (Domestic) | TX | Purchaser | 148 | \$ | 234,579 | \$ | 233,425 |
| Futures contract (Domestic) | TX | Seller | 75 | (| 118,238) | (| 118,290) |
| Futures contract (Domestic) | MTX | Purchaser | 174 | | 68,711 | | 68,608 |
| Futures contract (Domestic) | MTX | Seller | 10 | (| 4,012) | (| 3,943) |
| Futures contract (Domestic) | GTF | Purchaser | 5 | | 3,193 | | 2,973 |
| Futures contract (Domestic) | TF | Seller | 9 | (| 7,390) | (| 7,362) |
| Futures contract (Domestic) | TE | Purchaser | 3 | | 3,609 | | 3,616 |
| Futures contract (Domestic) | TE | Seller | 52 | (| 62,922) | (| 62,681) |
| Futures contract (Domestic) | TX | Purchaser | 341 | | 22,420 | | 22,358 |
| Futures contract (Domestic) | TX | Seller | 72 | (| 5,177) | (| 5,129) |
| Options contract (Domestic) | TXO | Buy call | 2,128 | | 5,448 | | 4,438 |
| Options contract (Domestic) | TGO | Buy call | 20 | | - | | - |
| Options contract (Domestic) | TXO | Sell call | 2,347 | (| 801) | (| 7,232) |
| Options contract (Domestic) | TGO | Sell call | 20 | (| 73) | (| 1) |
| Options contract (Domestic) | TGO | Buy put | 2,065 | | 10,043 | | 9,336 |
| Options contract (Domestic) | TGO | Buy put | 10 | | - | | - |
| Options contract (Domestic) | TGO | Sell put | 1,824 | (| 10,015) | (| 9,053) |

January 1, 2012

| Open Interest | | | | | | |
|-----------------------------|--------------------------|------------------|-----------------------------|---|------------|---------|
| Item | Object of Transaction | Purchaser/Seller | Number of Contract(s) (Lot) | Contract Amount or Margin Paid (Received) | Fair Value | Remarks |
| Futures contract (Domestic) | TX | Purchaser | 182 | \$ 256,224 | \$ 256,220 | |
| Futures contract (Domestic) | MTX | Seller | 148 | (52,393) | (52,089) | |
| Futures contract (Domestic) | TE | Purchaser | 10 | 10,424 | 10,382 | |
| Futures contract (Domestic) | TF | Purchaser | 2 | 1,566 | 1,566 | |
| Futures contract (Domestic) | TF | Seller | 8 | (6,294) | (6,259) | |
| Futures contract (Domestic) | TX | Purchaser | 427 | 17,831 | 17,700 | |
| Futures contract (Domestic) | TX | Seller | 99 | (5,246) | (5,176) | |
| Futures contract (Overseas) | Grains Futures | Purchaser | 5 | 4,341 | 4,438 | |
| Futures contract (Overseas) | Grains Futures | Seller | 10 | (4,465) | (4,490) | |
| Futures contract (Overseas) | Index Futures | Seller | 18 | (13,825) | (13,814) | |
| Futures contract (Overseas) | Foreign Exchange Futures | Seller | 1 | (4,868) | (4,923) | |
| Options contract (Domestic) | TFO | Buy call | 1 | 2 | 2 | |
| Options contract (Domestic) | TFO | Sell call | 20 | (142) | (150) | |
| Options contract (Domestic) | TXO | Buy call | 2,084 | 16,697 | 18,184 | |
| Options contract (Domestic) | TXO | Sell call | 4,226 | (10,694) | (10,995) | |
| Options contract (Domestic) | TXO | Buy put | 2,222 | 18,513 | 16,444 | |
| Options contract (Domestic) | TXO | Sell put | 2,202 | (2,462) | (2,258) | |
| Options contract (Domestic) | TEO | Sell put | 2 | (3) | (3) | |
| Options contract (Domestic) | TXO | Buy call | 95 | 2 | 2 | |
| Options contract (Domestic) | TXO | Sell call | 210 | (4) | (4) | |

12. RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES COMMISSION MERCHANT LAWS

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

| Article | Calculation formula | 1/1/2013~3/31/2013 | | 1/1/2012~3/31/2012 | | Standard | Enforcement (Note 3) |
|---------|--|--------------------|---------|--------------------|---------|----------|-------------------------|
| | | Calculation | Ratio | Calculation | Ratio | | |
| 17 | Shareholders' equity | 6,793,289 | 19.29 | 6,271,451 | 8.17 | ≥ 1 | Satisfied |
| | (Total liabilities – Futures traders' equity) | 352,093 | | 767,384 | | | |
| 17 | Current assets | 37,036,719 | 1.16 | 37,954,397 | 1.13 | ≥ 1 | Satisfied |
| | Current liabilities | 32,051,560 | | 33,440,462 | | | |
| 22 | Shareholders' equity | 6,793,289 | 570.86% | 6,271,451 | 527.01% | ≥ 60% | Satisfied |
| | Minimum paid-in capital(Note 1) | 1,190,000 | | 1,190,000 | | ≥ 40% | |
| | | | | | | (Note 2) | |
| 22 | Post-adjustment net capital | 5,141,977 | 152.23% | 5,035,863 | 127.80% | ≥ 20% | Satisfied |
| | Total margin deposits required for futures traders, not yet offset | 3,377,824 | | 3,940,523 | | ≥ 15% | |

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

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

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

13. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER

- 1) Credit risk is the main risk for engaging in futures brokerage business since the Company must demand collecting trading margin deposits from customers. The credit risk occurs when the customers fail to pay margin deposits. The Company and its subsidiaries act as agents for trading futures and options contracts and should pay attention to daily margin credit as to control credit risk. Market risk is also noted in the industry due to dealer business. Dealer business is price index sensitive, therefore, the Company pre-sets stop loss point for risk management purposes.
- 2) The specific risks of the Company's futures brokerage business are outlined below:

Futures trading has a characteristic of low margin. Therefore, the risks of futures trading include: when the futures market trend is unfavorable for customers, futures firms may demand to collect additional trading margin deposits from customers to keep certain margin level. If the customers fail to pay margin deposits in a period prescribed, futures firms have the right to offset the contract amount of the customers by the additional margin deposits demanded. Further, futures firms may incur losses when futures market prices fluctuate drastically and the customers are unable to settle futures contracts.
- 3) See Note 17(5) for significant risk information on futures dealer business.

14. SEGMENT INFORMATION

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

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

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

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

2) Measurement of segment information

A. Information on segment profit (loss), assets, and liabilities

Measurement of profit (loss), assets and liabilities of the Company are consistent with Note 2 – Summary of significant accounting policies. Measurement of profit (loss) performance is based on income before tax.

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

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

B. Identifying factors for reportable segments

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

3) Information on segment profit (loss)

| For the three-month period ended March 31, 2013 | | | | | | |
|--|-------------------|--------------|--------------------|---------------|--------------------|--------------|
| Items | Broker | | Dealer | | Total | |
| | Amount | % | Amount | % | Amount | % |
| Direct segment profit (loss) | | | | | | |
| Segment revenue | | | | | | |
| Brokerage | \$ 529,964 | 80 | \$ - | - | \$ 529,964 | 93 |
| Clearance fee from consignment | 13,427 | 3 | - | - | 13,427 | 3 |
| Gain on disposal of derivative | - | - | 22,399 | 99 | 22,399 | 15 |
| Futures management fees income | 102 | - | - | - | 102 | - |
| Futures advisory | 1,185 | - | - | - | 1,185 | - |
| Other operating | 1,203 | - | - | - | 1,203 | - |
| Total revenue | <u>545,881</u> | <u>100</u> | <u>22,399</u> | <u>100</u> | <u>568,280</u> | <u>100</u> |
| Segment expense | | | | | | |
| Brokerage | (86,883) | (16) | - | - | (86,883) | (15) |
| Dealers' brokerage | - | - | (6,146) | (27) | (6,146) | (1) |
| Futures commission | (114,454) | (21) | (1,255) | (6) | (115,709) | (21) |
| Clearance fee | (71,865) | (13) | (4,121) | (18) | (75,986) | (13) |
| Salaries | (84,580) | (15) | (8,697) | (40) | (93,277) | (16) |
| Depreciation and amortization | (19,032) | (3) | (2,987) | (13) | (22,019) | (4) |
| Financial cost | (6,612) | (1) | - | - | (6,612) | (1) |
| Other operating expense | (96,967) | (18) | (28,919) | (129) | (125,886) | (22) |
| Total expense | <u>(480,393)</u> | <u>(87)</u> | <u>(52,125)</u> | <u>(233)</u> | <u>(532,518)</u> | <u>(93)</u> |
| Segment operating income | <u>65,488</u> | <u>13</u> | <u>(29,726)</u> | <u>(133)</u> | <u>35,762</u> | <u>7</u> |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | (1,048) | - | - | - | (1,048) | - |
| Other gains and losses | 112,637 | 21 | 976 | 4 | 113,613 | 20 |
| Segment profit (loss) | <u>\$ 177,077</u> | <u>34</u> | <u>(\$ 28,750)</u> | <u>(128)</u> | <u>\$ 148,327</u> | <u>26</u> |
| Indirect segment profit (loss) | | | | | | |
| Management expense | | | | | <u>(\$ 19,095)</u> | <u>(3)</u> |
| Total | | | | | <u>(19,095)</u> | <u>(3)</u> |
| Net income before income taxes | | | | | 129,232 | 23 |
| Income tax expense | | | | | <u>(29,700)</u> | <u>(5)</u> |
| Net income | | | | | <u>\$ 99,532</u> | <u>18</u> |
| Segment assets | | | | | | |
| | \$ | - | \$ | - | \$ | - |

