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2012 Annual Report

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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I. Letter to Shareholders

Over the past one year, the global political and economic climate has been unstable. In the first half of the year, negative news such as the political instability arising from the election in Greece, China's official lowering of its economic growth target, and Spanish local governments and banks requesting bailouts, had resulted in depressed stock markets worldwide. But in the second half of the year, global financial markets began to recover gradually due to the European Central Bank's strong support for the euro, the Fed's implementation of QE3 and the expansion of infrastructure construction in China. In Taiwan, the results of the presidential election brought about a climate of optimism in the first quarter that drove the weighted index from 7072 points to 8170 points. But price hikes for oil and electricity, the implementation of capital gains tax, and a weak global demand that dragged down domestic exports, all served to drive down the index, to as low as 6,857 points at one point. It was only in the second half of the year that it rebounded alongside recovering global stock markets, closing the year at 7,699 points and rising by 8.87% over the entire year. Negatively affected by the introduction of capital gains tax and other factors, trading volume in Taiwan's stock market fell from an average daily volume (market + OTC) in excess of NT\$100 billion at the start of the year to about NT\$80 billion at its close. This posed a serious challenge to securities firms managing brokerage operations.

Despite shrinking profits in 2012 as a result of low volume in the brokerage sector, support from various proprietary trading businesses allowed the company to maintain one of the highest profit levels within the industry. In 2012, the company posted an operating revenue of NT\$3,667,819,000, operating cost of NT\$409,774,000, operating margin of NT\$3,258,045,000, operating expense of NT\$2,363,194,000, net non-operating income of NT\$325,173,000, pre-tax income of NT\$1,220,024,000, net income of NT\$1,113,770,000, per share pre-tax income of NT\$0.92 and per share net income of NT\$0.84. Compared to the other 12 major securities firms, we were ranked fourth in terms of net income and first in terms of EPS, thus maintaining our good position at the front of the competition.

With regard to our brokerage business, the introduction of the capital gains tax and other negative factors affected the trading volume of Taiwanese stocks, making it even harder to sustain traditional brokerage businesses. In 2012, the company occupied 3.67% of the brokerage market, which put it at No.8 in the market rankings and No.1 in terms of market share per branch. With low volumes having plagued the trading environment for more than a year and faced with such a harsh environment to operate in, we will continue to adjust our manpower allocation, put in our best efforts to expand and diversify our revenue sources, actively enhance our employees' insurance benefits, wealth management-related skills and professional knowledge. We will also strive to make our various electronic transaction platforms more complete and provide our customers with a comprehensive range of services.

With respect to our underwriting business, the year ended with us completing 8 cases as lead underwriters and 44 cases as co-underwriters, amounting to a total of 52 cases and putting us at third place in the rankings. Going forward, we will continue to bring in quality professionals and talents, strengthen business

development and expand our business scale. The company is also planning to set up a venture capital subsidiary. By taking advantage of its underwriting expertise and market resources, this move will enable the company to establish an early presence among new quality ventures and create a development platform for other related businesses that the securities group operates.

As for our proprietary trading business, it is moving towards global and diversified investments. Since 2011, we have been developing our foreign bond trading business and the results are emerging gradually. For our warrants business, our previous efforts in market making quality are gradually earning the recognition of warrants investors and we will gradually raise profit stability upon this foundation in the future. With regard to our futures proprietary trading business, a combination of effective trading strategies and proper risk control allowed it to continue producing excellent results. In the future, the business will also shift towards diversified development involving products such as currency futures, expand its revenue sources and establish a stable profit model.

Aside from business development, the company aimed to place corporate governance standards, actively raised information transparency levels, and has created a corporate social responsibility code and business integrity code. At the 9th Listed Companies Information Disclosure Assessment organized by the Securities & Futures Institute, we were once again awarded the highest rating of A++ and was ranked among the top 10 A++ companies. Our ability to secure the highest level honors over these years is testament to the excellent results generated by the company's move towards institutionalized management. For risk management assessment, the company also received the highest grading of Excellent over two consecutive terms. This shows the company's determination to establish a complete and sound risk management mechanism which will enable it to safely and steadily generate profits amid a rapidly changing environment. Taiwan Ratings Corporation has also consistently recognized the company's healthy operating performance and financial structure, having given it the long-term and short-term credit rating of twA and twA-1 respectively.

In 2013, the global economic climate will continue to be plagued by uncertainties and market confidence will not likely be restored over the short-term. Having to deal with political bickering between the two parties, the US is facing the threat of fiscal spending cuts. In the Eurozone, austerity measures carried out by governments, businesses and consumers means that it will still be unable to escape a recession. On the domestic front, the economy has bottomed out and is recovering gradually. But trading volume in Taiwan's stock market was negatively affected by the introduction of capital gains tax and other factors, and thus remained low. The competent authorities are gradually loosening business restrictions imposed securities firms, allowing them to establish offshore securities platforms and making plans to allow for the establishment of joint ventures in mainland China by securities firms through the ECFA framework. Although these policies and measures will benefit the securities industry over the long run, they will not be able to generate an immediate short-term effect on the market, hence the low volume environment will still hunger for further incentives and breakthroughs, and the operating environment is expected to remain very harsh in 2013.

President Securities operating results over the years has been evident, and despite an obstacle-filled and challenging operating environment going forward, the management team will remain diligent and responsible, and it will strengthen the company's internal management, raise its operational efficiency, and seek the greatest returns within the scope of bearable risks. With the loosening of government regulations, we will be actively analyzing and promoting various businesses and effectively grasping potential profit opportunities. Also, we will continue to raise the competitiveness of our businesses, strengthen personnel training and enhance organizational effectiveness. With respect to the development of cross-straits businesses, the company will be practical and pragmatic. It will prudently evaluate various development conditions and business niches, and step up its presence in a timely manner to take advantage of potential partnership opportunities.

We are wholeheartedly grateful for long-term trust and supports from every stockholder.

Our best wishes to you for your health and wealth.

Sincerely Yours,

Teng A-Hua

A-Hua Teng
Chairman



Kuan-Chen Lin
President

II. COMPANY PROFILE

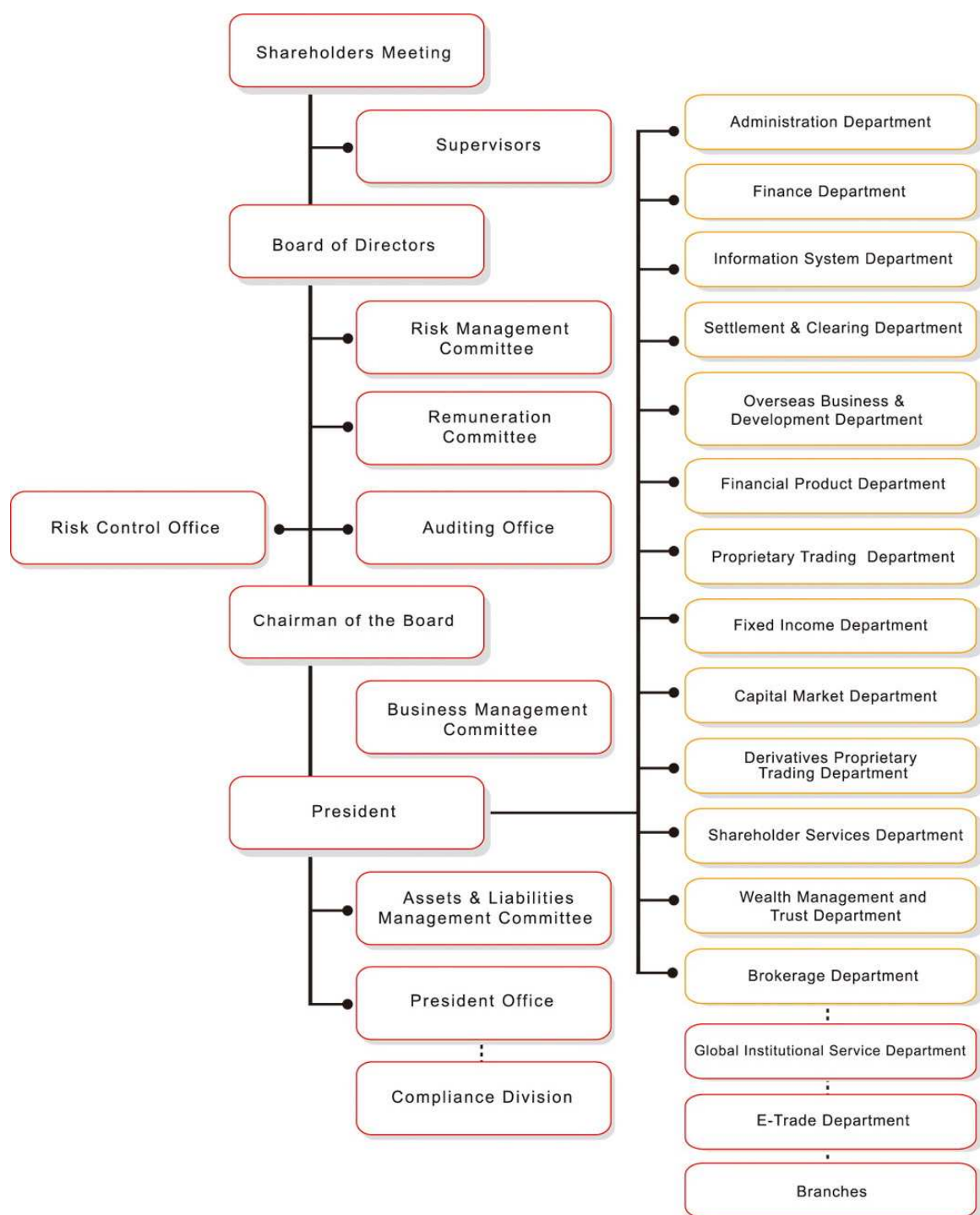
1. Date of incorporation: December 17, 1988

