KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years Ended

December 31, 2013 and 2012 (restated)

With Independent Accountant's Audit Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors
KGI Securities Co. Ltd.

We have audited the accompanying consolidated balance sheet of KGI Securities Co. Ltd. (the Company) and its subsidiaries as of December 31, 2013, 2012 (restated) and January 1, 2012, and the related consolidated comprehensive income statements, statements of changes in equity and statements of cash flows for the years ended December 31, 2013 and 2012 (restated). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The restated periods of consolidated financial statements were restated based on the explanatory paragraph, and we did not audit the restated periods' consolidated financial statements of the dissolving company, Grand Cathay Securities Corporation and its subsidiaries, and the subsidiary, Global Securities Finance Corporation; those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of Grand Cathay Securities Corporation and its subsidiaries and the subsidiary, Global Securities Finance Corporation, are based solely on the reports of the other auditors. The financial statements of Grand Cathay Securities Corporation and its subsidiaries in total reflect NT 53,589,649 thousand dollars (24.41% of consolidated total assets) as of December 31, 2012; and NT 435,576 thousand dollars (16.93% of consolidated income before income tax) of income before income tax which accounted from the date of public tender offer to December 31, 2012; the financial statements of the subsidiary, Global Securities Finance Corporation in total reflect NT 9,097,438 thousand dollars (3.76% of consolidated total assets) and NT 8,957,639 thousand dollars (4.08% of consolidated total assets) as of December 31, 2013 and 2012, respectively; and NT 152,387 thousand dollars (3.41% of consolidated income before income tax) and NT 100,841 thousand dollars (3.92% of consolidated income before income tax) of income before income tax which for the year ended December 31, 2013 and accounted from the date of public tender offer to December 31, 2012, respectively. In addition, we did not audit the financial statements of a subsidiary, KGI Securities Investment Trust Co., Ltd. which statements are based solely on the reports of the other auditors and in total reflect NT 328,369 thousand dollars (0.14% of consolidated total assets), 340,038 thousand dollars (0.15% of restated consolidated total assets) and NT 336,453 thousand dollars (0.20% of consolidated total assets) of total assets as of December 31, 2013, 2012 and January 1, 2012, respectively; and NT 14,118 thousand dollars loss (-0.32% of consolidated income before income tax) and NT 3,827 thousand dollars profit (0.15% of consolidated income before income tax) of income before income tax for the years ended December 31, 2013 and 2012, respectively.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2013, 2012 (restated), and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012 (restated) in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee, and Standing Interpretation Committee Interpretations as recognized by Financial Supervisory Commission of the Republic of China.

As describe in Notes IV.3 and VI.28 of consolidated financial statements, the business combinations of the Company, KGI Futures Co., Ltd. and KGI Securities Investment Advisory Co., Ltd. with affiliates, Grand Cathay Securities Corporation, Grand Cathay Futures Co., Ltd. and Grand Cathay Securities Investment Advisory Co., Ltd. are classified as structure reorganizations under joint control. Since the date which China Development Financial Holdings Corporation acquired control right of the Company through public tender offer, the Company shall regard the date as the business combination had taken place and restated the prior years' consolidated financial statements.

In addition, we have also audited the single financial statements of the Company for the years ended December 31, 2013 and 2012 (restated), under separate cover, on which we have issued a modified unqualified opinion thereon.

Ernst & Young
Taipei, Taiwan
Republic of China

March 21, 2014

Notice to Readers

The accompanying financial statements are intended only to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2013, December 31 2012 (restated), and January 1, 2012

(Expressed in New Taiwan Thousand Dollars)

ASSETS	12/31/13	Restated 12/31/12	1/1/12
CURRENT ASSETS			
Cash and cash equivalents (Notes IV, VI.1 and VII)	$15,508,693	$14,292,743	$9,320,747
Financial assets measured at fair value through profit or loss-current (Notes IV, V, VI.2, VI.21, VII and VIII)	72,526,053	62,971,947	38,299,241
Financial assets measured at cost-current (Notes IV and VI.3)	402,061	632,924	314,119
Available-for-sale financial assets-current (Notes IV, VI.4 and VIII)	4,352,227	2,945,109	2,986,387
Bond investments for which no active market exists-current (Notes IV and VI.6)	5,161	-	-
Bonds purchased under resale agreements (Notes IV, VI.7 and VII)	10,127,858	4,759,151	9,350,515
Margin loans receivable (Notes IV, VI.8 and VII)	41,135,460	33,434,237	24,130,150
Refinancing margin (Notes IV)	47,861	36,026	10,842
Refinancing deposits receivable (Note IV)	46,568	37,488	9,454
Customers' margin accounts (Notes IV, VI.9 and VII)	13,921,927	16,396,492	16,296,714
Stock borrowing collateral price	127,219	329,766	218,391
Stock borrowing margin	3,556,809	6,804,232	6,706,464
Notes receivable (Notes IV)	51,424	2,153	163
Accounts receivable (Notes IV and VI.11)	26,526,720	23,558,247	15,053,533
Prepayments	139,014	237,242	158,801
Other financial assets-current (Notes IV and VI.1)	4,372,654	3,311,850	1,803,240
Current tax assets (Notes IV, V, VI.31 and VII)	309,705	313,468	237,038
Non-current asset held for sale (Notes IV and VI.12)	-	52,606	-
Other current assets (Note VIII)	23,048,740	22,492,519	21,180,087
Total Current Assets	216,206,154	192,608,200	146,075,886
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Notes IV, V, VI.2 and VIII)	20,435	413,331	50,850
Financial assets measured at cost-non-current (Notes IV and VI.3)	989,580	951,992	1,517,408
Available-for-sale financial assets-non-current (Notes IV, VI.4, VII and VIII)	2,873,870	3,002,420	2,600,890
Held to maturity financial assets-non-current (Notes IV and VI.5)	158,194	5,029	-
Bond investments for which no active market exists-non-current (Notes IV and VI.6)	-	10,156	14,992
Investments accounted for using the equity method (Notes IV, VI.13 and VIII)	2,087,928	1,995,613	-
Property and equipment (Notes IV, VI.14, VII and VIII)	6,208,610	6,606,404	3,802,433
Investment property (Notes IV, VI.15 and VIII)	314,626	162,634	36,148
Intangible assets (Notes IV, V and VI.16)	8,096,034	8,315,013	9,018,621
Deferred tax assets (Notes IV, V and VI.31)	609,980	554,672	301,219
Other non-current assets (Notes VI.17 and VIII)	4,651,895	4,905,364	3,284,393
Total Non-current Assets	26,011,152	26,922,628	20,626,954
TOTAL ASSETS	$242,217,306	$219,530,828	$166,702,840

(Continue on next page)

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

(Continue from previous page)

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2013, December 31 2012 (restated), and January 1, 2012

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	12/31/13	Restated 12/31/12	1/1/12
CURRENT LIABILITIES			
Short-term borrowings (Notes VI.18 and VII)	$13,136,025	$10,044,177	$5,611,808
Commercial papers payable (Note VI.19)	1,916,178	1,172,754	8,203,251
Financial liabilities measured at fair value through profit or loss-current (Notes IV, V, VI.20, and VI.21)	12,811,467	8,566,515	4,874,971
Bonds sold under repurchase agreements (Notes IV, VI.22 and VII)	41,330,756	38,970,540	30,600,480
Deposits for short sales (Note VI.8 and VII)	3,827,400	3,892,605	2,654,170
Short sales proceeds payable (Note VI.8 and VII)	11,311,783	10,343,800	10,207,658
Securities lending refundable deposits	8,810,697	8,760,452	9,162,105
Futures customers' equity (Notes IV and VII)	13,896,226	16,201,812	15,712,869
Notes payable	-	11,140	10,824
Accounts payable (Note VI.23 and VII)	35,517,161	29,990,788	18,988,029
Amounts received in advance	1,782	17,066	1,523
Amounts collected for other parties	1,711,159	633,872	216,829
Other payable	2,310,277	2,196,352	2,227,559
Other financial liabilities-current (Notes IV and VI.21)	13,675,085	8,184,305	4,657,032
Current tax liabilities (Note IV, V, VI.31 and VII)	2,559,179	2,422,714	1,233,244
Liabilities associate with non-current asset held for sales (Notes IV and VI.12)	-	4,175	-
Current portion of long-term borrowings (Note VI.24)	-	-	484,640
Other current liabilities	85,380	14,265	8,035
Total Current Liabilities	162,900,555	141,427,332	114,855,027
NON-CURRENT LIABILITIES			
Bonds payable (Note VI.25)	3,100,000	3,100,000	-
Other financial liabilities-non-current (Note VI.21)	-	190,491	-
Liabilities reserve-non-current (Notes IV and VI.27)	218,172	227,727	155,209
Deferred tax liabilities (Notes IV, V, and VI.31)	781,997	660,730	438,275
Other non-current liabilities (Notes IV, V, and VI.26)	525,818	626,957	345,033
Total Non-Current Liabilities	4,625,987	4,805,905	938,517
Total Liabilities	167,526,542	146,233,237	115,793,544
EQUITY			
Capital stock abstract (Note VI.28)			
Common stock	45,988,123	32,697,809	32,697,809
Capital reserve (Note VI.28)	9,545,585	3,013,856	3,013,856
Retained earnings (Note VI.28)			
Legal reserve	2,982,583	2,825,768	2,627,433
Special reserve	6,541,045	6,945,365	5,632,428
Unappropriated earnings (Note VI.28)	3,046,370	3,332,600	4,823,287
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation (Note IV)	(716,450)	(870,693)	(559,370)
Unrealized gain or loss on available-for-sale financial assets (Note IV)	1,239,961	(198,319)	(356,729)
Equity attributable to owners of the parent company	68,627,217	47,746,386	47,878,714
Prior interest under joint control (Note IV)	-	19,494,239	-
Non-controlling interests (Note IV and VI.28)	6,063,547	6,056,966	3,030,582
Total Equity	74,690,764	73,297,591	50,909,296
TOTAL LIABILITIES AND EQUITY	$242,217,306	$219,530,828	$166,702,840

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

For the years Ended December 31, 2013 and 2012 (restated)

(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Years Ended December 31	
		Restated
	2013	2012
REVENUES (Note IV)		
Brokerage handling fee revenue (Note VI.29 and VII)	$6,423,756	$6,088,761
Revenue from borrowed securities	482,279	658,238
Revenue from underwriting business (Note VI.29)	438,999	366,570
Revenue from wealth management services-net	32,667	(445)
Gains/(losses) on disposal of trading securities-net (Note VI.29)	2,422,455	894,034
Revenue from providing agency service for stock affairs (Note VII)	159,933	100,696
Interest income (Note VI.29)	2,709,217	2,517,654
Dividend income	469,740	350,257
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.29)	1,048,946	735,317
Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net (Note VI.29)	149,998	179,765
Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	(11,775)	(341,096)
Gains/(losses) on warrants issued-net (Note VI.21)	303,564	587,058
Gains/(losses) on derivative financial product-futures-net (Note VI.21)	680,071	58,498
Gains/(losses) on derivative financial product-GTSM-net (Note VI.21)	(988,042)	126,209
Consulting fees	369	-
Other operating revenue (Note VI.29 and VII)	441,162	515,088
Total Revenues	14,763,339	12,836,604
COSTS AND EXPENSES		
Brokerage handling fee expenses	518,884	494,001
Dealing handling fee expenses	50,658	90,609
Refinancing handling fee expenses	848	1,073
Financial costs (Note VI.29)	458,736	588,522
Losses on trading of borrowed securities	50,229	21,681
Futures commission expenses	97,001	109,521
Settlement and clearing service expenditures	152,181	135,486
Other operating costs	109,580	186,552
Employee benefits expenses (Notes IV, VI.26, VI.29 and VII)	6,271,535	5,603,195
Depreciation and amortization (Notes IV and VI.29)	671,559	721,983
Other operating expenses (Notes VI.29)	3,644,298	3,436,262
Total Costs and Expenses	12,025,509	11,388,885
INCOME FROM OPERATIONS	2,737,830	1,447,719
NON-OPERATING INCOME OR COSTS		
Share of the profit or loss of associates and joint ventures accounted for using the equity method (Notes IV and VI.13)	252,016	96,387
Other income and costs (Note VI.29)	1,480,265	1,028,019
Total Non-Operating Income or Costs	1,732,281	1,124,406
INCOME BEFORE INCOME TAX	4,470,111	2,572,125
INCOME TAX EXPENSES (Notes IV, V and VI.31)	(352,186)	(415,471)
NET INCOME	4,117,925	2,156,654
OTHER COMPREHENSIVE INCOME (Note VI.30)		
Exchange differences resulting from translating the finacial statements of a foreign operation	391,911	(412,451)
Unrealized gain or loss on available-for-sale financial assets	1,407,798	209,906
Net actuarial gain or loss on defined benefit plan	(70,584)	(248,093)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	(109,365)	44,548
Income tax relating to components of other comprehensive income	7,506	44,147
Current other comprehensive income-net of tax	1,627,266	(361,943)
CURRENT COMPREHENSIVE INCOME	$5,745,191	$1,794,711
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$3,104,924	$1,548,764
Prior interest under joint control	$912,033	$437,566
Non-controlling interests (Note VI.28)	$100,968	$170,324
CURRENT COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent company	$4,671,749	$1,175,584
Prior interest under joint control	$975,680	$446,474
Non-controlling interests (Note VI.28)	$97,762	$172,653
EARNINGS PER SHARE (Note VI.32)		
Net income attributable to owners of the parent company	$0.87	$0.49

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

English Translation of Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years Ended December 31, 2013 and 2012 (restated)
(Expressed in New Taiwan Thousand Dollars)

	Equity Attributed to Owners of the Parent Company										
	Capital stock abstract		Retained Earnings			Other Equity					
Items	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealized Gain or Loss on Available-for-sale Financial Assets	Total	Prior Interest Under Joint Control	Non-controlling Interests	Total Equity
Balance, January 1, 2012	$32,697,809	$3,013,856	$2,627,433	$5,632,428	$4,823,287	$(559,370)	$(356,729)	$47,878,714	$-	$3,030,582	$50,909,296
Prior interest under joint control since merging	-	-	-	-	-	-	-	-	19,047,765	5,975,680	25,023,445
Prior interest under joint control-net income before merging	-	-	-	-	-	-	-	-	437,566	64,158	501,724
Prior interest under joint control-other comprehensive income before merging	-	-	-	-	-	-	-	-	8,908	2,391	11,299
Appropriations:											
Legal reserve	-	-	198,335	-	(198,335)	-	-	-	-	-	-
Special reserve	-	-	-	1,312,937	(1,312,937)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,307,912)	-	-	(1,307,912)	-	-	(1,307,912)
Net income for the year ended December 31, 2012 (restated)	-	-	-	-	1,548,764	-	-	1,548,764	-	106,166	1,654,930
Other comprehensive income for the year ended December 31, 2012 (restated)	-	-	-	-	(220,267)	(311,323)	158,410	(373,180)	-	(62)	(373,242)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(3,121,949)	(3,121,949)
Balance, December 31, 2012 (restated)	32,697,809	3,013,856	2,825,768	6,945,365	3,332,600	(870,693)	(198,319)	47,746,386	19,494,239	6,056,966	73,297,591
Prior interest under joint control-net income before merging	-	-	-	-	-	-	-	-	912,033	50	912,083
Prior interest under joint control-other comprehensive income before merging	-	-	-	-	-	-	-	-	63,647	-	63,647
Prior interest under joint control-appropriations before merging	-	-	-	-	-	-	-	-	(680,732)	-	(680,732)
Common stock issued on June 22, 2013 due to merging	13,290,314	6,531,729	-	-	-	(33,632)	776	19,789,187	(19,789,187)	-	-
Cash reduction of subsidiary	-	-	-	-	-	-	-	-	-	(3,121)	(3,121)
Appropriations:											
Legal reserve	-	-	156,815	-	(156,815)	-	-	-	-	-	-
Special reserve	-	-	-	313,630	(313,630)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(717,950)	717,950	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,580,105)	-	-	(3,580,105)	-	-	(3,580,105)
Net income for the year ended December 31, 2013	-	-	-	-	3,104,924	-	-	3,104,924	-	100,918	3,205,842
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(58,554)	187,875	1,437,504	1,566,825	-	(3,206)	1,563,619
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(88,060)	(88,060)
Balance, December 31, 2013	$45,988,123	$9,545,585	$2,982,583	$6,541,045	$3,046,370	$(716,450)	$1,239,961	$68,627,217	$-	$6,063,547	$74,690,764

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

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years Ended December 31, 2013 and 2012 (restated)

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax expenses	$4,470,111	$2,572,125
Adjustments to reconcile income before income tax expenses to net cash (used in)/provided by operating activities:		
Depreciation	345,568	316,747
Amortization	325,991	405,236
Reserve for bad debts	721	47,512
Interest expenses	458,736	588,522
Interest income	(3,135,962)	(2,987,085)
Dividend income	(574,344)	(407,163)
Share of the profit or loss of associates and joint ventures accounting for using the equity method	(252,016)	(96,387)
(Gains)/losses on disposal of property and equipment	(251,392)	(4,068)
Realized gains on sales-leaseback	(3,964)	(3,964)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(9,553,357)	840,252
Financial assets measured at cost-current	230,114	(318,805)
Available-for-sale financial assets-current	123,386	761,343
Bonds purchased under resale agreements	(5,368,707)	9,971,112
Margin loans receivable	(7,701,223)	(4,506,822)
Refinancing margin	(11,835)	(25,184)
Refinancing deposits receivable	(9,080)	(28,034)
Customers' margin accounts	2,474,565	1,545,028
Stock borrowing collateral price	202,547	(49,801)
Stock borrowing margin	3,247,423	47,969
Notes receivable	(49,271)	(1,990)
Accounts receivable	(2,894,432)	(1,111,877)
Prepayments	98,228	(5,558)
Other financial assets-current	(1,060,804)	(1,508,610)
Other current assets	(308,741)	1,403,755
Financial assets measured at fair value through profit or loss-non-current	392,896	7,717
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	4,244,952	2,804,449
Bonds sold under repurchase agreements	2,360,216	(15,097,723)
Deposits for short sales	(65,205)	774,646
Short sales proceeds payable	967,983	(428,175)
Securities lending refundable deposits	50,245	(401,653)
Futures customers' equity	(2,305,586)	(1,141,604)
Notes payable	(11,140)	316
Accounts payable	5,528,396	3,308,767
Amounts received in advance	(15,284)	10,806
Amounts collected for other parties	1,077,287	(129,932)
Other payable	99,647	(476,333)
Other financial liabilities-current	5,490,780	2,249,796
Other current liabilities	71,115	4,586
Other financial liabilities-non-current	(190,491)	(11,015)
Liabilities reserve-non-current	(8,553)	72,518
Other non-current liabilities-others	(167,759)	160,655
Cash provided by/(used in) operating activities	(1,678,239)	(847,926)
Interest received	3,110,948	3,102,353
Dividend received	574,344	407,163
Interest paid	(446,481)	(537,422)
Income tax paid	(40,141)	(164,408)
Net cash provided by/(used in) operating activities	1,520,431	1,959,760

(Continue on next page)

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

(Continue from previous page)

English Translation of Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years Ended December 31, 2013 and 2012 (restated)

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
		Restated
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of available-for-sale financial assets-non-current	(234)	(110,253)
Disposal of available-for-sale financial assets-non-current	63,526	-
Purchase of financial assets measured at cost-current	(86,326)	(14,376)
Disposal of financial assets measured at cost-current	6,121	150,121
Refunding of financial assets measured at cost	44,565	48,664
Purchase of held to maturity financial assets-non-current	(153,800)	(5,029)
Refunding of investments accounted for using the equity method	3,307	2,543
Purchase of property and equipment	(137,671)	(118,769)
Proceeds from disposal of property and equipment	78,288	59,533
(Increase)/decrease in operation bond	369,155	(376,969)
(Increase)/decrease in settlement/clearance fund	96,611	296,824
(Increase)/decrease in guarantee deposits-out	(151,116)	(577,394)
Purchase in intangible assets	(81,418)	(64,688)
(Increase)/decrease in other non-current assets	(271,416)	421,659
Divedend received	163,810	4,253
Net cash provided by/(used in) investing activities	(56,598)	(283,881)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase/(decrease) in short-term borrowings	3,091,848	1,585,662
Increase/(decrease) in commercial papers payable	743,424	(7,030,497)
Increase/(decrease) in current portion of long-term borrowings	-	(484,640)
Issue bonds	-	3,100,000
Cash dividends	(4,260,837)	(1,307,912)
Cash reduction of capital	(3,121)	-
Changes in non-controlling interests	(88,060)	5,420,210
Net cash provided by/(used in) financing activities	(516,746)	1,282,823
EFFECTS OF EXCHANGE RATE CHANGES	268,863	73,670
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,215,950	3,032,372
EFFECTS OF CONSOLIDATED ENTITY CHANGES	-	1,939,624
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	14,292,743	9,320,747
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$15,508,693	$14,292,743

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

I. **Organization and Operations**

KGI Securities Co. Ltd. (the Company) was established under the Company Law of the Republic of China ("ROC") on September 14, 1988 to operate as a securities underwriter, dealer, broker, and commenced its operations since December 10, 1988.

The Company acquired and merged Jen-Hsin Securities Co., Ltd. Ta Ya Securities Co., Ltd. and Feng Yuan Securities Co., Ltd. on November 11, 2002. Therefore, the Company assumed all assets, liabilities, rights and obligations of Jen-Hsin Securities Co., Ltd. Ta Ya Securities Co., Ltd. and Feng Yuan Securities Co., Ltd.

The Company acquired and merged Tai-Yu Securities Co., Ltd. on October 13, 2003. Therefore, the Company assumed all assets, liabilities, rights and obligations of Tai-Yu Securities Co., Ltd.

The Company acquired and merged Taishin Securities Co., Ltd. on December 19, 2009. Therefore, the Company assumed all assets, liabilities, rights and obligations of Taishin Securities Co., Ltd.

China Development Financial Holdings Corporation ("CDFH") announced the commencement of a tender offer for 1 share of the Company for NT 5.5 in cash and 1.2 CDFH share on May 3, 2012. CDFH had acquired 81.73% shares of the Company through the public tender offer period, from May 7 to May 28, 2012. The Board of Directors set January 18, 2013 is the record date for stock conversion on December 17, 2012. The Company converted 1 share of the Company's common stock to 1.2 shares of CDFH's common stock and NT 5.1 in cash, becoming 100% owned subsidiary of CDFH. Meanwhile, the Company's stock trading via OTC will be suspended.

The Company merged Grand Cathay Securities Corporation ("GCSC") on June 22, 2013. Therefore, the Company assumed all assets, liabilities, rights and obligations of GCSC.

The Company's registered address is 3F, No.698 and 3F, No. 700, Mingshui Road, Taipei City. As of December 31, 2013, the Company had 95 branches including headquarter.

II. **Date and procedures of authorization of financial statements for issue**

The consolidated financial statements of the Company for the years ended December 31, 2013 and 2012 were authorized for issue in accordance with a resolution of the Board of Directors on March 21, 2014.

III. **Newly issued or revised standards and interpretations**

1. Standards or interpretations issued, revised or amended, which are recognized by Financial Supervisory Commission ("FSC"), but not yet adopted by the Company at the date of issuance of the Company's financial statements are listed below.

International Financial Reporting Standard ("IFRS") 9 "Financial Instruments"

IFRS 9 Financial Instruments which is divided in three distinct phases is designed by the International Accounting Standards Board ("IASB") to eventually replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The first phase relates to the classification and measurement of financial assets and liabilities that must be applied for annual periods beginning on or after January 1, 2015. IASB will work on the remaining phases relate to impairment methodology and hedge accounting. However, companies adopting International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the FSC (collectively referred to as "TIFRS") may not early adopt IFRS 9. FSC will announce the local effective date for IFRS 9 in the future. Adopting the first phase of IFRS 9 will only have an impact on the classification and measurement of financial assets. The impact of adopting the remaining two phases of IFRS 9 on the Company could not be determined at this stage.

2. Standards or interpretations issued by the IASB but not yet recognized by the FSC are listed below.

Standards or interpretations	Effective date (Note 1)
Improvements to IFRSs 2010:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	January 1, 2011
IFRS 3 *Business Combinations*	July 1, 2010
IFRS 7 *Financial Instruments: Disclosures*	January 1, 2011
IAS 1 *Presentation of Financial Statements*	January 1, 2011
IAS 34 *Interim Financial Reporting*	January 1, 2011
IFRIC 13 *Customer Loyalty Programmes*	January 1, 2011
Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)	July 1, 2010
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	July 1, 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures*	July 1, 2011
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 *Income Taxes*)	January 1, 2012
IFRS 10 *Consolidated Financial Statements*	January 1, 2013
IAS 27 *Separate Financial Statements*	January 1, 2013
IFRS 11 *Joint Arrangements*	January 1, 2013
IAS 28 *Investments in Associates and Joint Ventures*	January 1, 2013
IFRS 12 *Disclosure of Interests in Other Entities*	January 1, 2013
IFRS 13 *Fair Value Measurement*	January 1, 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	July 1, 2012
Amendments to IAS 19 *Employee Benefits*	January 1, 2013
Government Loans (Amendments to IFRS 1)	January 1, 2013
Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	January 1, 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 *Financial Instruments: Presentation*)	January 1, 2014
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013
Annual Improvements 2009-2011 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	January 1, 2013
IAS 1 *Presentation of Financial Statements*	January 1, 2013
IAS 16 *Property, Plant and Equipment*	January 1, 2013

Standards or interpretations	Effective date (Note 1)
IAS 32 *Financial Instruments: Presentation*	January 1, 2013
IAS 34 *Interim Financial Reporting*	January 1, 2013
Amendments to IFRS 10 "*Consolidated Financial Statements*"	January 1, 2014
IAS 36 *Impairment of Assets*	January 1, 2014
IAS 39 *Financial Instruments: Recognition and Measurement*	January 1, 2014
IFRIC 21 *Levies*	January 1, 2014
IAS 39 *Financial Instruments: Recognition and Measurement (Novation of derivatives and continuation of hedge accounting and amendments to IFRS 39)*	January 1, 2014
IFRS 9 *Financial Instruments (Hedge Accounting and amendments to IFRS 9)*	Not released
Amendments to IAS 19 "*Employee Benefits*"*Defined Benefit Plans: Employee Contributions*	July 1, 2014
Annual Improvements 2010-2012 Cycle:	
IFRS 2 *Share-based Payment*	Note 2
IFRS 3 *Business Combinations*	Note 3
IFRS 8 *Operating Segments*	July 1, 2014
IFRS 13 *Fair Value Measurement*	Note 4
IAS 16 *Property, Plant and Equipment*	July 1, 2014
IAS 24 *Related Party Disclosures*	July 1, 2014
IAS 38 *Intangible Assets*	July 1, 2014
Annual Improvements 2011-2013 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	July 1, 2014
IFRS 3 *Business Combinations*	July 1, 2014
IFRS 13 *Fair Value Measurement*	July 1, 2014
IAS 40 *Investment Property*	July 1, 2014
IFRS 14 *Regulatory Deferral Accounts issued*	January 1, 2016

Note:

1. Besides those dated, newly issued standards or interpretations mentioned above go into effect in the following years of each respective date.
2. Effective on share-based payment happened after 1 July, 2014.
3. Effective on business combination dated after 1 July, 2014.
4. Effective as amended.