For the three-month period ended March 31, 2012

| Items | Broker | | Dealer | | Total | |
|--|---------------------|---------------|--------------------|---------------|--------------------|---------------|
| | Amount | % | Amount | % | Amount | % |
| Direct segment profit (loss) | | | | | | |
| Segment revenue | | | | | | |
| Brokerage | \$ 562,081 | 80 | \$ - | - | \$ 562,081 | 78 |
| Clearance fee from consignment | 19,414 | 4 | - | - | 19,414 | 3 |
| Gain on disposal of derivative | - | - | 136,505 | 100 | 136,505 | 19 |
| Futures advisory | 577 | - | - | - | 577 | - |
| Other operating | 2,137 | - | - | - | 2,137 | - |
| Total revenue | <u>584,209</u> | <u>84</u> | <u>136,505</u> | <u>100</u> | <u>720,714</u> | <u>100</u> |
| Segment expense | | | | | | |
| Brokerage | (97,201) | (13) | - | - | (97,201) | (13) |
| Dealers' brokerage | - | - | (15,170) | (6) | (15,170) | (2) |
| Futures commission | (125,604) | (21) | (5,278) | (4) | (130,882) | (18) |
| Clearance fee | (80,346) | (14) | (10,080) | (7) | (90,426) | (13) |
| Salaries | (57,051) | (10) | (24,394) | (17) | (81,445) | (11) |
| Depreciation and amortization | (17,090) | (3) | (3,672) | (3) | (20,762) | (3) |
| Financial cost | (6,409) | (1) | (24) | - | (6,433) | (1) |
| Other operating expense | (96,490) | (17) | (63,518) | (47) | (160,008) | (22) |
| Total expense | <u>(480,191)</u> | <u>(79)</u> | <u>(122,136)</u> | <u>(84)</u> | <u>(602,327)</u> | <u>(83)</u> |
| Segment operating income | <u>104,018</u> | <u>5</u> | <u>14,369</u> | <u>16</u> | <u>118,387</u> | <u>17</u> |
| Share of the profit or loss of associates and joint ventures accounted for using the equity method | (1,430) | - | - | - | (1,430) | - |
| Other gains and losses | <u>98,846</u> | <u>17</u> | <u>1,346</u> | <u>1</u> | <u>100,192</u> | <u>14</u> |
| Total | <u>(758,948)</u> | <u>(136)</u> | <u>(228,557)</u> | <u>(151)</u> | <u>98,762</u> | <u>(135)</u> |
| Indirect segment profit (loss) | <u>(\$ 174,739)</u> | <u>(52)</u> | <u>(\$ 92,052)</u> | <u>(51)</u> | <u>\$ 217,149</u> | <u>30</u> |
| Indirect segment profit (loss) | | | | | | |
| Management expense | | | | | <u>(\$ 49,026)</u> | <u>(7)</u> |
| Total | | | | | <u>(49,026)</u> | <u>(7)</u> |
| Net income before income taxes | | | | | 168,123 | 23 |
| Income tax expense | | | | | <u>(25,668)</u> | <u>(4)</u> |
| Net income | | | | | <u>\$ 142,455</u> | <u>19</u> |
| Segment assets | | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - | - |

15. SUBSEQUENT EVENTS

None.

16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

- 1) Financing activities to any company or person: None.
- 2) Endorsements and guarantees provided: None.
- 3) Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital for the three-month period ended March 31, 2013: None.
- 4) Disposal of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital during the three-month period ended March 31, 2013: None.
- 5) Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000,000 : None.
- 6) Purchases or sales transactions with related parties in excess of \$100 million or over 20% of paid-in capital balance: None.
- 7) Other : Significant inter-company transactions during the three-month period ended March 31, 2013: None.

17. DISCLOSURE INFORMATION OF INVESTEE COMPANY

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

| Investor | Investee | Location | Main activities | Initial investment amount | | Shares held as at March 31, 2013 | | | Net income(loss) of the investee | Investment income (loss) recognized by the Company | Remark |
|--------------------------|-----------------------------------|-----------|--|---------------------------|-------------------------|----------------------------------|--------------|------------|----------------------------------|--|--------|
| | | | | Balance as at 3/31/2013 | Balance as at 3/31/2012 | No. of shares (in thousands) | Ownership(%) | Book value | | | |
| Yuanta Futures Co., Ltd. | MF Global Futures Trust Co., Ltd. | Taiwan | Issuance of beneficiary certificates for futures trust fund raising, and use the fund to engage in futures trading and futures related investment. | \$ 99,990 | \$ 99,990 | 9,999 | 33.33% | \$ 71,908 | (\$ 3,146) | (\$ 1,048) | |
| Yuanta Futures Co., Ltd. | Yuanta Futures (Hong Kong) Ltd. | Hong Kong | Financial Services | 193,319 | 193,319 | 6,000 | 100.00% | 176,274 | (929) | (929) | |
| Yuanta Futures Co., Ltd. | SYF Information Co., Ltd | Taiwan | Information Technology Services | 50,000 | 50,000 | 5,000 | 100.00% | 50,552 | (277) | (277) | |
| SYF Information Co., Ltd | SYF Information (SAMOA) Limited | SAMOA | Investment holdings | 29,046 | 29,046 | 1,000 | 100.00% | 29,756 | (192) | (192) | |

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

- A. Financing activities to any company or person: None.
- B. Endorsements and guarantees provided: None.
- C. Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital for the three-month period ended March 31, 2013:
None
- D. Disposal of real estate properties exceeding \$100 million or 20% of the Companies' paid-in capital during the three-month period ended March 31, 2013:
None
- E. Purchases or sales transactions discount on Broker's charges with related parties in excess of NT\$5,000,000 : None.
- F. Purchases or sales transactions with related parties in excess of \$100 million or over 20% of paid-in capital balance: None.
- G. Other : Significant inter-company transactions during the three-month period ended March 31, 2013: None.

18. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENTS IN MAINLAND CHINA

1) Investment in Mainland China and related information: None.

2) Ceiling on investment in Mainland China: None.

19. FINANCIAL RISK MANAGEMENT

1) Capital risk management

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

2) Financial instruments

A. Fair value information of financial instruments

| Non-derivative financial Instruments | March 31, 2013 | | December 31, 2012 | |
|--|----------------|--------------|-------------------|--------------|
| | Book value | Fair value | Book value | Fair value |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | \$ 4,945,741 | \$ 4,945,741 | \$ 5,002,915 | \$ 5,002,915 |
| Margin deposits | 31,869,862 | 31,869,862 | 32,222,749 | 32,222,749 |
| Futures trading margin receivable | 15 | 15 | 25 | 25 |
| Accounts receivable - non-related parties | 3,696 | 3,696 | 3,914 | 3,914 |
| Accounts receivable - related parties | 4,214 | 4,214 | 12,502 | 12,502 |
| Other receivables - non-related parties | 57,788 | 57,788 | 54,143 | 54,143 |
| Other receivables - related parties | 8,074 | 8,074 | 9,804 | 9,804 |
| Other current assets | 30 | 30 | 20 | 20 |
| Available-for-sale financial assets - current | 108,396 | 108,396 | 103,315 | 103,315 |
| Available-for-sale financial assets - noncurrent | 847,328 | 847,328 | 783,671 | 783,671 |
| Operations guarantee deposits | 200,000 | 200,000 | 195,000 | 195,000 |
| Clearing and settlement funds | 496,979 | 496,979 | 327,098 | 327,098 |
| Refundable deposits | 16,148 | 16,148 | 15,770 | 15,770 |
| <u>Financial liabilities</u> | | | | |
| Futures traders' equity | 31,740,664 | 31,740,664 | 32,106,544 | 32,106,544 |
| Accounts payable - non-related parties | 61,651 | 61,651 | 66,459 | 66,459 |
| Accounts payable - related parties | 23,404 | 23,404 | 24,423 | 24,423 |
| Other payables - non-related parties | 168,402 | 168,402 | 161,139 | 161,139 |
| Other payables - related parties | 96 | 96 | - | - |
| <u>Derivative financial instruments</u> | | | | |
| Held for trading: | | | | |
| Margin deposits-non-hedging | 20,613 | 20,613 | 19,040 | 19,040 |
| Purchased options-non-hedging | 4,109 | 3,868 | 10,198 | 12,580 |
| | Note 1 | Note 1 | | |
| Sale of options liabilities | 3,411 | 2,101 | 9,953 | 10,312 |
| | Note 2 | Note 2 | | |

Note 1: Contract amount or margin paid was \$4,109; fair value at balance sheet date was \$3,868.

Note 2: Contract amount or margin received was \$3,411; fair value at balance sheet date was \$2,101.

| Non-derivative financial Instruments | March 31, 2012 | | January 1, 2012 | |
|--|----------------|--------------|-----------------|--------------|
| | Book value | Fair value | Book value | Fair value |
| <u>Financial assets</u> | | | | |
| Cash and cash equivalents | \$ 4,865,193 | \$ 4,865,193 | \$ 5,082,263 | \$ 5,082,263 |
| Margin deposits | 32,766,353 | 32,766,353 | 33,976,856 | 33,976,856 |
| Futures trading margin receivable | 70 | 70 | 160 | 160 |
| Accounts receivable - non-related parties | 12,160 | 12,160 | 22,858 | 22,858 |
| Accounts receivable - related parties | 20,898 | 20,898 | 11,298 | 11,298 |
| Other receivables - non-related parties | 27,479 | 27,479 | 24,914 | 24,914 |
| Other receivables - related parties | 145,526 | 145,526 | 130,633 | 130,633 |
| Other current assets | 61 | 61 | - | - |
| Available-for-sale financial assets - current | 54,354 | 54,354 | - | - |
| Available-for-sale financial assets - noncurrent | 837,330 | 837,330 | 689,210 | 689,210 |
| Operations guarantee deposits | 285,000 | 285,000 | 285,000 | 285,000 |
| Clearing and settlement funds | 389,099 | 389,099 | 396,000 | 396,000 |
| Refundable deposits | 18,856 | 18,856 | 18,777 | 18,777 |
| <u>Financial liabilities</u> | | | | |
| Futures traders' equity | 32,733,168 | 32,733,168 | 33,876,957 | 33,876,957 |
| Accounts payable - non-related parties | 88,911 | 88,911 | 73,049 | 73,049 |
| Accounts payable - related parties | 30,272 | 30,272 | 26,225 | 26,225 |
| Other payables - non-related parties | 505,818 | 505,818 | 240,443 | 240,443 |
| Other payables - related parties | 796 | 796 | 811 | 811 |
| <u>Derivative financial instruments</u> | | | | |
| Held for trading: | | | | |
| Margin deposits-non-hedging | 40,344 | 40,344 | 6,197 | 6,197 |
| Purchased options-non-hedging | 15,491 | 13,774 | 35,214 | 34,632 |
| Sale of options liabilities | 10,889 | 16,286 | 13,305 | 13,410 |

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

- (a) For short-term financial instruments, the fair values were determined based on their carrying values because their present value of expected cash flow amount is approximately equal to their carrying value.
- (b) Financial assets for trading purpose. The fair value of non-derivative financial instruments was based on active quoted market price.