2. Company History

Year	Major Events
1988	Incorporated on Dec. 17, 1988 – President Securities Corp. (originally named President Securities Co., Ltd.) is a joint investment of Tung-Fu Investment Co., Ltd., Hsiang-Fa Investment Development Co., Ltd., Eternal Chemical Co., Ltd., Tung-Yi Investment Co., Ltd., and Uni-President Enterprises. Company was incorporated through the memorandum of Securities and Futures Commission, Ministry of Finance with no. (77) Tai-tsai-cheng-II-tzu-ti-20093 dated November 19, 1988.
1989	Amended business name to President Securities Corp on March 4. Commencement of official operations on April 3.
1991	Merged with Tung-Hsin, Tung-Yung, Tung-Wen, Tung-Ku, Tung-Fu, Tung-Yu, Tung-Hsing, Tung-Wang, Tung-Lai securities agencies under the President Securities banner on September 30; original place of business became a branch office. Founding capital of NT\$1.4 Billion increased to actual paid-in capital of NT\$3.362 Billion after the merger.
1994	Performed capital infusion; capital stock after infusion amounted to NT\$4.02 Billion.
1995	Opening of new branches (Sanmin, New Taichung, and Hsinying), thereby bringing number of nationwide offices to 16. Business expansion and a capital infusion that bolstered capital to NT\$7.03 Billion and made President Securities the largest securities company in the country. Then became the first Asian securities company to acquire the ISO9002 service quality certification.
1996	Opened new branches in Yenping, Taoyuan, Sanchung, Tunghsing, and Fengyuan.
1997	Opened new branches in Tienmu, Panchiao, Hankou, Tali, and Santo; thus bringing total offices to 26. Processed capital infusion; capital stock after infusion amounted to NT\$8.08 Billion.
1998	Processed capital infusion; capital stock after infusion amounted to NT\$10.18 Billion in May.
1999	In February, obtained official approval for OTC listing. In March, passed the credit rating of Taiwan Ratings Corporation with long-term twBBB and short-term twA-3 rating and “stable” outlook. In May, <u>listed on</u> the OTC. Relocated Hanko Branch to Szichih and was renamed Szichih Branch. In June, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$10.91 Billion.
2000	In August, acquired Ta Feng Securities Co., Ltd.; opened two more branches – Sungshan and Tucheng. Converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$12.255 Billion. In September, opened the Kinmen Branch, total offices numbered 29.

2001	Opened new branches in Yuanlin, Ilan, total branches amounted to 30; total number of offices including head office is 31. In October, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.279 Billion.
2002	Closed Sungshan Branch in March, bringing total offices down to 30. In July, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$11.836 Billion. Listed on the main board in September. Executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.406 Billion.
2003	Ku Ting Branch (July) and Song Jiang Branch (November) were established, expanding the number of operational branches to 32 (including Business Branch). Obtained business license for structured notes in July; Fixed Income business unit licensed as the main dealer for business operation of government bonds issued by Central Bank of China in September.
2004	East Tainan Branch (April), Nei Hu Branch (April) and Renai Branch was established, expanding the number of operational branches to 35 (including Business Branch). In August, PSC performed a capital reduction action on its treasury stocks, bringing the net worth of common stocks to NT\$11.45billion. In September, PSC was upgraded from twBBB to twBBB+. Following that, PSC was again upgraded to twA- in December.
2006	Obtained business license for wealth management in February. In June, PSC performed a capital reduction action on its treasury stocks, bringing the net worth of common stocks to NT\$11.37 billion. Received the 6 th annual National Charity Award, and was the only for-profit business entity among twelve recipients.
2007	In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$11.768 billion. In December, PSC long-term credit rating was upgraded from TwA- to TwA, and short-term credit rating was upgraded from twA-2 to twA-1.
2008	Issued the first unsecured convertible corporate bond in Taiwan, and received NT\$ 3 billion from the offering in May. In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$12.157 billion. Established PSC Xiamen business office in China on August 22 nd .
2009	In April, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$11.857 Billion.
2010	Closed East Tainan Branch and established Ta An Branch in March. The number of operational branches remained 35 (including Business Branch). In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$12.319 billion. In Sept. obtained trust business license issued by FSC.
2011	In August, established remuneration Committee and converted retained earnings to paid-in capital. The capital stock after infusion amounted to NT\$13.046 billion. In December, executed capital reduction through cancellation of treasury stock, capital stock after asset reduction amounted to NT\$12.845 Billion.
2012	In August, converted retained earnings to paid-in capital, capital stock after infusion amounted to NT\$13.231billion.

3. Organization Chart



III. Corporate Governance

1. Major Corporate Functions

Brokerage	■ Accept orders from clients to buy/sell listed securities and forward to TSE for execution. ■ Accept orders from clients to buy/sell listed securities and forward to the OTC exchange for execution. ■ Manage custodial services for clients. ■ Provide margin financing for securities trading. ■ Securities Borrowing and Lending Business ■ Consigned Trading of Foreign Securities ■ Futures Introducing Broker Business ■ Electronic transaction operations ■ Customer service coordination process
Financial Products	iv) Underwrite equity warrants and conduct option-based hedging strategies v) Develop and issue structured-note products. vi) Convertible bond asset swap and option business vii) Trading of equity derivatives viii) New financial product design and development. ix) Other financial products approved by the competent authority
Proprietary Trading	x) Trading of publicly listed securities on the TSE and OTC, using President Securities' own funds. xi) Hedge positions via futures and options markets xii) Expand international investment business involving legally-permitted overseas spot/futures market research and investments
Fixed Income Dealing	xiii) Proprietary trading in government bond, corporate bonds, and Convertible Bond. xiv) Proprietary trading in foreign negotiable securities and other products xv) Accept orders from clients to buy/sell government bonds. xvi) Repo and Reverse-Repo transactions. xvii) Engage in NTD interest rate swap and government bond option business
Underwriting (Corporate Finance)	■ Assist corporations in application for public listing on TSE or OTC. ■ Assess and advise clients with respect to capital increase plans and applications to convert private equity into publicly traded stocks ■ Underwrite euro-convertible bonds and foreign depository receipts. ■ Assist in M&A activities; provide consulting services on corporate finance and other specialized areas ■ Other various types of underwriting business
Futures Proprietary Trading	xviii) Trading of futures contracts on the TAIEX (Taiwan Futures Exchange) using President Securities' own funds.

Shareholder Services Coordinator	xix) Coordinate shareholder services on behalf of publicly listed companies. xx) Manage delivery of shareholder materials. xxi) Assist in the coordination of shareholder meetings. xxii) Coordinate the issue and transfer of cash and/or stock dividends to shareholders. xxiii) Manage the creation and delivery of tax forms to shareholders. xxiv) Respond to shareholder enquiries and legal issues.
Wealth Management & Trust	■ Provide customers with the most complete asset arrangement and finance service planning service. ■ Conduct asset allocation for customers through trusts ■ Negotiable securities trust lending business
Overseas Business	xxv) Establish development strategy in China for President Securities Group, engage in mainland joint ventures, equity participation and the establishment of new companies, and plan and take charge of operations at such companies and execute the investment and operation plan. xxvi) Develop the business cooperation in cross-strait capital market. xxvii) Strengthen the operation performance of our Hong Kong subsidiary to increase the earning ability of brokerage services, investment banking, proprietary trading, and wealth management. xxviii) Generate profit-making synergy through resource integration among the Group subsidiaries. xxix) Evaluate overseas investment opportunities to strengthen President Securities Group as international financial services group.