The potential effects of the standards or interpretations on the Company's consolidated financial statements in future periods are summarized as below:

Improvements to IFRS 2010

IFRS 3 "Business Combinations"

Under the amendment, IFRS 3 (as revised in 2008) do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Furthermore, the amendment limits the scope of the measurement choices for non-controlling interest. Only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation could be measured at either fair value or at the present ownership instruments' proportionate share of the identifiable net assets of acquiree. Other components of non-controlling interest are measured at their acquisition date fair value.

The amendment also requires an entity in a business combination to account for the replacement of the acquiree's share-based payment transactions (when the acquirer is not obliged to do so) as new share-based payment awards in the post-combination financial statements.

Outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions: if vested-they are part of non-controlling interest; if unvested-they are measured at market based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

IFRS 7 "Financial Instruments: Disclosures"

The amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

Amendments to IFRS 7"Financial Instruments: Disclosures"

The amendment requires an entity to supplement quantitative and qualitative disclosures for all transferred financial assets that are not derecognized where there has been some continuing involvement in a transferred asset.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and SIC-12. The changes introduced by IFRS 10 primarily relate to the elimination of the perceived inconsistency between IAS 27 and SIC-12 by introducing a new integrated control model. That is, IFRS 10 primarily relates to whether to consolidate another entity, but does not change how an entity is consolidated.

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 presents disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities in a single IFRS.

IFRS 13 "Fair Value Measurement"

To reduce complexity in applying fair value measurements and improve consistency, IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. It does not require fair value measurements in addition to those already required or permitted by other IFRSs.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

The amendment requires an entity to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

Amendments to IAS 19 "Employee Benefits"

The revision includes: (1) for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. Actuarial gains and losses are now recognized in Other Comprehensive Income. (2) Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income or expenses. (3) New disclosures include quantitative information about the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption. (4) Termination benefits will be recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, etc.

Disclosures -Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

These amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or ‘similar agreement’.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 “Financial Instruments: Presentation”)

The amendment clarifies the meaning of the “currently guidance has a legally enforceable right to set-off” in IAS 32.

Annual Improvements 2009-2011 cycle

IAS 1 “Presentation of Financial Statements”

The amendment clarifies the difference between voluntary additional and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the opening financial statements.

IAS 34 “Interim Financial Reporting”

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 “Operating Segments”. Besides, total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

Amendments to IFRS 10 “Consolidated Financial Statements”

The investment entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

IAS 36 "Impairment of Assets"

This amendment issued in May 2011 and requires entities to disclose the recoverable amount of an asset (including goodwill) or a cash-generating unit when an impairment loss has been recognized or reversed during the period. The amendment also requires detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed, including valuation techniques used, level of fair value hierarchy of assets and key assumptions used in measurement.

IFRIC 21 "Levies"

This interpretation provides guidance on when to recognize a liability for a levy imposed by a government (both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain).

Amendments to IAS 19 "Employee Benefits"

The amendments permit to choose simplified accounting methods for contributions from employees or third parties with no relation to the years of service rendered by employee. This would be the case for contributions that are a fixed percentage of the employees's salary, for example.

Annual Improvement 2010-2012 Cycle

IFRS 3 "Business Combinations"

Under the amended requirements, contingent consideration that is classified as an asset or liability is measured at fair value at each reporting date and changes in fair value are recognized in profit or loss, both for contingent consideration that is within the scope of IFRS 9 or otherwise. IAS 37 "Provisions, Contigent Liabilities and Contigent Assets" or other IFRSs are no longer applicable to this issue.

IFRS 8 "Operating Segments"

Requires an entity disclose the judgments made by management in applying the aggregation criteria to operating segments. Also, this amendment clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

IFRS 13 "Fair Value Measurement"

Clarifies that issuance of IFRS 13 and consequential amendment of IFRS 9 and IAS 39 did not remove the related measuring regulations.

IAS 16 "Property, Plant and Equipment"

Clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 24 "Related Party Disclosures"

Clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party.

Annual Improvement 2011-2013 Cycle

IFRS 3 "Business Combinations"

Clarifies that the exemptions of IFRS 3 include the formation of a joint arrangement defined by IFRS 11 and apply only in the financial statements of the joint arrangement itself.

IFRS 13 "Fair Value Measurement"

Clarifies that the scope of IFRS 13 in paragraph 52 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

IAS 40 "Investment Property"

Clarifies that determining whether a specific transaction meets the definition of IFRS 3 "Business Combinations" and investment property as defined in IAS 40 "Investment Property" requires the separate application of both standards independently.

The above mentioned standards and interpretations issued by IASB have not yet recognized by FSC at the date of issuance of the Company's financial statements, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Company at this point.

IV. Significant Accounting Policies

1. Statement of compliance

The financial statements of the Company and subsidiaries for the years ended December 31, 2013 and 2012 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee, and Standing Interpretation Committee Interpretations as recognized by FSC of the Republic of China.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

3. General Description of Reporting Entities

Principles of consolidation

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Account balances, transactions, and unrealized gains, losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the owners of the parent company and to non-controlling interests even the later having a deficit balance.

If the Company loses control of a subsidiary, it:

(a) derecognizes the assets (including goodwill) and liabilities of a subsidiary;
(b) derecognizes the carrying amount of any non-controlling interest;
(c) recognizes the fair value of the consideration received;
(d) recognizes the fair value of any investment retained;
(e) recognizes any surplus or deficit in profit or loss; and
(f) reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are as follows:

Investor	Investee	Service provided	Holding percentage 12/31/13	12/31/12	1/1/12
KGI Securities Co. Ltd	Richpoint Company Limited (Richpoint)	Investment holdings	100.00	100.00	100.00
〃	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting; discretionary investment services	100.00	100.00	100.00
〃	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	100.00
〃	KGI Venture Capital Co., Ltd.	Venture Capital	100.00	100.00	-
〃	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	99.99
〃	KGI Futures Co., Ltd. (KGI Futures)	Futures investment services	99.61	99.51	99.51
〃	Grand Cathay Holding Limited (GCH) (Note1)	Investment holdings	(Note3)	100.00	-
〃	Grand Cathay Futures Co., Ltd. (GC Futures) (Note1)	Futures investment services	(Note4)	99.87	-
〃	Grand Cathay Securities Investment Advisory Co., Ltd. (Note1)	Security investment consulting	(Note5)	100.00	-
〃	Global Securities Finance Corporation (GSFC) (Note2)	Securities finance	21.99	21.99	-
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	100.00
〃	KGI Securities (Thailand) Public Company Limited (KGI TH)	Securities investment services	See Note IV.3.(1)	See Note IV.3.(1)	34.97
GCH	Grand Cathay Securities (Hong Kong) Limited (GCSHK)	Securities investment services	(Note 6)	100.00	-

Investor	Investee	Service provided	Holding percentage		
			12/31/13	12/31/12	1/1/12
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00	100.00
〃	ANEW Holdings Limited	Investments holdings	100.00	100.00	100.00
GCSHK	Grand Cathay Capital (Hong Kong) Limited (GCC)	Investment services	(Note6)	100.00	-
KGI International Holdings Limited	KG Investments Pacific Limited	Investment services	100.00	100.00	100.00
〃	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	100.00
〃	Pacific Glory Finance One Limited	Investment services	100.00	100.00	100.00
〃	KGI Limited	Investments holdings	100.00	100.00	100.00
〃	Supersonic Services Inc.	Investments holdings	100.00	100.00	100.00
〃	KGI International Limited	Investments holdings	100.00	100.00	100.00
〃	Bauhinia 88 Ltd.	Investments holdings	100.00	100.00	100.00
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Wealth Management Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	100.00
〃	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00
〃	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00
〃	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00
〃	KGI Nominees Limited	Trust agent	100.00	100.00	100.00
〃	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00
〃	KGI Hong Kong Limited	Management services	100.00	100.00	100.00
〃	KGI Asia Limited	Securities brokerage/underwriting and investment services	100.00	100.00	100.00
〃	Trinitus Asset Management Limited	Asset management	40.00	100.00	100.00
〃	KGI Global Asset Management Limited	Asset management	100.00	100.00	100.00
〃	Bauhinia 8 Fund	Fund company	100.00	100.00	100.00
〃	Grand Cathay Securities (Hong Kong) Limited	Securities investment services	100.00	100.00	100.00
Supersonic Services Inc.	KGI Korea Limited	Investments holdings	100.00	100.00	100.00

Investor	Investee	Service provided	Holding percentage 12/31/13	12/31/12	1/1/12
KGI International Limited	KGI Securities (Singapore) Pte Ltd.	Asset management	100.00	100.00	100.00
〃	KGI Capital (Singapore) Pte Ltd.	Futures investment services	100.00	100.00	100.00
〃	Jubilant Dynasty Limited	Investment services	100.00	100.00	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	100.00
〃	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00
〃	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00
〃	KGI Investment advisory (Shanghai)Co., Ltd.	Investment consulting	100.00	-	-

Note 1: The business combinations of the Company, KGI Securities Investment Advisory Co., Ltd., and KGI Futures, are classified as reorganizations in accordance with Accounting Research and Development Foundation Interpretations 95-141 and 101-301. After CDFH acquired 81.73% shares of the Company through public tender offer, the Company became the subsidiary of CDFH, and regarded the date as having been merged. Also, restating the prior years' consolidated financial statements.

Note 2: Since the Company and GCSC jointly held 21.99% shares of GSFC, and acquired over half voting rights of the Board of Directors. Therefore, GSFC was included in the consolidated entity.

Note 3: On December 27, 2013, GCH's Board of Directors decided to dissolve GCH and started to liquidate GCH.

Note 4: On February 20, 2013, the shareholders' special meeting of the subsidiary, KGI Futures, and GC Futures adopted the resolution that KGI Futures will merge GC Futures through converting 1 share of GC Futures's common stock to 0.64 shares of KGI Futures' common stock. Therefore, KGI Futures will be the surviving company and GC Futures will be the dissolving company. The Board of Directors set June 22, 2013 as the merging date.

Note 5: On January 28, 2013, the Board of Directors (acting on behalf of shareholders) of the subsidiary, KGI Investment Advisory Co., Ltd. and Grand Cathay Securities Investment Advisory Co., Ltd. adopted the resolution that KGI Investment Advisory Co., Ltd. will merge Grand Cathay Securities Investment Advisory Co., Ltd. through converting 1 share of the Grand Cathay Securities Investment Advisory Co., Ltd.'s common stock to 1 shares of KGI Investment Advisory Co., Ltd. common stock. Therefore, KGI Investment Advisory Co., Ltd. will be the surviving company and Grand Cathay Securities Investment Advisory Co., Ltd. will be the dissolving company. The Board of Directors set June 22, 2013 as the merging date.

Note 6: On March 21, 2013, the Board of Directors of the investee companies, KGI Limited and GCH, adopted the resolution that KGI Limited will acquire GCH's 100% owned subsidiary, GCSC HK, by about USD 64,460 thousand dollars. The transaction was completed on June 20, 2013.

(1) Scope changes of subsidiaries in the consolidated financial statements:

A. In 2013, GCH's Board of Directors decided to dissolve GCH and started to liquidate.
B. KGI Select Fund-Global Macro Fund had been redeemed in 2012.

C. CDFH acquired 81.73% shares of the Company through the public tender offer method, becoming the parent company of the Company. Since the consolidation accounting principle must be consistent in the same group, KGI TH was judged not controlled by the Company in accordance with the group accounting principle. Therefore, after the day of public tender offering, KGI TH was not the entity included in the consolidation financial statements of the Company.
D. The Company established KGI Venture Capital Co., Ltd in 2012.
E. Since CDFH became the Company's parent company, the Company and GCSC had jointly held over 20% shares of GSFC, and acquired over half voting rights of its Board of Directors. Therefore, GSFC became the entity included in the consolidation financial statements of the Company.
F. The Company's oversea investee, KGI Efficient Frontier Limited ("KGIEF"), applied capital increasing and introduced the strategic investors which were approved by Financial Supervisory Commission ("FSC") and Securities and Futures Commission of Hong Kong. KGIEF had completed capital increasing and introduced new shareholders, and at the same day, KGIEF changed its name as Trinitus Asset Management Limited ("Trinitus") which was also approved by FSC. Since January 31, 2013, the Company's shareholding percentage had decreased to 40% from 100%, and did not hold over half voting rights of its Board of Directors. Hence, Trinitus and KGI Select Fund - Asian Equity Fund which was owned by Trinitus, were not controlled by the Company, and also not included in the consolidation financial statements of the Company.

(2) The nature of the relationship between the parent company and a subsidiary exists even when the parent company own, directly or indirectly through subsidiaries, less than half of the voting power: On December 31, 2011, the Company directly or indirectly has 34.97% of KGI TH which is treated as subsidiary because the Company is the largest shareholder.

(3) The reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control: Not applicable.

(4) The name of each subsidiary not included in the consolidated financial statements, percentage of shareholder's equity that is held by the parent company, and the reason for its exclusion from the consolidated financial statements: Not applicable.

(5) The arrangement made by a subsidiary in order to match the date of consolidated financial statements, the subsidiary's adjustments in its accounting period, reporting process and the reasons for differences: Not applicable.

(6) Any specific operating risks incurred by a foreign subsidiary: Not applicable.

(7) The nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent company in the form of cash dividends or to repay loans or advances: Not applicable.

(8) Details of the parent company's stock that is held by its subsidiaries: Not applicable.

(9) The related information regarding a subsidiary's issuance of convertible bonds and new common stock: Not applicable.

4. Foreign Currency Transactions and Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation

(1) The Company's consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity under the consolidated financial statements determines its own functional currency.

(2) Transactions in foreign currencies are initially recorded by the subsidiaries at their respective local functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of the reporting date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the initial transactions.

(3) The assets and liabilities of foreign operations are translated into NTD at the rate of exchange the reporting date and their gains and losses are translated at an average rate within the period. The exchange differences arising from the translations are recognized in other comprehensive income. On the disposal of a foreign operation, the total cumulative amount of the exchange differences relating to that foreign operation should be reclassified from equity to profit or loss. Regard as disposal if the Company losses of control, significant influence, or jointly control but retain partial equity.

(4) On the partial disposal of a subsidiary that includes a foreign operation that does not loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in the other comprehensive income is re-attributed to the non-controlling interests. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not lose significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profits or losses.

(5) Any goodwill and any fair value adjustments to the carrying amounts on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and reported in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:
(a) The assets are expected to be realized, or intended to be sold or consumed it in normal operating cycle;
(b) The assets are held primarily for the purpose of trading;
(c) The assets expects to be realized within twelve months after the reporting period; and
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
All other assets are classified as non-current.

A liability is classified as current when:
(a) The liabilities are expected to be settled in normal operating cycle;
(b) The liabilities are held primarily for the purpose of trading;
(c) The liabilities are due to be settled within twelve months after the reporting period; and
(d) The liabilities do not have an unconditional right to be deferred the settlement for at least twelve months after the reporting period. 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.
All other liabilities are classified as non-current.

6. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the certificate of deposits within three month periods). Bank overdrafts that are repayable on demand and form an integral part of the Company cash management are also included as a component of cash and cash equivalents.

7. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value. The transaction costs directly attributed to the financial assets and liabilities should plus or minus from its fair value.

(1) Financial assets

The Company accounts for regular transactions of financial assets on the trade date.

Financial assets of the Company are classified as financial assets measured at fair value through profit or loss, held to maturity financial assets, available-for-sale financial assets as well as loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit of loss are comprised of financial assets held for trading and financial assets designed upon initial recognition at fair value through profit or loss. Classified financial assets held for trading if the following requirements shall be met:

i. the financial instruments are held for the purpose of selling or repurchasing them in the short-term;
ii. one of the identifiable financial instrument portfolios on initial recognition, and the portfolio has the evidences of trading for short-term profits; or
iii. the financial instruments are derivatives (excluding financial promissory contracts or derivative instruments designated as hedged instruments which shall be effective).

For the contracts including one or more embedded derivative instruments, these hybrid contracts can be designated as financial assets designated as at fair value through profit or loss on initial recognition. Or, financial assets and liabilities designated at fair value through profit or loss are those that meet one of the following requirements:

i. the designation can significantly eliminate the inconsistency in measurement or recognition; or
ii. for a set of financial assets, liabilities, or both, manage and evaluate its performance based on the fair value, and the portfolio information provided to the management is also based on the fair value.

This kind of financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss including dividends or interests.

If financial assets do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets measured at fair value through profit or loss, held to maturity financial assets, or loans and receivables.

The exchange gain or loss, interest income, and dividend income generated from the book value changed of the monetary available-for-sale financial assets, were recognized as gain and loss in the periods. The subsequently measured by fair value with changes in fair value recognized as adjustments in the equity. The cumulative amount of the exchange differences are recognized as gain and loss when the financial assets are derecognized.

For equity instruments, if financial assets do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets measured at fair value through profit or loss, or loans and receivables.

After initial measurement, held to maturity financial assets are measured at amortized cost using the effective interest rate method and less impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in non-active market other than those that initial recognition designates as available-for-sale, classified as financial assets measured at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets measured at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events might include:

i significant financial difficulty of the issuer or obligor; or
ii. a breach of contract, such as a default or delinquency in interest or principal payments; or
iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
iv. the disappearance of an active market for that financial asset because of financial difficulties.

For held to maturity financial assets and loans and receivables measured at amortized cost, the Company and subsidiaries first assesse individually whether objective evidence of impairment exists individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group with similar credit risk characteristics and collectively assesses them for impairments. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows. Loans and receivables are not expected to be recovered, related balances and allowances should be written off immediately. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized should be adjusted the allowance account.

In the case of equity instruments classified as available-for-sale, where there is evidence of impairment, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that instruments previously recognized in profit or loss-is removed from the other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that instruments previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the interest rate to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss should be reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

i. the rights to receive cash flows from the asset have expired;
ii. Transferred assets and substantially all the risks and rewards of the assets have been transferred; and
iii. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is a larger part of the financial asset and qualifies for derecognition in its entirety, the Company allocates the previous carrying amount in two parts based on the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, the sum of the consideration received and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated based on the relative fair values.

(2) Financial liabilities and equity instrument

Classification of liability and equity instrument

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Financial liabilities

Financial liabilities within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Classified financial assets held for trading if the following requirements shall be met:

i. the financial instruments are held for the purpose of selling or repurchasing them in the short-term;
ii. one of the identifiable financial instrument portfolios on initial recognition, and the portfolio has the evidences of trading for short-term profits; or
iii. the financial instruments are derivatives (excluding financial promissory contracts or derivative instruments designated as hedged instruments which shall be effective).

For the contracts including one or more embedded derivative instruments, these hybrid contracts can be designated as financial liabilities designated as at fair value through profit or loss on initial recognition. Or, financial liabilities designated at fair value through profits or losses are those that meet one of the following requirements:

i. the designation can significantly eliminate the inconsistency in measurement or recognition; or
ii. for a set of financial assets, liabilities, or both, manage and evaluate its performance based on the fair value, and the portfolio information provided to the management is also based on the fair value.

This kind of financial liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss including interests from them.

If financial liabilities do not have quoted prices in non-active market and their far value cannot be reliably measured, then they are classified as financial liabilities at cost on the balance sheet on the reporting date.

Liabilities for warrants issued

Warrants issued are accrued in the account of "Liabilities for warrants issued" and recorded by the fair value method on the gross basis. The repurchase of warrants issued, according to the full disclosure principle, is recorded in the account of "Repurchased warrants", which is served as a contra item to the account of "Liabilities for warrants issued".

Liability for purchase of government bonds

It represents liability to purchase government bonds to fulfill the obligation to deliver the bonds to third parties at a future date according to a short sell contract. When the deal was made, the Company received the sales consideration from the buyer and such money received was recorded in the revenue account. In addition, the market value of such bonds was recorded in both the cost of revenue account and the account of "Liability for purchase of government bonds". At the balance sheet date, the account of "Liability for purchase of government bonds" was revalued using the fair value method and the difference between the cost and market value was recognized as the current period gain or loss.

Financial liabilities carried at amortized cost

Financial liabilities measured at amortized cost include loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are decognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same counterparty, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(3) Derivative financial instrument

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. It records all of the rights and obligations of such derivative financial instrument in the account of "Derivative financial instrument assets/liabilities". Any realized or unrealized gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(4) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(5) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

8. Collateralized Securities Transactions

Collateralized securities transactions are recorded at cost. Under the financing method, securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded at the amount of cash paid or received at the time of the transaction under "Bonds purchase under resold agreements" or "Bonds sold under repurchase agreements" accounts. The difference between the recorded cost and the amount, at which the securities will be resold or reacquired, as specified in the respective agreements, is accrued as interest expense or income.

When bonds purchased under resale agreements are short sold to third party for financing purpose, they are recorded in the account of "Bonds purchase under resold agreements", which is grouped under current liabilities in the balance sheet. At the balance sheet date, such items are recorded by the fair value method on the gross basis. When such items are covered, the resulting gains or losses are recorded in the account of "Gains/losses on covering of borrowed securities and bonds with resale agreements".

9. Customers' Margin Accounts and Futures Customers' Equity

Customers' margin accounts

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers' margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet.

Futures customers' equity

Margin deposits received from customers for futures transactions and futures customers' equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures customers' equity cannot be offset unless these accounts pertain to the same customers. The debit balance of "futures customers' equity", which results from losses on futures transactions in excess of the margin deposits, is recorded as "futures commission merchant receivable."

10. Securities Borrowing Transactions

When the Company enters into securities borrowing transactions, the amount of sales of borrowed securities are recorded in the account of "Liabilities for stocks and bonds borrowed", which are adjusted to market value at the balance sheet date. "Market value" refers to the closing price at the balance sheet date. When the borrowed securities are returned, the resulting difference between actual cost of securities returned and the amount of "Liabilities for stocks and bonds borrowed" is recorded as "Gains/losses on covering of borrowed securities and bonds with resale agreements".

11. Futures transaction

These represent margins paid for the trading in futures and options by cash or securities are recognized as futures trading margins-proprietary funds/securities through evaluating day by day; options premium paid by the Taiwan Future Exchange upon purchase of options for trading is recognized as "purchase of options-futures"; options premium received upon sale of options is recognized as "liability on sale of options-futures".

Realized gains or losses are recognized when the futures and options contracts are fulfilled. The difference between the average cost and market value is evaluated on the balance sheet date, and the unrealized gains and losses are recognized as "gains (losses) on derivative financial product- futures".

Margins paid for the futures over the original ones are recognized as "cash and cash equivalent".

12. Non-current asset held for sale

The non-current assets (or disposal groups) must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and their sale must be highly probable within one year. The Company shall measure non-current assets (or disposal groups) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

13. Investments in Associates

The Company and subsidiaries' investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

The Company recognizes the change of owner's equity based on the holding percentage if the change of associates' equity is not resulted from profit or loss and other comprehensive income and the change does not effect the Company's holding percentage. Therefore, the capital reserve resulted from disopsing the associates is recognized as profit or loss based on the holding percentage.

If the Company does not subscribe the new issuance of capital based on holding percentage, the Company adjusts the accounts of "capital reserve" and "investments accounted for using the equity method". The capital reserve resulted from disopsing the associates is recognized as profit or loss based on the holding percentage.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. The Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

14. Property and equipment

(1) Properties and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When (a) significant parts of property and equipment that are replaced is derecognized and (b) the new parts' cost increase the carrying amount of the assets, the expense can be capitalized. All other repair and maintenance costs are expensed as incurred. Disposal gain or loss is recognized as current period's other income and costs.

(2) Depreciation is calculated on a straight-line basis over the estimated economic lives (not including land). The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. If the expected values differ from the initial estimation, the change regards as changes in accounting estimation. The asset lives for building is 50 to 55 years, and others are 3 to 10 years.

15. Investment property

Investment properties are measured initially at cost including transaction costs, and not holding as operating rental or idle properties for rent income or capital increasing purpose. Assets are transferred to or from investment properties when there is a change in use, including transaction costs.

The asset lives for building is 50-55 years, calculated on a straight-line basis over the estimated economic lives. Current depreciation is expensed.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The Company transferred investment property based on actual purpose.

16. Leases

The Company as a lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

The Company as a lessor

All the risks and benefits of ownership of the lease asset which are not transferred substantially are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Sales-Leaseback

Sales-leaseback is regarded as sale and lease transaction, considering the relationship between sales price and fair value. If the sales price is equal to fair value, the differences shall be recognized at current period. However, if the sales price is higher than fair value, the Company assumes the imputed rental income of sales-leaseback might be lower than the market price. Therefore, the revenues arising from the differences between sales price and fair value shall be deferred within the expected usage period, and the excess profits of difference between fair value and book value shall be recognized as current period's gain.

In addition, if the sales price is lower than the fair value and the loss cannot be compensated from the subsequent rental income, the losses shall be recognized immediately. However, if the loss can be compensated from the future rental income, the losses shall be deferred and amortized within the expected usage period.

17. Intangible Assets

Intangible assets included goodwill, customer's relation, computer software costs and other intangible assets. Intangible assets are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any.

Except goodwill, the intangible assets with finite useful lives shall be carried at the costs less accumulated amortizations. The amortization amounts are allocated on a systematic basis over intangible assets' useful lives.

Gain or loss arising from derecognization of intangible assets is recognized as current period's gains or losses.

18. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company should test the assets individually or the cash-generating unit ("CGU"). Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation.