- (c) The fair values of operations guarantee deposits, clearing and settlement funds, and refundable deposits were determined based on their carrying values because their present value of expected cash flow amount is approximately equal to their carrying value.
- (d) The fair value of derivative financial instruments was based on active quoted market price if available.
- (e) Margin deposits and futures traders' equity are the amount that the Group should collect from customers. The fair value of these were determined based on daily closing market price.
- f) For available-for-sale financial assets, the fair value was based on active quoted market price. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The discount rates used were the same as those of financial instruments with similar terms and characteristics, including credit status of the debtor, fixed rate covered period, maturity date and contract currency.
- g) The methods for valuations of the fair values of the various financial instruments are shown as follows:
- i. Equity securities:
Except for those securities valued at cost as required by relevant laws and regulations, equity securities shall be adjusted to fair value which is the closing price at the stock exchange.
 - ii. Debt securities:
For government bonds and corporate bonds, the valuation is based on the market price calculated using the average yield rate published by OTC. The derivatives related to bonds are valued by the valuation models which take the yield rates stated above or the prices of the bonds as parameters; if there is no active market for the bond, such bond will be valued by the valuation models which take the yield rates published by OTC as parameters.
 - iii. Foreign exchanges instruments:
Shall be valued by taking reference to foreign exchange rates published by the designated banks, the applied exchange rate will be the average of the buy and sell exchange rates.

iv. Interest rate instruments:

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

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

- a) As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the account balances of margin deposits were \$20,613、\$19,040、\$40,344 and \$6,197, respectively. These deposits were recognized as “futures margin deposits – house fund”.
- b) The gains on futures trading were \$99,015 and \$243,127 for the three-month periods ended March 31, 2013 and 2012, respectively, and were recognized as “gain on disposal of derivative financial instruments – futures”.
- c) As of March 31, 2013 and 2012, the Group engaged in purchasing and selling of options with gains amounting to \$20,414 and \$53,582, respectively, and were recognized as “gain on disposal of derivative financial instruments – gain on options contract”.
- d) The losses on futures were \$77,354 and \$114,369 for the three-month periods ended March 31, 2013 and 2012, respectively, and were recognized as “loss on disposal of derivative financial instruments – loss on futures”.
- e) The Group was engaged in purchasing and selling of options with losses amounting to \$19,676 and \$45,835 for the three-month periods ended March 31, 2013 and 2012, respectively, and were recognized as “gain on disposal of derivative financial instruments – loss on options contract”.
- f) As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the account balances – disposal of options amounted to \$2,101, \$10,312, \$16,286 and \$13,410, respectively, and were recognized as “financial liabilities at fair value through profit or loss – current” and classified as “liability on disposal of options”. As of March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012, the account balances – purchase of options amounted to \$3,868, \$12,580, \$13,774 and \$34,632, respectively, and were recognized as “financial assets at fair value through profit or loss – current” and classified as “Purchase of options – non-hedging”.

3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

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

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012.

| March 31, 2013 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|-------------------|----------------|-------------------|-------------------|
| Financial assets: | | | | |
| Futures | \$ 20,613 | \$ - | \$ - | \$ 20,613 |
| Options | 3,868 | | | 3,868 |
| Available-for-sale financial assets | - | - | - | - |
| Equity securities | <u>163,334</u> | <u>-</u> | <u>792,391</u> | <u>955,725</u> |
| Total | <u>\$ 187,815</u> | <u>\$ -</u> | <u>\$ 792,391</u> | <u>\$ 980,206</u> |

Financial liabilities:

Financial liabilities at fair value through profit or loss

| | | | | |
|---------|-----------------|-------------|-------------|-----------------|
| Futures | <u>\$ 2,101</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,101</u> |
|---------|-----------------|-------------|-------------|-----------------|

| December 31, 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|-------------------|----------------|-------------------|-------------------|
| Financial assets: | | | | |
| Futures | \$ 19,040 | \$ - | \$ - | \$ 19,040 |
| Options | 12,580 | | | 12,580 |
| Available-for-sale financial assets | - | - | - | - |
| Equity securities | <u>147,501</u> | <u>-</u> | <u>739,485</u> | <u>886,986</u> |
| Total | <u>\$ 179,121</u> | <u>\$ -</u> | <u>\$ 739,485</u> | <u>\$ 918,606</u> |

Financial liabilities:

Financial liabilities at fair value through profit or loss

| | | | | |
|-----------------|------------------|-------------|-------------|------------------|
| Futures trading | <u>\$ 10,312</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,312</u> |
|-----------------|------------------|-------------|-------------|------------------|

| March 31, 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|----------------|-------------------|-------------------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Futures | \$ 40,344 | \$ - | \$ - | \$ 40,344 |
| Options | 13,774 | | | 13,774 |
| Available-for-sale financial assets | - | - | - | - |
| Equity securities | <u>105,591</u> | <u>-</u> | <u>786,093</u> | <u>891,684</u> |
| Total | <u>\$ 159,709</u> | <u>\$ -</u> | <u>\$ 786,093</u> | <u>\$ 945,802</u> |

Financial liabilities:

Financial liabilities at fair value through profit or loss

| | | | | |
|-----------------|------------------|-------------|-------------|------------------|
| Futures trading | <u>\$ 16,286</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,286</u> |
|-----------------|------------------|-------------|-------------|------------------|

| January 1, 2012 | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|------------------|----------------|-------------------|-------------------|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Futures | \$ 6,197 | \$ - | \$ - | \$ 6,197 |
| Options | 34,632 | | | 34,632 |
| Available-for-sale financial assets | - | - | - | - |
| Equity securities | <u>-</u> | <u>-</u> | <u>689,210</u> | <u>689,210</u> |
| Total | <u>\$ 40,829</u> | <u>\$ -</u> | <u>\$ 689,210</u> | <u>\$ 730,039</u> |

Financial liabilities:

Financial liabilities at fair value through profit or loss

| | | | | |
|---------|------------------|-------------|-------------|------------------|
| Futures | <u>\$ 13,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,410</u> |
|---------|------------------|-------------|-------------|------------------|

- B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.
- C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- E. Specific valuation techniques used to value financial instruments include:
- a) Quoted market prices or dealer quotes for similar instruments.
 - b) The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
 - c) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
 - d) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- F. The following table presents the changes in level 3 instruments as at March 31, 2013, December 31, 2012, March 31, 2012 and January 1, 2012.

| | <u>Equity securities</u> |
|---|--------------------------|
| At January 1, 2013 | \$ 739,485 |
| Gains and losses recognized in other comprehensive income | <u>52,906</u> |
| At March 31, 2013 | <u>\$ 792,391</u> |

| | |
|---|--------------------------|
| | <u>Equity securities</u> |
| At January 1, 2012 | \$ 689,210 |
| Gains and losses recognized in other comprehensive income | <u>96,883</u> |
| At March 31, 2012 | <u>\$ 786,093</u> |

4) System of Risk Management

A. Objectives of risk management

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

B. Risk management system

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

C. Organizational structure of risk management

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

i. First line of defense: First line of defense includes each business unit and each functional committee, whose personnel are serving in the operational or administration division and have responsibilities for risk identification, risk assessment and risk control.

ii. Second line of defense: Second line of defense includes high management level, Risk Management Department and Legal Compliance Department, which are responsible for risk monitoring, risk management and taking measures in response to risk issues in accordance with the Company's Risk Management Policy. The Company also takes part in the Risk Management Committee of Yuanta Financial Holding Co., Ltd. for integration of risk control and management in the Group.

- iii. Third line of defense: Third line of defense includes the Board of Directors, Audit Committee and Auditing Office. Auditing Office conducts audits especially in the risk consideration to ensure every risk is under control.
- b) The function of each unit in the structure of risk management of the Company is as follows:
- i. The Board of Directors: The Board of Directors has ultimate responsibility for risk management on all businesses and operations in the Company; it shall be fully aware of every risk exposure to the Company, such as market risk, credit risk, liquidity risk, operational risk, legal risk, model risk, reputation risk and other operation risks relating to a futures firm, and then determines tolerable limit for every risk, allocates resources effectively, and authorizes relevant departments to execute risk measures for the achievement of effective risk management. The Board of Directors hears risk management and other related reporting by Risk Management Department, Auditing Office and Finance Department regularly to evaluate the impact of every risk and the impact on capital allocation, and determines responding strategies.
 - ii. Audit Committee: Audit Committee directs the execution of the risk management system under the commission of the Board of Directors; its main duties include review of the Company's risk scopes and risk toleration capability, of the Risk Management Policy and relevant principles, and of annual authorized acceptable limit of risk of each kind, as well as directing the execution of the risk management system.
 - iii. Risk Management Department: Risk Management Department, an independent department under the Board of Directors, is responsible for market risk, liquidity risk and credit risk management, and controls operational risk with Auditing Office together; its main duties include daily risk monitoring and assessments of risk management affairs. Risk Management Department exercises its authority independently from business units and trading activities, and holds accountability to the Board of Directors directly. By employing the risk management information system, Risk Management Department monitors trading conditions in the futures market during the trading time every day and performs analyses after the closing of trading time; it also checks the use status of risk limits authorized to each business unit, and assesses risk exposures and extent of risk concentration, and submits risk management reports regularly.

- iv. Auditing Office: Auditing Office, an independent department under the Board of Directors, is responsible for legislation and internal control system compliance management, operational risk management and supervision of operational risk management procedures. The Company has hired experienced auditing personnel in accordance with the internal control rules of regulatory authorities, and adjusted operational risk management procedures appropriately in line with the amendments to the regulations of regulatory authorities, Taiwan Futures Exchange and Chinese National Futures Association or for the changes in the Company's business.
- v. Legal Compliance Department: Legal Compliance Department is responsible for review of legal compliance for the Company's businesses, operations, trading and transaction contracts/documents and offering legal options on those aspects and pushing the execution of legal compliance within the Company with Auditing Office together.
- vi. Each business unit: Each business unit is liable for the first-line risk management. The directors of each business unit are in charge of the whole risk management on businesses and trading activities of the unit, including analyzing and controlling risk exposures, drawing up responding plans and taking measures against risk when necessary, and also conveying related information to Risk Management Department to ensure the risk control mechanism and procedures are all effectively executed, and comply with the legislation and the Company's Risk Management Policy and regulations.

D. Procedures of risk management

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

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

- b) Risk measurement: The Company measures market risk by using sensitivity analysis and VaR model and credit risk by using the credit rating system, option pricing model (ex. KMV) and following the Group's credit risk assessment rules. Operational risk is controlled by establishing standard operating procedures, reviewing current operating procedures and employing operational risk management methods (ex. operational risk control self-assessment, review of external and internal operational procedures and internal loss reporting).
- c) Risk management: Risk monitoring and control are performed through the use of risk management tools, establishment of acceptable limits of risks and division of authority and responsibilities. Different risk management tools and information systems and statements are developed and employed for different risks to raise the efficiency and quality of risk management.
- d) Risk reporting: Risk information and risk management performing results are compiled as risk management statements or reports. These results are disclosed periodically and provided as a reference to the management in making risk management policy and rules.

E. Hedging and risk diminishing strategies

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

5) Market risk

The Company's financial assets include bank deposits, government bonds, treasury bonds, bank debentures, negotiable certificates of deposit, commercial papers or other short-term notes and bills authorized by Ministry of Finance, domestic listed stocks, securities investment trust funds, offshore funds authorized by competent authorities to be raised and sold in ROC, futures trust funds, futures trading listed in Article 5 of Futures Trading Act, hedging trading of bond options and other financial instruments authorized by competent authorities. The fair value of these financial assets would be changed by the fluctuations of market prices or interest rates.