2. Compensation for Directors & Supervisors

■ For Directors

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)	Compensation received by part-time employees												Sum of A,B,C,D,E,F and G/ after-tax profit (%)	Whether or not any compensation is received from other re-invested businesses than subsidiaries
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)			Salary, Bonus and Special Disbursement (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)					
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation		PSC	Consolidation	PSC	Consolidation	PSC		Consolidation		PSC	Consolidation				
Chairman / TENG, A-HUA Delegate of CANKING INVESTMENT CO.,LTD	0	0	0	0	17,893	17,893	13,250	13,250	2.80%	2.80%	0	0	0	0	0	0	0	0	0	2.80%	2.80%	None	
Director / LIN,KUAN-CHEN																							
Director / CHANG,MING CHEN Delegate of LEG HORN INVESTMENT CO.,LTD																							
Director / CHENG,PI-HUA																							
Director / PI, CHIEN-KUO Delegate of HUI TUNG INVESTMENT CO.,LTD																							
Director / HSIEH, CHIH-PENG Delegate of																							

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)	Compensation received by part-time employees								Sum of A,B,C,D,E,F and G/ after-tax profit (%)	Whether or not any compensation is received from other re-invested businesses than subsidiaries		
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)			Salary, Bonus and Special Disbursement (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)						Employee share subscription warrants(H)	
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation		PSC	Consolidation	PSC	Consolidation	PSC		Consolidation				PSC	Consolidation
														Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend				
KAI NAN INVESTMENT CO.,LTD																					
Director / LIN, CHENG-TE Delegate of KAI NAN INVESTMENT CO.,LTD																					
Director / HSIEH,HUNG HUI-TZU Delegate of KAI NAN INVESTMENT CO.,LTD																					
Director / LIN, RON-KUN Delegate of KAI NAN INVESTMENT CO.,LTD																					
Director / LEE, SHY-LOU																					
Director / TU, LI-YANG Delegate of TA LE INVESTMENT HOLDING CO., LTD.																					
Director / CHENG, KAO-HUEI																					
Director / CHANG, LI-HSUN																					

Title/Name	Compensation								Sum of A, B, C and D / after-tax profit (%)	Compensation received by part-time employees										Sum of A,B,C,D,E,F and G/ after-tax profit (%)	Whether or not any compensation is received from other re-invested businesses than subsidiaries	
	Rewards (A)		Pensions And superannuation (B)		Earning Distribution (C)		Business Affairs Expense (D)			Salary, Bonus and Special Disbursement (E)		Pensions And superannuation (F)		Employee Bonus distribution(G)				Employee share subscription warrants(H)				
														PSC		Consolidation						
	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation	PSC	Consolidation		PSC	Consolidation	PSC	Consolidation	Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend	PSC	Consolidation			PSC
Director / DUH, BOR-TSANG																						
Independent Director / WU, TSAI-YI																						
Independent Director / LEE,KWANG-CHOU																						
Independent Director / FU, KAI-YUN																						
TOTAL	0	0	0	0	17,893	17,893	13,250	13,250	2.80%	2.80%	0	0	0	0	0	0	0	0	0	2.80%	2.80%	None

■ For Supervisors

Unit: NT\$ thousands

Unit: NT\$ thousands

Title/Name	Compensation						SUM of A,B and C / After-tax profit (%)		Whether or not any compensation n is received from other re-invested businesses than subsidiaries
	Rewards(A)		Pension(B)		Earning Distribution(C)				
	PSC	Consoli- dation	PSC	Consoli- dation	PSC	Consoli- dation	PSC	Consoli- dation	
Supervisor/D uh, Bor-Tsang	0	0	3,834	3,834	1,080	1,080	0.44%	0.44%	None
Supervisor / Chen, Kuo-Hui									
Supervisor / Lee, Shu-Fen China F.R.P Corp.									
Supervisor / Chuang, Tsai-Fa									
Supervisor / Lu, Li-An									

3. Implementation of Corporate Governance

3-1 Attendance of Board of Directors Meeting

Total of 5 meetings of the board of directors were held in the year of 2012.
Directors' attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
Chairman	Canking Investment Co., Ltd. Rep. Teng, A-Hua	5	0	100%
Independent Director	Wu, Tsai-Yi	5	0	100%
Independent Director	Fu, Kai-Yun	5	0	100%
Independent Director	Lee, Kwang-Chou	5	0	100%
Director	Lin, Kuan-Chen	5	0	100%
Director	Cheng, Kao-Huei	2	1	67%
Director	Leg Horn Investment Co., Ltd. Rep. Chang, Ming-Chen	5	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh, Hong Hui-Zi	4	1	80%
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Cheng-Teh	3	2	60%
Director	Kai Nan Investment Co., Ltd. Rep. Hsieh, Chih-Peng	3	2	60%

Director	Hui Tung Investment Co., Ltd Rep. Pi, Chien-Kuo	4	0	80%
Director	Lee, Shy-Lou	5	0	100%
Director	Ta Le Investment Holding Co., Ltd. Rep. Tu, Li-Yang	5	0	100%
Director	Duh, Bor-Tsang	2	1	67%
Director	Chang, Li-Hsun	3	0	100%
Director	Kai Nan Investment Co., Ltd. Rep. Lin, Ron-Kun	2	0	100%
Director	Cheng, Pi-Hua	2	0	100%

3-2 Attendance of Supervisors for Board Meeting

Total of 5 meetings of the board of directors were held in the year of 2012.
Supervisors' attendance condition was as follows:

Title	Name	Attendance in Person	Attendance rate (%)
Supervisor	Chuang, Tsal-Fa	3	100%
Supervisor	Lu, Li-An	3	100%
Supervisor	Duh, Bor-Tsang	2	100%
Supervisor	Kaiyo Investment Co. Ltd. Rep. Lee, Shu-Fen	4	80%
Supervisor	Chen, Kuo-Hui	0	0%

3-3 Status of Corporate Governance

The status of our corporate governance efforts, any discrepancies between our organization and what is outlined in the "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", and the reasons for these differences.

Item	Status	Actual differences
1. Company Share Structure and Shareholder Rights i) Methods for handling shareholder suggestions	i) We have assigned a spokesperson and a shareholder services representative to deal with any suggestions, complaints, or other problems from shareholders. On our corporate website, we have set up	No Differences

Item	Status	Actual differences
and disputes. ii) Maintain effective control over key shareholders and maintain the most up-to-date lists of key shareholders iii) Risk-control mechanism in form of fire-wall among subsidiaries.	an “Investor’s Area” as well as a “Investor Suggestion Box”, which is managed by our shareholder spokesperson and by other management personnel who organize and forward all shareholder comments and questions on to the appropriate department for further action, if necessary. ii) PSC maintains close relationships with key shareholders and assigns dedicated shareholder services personnel to continually monitor any changes in the shareholdings of these key shareholders. iii) The finance and business of our company and its subsidiaries are in separate operation. In term of management right/obligation there is a clear line between our company and its subsidiaries. All the relations and trades are dealt with in accordance with law. 「 Surveillance governing internal-control system for branch offices 」 has also been set up as a controlling and governing mechanism for our branch offices.	
2. The Board of Directors, its organization and obligations i) The company has independent directors serving on its Board of Directors ii) Regularly evaluate the independence of the company’s accounting firm	i) At the 8th Board meeting (2009) PSC established 3 board seats specifically for independent directors. ii) In accordance with the “Corporate Governance Best Practice Principles for Securities Firms”, each year our company evaluates the independence of our accounting firm and resolves a motion to continue retaining said accounting firm’s services.	No Differences
3. Lines of communication for company founders and with other Interested parties	i) The Finance Department has assigned personnel specifically to deal with banks and creditors that we deal with regularly. ii) The Management Department has assigned personnel specifically to deal with employees, investments, and sales business partners. iii) On our website, we have set up an “Investor Area” where users can access a “Customer’s Suggestion Box” and an “Investor Suggestion Box”, which are managed by our Customer Service Department and our Administration Department respectively. These departments are responsible for responding to all messages received. For our internal-use website, we have set up an	No Differences