A CGU, which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

19. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

Provisions shall be reviewed periodically, and adjusted to reflect the most appropriate estimation currently. If the obligation of repayment is probably, the provisions shall be reversed.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a properties and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a financial cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

20. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met when revenue is recognized:

(1) Brokerage handling fee revenue/expenses are recognized on the transaction date.
(2) Gains/ (losses) on disposal of trading securities are recognized on the transaction date.
(3) Interest income/expense on margin loans and short sales of securities and bonds purchased under resale agreements, bonds sold under repurchase agreements are recognized respectively over the loan period on an accrual basis.
(4) Consulting and financial advisory, revenue from underwriting business and related service charges are recognized according to the contracts or agreements on accrual basis.
(5) Royalty revenues are recognized according to the substantial contracts based on accrual basis. If the royalty revenues are recorded on time basis, the revenues shall be recognized within the agreement period under straight-line method. However, if the royalty revenues are recorded on other bases, it should according to relevant agreements.
(6) Revenue from providing agency service for stock affairs is recognized according to the contracts based on the accrual basis.
(7) Futures commission revenue is recognized on the transaction date and the Company assists in futures transactions and fees collection. Recognized according to the trading period based on the accrual basis.
(8) Gain (losses) on futures contracts: The margin of futures transactions is recognized as cost. Costs and expenses are recognized as incurred.
(9) Options transaction income (loss): The premium of options transaction is recognized as cost. The options are evaluated monthly based on the market value. Options transaction gains or losses arising from settlement are recognized in current period.
(10) Dividends income is recognized when the Company right to receive the payment is established.
(11) Rental income：Rental income arising from operating leases is accounted for on a straight line basis over the lease terms.

21. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee’s name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income and are reflected immediately in retained earnings. 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 and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

22. Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax assets or liabilities.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

On the date of an earnings distribution approved by the shareholders' meeting of the Company and domestic subsidiaries, an income tax of 10% on undistributed earnings should then be recognized.

Pursuant to Alternative Minimum Tax Act ("AMT Act"), the higher of the amount of income tax payable determined pursuant to the Income Tax Act or the minimum amount prescribed under the AMT Act is provided by the Company and domestic subsidiaries as income tax payable.

Since 2003, GCSC adopted the linked tax system to file the income tax returns. However, GCSC records the tax receipts and tax payments arising from the consolidated income tax returns in current period's deferred income tax assets (liabilities), income tax liability (asset) or income tax expense (income).

Deferred tax

Deferred income tax is temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

If the temporary difference arises from the goodwill or other assets and liabilities on initial recognition (not including business combination), and the transaction do not affect the taxation income and accounting profit, it is not recognized as deferred tax assets and liabilities.

The taxable temporary difference arising from subsidiaries, associates, and the joint ventures shall be recognized as deferred tax liabilities, except the Company can control and probably will not reverse the taxable temporary difference in foreseeable future. Deferred tax assets arising from the deductible temporary difference of these kinds of investment and equity, and will reverse in foreseeable future, shall be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

23. **Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when they are incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

Besides, Accounting Research and Development Foundation released the frequently asked question for IFRS 3 on January 8, 2013, and explained no specific rules for joint control of business combination in IFRS 3. Therefore, the rules for joint control of business combination still applied to interpretations released by Accounting Research and Development Foundations, R.O.C..

The business combination between Company and its affiliates is classified as a reorganization in accordance with EITF 100-390 of the Accounting Research and Development Foundation, R.O.C., and is recognized based on the carrying amount of the Company's investments accounted for using the equity method (the amount after impairment loss); the long-term investments should be reclassified as assets and liabilities when its affiliates are eliminated. Further, according to Accounting Research and Development Foundation Interpretations 95-141 and 101-301, 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.

V. **Significant accounting judgments, estimates and assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

1. The Fair Value of Financial Instruments

   Where the fair value of financial assets and liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example: the discounted cash flows model) or Black-Scholes Model. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII.5.

2. Goodwill

   The Company evaluates whether the goodwill impairs annually. Adopting appropriate discount rate to estimate the CGU's recoverable value of goodwill, and execute the impaired evaluation tests for goodwill. As of December 31, 2013, the goodwill's book value is NT 5,925,775 thousand dollars, and the evaluated recoverable amount is higher than the CGU′s book value. Hence, impairment for goodwill is not necessary.

3. Post-Employment Benefits

   The cost of post-employment benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of discount rate, future salary increase, mortality rates and future pension increase. The assumption used for measuring pension cost and the present value of the pension obligation are disclosed in Note VI.26.

4. Taxes

   Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

   Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized judgement. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note VI.31 for more details on unrecognized deferred tax assets as of December 31, 2013.

VI. **Contents of Significant Accounts**

1. **Cash and cash equivalents**

	12/31/13	12/31/12	1/1/12
Cash on hand	$3,740	$6,178	$6,073
Cash in banks	12,670,794	9,560,866	6,928,722
Cash equivalents			
Short-term commercial papers	2,492,760	2,867,233	1,813,340
Excess Margin	341,399	1,858,466	572,612
Total	$15,508,693	$14,292,743	$9,320,747

Interest rates of the above short-term commercial papers are as follows：

	12/31/13	12/31/12	1/1/12
Interest rates	0.59%~0.63%	0.70%-0.75%	0.75%-0.78%

As of December 31, 2013, 2012, and January 1, 2012, the certificate of deposits over three months from the original due date are classifies as other financial assets-current, and the amounts are 4,372,654 thousand dollars, 3,311,850 thousand dollars, and 1,803,240 thousand dollars, respectively.

No pledged was made for the cash and cash equivalents mentioned above.

2. **Financial assets measured at fair value through profit or loss**

	12/31/13	12/31/12	1/1/12
Current items			
Financial assets held for trading			
Lent securities	$644,084	$651,999	$-
Open-ended funds and monetary market instruments	5,803,511	2,534,095	2,054,181
Trading securities-dealing-net	58,208,119	53,233,141	32,648,471
Trading securities-underwriting-net	2,529,946	1,939,688	822,239
Trading securities-hedging-net	3,436,456	3,025,530	1,521,417
Long options	12,411	14,418	34,473
Futures trading margins-proprietary funds	324,739	231,907	20,374
Derivative financial product assets	1,478,912	1,331,094	1,198,086
Others	87,875	10,075	-
Total	$72,526,053	$62,971,947	$38,299,241
Non-current items			
Financial assets held for trading	$20,435	$413,331	$50,850

Financial assets measured at fair value through profit or loss-current are as follows：

(1) Lent securities

	12/31/13	12/31/12	1/1/12
Listed/OTC company stock	$939,132	$542,510	$-
Valuation adjustments	(295,048)	109,489	-
Market value	$644,084	$651,999	$-

(2) Open-ended funds and monetary market instruments

	12/31/13	12/31/12	1/1/12
Funds	$938,030	$723,600	$15,800
Others	4,857,804	1,901,347	2,038,260
Subtotal	5,795,834	2,624,947	2,054,060
Valuation adjustments	7,677	(90,852)	121
Market value	$5,803,511	$2,534,095	$2,054,181

(3) Trading securities-dealing-net

	12/31/13	12/31/12	1/1/12
Listed/OTC/ESM company stock	$4,388,409	$2,178,627	$843,342
Listed/OTC company warrants	94	170	327
Listed/OTC company corporate bonds and government bonds	31,624,635	39,748,815	29,369,216
Collateralized loan obligations	144,347	168,781	-
Foreign securities	19,817,145	10,078,387	2,766,701
Others	47	11,426	-
Subtotal	55,974,677	52,186,206	32,979,586
Valuation adjustments	2,233,442	1,046,935	(331,115)
Market value	$58,208,119	$53,233,141	$32,648,471

(4) Trading securities-underwriting-net

	12/31/13	12/31/12	1/1/12
Listed/OTC company stock	$656,028	$728,370	$9,820
Listed/OTC company corporate bonds	1,336,588	923,312	838,030
Other	22,118	-	-
Subtotal	2,014,734	1,651,682	847,850
Valuation adjustments	515,212	288,006	(25,611)
Market value	$2,529,946	$1,939,688	$822,239

(5) Trading securities-hedging-net

	12/31/13	12/31/12	1/1/12
Listed/OTC company stock	$2,975,045	$2,220,634	$1,148,616
Listed/OTC company warrants	40,206	40,504	166,214
Listed/OTC company corporate bonds	-	464,600	1,930
Foreign securities	343,476	304,911	269,715
Subtotal	3,358,727	3,030,649	1,586,475
Valuation adjustments	77,729	(5,119)	(65,058)
Market value	$3,436,456	$3,025,530	$1,521,417

(6) Long options

	12/31/13	12/31/12	1/1/12
Index options	$14,283	$25,948	$39,320
Equity options	291	550	26
Subtotal	14,574	26,498	39,346
Open interest	(2,163)	(12,080)	(4,873)
Market value	$12,411	$14,418	$34,473

(7) Futures trading margins-proprietary funds

	12/31/13	12/31/12	1/1/12
Account balance	$359,140	$523,751	$16,542
Open interest	(34,401)	(291,844)	3,832
Account value	$324,739	$231,907	$20,374

(8) Please refer to NoteVI.21 for detail of derivative financial product assets.

(9) Others

	12/31/13	12/31/12	1/1/12
Other financial assets	$86,294	$9,992	$-
Valuation adjustments	1,581	83	-
Market value	$87,875	$10,075	$-

Financial assets measured at fair value through profit or loss-non-current are as follows:

	12/31/13	12/31/12	1/1/12
Government bonds	$20,486	$133,077	$50,860
Derivative instrument asset	-	280,204	-
Subtotal	20,486	413,281	50,860
Valuation adjustments	(51)	50	(10)
Market value	$20,435	$413,331	$50,850

Please refer to Note VIII for financial assets measured at fair value through profit or loss pledged as loan collaterals.

3. Financial assets measured at cost

	12/31/13	12/31/12	1/1/12
Current			
Stock			
ESM company stock	$402,061	$616,995	$300,475
Unlisted stock	-	15,929	13,644
Total	$402,061	$632,924	$314,119
Non-current			
Stock			
Taiwan Depository & Clearing Corporation	$74,932	$74,932	$72,137
Taiwan Futures Exchange Corp.	151,125	151,125	114,075
Taiwan Stock Exchange Corp.	369,198	369,196	69,158
Dragon Investment Fund I Co., Ltd.	50,429	49,059	88,253
Shin Sheng Venture Capital Investment Corporation	11,487	29,390	38,987
He Ding Venture Capital Investment Corporation	41,743	45,476	47,277
Lien Ding Venture Capital Investment Corporation	25,045	27,285	28,366
Zuen Ping Venture Capital Investment Corporation	16,851	16,393	20,578

	12/31/13	12/31/12	1/1/12
WK Technology Fund VIII	30,000	30,000	-
Centillion III Venture Capital Corporation	30,000	30,000	-
Prodence Venture Investment Corporation	24,000	27,000	-
Grand Cathay & Fortune Technology Venture Capital Investment Corporation	-	6,540	-
TSC Venture Capital Corporation	2,700	10,500	-
Honpang Venture Capital Corporation	10,719	14,375	-
Reber Genetics Co., Ltd.	29,940	-	-
Pharma Essentia Corporation	56,385	-	-
GSFC (Note)	-	-	719,800
Taiwan Integrated Shareholder Service Company	28,452	28,452	21,852
Victor Taichung Machinery Works Co., Ltd.	743	743	743
Taiwan High Speed Rail Corporation	25,000	25,000	-
CCM Global Limited	10,831	16,526	103,680
KT Fund	-	-	66,186
Others	-	-	19,924
Subtotal	989,580	951,992	1,411,016
Convertible bonds			
China Life Insurance Company	-	-	106,392
Total	$989,580	$951,992	$1,517,408

Note: Since the Company and GCSC jointly held 21.99% shares of GSFC, and acquired over half voting power of the Board of Directors. Therefore, GSFC was included in the consolidated financial statements.

No pledged was made for financial assets measured at cost mentioned above.

4. Available-for-Sale Financial Assets

	12/31/13	12/31/12	1/1/12
Current			
Listed/OTC company stock	$3,682,645	$2,854,924	$2,986,387
Unlisted stock	-	90,185	-
Convertible bonds	669,582	-	-
Total	$4,352,227	$2,945,109	$2,986,387
Non-current			
Listed/OTC company stock	$2,723,272	$2,316,911	$2,593,161
Convertible bonds	-	535,580	-
Government bonds	50,443	76,064	7,729
Bank Debentures	30,000	30,000	-
Foreign securities	70,155	43,865	-
Total	$2,873,870	$3,002,420	$2,600,890

(1) Please refer to Note XII.7 for reclassification.
(2) Please refer to Note VIII for available-for-sale financial assets pledged as loan collaterals.

5. Held to Maturity Financial Assets

	12/31/13	12/31/12	1/1/12
Non-current			
Corporate bonds	$5,014	$5,029	$-
Bank Debentures	153,180	-	-
Total	$158,194	$5,029	$-

(1) The subsidiary purchased Taiwan Power Company 5-year unsecured corporate bond in October, 2010. The coupon rate is 1.39%, and the effective rate is 1.07%.

(2) The subsidiary purchased Bank of SinoPac 3rd subordinate financial debentures in January and February, 2013, and the face value were 50,000 thousand and 100,000 thousand dollars, respectively. The coupon rate is 1.85%, and the effective rate is 1.38%.

(3) No pledged was made for held-to-maturity financial assets mentioned above.

6. Bond Investments for which no Active Market Exists

	12/31/13	12/31/12	1/1/12
Current			
Convertible bonds			
China Life Insurance Company	$5,161	$-	$-
Non-current			
Convertible bonds			
China Life Insurance Company	$-	$10,156	$14,992

No pledged was made for bond investments for which no active market exists mentioned above.

7. Bonds Purchased under Resale Agreements

	12/31/13	12/31/12	1/1/12
Government bonds	$8,261,446	$4,759,151	$9,350,515
Corporate bonds	1,461,215	-	-
Bank Debentures	405,197	-	-
Total	$10,127,858	$4,759,151	$9,350,515
Resold amount as specified in respective agreements plus accrued interest	$10,121,103	$4,760,898	$9,352,732
Resold date as specified in respective agreements	2014.1.2-2015.12.31	2013.1.2-2013.1.28	2012.1.2-2012.1.20

8. Margin loans receivable

Stocks that clients purchased by loans were pledged as collaterals for margin loans receivable. The financing rate of the Company and subsidiaries were 60% for listed stock and 50% for OTC stock on

December 31, 2013, 2012 and January 1, 2012. Annual interest rate on the loans is 6.30%~6.45% and 6.30%-6.65% for the years ended December 31, 2013 and 2012, respectively.

According to the Securities and Futures Bureau, the Company renders the service of securities lending shall charge short sales proceeds or equivalent collaterals by proportion. The ratio is 90% for December 31, 2013, 2012, and January 1, 2012. Annual interest rate on the payables and collaterals were 0.10%~0.20% for the years ended December 31, 2013 and 2012.

9. Customers' margin accounts

	12/31/13	12/31/12	1/1/12
Cash in banks	$7,356,439	$9,429,408	$10,259,213
Marking to market from the clearing house	2,255,309	1,836,378	1,517,400
Marking to market from the other futures brokers	580,744	699,115	331,865
Securities	2,863	3,976	1,696
Foreign customers' margin accounts	3,726,572	4,427,615	4,186,540
Total	$13,921,927	$16,396,492	$16,296,714

The Company's subsidiary, KGI Futures, engaged in foreign futures trading and its prior sub-brokerage was MF Global Singapore PTE. Ltd., (MFGS) Taiwan branch. Due to MF Global Holdings Ltd., (MFGH) filed for bankruptcy protection according to United States Bankruptcy Code on October 31, 2011, MFGS had also liquidated on November 1, 2011. In this year, domestic Futures can sell their debt rights to MF Global Finance USA Inc. As of December 31 and January 1, 2012, KGI Futures' customers' margin accounts in MFGS Taiwan branch was 108,551 thousand dollars, and 47,788 thousand dollars, respectively, recorded as Customers' margin accounts-other futures brokers. The margin receivables mentioned above have been collected in December 2013.

10. Futures Commission Merchant Receivable

	12/31/13	12/31/12	1/1/12
Futures commission merchant receivable	$110,167	$126,892	$127,054
Less: Allowance for bad debt	(110,167)	(126,892)	(127,054)
Net	$-	$-	$-

Domestic future market fluctuated tremendously due to the worry over the repaying of the U.S. Treasury Bond in August, 2011; resulting in the Company's subsidiary, KGI Futures, client, Mr. Tu, was forced to clear the transaction because of insufficient futures commission 107,376 thousand dollars, and notified the authorities of the default transaction. The subsidiary had collected 17,518 thousand dollars and still in the process of claiming the recovery actively. For the remaining 89,858 thousand dollars loss, the subsidiary had recognized sufficient amounts of allowance.

11. Accounts Receivable

	12/31/13	12/31/12	1/1/12
Accounts receivable-customers' purchases	$97,324	$139,233	$9,482
Exchange clearing receivable	4,845,053	1,644,268	1,003,653
Accounts receivable for settlement-brokerage	16,332,500	17,900,085	7,891,664

	12/31/13	12/31/12	1/1/12
Accounts receivable for settlement-non-brokerage	3,614,958	2,669,637	1,754,889
Other	1,636,885	1,205,024	4,393,845
Total	$26,526,720	$23,558,247	$15,053,533

12. Non-Current Assets Held for Sale and Liabilities Directly Associated with Non-Current Assets Held for Sale

	12/31/13	12/31/12	1/1/12
Non-current assets held for sale			
KGI Efficient Frontier Limited	$-	$52,606	$-

	12/31/13	12/31/12	1/1/12
Liabilities directly associated with non-current assets held for sale			
KGI Efficient Frontier Limited	$-	$4,175	$-

13. Investments Accounted For Using The Equity Method

	12/31/13		12/31/12	
Investee	Amount	Ratio	Amount	Ratio
KGI TH	$2,031,127	34.97	$1,980,886	34.97
Trinitus Asset Management Limited	50,799	40.00	-	-
CDIB BioScience Ventures I, Inc.	6,002	1.20	14,727	1.20
Total	$2,087,928		$1,995,613	

	1/1/12	
Investee	Amount	Ratio
KGI TH	$-	-
CDIB BioScience Ventures I, Inc.	-	-
Total	$-	

(1) Share of profits of associates and joint venture ：

	For the years ended December 31	
Investee Companies	2013	2012
KGI TH	$265,008	$92,811
Trinitus Asset Management Limited	(9,422)	-
CDIB BioScience Ventures I, Inc.	(3,570)	3,576
Total	$252,016	$96,387

The amounts of investment income accounted for using the equity method were recognized based on the audited financial statements.

(2) CDFH acquired 81.73% shares of the Company through the public tender offer method, becoming the parent company of the Company. Since the consolidation accounting principle must be consistent in the same group, KGI TH was judged not controlled by the Company in accordance with the group accounting principle. Therefore, after the day of public tender offering, KGI TH was not the entity included in the consolidation financial statements of the Company.

(3) The Company's oversea investee, KGIEF, applied capital increasing and introduced the strategic investors which were approved by Financial Supervisory Commission ("FSC") and Securities and Futures Commission of Hong Kong. KGIEF had completed capital increasing and introduced new shareholders, and at the same day, KGIEF changed its name as Trinitus Asset Management Limited ("Trinitus") which was also approved by FSC. Since January 31, 2013, the Company's shareholding percentage had decreased to 40% from 100%. Hence, Trinitus was not controlled but significantly influenced by the Company.

(4) Since the Company and affiliate company, China Development Industrial Bank, jointly hold 21.20% shares of CDIB BioScience Ventures I, Inc., the investment is measured under the equity method.

(5) The book value of the Company and subsidiaries' investee affiliates with public offer is 2,031,127 thousand dollars and 1,980,886 thousand dollars on December 31, 2013 and December 31, 2012, respectively; and fair value is 1,806,207 thousand dollars, and 1,551,329 thousand dollars, respectively.

(6) The summarized financial information of the investment in associates are as follow：

	12/31/13	12/31/12	1/1/12
Total asset (100%)	$7,322,544	$11,207,096	$-
Total liability (100%)	2,031,062	5,431,209	-

	For the years ended December 31	
	2013	2012
Revenue (100%)	$2,651,687	$2,208,654
Net income (100%)	436,760	768,750
Other comprehensive income (100%)	81,038	(236,626)

(7) Please refer to Note VIII for the pledged investments accounted for using the equity method mentioned above.

14. <u>Property and equipment</u>

(1) The Company's Board of Directors resolved to dispose a portion the Company's property to China Life Insurance Company for 750,987 thousand dollars at their regular meeting taken place on April 1, 2011. The agreement was signed on May 26, 2011. The agreement also included leasing parts of the buildings back for business use. Consequently, the Company deferred the gains on disposal amount to 19,818 thousand dollars under the account "Unearned gains or losses on sales-leaseback" and presented as other non-current liability on the consolidated financial statements.

(2) As of December 31, 2013, the amount realized on gains on sales-leaseback was 3,964 thousand dollars. The remaining unrealized gains on sales leaseback presented as other non-current liability amount was 9,579 thousand dollars.

(3) Changes in property and equipment are as follows：

	Land	Buildings	Equipment	Leasehold Improvements	Total
Cost：					
January 1, 2013	$4,351,781	$2,272,712	$2,832,937	$348,286	$9,805,716
Additions	-	-	102,646	35,025	137,671

	Land	Buildings	Equipment	Leasehold Improvements	Total
Disposals	(110,219)	(24,344)	(127,013)	(71,953)	(333,529)
Transfers	(122,408)	(63,796)	71,743	26,016	(88,445)
Exchange differences	-	-	15,029	4,196	19,225
December 31, 2013	$4,119,154	$2,184,572	$2,895,342	$341,570	$9,540,638
January 1, 2012	$2,365,092	$978,667	$2,860,848	$277,771	$6,482,378
Business merging	2,055,954	1,369,413	377,043	72,021	3,874,431
Additions	-	1,295	95,775	47,979	145,049
Disposals	(25,125)	(13,970)	(128,217)	(45,843)	(213,155)
Transfers	(42,392)	(48,114)	59,187	2,640	(28,679)
Exchange differences	(38)	(310)	(32,392)	(6,282)	(39,022)
Effects of consolidated entity changes	(1,710)	(14,269)	(399,307)	-	(415,286)
December 31, 2013	$4,351,781	$2,272,712	$2,832,937	$348,286	$9,805,716
Depreciation and Impairment：					
January 1, 2013	$10,178	$632,192	$2,319,469	$237,473	$3,199,312
Depreciations	-	43,409	234,777	65,807	343,993
Disposals	-	(1,994)	(125,347)	(68,208)	(195,549)
Transfers	(10,178)	(22,459)	(77)	378	(32,336)
Exchange differences	-	-	13,937	2,671	16,608
December 31, 2013	$-	$651,148	$2,442,759	$238,121	$3,332,028
January 1, 2012	$-	$214,679	$2,279,353	$185,913	$2,679,945
Business merging	10,178	413,596	249,187	43,167	716,128
Depreciations	-	37,086	238,386	40,624	316,096
Disposals	-	(2,341)	(126,237)	(29,112)	(157,690)
Transfers	-	(17,285)	9,783	-	(7,502)
Exchange differences	-	(287)	(25,743)	(3,119)	(29,149)
Effects of consolidated entity changes	-	(13,256)	(305,260)	-	(318,516)
December 31, 2013	$10,178	$632,192	$2,319,469	$237,473	$3,199,312
Book value：					
December 31, 2013	$4,119,154	$1,533,424	$452,583	$103,449	$6,208,610
December 31, 2012	$4,341,603	$1,640,520	$513,468	$110,813	$6,606,404
January 1, 2012	$2,365,092	$763,988	$581,495	$91,858	$3,802,433

(4) Please refer to Note VIII for property and equipment pledged as collateral.

15. Investment property

(1) Changes in investment property are as follows：

	Land	Buildings	Total
Cost			
January 1, 2013	$122,713	$67,281	$189,994
Transfers	122,408	63,796	186,204
December 31, 2013	$245,121	$131,077	$376,198
January 1, 2012	$27,971	$9,760	$37,731
Business merging	52,350	32,184	84,534
Transfers	42,392	25,337	67,729
December 31, 2012	$122,713	$67,281	$189,994
Depreciation and Impairment			
January 1, 2013	$4,654	$22,706	$27,360
Depreciations	-	1,575	1,575
Transfers	10,178	22,459	32,637
December 31, 2013	$14,832	$46,740	$61,572
January 1, 2012	$-	$1,583	$1,583
Business merging	4,654	12,970	17,624
Depreciations	-	651	651
Transfers	-	7,502	7,502
December 31, 2012	$4,654	$22,706	$27,360
Book value：			
December 31, 2013	$230,289	$84,337	$314,626
December 31, 2012	$118,059	$44,575	$162,634
January 1, 2012	$27,971	$8,177	$36,148

	For the years ended December 31	
Investee Companies	2013	2012
Rental income from the lease of the investment property	$10,193	$5,491

(2) The Company chooses cost module to measure investment property and the fair value is 617,072 thousand dollars, 242,282 thousand dollars and 40,042 thousand dollars for December 31, 2013, 2012, and January 1, 2012, respectively. The management refers outside appraisal report and adopts the market evaluated model to evaluate the fair value. The evaluation proceeds under the market price of property transaction price.

(3) No pledged was made for the investment property mentioned above.

16. Intangible assets

(1) Changes in intangible assets are as follows：

	Goodwill	Other intangible assets	Software	Total
January 1, 2013	$5,911,572	$2,281,132	$122,309	$8,315,013
Additions	-	-	82,744	82,744
Transfers	-	(3,008)	10,140	7,132
Exchange differences	14,203	-	-	14,203
Amortizations	-	(246,872)	(76,186)	(323,058)
December 31, 2013	$5,925,775	$2,031,252	$139,007	$8,096,034
January 1, 2012	$6,362,361	$2,512,109	$144,151	$9,018,621
Business merging	530	61,572	30,892	92,994
Additions	-	-	64,688	64,688
Transfers	-	-	9,708	9,708
Exchange differences	(26,163)	(476)	(1,148)	(27,787)
Amortizations	-	(292,073)	(73,491)	(365,564)
Effects of consolidated entity changes	(425,156)	-	(52,491)	(477,647)
January 1, 2013	$5,911,572	$2,281,132	$122,309	$8,315,013

17. Other non-current assets

	12/31/13	12/31/12	1/1/12
Operation bond	$2,396,714	$2,765,869	$1,728,900
Settlement/clearance fund	621,059	717,670	792,532
Guarantee deposits-out	1,068,781	942,665	279,364
Collaterals assumed	34,201	34,201	-
Accounts receivable overdue	-	79,257	91,600
Others	531,140	365,702	391,997
Total	$4,651,895	$4,905,364	$3,284,393

Please refer to Note VIII for other non-current assets pledged as collateral.