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

Through the VaR model, the Company measures market risk by estimating maximum possible losses of the trading positions for the next day at the 99% confidence level. The average VaR of all trading for the three-month period ended March 31, 2013 was NT\$ 5.960 million. According to the types of trading, the average VaR of equity trading, commodity trading, foreign-exchange-rate trading and interest-rate trading was NT\$ 1.360 million, NT\$ 6.059 million, NT\$ 1.499 million and NT\$ 0.001 million, respectively, for the three-month period ended March 31, 2013 (see the table below).

<Table>VaR of Trading of Different Types

| <u>Period: January 1 ~ March 31, 2013</u> | | <u>Amount in thousands of NTD</u> | | | |
|---|---------------|-----------------------------------|------------------------------|----------------------|--------------|
| <u>Type of Trading</u> | <u>Equity</u> | <u>Commodity</u> | <u>Foreign Exchange Rate</u> | <u>Interest Rate</u> | <u>Total</u> |
| March 31, 2013 | 679 | 3,250 | 841 | 2 | 3,457 |
| Average | 1,360 | 6,059 | 1,499 | 1 | 5,960 |
| Lowest | 171 | 1,753 | 108 | - | 2,060 |
| Highest | 3,375 | 21,531 | 7,064 | 58 | 22,237 |

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

As the Company's risk measurement model, VaR model must reasonably, completely and correctly measure maximum potential losses of financial instruments and investment portfolios and continue to run model validation and back testing.

6) Credit risk analysis

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

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

- b) Counterparty credit risk occurs when counterparty of the financial instrument transaction undertaken by the Company fails to fulfill settlement or payment obligation on the appointed day, which would cause a financial loss to the Company.
- c) Underlying asset credit risk refers to the risk of loss that may arise from deterioration of credit quality of the underlying asset linked to the financial instruments or increasing of credit risk premium or downgrade of credit rating or contract default.

The financial assets of the Company with credit risk include bank deposits, debt securities, OTC derivative trade, repurchase agreement/reverse repurchase agreement of bonds (bills), deposits for securities borrowing and lending trade, margins for futures trade, other margins (such as guaranty bonds for business, clearing and settlement funds and refundable deposits) and receivables (such as accounts receivable, other receivables and receivables for consignment trading).

A. Analysis of concentration of credit risk

a) By geographic area:

Percentages of credit risk exposure amounts of the Company's financial assets by geographic area were as follows (see the table below): The first highest—Taiwan 95.03%, the second highest—Asia (excluding Taiwan) 2.75%, the third highest—Europe 1.94%. Compared to the corresponding period of last year, percentages in Taiwan and Europe were both increased in this period, while in Asia (excluding Taiwan), America and other areas were decreased.

| <u>By geographic area</u> | <u>Prior period</u> | | <u>This period</u> | |
|---------------------------|------------------------|-----------------------|--------------------------|-----------------------|
| | <u>January 1, 2012</u> | <u>March 31, 2012</u> | <u>December 31, 2012</u> | <u>March 31, 2013</u> |
| Taiwan | \$ 37,821,490 | \$ 35,988,613 | \$ 36,005,820 | \$ 35,761,486 |
| Asia (excluding Taiwan) | 1,367,197 | 1,457,280 | 962,140 | 1,035,344 |
| Europe | 620 | 723,700 | 732,259 | 728,689 |
| America | 647,344 | 287,231 | 161,181 | 102,894 |
| Others | 122,103 | 119,678 | 1,560 | 1,602 |
| Total | <u>\$ 39,958,754</u> | <u>\$ 38,576,502</u> | <u>\$ 37,862,960</u> | <u>\$ 37,630,014</u> |

b) By industry:

Percentages of credit risk exposure amounts of the Company's financial assets by industry were as follows (see the table below): Financial institutions is 99.81% and other industries is 1% below. Credit risk is concentrated in financial institutions because the Company's own capital and margins received from customers were both deposited with financial institutions, debt securities held by the Company were issued or guaranteed by banks, and counterparties of derivative trade and reverse repurchase agreement of bonds undertaken by the Company were banks, futures clearing and settlement institution and re-consigned futures firms. The percentages distribution did not change a lot in this period compared to the corresponding period of last year.

| By industry | Prior period | | This period | |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| | January 1, 2012 | March 31, 2012 | December 31, 2012 | March 31, 2013 |
| Private enterprises | \$ - | \$ - | \$ 52,211 | \$ 54,208 |
| Financial institutions | 39,939,770 | 38,557,514 | 37,794,954 | 37,559,607 |
| Natural persons | 160 | 70 | 25 | 16 |
| Others | 18,824 | 18,918 | 15,770 | 16,184 |
| Total | <u>\$ 39,958,754</u> | <u>\$ 38,576,502</u> | <u>\$ 37,862,960</u> | <u>\$ 37,630,015</u> |

B. Analysis of credit risk levels

The Company has an internal credit risk level classification, which is classified as low risk, medium risk and high risk. Each credit quality level is defined as follows:

- a) Excellent: This level shows that the counterparty or the underlying asset is equipped with strong capability of fulfilling financial commitments, even under significantly uncertain or adverse conditions.
- b) Fair: This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is weak. Any adverse operation, financial or economic conditions will reduce its capability.
- c) Below the standard: This level shows that the counterparty's or the underlying asset's capability of fulfilling financial commitments is extremely low. The counterparty is able to fulfill financial commitments only when the operating circumstances and its financial condition are favorable.
- d) Impaired: This level shows that the counterparty or the underlying asset does not fulfill contractual obligations. The potential loss has reached the impairment standard through the Company's estimate.

The credit quality levels of the Company's financial assets were classified as follows: Excellent is 99.18%, Fair is 0.26%, Below the standard is 0.56%, and no impaired financial assets. The result of credit quality level classification did not change significantly in this period compared to the corresponding period of last year.

| Credit quality level | Prior period | | This period | |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| | January 1, 2012 | March 31, 2012 | December 31, 2012 | March 31, 2013 |
| Excellent | \$ 39,030,850 | \$ 37,677,493 | \$ 37,619,430 | \$ 37,321,407 |
| Fair | 8,079 | - | 37,470 | 97,714 |
| Below the standard | 919,825 | 899,009 | 206,060 | 210,894 |
| Impaired | - | - | - | - |
| Total | <u>\$ 39,958,754</u> | <u>\$ 38,576,502</u> | <u>\$ 37,862,960</u> | <u>\$ 37,630,015</u> |

7) Liquidity risk analysis

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

Unit: Amount in thousands of NTD

Cash flow analysis of financial liabilities on March 31, 2013

| | Financial liabilities | Payment period | | | | | Total |
|--------|--|----------------------|--------------------|-------------------------|-----------------------|---------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 212000 | Financial liabilities at fair value through profit or loss - current | \$ 2,101 | \$ - | \$ - | \$ - | \$ - | \$ 2,101 |
| 214080 | Futures traders' equity | 31,740,664 | - | - | - | - | 31,740,664 |
| 214130 | Accounts payable - non-related parties | 61,651 | - | - | - | - | 61,651 |
| 214140 | Accounts payable - related parties | 23,404 | - | - | - | - | 23,404 |
| 214170 | Other payables - non-related parties | - | 74,488 | 35,653 | 58,064 | 197 | 168,402 |
| 214180 | Other payables - related parties | - | 96 | - | - | - | 96 |
| | Total | <u>\$ 31,827,820</u> | <u>\$ 74,584</u> | <u>\$ 35,653</u> | <u>\$ 58,064</u> | <u>\$ 197</u> | <u>\$ 31,996,318</u> |
| | Percentage (%) of overall | 99.47% | 0.23% | 0.11% | 0.18% | 0.00% | 100.00% |

Unit: Amount in thousands of NTD

Cash flow analysis of financial liabilities on December 31, 2012

| Financial liabilities | Payment period | | | | | Total |
|---|----------------------|--------------------|-------------------------|-----------------------|--------------|----------------------|
| | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 212000 Financial liabilities at fair value through profit or loss - current | \$ 10,312 | \$ - | \$ - | \$ - | \$ - | \$ 10,312 |
| 214080 Futures traders' equity | 32,106,544 | - | - | - | - | 32,106,544 |
| 214130 Accounts payable - non-related parties | 66,459 | - | - | - | - | 66,459 |
| 214140 Accounts payable - related parties | 24,423 | - | - | - | - | 24,423 |
| 214170 Other payables - non-related parties | - | 73,419 | 30,488 | 57,232 | - | 161,139 |
| 214180 Other payables - related parties | - | - | - | - | - | - |
| Total | <u>\$ 32,207,738</u> | <u>\$ 73,419</u> | <u>\$ 30,488</u> | <u>\$ 57,232</u> | <u>\$ -</u> | <u>\$ 32,368,877</u> |
| Percentage (%) of overall | 99.50% | 0.23% | 0.09% | 0.18% | 0.00% | 100.00% |

Unit: Amount in thousands of NTD

Cash flow analysis of financial liabilities on March 31, 2012

| Financial liabilities | Payment period | | | | | Total |
|---|----------------------|--------------------|-------------------------|-----------------------|--------------|----------------------|
| | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 212000 Financial liabilities at fair value through profit or loss - current | \$ 16,286 | \$ - | \$ - | \$ - | \$ - | \$ 16,286 |
| 214080 Futures traders' equity | 32,733,168 | - | - | - | - | 32,733,168 |
| 214130 Accounts payable - non-related parties | 87,012 | - | - | 1,899 | - | 88,911 |
| 214140 Accounts payable - related parties | 30,272 | - | - | - | - | 30,272 |
| 214170 Other payables - non-related parties | 43,617 | 39,528 | 348,290 | 74,383 | - | 505,818 |
| 214180 Other payables - related parties | 76 | 720 | - | - | - | 796 |
| Total | <u>\$ 32,910,431</u> | <u>\$ 40,248</u> | <u>\$ 348,290</u> | <u>\$ 76,282</u> | <u>\$ -</u> | <u>\$ 33,375,251</u> |
| Percentage (%) of overall | 98.61% | 0.12% | 1.04% | 0.23% | 0.00% | 100.00% |

Unit: Amount in thousands of NTD

Cash flow analysis of financial liabilities on January 1, 2012

| | Financial liabilities | Payment period | | | | | Total |
|--------|--|----------------------|--------------------|-------------------------|-----------------------|---------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 212000 | Financial liabilities at fair value through profit or loss - current | \$ 13,410 | \$ - | \$ - | \$ - | \$ - | \$ 13,410 |
| 214080 | Futures traders' equity | 33,876,957 | - | - | - | - | 33,876,957 |
| 214130 | Accounts payable - non-related parties | 71,150 | - | - | 1,899 | - | 73,049 |
| 214140 | Accounts payable - related parties | 26,225 | - | - | - | - | 26,225 |
| 214170 | Other payables - non-related parties | 70,795 | 2,833 | 149,432 | 17,186 | 197 | 240,443 |
| 214180 | Other payables - related parties | - | - | - | 811 | - | 811 |
| | Total | <u>\$ 34,058,537</u> | <u>\$ 2,833</u> | <u>\$ 149,432</u> | <u>\$ 19,896</u> | <u>\$ 197</u> | <u>\$ 34,230,895</u> |
| | Percentage (%) of overall | 99.50% | 0.01% | 0.44% | 0.06% | 0.00% | 100.00% |

The Company raises funds for a period of three months or less by borrowing short-term loans and issuing commercial papers and bonds sold under repurchase agreement. Financial liabilities with a period of three months above are OTC derivative instruments, including forward foreign exchange contracts and other payables (amounts shown in the table of cash flow of financial liabilities are the total amounts of cash flow of such liabilities, which are not discounted).