Item	Status	Actual differences
	"Employee Suggestion Box", which is manned by our Administration Department, responsible for responding to all comments received.	
4. Information Disclosure i) On the company website, we disclose our financial information and the status of our corporate governance. ii) The company also uses other methods of disclosure (e.g., English version of our website, personnel assigned to collect and disclose information, a spokesperson, full records of everything that takes place at institutional investor meetings are posted to our website)	i) The company has already setup an "Investor Area" on our website (www.pscnet.com.tw), where we regularly disclose company financial information. We also post periodical and non periodical financial and operating information on the government-operated MOPS website. ii) We have assigned a spokesperson tasked with disseminating company information to investors and shareholders. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following: ■ Company introduction in Chinese & English ■ Company financial statements ■ Board of Director meeting minutes ■ Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments received.	No Differences
5. Committees established to oversee nominations, compensation, etc.	Establishment a Risk Control Committee by the Company: i) In accordance with governing principles approved by the Board of Directors, the Risk Control Committee shall: ■ Establish enterprise risk control policies and structures, and delegate to the appropriate departments. ■ Establish enterprise risk measurement standards. ■ Establish enterprise risk tolerance limits and department specific risk tolerance limits. ii) The Risk Control Committee is comprised of three members; including one independent Board director, one Board supervisor, and the highest ranking officer from the Risk Control Office. Risk Control Committee meetings are convened quarterly, aiming to assist the Board of Directors with planning and monitoring of all risk related issues, reporting implementation progress, and recommending when appropriate. Establishment of Remuneration Committee by the Company: i) Our Board of Directors passes the organizational rules of the Remuneration	All such key strategies are handled in accordance with the company's AOI and Board Meeting resolutions. With the exception of the Risk Management Committee, all other committees are still under review and evaluation. On August 30, 2011, the Company's Board of Directors passed the organizational rules of the Remuneration Committee and

Item	Status	Actual differences
	Committee and thus establishes said committee. The responsibilities of the Remuneration Committee are as follows: ■ Establish and regularly review remuneration policy, system, standards and structure for directors, supervisors and managers. ■ Regularly evaluate and determine remuneration for directors, supervisors and managers. ii) Committee members shall be appointed by via Board resolution and the committee shall comprise at least three members. We shall appoint independent directors in accordance with the Securities and Exchange Act, and the committee shall comprise at least one independent director. Members of the committee elect an independent director as the convener. iii) The committee shall meet at least twice every year and may meet at any time should it be necessary to do so.	thus established said committee. The company appointed three independent directors as committee members, and the committee's first meeting was held in accordance with the rules on December 20, 2011, during which members elected a convener.
6. If the company has implemented a set of practices in accordance with "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies", describe what practices were implemented and any differences between the practices implemented and those described in the abovementioned Principles The company has implemented a set off operating principles that are in line with "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and with "Corporate Governance Best-Practice Principles for Securities Firms". The principles implemented serve to protect shareholder rights, to strengthen board effectiveness, to enhance monitoring functions, to respect the rights of interested parties, to increase information transparency, and to help us achieve our operating goals.		No Differences
7. Other important information that can help shed light on the company's corporate governance operations (i.e., employee rights, hiring concerns, investor relations, supplier relations, the rights of interested parties, training for directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, liability insurance purchased by the company for directors and supervisors): i) Environmental Protection Measures The company is a securities house and, therefore, has no environmental concerns to be addressed. ii) Community Participation In August of 2006, PSC conducted the first annual employee blood donation. Since 2010, the blood donation drive was increased to three times a year and has expanded to bring in even greater participation from the community. iii) Contributing to Society Every year since 2001, the company has called together all staff		No Differences

Item	Status	Actual differences
members from across all of our different divisions, along with many of our clients, to participate in the “Send Them Our Love” charity event, which raises money for donation to charity groups such as Taiwan Fund for Children and Families (TFCF). As a long-standing supporter of social causes, we were awarded the 6th annual National Civic Service Award, and the 2013 TFCF Thankful Enterprise. iv) Customer Rights We have assigned a spokesperson to be responsible for providing information to shareholders and investors, and for posting periodical and non periodical financial and operating information on the government-operated MOPS website. We have also setup an “Investor Area” on our website where investors and shareholders can obtain information on the following: ■ Company introduction in Chinese and English ■ Company financial statements ■ Board of Director meeting Minutes ■ Investor Suggestion Box, which is manned by Public Affairs personnel who are responsible for replying to all comments received. v) Employee Rights and Hiring Concerns 1. To boost work efficiency and solidarity among our employees, we place particular emphasis on benefits programs and labor relations, and thus ensures employee welfare in a comprehensive manner. 2. General accident insurance has been purchased for each of our branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees. vi) Interested parties Rights Our company respects the right of Interested parties to voice their opinions and we have constructed lines of communication specifically for interested parties, such as: ■ The Finance Department has assigned personnel specifically to deal with banks and creditors whom we deal with regularly. ■ The Management Department has assigned personnel specifically to deal with employees, investments, and sales business partners. ■ On the company website, we have set up an “Investor Area” where users can find a “Customer Suggestion Box” and an “Investor’s Suggestion box”, which are managed by our Customer Service Department and our Administration Department, respectively, who are responsible for responding to all messages received. On our internal corporate website, we have set up an “Employee Suggestion Box”, which is manned by our Management Department, who is responsible for responding to all comments received. vii) Implementation of Customer Policy ■ Our Policy: “3 Goods and One Fair”, “Good Quality”, “Good Trust”, “Good Service”, and “Fair Price”. This is combined with “Passion for Excellence and Service”, in providing all customers with comprehensive services. ■ Implementation: We have established a Customer Services Department—The Customer Service Center, which offers customers an avenue through which to register complaints, which		

Item	Status	Actual differences
	operates a customer service hotline which is manned by customer service specialists who help to solve customer problems, and which ensures that all account correspondence sent to clients includes clear product risk warnings.	
viii) Training for Directors and Supervisors In addition to supporting directors and supervisors who choose to attend external training on their own, we will periodically organize corporate governance training classes and invite our directors and supervisors to attend these classes. In 2012, for example, in addition to the training that the directors and supervisor undertook on their own, the company worked with the Taiwan Securities Association to organize a training course on case study of insider trading prevention for all of our directors and supervisors focusing on corporate governance, and PRC-related financial analysis. This training allowed the directors and supervisors to gain a better understanding of the spirit of and practical application of corporate governance. ix) Risk Management Policy and Risk Evaluation Standards A. Risk Management Policy i) Ensure that we can operate various types of business from a position of solid risk management. Using reasonable risk tolerance levels, continue to enhance profitability, create shareholder value, and achieve return on capital targets. ii) Set well-defined risk controls for every business area, implement risk management checks and balances, set clear obligations for each department so as to enhance risk management effectiveness by breaking it down into manageable pieces. iii) Our risk management operations take into accounts all key forms of risk: market risk, credit risk, liquidity risk, operational risk, legal risk, model risk. B. Risk Evaluation Standards The company has set risk management principles. In order to ensure that all of our organization's businesses adhere to our operating policies, operating goals, and capital levels, we have set suitability evaluation policies that can react to changes in our business and in the market: ■ Market Risk Evaluation i) We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis so as to supplement missing risk values. ii) We evaluate the completeness of our evaluation models on various business areas, and review the assumptions, parameters, and data used for various product models, and then test that the models for the various products are reasonable. iii) We evaluate the effectiveness of risk control models: regularly perform back-testing to ensure the effectiveness of the models used. ■ Credit Risk Evaluation i) Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp. ii) Trading counter-party credit risk: we assess our company's maximum exposure in the event that a trading counterparty defaults, and then use maximum exposure limits set by the board of directors, in determining the credit risk of a trading counterparty. iii) Issuer's Credit Risk: we use KVM model to perform internal evaluations, and combine that with financial data and stock price data,		

Item	Status	Actual differences
to calculate the probability of a default. Then, based on these measurements, we developed “Z-Score”, an in-depth internal evaluation of the company, and then use this to protect ourselves from potential credit risks and potential capital shortfalls. ■ Operational Risk Evaluation i) Operational risk is risk that is created when internal processes, employees, or systems, are inappropriate or cause errors; or risk that is caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk. ii) We create operations risk policy handbooks that entail every level of operations. iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled. C. Risk Management Categories Our risk management takes into account market risk, credit risk, liquidity risk, operational risk, legal risk, etc., for both on-balance sheet business and off-balance sheet businesses. Each day, every level of operations, every manager, and every trader is given fresh figures on position risk and key sensitivity values. Through this, the company's risk controls and trading strategies can be properly analyzed and necessary alerts can initiated. Setting risk control guidelines for each level of operations allows for comprehensive monitoring of risk. D. Our Risk Control Architecture As part of our risk control measures, we have created an independent risk control department and constructed an integrated risk control architecture that encompasses all facets of the organization, including the Board of Directors, the Risk Control Committee, the Office of the CEO, the Assets/liabilities Committee, the Risk Control Office, the Auditing office, the Legal Compliance and Legal Matters Department, the Finance Department, and all sales departments. Each segment of the company has clearly spelled-out obligations and every level of the company has clearly defined authorities. ■ Board of Directors audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, is ultimately responsible for risk management. ■ Risk Control Committee is a committee established by the Board of Directors tasked with integrating all risk management operations, with supervising and assisting all the various risk management and related operations. The committee is also tasked with setting the various risk authorities, limits, and targets, for a centralized supervision of the status of all of the company's risk management efforts. ■ Office of the CEO Supervises the daily implementation of all of the company's risk management operations and authorizes any exceptions to the risk management protocols. ■ Assets/Liabilities Committee controls the company's overall asset structure, collects and analyzes domestic and international interest rates, exchange rates, and economic changes. ■ Risk Control Office has been established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations: ■ Trading Business Risk Management Team is responsible for		