18. Short-term borrowings

	12/31/13	12/31/12	1/1/12
Credit loans	$5,886,677	$4,314,423	$2,743,830
Secured loans	7,249,348	2,628,341	2,867,978
Margin loans	-	3,101,413	-
Total	$13,136,025	$10,044,177	$5,611,808
Interest rate	0.980%-2.480%	0.980%-2.028%	0.845%-2.090%

(1) The interest rate of margin loans adopts LIBOR, and the Company’s subsidiaries designate the corporate bonds as collaterals. If the collaterals are insufficient, the security merchants have the right to execute collaterals.

(2) Please refer to Note VIII of collateral for short-term borrowing pledged.

19. Commercial papers payable-net

	12/31/13	12/31/12	1/1/12
Commercial papers payable	$1,919,495	$1,173,817	$8,209,431
Less: Discount	(3,317)	(1,063)	(6,180)
Net	$1,916,178	$1,172,754	$8,203,251
Interest rate	0.400%-1.200%	0.300%-1.100%	0.450%-3.170%

20. Financial liabilities measured at fair value through profit or loss

	12/31/13	12/31/12	1/1/12
Current			
Financial liabilities held for trading			
Bonds sold under repurchase agreements -short sale	$1,881,805	$-	$-
Liabilities for warrants issued	11,672,712	11,865,487	8,334,297
Repurchase warrants	(11,178,336)	(11,486,710)	(7,944,347)
Short options	26,729	19,420	13,145
Liabilities for securities and bonds borrowed	5,822,118	5,406,161	2,219,357
Derivate financial product liabilities	3,501,944	2,503,380	1,874,966
Financial liabilities designated initially at fair value through profit or loss	1,084,495	258,777	377,553
Total	$12,811,467	$8,566,515	$4,874,971

(1) Bonds sold under repurchase agreements-short sale

	12/31/13	12/31/12	1/1/12
Government bonds	$1,870,061	$-	$-
Valuation adjustments	11,744	-	-
Market value	$1,881,805	$-	$-

(2) Liabilities for warrants issued and repurchase warrants

A. Liabilities for warrants issued and repurchase warrants are as follows：

	12/31/13	12/31/12	1/1/12
Warrants issued	$12,980,355	$16,134,486	$13,862,868
Gains on value change	(1,307,643)	(4,268,999)	(5,528,571)
Market value	11,672,712	11,865,487	8,334,297
Repurchased warrants	12,068,523	14,775,234	11,429,044
Losses on value change	(890,187)	(3,288,524)	(3,484,697)
Market value	11,178,336	11,486,710	7,944,347
Net value	$494,376	$378,777	$389,950

B. All warrants issued by the Company are American and European style options. The Company can settle the warrants with either cash or the underlying stock.

(3) Short options

	12/31/13	12/31/12	1/1/12
Index options	$20,728	$30,271	$13,673
Stock options	68	480	134
Subtotal	20,796	30,751	13,807
Open interest	5,933	(11,331)	(662)
Market value	$26,729	$19,420	$13,145

(4) Liabilities for Securities and Bonds Borrowed

	12/31/13	12/31/12	1/1/12
Listed/OTC company stock	$1,152,205	$1,060,874	$2,233,175
Foreign securities	4,622,521	4,297,934	281,150
Subtotal	5,774,726	5,358,808	2,514,325
Valuation adjustments	47,392	47,353	(294,968)
Market value	$5,822,118	$5,406,161	$2,219,357

(5) Please refer to Note VI.21 for more details on derivate liabilities and financial liabilities designated initially at fair value through profit or loss.

21. Derivative instruments

(1) Nominal Amount

Financial Instruments	12/31/13	12/31/12	1/1/12
Options and futures contract	$33,196,001	$5,179,669	$9,132,493
Foreign futures and options	55,458,854	241,556,993	1,379,255
Interest rate swap (IRS)	89,349,752	684,505,048	155,910,711
FX swap	19,110,862	6,093,587	423,032
Interest rate option	-	-	1,000,000
Convertible bond asset swap (CBAS)-interest	9,767,300	10,122,700	8,311,000
CBAS-long option	8,900,500	7,700,000	3,414,000
CBAS-short option	18,172,000	19,147,400	13,861,800
Structures notes	15,673,789	8,661,723	5,037,035
Equity derivative instruments	3,562,399	2,572,630	5,106,134
Credit derivative instruments	1,198,000	463,332	-
Others	2,338,102	73,289,746	3,241,122
Total	$256,727,559	$1,059,292,828	$206,816,582

(2) Financial assets/liabilities held for trading-derivative financial instruments

Financial Instruments	12/31/13	12/31/12	1/1/12
Derivative instrument assets			
Contract value			
IRS	$199,915	$642,211	$892,302
CBAS -interest	44,419	62,722	103,618
FX swap	82,448	10,226	1,349

Financial Instruments	12/31/13	12/31/12	1/1/12
Long options			
CBAS	669,091	276,776	80,232
Others	407,314	470,968	-
Structured notes	2,358	3,619	1,325
Equity derivative instruments	11,307	21,720	89,249
Credit derivative instruments	8,013	1,851	-
Foreign futures and options	7,459	2,258	4,693
Others	46,588	118,947	25,318
Total	$1,478,912	$1,611,298	$1,198,086
Derivative instrument liabilities			
Contract value			
IRS	$270,740	$853,506	$1,018,162
CBAS -interest	170,870	185,169	104,265
FX swap	35,580	648	54
Short options			
Premium-interest rate option	-	-	1,418
CBAS	1,584,870	897,141	409,482
Foreign OTC option	-	-	21,404
Others	-	141,179	-
Structured notes	978,796	73,282	49,091
Equity derivative instruments	175,800	21,398	73,482
Credit derivative instruments	-	4,545	-
Foreign futures and option contracts	-	4,056	1,370
Others	285,288	322,456	196,238
Total	$3,501,944	$2,503,380	$1,874,966
Financial liabilities designated initially at fair value through profit or loss			
Structured notes	$1,084,495	$258,777	$377,553
Other financial liabilities- current			
Structured notes-delivery value	$13,672,824	$8,184,305	$4,657,032
Other financial liabilities-non-current			
Structured notes-delivery value	$-	$190,491	$-

(3) Presentation of derivative financial instruments on the financial statements:

A. The details of net gains/(losses) on liabilities for warrants issued are as follows:

	For the year ended December 31	
	2013	2012
Liabilities for warrants issued:		
Gains on value change	$28,901,733	$30,439,393
Gains/(losses) on exercising warrants before maturity	5,104	(136)
Gain on expired of options issued	871	1,183
Repurchase of issued warrants:		
Losses on resale of warrants	(3,056,222)	(2,777,800)
Losses on value change	(25,453,879)	(26,997,686)
Expense for issuing warrants	(94,043)	(77,896)
Gains/(loss) on warrants issued	$303,564	$587,058

B. The details of net gains/(losses) on derivative instruments-futures are as follows：

	For the year ended December 31	
	2013	2012
Futures contracts	$661,117	$(172,756)
Options	18,954	231,254
Total	$680,071	$58,498

C. The details of net gains/(losses) on derivative instruments-OTC are as follows：

	For the year ended December 31	
	2013	2012
IRS	$33,214	$(303)
CBAS	(968,298)	(246,031)
Bond options	(8,970)	1,071
Structured notes	(131,996)	(86,810)
Equity derivative instruments	(18,420)	48,115
Equity derivative instruments	106,428	3,736
Others	-	406,431
Total	$(988,042)	$126,209

D. The details of futures and option transaction contract of the Company and subsidiaries are follows:

12/31/13

Item	Type of trading	Open interest position		Contract amount/ Premium paid(received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	474	$568,728	$586,786	
Futures Contracts	Elec-Sector Index Futures	Short	268	320,413	331,759	
Futures Contracts	Finance Sector Index Futures	Long	510	525,580	538,353	
Futures Contracts	Finance Sector Index Futures	Short	102	104,789	107,666	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	263	311,963	318,094	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	109	128,791	131,835	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	5	2,199	2,196	
Futures Contracts	TaiEx Futures	Long	6,415	10,816,404	11,070,352	
Futures Contracts	TaiEx Futures	Short	6,280	10,599,497	10,841,256	
Futures Contracts	Mini-TaiEx Futures	Long	3,996	1,695,749	1,724,234	
Futures Contracts	Mini-TaiEx Futures	Short	4,894	2,062,007	2,111,952	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Short	392	167,852	168,874	
Futures Contracts	Stock Futures	Long	1,222	397,476	394,774	
Futures Contracts	Stock Futures	Short	17,487	1,314,707	1,365,342	
Futures Contracts	Foreign Futures	Long	177	82,159	83,579	
Futures Contracts	Foreign Futures	Short	1,080	3,996,112	3,987,839	

Item	Type of trading	Open interest position		Contract amount/ Premium paid(received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	MSCI Taiwan Index Futures	Long	56	50,981	50,938	
Futures Contracts	China A50 Index Futures	Short	72	15,224	15,336	
Options Contracts	Index Options-Call	Long	1,589	6,158	10,042	
Options Contracts	Index Options-Put	Long	2,252	8,125	2,069	
Options Contracts	Index Options-Call	Short	3,155	(14,379)	23,213	
Options Contracts	Index Options-Put	Short	3,154	(6,349)	3,429	
Options Contracts	Stock Options-Call	Long	47	3	3	
Options Contracts	Stock Options-Put	Long	81	288	297	
Options Contracts	Stock Options-Call	Short	1	(2)	2	
Options Contracts	Stock Options-Put	Short	38	(66)	85	

12/31/12

Item	Type of trading	Open interest position		Contract amount/ Premium paid(received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	45	$51,645	$51,861	
Futures Contracts	Elec-Sector Index Futures	Short	195	222,257	224,759	
Futures Contracts	Finance Sector Index Futures	Long	277	233,278	232,625	
Futures Contracts	Finance Sector Index Futures	Short	17	14,168	14,275	
Futures Contracts	Non-Fin Non-Elec Sub- Index Futures	Long	2	1,969	2,029	
Futures Contracts	Non-Fin Non-Elec Sub- Index Futures	Short	89	93,130	93,770	
Futures Contracts	TaifEx NT Dollar Gold Futures	Short	2	1,165	1,164	
Futures Contracts	TaiEx Futures	Long	565	864,888	865,946	
Futures Contracts	TaiEx Futures	Short	892	1,307,484	1,363,384	
Futures Contracts	Stock Futures	Long	1,437	174,029	176,171	
Futures Contracts	Stock Futures	Short	6,474	650,051	814,868	
Futures Contracts	Foreign Futures	Long	1,299	363,418	299,409	
Futures Contracts	Foreign Futures	Short	230	820,117	821,134	
Futures Contracts	Mini-TaiEx Futures	Long	471	180,386	180,205	
Futures Contracts	Mini-TaiEx Futures	Short	392	144,437	149,932	
Options Contracts	Index Options-Call	Long	2,825	4,965	5,369	
Options Contracts	Index Options-Put	Long	2,331	3,458	2,784	
Options Contracts	Index Options-Call	Short	4,151	(9,054)	10,576	
Options Contracts	Index Options-Putl	Short	3,867	(8,313)	6,892	
Options Contracts	Finance sector Index Options-Call	Short	1	(11)	16	
Options Contracts	Finance sector Index Options-Put	Short	20	(231)	201	
Options Contracts	Dow Jones Euro STOXX 50 Index Dividend Option	Long	1,000	17,525	5,766	
Options Contracts	Dow Jones Euro STOXX 50 Index Dividend Option	Short	2,000	(12,662)	1,230	
Options Contracts	Stock Options-Call	Long	155	485	434	
Options Contracts	Stock Options-Put	Long	62	65	65	

Item	Type of trading	Open interest position		Contract amount/ Premium paid(received)	Fair value	Note
		Long/ Short	Lots			
Options Contracts	Stock Options-Call	Short	74	(174)	188	
Options Contracts	Stock Options-Put	Short	107	(306)	317	

1/1/12

Item	Type of trading	Open interest position		Contract amount/ Premium paid(received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Short	9	$9,395	$9,344	
Futures Contracts	Stock Futures	Long	1,394	99,682	106,352	
Futures Contracts	Stock Futures	Short	775	35,791	35,940	
Futures Contracts	TaiEx Futures	Long	2,197	3,107,024	3,092,932	
Futures Contracts	TaiEx Futures	Short	2,129	3,007,661	2,997,202	
Futures Contracts	Foreign Futures	Long	50	71,944	73,363	
Futures Contracts	Foreign Futures	Short	50	91,567	93,054	
Futures Contracts	Mini-TaiEx Futures	Long	3,359	1,188,041	1,182,199	
Futures Contracts	Mini-TaiEx Futures	Short	4,149	1,467,068	1,460,239	
Futures Contracts	TaifEx NT Dollar Gold Futures	Long	2	1,167	1,141	
Options Contracts	Index Options-Call	Long	4,337	19,530	15,351	
Options Contracts	Index Options-Put	Long	2,217	19,790	19,103	
Options Contracts	Index Options-Call	Short	732	(6,795)	6,153	
Options Contracts	Index Options-Put	Short	1,181	(6,878)	6,888	
Options Contracts	Stock Options-Call	Long	78	14	8	
Options Contracts	Stock Options-Put	Long	36	12	11	
Options Contracts	Stock Options-Call	Short	53	(121)	99	
Options Contracts	Stock Options-Put	Short	15	(13)	5	

22. Bonds Sold under Repurchase Agreements

	12/31/13	12/31/12	1/1/12
Government bonds	$5,732,632	$12,904,405	$11,618,970
Bank Debentures	4,675,014	2,375,904	199,646
Convertible bonds	554,836	557,665	3,020,017
Corporate bonds	30,224,547	22,963,475	15,761,847
Collateralized loan obligations	143,727	169,091	-
Total	$41,330,756	$38,970,540	$30,600,480
Repurchased amount as specified in respective agreements plus accrued interest	$41,369,253	$38,984,517	$30,610,743
Repurchased date as specified in respective agreements	103.1.2-103.3.4	102.1.2-102.2.21	101.1.2-101.2.16

23. Accounts Payable

	12/31/13	12/31/12	1/1/12
Accounts payable-customers' sales	$156,560	$176,526	$7,237
Exchange clearing payable	2,155,651	91,910	930,680
Accounts payable for settlement- brokerage	30,084,903	26,020,080	13,479,471
Accounts payable for settlement- non-brokerage	2,809,177	1,634,615	659,454
Others	310,870	2,067,657	3,911,187
Total	$35,517,161	$29,990,788	$18,988,029

24. Long-term borrowings and current portion of long-term borrowings

Creditor	Credit item	12/31/13	12/31/12	1/1/12
Syndicated Loan	Secured loans	$-	$-	$484,640
Less: current portion		-	-	(484,640)
Net amount		$-	$-	$-

(1) The Company's subsidiary, Richpoint, signed a medium-term loan agreement, with a syndicate of banks. The contract period is between February 27, 2013 and February 27, 2016. The subsidiary may draw up this medium-term loan at its own discretion for a total credit line of US 143,000,000 dollars. Based on the agreement, the subsidiary is required to provide an endorsement to the banks at a date when any amount of loan facility is used.

According to this agreement, the Company and the subsidiary should maintain certain financial ratios for the Company's semi-annual and annual consolidated financial statements and the subsidiary's semi-annual and annual non-consolidated financial statements as follows:

A. No less than 100% for current ratio for the Company.
B. No more than 350% for debit ratio for the Company.
C. No less than NT 25,000,000 thousand dollars for the Company's net tangible assets. (Net assets minus intangible assets).
D. No less than US 220,000 thousand dollars for Richpoint's tangible assets.

(2) The Company's subsidiary, Richpoint, signed a medium-term loan agreement, with a syndicate of banks. The Contract period is between December 16, 2009 and December 16, 2012. The subsidiary may draw up this medium-term loan at its own discretion for a total credit line of US 100,000,000 dollars. Based on the agreement, the subsidiary is required to provide an endorsement to the banks at a date when any amount of loan facility is used.

According to this agreement, the Company and the subsidiary should maintain certain financial ratios for the Company's semi-annual and annual consolidated financial statements and the subsidiary's semi-annual and annual non-consolidated financial statements as follows:

A. No less than 100% for current ratio for the Company.
B. No more than 350% for debit ratio for the Company.
C. No less than NT 29,000,000 thousand dollars for the Company's net tangible assets.
D. No less than US 220,000 thousand dollars for Richpoint's tangible assets.

As of January 1, 2012, the amount of loan being withdrawn was 484,640 thousand dollars.

25. Bonds Payable

	12/31/13	12/31/12	1/1/12
100-1 Unsecured Corporation Bonds Payable	$3,100,000	$3,100,000	$-

The Company had issued unsecured corporate bonds (hereinafter called "the Bonds") amounted to 3,100,000 thousand dollars at par value of 10,000 thousand dollars per Bond on March 15, 2012. Other terms are listed below:

(1) Term to Maturity: The Bonds were issued on March 15, 2012 and will be redeemed on March 15, 2015.
(2) Coupon rate: The coupon rate of the Bonds is 1.15% annually.
(3) Repayment of principal: The principal of the Bonds will be repaid at maturity.
(4) The bonds were issued without collaterals.
(5) Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

26. Post-employment benefits

(1) Description of labor pension：

Defined contribution Plan

The company established the employee retirement method that is defined contribution plan in accordance with The Labor Pension Act of the R.O.C. and the percentage of contribution burden by the company is not less than employee's monthly wages and Salaries. The Company contributes monthly an amount equal to 6% of employee's wages and salaries to the employee's individual pension fund accounts at the Bureau of Labor Insurance.

Foreign subsidiaries make contribution to the business related to pension management in compliance with local regulation.

Defined benefit Plan

The Company and its domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee.

(2) The total expense amounts recognized in the comprehensive income statement according to proportion stipulated in the plan are as follows:

	For the years ended December 31	
	2013	2012
Pension incurred on defined contribution	$188,825	$178,179
Pension incurred on defined benefit	19,960	19,605
Total	$208,785	$197,784

The table below summarizes the pension incurred on defined benefit plan recognized in profit and loss.

	For the years ended December 31	
	2013	2012
Current service cost	$14,943	$13,236
Interest cost	18,766	14,727
Expected return on plan assets	(13,749)	(13,511)
Actuarial gains and losses	-	-
Past service cost	-	5,153
Total	$19,960	$19,605

(3) The cumulative amounts of actuarial gains and losses recognized in other comprehensive income are as follows:

	For the years ended December 31	
	2013	2012
Beginning balance	$(264,275)	$-
Actuarial gains and losses for the period	(70,584)	(264,275)
Ending balance	$(334,859)	$(264,275)

(4) Reconciliation of present value of the defined benefit obligation and plans assets at fair value

	12/31/13	12/31/12	1/1/12
Present value of the defined benefit obligation	$1,224,837	$1,251,050	$621,288
Plans assets at fair value	(720,836)	(831,783)	(504,332)
Funded status	504,001	419,267	116,956
Prepaid pension assets	-	-	(2,432)
Accrued pension liabilities	$504,001	$419,267	$114,524

Change of present value of defined benefit obligations:

The Company and subsidiaries

	For the years ended December 31	
	2013	2012
Beginning balance	$1,251,050	$621,288
Current service cost	14,943	9,878
Interest cost	18,766	10,872
Benefit payment	(119,840)	(22,561)
Actuarial losses /(gains)	59,918	258,381
Amendment of employee benefit plan	-	5,153
Ending balance	$1,224,837	$883,011

GCSC Securities and its subsidiaries

	For the year ended December 31, 2012
Beginning balance	$377,718
Current service cost	5,756
Interest cost	6,610
Benefit payment	(3,354)
Actuarial losses /(gains)	(18,691)
Ending balance	$368,039

Change of fair value of plan assets:

The Company and subsidiaries

	For the years ended December 31	
	2013	2012
Beginning balance	$831,783	$504,332
Expected return on plan assets	13,749	10,033
Employer contribution	5,810	1,614
Benefit payment	(119,840)	(22,561)
Actuarial losses /(gains)	(10,666)	(5,894)
Ending balance	$720,836	$487,524

GCSC Securities and its subsidiaries

	For the year ended December 31, 2012
Beginning balance	$337,292
Expected return on plan assets	5,963
Employer contribution	6,881
Benefit payment	(3,354)
Actuarial losses /(gains)	(2,523)
Ending balance	$344,259

(5) As of December 31, 2013, the Company will make total contributions of 5,807 thousand dollars in next 12 months.

(6) The percentage of major categories of plan assets are as follows:

	Pension plan(%)		
	12/31/13	12/31/12	1/1/12
Cash	100	100	100

(7) The Company and subsidiaries' actual rate of return of Employee pension fund was 3,083 and 7,579 thousand dollars for 2013 and 2012, respectively. Employee pension fund is deposited under a trust administered by the Bank of Taiwan, the Trust Department of Chinatrust Commercial Bank, and Cathay United Bank. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

(8) The assumptions for defined benefit plan used by the Company are as follows:

The company and subsidiaries

	12/31/13	12/31/12	1/1/12
Discount rate	2.00%	1.50%	1.75%
Expected Salary Growth Rate	2.00%	2.00%	1.00%
Expect rate of return on plan assets	2.00%	1.75%	2.00%

GCSC Securities and its subsidiaries

	12/31/13	12/31/12	1/1/12
Discount rate	-	1.50%	1.75%
Expected Salary Growth Rate	-	2.25%	2.50%
Expect rate of return on plan assets	-	1.50%	1.75%

Influence of discount rate 0.5% variance

	For the years ended December 31			
	2013		2012	
	-0.5%	+0.5%	-0.5%	+0.5%
Influence of current service and interest cost	$(2,686)	$2,049	$(262)	$3,757
Influence of defined benefit obligation	105,849	(94,845)	95,779	(86,947)

(9) Related amount of defined contribution plan related is as follows:

	For the years ended December 31	
	2013	2012
Ending balance of present value of the defined benefit obligation	$1,224,837	$1,251,050
The fair value of the plan at the ending of the period	(720,836)	(831,783)
Surplus or deficit of the plan at the ending of the period	$504,001	$419,267
Experience adjustments on plan liabilities	$59,918	$236,547
Experience adjustments on plan assets	$(10,666)	$(8,417)

27. **Provisions**

Non-current	Litigation provision	Decommissioning liabilities	Total
January 1,2013	$193,926	$33,801	$227,727
Addition	42,560	-	42,560
Current payment	(16,587)	-	(16,587)
Current reversal	(33,960)	(1,568)	(35,528)
December 31, 2013	$185,939	$32,233	$218,172
January 1,2012	$155,209	$-	$155,209
Business merging	-	7,521	7,521
Addition	38,717	26,280	64,997
December 31, 2013	$193,926	$33,801	$227,727

28. **Equity**

(1) Common stock

	12/31/13	12/31/12	1/1/12
Authorized shares (thousand shares)	4,600,000	4,000,000	4,000,000
Authorized capital	$46,000,000	$40,000,000	$40,000,000
Issued shares (thousand shares)	4,598,812	3,269,781	3,269,781
Issued share capital	$45,988,123	$32,697,809	$32,697,809

On January 28, 2013, the Board of Directors (acting on behalf of shareholders) of the Company and GCSC adopted the resolution that the Company merged GCSC through converting 1 share of the GCSC's common stock to 0.93 shares of the Company's common stock. Therefore, the Company is the surviving company and GCSC is the dissolved company. The total amount of proposal for new share issue is 13,290,314 thousand dollars, divided into 1,329,031 thousand shares, and par value is 10 dollars. Issued share capital increases from 32,697,809 thousand dollars to 45,988,123 thousand dollars, and issued shares increases from 3,269,781 thousand shares to 4,598,812 thousand shares. The above merging proposal is approved by the Authority, and the Company sets June 22, 2013 as the merging date.

For the requirement of the merging, the Company revises the Articles of Incorporation to increase the authorized capital from 40,000,000 thousand dollars to 46,000,000 thousand dollars, and the authorized shares from 4,000,000 thousand shares to 4,600,000 thousand shares.

(2) Capital Reserve

	12/31/13	12/31/12	1/1/12
Additional paid-in capital	$2,603,148	$2,603,148	$2,603,148
Treasury share transactions	364,435	364,435	364,435
Surplus from business combination	6,578,002	46,273	46,273
Total	$9,545,585	$3,013,856	$3,013,856

Capital reserve may be used to make up its deficiencies in the first priority, if any. Under the circumstances without deficiencies, the Company can distribute all the capital reserve or partial of it to shareholders by common stocks or cash, based on percentage of ownership. The mentioned capital reserve includes additional paid-in capital and donations received.

(3) Distribution of Earnings and dividend policy

A. The Company's Board of Directors (acting on behalf of shareholders) revised the Articles of Incorporation of earnings distribution on May 31, 2013 as follows:

For the purpose of the Company's need of operation and benefits of shareholders, also in compliance with relevant regulations, the Company adopted surplus dividend policy.

Distribution conditions, timing, and amounts: When distributing the annual earnings, the Company should use the earnings to offset accumulated deficiencies and pay applicable income tax, set aside legal reserve, and appropriate or reverse special reserve under relevant regulations. Then, appropriate at least 0.1% as employees' bonus. Appropriation of the remainder and the beginning balance of undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders.

Type of Dividend: In principle, the Company distributes cash dividends, and these cash dividends should not exceed 10% of all dividends.

This revised Articles of Incorporation of earnings distribution deleted the rule of compensating directors, and applied to the earnings distribution from 2013. When distributing the earnings of 2012, the Articles of Incorporation of earnings distribution revised on March 22, 2013 is applied.

B. The Company's Articles of Incorporation applies to the distribution of annual net income in 2011 :

As provided by the Company's Articles of Incorporation, annual net income, after paying applicable income taxes, should be used to offset accumulated deficit, if any, and be retained at a rate of 10% as legal reserve, and to appropriate special reserve and various reserves prescribed by the Competent Authority.

Any remaining portion plus the beginning balance of undistributed earnings would then be proposed by the Board of Directors in the following orders:

a. To compensate directors.
b. To appropriate at least 0.1% as employees' bonus, including the subsidiaries employees with certain qualification.
c. To appropriate at least 80% as shareholders' dividends.

Subject to the Board of Directors' consideration on the Company's long-term financial plan and cash flows for capital budget, the total cash dividends shall not exceed 60% of all dividends in the next three years. At the same time, the maximum cash dividends shall not exceed 15% of the capital before the amount of legal reserve equals the Company's capital. The above limitation on cash dividends can be disregarded only when the total annual dividends are less than one dollar or when the shareholders' meeting is resolved otherwise.