Unit: Amount in thousands of NTD

The analysis of cash flow gap on March 31, 2013

| | Financial assets | Collection period | | | | | Total |
|--------|---|----------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 111100 | Cash and cash equivalents | \$ 1,669,021 | \$ 1,277,150 | \$ 1,999,570 | \$ - | \$ - | \$ 4,945,741 |
| 112000 | Financial assets at fair value through profit or loss - current | 24,481 | - | - | - | - | 24,481 |
| 114070 | Margin deposits | 31,869,862 | - | - | - | - | 31,869,862 |
| 114080 | Futures trading margin receivable | - | - | 15 | - | - | 15 |
| 114130 | Accounts receivable - non-related parties | - | 3,696 | - | - | - | 3,696 |
| 114140 | Accounts receivable - related parties | - | 4,214 | - | - | - | 4,214 |
| 114170 | Other receivables - non-related parties | - | 57,788 | - | - | - | 57,788 |
| 114180 | Other receivables - related parties | - | 8,074 | - | - | - | 8,074 |
| 113400 | Available-for-sale financial assets - current | 108,396 | - | - | - | - | 108,396 |
| 119990 | Other current assets | 30 | - | - | - | - | 30 |
| 123400 | Available-for-sale financial assets - noncurrent | - | - | - | 847,329 | - | 847,329 |
| 129010 | Operations guarantee deposits | - | - | - | - | 200,000 | 200,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 496,979 | 496,979 |
| 129030 | Refundable deposits | - | - | - | 16,148 | - | 16,148 |
| | Subtotal | <u>\$ 33,671,790</u> | <u>\$ 1,350,922</u> | <u>\$ 1,999,585</u> | <u>\$ 863,477</u> | <u>\$ 696,979</u> | <u>\$ 38,582,753</u> |
| | Cash inflow | \$ 33,671,790 | \$ 1,350,922 | \$ 1,999,585 | \$ 863,477 | \$ 696,979 | \$ 38,582,753 |
| | Cash outflow | <u>31,827,820</u> | <u>74,584</u> | <u>35,653</u> | <u>58,064</u> | <u>197</u> | <u>31,996,318</u> |
| | The amount of capital gap | <u>\$ 1,843,970</u> | <u>\$ 1,276,338</u> | <u>\$ 1,963,932</u> | <u>\$ 805,413</u> | <u>\$ 696,782</u> | <u>\$ 6,586,435</u> |

Unit: Amount in thousands of NTD

The analysis of cash flow gap on December 31, 2012

| | Financial assets | Collection period | | | | | Total |
|--------|---|----------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 111100 | Cash and cash equivalents | \$ 1,722,815 | \$ 1,216,350 | \$ 2,063,750 | \$ - | \$ - | \$ 5,002,915 |
| 112000 | Financial assets at fair value through profit or loss - current | 31,620 | - | - | - | - | 31,620 |
| 114070 | Margin deposits | 32,222,749 | - | - | - | - | 32,222,749 |
| 114080 | Futures trading margin receivable | - | - | 25 | - | - | 25 |
| 114130 | Accounts receivable - non-related parties | - | 3,914 | - | - | - | 3,914 |
| 114140 | Accounts receivable - related parties | - | 12,502 | - | - | - | 12,502 |
| 114170 | Other receivables - non-related parties | - | 54,067 | 76 | - | - | 54,143 |
| 114180 | Other receivables - related parties | 2,282 | 7,522 | - | - | - | 9,804 |
| 113400 | Available-for-sale financial assets - current | 103,315 | - | - | - | - | 103,315 |
| 119990 | Other current assets | - | 20 | - | - | - | 20 |
| 123400 | Available-for-sale financial assets - noncurrent | - | - | - | 783,671 | - | 783,671 |
| 129010 | Operations guarantee deposits | - | - | - | - | 195,000 | 195,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 327,098 | 327,098 |
| 129030 | Refundable deposits | - | - | - | 15,770 | - | 15,770 |
| | Subtotal | <u>\$ 34,082,781</u> | <u>\$ 1,294,375</u> | <u>\$ 2,063,851</u> | <u>\$ 799,441</u> | <u>\$ 522,098</u> | <u>\$ 38,762,546</u> |
| | cash inflow | \$ 34,082,781 | \$ 1,294,375 | \$ 2,063,851 | \$ 799,441 | \$ 522,098 | \$ 38,762,546 |
| | cash outflow | <u>32,207,738</u> | <u>73,419</u> | <u>30,488</u> | <u>57,232</u> | <u>-</u> | <u>32,368,877</u> |
| | The amount of capital gap | <u>\$ 1,875,043</u> | <u>\$ 1,220,956</u> | <u>\$ 2,033,363</u> | <u>\$ 742,209</u> | <u>\$ 522,098</u> | <u>\$ 6,393,669</u> |

Unit: Amount in thousands of NTD

The analysis of cash flow gap on March 31, 2012

| | Financial assets | Collection period | | | | | Total |
|--------|---|----------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 111100 | Cash and cash equivalents | \$ 2,401,143 | \$ 1,074,100 | \$ 1,389,950 | \$ - | \$ - | \$ 4,865,193 |
| 112000 | Financial assets at fair value through profit or loss - current | 54,118 | - | - | - | - | 54,118 |
| 114070 | Margin deposits | 32,788,353 | - | - | - | - | 32,788,353 |
| 114080 | Futures trading margin receivable | - | - | - | 69 | - | 69 |
| 114130 | Accounts receivable - non-related parties | 5,424 | 6,736 | - | - | - | 12,160 |
| 114140 | Accounts receivable - related parties | 19,347 | 1,551 | - | - | - | 20,898 |
| 114170 | Other receivables - non-related parties | - | 7,813 | 19,635 | 31 | - | 27,479 |
| 114180 | Other receivables - related parties | 124,753 | 2,959 | 17,814 | - | - | 145,526 |
| 113400 | Available-for-sale financial assets - current | 54,254 | - | - | - | - | 54,254 |
| 119990 | Other current assets | 61 | - | - | - | - | 61 |
| 123400 | Available-for-sale financial assets - noncurrent | - | - | - | 837,330 | - | 837,330 |
| 129010 | Operations guarantee deposits | - | - | - | - | 285,000 | 285,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 389,099 | 389,099 |
| 129030 | Refundable deposits | - | - | - | 18,856 | - | 18,856 |
| | Subtotal | <u>\$ 35,447,453</u> | <u>\$ 1,093,159</u> | <u>\$ 1,427,399</u> | <u>\$ 856,286</u> | <u>\$ 674,099</u> | <u>\$ 39,498,396</u> |
| | cash inflow | \$ 35,447,453 | \$ 1,093,159 | \$ 1,427,399 | \$ 856,286 | \$ 674,099 | \$ 39,498,396 |
| | cash outflow | <u>32,910,431</u> | <u>40,248</u> | <u>348,200</u> | <u>76,282</u> | <u>-</u> | <u>33,375,161</u> |
| | The amount of capital gap | <u>\$ 2,537,022</u> | <u>\$ 1,052,911</u> | <u>\$ 1,079,199</u> | <u>\$ 780,004</u> | <u>\$ 674,099</u> | <u>\$ 6,123,235</u> |

Unit: Amount in thousands of NTD

The analysis of cash flow gap on January 1, 2012

| | Financial assets | Collection period | | | | | Total |
|--------|---|----------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|
| | | Prevailing Period | Less than 3 Months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | |
| 111100 | Cash and cash equivalents | \$ 1,969,663 | \$ 1,212,350 | \$ 1,900,250 | \$ - | \$ - | \$ 5,082,263 |
| 112000 | Financial assets at fair value through profit or loss - current | 40,829 | - | - | - | - | 40,829 |
| 114070 | Margin deposits | 33,976,856 | - | - | - | - | 33,976,856 |
| 114080 | Futures trading margin receivable | - | - | - | 160 | - | 160 |
| 114130 | Accounts receivable - non-related parties | 16,074 | 6,784 | - | - | - | 22,858 |
| 114140 | Accounts receivable - related parties | 9,705 | 1,593 | - | - | - | 11,298 |
| 114170 | Other receivables - non-related parties | - | 8,584 | 16,330 | - | - | 24,914 |
| 114180 | Other receivables - related parties | 127,413 | 3,190 | - | 30 | - | 130,633 |
| 123400 | Available-for-sale financial assets - noncurrent | - | - | - | 689,210 | - | 689,210 |
| 129010 | Operations guarantee deposits | - | - | - | - | 285,000 | 285,000 |
| 129020 | Clearing and settlement funds | - | - | - | - | 396,000 | 396,000 |
| 129030 | Refundable deposits | - | - | - | 18,777 | - | 18,777 |
| | Subtotal | <u>\$ 36,140,540</u> | <u>\$ 1,232,501</u> | <u>\$ 1,916,580</u> | <u>\$ 708,177</u> | <u>\$ 681,000</u> | <u>\$ 40,678,798</u> |
| | cash inflow | \$ 36,140,540 | \$ 1,232,501 | \$ 1,916,580 | \$ 708,177 | \$ 681,000 | \$ 40,678,798 |
| | cash outflow | <u>34,058,537</u> | <u>2,833</u> | <u>149,432</u> | <u>19,896</u> | <u>197</u> | <u>34,230,895</u> |
| | The amount of capital gap | <u>\$ 2,082,003</u> | <u>\$ 1,229,668</u> | <u>\$ 1,767,148</u> | <u>\$ 688,281</u> | <u>\$ 680,803</u> | <u>\$ 6,447,903</u> |

C. VaR

VaR is used to measure maximum possible loss of the investment portfolio that may be caused by the changes of market risk factors in a specific period and at certain confidence level. The Company currently uses 99% confidence level to measure the VaR for the next day.

As the Company's risk measurement model, VaR model must reasonably, completely and correctly measure maximum potential losses of financial instruments and investment portfolios and continue to run model validation and back testing.

<Table> VaR of Trading of Different Types

Period: January 1 ~ December 31, 2012

| <u>Type of Trading</u> | Amount in thousands of NTD | | | | |
|------------------------|----------------------------|-----------|--------------------------|---------------|--------|
| | Equity | Commodity | Foreign Exchange Rate | Interest Rate | Total |
| December 31, 2012 | 333 | 3,546 | 631 | - | 2,433 |
| Average | 2,985 | 3,719 | 568 | 84 | 5,021 |
| Lowest | - | - | - | - | - |
| Highest | 19,826 | 12,852 | 2,809 | 5,336 | 17,235 |

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

D. Back Testing

To ensure the accuracy and effectiveness of the VaR model, the Company conducts back testing periodically, comparing VaR and actual gains or losses of investment portfolios, to examine whether the VaR model is able to reasonably measure maximum potential losses of investment portfolios.