Item	Status	Actual differences
trading department risk management, for amendments to the business operational risk regulations, for the construction of a back-office risk control system, for ensuring compliance with trading regulations, and for creating trading business risk reports. ■ Operating Risk Management Team is responsible for the drafting of risk policies and regulations, for monitoring market and credit risks, for monitoring liquidity risks, for compiling data on operational risk control and management, for constructing and maintaining the risk management system, for implementation of risk management systems and for ensuring company-wide regulatory compliance. ■ Auditing Office sets operations risk controls, sets the standards for risk control systems, puts in place internal auditing controls, and implements daily check routines. ■ Legal Compliance and Legal Matters Department implements legal risk controls and ensures that all businesses and risk management operations are in compliance with relevant laws and regulations. ■ Finance Department monitors capital adequacy rates and liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios. ■ Sales Department based on the company's risk management policies and regulations sets risk management guidelines for various businesses, and produces a report on abnormal risk items for the Risk Control Office.		
x) The Purchase of Liability Insurance for Directors and Supervisors Our company has already purchase liability insurance from ACE Insurance, Federal Insurance, and Fubon Insurance. (The policy is for US\$10 million with a term of Sept. 1st, 2012 to Sept. 1st, 2013.)		
8. Any other corporate governance evaluations conducted either by President Securities itself or by an external institution, the findings of this report, its main recommendations, and the status of any changes made: In accordance with securities exchange requirements, we completed its corporate governance self-evaluation report in December 2011 and uploaded said report to the Market Observation Post System where investors may review it. The latest amendment was made in Aug. 2012.		No Differences

3-4 Compensation review committee

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

1. The company has established the Remuneration Committee by Sept. 30th, 2011 in accordance with the order from government.
2. Operation:
 - i) The committee is composed of three members.
 - ii) The tenure of the committee is effective from July. 2rd, 2012 to July 1st, 2015. Total of 2 meetings of the committee were held recently and the attendance condition was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)
convener	Wu, Tsai-Yi	2	0	100
member	Lee, Kwang-Chou	2	0	100
member	Fu, Kai-Yun	2	0	100

3-5 Corporate Citizenship

Item	Status	Actual Differences
1. Carry out company governance (1) Company sets up enterprise social obligation policies or systems and reviews implementation effects. (2) Company sets up an enterprise social obligation office (full or part time) (3) Company holds moral education training and guidance for Directors, Supervisors and staff members, and Integrate it into staff performance assessment system. Establish effective rewarding and punishment regulations.	(1) For the implementation of the corporate governance, the Company's Board of Directors approved the "President Securities Corporate Social Responsibility Best practice Principles" on July 2nd, 2012. Our company has worked out "President Securities Social Obligation Report", which is put on our website. (Website: www.pscnet.com.tw) (2) The management Dept. is in charge of the enterprise social obligation. Some social obligation activities such as social contribution, social welfare, and community participation are held annually. (3) All of our Directors, Supervisors have completed the related advanced studies and trainings as required by regulations. The Company also gives guidance to staff members. The results of the internal control and the related system will be included into assessment mechanism.	No Differences No Differences There is no difference between training and guidance. It will be connected with evaluation and included into assessment.
2. Develop sustainable environment Our company spares no efforts in green environment protection. The packing materials used for the imported machine are required for reuse. Environment protections are also taken into consideration while procuring our office facilities. Our office room temperatures are adjusted according to government regulations and we are also cooperative in the spot checking by our government.		No Differences

Item	Status	Actual Differences
3. Maintain social interest or welfare (1) Company abides by the related labor regulations, safeguard employee's legal rights, and sets up proper management measures and procedures.	(1) In taking care of our employees, besides setting up internal regulations in accordance with the Labor Law, we also conduct regular checks on the differences between our internal regulations and the Labor Law. We also provide opinion boxes for employees as communication channel in order to protect employee's legal rights. The related mechanisms are as below: i) Setting up a complaints review access In accordance with sexual harassment protection bill and sex equality in work place bill, our company has worked out measures of preventing, grievance-airing, investigating and handling sexual harassment. A committee is also set up to take charge of the related matters in order to prevent sexual harassment and protect victim's rights, including providing sexual harassment free environment. Sexual harassment Tel.: (02)2746-3850 Fax: (02)2746-3799 E-mail: heart@uni-psg.com ii) Attaching importance to office safety (a) All the branches have selected some employees for training and obtaining certificate of fire-prevention. We also work out fire-prevention plans for offices. (b) Public accident obligation insurance is also filed to protect customer's right. Employee accident obligation insurance is also filed to protect employee's rights.	No Differences
(2) Company provides employees with safe and healthy working environment and provides with the related courses on regular basis.	(2) Our company place emphasis on employee's working environment and their safety. In addition to reduce unfavorable working environment, employees also get physical check every year, letting them know well their own health status for early prevention and control.	No Differences

Item	Status	Actual Differences
(3) The company has a system in place to ensure regular communications with employees, it also notifies employees in an appropriate manner regarding changes to operational changes that may significantly affect them.	(3)The company has a system in place to enable smooth communication, it also provides its employees with the relevant information and application channels, thus ensuring that their working environment is a good and fair one. i) The company has labor and employer representatives, who regularly hold labor-employer meetings to ensure sufficient communications between the two sides. ii) Each department holds regular department meetings, employees' views and needs are sounded out during manager-level meetings and appropriate measures are taken thereafter. III) All our employees can file their complains based on the labor law, labor safety hygiene bill, employee welfare fund bill, labor insurance bill, labor investigation bill etc. The channel is as below: e-mail: hr@uni-psg.com iv) The company announces relevant changes through an internal announcement system, thereby upholding the principles of openness and transparency.	No Differences
(4) Company sets up and publicizes its consumer's right policy and provides them with transparent and effective complaining procedures for its products and service.	(4) Given the nature of financial service, we provide customers with the related handling procedures and rules in a speedy, transparent, stable and cautious manner. i) Procedures of customer service Our customer service center was established in 2000, providing customers with service telephone line and the first on-line customer service system in the brokerage field in a "special person special service" (consideration, efficiency, satisfaction, contentment) manner. ii) Procedures of handling problems According to reactions of customers, we deal with and follow the cases individually and by classification. (a) of service nature: we solve problems by giving clear explanations and clear guidance (b) of issue nature: to clarify situation, we focus on key points, explain in good manner, deal in fair manner. (c) of customer right nature: we treat customer with empathy, communicate with consensus, protect customer's right and deal in fair manner	No Differences

Item	Status	Actual Differences
(5) Company cooperates with suppliers and works together to fulfill enterprise social obligation	(5) In our procurement regulations, we require to buy facilities that use green construction materials so as to play our role in energy saving and environment protection.	No Differences
(6) Company participates community development and welfare activities through commercial activities, donation, and volunteer work.	(6) Since 2001, our company has held “Love-giving activities” for 12 consecutive years, calling for all the employees in our business group including brokerage, futures, investment trust, investment consulting, insurance agent, and comprehensive insurance business to participate the activities. Due to our long-term commitment to public welfare, our group was honored with the 6 th National Public Welfare Award, and the 2013 thankful enterprise from the Taiwan Fund for Children and Families (TFCF).	No Differences
4. Step up information exposure Our company has worked out “President Securities Social Obligation report”, which has been put on our website (website: www.pscnet.com.tw)		No Differences
5. If a company has worked out its enterprise social obligation regulations based on “Enterprise social obligation regulations for listed companies/over-counter companies” , please elaborate the differences of its operation and regulations. For the implementation of the corporate governance, the Company's Board of Directors approved the “President Securities Corporate Social Responsibility Best Practice Principles” on July 2 nd , 2012.		No Differences
6. Other information about social obligation fulfillment In light of our long-standing commitment to supporting key social causes, we were awarded the 7 th annual Wenxin Award and the National Civic Service Award, and the Award of 2013 thankful enterprise from the Taiwan Fund for Children and Families (TFCF). Over the last several years, President Securities Corp. has planned and coordinated a number of charitable activities with the TFCF to help school children from poor family. We assist TFCF by mobilizing all company extensive employees, and customers. We contribute real money and resources to causes that we believe in and, in doing so, meet our social responsibilities as a good corporate citizen. ■ Environmental Measures As a securities firm, our company does not have any environmental or polluting concerns. ■ Social Participation, Social Contribution, Social Service, Social Causes Every year since 2001, the company has for 12 years called together all staff members from throughout our various divisions, and even many of our clients, to participate in the “Send Them Our Love” charity event, which raises money for donation to charity groups. We established a scholarship in partnership with the Taiwan Fund for Children and Families that assists elementary school children from underprivileged families.		No Differences