C. The distribution of annual net income for 2012 and 2011 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2012	2011	2012	2011
Legal reserve	$156,815	$198,335	-	-
Special reserve	313,630	1,312,937	-	-
Special reserve reversed	(717,950)	-	-	-
Cash dividends	3,580,105	1,307,912	0.780	0.400
Total	$3,332,600	$2,819,184		
Note				
Directors compensations	$23,120	$28,800		
Employee's bonus-cash	12,427	16,800		

GCSC'S distribution of 2012 annual net income and dividend per share was resolved by the Board of Directors, which is authorized to execute the rights and functions of stockholder in stockholder meetings, on May 23, 2013, as follows:

	Distribution of earnings	Dividend per share (dollar)
Legal reserve	$97,247	-
Special reserve	194,495	-
Special reserve reversed	680,732	0.48
Total	$972,474	
Note		
Employee bonus-cash	$6,807	

There is no difference amount between employee's bonus and directors' compensations authorized in 2013 and 2012 and the estimated expenses recognized in 2012 and 2011.

D. Following the adoption of TIFRS, the FSC on April 6, 2012 issued Financial-Supervisory -Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company’s adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders’ equity" for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

Since unrealized revaluation gains are not existed in the Company and subsidiaries’ financial statements and cumulative translation adjustments (gains) recorded to shareholders’ equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, appropriate special reserve is not necessary.

E. As required by the Company Law, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals the issued share capital. Except for covering accumulated deficit, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company’s paid-in capital.

F. The estimation of employees’ bonus and directors’ compensations for the years ended December 31, 2013 and 2012 are 33,500 thousand dollars and 42,354 thousand dollars, respectively, based on the Articles of Incorporation and the amount paid for previous years and recognized as expenses in current year. Resolution approved at the board’s meeting in the subsequent period might differ from the estimation mentioned above and the difference, if any, will be recognized as income/expense in the next year.

G. The related information about employees’ bonus and directors’ compensations from the earnings distribution plan adopted by the Company’s board meeting and resolved by shareholders’ meeting can be inquired at Market Observation Post System.

(4) Non-controlling interests

	For the years ended December 31	
	2013	2012
Beginning balance	$6,056,966	$3,030,582
Profit (loss) attributable to non-controlling interests	100,968	170,324
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Unrealized gains (losses) from available-for-sale financial assets	(3,151)	2,329
Net actuarial loss on defined benefit plan	(55)	-
Cash dividend issued from subsidiaries	(88,060)	-
Cash reduction of capital	(3,121)	-
Effects of consolidated entity changes	-	2,853,731
Ending balance	$6,063,547	$6,056,966

29. The detail of comprehensive net income

(1) Brokerage Handling Fee Revenue

	For the years ended December 31	
	2013	2012
Brokerage handling fee revenues	$4,473,983	$4,353,403
Foreign brokerage fee	1,718,899	1,535,748
Handling fee revenue of short sale	105,563	110,765
Handling fee revenue of securities borrowed	13,185	9,669
Foreign sub-brokerage revenues	112,126	79,176
Total	$6,423,756	$6,088,761

(2) Revenue from underwriting business

	For the years ended December 31	
	2013	2012
Return from underwriting of securities	$106,419	$88,886
Revenue from underwriting proceeding fee	106,092	41,975
Revenue from underwriting and counseling	67,275	43,020
Others	159,213	192,689
Total	$438,999	$366,570

(3) Gains/(losses) on disposal of trading securities-net

	For the years ended December 31	
	2013	2012
Dealing		
Revenue	$858,265,209	$934,822,704
Cost	(856,368,490)	(933,881,774)
Subtotal	1,896,719	940,930
Underwriting		
Revenue	3,420,711	2,570,799
Cost	(2,994,154)	(2,385,676)
Subtotal	426,557	185,123
Hedging		
Revenue	51,672,417	52,540,502
Cost	(51,573,238)	(52,772,521)
Subtotal	99,179	(232,019)
Total	$2,422,455	$894,034

(4) Interest income

	For the years ended December 31	
	2013	2012
Margin loans	$2,262,891	$1,886,441
Bonds	443,057	600,551
Others	3,269	30,662
Total	$2,709,217	$2,517,654

(5) Gain/(loss) on trading securities at fair value through profit and loss

	For the years ended December 31	
	2013	2012
Dealing-net	$684,321	$652,359
Underwriting-net	227,206	31,478
Hedging-net	137,419	51,480
Total	$1,048,946	$735,317

(6) Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net

	For the years ended December 31	
	2013	2012
Gains	$308,443	$245,316
Losses	(158,445)	(65,551)
Total	$149,998	$179,765

(7) Please refer to Note VI.21 for detail of derivative instruments' profit and loss.

(8) Other operating income

	For the years ended December 31	
	2013	2012
Gains on maturity of divided bond	$10,625	$10,594
Gains/(losses) on exercising warrants before maturity-purchased from others	(71)	3,982
Other service fee income	31,247	72,110
Investment advisory income	14,620	20,375
Commission income	157,826	128,359
Management income of investing trust and fund	129,098	222,898
Other operating income	105,548	67,051
Income/(losses) of error accounts	(7,731)	(10,281)
Total	$441,162	$515,088

(9) Financial costs

	For the years ended December 31	
	2013	2012
Foreign trade	$139,415	$64,320
Bills and bonds payable under repurchase agreements	208,283	319,693
Bank borrowing	28,044	25,486
Short-term notes and bills	15,786	19,398
Bonds	35,650	28,520
Others	31,558	131,105
Total	$458,736	$588,522

(10) Employee benefits expenses, depreciation and amortization

The detail of employees benefits expenses, depreciation and amortization are as follows：

Nature	For the years ended December 31 2013	2012
Employee benefit expenses		
Salary expenses	$5,545,675	$4,935,103
Insurance expenses	327,660	282,376
Pension expenses	208,785	197,784
Others	189,415	187,932
Depreciations	345,568	316,747
Amortizations	325,991	405,236

(11) Other operating expenses

	For the years ended December 31 2013	2012
Postage and telephone expenses	$223,930	$217,867
Tax	622,530	538,043
Rental expenses	638,172	631,145
Repairs and maintenance	210,607	211,724
Computer information expenses	282,530	266,091
Professional expenses	417,272	301,954
Securities loan expenses	247,068	301,880
Other expenses	1,002,189	967,558
Total	$3,644,298	$3,436,262

(12) Other income and costs

	For the years ended December 31 2013	2012
Interest income	$426,745	$469,431
Rental income	48,047	94,199
Gain(loss) on disposal of property and equipment	251,392	4,068
Gain(loss) on disposal of investment	(70,799)	(71,228)
Gain(loss) on non-operating financial product at fair value through profit and loss	320,222	2,479
Dividend income	104,604	56,906
Exchange gain or loss on foreign currency	(39,538)	42,053
Management service income	347,179	328,915
Others	92,413	101,196
Total	$1,480,265	$1,028,019

30. Components of other comprehensive income

For the year ended December 31, 2013

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$294,175	$97,736	$391,911	$-	$391,911
Unrealized gain or loss on available-for-sale financial assets	1,403,606	4,192	1,407,798	(4,469)	1,403,329
Net actuarial gain or loss on defined benefit plan	(70,584)	-	(70,584)	11,975	(58,609)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	(109,365)	-	(109,365)	-	(109,365)
Total	$1,517,832	$101,928	$1,619,760	$7,506	$1,627,266

For the year ended December 31, 2012

	Arising	Reclassification	Other comprehensive income, before tax	Income tax	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	$(412,451)	$-	$(412,451)	$-	$(412,451)
Unrealized gain or loss on available-for-sale financial assets	209,906	-	209,906	215	210,121
Net actuarial gain or loss on defined benefit plan	(248,093)	-	(248,093)	43,932	(204,161)
Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	44,548		44,548	-	44,548
Total	$(406,090)	$-	$(406,090)	$44,147	$(361,943)

31. Income tax

(1) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	For the years ended December 31	
	2013	2012
Current income tax expense (income):		
Current income tax	$78,775	$160,507
Adjustments in respect of current income tax of prior periods	147,610	126,766
Effect of consolidated entity changes	(47,238)	(45,756)
Deferred tax expense (income):		
Current income tax	173,039	173,954
Income tax expense	$352,186	$415,471

Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2013	2012
Deferred tax expense (income):		
Unrealized gain (loss) on available-for-sale financial assets	$4,469	$(216)
Net actuarial gain (loss) on defined benefit plan	(11,975)	(43,931)
Income tax relating to components of other comprehensive income	$(7,506)	$(44,147)

(2) Reconciliation of accounting income and income tax expense is as follows:

	For the years ended December 31	
	2013	2012
Income before income tax	$4,470,111	$2,572,125
Less: Net income from prior interest under joint control	(864,795)	(391,810)
Income before income tax attributable to the Company and subsidiaries	$3,605,316	$2,180,315
Income tax expense	$612,904	$370,654
Tax exempted income	(516,483)	(150,037)
Non tax-deductible expenses	46,712	(11,564)
Tax exempted income under Income Tax Law § 42	150,307	73,611
Tax effect of deferred income tax assets/liabilities	61,336	61,828
Income tax benefit from prior interest under joint control	(47,238)	(45,756)
Tax effect of different tax rate for subsidiaries	(126,865)	(10,034)
10% surtax on undistributed retained earnings	-	3
Alternative minimum tax expense	23,903	-
Adjustments of prior periods	147,610	126,766
Total income tax expense (income)	$352,186	$415,471

(3) Deferred tax assets/liabilities balance

For the year ended December 31, 2013

	Beginning balance	Recognized in profit or loss	GCSC's interest recognized in profit or loss before consolidating	Recognized in other comprehensive income	Ending balance
Temporary difference					
Financial assists at fair value through profit or loss	$(86,379)	$6,010	$96,386	$-	$16,017
Available-for-sale financial assets	216	-	-	(4,469)	(4,253)
Bad debts	14,323	(2,766)	(474)	-	11,083
Provisions	6,525	(2,838)	1,615	-	5,302
Goodwill	(545,605)	(188,346)	-	-	(733,951)
Land value increment tax liabilities	(9,252)	-	-	-	(9,252)
Sales-leaseback	(6,264)	914	-	-	(5,350)
Unrealized exchange gain or loss	(11,938)	(658)	(117)	-	(12,713)
Net actuarial gain or loss and pension	92,444	(700)	2	11,975	103,721
Property, plant, and equipment	4,087	(41)	-	-	4,046
Others	-	(308)	-	-	(308)
Unused tax losses	435,785	15,694	2,162	-	453,641
Total	$(106,058)	$(173,039)	$99,574	$7,506	$(172,017)
Reflected in balance sheet as follows：					
Deferred tax assets	$554,672				$609,980
Deferred tax liabilities	$(660,730)				$(781,997)

For the year ended December 31, 2012

	Beginning balance	Recognized in profit or loss	Business merging	Recognized in other comprehensive income	Ending balance
Temporary difference					
Financial assists at fair value through profit or loss	$22,426	$(34,511)	$(74,294)	$-	$(86,379)
Available-for-sale financial assets	-	-	-	216	216
Bad debts	5,328	(13)	9,008	-	14,323
Provisions	4,136	1,637	752	-	6,525
Goodwill	(370,214)	(175,391)	-	-	(545,605)
Land value increment tax liabilities	(6,063)	-	(3,189)	-	(9,252)
Sales-leaseback	(8,097)	1,833	-	-	(6,264)
Unrealized exchange gain or loss	(3,630)	(8,483)	175	-	(11,938)

	Beginning balance	Recognized in profit or loss	Business merging	Recognized in other comprehensive income	Ending balance
Net actuarial gain or loss and pension	46,859	1,956	(302)	43,931	92,444
Property, plant, and equipment	(50,271)	50,271	4,087	-	4,087
Unused tax losses	222,470	(11,253)	224,568	-	435,785
Total	$(137,056)	$(173,954)	$160,805	$44,147	$(106,058)
Reflected in balance sheet as follows：					
Deferred tax assets	$301,219				$554,672
Deferred tax liabilities	$(438,275)				$(660,730)

(4) Unrecognized deferred income tax assets

The Company has no assets that may be used to reduce any subsequent periods' income tax expense should be recognized as deferred income tax assets.

(5) Unrecognized deferred income tax liabilities

The Company has no liabilities that may be used to increase any subsequent periods' income tax expense should be recognized as deferred income tax liabilities.

(6) The information of integrated Income Tax System

A. Balance of imputation income tax credit amounts

	12/31/13	12/31/12	1/1/12
The Company	$119,445	$610,592	$1,192,047
GCSC (the dissolved company)	-	84,651	67,500
KGI Securities Investment Advisory Co., Ltd.	740	202	202
KGI Insurance Brokers Co., Ltd.	2,516	751	522
KGI Venture Capital Co., Ltd.	-	-	-
KGI Securities Investment Trust Co., Ltd.	888	888	888
KGI Futures	35,360	43,548	40,338
GSFC	145,448	173,194	178,533

B. Creditable ratio for earning distribution to ROC resident shareholders

	2013 (Expected)	2012 (Actual)
The Company	5.21%	18.74%
KGI Securities Investment Advisory Co., Ltd.	20.48%	-
KGI Insurance Brokers Co., Ltd.	20.48%	20.48%
KGI Venture Capital Co., Ltd.	-	-
KGI Securities Investment Trust Co., Ltd.	-	-
KGI Futures	21.19%	22.82%
GSFC	24.57%	24.91%

According to the rule issued by Ministry of Finance, the accumulated undistributed retained earnings shall include the effected amounts of first-time adoption of IFRS as calculating creditable ratio of current fiscal year.

(7) Information for unappropriated retained earnings:

The Company

	12/31/13	12/31/12	1/1/12
Prior to December 31, 1997	$-	$7,265	$7,265
Subsequent to January 1, 1998	3,046,370	3,325,335	4,816,022
Total	$3,046,370	$3,332,600	$4,823,287

As of December 31, 2013, the Company' domestic subsidiaries earnings generated in the year ended December 31, 1997 and prior years have been fully appropriated.

(8) Income tax return assessed

As of December 31, 2013, the assessment information on the Company s' income tax return is as follows:

	Assessment information
The Company	The Company's income tax returns for the years through 2011 have been assessed by the Tax Bureau. The income tax returns of Taishin Securities Co., Ltd. and GCSC have been assessed through 2006 and 2007, respectively.
KGI Securities Investment Advisory Co., Ltd.	Assessed through 2011. The income tax return of Grand Cathay Securities Investment Advisory Co., Ltd. has been assessed through 2011.
KGI Insurance Brokers Co., Ltd.	Assessed through 2011
KGI Venture Capital Co., Ltd.	-
KGI Securities Investment Trust Co., Ltd.	Assessed through 2011
KGI Futures	Except for 2010 and 2012, KGI Futures' income tax returns for the year through 2012 have been assessed. The income tax return of GC Futures has been assessed through 2011.
GSFC	Assessed through 2010

(9) The income tax returns 2005 through 2011 for the Company related to withhold income tax of the predecessors, respective operating costs and other tax-exempt income were disallowed by the Tax Bureau. As a result of the afore-mentioned assessments, the Company was assessed for additional income tax of 2,802,182 thousand dollars. The income tax returns 2003 through 2007 for GCSC related to warrant income and amortization of sales right were disallowed by the Tax Bureau. As a result of the assessments, GCSC was assessed for additional income tax of 606,977 thousand dollars. The Company did not agree with such assessments and is in the process of appealing. The Company has already recognized the estimated amount of assessed additional tax liabilities.

32. Earnings Per Share

Basic earnings per share ("EPS") amounts are calculated by dividing net income for the year attributable to common stock holders of the parent company by the weighted average number of shares outstanding during the year.

The EPS adjusted retroactively are as follows:

	For the years ended December 31	
	2013	2012
Basic EPS		
Net income attributable to owner of the parent company	$3,104,924	$1,548,764
Net income attributable to prior interest under joint control	912,033	437,566
Total	$4,016,957	$1,986,330
Weighted average number of shares outstanding	4,598,812,320 shares	4,028,708,695 shares
EPS (NT$)	$0.87	$0.49

VII. Significant Related-Party Transaction

1. Significant Related-Party Transaction

(1)Operation revenue and expense

	For the years ended December 31	
	2013	2012
A. Brokerage handling fee revenue		
The parent Company	$351	$81
Associates	8	-
Other related parties	17,820	25,899
Total	$18,179	$25,980
B. Revenue from providing agency service for stock affairs		
The parent Company	$16,460	$12,430
Other related parties	245	-
Total	$16,705	$12,430
C. Other operating revenue		
Associates	$29,621	$-
D. Other operating expense		
Associates	$29,479	$-
Other related parties	13,328	9,433
Total	$42,807	$9,433

The above transactions process under ordinary trading condition.

(2) Due from banks (recognized as cash and cash equivalents and non-current assets-Guarantee deposits-out):

	12/31/13	12/31/12	1/1/12
Other related parties	$5,290,023	$344,561	$-

(3) Financial assets measured at fair value through profit or loss-current:

	12/31/13	12/31/12	1/1/12
A. Open-ended funds and monetary market instruments			
Other related parties	$227,176	$275,143	$15,921
B. Trading securities-dealing-net			
a. Stocks			
Other related parties	$31,053	$1,800	$-
b. Bonds			
The parent Company	$-	$100,132	$-
Other related parties	233,386	173,687	-
Total	$233,386	$273,819	$-

	Notional Amount		
	12/31/13	12/31/12	1/1/12
C. Oustanding derivative financial instruments			
a. IRS			
Other related parties	$800,000	$800,000	$-
b. CBAS-interest			
Other related parties	$55,000	$498,000	$-
c. CBAS -long option			
Other related parties	$55,000	$498,000	$-
d. CBAS -short option			
Other related parties	$-	$16,000	$-
e. Index options contracts			
Other related parties	$1,449,000	$-	$-

(4) Available-for-sale financial assets-non-current

	12/31/13	12/31/12	1/1/12
Stock			
The parent Company	$2,723,272	$2,299,652	$-

(5)Margin loans receivable

	12/31/13	12/31/12	1/1/12
Other related parties	$13,648	$-	$-

(6)Customers' margin accounts

	12/31/13	12/31/12	1/1/12
Other related parties	$84,461	$62,896	$-

(7)Short-term borrowings

	12/31/13	12/31/12	1/1/12
Other related parties	$119,800	$274,519	$-

(8)Deposits for short sales

	12/31/13	12/31/12	1/1/12
Other related parties	$47,867	$-	$-

(9)Short sales proceeds payable

	12/31/13	12/31/12	1/1/12
Other related parties	$52,927	$-	$-

(10)Futures customers' equity

	12/31/13	12/31/12	1/1/12
Other related parties	$84,461	$118,215	$-

(11)Accounts payable

	12/31/13	12/31/12	1/1/12
Associates	$11,097	$-	$-
Other related parties	22	146,135	-
Total	$11,119	$146,135	$-

(12)Income tax assets and liability non-current

Detail of income tax refundable/payable resulting from the consolidated income tax return.

	12/31/13	12/31/12	1/1/12
Due from the parent company	$122,581	$89,063	$-
Due to the parent company	$983,956	$984,361	$-

(13)Stock transactions with related parties as follows:

Trading securities – underwriting:

	For the year ended December 31, 2013	
	Purchase	Sell
Other related parties	$27,000	$-

(14)Bond transactions with related parties as follows:

A. Transaction under agreement

a. Bonds sold under repurchase agreements

	1/1/12	
	Amount	Resold amount
Other related parties	$132,054	$132,075

B. Purchase and sell of bonds

	For the year ended December 31, 2013	
	Purchase	Sell
The parent Company	$1,500,000	$-
Other related parties	3,771,121	4,751,539
Total	$5,271,121	$4,751,539

	For the year ended, 2012	
	Purchase	Sell
Other related parties	$1,741,419	$4,639,508

(15)Information about key management personnel compensation as follows:

	For the year ended December 31, 2013	
	2013	2012
Short-term employee benefit	$274,950	$293,655
Post-employment benefits	6,012	5,966
Total	$280,962	$299,621

(16)The following assets had been pledged to a related party as collateral for short-term borrowings

	12/31/13	12/31/12	1/1/12
Property and equipment	$-	$620,347	$-

VIII. **Assets Pledged**

The following assets have been pledged to financial institutions to serve as guarantees for loans.

Description of the Assets	12/31/13	12/31/12	1/1/12
Financial assets measured at fair value through profit or loss-current	$188,073	$4,435,291	$850,445
Other current assets- pledged	1,582,563	2,599,889	1,526,489

Description of the Assets	12/31/13	12/31/12	1/1/12
Available-for-sale financial assets-current	-	-	490,000
Investments accounted for using the equity method	1,749,427	1,719,179	-
Available-for-sale financial assets-non-current	2,213,351	1,877,457	2,067,298
Financial assets measured at fair value through profit or loss-non-current	20,435	133,127	50,850
Property and equipment	4,831,607	4,326,684	2,483,552
Investment property	128,147	273,344	-
Non-current assets-Guarantee deposits-out	940,446	723,707	132,927
Total	$11,654,049	$16,088,678	$7,601,561

IX. **Commitments and Contingent Liabilities**

The Company and subsidiaries' commitments and contingent liabilities as of December 31, 2013, are as follows:

1. On June 29, 2010, the Company signed a medium-term loan agreement, maturing June 29, 2014, with a syndicate of banks. The Company may draw up loans at its own discretion for a total credit line of 5,000,000 thousand dollars. Based on the agreement, the Company is required to provide an endorsement to the banks at a date when any amount of loan facility is used.

   According to this agreement, the Company should maintain its financial ratios for its semi-annual and annual consolidated financial statements as follows:

   A. No less than 100% for current ratio.
   B. No more than 350% for debit ratio
   C. No less than 25,000,000 thousand dollars for the Company's net tangible assets.

   As of December 31, 2013, the amount of loan being withdrawn was 0 dollars.

2. The Company's subsidiary, Richpoint Company Limited, had signed a medium-term loan agreement. Please refer to Note VI.24 for reference.

3. The Company' has appealed for its income tax returns. Please refer to Note VI.31 for reference.

4. One of the executive vice president of the merged entities, Jen-Hsin Securities Co., Ltd., claimed the ownership of stocks of Jen-Hsin Securities Co., Ltd. while certain clients of Jen-Hsin Securities Co., Ltd. also claimed ownership of the same lot of securities. The executive vice president declined to surrender the shares; hence, Jen-Hsin Securities Co., Ltd. petitioned a motion with the Taipei District Court on November 6, 2002 in order to repossess such shares. Because Jen-Hsin Securities Co., Ltd. has been merged into the Company, such case is taken over by the Company as a result. Also, in July, 2004, the certain clients has requested to the Court for the repossession of such shares from the Company, the Company can pay cash of 90,379 thousand dollars in lieu. The case is currently in the process of the fourth trial at Taiwan High Court.

5. Securities and Futures Investors Protection Center sued The Company and claimed that due to the fact that The Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, The Company must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds. Against the article 20 and 32 of Securities and Exchange Act and the article 184 and 185 of Civil Code. The plaintiffs sued The Company and Taiwan Kolin Co., Ltd. and demanded compensation of 133,308 thousand dollars and related interest. The lawsuit was currently pending with the Taipei District Court.

6. The investors, Mr. Hong and Mr. Li, sued GCSC's (dissolving company after merging on June 22, 2013, and as "the Company") former employee, Mr. Hsu, for introducing the investors about fake financial products on behalf of the Company. Therefore, the investors transferred 12,700 thousand dollars to the Company's settled account, bond fund account of Grand Cathay Investment and Trust Corporation, and the employee's personal account since 2004. Until the investors were notified from the Investigation Bureau, Ministry of Justice, the investors just realized the treatment. The investors, Mr. Li and Mr. Hong, demanded compensation of 2,000 thousand dollars and 10,700 thousand dollars, respectively, with additional interests at 5% rate against the Company and Mr. Hsu. In addition, the investors demanded higher compensation for 13,044 thousand dollars. On January 31, 2013, Shih-Lin District Court judged the Company and Mr.Hsu shall compensate the investors for 7,974 thousand dollars with additional interests at 5% rate. Both of the Company and investors continued to appeal. The case is currently in the process at Taiwan High Court.

7. Mr. Lin, a client of the Company's subsidiary declared that he has signed a trading account contract with the subsidiary in December, 2006 and authorized Mr. Chou to fill in the relevant data and delivered the account documents to the assistant of the subsidiary. After the account established, Mr. Lin authorized Mr. Chou to trade futures on behalf of Mr. Lin. In December, 2007, Mr. Lin alleged that a material loss in his futures trading and his contact address was filled by Mr. Chou's address and Mr. Chou also provided Mr. Lin with fake futures trading report. Besides, Mr. Lin appealed to the Court and claimed 15,517 thousand dollars against Mr. Chou; Mr. Lin also requests that the subsidiary and its related staff, the Company, to jointly take the responsibility. The case was rejected by Taiwan Shilin District Court on February 17, 2012. Mr. Lin appealed to Taiwan High Court on March 28, 2012 until now.

8. The subsidiary followed the article 56 of Regulations Governing Futures Commission Merchants. In the event that a futures commission merchant experiences bankruptcy, dissolution, suspension of business operations or circumstances under which acts or regulations require suspension of the acceptance of orders from futures traders, the Financial Supervisory Commission may order it to transfer all the accounts related to its futures traders to another futures commission merchant which has entered into a succession contract with it. The subsidiary had signed the succession contracts with Cathay Futures Corporation, Jihsun Futures Corporation, and Chinatrust Banking Corporation Securities.

9. For the need of securities borrowing margin, the Company requested the bank guarantees for 700,000 thousand dollars.

10. The case of loan recovery between Global Treasure Investments Limited and Minda Consultancy Limited:

    According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) lent Minda Consultancy Limited (Minda) HKD 10,000 thousand dollars. However, Minda reneged on the contract and GT appealed to the Court against Minda for returning HKD 9,192 thousand dollars and additional interests. This case is currently in the process of Hong Kong court.

11. The contention about pledged stocks between Digital Imaging Solution Global Ltd., Minda Consultancy Limited, KGI Limited, and Global Treasure Investments Limited:

    The plaintiffs, Digital Imaging Solution Global Ltd. (Digital) and Minda Consultancy Limited ("Minda") claimed that Global Treasure Investments Limited (GT) broke the pledged contract since GT and its fund manager including KGI Limited disposed 2,000 thousand shares of eCyberChina without the agreement of Digital and Minda based on the pledged stock derived from the loan, HKD 10,000 thousand dollars, between Minda and indirectly obtained the pledged stock 35,000 thousand shares of eCyberChina. Digital and Minda appealed to the Court and claimed HKD 119,130 thousand dollars and relevant expenses and interests against GT in November 2007. In February 2008, the plaintiffs also sued KGI Limited but the Hong Kong Court rejected the case on July 21, 2008. The plaintiffs appealed to the Court of Appeal and the Court of Appeal rejected Digital's appeal in December 2008. This case of Minda's part is currently in the process of Court of Appeal.