When the predication of the VaR model deviates from the actual result, the Company will assess accuracy and effectiveness of the model immediately. The Company employs statistic methods to observe the exceptions where actual loss is over VaR and find out the exception ratio, which is times of exceptions divided by days of observation.

8) Foreign exchange risk

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

(Foreign currency:

| functional currency) | March 31, 2013 | | December 31, 2012 | |
|------------------------------|-------------------------|---------------|-------------------------|---------------|
| | Foreign Currency Amount | | Foreign Currency Amount | |
| Financial instruments | (In Thousands) | Exchange Rate | (In Thousands) | Exchange Rate |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ 13,036,832 | 29.8250 | \$ 409,184 | 29.0400 |
| JPY:NTD | 347,385 | 0.3172 | 560,366 | 0.3364 |
| HKD:NTD | 389,957 | 3.8430 | 106,031 | 3.7470 |
| EUR:NTD | 148,723 | 38.2300 | 3,638 | 38.4900 |
| GBP:NTD | 48,082 | 45.3200 | 994 | 46.8300 |
| AUD:NTD | 6,800 | 31.0750 | 1,023 | 30.1650 |
| SGD:NTD | 2,191 | 24.0700 | 95 | 23.7600 |
| RMB:NTD | 96,349 | 4.8060 | - | - |
| USD:HKD | 27,655 | 7.7609 | 4,089 | 7.7502 |
| JPY:HKD | 21,958 | 0.0825 | - | - |
| EUR:HKD | 989 | 9.9480 | - | - |
| RMB:HKD | 68 | 1.2495 | 11,258 | 1.2440 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 12,802,931 | 29.8250 | 402,002 | 29.0400 |
| JPY:NTD | 302,475 | 0.3172 | 450,473 | 0.3364 |
| HKD:NTD | 363,142 | 3.8430 | 97,166 | 3.7470 |
| EUR:NTD | 100,741 | 38.2300 | 2,845 | 38.4900 |
| GBP:NTD | 27,365 | 45.3200 | 564 | 46.8300 |
| JPY:RMB | - | - | 13,200 | 0.0181 |
| AUD:NTD | 6,679 | 31.7500 | 1,022 | 30.1650 |
| SGD:NTD | 1,633 | 24.0700 | 72 | 23.7600 |
| USD:HKD | 4,481 | 7.7609 | 3 | 7.7502 |
| JPY:HKD | 1 | 0.0825 | 29 | 0.0898 |

(Foreign currency:
functional currency)

| | March 31, 2012 | | January 1, 2012 | |
|------------------------------|-----------------------|----------------------|-----------------------|----------------------|
| | Foreign Currency | | Foreign Currency | |
| | Amount | | Amount | |
| <u>Financial instruments</u> | <u>(In Thousands)</u> | <u>Exchange Rate</u> | <u>(In Thousands)</u> | <u>Exchange Rate</u> |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | \$ 446,798 | 29.5100 | \$ 443,041 | 30.2800 |
| JPY:NTD | 714,632 | 0.3592 | 327,041 | 0.3906 |
| HKD:NTD | 236,763 | 3.8020 | 154,330 | 3.8970 |
| EUR:NTD | 461,686 | 39.4100 | 1,403 | 39.1800 |
| GBP:NTD | 1,256 | 47.2400 | 861 | 46.7300 |
| AUD:NTD | 1,139 | 30.6950 | 1,216 | 30.7350 |
| SGD:NTD | 11,240 | 23.4900 | 87 | 23.3100 |
| CAD:NTD | - | - | 2 | 29.6700 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | 430,191 | 29.5100 | 202,261 | 30.2800 |
| JPY:NTD | 579,962 | 0.3592 | 76,677 | 0.3906 |
| HKD:NTD | 221,440 | 3.8020 | 3,298 | 3.8970 |
| EUR:NTD | 878 | 39.4100 | 44 | 39.1800 |
| GBP:NTD | 350 | 47.2400 | 33 | 46.7300 |
| AUD:NTD | 1,106 | 30.6950 | - | - |
| SGD:NTD | 217 | 23.4900 | 98,154 | 23.3100 |
| CAD:NTD | - | - | 2 | 29.6700 |

20. Others

Business combination

In relation to the share conversion with Yuanta Futures Co., Ltd. in accordance with Gin-Gwen-Zheng-Qi Letter No. 1000052507, the related disclosures are as follows:

A. Introduction of the merged company: Yuanta Futures Co., Ltd. (initially named as Core Pacific Futures Co., Ltd) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 1, 1993. It was approved to engage in futures proprietary business by the competent authority on March 10, 1998 and obtained a clearing membership on July 7, 1998. Yuanta Futures Co., Ltd. is primarily engaged in onshore and offshore futures brokerage business, futures proprietary business, futures clearing business, futures consulting and other futures related businesses approved by the competent authority. As of April 1, 2012, Yuanta Futures Co., Ltd. had 1 branch.

B. Purpose of merger and legal basis:

(a) Objectives: To enlarge business scope, reach economy of scale, increase operational efficiency and raise financial integration competitive advantage.

(b) Legal basis: In accordance with financial holdings, business combination and all other related laws and regulations.

C. Date of merger and percentage of shares conversion:

On October 6, 2011, the Board of Directors of the Company at their meeting resolved to merge with Yuanta Futures Co., Ltd. and set April 1, 2012 as the merger date by issuing new shares to increase capital based on a conversion ratio of 1 share of Yuanta Futures Co., Ltd. to 1.01 shares of the Company.

D. Accounting treatment:

The Company's merger with Yuanta Futures Co., Ltd. is classified as a reorganization in accordance with EITF 100-390 of the ARDF, R.O.C., and is recognized based on the long-term investments' carrying amount (the amount after impairment loss) of Yuanta Financial Holding Co., Ltd. (the parent company) to Yuanta Futures Co., Ltd. The Company will continue to recognize the resulting difference between the initial investment cost and net equity investment in providing a proper treatment. As the former Yuanta Futures Co., Ltd. was dissolved after the merger, the Company used the book value of assets and liabilities of the former Yuanta Futures Co., Ltd. as the cost of acquisition and issued new shares; face value of the shares is share capital. Amounts in balance sheet accounts (such as unrealized gain or loss on financial instruments) of Yuanta Futures Co., Ltd. should be reclassified at book value, and other amounts should be credited to capital surplus. Moreover, the ARDF issued "IFRS 3 Questions on treatment of business combination under common control" on IFRS Q&A on January 8, 2013. The description indicates that IFRS 3 'Business Combination' has no clear regulation on treatment of business combinations under common control. Thus, these kinds of transaction shall follow the regulation in R.O.C. According to the ARDF Interpretations 95-141 and 101-301, this affiliated company was regarded as having been merged on October 3, 2011 and the prior years' consolidated financial statements were restated. Polaris Securities Co., Ltd. was absorbed as a subsidiary of Yuanta Financial Holdings Co., Ltd. through share

swaps on October 3, 2011. Polaris Futures Co., Ltd. was formerly a subsidiary of Polaris Securities Co., Ltd. Therefore, October 3, 2011 was regarded as the effective date of merger. The 100% interest in Yuanta Futures Co., Ltd. previously held by Yuanta Financial Holdings Co., Ltd. was presented as “prior interest under joint control” in the consolidated financial statements. The assets and liabilities of Yuanta Futures Co., Ltd. on the merger date were as follows:

| | <u>Amount</u> |
|--|------------------|
| Cash and cash equivalents | \$ 1,706,825 |
| Financial assets at fair value through profit or loss-current | 397,096 |
| Margin deposits | 17,027,028 |
| Accounts receivable (include Futures trading margin receivable) | 8,356 |
| Prepayments | 5,502 |
| Other receivables | 10,840 |
| Other current assets | 9 |
| Available-for sale financial assets | 290,663 |
| Fixed assets | 43,324 |
| Intangible assets | 19,096 |
| Other assets | 310,565 |
| Deferred income tax assets | 14,125 |
| Financial liabilities at fair value through profit or loss | (2,182) |
| Futures traders' equity | (17,020,409) |
| Accounts payable | (47,518) |
| Collection for third parties | (2,570) |
| Other payables | (76,885) |
| Other current liabilities | (6,086) |
| Accrued pension liabilities-noncurrent | (6,215) |
| Reserve for bad debts losses | <u>(61,676)</u> |
| Subtotal | 2,609,888 |
| Shares conversion-new share capital issued | (1,010,000) |
| Capital reserve: paid-in capital in excess for par due to merger | (1,600,144) |
| Unrealized gain or loss on financial instruments due to merger | <u>256</u> |
| Total | <u>\$ -</u> |

21. INITIAL APPLICATION OF IFRSs

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

1) Exemptions elected by the Group

A. Business combinations

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

B. Employee benefits

The Group has elected to recognise 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.

2) Except for accounting estimates, 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 Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

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

B. Derecognition of financial assets and financial liabilities

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

C. Hedge accounting

Hedge accounting can only be applied prospectively to transactions that qualify for hedge accounting in accordance with IAS 39 from the date of transition to IFRSs. Hedging relationship should not be designated retrospectively, and written documentation relating to hedge accounting should not be made retrospectively, either. Therefore, under IFRS 1, only a hedging relationship that satisfied the hedge accounting criteria on January 1, 2012 can be reflected as hedge in the Group's opening IFRS financial statements.

D. Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

- (a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;
- (b) Requirements that change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and
- (c) Requirements concerning the parent's loss of control over a subsidiary.

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

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

A. Reconciliation for equity on January 1, 2012

B. Reconciliation for equity on December 31, 2012

C. Reconciliation for equity on March 31, 2012

D. Reconciliation for comprehensive income for the year ended December 31, 2012

E. Reconciliation for comprehensive income for the three-month period ended March 31, 2012

F. Major adjustments for the consolidated statement of cash flows for the year ended December 31, 2012 :

- (a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.

- (b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.
 - (c) The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.
 - (d) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.
- G. Major adjustments for the consolidated statement of cash flows for the three-month period ended March 31, 2012:
- (a) Under R.O.C. GAAP, payment of interest and receipt of interest and dividend are both included in cash flows from operating activities. However, under IFRSs, payment of interest and receipt of interest and dividend are classified as cash flows from financing activities and from investing activities, respectively, when they are the cost for acquisitions of financial resources or the return on investments.
 - (b) Under R.O.C. GAAP, payment of dividend is included in cash flows from financing activities. However, under IFRSs, when payment of dividend is to help users of financial statements to assess the ability of an entity to pay dividend by using operating cash flows, it is classified as cash flows from operating activities.
 - (c) The transition of R.O.C. GAAP to IFRSs has no effect on the Group's cash flows reported.
 - (d) The reconciliation between R.O.C. GAAP and IFRSs has no net effect on the Group's cash flows reported.
- H. The accounting policies and selection of exemptions applied in these interim consolidated financial statements may be different from those applied in the first year-end IFRSs consolidated financial statements due to the issuance of related regulations by regulatory authorities, changes in economic environment, or changes in the evaluation of the impact of application of accounting policies and exemptions by the Group.