Item	Status	Actual Differences
In 2006, the company conducted the first employee blood donation drive, which was a rousing success. The blood donation drive was increased to three times a year from 2010 and was expanded to bring in even greater participation from the community. ■ Customer Rights Our company has assigned a spokesperson to be responsible for providing information to shareholders and investors, and to post periodical and non-periodical financial and operational information on the government-operated MOPS website. We have also setup an "Investor Area" on our website where investors and shareholders can obtain information on the following: i) Company introduction in English and Chinese ii) Company financial statements iii) Board of Director meeting minutes iv) Investor Suggestion Box, which is manned by Administration Department Personnel who are responsible for replying to all comments received. ■ Employees' rights and welfare i) To boost work efficiency and solidarity among its employees, we place particular emphasis on benefits programs and labor relations, and thus ensure employee welfare in a comprehensive manner. ii) All the company's branches and work locations are covered by public liability insurance to protect clients' interests and covered by employers' liability insurance to protect employees' interests. ■ Interested parties' rights We respect the right of interested parties to express their opinions and has thus established the following communication channels: i) Our financial department has dedicated personnel serving corresponding banks and other creditors. ii) Our administration department has dedicated personnel serving employees, investors and companies that we have business dealings with. iii) We have set up mailboxes for our clientele and investors on our company website, which are respectively managed by dedicated personnel from our customer service center and administration department also set up mailboxes for our employees on our internal website, which we have managed by dedicated personnel from our administration department. ■ Implementation status of clientele policy i) Our Policy: "3 Goods and One Fair", "Good Quality", "Good Trust", "Good Service", and "Fair Price". This is combined with "Passion for Excellence and Service", in providing all customers with comprehensive services. ii) Implementation: We have established a Customer Service Center, and offers customers an avenue through which to register complaints, which operates a customer service hotline which is manned by customer service specialists who help to solve customer problems, and		

Item	Status	Actual Differences
which ensures that all account correspondence sent to clients includes clear product risk warnings.		
7. If company's products or enterprise social obligation reports have passed the checking standards set by the related institutes, be sure to describe its details. Our company's enterprise social obligation report was worked out by ourselves and has not been certified by the related institutes.		No Differences

4. Long-term Investment Ownership

As of 31/03/2013

Long-term Investment	Ownership by President Securities (1)		Direct/Indirect Ownership by Directors and Management (2)		Total Ownership (1) + (2)	
	Shares %	Shares %	Shares %	Shares %	Shares %	Shares %
President Futures Corp.	63,817,303	96.69%	0	0	0	0
President Capital Management Corp.	12,400,000	100.00%	0	0	0	0
President Securities (HK) LTD	10,000,000	5.19%	182,600,000	94.81%	192,600,000	100.00%
President Securities (BVI) LTD	67,746,000	100.00%	0	0	0	0
Uni-President Assets Management Corp.	13,570,830	38.66%	12,000	0.03%	13,582,830	38.69%
President Personal Insurance Agency Co., Ltd.	500,000	100.00%	0	0	0	0
President Insurance Agency Co., Ltd.	500,000	100.00%	0	0	0	0

IV. Capital Structure

1. Capital and Shares

1-1 Capitalization

Month/Year	Issue Price (Per Share)	Authorized Share Capital		Capital Stork		Remark	
		1,000 Shares	Amount (NT\$ thousands)	1,000 Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increase by Assets Other than Cash
Jul-2002	10	1,500,000	15,000,000	1,183,651	11,836,510	Capital Increase by Earning	None
Dec-2002	10	1,500,000	15,000,000	1,140,673	11,406,730	Cancellation of Treasury Shares	None
Aug-2004	10	1,500,000	15,000,000	1,140,499	11,404,990	Cancellation of Treasury Shares	None
Jun-2006	10	1,500,000	15,000,000	1,137,072	11,370,720	Cancellation of Treasury Shares	None
Aug-2007	10	1,500,000	15,000,000	1,176,869	11,768,695	Capital Increase by Earning	None
Aug-2008	10	1,500,000	15,000,000	1,215,706	12,157,062	Capital Increase by Earning	None
Apr-2009	10	1,500,000	15,000,000	1,185,706	11,857,062	Cancellation of Treasury Shares	None
Aug-2010	10	1,500,000	15,000,000	1,231,933	12,319,334	Capital Increase by Earning	None
Aug-2011	10	1,500,000	15,000,000	1,304,646	13,046,456	Capital Increase by Earning	None
Dec-2011	10	1,500,000	15,000,000	1,284,582	12,845,816	Cancellation of Treasury Shares	None
Aug-2012	10	1,500,000	15,000,000	1,323,119	13,231,191	Capital Increase by Earning	None

1-2 Capital and Shares

Unit : Share

Type of Stock	Authorized Share Capital		
	Issued Shares	Unissued Shares	Total
Common Stock	1,323,119,054	176,880,946	1,500,000,000

1-3 Structure of Shareholders

As of 20/04/2013

Structure of Shareholders Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Personal Shareholders	Foreign Institutions and Personal Shareholders	Total
Number of Holders	0	1	121	29,748	147	30,017
Shares	0	24,177,350	777,006,846	387,609,477	134,325,381	1,323,119,054
%	0	1.83%	58.73%	29.29%	10.15%	100%

1-4 Distribution Profile of Share Ownership

■ Common Shares

As of 20/04/2013

Shareholder Ownership (Unit : Share)	Number of Shareholders	Ownership	Ownership (%)
1 ~ 999	15,536	2,549,732	0.19
1,000 ~ 5,000	7,232	16,234,646	1.23
5,001 ~ 10,000	2,434	16,743,785	1.26
10,001 ~ 15,000	1,565	18,942,612	1.43
15,001 ~ 20,000	492	8,500,001	0.64
20,001 ~ 30,000	811	19,572,711	1.48
30,001 ~ 50,000	605	23,554,590	1.78
50,001 ~ 100,000	593	41,511,270	3.14
100,001 ~ 200,000	345	47,901,754	3.62
200,001 ~ 400,000	192	53,259,107	4.03
400,001 ~ 600,000	65	31,234,174	2.36
600,001 ~ 800,000	32	22,583,993	1.71
800,001 ~ 1,000,000	21	18,511,034	1.40
Over 1,000,001	94	1,002,019,645	75.73
Total	30,017	1,323,119,054	100

1-5 Major Shareholders

As of 20/04/2013

Shareholders	Number of Shares	Ownership (%)
Uni-Present Enterprises Corp.	366,644,096	27.71
Nan Shan Life Insurance Company, Ltd	79,335,260	6.00
Kai Nan Investment Co., Ltd.	37,104,849	2.80
President Chain Store Corp.	35,604,872	2.69
Eternal Chemical Co., Ltd	31,907,681	2.41

Tainan Spinning Co., Ltd	29,941,647	2.26
Fubon Life Assurance Co., Ltd	28,823,520	2.18
Golo Chang Investment Co., Ltd.	26,715,948	2.02
President Securities' comprehensive Employee Stock Ownership Trust under Chinatrust's custody	24,177,350	1.83
Kao Chin-Yen Memorial and Education Foundation	16,663,300	1.26

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

Item			2011	2012	2013Q1
Market Price Per Share	Highest		19.21	17.40	18.75
	Lowest		13.45	13.11	16.50
	Average		16.58	15.13	17.40
Net Worth Per Share	Before Distribution		16.15	16.45	16.61
	After Distribution		15.68	-	-
Earnings Per Share	Weighted Average Shares (thousand shares)		1,283,858	1,323,119	1,323,119
	Earnings Per Share	Current	0.44	0.84	0.23
		Adjusted	0.43	0.84	-
Dividends Per Share	Cash Dividends (NT\$)		-	0.52	-
	Stock Dividends	Dividends from Retained Earnings	0.18		-
		Dividends from Capital Surplus	0.12		-
	Accumulated Undistributed Dividend		-	-	-
Return on Investment	Price/Earnings Ratio		36.30	16.86	-
	Price/Dividend Ratio		-	27.23	-
	Cash Dividend Yield		-	3.67	-

2. Dividend Policy & Implementation Status

2-1 Dividend Policy

We take a policy of dividend payment to maintain sound long-term financial structure and stabilize continual growth to maximize benefits to shareholders, in the following manners:

- With regard to the surplus for the year (net of taxes payable and losses from previous years), after portions have been set aside in surplus reserves in accordance with the law and set aside or transferred to the special reserve in

accordance with regulations, the balance and undistributed earnings (beginning of the year) may not be distributed if they do not make up at least five percent of paid-in capital.