X. **Extraordinary Loss**

None.

XI. **Subsequent Events**

None.

XII. **Others**

1. Financial risk management objectives and policies

(1) Financial risk management objectives

The Board of Director and senior management attach great importance to risk management, and continuously to improve risk management mechanism and aimed to strengthen the competitiveness of the Company and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, the Company uses risk appetite as a base according to venture capital allocation. While setting risk appetite, the Company takes the amount of liquid capital and financial and operational goal into consideration.

(2) Risk management organization

The Company has set up Risk Management Committee ("RMC"), Investment Review Committee ("IRC") and Merchandise Review Committee ("MRC") under the Board of Directors, chaired by the general manager or the person whom he/she has commissioned. RMC is responsible for planning and monitoring risk management; IRC is responsible for reviewing underwriting and investment cases while MRC is responsible for reviewing all of the financial instruments before the Company makes transactions.

Internal audit department is responsible for making sure that the internal control system is complete, conducting internal audits in front, middle and back offices and making sure that all requirements/regulations are followed during related operations.

Legal affair department is responsible for providing legal consultations, drafting contracts, reviewing major contracts and monitoring contentious cases.

Legal compliance department is responsible for conveying laws, providing legal consultation in securities/futures business, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Risk management department measures and monitors daily risks while assisting RMC, IRC and the Board of Director in risk management. The unit also reports to RMC, IRC and the board periodically.

The Company's business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to RMC and IRC.

(3) Risk management system

The content of the Company's structure of risk management system covers all kinds of risks faced by the Company which includes market risk, credit risk, liquidity risk, operating risk and legal risk.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent authority. The competent authority makes a draft and asks the related department for the advice and opinions and after confirming with legal compliance department, the competent authority submits the proposal to RMC.

(4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. And the evaluation and the strategies of important risk are explained as follows:

A. Market Risk

The Company takes nominal amount, risk factor sensitivity, value at risk, and stop-loss order as control standards and coordinates with various risk-based limits. And the Company will provide daily market risk reports to sales supervisors and director of MRC. Besides, the result of stress testing will be presented to MRC to review periodically.

B. Credit Risk

The Company sets proper credit limits for different industries, credit valuation levels, groups and single entity, etc. considering various factors ranging from capital size, net value of entity, risk measurement to concentration risk and classifies to manage. Also, the Company inspects the credit situation of counterparties and debts periodically.

Risk management department monitors foreign financial institutions which have business connection with the Company every day, and monitors the change of CDS Spread revealed by Bloomberg. Moreover, when the Company engages in derivative transaction of OTC, the risk management department calculates and controls the Pre-Settlement Risk, ("PSR") to the Company from counterparties; the PSR control reports will be provided to every sales supervisors and director of MRC.

Aimed to credit risk of bonds, the Company classifies the risk based on internal credit levels and industries. The Company discloses the credit exposed situation of counterparties and securities.

C. Liquidity risk

The Company has set up an independent fund dispatching department to manage liquidity risk in funds and handle all the requests and needs for funds from all departments in a timely manner. “Guidelines in Managing Liquidity Risk in Funds” were established to effectively manage the liquidity risk in funds of the Company.

The fund-dispatching department periodically reviews related financial ratios to ensure the liquidity of the Company’s assets and liabilities. Based on the estimates from departments on future needs for funds and the Company’s fund-dispatching capabilities, this department has established a simulation analysis mechanism for funds flows. The department also has set up a secure amount of fund reserve and a contingency plan to cope with possible needs for funds in the future.

(5) Risk hedge and mitigation strategy

The Company has set up hedge instruments and risk mitigation measures in all operations based on the Company’s capital scale and risk tolerance. Such measures include: risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company’s risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

2. Analysis of Credit Risk

(1) Source of credit risk

The credit risks that the Company and subsidiaries are exposed to during financial transactions include issuer’s credit risk, counterparty credit risk and underlying assets credit risk.

A. Issuer’s credit risk refers to the risk of financial loss that the Company and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

B. Counterparty credit risk refers to the risk of financial loss that the Company and subsidiaries face when a counterparty in financial instrument transaction does not complete a transaction or fulfill a payment obligation on the appointed date.

C. Underlying asset credit risk is the risk of financial loss when the counterparty defaults or when one of the following occurs to the underlying asset linked to a financial instrument: credit quality weakened, credit spread rise, and credit rating downgraded.

(2) Internal Risk Rating

The Company and subsidiaries classify the credit risk of financial Assets into four levels; the definition of each level is listed as follows:

A. Low Risk: a debt issuer/counterparty who has a stronger capability to fulfill its financial commitment and is mostly able to repay the principal and interest on the appointed dates in the contract. This counterparty is capable of creating cash flow and is ranked as low risk to the Company.

B. Medium-low risk: a debt issuer/counterparty who has a good capability to fulfill its financial commitment related to the debt with a sound financial structure but its ability to repay on time might be affected by poor economic conditions or changes in the environment. A debt issuer/counterparty like this is ranked as medium-low risk to the Company.

C. Medium Risk: a debt issuer/counterparty who has an acceptable capability to fulfill its financial commitment related to the debt but its ability to do so might be affected by poor business operations, financial or economic conditions. An issuer/counterparty like this is ranked as medium risk to the Company.

D. High Risk: a debt issuer/counterparty who has a poor capability to fulfill its financial commitment related to the debt and its ability to do so solely depends on its business operation and the stability of the economic environment. A debt issuer/counterparty like this is ranked as high risk to the Company.

The internal credit risk ratings used inside the Company and subsidiaries is not related to external credit ratings. The chart below shows the similarities of the credit quality in the Company's internal rating system and external rating system

Interior Risk Rating of the Company and subsidiaries	Taiwan Ratings
Low Risk	twAAA ~ twAA
Medium-Low Risk	twAA- ~ twA
Medium Risk	twA- ~ twBBB-
High Risk	twBB+ ~ under twC

(3) Quality and past due of financial assets

12/31/13

Financial Assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$15,491,182	$17,511	$-	$-	$-	$-	$-	$15,508,693
Financial assets measured at fair value through profit or loss-current	46,261,348	1,138,743	10,604,078	-	-	-	-	58,004,169
Available-for-sale financial assets-current	669,582	-	-	-	-	-	-	669,582
Bond investments for which no active market exists-current	5,161	-	-	-	-	-	-	5,161
Bonds purchased under resale agreements	10,127,858	-	-	-	-	-	-	10,127,858
Receivables	60,492,090	9,428,523	1,384,031	180,599	-	6,818	-	71,492,061
Customers' margin accounts	13,921,927	-	-	-	-	-	-	13,921,927
Other financial assets-current	4,372,654	-	-	-	-	-	-	4,372,654
Other current assets	22,984,711	56,137	7,752	140	-	-	-	23,048,740
Financial assets measured at fair value through profit or loss-non-current	20,435	-	-	-	-	-	-	20,435
Available-for-sale financial assets-non-current	50,443	-	30,000	-	-	-	-	80,443
Held to maturity financial assets-non-current	158,194	-	-	-	-	-	-	158,194
Others non-current assets	4,287,191	-	60,000	-	-	7,035	-	4,354,226
Total	$178,842,776	$10,640,914	$12,085,861	$180,739	$-	$13,853	$-	$201,764,143
Percentage	88.64%	5.27%	5.99%	0.09%	-	0.01%	-	100.00%

12/31/12

Financial Assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$14,149,970	$142,773	$-	$-	$-	$-	$-	$14,292,743
Financial assets measured at fair value through profit or loss-current	37,080,032	652,774	8,874,697	63,106	-	-	-	46,670,609
Bonds purchased under resale agreements	3,988,101	570,900	200,150	-	-	-	-	4,759,151
Receivables	47,514,352	14,455,173	2,037,010	188,386	-	7,228	-	64,202,149
Customers' margin accounts	16,396,492	-	-	-	-	-	-	16,396,492
Other financial assets-current	3,311,850	-	-	-	-	-	-	3,311,850
Other current assets	22,492,506	13	-	-	-	-	-	22,492,519
Financial assets measured at fair value through profit or loss-non-current	413,331	-	-	-	-	-	-	413,331
Available-for-sale financial assets-non-current	611,644	-	30,000	-	-	-	-	641,644
Held to maturity financial assets-non-current	5,029	-	-	-	-	-	-	5,029
Bond investments for which no active market exists-non-current	10,156	-	-	-	-	-	-	10,156
Others non-current assets	4,366,204	-	60,000	-	79,257	8,384	-	4,513,845
Total	$150,339,667	$15,821,633	$11,201,857	$251,492	$79,257	$15,612	$-	$177,709,518
Percentage	84.60%	8.90%	6.30%	0.14%	0.05%	0.01%	-	100.00%

1/1/12

Financial Assets	Positions that are neither past due nor impaired				Past due but unimpaired	Impaired	Impaired reserve	Total
	Low	Medium-Low	Medium	High				
Cash and cash equivalents	$9,228,510	$92,237	$-	$-	$-	$-	$-	$9,320,747
Financial assets measured at fair value through profit or loss-current	22,548,827	379,298	9,549,914	-	-	-	-	32,478,039
Bonds purchased under resale agreements	6,847,143	2,503,372	-	-	-	-	-	9,350,515
Receivables	27,150,820	12,418,907	6,557,943	1,327	-	-	-	46,128,997
Customers' margin accounts	16,296,714	-	-	-	-	-	-	16,296,714
Other financial assets-current	1,803,240	-	-	-	-	-	-	1,803,240
Other current assets	21,136,574	43,513	-	-	-	-	-	21,180,087
Financial assets measured at fair value through profit or loss-non-current	50,850	-	-	-	-	-	-	50,850
Financial assets at cost-non-current	139,068	-	-	-	-	-	-	139,068
Available-for-sale financial assets-non-current	7,729	-	-	-	-	-	-	7,729
Bond investments for which no active market exists-non-current	14,992	-	-	-	-	-	-	14,992
Others non-current assets	2,737,896	2,900	60,000	-	91,600	-	-	2,892,396
Total	$107,962,363	$15,440,227	$16,167,857	$1,327	$91,600	$-	$-	$139,663,374
Percentage	77.30%	11.05%	11.58%	0.00%	0.07%	-	-	100.00%

Financial assets for the Company and subsidiaries are divided into the following three categories based on their credit quality: positions that are neither past due nor impaired, past due but unimpaired, and impaired.

A. Financial assets measured at fair value through profit or loss-current

Medium risk financial assets refer to the unsecured corporate bonds and convertible (exchangeable) corporate bonds that the Company has. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank; the other unsecured, most of the issuers' risk is medium. The Company conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. The Company also reviews the risk exposure of the position periodically and therefore the credit risk is effectively under control.

B. Receivables

Receivables are the amount that the Company and subsidiaries shall collect from clients in credit transactions. If clients' risk ranked as medium or high risk, the Company will closely monitor market fluctuations and counterparty's credit history, and also enforces related control measures to minimize the credit risk it faces.

C. Other current assets

It refers to the futures margin that the Company's subsidiary, KGI Futures, pays to prior futures merchant, MFGS. According to the announcement from MFGS official website on May 28, 2012, the provisional liquidator of MFGS estimated that 93%~97% of the creditors' claim will be paid gradually. Based on this possibility, the Company ranked all the payments made by the subsidiary as high risk.

D. Available-for-sale financial assets -non-current

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Hwatai Bank that the Company's subsidiary, GSFC, holds. This issuer is ranked as medium risk.

E. Other assets -non-current

Other medium risk financial assets under this category include the Company's guarantee deposits-out. The Company evaluates all counterparties based on the amount of their withdrawal amount. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

3. Analysis of Capital liquidation risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

12/31/13

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$5,686,238	$9,822,455	$-	$-	$-	$15,508,693
Financial assets measured at fair value through profit or loss-current	53,571,909	9,113,560	9,703,296	187,101	5,750	72,581,616
Financial assets measured at cost-current	402,061	-	-	-	-	402,061
Available-for-sale financial	4,352,227	-	-	-	-	4,352,227

Statement of cash flow analysis for financial assets

12/31/13

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
assets-current						
Bond investments for which no active market exists-current	-	5,161	-	-	-	5,161
Bonds purchased under resale agreements	-	9,768,626	352,477	-	-	10,121,103
Receivables	40,176,864	6,754,580	21,602,490	2,958,127	-	71,492,061
Other financial assets-current	-	-	4,372,654	-	-	4,372,654
Customers' margin accounts	13,921,927	-	-	-	-	13,921,927
Income tax assets	-	-	8,421	538	300,746	309,705
Other current assets	21,371,528	320,362	1,356,850	-	-	23,048,740
Financial assets measured at fair value through profit or loss-non-current	-	450	-	20,450	-	20,900
Financial assets measured at cost-non-current	-	-	-	10,719	978,861	989,580
Available-for-sale financial assets-non-current	-	-	-	30,000	2,843,870	2,873,870
Held to maturity financial assets-non-current	-	-	-	5,014	153,180	158,194
Investments accounted for using the equity method	-	-	-	-	2,087,928	2,087,928
Others non-current assets	-	200,000	200,000	536,940	3,452,097	4,389,037
Total	$139,482,754	$35,985,194	$37,596,188	$3,748,889	$9,822,432	$226,635,457
Percentage	61.54%	15.88%	16.59%	1.65%	4.34%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/13

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$10,645,474	$2,490,551	$-	$-	$-	$13,136,025
Commercial papers payable-net	1,916,178	-	-	-	-	1,916,178
Financial liabilities measured at fair value through profit or loss-current	3,037,428	2,751,705	5,983,946	1,097,413	24,864	12,895,356
Bonds sold under repurchase agreements	-	41,369,253	-	-	-	41,369,253
Payables	42,361,738	1,538,052	6,398,602	357,952	-	50,656,344
Securities lending refundable deposits	-	2,256,845	6,553,852	-	-	8,810,697
Futures customers’ equity	13,896,226	-	-	-	-	13,896,226
Other current liabilities	1,700,952	433,998	1,971,780	86	-	4,106,816
Other financial liabilities-current	-	13,615,127	66,929	-	-	13,682,056
Income tax liabilities	-	-	21,785	2,537,394	-	2,559,179
Bonds payables	-	-	-	3,100,000	-	3,100,000

Statement of cash flow analysis for financial liabilities

12/31/13

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Liabilities reserve-non-current	-	-	-	-	218,172	218,172
Others non-current liabilities	-	-	-	29,683	496,135	525,818
Total	$73,557,996	$64,455,531	$20,996,894	$7,122,528	$739,171	$166,872,120
Percentage	44.08%	38.63%	12.58%	4.27%	0.44%	100.00%

Statement of capital liquidation gap

12/31/13

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$139,482,754	$35,985,194	$37,596,188	$3,748,889	$9,822,432	$226,635,457
Cash outflow	73,557,996	64,455,531	20,996,894	7,122,528	739,171	166,872,120
Amount of cash flow gap	$65,924,758	$(28,470,337)	$16,599,294	$(3,373,639)	$9,083,261	$59,763,337

Statement of cash flow analysis for financial assets

12/31/12

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$6,982,994	$6,409,449	$900,300	$-	$-	$14,292,743
Financial assets measured at fair value through profit or loss-current	54,743,705	3,941,208	3,926,251	384,971	941	62,997,076
Financial assets measured at cost-current	632,924	-	-	-	-	632,924
Available-for-sale financial assets-current	2,945,109	-	-	-	-	2,945,109
Bonds purchased under resale agreements	-	4,760,698	-	-	-	4,760,698
Receivables	28,663,517	11,976,775	20,644,995	2,808,022	108,840	64,202,149
Other financial assets-current	-	961,900	2,349,950	-	-	3,311,850
Customers' margin accounts	16,396,492	-	-	-	-	16,396,492
Income tax assets	-	-	166	5,332	307,970	313,468
Other current assets	20,377,342	1,652,786	462,388	3	-	22,492,519
Financial assets measured at fair value through profit or loss-non-current	-	-	51,375	362,575	-	413,950
Financial assets at cost-non-current	32,676	-	-	14,375	904,941	951,992
Available-for-sale financial assets-non-current	43,865	-	-	658,903	2,299,652	3,002,420
Held to maturity financial assets-non-current	-	-	-	5,029	-	5,029
Bond investments for which no active market exists-non-current	-	-	5,200	5,200	-	10,400
Investments accounted for using the equity method	-	-	-	-	1,995,613	1,995,613
Others non-current assets	-	-	250,000	1,610,762	2,954,501	4,815,263
Total	$130,818,624	$29,702,816	$28,590,625	$5,855,172	$8,572,458	$203,539,695
Percentage	64.27%	14.59%	14.05%	2.88%	4.21%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/12

Financial liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	$3,975,623	$6,068,554	$-	$-	$-	$10,044,177
Commercial papers payable-net	-	1,172,754	-	-	-	1,172,754
Financial liabilities measured at fair value through profit or loss-current	2,565,400	4,551,636	889,820	558,311	1,348	8,566,515
Bonds sold under repurchase agreements	-	37,907,834	1,076,683	-	-	38,984,517
Payables	31,836,777	5,866,507	5,663,137	871,912	-	44,238,333
Securities lending refundable deposits	-	2,526,647	6,233,805	-	-	8,760,452
Futures customers' equity	16,201,812	-	-	-	-	16,201,812
Other current liabilities	194,299	1,911,172	648,846	90,172	-	2,844,489
Other financial liabilities-current	14,189	7,992,132	183,441	138	-	8,189,900
Income tax liabilities	1,918	619	11,059	2,198,288	210,830	2,422,714
Bonds payables	-	-	-	3,100,000	-	3,100,000
Other financial liabilities-non-current	-	-	-	190,491	-	190,491
Liabilities reserve-non-current	-	-	-	227,727	-	227,727
Others non-current liabilities	-	-	-	-	626,957	626,957
Total	$54,790,018	$67,997,855	$14,706,791	$7,237,039	$839,135	$145,570,838
Percentage	37.64%	46.71%	10.10%	4.97%	0.58%	100.00%

Statement of capital liquidation gap

12/31/12

	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	$130,818,624	$29,702,816	$28,590,625	$5,855,172	$8,572,458	$203,539,695
Cash outflow	54,790,018	67,997,855	14,706,791	7,237,039	839,135	145,570,838
Amount of cash flow gap	$76,028,606	$(38,295,039)	$13,883,834	$(1,381,867)	$7,733,323	$57,968,857

Statement of cash flow analysis for financial assets

1/1/12

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	$5,806,652	$3,490,175	23,920	$-	$-	$9,320,747
Financial assets measured at fair value through profit or loss-current	36,125,065	283,292	1,366,455	555,655	-	38,330,467
Financial assets measured at cost-current	314,119	-	-	-	-	314,119
Available-for-sale financial assets -current	2,986,387	-	-	-	-	2,986,387
Bonds purchased under resale agreements	-	9,352,732	-	-	-	9,352,732
Receivables	18,232,838	4,095,012	23,767,470	33,677	-	46,128,997
Customers' margin accounts	16,296,714	-	-	-	-	16,296,714
Other financial assets-current	-	-	1,803,240	-	-	1,803,240
Income tax assets	-	-	139	-	236,899	237,038
Other current assets	19,394,415	959,165	813,582	25	12,900	21,180,087
Financial assets measured at fair value through profit or loss -non-current	-	-	51,625	-	-	51,625

Statement of cash flow analysis for financial assets

1/1/12

Financial Assets	Collection period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Financial assets measured at cost-non-current	-	-	-	165,438	1,357,506	1,522,944
Available-for-sale financial assets-non-current	-	-	-	-	2,600,890	2,600,890
Bond investments for which no active market exists-non-current	-	5,200	-	10,400	-	15,600
Others non-current assets	-	-	-	328,853	2,832,440	3,161,293
Total	$99,156,190	$18,185,576	$27,826,431	$1,094,048	$7,040,635	$153,302,880
Percentage	64.68%	11.86%	18.15%	0.71%	4.60%	100.00%

Statement of cash flow analysis for financial liabilities

1/1/12

Financial liabilities	Payment period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Short-term borrowings	$-	$5,611,808	$-	$-	$-	$5,611,808
Commercial papers payable-net	-	8,088,071	115,180	-	-	8,203,251
Financial liabilities measured at fair value through profit or loss-current	2,360,836	952,976	860,167	738,190	-	4,912,169
Bonds sold under repurchase agreements	-	29,911,763	698,980	-	-	30,610,743
Payables	24,930,237	142,225	6,788,219	-	-	31,860,681
Securities lending refundable deposits	-	2,080,234	7,081,871	-	-	9,162,105
Futures customers' equity	15,712,869	-	-	-	-	15,712,869
Other current liabilities	1,043,476	1,058,442	263,518	86,987	-	2,452,423
Other financial liabilities-current	-	4,660,235	-	-	-	4,660,235
Income tax liabilities	2,589	-	85,438	1,145,217	-	1,233,244
Liabilities reserve-non-current	-	-	-	155,209	-	155,209
Current portion of long-term borrowings	-	484,640	-	-	-	484,640
Others non-current liabilities	-	-	-	-	345,033	345,033
Total	$44,050,007	$52,990,394	$15,893,373	$2,125,603	$345,033	$115,404,410
Percentage	38.17%	45.92%	13.77%	1.84%	0.30%	100.00%

Statement of capital liquidation gap

1/1/12

	Collection period: Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
Cash inflow	$99,156,190	$18,185,576	$27,826,431	$1,094,048	$7,040,635	$153,302,880
Cash outflow	44,050,007	52,990,394	15,893,373	2,125,603	345,033	115,404,410
Amount of cash flow gap	$55,106,183	$(34,804,818)	$11,933,058	$(1,031,555)	$6,695,602	$37,898,470

The Company has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect the Company and subsidiaries when it comes to fund dispatching. Cash flow gap statements from December 31, 2013, 2012 and January 1, 2012, show that the sums from deducting cash outflow from cash inflow are 59,763,337 thousand dollars, 57,968,857 thousand dollars and 37,898,470 thousand dollars, respectively, all indicating sufficient fund liquidity.

Due to operational characteristics of securities firms, an observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of the Company and subsidiaries, taking up to nearly 62% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of the Company and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On December 31, 2013, 2012 and January 1, 2012, net cash inflow calculated from net spot financial assets are respectively 65,924,758 thousand dollars, 76,028,606 thousand dollars and 55,106,183 thousand dollars, which are sufficient to cover the net cash outflows of 31,843,976 thousand dollars, 39,676,906 thousand dollars and 35,836,373 thousand dollars from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

(2) Control mechanism of capital liquidity Risk

The independent fund-dispatching department established by the Company takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures. The Company also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

A. Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.

B. Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to the Company.

4. Market risk analysis

Market risk is the risk of potential economic value reduction for securities or financial contracts that the Company and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates. The Company and subsidiaries utilize risk factor sensitivity and value at risk to measure and contain market risks. The Company also holds regular stress test to help the management understand the extent to which the Company can handle stress in this dire economic environment.

(1) Risk factor sensitivity

Using product identification and analysis procedure held by the Company, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. The Company and subsidiaries monitor the following risk factor sensitivities:

A. Interest rate risk sensitivity: measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.

B. Equity securities risk sensitivity: measured by the change of the value of holdings with the price of the underlying assets linked to the equity securities adjusted by 100%.

C. Exchange rate risk sensitivity: measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency adjusted by 100%.

The risk sensitivities in the portfolio held by the Company and subsidiaries are as follows:

Comparisons of risk sensitive factors

Risk sensitivity	12/31/13	12/31/12	1/1/12
Interest rate risk	$2,393	$8,895	$9,792
Equity securities risk	15,828,668	11,577,967	10,820,882
Exchange rate risk	1,474,555	652,526	600,964

(2) Risk value

Risk value ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. The Company and subsidiaries uses parametric in estimating a value at risk at 95% of confidence interval at duration of 1 day. This means that among 100 trading days, 5 trading days might see the loss of the positions exceeding the value at risk estimated the day before. The Company and subsidiaries continue to conduct back testing daily to ensure the reliability of the estimations made by the risk value model.

The comparison of risk value in the portfolio held by the Company and subsidiaries are as follows:

Risk type	For the year ended December 31, 2013			12/31/13
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$204,804	$148,253	$315,967	$183,381
Interest Rate	13,963	4,171	36,841	14,167
Exchange Rate	3,720	616	11,119	8,370

Risk type	For the year ended December 31, 2012			12/31/12
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	$227,637	$96,781	$435,805	$177,898
Interest Rate	22,603	4,508	50,334	18,013
Exchange Rate	824	260	3,002	1,171

(3) Stress test

Stress test mainly examines the effects of extreme changes in market risk factors in an investment portfolio. It can serve as an assistive tool in monitoring and controlling of VAR. Since VAR is only an estimated value under certain statistical assumptions, it only reflects possible losses under normal market situations especially since it does not take into consideration the liquidity of an investment portfolio. Stress test can help a company's management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

A. Sensitivity Test

For certain risk factors in an investment portfolio, this test analyzes possible changes of profit/loss in exposure under given changes.

B. Scenario analysis

(A) Historic Scenario Analysis: using incidents that strongly impacted the market before such as Lehman Brothers in 2008 and subprime mortgage crisis in 2007 and this analysis applies the continuous changes of the risk factors of these incidents to the current market and portfolios and analyze how the profit/loss changes accordingly.

(B) Hypothetical scenarios analysis

i. This analysis utilizes pressure scenarios defined by Derivative Policy Group. Test items include yield curve horizontal shift, yield curve twist, yield curve horizontal shift and twist, changes in stock index and changes in exchange rates in major countries.

ii. Expected incidents: considering the economic and political developments in and outside Taiwan and referring to similar experience from the past, this analysis predicts all kinds of possible impacts to the market when a certain incident takes place in the future and examines the possible changes to the profit/loss of a company's holding position.