(a) Reconciliation for equity on January 1, 2012 :

| | Accounting | | | Remarks |
|---|---------------------|--------------|--------------|--------------|
| | Standards in R.O.C. | Adjustments | IFRSs | |
| Cash and cash equivalents | \$ 3,807,953 | \$ 1,277,310 | \$ 5,085,263 | (a) |
| Financial assets at fair value through profit or loss - current | 1,442,552 | (1,401,723) | 40,829 | (a) |
| Other receivables-non-related parties | 28,665 | (3,750) | 24,915 | (b) |
| Other receivables- related parties | 3,220 | 127,413 | 130,633 | (a) |
| Current income tax assets | - | 3,750 | 3,750 | (b) |
| Available-for-sale financial assets-noncurrent | 271,811 | 417,399 | 689,210 | (c) |
| Fixed assets-prepayment for equipment | 13,360 | (13,360) | - | (d) |
| Other assets-prepayment for equipment | - | 13,360 | 13,360 | (d) |
| Deferred income tax assets - current | 856 | (856) | - | (i) |
| Other assets-deferred income tax assets | 25,781 | (12,382) | 13,399 | (f)(g)(h)(i) |
| Deferred pension costs | 5,856 | (5,856) | - | (h) |
| Others | 34,966,963 | - | 34,966,963 | (l) |
| Total assets | 40,567,017 | 401,305 | 40,968,322 | |
| Other payables-non-related parties | 239,733 | (25,205) | 214,528 | (e) |
| Current income tax liabilities | - | 25,205 | 25,205 | (e) |
| Reserve for employee benefits liabilities-current | - | 12,473 | 12,473 | (f) |
| Reserve for employee benefits liabilities-non-current | 34,014 | 25,719 | 59,733 | (g)(h) |
| Reserve for bad debts losses | 121,921 | (121,921) | - | (h) |
| Others | 34,020,865 | - | 34,020,865 | |
| Total liabilities | 34,416,533 | (83,729) | 34,332,804 | |
| Common stock | 1,312,763 | - | 1,312,763 | |
| Paid-in capital | 407,633 | - | 407,633 | |
| Legal reserve | 310,230 | - | 310,230 | |
| Special reserve | 824,179 | 49,928 | 874,107 | (h) |
| Unappropriated earnings | 465,637 | (28,136) | 437,501 | (f)(g) |
| Unrealized profit on available-for-sale financial assets | - | 155,152 | 417,399 | (c) |
| Currency translation differences | (11,673) | - | (11,673) | (m) |
| Income before common controlling Interest | 2,841,715 | 305,090 | 3,146,805 | (f)(g)(h) |
| Total Equity | 6,150,484 | 482,034 | 2,884,568 | |

(b) Reconciliation for equity on December 31, 2012 :

| | Accounting | | | IFRSs | Remarks |
|---|---------------------|-------------|--------------|--------------|---------|
| | Standards in R.O.C. | Adjustments | | | |
| Cash and cash equivalents | \$ 4,169,161 | \$ 833,754 | \$ 5,002,915 | (a) | |
| Financial assets at fair value through profit or loss - current | 889,817 | (858,197) | 31,620 | (a) | |
| Other receivables- related parties | 9,916 | (112) | 9,804 | (b) | |
| Other receivables-non-related parties | 29,700 | 24,443 | 54,143 | (a) | |
| Current income tax assets | - | 112 | 112 | (b) | |
| Available-for-sale financial assets-noncurrent | 315,998 | 467,673 | 783,671 | (c) | |
| Fixed assets-prepayment for equipment | 25,062 | (25,062) | - | (d) | |
| Other assets-prepayment for equipment | - | 25,062 | 25,062 | (d) | |
| Deferred income tax assets - current | 4,222 | (4,222) | - | (i) | |
| Other assets-deferred income tax assets | 25,660 | (3,680) | 21,980 | (f)(g)(h)(i) | |
| Others | 33,145,436 | - | 33,145,436 | (l) | |
| Total assets | 38,614,972 | 459,771 | 39,074,743 | | |
| Other payables-non-related parties | 190,404 | (29,265) | 161,139 | (e) | |
| Current income tax liabilities | - | 29,265 | 29,265 | (e) | |
| Reserve for employee benefits liabilities-current | - | 4,310 | 4,310 | (f) | |
| Reserve for employee benefits liabilities-non-current | 31,799 | 7,398 | 39,197 | (g) | |
| Reserve for bad debts losses | 58,190 | (58,190) | - | (h) | |
| Others | 32,214,473 | - | 32,214,473 | | |
| Total liabilities | 32,494,866 | (46,482) | 32,448,384 | | |
| Common stock | 2,322,763 | - | 2,322,763 | | |
| Paid-in capital | 2,007,777 | (8,732) | 1,999,045 | (f)(g) | |
| Legal reserve | 356,697 | - | 356,697 | | |
| Special reserve | 928,785 | 48,298 | 977,083 | (h) | |
| Unappropriated earnings | 523,907 | 1,126 | 525,033 | (f)(g) | |
| Unrealized profit on available-for-sale financial assets | (1,839) | 465,561 | 463,722 | (c)(j) | |
| Currency translation differences | (17,984) | - | (17,984) | (m) | |
| Total Equity | 6,120,106 | 506,253 | 6,626,359 | | |

(c) Reconciliation for equity on March 31, 2012 :

| | Accounting | | IFRSs | Remarks |
|---|---------------------|--------------|--------------|---------|
| | Standards in R.O.C. | Adjustments | | |
| Cash and cash equivalents | \$ 3,599,066 | \$ 1,266,127 | \$ 4,865,193 | (a) |
| Financial assets at fair value through profit or loss - current | 1,444,999 | (1,390,881) | 54,118 | (a) |
| Other receivables- related parties | 20,842 | 124,684 | 145,526 | (a)(b) |
| Current income tax assets | - | 69 | 69 | (b) |
| Available-for-sale financial assets-noncurrent | 323,048 | 514,282 | 837,330 | (c) |
| Fixed assets-prepayment for equipment | 14,440 | (14,440) | - | (d) |
| Other assets-prepayment for equipment | - | 14,440 | 14,440 | (d) |
| Other assets- Deferred income tax assets | 30,651 | (13,090) | 17,561 | (f)(g) |
| Deferred pension costs | 5,856 | (5,856) | - | (h) |
| Others | 33,837,765 | - | 33,837,765 | (l) |
| Total assets | 39,276,667 | 495,335 | 39,772,002 | |
| Other payables-non-related parties | 529,717 | (23,898) | 505,819 | (e) |
| Other payables-related parties | 22,282 | (9,343) | 12,939 | (e) |
| Current income tax liabilities | - | 33,240 | 33,240 | (e) |
| Reserve for employee benefits liabilities-current | - | 13,657 | 13,657 | (f) |
| Reserve for employee benefits liabilities-non-current | 34,775 | 25,315 | 60,090 | (g)(h) |
| Reserve for bad debts losses | 121,830 | (121,830) | - | |
| Others | 32,874,806 | - | 32,874,806 | |
| Total liabilities | 33,583,410 | (82,859) | 33,500,551 | |
| Common stock | 1,312,763 | - | 1,312,763 | |
| Paid-in capital | 407,633 | - | 407,633 | |
| Legal reserve | 356,698 | - | 356,698 | |
| Special reserve | 917,112 | 49,928 | 967,040 | |
| Unappropriated earnings | 95,185 | (28,476) | 66,709 | (f)(g) |
| Unrealized profit on available-for-sale financial assets | 9,727 | 514,282 | 524,009 | (c) |
| Currency translation differences | (16,005) | - | (16,005) | (m) |
| Income before common controlling Interest | 2,610,144 | 42,461 | 2,652,605 | (f)(g) |
| Total Equity | 5,693,257 | 578,195 | 6,271,452 | |

(d) Reconciliation for comprehensive income for the year ended December 31, 2012

| | Accounting | | | IFRSs | Remarks |
|---|---------------------|-------------|--------------|-------|---------|
| | Standards in R.O.C. | Adjustments | | | |
| Revenues | | | | | |
| Brokerage | \$ 2,267,007 | \$ - | \$ 2,267,007 | | (j) |
| Dividend revenues | 17,068 | - | 17,068 | | |
| Clearance fee from consignment | 97,996 | - | 97,996 | | |
| Gain on disposal of derivative instruments | 1,167,466 | - | 1,167,466 | | |
| Futures management fees revenues | 3 | - | 3 | | |
| Futures advisory revenues | 5,565 | - | 5,565 | | |
| Other operating revenues | 433,595 | - | 433,595 | | |
| Total Revenues | 3,988,700 | - | 3,988,700 | | |
| Brokerage fee | (388,126) | - | (388,126) | | |
| Dealer handling fee | (50,833) | - | (50,833) | | |
| Loss on disposal of operating securities | (786) | - | (786) | | |
| Futures commission | (506,855) | - | (506,855) | | |
| Clearance fee | (371,210) | - | (371,210) | | |
| Loss on disposal of derivative instruments | (818,982) | - | (818,982) | | |
| Employee benefit expense | (505,005) | 9,784 | (495,221) | | (f)(g) |
| Depreciation and amortization expenses | (86,290) | - | (86,290) | | |
| Other operating expenses | (573,600) | - | (573,600) | | |
| Finance costs | (26,895) | - | (26,895) | | |
| Total Expenses | (3,328,582) | - | (3,318,798) | | |
| Operating profit | 660,118 | - | 669,902 | | |
| Share of (loss)/profit of associates and joint ventures accounted for under equity method | (6,803) | - | (6,803) | | |
| Other gains and losses | 39,722 | 2,112 | 41,834 | | |
| Income before tax | 693,037 | - | 704,933 | | |
| Income tax expense | (109,539) | (1,663) | (111,202) | | (f)(g) |
| Profit for the period | 583,498 | - | 583,498 | | |
| Attributable to: | | | | | |
| Equity holders of the Company | 523,881 | (1,346) | 522,535 | | |
| Net income before common controlling Interest | 59,617 | (317) | 59,300 | | (f)(g) |
| Profit for the period | 583,498 | - | 583,498 | | |
| Other comprehensive income | | | | | |
| Unrealized gain on available-for-sale financial assets | - | 46,324 | 46,324 | | (c) |

| | Accounting | | IFRSs | Remarks |
|---|---------------------|-------------|----------|---------|
| | Standards in R.O.C. | Adjustments | | |
| Actuarial gains (losses) on defined benefits | - | 18,722 | 18,722 | (g) |
| Income taxes relating to components of other comprehensive income | - | (3,835) | (3,835) | (g) |