- The total amount of dividend shall not be below 70% of the allocable profit as per the preceding paragraph.
- Out of the dividend which can be allocated according to the preceding paragraph, stock dividend shall not be below 50% and cash dividend shall not exceed 50%.
- Taking the operation situation of the year and the fiscal plan of next year into consideration, the company may decide the best stock and cash dividend on its discretion.

2-2 Distribution of Profit

The Board adopted a proposal for 2012 profit distribution at its Meeting on March 26th, 2013, and the proposal to distribute 2012 profits is listed as follows:

Cash Dividends	NT\$0.52 per share
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- i) Calculation and scope of bonuses for directors, supervisors and employees as contained in the company's bylaws:

The company's bylaws require that, should there be any surplus remaining at the end of a fiscal year (excluding that used to pay taxes and offset prior-year losses), 10% and 20% of said surplus shall be respectively set aside in a statutory surplus reserve and special surplus reserve; should there be any remaining surplus, 3% and 2% of said surplus shall be respectively distributed as remuneration to directors and supervisors and as bonuses to employees, the remaining portion shall be distributed as shareholder dividends; should total distributable surplus be lower than 5% of paid-in capital, the company may choose not to distribute its surplus.

- ii) Board of Director passes proposed distribution of employee bonuses:

- On March 26th, 2013, our Board of Directors passed the proposed allocation of employee bonuses and remuneration for directors and supervisor as follows: Total cash bonus of NT\$14,484,672 for employees and total remuneration of NT\$21,727,007 for directors and supervisors. It was estimated that employee bonus for 2012 would be NT\$14,484,672 and Director/Supervisor compensation for 2012 would be NT\$21,727,007. There was no difference between the estimates and the actual distributions approved at the Board Meeting for Employee bonus and Director/Supervisor compensation.
- In 2011, estimated employee bonus amounted to NT\$4,867,889 while remuneration for directors and supervisors amounted to NT\$7,301,833. Estimates for employee bonus and remuneration for directors and supervisors were calculated based on figures from the income statement as well as the number of outstanding shares as of the end of 2011, and therefore differ from proposed allotment figures. A discrepancy of NT\$2 between the estimates and the actual distributions approved at the General Shareholders' Meeting will be booked in 2012's profits and losses.

3. Buyback of Common Stock : None

4. Status of corporate bonds (including overseas bonds)

4-1 Issuance of Corporate Bond : None

4-2 Information of Convertible Corporate Bond : None

V. Overview of Business Operation

1. Description of Business Activities

1-1 Business Scope

- Underwriting business
- Proprietary trading of listed securities
- Brokerage for listed securities
- Proprietary trading of listed securities through retail locations
- Brokerage for listed securities through retail locations
- Consignment trading of foreign securities
- Securities borrowing and lending
- Shareholder services coordination
- Support for futures trading through equity-related business
- Concurrent operation of futures proprietary trading
- Engaging in short-buy and margin sales for trading securities
- Wealth Management business
- Trust business
- Financial derivatives products approved by the SFC
- Other business areas approved by the SFC

1-2 Breakdown of Revenues for Latest Three Years

Unit: NT\$ thousands

Item	2010		2011		2012	
	Operating revenue	(%)	Operating revenue	(%)	Operating revenue	(%)
Brokerage	3,398,585	65.69	2,926,076	66.27	2,126,068	57.97
Proprietary Trading	1,498,770	28.97	1,397,223	31.65	1,285,253	35.04
Underwriting	276,231	5.34	91,819	2.08	256,498	6.99
Total	5,173,586	100.00	4,415,118	100.00	3,667,819	100.00

1-3 Products and Services

We offer a comprehensive range of financial services- brokerage, underwriting, proprietary trading, fixed income dealing, financial product development, wealth management, and shareholder services. The following is a brief description of our primary business units.

Business Area	Business highlights
Brokerage	1. In 2012, the market share for our brokerage business stood at 3.67%, ranking us as the 8th largest brokerage house. 2. We currently operate 35 branches, and THE COMPANY currently holds the 1st market share position in each individual market for which we operate a branch—clear proof of our exceptional operating efficiency. 3. We strive to promote electronic trading. Electronic trading is accounting for 28.96% of the company's trading volume in 2009, and up for 35.44% in 2012 with continuous growth. 4. We have developed an integrated online order entry system that allows

Business Area	Business highlights
	customers to trade equities, futures, and options, all from the same application. This allows our customers to take full control of their trading objectives and, at the same time, encourages clients to trade a wider range of products. - By offering a more all-inclusive market monitoring and order entry environment, we can service a larger client base. - We integrate our sales of all types of products available in the market and thereby offer more value to our existing clients.
Proprietary Trading	Market positioning Over the past three years, our proprietary trading division has been among the top performers in the industry. Regardless of changes in the market, it was able to swiftly adjust positions and conduct investment analysis that closely reflected market changes. Thus it was able to effectively grasp swing trading trends and mainstream stocks, strictly control risk with futures hedging strategies. And supported by a diversified range of products and trading models, the company was able to make big profits, maintain a stable personnel structure with experienced traders, and leverage on its brand. Specialty product System application supported by quantitative analysis and technical indicator modules
Fixed Income Dealing	- In 2012, President Securities was ranked 28th in terms of market share for the monthly outright purchase and sales of government bonds with a monthly average market share of 1.03%. As bond trading volume shrinks alongside diminishing market opportunities, we are gradually reducing our domestic bond trading volume and shifting our attention to the international bond market. - In 2012, we held 21.51% of the market in Interest Rate Swap brokerage, giving us an overall 2nd place ranking within the industry.
Futures Proprietary Trading	Operating Performance Among securities firms, the company was ranked 1st in terms of the 2012 earnings generated by its futures proprietary trading division. New Products/Services in Development As regulators continue to liberalize the industry and allow new financial products, we stand ready to add these new products to our trading and, in turn, to add to our revenue streams.
Financial Products	In 2012, our Financial Products Division was primarily engaged in issuing new warrants, structured note products, convertible bond assets swaps, and other derivative products authorized by the Taiwan's regulators. Market Position Warrants: We issued a total of 732 warrants in 2012, for a total dollar value of NT\$12,371,806,000. Structured Products: in 2012, the company undertook contracts amounting to a principal of NT\$2,253,500 thousand and had a total NT\$121,600 thousand worth of structure note products in the market. New Products/Services in Development We will focus on applying for permission to issue newly approved financial products and use leverage our financial engineering expertise to help those products bear fruit. We have a professional team that brings together skills from finance, information technology, and statistics, in developing profitable new products that help diversify our revenue streams.

Business Area	Business highlights
Underwriting (Capital Markets)	1. Market Position The company underwrote 52 issues in 2012, for a total dollar value of NT\$4,373 million. 2. New Products/Services in Development Our goal is to provide professional corporate financial services, to simultaneously act as both an effective market maker and also as a top-notch service provider, all with the aim of increasing the company's overall added value. Going forward we will continue to focus our energy on landing mid- and large-sized deals, and will continue to bolster our presence within the Greater China Region (i.e., TDRs, IPOs (including primary listings on the TWSE/GreTai Market, M&A, Private Equity, and consulting, etc.), so as to become a more competitive securities firm.
Shareholder Services	1. Market Position (1) By the end of 2012, we served as shareholder services representative for 138 companies, giving us a ranking of 7th in the industry. (2) The average size of companies that we represent has increased. As of the end of 2012, the total number of shareholders that we serviced stood at roughly 1.73million, giving us a ranking of 6th in the industry. 2. Operating Performance (1) The number of companies we represented in 2012 stayed the same as the previous year. (2) The average number of shareholders we serviced in 2012 also stayed the same as the previous year, thus allowing us to achieve a higher economy of scale and more efficient operations. 3. Long-term objectives Work with other departments within the company so as to implement cross-selling strategies and thereby become a shareholder services provider that can also provide financial management functions.
Wealth Management & Trust	1. Market ranking (1) The 1st and the only securities dealer in Taiwan that has started fortune management business, a brokerage that assists customers to do assets arrangement under the "asset management account". (2) The 1st brokerage that has got the approval letter of having a side business of trust business (3) First domestic securities dealer to receive the Central Bank's foreign exchange license and be permitted to engage in trust-related wealth management ° 2. Operation performance (1) As of end of 2012, the number of the fortune management account customer totals 90 and the amount of the management customers assets totals NT\$85,283,872. (2) As of end of 2012, the number of the trust account customer totals 1,273 and the amount of the management customers assets totals NT\$ 828,536,165 ° 3. Vision of our department Build up a complete, convenient financial platform that combines resources from its various divisions, and provides a diverse range of financial products, professional investment planning and comprehensive services that will fulfill the financial needs of customers and expand the company's asset management scale.