Results of stress test based on the change of sensitivity as follows:

Risk Factor	Risk Indicators	Changes	Loss	
			12/31/13	12/31/12
Interest exposures	Yield curve	+ 50 bps	$(127,017)	$(247,651)
Equity exposures	Equity index	- 25%	(3,698,932)	(2,540,928)
Exchange rate exposures	Exchange Rate to USD	-7 %	(103,219)	(45,677)

5. Fair value of financial instruments

(1) Fair value of financial assets and liabilities

Financial instruments	12/31/13	12/31/12	1/1/12
Non-derivative financial instruments financial assets			
Financial assets measured at fair value through profit or loss (including financial assets measured at cost):			
Financial assets measured at fair value through profit or loss-current			
Financial assets held for trading			
Lent securities	$644,084	$651,999	$-
Open-ended funds and monetary market instruments	5,803,511	2,534,095	2,054,181
Trading securities	64,174,521	58,198,359	34,992,127
Others	87,875	10,075	-
Financial assets measured at cost-current	402,061	632,924	314,119
Financial assets measured at fair value through profit or loss-non-current	20,435	133,127	50,850

Financial instruments	12/31/13	12/31/12	1/1/12
Available-for-sale financial assets (including financial assets measured at cost):			
Available-for-sale financial assets-current	4,352,227	2,945,109	2,986,387
financial assets measured at cost-non-current	989,580	951,992	1,517,408
Available-for-sale financial assets-non-current	2,873,870	3,002,420	2,600,890
Held to maturity financial assets	158,194	5,029	-
Loans and receivables:			
Cash and cash equivalents	15,508,693	14,292,743	9,320,747
Bond investments for which no active market exists-current	5,161	-	-
Bonds purchased under resale agreements	10,127,858	4,759,151	9,350,515
Receivables-net	71,492,061	64,202,149	46,128,997
Customers' margin accounts	13,921,927	16,396,492	16,296,714
Other financial assets-current	4,372,654	3,311,850	1,803,240
Other current assets	23,048,740	22,492,519	21,180,087
Bond investments for which no active market exists-non-current	-	10,156	14,992
Investments accounted for using the equity method	2,087,928	1,995,613	-
Other non-current assets			
Operating bond	2,396,714	2,765,869	1,728,900
Settlement/clearance fund	621,059	717,670	792,532
Guarantee deposits-out	1,068,781	942,665	279,364
Collaterals assumed	34,201	34,201	-
Accounts receivable overdue	-	79,257	91,600
Financial liabilities			
Financial liabilities measured at fair value through profit or loss:			
Financial liabilities measured at fair value through profit or loss-current			
Financial liabilities held for trading			
Bonds sold under repurchase agreements-short sale	1,881,805	-	-
Liabilities for securities and bonds borrowed	5,822,118	5,406,161	2,219,357
Financial liabilities measured at amortized cost:			
Short-term borrowings	13,136,025	10,044,177	5,611,808
Commercial papers payable-net	1,916,178	1,172,754	8,203,251
Bonds sold under repurchase agreements	41,330,756	38,970,540	30,600,480
Payables	50,656,344	44,238,333	31,860,681
Securities lending refundable deposits	8,810,697	8,760,452	9,162,105
Futures customers' equity	13,896,226	16,201,812	15,712,869
Current portion of long-term borrowings	-	-	484,640
Bonds payable	3,100,000	3,100,000	-

Financial instruments	12/31/13	12/31/12	1/1/12
Other liabilities-non-current			
Guarantee deposits-in	12,238	8,218	11,826
Derivative financial instruments			
Financial assets			
Financial assets measured at fair value through profit or loss-current			
Financial assets held for trading			
Long options	12,411	14,418	34,473
Futures trading margins-proprietary funds	324,739	231,907	20,374
Derivative instrument assets	1,478,912	1,331,094	1,198,086
Financial assets measured at fair value through profit or loss-non-current			
Financial assets held for trading			
Derivative instrument assets	-	280,204	-
Financial liabilities			
Financial liabilities measured at fair value through profit or loss-current			
Financial liabilities held for trading			
Liabilities for warrants issued	11,672,712	11,865,487	8,334,297
Repurchase warrants	(11,178,336)	(11,486,710)	(7,944,347)
Short options	26,729	19,420	13,145
Derivative instruments liabilities	3,501,944	2,503,380	1,874,966
Financial liabilities are designated initially at fair value through profit or loss	1,084,495	258,777	377,553
Financial liabilities measured at amortized cost			
Other financial liabilities-current	13,675,085	8,184,305	4,657,032
Other financial liabilities-non-current	-	190,491	-

The Company and subsidiaries utilize the following methods and assumptions in estimating the fair value of financial instruments as follows:

A. Fair value of a short-term financial instrument is measured by its book value on the balance sheet. Short-term financial instruments usually expire soon and therefore it is reasonable to use their book value to predict their fair value. This method can be applied to cash and cash equivalents, bonds purchased under resale agreements, receivables - net, customers' margin accounts, stock borrowing collateral price, stock borrowing margin, other financial assets-current, other assets-current, other non-current assets-account receivable overdue, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, payables, guaranteed deposits-in, futures customers' equity and current portion of long-term borrowings.

B. Financial assets measured at cost and unlisted investments accounted for under the equity method: due to the lack of a public quote in an active market, the fact that the interval in the estimated fair value is significant or it is not possible to fairly evaluate the possibilities of all estimated fair values in an interval. Therefore, it is not possible to measure the fair value dependably. No fair value has been disclosed as the result.

C. Held to maturity financial assets: if an active market has public quote, then the market price will be the fair value; when the market price is not available, the fair value can be estimated based on evaluation methods or counterparty's quote.

D. For financial instruments measured at fair value through profit or loss, available-for-sale financial assets and listed investments accounted for using the equity method, their market prices should be their fair values when there is an open quote available in an active market. If there is no open quote available from an active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the said financial instruments. Discounted cash flow method is used to evaluate financial liability products when there is no quote available from an active market. The discount rate equals the return rate of the financial liability products with identical terms and characteristics in the market, including the debtor's credit record, interest frequency and the contract's remaining duration, etc.

E. Transactions of derivatives are evaluated using evaluation models while non-option derivatives are evaluated using discounted cash flow method. Finally options are evaluated using Black-Scholes Model. The market metrics used in such evaluations come from market price information in the centralized market and independent and trustworthy financial information institutions such as stock exchange, futures exchange, GreTai Securities Market, Reuters and Bloomberg. Prices are based on the market average price calculated from closing price, final settlement price and the market medium price that is collected regularly.

(2) Hierarchy of financial instruments at fair value

Hierarchy of financial instruments measured at fair value

12/31/13

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$12,034,707	$12,034,707	$-	$-
Bonds	50,550,907	21,516,788	28,885,455	148,664
Others	8,144,812	984,674	7,160,138	-
Available-for-sale financial assets				
Stocks	6,476,072	6,476,072	-	-
Bonds	750,025	-	750,025	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	7,703,923	3,384,546	4,319,377	-
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	1,816,062	344,609	1,469,033	2,420
Liabilities				
Financial liabilities measured at fair value through profit or loss	5,107,544	521,105	3,336,683	1,249,756

12/31/12

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$9,274,258	$9,268,253	$-	$6,005
Bonds	49,641,634	25,028,993	23,964,990	647,651
Others	2,611,812	763,326	1,843,082	5,404
Available-for-sale financial assets				
Stocks	5,305,885	5,305,885	-	-
Bonds	511,271	-	511,271	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	5,406,161	5,406,161	-	-
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	1,857,574	248,528	1,146,959	462,087
Liabilities				
Financial liabilities measured at fair value through profit or loss	3,160,354	402,253	2,130,230	627,871

1/1/12

Financial instruments measured at fair value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss				
Stocks	$3,840,712	$3,840,712	$-	$-
Bonds	31,065,809	14,245,551	16,820,258	-
Others	2,190,637	344,295	1,846,342	-
Available-for-sale financial assets				
Stocks	5,571,819	5,571,819	-	-
Bonds	7,729	7,729	-	-
Liabilities				
Financial liabilities measured at fair value through profit or loss	1,938,208	1,938,208	-	-
Derivative instruments				
Assets				
Financial assets measured at fair value through profit or loss	1,252,933	59,539	1,165,886	27,508
Liabilities				
Financial liabilities measured at fair value through profit or loss	2,936,763	1,008,807	1,540,349	387,607

(3) Reconciliation for fair value measurements in Level 3 of the fair value hierarchy changes is as follows:

A. Reconciliation for fair value assets measurements in Level 3 of the fair value hierarchy changes.

For the year ended December 31, 2013

Financial instruments measured at fair value	Beginning balances (A)	Transfer in due to merging	Amounts recognized in profit or loss or recognized in OCI (B)	Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
				Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial assets								
Financial assets measured at fair value through profit or loss-current	$1,121,147	$-	$190,486	$11,486,017	$-	$11,993,582	$652,984	$151,084

For the year ended December 31, 2012

Financial instruments measured at fair value	Beginning balances (A)	Transfer in due to merging	Amounts recognized in profit or loss or recognized in OCI (B)	Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
				Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial assets								
Financial assets measured at fair value through profit or loss-current	$27,508	$610,638	$45,738	$1,976,570	$6,000	$1,545,307	$-	$1,121,147

B. Reconciliation for fair value liabilities measurements in Level 3 of the fair value hierarchy changes.

For the year ended December 31, 2013

Financial instruments measured at fair value	Beginning balances (A)	Transfer in due to merging	Amounts recognized in profit or loss or recognized in OCI (B)	Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
				Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial liabilities								
Financial liabilities measured at fair value through profit or loss-current	$627,871	$-	$308,052	$1,515,724	$577,200	$1,132,697	$646,394	$1,249,756

For the year ended December 31, 2012

Financial instruments measured at fair value	Beginning balances (A)	Transfer in due to merging	Amounts recognized in profit or loss or recognized in OCI (B)	Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)-(D)
				Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
Financial liabilities								
Financial liabilities measured at fair value through profit or loss-current	$387,607	$269,472	$26,151	$756,239	$-	$811,598	$-	$627,871

6. Capital management

The main objective of the Company and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the corporation's operation and maximize shareholders' interests. The Company and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

7. Others

(1) Information for financial instruments

A. The amounts and reasons for reclassifications of financial assets:

According to the amendments to ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" in October 2008, the Company and subsidiary, GSFC, assessed part of its financial instruments are no longer held for trading purpose in the near term and not met the definition of loans and receivables. The Company and its subsidiary, GSFC, reclassified them to available-for-sale financial assets for 3,831,236 thousand dollars and 15,029 thousand dollars, respectively.

B. The book value and fair value of financial assets reclassified:

The Company

	12/31/13	
	Book value	Fair value
Available-for-sale financial assets-current	$3,175,189	$3,175,189
Available-for-sale financial assets - non-current	1,253,897	1,253,897
Total	$4,429,086	$4,429,086

GSCF

	12/31/13	
	Book value	Fair value
Available-for-sale financial assets - non-current	$-	$-

C. Changes in fair value of financial assets reclassified are recognized in profit or loss or other equity: None.

D. Disclosure of financial assets before and after reclassification recognized in profit or loss or other equity:

The Company

	Financial assets originally classified as held for trading	
	Amounts recognized in profit or loss before reclassification	Amounts recognized in profit or loss after reclassification (Note)
Before 2013	$815,917	$521,471
For the year ended December 31, 2013	956,802	10,792
Total	$1,772,719	$532,263

GSCF

	Financial assets originally classified as held for trading	
	Amounts recognized in profit or loss before reclassification	Amounts recognized in profit or loss after reclassification (Note)
Before 2013	$2,230	$-
For the year ended December 31, 2013	2,570	4,800
Total	$4,800	$4,800

Note: The amounts recognized in profits/losses after reclassification include the impairment losses and realized gains or losses.

E. The effective interest rate for the financial assets reclassified on the reclassification date and the expected recoverable cash flow: None.

(2) The specific risk for futures dealer business

The futures dealer needs to maintain adequate liquidity in case its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment on deficiency.

(3) Restrictions and enforcement of the Company's various financial ratios under R.O.C. Futures Commission Merchant Laws.

Future department of the Company

Article #	Calculation Formula	12/31/13		12/31/12		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,083,852 / 145,624	7.44	1,441,931 / 77,613	18.58	≧1	Satisfied
17	Current assets / Current liabilities	1,194,781 / 12,414	96.24	1,468,972 / 9,339	157.29	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,083,852 / 400,000	270.96%	1,441,931 / 400,000	360.48%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer's margin required by the non-offset position for the futures dealer	1,005,053 / 119,604	840.32%	1,328,737 / 47,066	2,823.14%	≧20% ≧15%	〃

Article #	Calculation Formula	1/1/12		Standard	Execution
		Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,392,219 / 66,321	20.99	≧1	Satisfied
17	Current assets / Current liabilities	1,406,303 / 66,321	21.20	≧1	〃

Article #	Calculation Formula	1/1/12		Standard	Execution
		Calculation	Ratio		
22	Stockholders' equity / Minimum paid-in capital	1,392,219 / 400,000	348.05%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer margin required by the non-offset position for the futures dealer	1,274,611 / 20,373	6,256.37%	≧20% ≧15%	〃

KGI Futures

Article #	Calculation Formula	12/31/13		12/31/12		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	2,151,430 / 996,726	2.16	2,001,246 / 158,130	12.66	≧1	Satisfied
17	Current assets / Current liabilities	13,204,153 / 11,668,170	1.13	12,590,607 / 10,983,176	1.15	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	2,151,430 / 760,000	283.08%	2,001,246 / 760,000	263.32%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer margin required by the non-offset position for the futures dealer	1,806,507 / 2,398,359	75.32%	1,798,053 / 1,524,191	117.97%	≧20% ≧15%	〃

Article #	Calculation Formula	1/1/12		Standard	Execution
		Calculation	Ratio		
17	Stock holders' equity / (Total liabilities－Futures customers' equity)	1,994,391 / 180,823	11.03	≧1	Satisfied
17	Current assets / Current liabilities	14,112,234 / 12,491,554	1.13	≧1	〃
22	Stockholders' equity / Minimum paid-in capital	1,994,391 / 760,000	262.42%	≧60% ≧40%	〃
22	Net capital amount after adjustment / The total amount of customer margin required by the non-offset position for the futures dealer	1,857,990 / 1,478,403	125.68%	≧20% ≧15%	〃

(4) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet and the statement of income of trust business and trust property catalog of the Company are disclosed as follows:

A. Balance sheet of trust business

	12/31/13	12/31/12	1/1/12
Bank deposits	$342,956	$317,988	$1,001
Financial assets	13,098,097	11,860,157	215,915
Receivables	25,631	134,821	133
Total trusted assets	$13,466,684	$12,312,966	$217,049

	12/31/13	12/31/12	1/1/12
Payables	$23,633	$165,063	$34
Trust capital	12,847,759	11,552,665	215,115
Reserves and accumulated deficit	595,292	595,238	1,900
Total trusted liabilities	$13,466,684	$12,312,966	$217,049

B. Income statement of trust business

	For the years ended December 31	
	2013	2012
Trust revenues	$1,639,681	$930,649
Trust expenses	(806,241)	(322,570)
Income before tax	833,440	608,079
Income tax	-	-
Net income	$833,440	$608,079

C. Trust Property catalog

	12/31/13	12/31/12	1/1/12
Bank deposits	$342,956	$317,988	$1,001
Stocks	5,303,414	4,504,455	81,054
Funds	5,017,549	4,691,701	6,884
Lending securities	2,754,030	2,548,766	127,977
Structured notes	23,104	115,235	-
Total	$13,441,053	$12,178,145	$216,916

D. The trust capital consigned to the Company is set up as an independent account and prepared its own financial statements. The consigned assets and gains or losses of consigned assets are not included in the Company's financial statements.

(5) Foreign currencies having significant effect on the Company and subsidiaries' financial assets and liabilities are as follows:

	12/31/13			12/31/12		
Financial instruments	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets						
Monetary Items						
USD	$2,589,302	29.95	$77,537,098	$1,187,787	29.18	$34,655,033
HKD	124,193	3.86	479,318	212,387	3.76	797,922
GBP	474	49.30	23,369	869	46.86	40,719
JPY	473,306	0.28	134,398	264,280	0.34	90,693
EUR	274	41.24	11,308	1,171	38.62	45,227
CNY	272,488	4.95	1,348,218	-	-	-

Financial instruments	12/31/13 Foreign currency (thousand dollars)	Exchange rate	NTD	12/31/12 Foreign currency (thousand dollars)	Exchange rate	NTD
Non-monetary Items						
USD	191,184	29.95	5,725,950	25,054	29.14	729,980
HKD	16,892	3.86	65,245	110,483	3.76	415,271
JPY	126,481	0.29	36,085	-	-	-
CNY	297,808	4.95	1,473,494	-	-	-
Investments accounted for using the equity method						
USD	69,513	29.95	2,081,926	68,008	29.13	1,980,886
Financial liabilities						
Monetary Items						
USD	2,620,868	29.95	78,482,422	1,294,504	29.13	37,706,144
HKD	24,281	3.85	93,400	250,071	3.76	939,586
GBP	424	49.28	20,885	572	46.84	26,790
JPY	454,328	0.28	128,984	180,220	0.35	62,209
CNY	32,078	4.95	158,714	-	-	-
Non-monetary Items						
USD	186,168	29.95	5,575,729			
HKD	57,908	3.86	223,675			
CNY	24,034	4.95	118,917			

Financial instruments	1/1/12 Foreign currency (thousand dollars)	Exchange rate	NTD
Financial assets			
Monetary Items			
USD	$1,451,223	30.29	$43,959,453
HKD	70,363	3.90	274,393
GBP	694	46.72	32,423
JPY	130,982	0.39	51,201
EUR	214	39.22	8,393
Financial liabilities			
Monetary Items			
USD	969,856	30.29	29,378,795
HKD	57,276	3.90	223,368
GBP	537	46.71	25,080
JPY	91,974	0.39	35,953

XIII. <u>First-time adoption of IFRSs</u>

For all periods up to and including the year ended December 31, 2012, the Company prepared its financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The consolidated financial statements for the year ended December 31, 2013 are the first financial statements which the Company has prepared in accordance with TIFRSs. Since the Company adopted the accounting treatment of reorganization under joint control, the Company's comparative financial statements for December 31 should be regarded as being merged from the date of public tender offer, restated according to R.O.C. GAAP and reconcile based on IFRSs. The Company also prepared the comparative financial statements for January 1, 2012, according to R.O.C. GAAP and reconcile based on IFRSs.

Accordingly, for the beginning on January 1, 2013, the Company has prepared financial statements which comply with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, IFRSs, and TIFRSs which are recognized by the FSC and IASs, and interpretation. The basis of preparation for IFRSs as recognized by the FSC is accordance with First-time Adoption of IFRS and Note IV consolidated financial statement as described in the Company' s opening balance was prepared as of January 1, 2012, which is the Company' s date of transition to TIFRSs.

<u>Exemptions applied in accordance with TIFRS 1</u>

TIFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain TIFRS.

The Company has applied the following exemptions:

1. IFRS 3 "Business Combinations" has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2012. By applying this exemption, immediately after the business combination, the carrying amount in accordance with R.O.C. GAAP of assets acquired and liabilities assumed in that business combination, shall be their deemed costs in accordance with TIFRS at that date. The subsequent measurement of these assets and liabilities will be in accordance with TIFRS. Under IFRS 1 First-time Adoption of International Financial Reporting Standards, the carrying amount of goodwill in the opening balance sheet shall be its carrying amount in accordance with R.O.C. GAAP at December 31, 2011 after testing for impairment and reclassifying amounts to intangible assets that are required to be recognized. The Company has performed goodwill impairment testing as at the date of transition to TIFRS and no impairment loss has been recognized as at that date.

2. The company has recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRs directly in retained earnings.

3. According to IAS 19 "Employee Benefit", disclosure include the present value of the pension obligation and fair value of plan assets the surplus or deficiency of the plan in the current year and the first four year and information of experience adjustments. As of January 1, 2012, adoption of the exemptions chose to disclosure the above-mentioned information.

4. If the Company is later than subsidiaries to be the first-time adopters, the measurement of subsidiary's assets and liabilities in consolidated financial statement should be equivalent to the amount that is book value of subsidiaries' financial statements after adjustment to the effect of consolidation.

Impacts of transitioning to TIFRSs

The following tables contain the reconciliation of consolidated balance sheets as at January 1, 2012 (the date of transition to TIFRSs) and December 31, 2012 (restated) and consolidated comprehensive income statements for the year ended December 31, 2012 (restated).

Reconciliation of the consolidated balance sheet items as of January 1, 2012 (the date of transition to TIFRSs):

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Current assets					Current assets	
Cash and cash equivalents	$10,551,375	$-	$(1,230,628)	$9,320,747	Cash and cash equivalents	1, 2
Financial assets measured at fair value through profit or loss-current	39,185,972	(314,119)	(572,612)	38,299,241	Financial assets measured at fair value through profit or loss-current	1, 3
Financial assets measured at cost-current	-	314,119	-	314,119	Financial assets measured at cost-current	3
Available-for-sale financial assets-current	2,986,387	-	-	2,986,387	Available-for-sale financial assets-current	
Bonds purchased under resale agreements	9,350,515	-	-	9,350,515	Bonds purchased under resale agreements	
Margin loans receivable-net	24,130,150	-	-	24,130,150	Margin loans receivable	
Refinancing margin	10,842	-	-	10,842	Refinancing margin	
Refinancing deposits receivable	9,454	-	-	9,454	Refinancing deposits receivable	
Customers' margin accounts	16,296,714	-	-	16,296,714	Customers' margin accounts	
Stock borrowing collateral price	218,391	-	-	218,391	Stock borrowing collateral price	
Stock borrowing margin	6,706,464	-	-	6,706,464	Stock borrowing margin	
Notes receivable-net	163	-	-	163	Notes receivable	
Accounts receivable-net	2,566,119	-	12,487,414	15,053,533	Accounts receivable	4
Prepayments	159,152	-	(351)	158,801	Prepayments	5
Other financial assets-current	-	-	1,803,240	1,803,240	Other financial assets-current	2
-	-	-	237,038	237,038	Current tax assets	5
Deferred income tax assets-current	26,427	-	(26,427)	-	-	6
Other current assets	2,027,622	-	19,152,465	21,180,087	Other current assets	4,5,11
Total Current Assets	114,225,747			146,075,886	Total Current Assets	
Funds and investments					Non-current assets	
Financial assets measured at fair value through profit or loss-non-current	50,850	-	-	50,850	Financial assets measured at fair value through profit or loss-non-current	
Financial assets measured at cost-non-current	-	1,517,408	-	1,517,408	Financial assets measured at cost-non-current	7
Available-for-sale financial assets-non-current	4,118,298	(1,517,408)	-	2,600,890	Available-for-sale financial assets-non-current	7
Bond investments for which no active market exists-non-current	14,992	-	-	14,992	Bond investments for which no active market exists-non-current	
Total funds and investments	4,184,140					
Property and equipment-net	3,859,855	-	(57,422)	3,802,433	Property and equipment	8,9
-	-	-	36,148	36,148	Investment property	8
Intangible assets	9,001,997	16,624	-	9,018,621	Intangible assets	10,17
Other assets						
Leased assets-net	21,772	-	(21,772)	-	-	8
Deferred income tax assets-non-current	-	46,776	254,443	301,219	Deferred tax assets	6,16
Cash and cash equivalents-collected for settlement of warrants	5	-	(5)	-	-	11

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Cash and cash equivalents-collected for underwriting payment of shares	6,558	-	(6,558)	-	-	11
Other assets-others	3,374,529	(133,182)	43,046	3,284,393	Other non-current assets	9,10,17
Total other assets	3,402,864					
Debit items for trade brokerage-net	13,509,157	-	(13,509,157)	-	-	4
				20,626,954	Total non-current assets	
Total assets	$148,183,760			$166,702,840	Total assets	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Current Liabilities					Current Liabilities	
Short-term borrowings	$5,611,808	$-	$-	$5,611,808	Short-term borrowings	
Commercial papers payable	8,203,251	-	-	8,203,251	Commercial papers payable	
Financial liabilities measured at fair value through profit or loss-current	4,874,971	-	-	4,874,971	Financial liabilities measured at fair value through profit or loss-current	
Bonds sold under repurchase agreements	30,600,480	-	-	30,600,480	Bonds sold under repurchase agreements	
Deposits for short sales	2,654,170	-	-	2,654,170	Deposits for short sales	
Short sales proceeds payable	10,207,658	-	-	10,207,658	Short sales proceeds payable	
Securities lending refundable deposits	9,162,105	-	-	9,162,105	Securities lending refundable deposits	
Futures customers’ equity	15,712,869	-	-	15,712,869	Futures customers’ equity	
Notes payable	10,824	-	-	10,824	Notes payable	
Accounts payable	635,218	-	18,352,811	18,988,029	Accounts payable	4
Amounts received in advance	1,523	-	-	1,523	Amounts received in advance	
Amounts collected for other parties	216,721	-	108	216,829	Amounts collected for other parties	11
Other payable	2,382,768	-	(155,209)	2,227,559	Other payable	12
Other financial liabilities-current	4,657,032	-	-	4,657,032	Other financial liabilities-current	
Income tax payable	1,233,244	-	-	1,233,244	Current tax liabilities	
Current portion of long-term borrowings	484,640	-	-	484,640	Current portion of long-term borrowings	
Other current liabilities	-	-	8,035	8,035	Other current liabilities	4
Total current liabilities	96,649,282			114,855,027	Total current liabilities	
Other liabilities					Non-current liabilities	
Deferred income tax liabilities-non-current	204,196	-	234,079	438,275	Deferred tax liabilities	6,13
Collected for underwriting payment of shares	108	-	(108)	-	-	11
Other liabilities－others	249,145	101,951	(6,063)	345,033	Others non-current liabilities	10,12,13,15,17
-	-	-	155,209	155,209	Liabilities reserve-non-current	12
Total other liabilities	453,449					
				938,517	Total non-current liabilities	
Total liabilities	97,102,731			115,793,544	Total liabilities	
Capital stock abstract					Capital stock abstract	
Common stock	32,697,809	-	-	32,697,809	Common stock	
Capital reserve	3,013,856	-	-	3,013,856	Capital reserve	
Retained earnings					Retained earnings	
Legal reserve	2,627,433	-	-	2,627,433	Legal reserve	
Special reserve	5,632,428	-	-	5,632,428	Special reserve	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Unappropriated earnings	4,967,013	(143,726)	-	4,823,287	Unappropriated earnings	10,15,16,17
Total retained earnings	13,226,874			13,083,148	Total retained earnings	
Other items in shareholders' equity					Other equity	
Translation adjustments	(559,370)	-	-	(559,370)	Exchange differences resulting from translating the financial statements of a foreign operation	
Net losses not recognized as pension costs	(169)	169	-	-	-	10
Unrealized gains/(losses) on financial instruments	(356,729)	-	-	(356,729)	Unrealized gain or loss on available-for-sale financial assets	
Total items in shareholders' equity	(916,268)			(916,099)	Total other equity	
Equity attributable to shareholders of the parent company	48,022,271			47,878,714	Equity attributable to owners of the parent company	
Minority interests	3,058,758	(28,176)	-	3,030,582	Non-controlling interests	10
Total shareholders' equity	51,081,029			50,909,296	Total equity	
Total liabilities and shareholders' equity	$148,183,760			$166,702,840	Total liabilities and equity	

Reconciliation of the consolidated balance sheet items as of December 31, 2012 (restated)