(e) Reconciliation for comprehensive income for the three-month period ended March 31, 2012:

| | Accounting | | IFRSs | Remarks |
|--|---------------------|-------------|-------------------|----------|
| | Standards in R.O.C. | Adjustments | | |
| Revenues | | | | |
| Brokerage | \$ 562,081 | | \$ 562,081 | (j) |
| Dividend revenues | - | | - | |
| Clearance fee from consignment | 19,414 | | 19,414 | |
| Gain on disposal of derivative financial instruments | 296,709 | | 296,709 | |
| Futures management fees revenues | - | | - | |
| Futures advisory revenues | 577 | | 577 | |
| Other operating revenues | 114,925 | | 114,925 | |
| Total revenues | 993,706 | | 993,706 | |
| Brokerage fee | (97,201) | | (97,201) | |
| Dealer handling fee | (15,171) | | (15,171) | |
| Loss on disposal of operating securities | - | | - | |
| Futures commission | (130,882) | | (130,882) | |
| Clearance fee | (90,425) | | (90,425) | |
| Loss on disposal of derivative financial instruments | (160,204) | | (160,204) | |
| Employee benefits expenses | (127,842) | (\$ 780) | (128,622) | (f) 、(g) |
| Depreciation and amortization | (22,224) | | (22,224) | |
| Other operating expenses | (160,396) | | (160,396) | |
| Financial costs | (6,433) | | (6,433) | |
| Total expenses | (810,778) | | (811,558) | |
| Operating income | 182,928 | | 182,148 | |
| Share of other comprehensive income of associates and joint ventures accounted for under equity method | (1,430) | | (1,430) | |
| Other gains and losses | (12,596) | - | (12,596) | |
| Income before income tax | 168,902 | | 168,122 | |
| Income tax expense | (25,800) | 132 | (25,668) | (f) 、(g) |
| Consolidated Net Income | 143,102 | | 142,454 | |

| | Accounting | | | Remarks |
|--|---------------------|-------------|---------|----------|
| | Standards in R.O.C. | Adjustments | IFRSs | |
| Attributable to | | | | |
| Equity holders of the Company | \$ 83,485 | (331) | 83,154 | |
| Prior interest under joint control | 59,617 | (317) | 59,300 | (f) 、(g) |
| Consolidated Net Income | 143,102 | | 142,454 | |
| Other comprehensive income | | | | |
| Unrealized gain (loss) on valuation of available-for-sale financial assets | - | - | - | (c) |
| Actuarial gain (loss) on defined benefit plan | - | - | - | (g) |
| Income tax relating to the components of other comprehensive income | - | - | - | (g) |

Reasons for reconciliation are outlined below:

- (a) According to IAS 7, 'Statement of Cash Flows', the nature of excess margin for futures transactions belongs to "cash and cash equivalents". Therefore, excess margin of \$1,401,723, \$858,197 and \$1,390,881 were reclassified from "financial assets at fair value through profit or loss- current" to "cash and cash equivalents" on January 1, 2012, December 31, 2012 and March 31, 2012, respectively. Because part of excess margin is deposited with MF Global Singapore Pte. Limited Taiwan Branch and its parent company—MF Global Holdings Ltd. has applied for bankruptcy protection in America, this part of excess margin cannot be retrieved before the liquidation procedures of MF Global Holdings Ltd. are completed. Thus, cash and cash equivalents of \$127,413 and \$124,754 were reclassified to 'other receivables-related parties' on January 1, 2012 and March 31, 2012, respectively. And cash and cash equivalents of \$24,443 were reclassified to 'other receivables—non-related parties' on December 31, 2012.
- (b) According to IAS 12, 'Income Taxes', consolidated income tax receivable (recorded under "other receivables – related parties") and income tax refundable (recorded under "Other receivables – non-related parties") pertains to current period's income tax assets. Therefore, amounts of \$3,750, \$112 and \$69 were reclassified into a separate balance sheet account as "current income tax assets" on January 1, 2012, December 31, 2012 and March 31, 2012, respectively.

- (c) In accordance with the amended “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants”, dated December 29, 2011, unlisted stocks and emerging stocks held by the Company should be measured at cost and recognized in “Available-for-sale financial assets”. 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 of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value. Therefore, the Company compared the fair value at the date with its book value for “Available-for-sale financial assets” which resulted to an adjustment of difference to unrealized gain on available-for-sale financial assets by increasing the balance by \$417,399, \$467,673 and \$514,282 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively.
- (d) In accordance with IAS 16, ‘Property, Plant and Equipment’, and ‘Rules Governing the Preparation of Financial Statements by Securities Issuers’ that are expected to be applied in 2013, prepayment on equipment of \$13,360, \$25,062 and \$14,440 were reclassified from ‘fixed assets – prepayment for equipment’ to ‘other non-current assets – prepayment for equipment’ on January 1, 2012, December 31, 2012 and March 31, 2012, respectively.
- (e) According to IAS 12, ‘Income Taxes’, income tax payable (recorded under “other payables – non-related parties”) and consolidated income tax payable (recorded under “other payables – related parties”) belongs to current period’s income tax liabilities. Therefore, the other payables – non-related parties of \$25,205, \$29,265 and \$23,898 were reclassified into a separate balance sheet account as “current income tax liabilities” on January 1, 2012, December 31, 2012 and March 31, 2012, respectively, and other payables – related parties of \$9,343 was reclassified into a separate balance sheet account as “current income tax liabilities” as of March 31, 2012.

- (f) The current accounting standards in R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognizes such costs as expenses upon actual payment. However, IAS 19, “Employee Benefits”, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period. Therefore, the Company made adjustments to “Reserve for employee benefits liabilities – current” by increasing the balance by \$12,473, \$4,310 and \$13,657 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively; “Other asset - deferred income tax assets” by increasing the balance by \$2,120, \$733 and \$2,322 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively; “Unappropriated earnings” by decreasing the balance by \$6,139 on January 1, 2012, December 31, 2012 and March 31, 2012 ; “employee benefits expenses” by decreasing the balance by \$8,163 in 2012 and by increasing the balance by \$1,184 in the first-quarter of 2012 ; “income tax expense” by increasing the balance by \$1,388 in 2012 and by decreasing the balance by \$201 in the first-quarter of 2012 ; “prior interest under joint control” by decreasing the balance by \$4,214 and \$4,569 on January 1, 2012 and March 31, 2012, respectively; “capital reserve” by decreasing the balance by \$4,569 on December 31, 2012.
- (g) 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 on high quality corporate bonds that match the currency at the end day of the reporting period and duration of its pension plan; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end day of the reporting period) instead. In accordance with current accounting standards in R.O.C., the unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, as the Company is a first-time adopter of IFRSs, the transitional provisions in IAS 19, “Employee Benefits” does not apply. Therefore, the Company has no unrecognized transitional liabilities. All the employee benefit plans, including pension plans, do not comply with IAS 19 "Employee Benefits", which states that all the employee benefit plans should recognize retroactive adjustments for previous years' actuarial pension gain or loss immediately or deferred by using corridor approach method. Instead, the Company recognized the accumulated actuarial gain or loss at transition date on the balance sheet. Therefore, the Company has made adjustments to “Accrued pension liabilities” by increasing the balance by \$31,575, \$7,398 and \$31,170 on January 1,

2012, December 31, 2012 and March 31, 2012, respectively; “Other asset - deferred income tax assets” by increasing the balance by \$5,343, \$5,093 and \$4,446 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively; “Unappropriated earnings” by decreasing the balance by \$22,007 on January 1, 2012, December 31, 2012 and March 31, 2012 ; “employee benefits expenses” by decreasing the balance by \$1,621 and \$405 in 2012 and the first-quarter of 2012, respectively; “income tax expense” by increasing the balance by \$275 and \$69 in 2012 and the first-quarter of 2012, respectively; “prior interest under joint control” by decreasing the balance by \$4,201 and \$4,162 on January 1, 2012 and March 31, 2012, respectively; “capital reserve” by decreasing the balance by \$4,162 on December 31, 2012. Also, for the effect of other comprehensive income in 2012, “actuarial gain (loss) on defined benefit plan” and “Income tax relating to the components of other comprehensive income” by increasing the balance by \$18,722 and \$3,835, respectively.

- (h) In accordance with current accounting standards in R.O.C., the excess of the accumulated benefit obligation over the fair value of the pension plan (fund) assets at the balance sheet date is the minimum amount of pension liability that is required to be recognised on the balance sheet (“minimum pension liability”). However, IAS 19, ‘Employee Benefits’, has no regulation regarding the minimum pension liability. Therefore, the Company should reverse the provision of pension liability. As a result, the Company made adjustments to “deferred pension” by decreasing the balance by \$5,856 on January 1, 2012 and March 31, 2012. Also, “employee benefits liabilities – non-current” by decreasing the balance by \$5,856.
- (i) As provision for bad debts amounting to \$121,921, \$58,190 and \$121,830 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively, did not conform to the definition of provision for liabilities under IAS 37. The Company made adjustments to “other asset - deferred income tax assets” by decreasing the balance by \$20,726, \$9,892 and \$20,711 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively, and “Special reserve” by increasing the balance by \$49,928, \$48,298 and \$49,928 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively, in accordance with IAS 37 and Jin-Guan-Zheng-Quan-Zi Letter No. 1010011388 of Financial Supervisory Commission, dated June 18, 2012. Also, ‘prior interest under joint control’ were increased by \$51,267, \$0 and \$51,191 on January 1, 2012, December 31, 2012 and March 31, 2012, respectively.

- (j) Under IAS 1, “Presentation of Financial Statements”, an entity should classify a deferred tax asset or liability as noncurrent. Therefore, the Company reclassified deferred tax assets – current amounting to \$856 and \$4,222 to the “Other assets - deferred income tax assets” account on January 1, 2012 and December 31, 2012, respectively.
- (k) In accordance with paragraph 32 of ROC SFAS No. 32, cash dividends received in current year from equity securities investments other than financial assets at fair value through profit or loss shall be recognized as collection of investment costs. However, the Taiwan version of IFRSs published by the Financial Supervisory Commission does not specify the rule on liquidating dividends. Therefore, the Company reclassified cash dividends of \$2,112 received in 2012 to dividends income and reduced unrealized gain on available-for-sale financial assets by \$2,112 on December 31, 2012.
- (l) The Company uses the initial costs of property, equipment and intangible assets as their ‘deemed cost’ under IFRSs and measures these assets subsequently using the cost model in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Firms”.
- (m) The Company adjusted retrospectively the cumulative translation differences arising on the translation of the financial statements of foreign operations on the date of transition to IFRSs and deals with translation differences arising subsequent to the transition date in accordance with IAS 21, ‘The Effects of Changes in Foreign Exchange Rates’.