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Current assets					Current assets	
Cash and cash equivalents	$15,746,127	$-	$(1,453,384)	$14,292,743	Cash and cash equivalents	1, 2
Financial assets measured at fair value through profit or loss-current	65,526,595	(696,182)	(1,858,466)	62,971,947	Financial liabilities measured at fair value through profit or loss-current	1, 3
Financial assets measured at cost-current	-	632,924	-	632,924	Financial assets measured at cost-current	3
Available-for-sale financial assets-current	2,915,047	30,062	-	2,945,109	Available-for-sale financial assets-current	
Bonds purchased under resale agreements	4,759,151	-	-	4,759,151	Bonds purchased under resale agreements	
Margin loans receivable-net	33,434,237	-	-	33,434,237	Margin loans receivable	
Refinancing margin	36,026	-	-	36,026	Refinancing margin	
Refinancing deposits receivable	37,488	-	-	37,488	Refinancing deposits receivable	
Customers' margin accounts	16,396,492	-	-	16,396,492	Customers' margin accounts	
Stock borrowing collateral price	329,766	-	-	329,766	Stock borrowing collateral price	
Stock borrowing margin	6,804,232	-	-	6,804,232	Stock borrowing margin	
Notes receivable-net	2,153	-	-	2,153	Notes receivable	
Accounts receivable-net	3,110,291	-	20,447,956	23,558,247	Accounts receivable	4
Prepayments	237,910	-	(668)	237,242	Prepayments	5
Other financial assets-current	-	-	3,311,850	3,311,850	Other financial assets-current	2
-	-	-	313,468	313,468	Current tax assets	5
Non-current asset held for sale	52,606	-	-	52,606	Non-current asset held for sale	
Deferred income tax assets-current	176	-	(176)	-	-	6
Other current assets	4,991,309	-	17,501,210	22,492,519	Other current assets	4,5,11
Total current assets	154,379,606			192,608,200	Total current assets	
Funds and investments					Non-current assets	
Financial assets measured at fair value through profit or loss-non-current	413,331	-	-	413,331	Financial assets measured at fair value through profit or loss-non-current	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Financial assets measured at cost-non-current	14,375	937,617	-	951,992	Financial assets measured at cost-non-current	7
Available-for-sale financial assets-non-current	3,940,037	(937,617)	-	3,002,420	Available-for-sale financial assets-non-current	7
Held to maturity financial assets -non-current	5,029	-	-	5,029	Held to maturity financial assets-non-current	
Bond investments for which no active market exists-non-current	10,156	-	-	10,156	Bond investments for which no active market exists-non-current	
Long-term investments under the equity method	2,010,735	(15,122)	-	1,995,613	Investments accounted for using the equity method	14
Funds and investments	6,393,663					
Property and equipment -net	6,519,561	-	86,843	6,606,404	Property and equipment	8,9
-	-	-	162,634	162,634	Investment property	8
Intangible assets	8,298,389	16,624	-	8,315,013	Intangible assets	10,17
Other assets						
Leased assets-net	138,140	-	(138,140)	-	-	8
Deferred income tax assets-non-current	231,530	88,729	234,413	554,672	Deferred tax assets	6,16,18
Cash and cash equivalents-collected for settlement of warrants	9	-	(9)	-	-	11
Cash and cash equivalents-collected for underwriting payment of shares	130	-	(130)	-	-	11
Other assets-others	5,208,617	(191,916)	(111,337)	4,905,364	Other non-current assets	9,10,17
Total other Assets	5,578,426					
Debit items for trade brokerage-net	11,489,219	-	(11,489,219)	-	-	4
				26,922,628	Total non-current assets	
Total assets	$192,658,864			$219,530,828	Total assets	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Current Liabilities					Current Liabilities	
Short-term borrowings	$10,044,177	$-	$-	$10,044,177	Short-term borrowings	
Commercial papers payable	1,172,754	-	-	1,172,754	Commercial papers payable	
Financial liabilities measured at fair value through profit or loss-current	8,566,515	-	-	8,566,515	Financial liabilities measured at fair value through profit or loss-current	
Bonds sold under repurchase agreements	38,970,540	-	-	38,970,540	Bonds sold under repurchase agreements	
Deposits for short sales	3,892,605	-	-	3,892,605	Deposits for short sales	
Short sales proceeds payable	10,343,800	-	-	10,343,800	Short sales proceeds payable	
Securities lending refundable deposits	8,760,452	-	-	8,760,452	Securities lending refundable deposits	
Futures customers' equity	16,201,812	-	-	16,201,812	Futures customers' equity	
Notes payable	11,140	-	-	11,140	Notes payable	
Accounts payable	3,227,385	-	26,763,403	29,990,788	Accounts payable	4
Amounts received in advance	17,066	-	-	17,066	Amounts received in advance	
Amounts collected for other parties	633,858	-	14	633,872	Amounts collected for other parties	11
Other payable	2,390,278	-	(193,926)	2,196,352	Other payable	12
Other financial liabilities-current	8,184,305	-	-	8,184,305	Other financial liabilities-current	
Income tax payable	2,422,714	-	-	2,422,714	Current tax liabilities	
Liabilities associate with non-current assets held for sale	4,175	-	-	4,175	Liabilities associate with non-current assets held for sale	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Deferred income tax liabilities-current	79,478	-	(79,478)	-	-	6
Other current liabilities	5,060		9,205	14,265	Other current liabilities	4
Total current liabilities	114,928,114			141,427,332	Total current liabilities	
Long-term liabilities					Non-current liabilities	
Bonds payable	3,100,000	-	-	3,100,000	Bonds payable	
Other financial liabilities-non-current	190,491	-	-	190,491	Other financial liabilities-non-current	
Total long-term liabilities	3,290,491					
Other liabilities						
Deferred income tax liabilities-non-current	337,763	-	322,967	660,730	Deferred tax liabilities	6,13
Collected for underwriting payment of shares	14	-	(14)	-	-	11
Reserve for bad debt losses	18,993	(18,993)	-	-	-	
Other liabilities-others	301,407	368,603	(43,053)	626,957	Other non-current liabilities	10,12,13, 15, 17
-	-	-	227,727	227,727	Liabilities reserve-non-current	12
Total other liabilities	658,177					
				4,805,905	Total non-current liabilities	
Total liabilities	118,876,782			146,233,237	Total liabilities	
Capital stock abstract					Capital stock abstract	
Common stock	32,697,809	-	-	32,697,809	Common stock	
Capital reserve	3,013,856	-	-	3,013,856	Capital reserve	
Retained earnings					Retained earnings	
Legal reserve	2,825,768	-	-	2,825,768	Legal reserve	
Special reserve	6,945,365	-	-	6,945,365	Special reserve	
Unappropriated earnings	3,715,978	(383,378)	-	3,332,600	Unappropriated earnings	3,10,14, 15,16,17
Total retained earnings	13,487,111			13,103,733	Total retained earnings	
Other items in shareholders' equity					Other equity	
Translation adjustments	(870,693)	-	-	(870,693)	Exchange differences resulting from translating the financial statements of a foreign operation	
Net losses not recognized as pension costs	(1,138)	1,138	-	-	-	10
Unrealized gains/(losses) on financial instruments	(198,319)	-	-	(198,319)	Unrealized gain or loss on available-for-sale financial assets	
Total items in shareholders' equity	(1,070,150)			(1,069,012)	Total other equity	
Equity attributable to shareholders of the parent company	48,128,626			47,746,386	Equity attributable to owners of the parent company	
Prior interest under joint control	19,596,453	(102,214)	-	19,494,239	Prior interest under joint control	10,18
Minority Interests	6,057,003	(37)	-	6,056,966	Non-controlling interests	10
Total shareholders' Equity	73,782,082			73,297,591	Total equity	
Total liabilities and shareholders'equity	$192,658,864			$219,530,828	Total liabilities and equity	

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

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Revenues					Revenues	
Brokerage handling fee revenue	$6,078,799	$-	$9,962	$6,088,761	Brokerage handling fee revenue	19(1)
Revenue from borrowed securities	658,238	-	-	658,238	Revenue from borrowed securities	
Revenue from underwriting business	366,570	-	-	366,570	Revenue from underwriting business	
Revenue from wealth management services-net	-	-	(445)	(445)	Revenue from wealth management services-net	
Gains on disposal of trading securities-net	1,137,071	-	(243,037)	894,034	Gains/(losses) on disposal of trading securities-net	
Revenue from providing agency service for stock affairs	100,696	-	-	100,696	Revenue from providing agency service for stock affairs	
Interest income	2,517,654	-	-	2,517,654	Interest income	
Dividend income	350,257	-	-	350,257	Dividend income	
Gains on trading securities measured at fair value through profit or loss-net	798,575	(63,258)	-	735,317	Gains/(losses) on trading securities measured at fair value through profit or loss-net	3
Gains on covering of borrowed securities and bonds with resale agreements-net	180,849	-	(1,084)	179,765	Gains/(losses) on covering of borrowed securities and bonds with resale agreements-net	
Gains on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	-	-	(341,096)	(341,096)	Gains/(losses) on borrowed securities and bonds with resale agreements at fair value through profit or loss-net	
Gains on warrants issued-net	664,954	-	(77,896)	587,058	Gains/(losses) on warrants issued-net	
Gains on derivative financial product-futures-net	58,498	-	-	58,498	Gains/(losses) on derivative financial product-futures-net	
Gains on derivative financial product-GTSM-net	126,209	-	-	126,209	Gains/(losses) on derivative financial product-GTSM-net	
Other operating revenue	535,525	-	(20,437)	515,088	Other operating revenue	19(1,2)
Other-operating income	1,205,193	-	(1,205,193)	-		19(3)
Total revenues	14,779,088			12,836,604	Total revenues	
Expenses					Costs and expenses	
Brokerage handling fee expenses	494,001	-	-	494,001	Brokerage handling fee expenses	
Dealing handling fee expenses	90,609	-	-	90,609	Dealing handling fee expenses	
Refinancing handling fee expenses	1,073	-	-	1,073	Refinancing handling fee expenses	
Interest Expenses	410,997	-	177,525	588,522	Financial costs	19(4)
Losses on disposal of trading securities-net	243,037	-	(243,037)	-	-	
Losses on covering of borrowed securities and bonds with resale agreements-net	1,084	-	(1,084)	-	-	
Losses on borrowed securities and bonds with resale agreements at fair value through loss-net	341,096	-	(341,096)	-	-	
Losses on trading of borrowed securities	21,681	-	-	21,681	Losses on trading of borrowed securities	
Losses on warrants issued-net	77,896	-	(77,896)	-	-	

R.O.C. GAAP		Impact of transitioning to TIFRS		The IFRS as endorsed by FSC		
Items	Amount	Remeasurements	Presentation	Amount	Items	Note
Futures commission expenses	109,521	-	-	109,521	Futures commission expenses	
Settlement and clearing service expenditures	135,486	-	-	135,486	Settlement and clearing service expenditures	
Operating expenses	9,753,083	-	(9,753,083)	-	-	19(2,5)
Other operating expenses	186,997	-	(445)	186,552	Other operating expenses	
Non-operating costs	242,020	-	(242,020)	-	-	19(3,4)
Total expenses	12,108,581					
		4,266	5,598,929	5,603,195	Employee benefits expenses	10,19(5)
			721,983	721,983	Depreciation and amortization	19(5)
		13,056	3,423,206	3,436,262	Other operating expenses	15,19(5)
				11,388,885	Total costs and expenses	
				1,447,719	Income from operation	
		38	96,349	96,387	Share of the profit or loss of associates and joint ventures accounting for using the equity method	14,19(6)
		-	1,028,019	1,028,019	Other income and costs	19(3)
Income before income tax	2,670,507			2,572,125	Income before income tax	
Less：Income tax expenses	(416,670)	1,199		(415,471)	Income tax expenses	16
Net income	$2,253,837			2,156,654	Net Income	
					Other comprehensive income	
		-	(412,451)	(412,451)	Exchange differences resulting from translating the financial statements of a foreign operation	
			209,906	209,906	Unrealized gain or loss on available-for-sale financial assets	
			(248,093)	(248,093)	Actual losses on defined benefit plans	
			44,548	44,548	Share of the other comprehensive income of associates and joint ventures accounting for using the equity method	
			44,147	44,147	Income tax relating to components of other comprehensive income	16
				(361,943)	Current other comprehensive income-net of tax	
				$1,794,711	Current comprehensive income	

Reconciliations are as follows:

1. Futures trading margins-proprietary funds

   According to IAS 7, “Statement of Cash Flows”, the excess margin which is contributed by the futures dealer business is cash and cash equivalents. Therefore, on January 1 and December 31, 2012, the IFRSs reconciliation resulted in adjusting from financial assets measured at fair value through profit or loss- current to cash and cash equivalents by 572,612 thousand dollars and 1,858,466 thousand dollars, respectively.

2. Certificate of deposits over three months from the original due date

   Under R.O.C. GAAP, the certificate of deposits which can be rescinded at will but not impair the principal are classified as cash. However, under IFRSs, since there are no quoted prices in active market for these deposits and these deposits possess fixed and determinable receiving amounts, the certificate of deposits over three months from the original due date shall be classified as other financial assets.

   On January 1 and December 31, 2012, the IFRSs reconciliation of the Company and subsidiaries resulted in adjusting from certificate of deposits over three months from the original due date to other financial assets by 1,803,240 thousand dollars and 3,311,850 thousand dollars, respectively.

3. Financial assets measured at fair value through profit or loss- current

   According to the “Regulations Governing the Preparation of Financial Reports by Securities Firms”, the emerging stocks held by the Company shall be measured at cost. However, under the requirements of IAS 39, only investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured (if the variability in the range of reasonable fair value estimates is not significant for that instrument or the probabilities of the various estimates within the range can be reasonably assessed and used in the estimating fair value) could be measured at cost.

   On January 1 and December 31, 2012, the reconciliation of financial assets measured at fair value through profit or loss- current decreased 314,119 thousand dollars and 696,182 thousand dollars, respectively; and the reconciliation of financial assets measured at cost- current increased 314,119 thousand dollars and 632,924 thousand dollars, respectively; and the reconciliation of available-for-sale financial assets- current increased 0 thousand dollars and 30,062 thousand dollars, respectively. For the year ended December 31, 2012 of the comprehensive income statements, the reconciliation of gain on trading securities measured at fair value through profit or loss decreased 63,258 thousand dollars, respectively(including prior interest under joint control).

4. Debit and credit items for trade brokerage

   According to the requirements of Regulations Governing the Preparation of Financial Reports by Securities Firms applied since 2013 and IAS 32, “Financial Instruments: Presentation”, as recognized by the FSC, debit and credit items for trade brokerage were not applied to the requirement of offsetting. The Company and subsidiaries adopted the gross method for debt items for trade brokerage to replace net method, and presented as accounts receivable, accounts payable, other current assets and other current liabilities depending on its nature. On January 1 and December 31, 2012, the reconciliation of accounts receivable increased 12,487,414 thousand dollars and 20,447,956 thousand dollars, respectively; other current assets increased 19,382,589 thousand dollars and 17,813,871 thousand dollars, respectively; accounts payable increased 18,352,811 thousand dollars, and 26,763,403 thousand dollars, respectively; other current liabilities increased 8,035 thousand dollars and 9,205 thousand dollars, respectively; and debit items for trade brokerage decreased 13,509,157 thousand dollars and 11,489,219 thousand dollars, respectively.

5. Current tax assets

After transiting to TIFRSs, income tax refund receivable (prepayments and other current assets) is classified as current tax assets. On January 1 and December 31, 2012, the reconciliation resulted in reclassifying from income tax refund receivable reclassified to current tax assets by 237,038 thousand dollars and 313,468 thousand dollars, respectively.

6. Deferred tax assets/liabilities

According to R.O.C. GAAP, the current and noncurrent deferred tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount. After transition to TIFRSs, under the requirements of IAS 12, "Income Tax", an entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts; and an entity shall offset deferred income tax assets and deferred income tax liabilities if the deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Under the requirements of R.O.C. GAAP, a deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. If a deferred tax asset or liability is not related to an asset or liability for financial reporting, it should be classified as current or noncurrent according to the expected reversal date of the temporary difference. After transition to TIFRSs, under the requirements of IAS 1 "Presentation of Financial Statements", deferred tax assets or liabilities are classified as noncurrent. Therefore, on January 1 and December 31, 2012, the reconciliation of deferred tax assets- current decreased 26,427 thousand dollars and 176 thousand dollars, respectively; deferred tax assets- non-current increased 254,443 thousand dollars and 234,413 thousand dollars, respectively; deferred tax liabilities- current decreased 0 thousand dollars and 79,478 thousand dollars, respectively; and deferred tax liabilities- non-current increased 228,016 thousand dollars and 313,715 thousand dollars, respectively.

7. Available-for-sale financial assets-non-current

According to the requirements IAS 39, "Financial Instruments: Recognition and Measurement", available-for-sale financial assets- non-current, which were unlisted or non-OTC trading securities, no material influence, and met the definition of measured at cost, should be reclassified as financial assets measured at cost- non-current, depending on the nature. On January 1 and December 31, 2012, the reconciliation of available-for-sale financial assets- noncurrent decreased 1,517,408 thousand dollars and 937,617 thousand dollars, respectively. Financial assets measured at cost- non-current increased 1,517,408 thousand dollars and 937,617 thousand dollars, respectively.

8. Reclassification from property and equipment and leased assets to investment property

Due to the unclear definition of R.O.C GAAP, property and equipment or partial idle property held for lease or for the propose of appreciation of the Company were recorded as leased assets and fixed assets under other assets account, respectively. After transition to TIFRSs, in accordance with IAS 40 "Investment Property", investment properties met the definition should be recorded under investment properties. On January 1 and December 31, 2012, the amounts reclassified from leased assets to investment properties are 21,772 thousand dollars and 138,140 thousand dollars, respectively; and the amounts of reclassified from fixed assets to investment properties are 14,376 thousand dollars and 24,494 thousand dollars, respectively.

9. Prepayments for property

The company applied the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and reclassified prepayment for property to other non-current assets based on the nature with IFRS. As January 1 and December 31, 2012, net amounts of fixed asset reclassified to other non-current assets resulting in increase by 43,046 thousand dollars and 15,063 thousand dollars, respectively

10. Employee benefits

The Company and subsidiaries used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transferring to TIFRS, actuarial calculations were made in accordance with the requirements under IAS 19 “Employee Benefits”. As of January 1 and December 31, 2012, the Company and subsidiaries used actuarial techniques to recalculate benefit obligation and apply the exemption under IFRS1. The Company and subsidiaries recognized all cumulative actuarial gains and losses on pensions as zero as at the date of transition to TIFRS directly and accounted for unrecognized transitional net benefit obligation once. As of January 1 and December 31, 2012, the adjustment caused pension cost under intangible assets both decreasing by 52 thousand dollars; prepaid pension cost under other assets decreasing by 155,210 thousand dollars and 213,944 thousand dollars, respectively; the accrued pension liabilities under other non-current liabilities increasing by 159,461 thousand dollars and 413,057 thousand dollars, respectively; the net loss of unrecognized pension cost decreasing by 169 thousand dollars and 1,138 thousand dollars, respectively; retained earnings decreasing by 286,716 thousand dollars and 536,954 thousand dollars, respectively; non-controlling interest decreasing by 28,176 thousand dollars and 37 thousand dollars, respectively.

Furthermore, after the Company transited to TIFRSs, actuarial gain and loss should be recognized in other comprehensive income. Based on the above effect, for the year ended 2012, pension cost increased by 4,266 thousand dollars.

11. Collected for underwriting payment of shares and collected for settlement of warrants

In accordance with Regulations Governing the Preparation of Financial Reports by Securities Firms in 2013, the Company reclassified cash and equivalent- collected for underwriting payment of shares and collected for settlement of warrants under other current assets to other current assets; collected for underwriting payment of shares and collected for settlement of warrants under other liabilities were reclassified to amounts collected for other parities under current liabilities. On January 1 and December 31, 2012, the adjustment resulted in cash and equivalent- collected for underwriting payment of shares decreasing by 6,558 thousand dollars and 130 thousand dollars, respectively; cash and cash-equivalent collected for settlement of warrants decreasing by 5 thousand dollars and 9 thousand dollars, respectively; collected for underwriting payment of shares under other liabilities decreasing by 108 thousand dollars and 14 thousand dollars; other current assets increasing 6,563 thousand dollars and 139 thousand dollars, respectively; amounts collected for other parties increasing by 108 thousand dollars and 14 thousand dollars, respectively.

12. Liabilities reserve

The Company applied Regulations Governing the Preparation of Financial Reports by Securities Issuers in 2013, employee benefit liabilities reserve and other liabilities reserve under other payables were reclassified to liabilities reserve. As of January 1 and December 31, 2012, the adjustment resulted in the other payable decreasing by 155,209 thousand dollars and 193,926 thousand dollars, respectively; non-current liabilities decreasing by 0 thousand dollars and 33,801 thousand dollars; liabilities reserve were increasing by 155,209 thousand dollars and 227,727 thousand dollars, respectively.

13. Reserve for land value increment tax

The Company measured land by using the cost method. If the Company had recognized land value increment tax, it should be transferred to deferred income tax liabilities in accordance with rules. The reclassified amount of the deferred income tax liabilities were 6,063 thousand dollars and 9,252 thousand dollars as of January 1 and December 31, 2012, respectively.

14. Investments accounted for using the equity method

The Company investees accounted for using the equity method adopted IAS 19 "Employee Benefits" to adjust employee benefits expense. On December 31, 2012 the Company decreased investments accounted for using the equity method on pro rata basis by 15,122 thousand dollars, and decreased retained earnings by 15,160 thousand dollars. For the year ended 2012, share of the profit or loss of associates and joint venture accounting for using the equity method increased 38 thousand dollars.

15. Sales-leaseback

In accordance with IAS 17 "Lease", any excess of sales-leaseback proceeds over the fair value amount shall be deferred and amortized over the lease term. The excess amounts, the fair value over book value, shall be recognized as current period gains. As of January 1, 2012 and December 31, 2012, the reconciliation resulted in decrease of other liabilities by 57,665 thousand dollars and 44,609 thousand dollars respectively; for both periods, retain earning were increasing 57,665 thousand dollars. For the year ended 2012, rental expense increased 13,056 thousand dollars.

16. Income Tax

In accordance with IAS 12, "Income taxes", considering the material effect on income tax, on January 1 and December 31, 2012, deferred income tax assets increased 46,776 thousand dollars, and 91,907 thousand dollars, respectively; retained earnings increased 46,776 thousand dollars for both periods. For the year ended December 31, 2012, income tax expense decreased 1,199 thousand dollars. In addition, the other comprehensive income adjusted 44,147 thousand dollars for the year ended December 31, 2012.

17. Other adjustments

In accordance with IFRS 1, "First-time Adoption of IFRS", increased goodwill by 16,676 thousand dollars, other assets by 22,028 thousand dollars, other liabilities by 155 thousand dollars, and retained earnings by 38,549 thousand dollars on January 1, and December 31, 2012.

18. Reserve for bad debt losses

Under R.O.C. GAAP; according to the Securities and Futures Bureau, the Company was required to set aside 3% of exclusive sales as reserve for bad debt losses presented under other liabilities. After transiting to IFRS, liabilities reserve means likely to happen and the amount of obligation can be reasonably estimated.

As of December 31, 2012, the Company and subsidiaries recalculated the impaired loss of accounts receivable in accordance with rules. Adjustments of reserve for bad debt losses was 18,993 thousand dollars; increased deferred income tax assets by 3,178 thousand dollars; reconciliation of special reserve were 15,815 thousand dollars, respectively.

19. Reconciliations of the comprehensive income statements are as follows:

In accordance with Regulations Governing the Preparation of Financial Reports by Futures Commission Merchant ("the Regulations") in 2013, the reclassification in the comprehensive income statement are described below:

(1) Brokerage service fee income

In accordance with Regulations, the Company's borrowed stock handling revenue originally listed under other operating revenue should be reclassified to brokerage handling fee revenue.

For the year ended 2012, the reconciliation resulted in increase of brokerage service fee income in the comprehensive income statement by 9,962 thousand dollars; decrease of other operating revenue by 9,962 thousand dollars.

(2) Other operating revenue

According to the Regulations, the Company originally recorded losses of error account under operating expenses, and it should be reclassified as revenue of error of account under other operating revenue on a net basis. For the year ended December 31, 2012 of the comprehensive income statement, other operating revenue and operating expenses decreased 10,475 thousand dollars.

(3) Other income and costs

According to the Regulations, the Company's non-operating gains and losses were reclassified to other income and costs.

(4) Financial costs

In accordance with the Regulations, the Company's financial expenses originally listed as non-operating expenses and losses should be reclassified to financial costs. For the year ended 2012, the reconciliation resulted in increase of financial costs in the comprehensive income statement by 177,525 thousand dollars.

(5) Operating expenses

In accordance with the Regulations, the Company's employee benefits expense, depreciation and amortization expenses, and other operating expenses in the comprehensive income statement should be listed individually.

(6) Share of profit or loss of associates and joint venture accounting for using the equity method

In accordance with the Regulations, the Company should reclassify the investment gains under the equity method of non-operating income to share of profit or loss of associates and joint venture accounting for using the equity method. For the year ended 2012, the reconciliation resulted in increase of the share of profits and loss of associates and joint venture accounting for using the equity method by 96,387 thousand dollars.

In accordance with the revised Regulations, the Company should present all revenues and expenses in the single comprehensive income statement. The contents included the components of income and other comprehensive income, and being recorded as gains or losses depends on the nature. In order to coordinate with the presentation of IFRS and the revised Regulations, partial accounts of the comprehensive income statement had been reclassified. Other reconciliations related to transition to IFRSs have been adjusted as above.

20. Material adjustments to the statement of cash flows for the year ended December 31, 2012

There was no material impact on the statement of cash flows while transiting from R.O.C. GAAP to IFRS. According to the R.O.C. GAAP, the Company used the indirect method to prepare the statement of cash flows. Under the indirect method, the amounts of interest received, dividend received, and interest paid were the cash flows from operating activities, and the amounts of interest received and dividend received were not required to disclose separately. However, according to IAS 7, "Statement of Cash Flows", the amounts of interest received and dividend received were 3,059,667 thousand dollars and 459,114 thousand dollars, respectively for the year ended December 31, 2012, were disclosed separately, and presented as cash flow from operating activities based on the nature.

In addition to above differences, no significant difference had been identified between the statement of cash flows prepared under IFRS and R.O.C. GAAP.

21. Others

For the purpose of comparing with financial statements, partial items of the balance sheets as of January 1 and December 31 (restated), 2012 and the restated comprehensive income statement for the year ended 2012 had been reclassified.