1-4 New Products and Services to be developed

In tandem with the development of fields by competent authorities, we are planning to establish a venture capital subsidiary that will serve as the vanguard for our securities underwriting business, set the stage for quality startups awaiting listings and provide professional services for such companies. Also, in conjunction with the competent authorities' intention to allow securities firms to engage in proprietary trading and the trading of negotiable securities (as commissioned by professional investors) in mainland China's securities market, we shall strengthen research efforts with respect to the mainland stock market and uncover profit opportunities.

■ Business of Wealth Management and Trust

(1) Individually managed non-discretionary monetary trust

In 2010, we obtained approval from competent authorities to engage in individually managed non-discretionary monetary trust operations. By December 2011, it was already providing clients with asset allocation services based on "trust accounts"

- Expand trust product line: In 2013, we will be offering domestic non-discretionary money trust structured products (principal guaranteed notes, equity linked notes) and foreign stocks to gradually meet the one-stop asset allocation needs of customers.
- Increase transaction convenience: To meet the transaction needs of customers in terms of convenience and timeliness, fund transaction using dollar cost averaging will be formally launched on Feb 1, 2013 and an online trading platform for trusts is expected to be introduced in late 2013.

(2) SBL business by means of trust measure

We have applied for an approval from the authorities in 2012 to do SBL business by means of trust measure. Customers with high net value, those holding huge stock but with low turnover, those long-term stock holders with gains from stock dividends are our main targets. We will, provide SBL in way of trust in accordance with customer's needs, meeting customer's needs for multiple asset management and to invigorate customer's equity assets. These businesses are expected to be launched in 2013.

(3) Establish a people-centric financial platform and develop financial services with cross-strait characteristics

In view of the people's financial needs with respect to foreign commodities and to raise the professional capabilities of local financial personnel, the competent authorities are planning to allow securities firms to establish OSUs (Offshore Securities Units; modeled on Offshore Banking Units) and engage in offshore securities operations in Taiwan. Also, with the gradual liberalization of cross-straits financial regulations and renminbi businesses, we want to grasp opportunities that arise to develop financial services with cross-straits characteristics.

2. Analysis of the Securities Industry

2-1 Overall Economic Environment

Over the past one year, key economies across the globe have been hit by adverse headwinds. In Europe, the austerity issues discussed during the Greek legislative election have divided public opinions and generated more uncertainty over a Greek exit. In Spain, local governments and banks are requesting bailouts and once again putting the European debt crisis in the spotlight. Fortunately, the European Central Bank's announcement that it will defend the euro is gradually restoring investor

confidence. On the US front, the Democrats and Republicans' failure to reach a consensus regarding fiscal issues have pushed the US closer to a fiscal cliff. And the Fed's early launch of QE3 was one of the few attempts at mitigating the impact of a fiscal cliff. In China, the impact of monetary tightening and Europe's weak demand have slowed China's economic growth. The economic climate was supported only by China's expansion of infrastructure construction in the second half of the year, hastening of QFII approval to attract foreign investment, and fine-tuning of monetary policy.

In Taiwan, domestic economic growth gradually receded quarter on quarter in the first half of 2012 (as was the case two years back), growing only 0.59% in the first quarter and contracting 0.12% in the second quarter. This was primarily due to the significant economic slowdowns in Europe and China, and the government's push to raise oil and electricity prices and introduce capital gains tax, all of which have shaken business and investment confidence. In the first half of the year, commodity exports and private fixed investment dropped by 4.74% and 7.43% respectively. In the second half of the year, investor confidence recovered gradually and the domestic economy began to rebound, growing 0.73% and 3.72% over the third and fourth quarter respectively. This was due to various factors including the expansion of infrastructure construction in China, the European Central Bank's strong support for the euro, the Fed's implementation of QE3, and the Taiwanese government's policy to attract foreign investment and support Taiwanese businesses. The domestic stock market experienced a surge followed by a decline. Earlier in the year, President Ma Ying-jeou's victory in the election brought about a climate of optimism that drove the index from 7072 points to 8170 points. But going into the second quarter, it was dragged down repeatedly by the impact of price hikes for oil and electricity, the implementation of capital gains tax and a bearish global market, dropping as low as 6857 points. In the second half, the index recovered gradually due to bullish developments such as the European Central Bank's strong support for the euro, the US's implementation of QE3 and the expansion of infrastructure construction in China. The full-year weighted index rose 8.87% from 7072 points to 7699 points.

In 2013, the fiscal stalemate between the Democrats and Republicans is expected to persist. But the Fed's continued implementation of quantitative easing is projected to drive employment and real estate recovery, and coupled with breakthroughs in energy technology, the US's economic growth should be sustainable. In the Eurozone, the European Central Bank's strong support is already restoring investor confidence in Spain and Italy in a gradual manner, but the failure of the three major parties to capture at least 50% during the Italian parliamentary election may generate more volatility in the financial markets. On the whole, the Eurozone is likely to suffer a slight recession given the suppression of spending by governments, consumers and businesses. In China, the smooth leadership handover will facilitate the implementation of economic policies that follow, and with capital controls being gradually loosened and supported by the renminbi's internationalization, more international capital will be flowing into China. Although the policy of suppressing housing prices will remain in place, the expansion of transport infrastructure construction and the global economy's recovery will help China reach its policy objective of hitting an economic growth rate of 7.5%. For Taiwan, the economic recoveries of its major trading partners the US, China and Japan will help boost domestic export growth. Additionally, an increasingly rosier economic outlook will help boost the job market and consumer confidence. Moreover, the semiconductor industry's growing capital expenditure and the government's push to launch an investment program aimed at bringing Taiwanese businesses back into Taiwan will also help raise private consumption and investment. Based on the Directorate General of Budget, Accounting and Statistics' (DGBAS) forecast, Taiwan's economic growth rate will accelerate from the previous year's 1.26% to 3.59%. In the securities

industry, the implementation of capital gains tax will have an impact on domestic brokerage operations, but the competent authorities are also gradually widening the business scope of securities firms, which are now allowed to set up venture capital subsidiaries and engage in proprietary trading for negotiable securities in China's securities market. With the official launch of the cross-straits currency settlement mechanism, renminbi-denominated financial products such as bonds and funds will be introduced gradually, thus further diversifying the product range of securities firms. Additionally, the China Securities Regulatory Commission has also expressed interest in allowing Taiwanese securities firms to invest in China. Driven by the competent authorities' push to implement two major plans, namely the "Developing Financial Businesses with Cross-straits Characteristics" and "Developing a Taiwan-centered Financial Platform for the People", it is projected that the securities industry will see its business scope being expanded gradually, which will help with business diversification.

2-2 Product Trends and Relevant Competition

■ Proprietary Trading

A. Equities Markets

In 2012, much uncertainty still shadowed the global economy, which grew by less than 0.8% over the entire year. But monetary stimulus backed by central banks worldwide had resulted in rallies across most major stock markets. US GDP maintained a 2.2% growth and the Dow Jones Industrial Average posted an annual return of 7.2%. Under the shadow of the European debt crisis, most of the heavily-affected countries such as Greece and Italy underwent a rebound (aside from Spain which suffered a 4.65% drop) due to the European Central Bank's OMT program. In Germany, the stock market even surged by 29.8%. In Asia, Hong Kong's Hang Seng Index rose by 22.9% owing to the inflow of international capital while mainland Chinese stocks did not perform as well due to macroeconomic controls, with the SSE Composite Index having managed a mere 3.18% gain. Also, the South Korean stock market rose 9.42% due to a monetary stimulus program and Taiwan gained 627 points or 8.8% over the year.

The first quarter of last year saw the best performance from Taiwanese stocks, primarily due to the removal of uncertainties when Taiwan's presidential election came to an end, measures to deal with the European debt crisis and trends in the capital market. Taiwan's stock market and other international stock markets achieved gains of 10% or higher over this period. But during the second quarter, Taiwan's capital gains tax and elections in Greece and France disrupted the bullish climate in Taiwan's stock market, causing Taiwanese stocks to undergo a nearly 15% correction. In the second half of the year, capital movements supported by the OMT and QE3 resulted in a 9% rebound following the correction. Over a year which saw an overall gain of 600 points, the proprietary trading division responded by taking on short positions, and to adapt to market changes, it adjusted its treasury stock position to minimize systemic risk, kept a close watch on the fundamentals of listed companies so as to adjust positions accordingly and weed out weak stocks, and further hedged against risk and losses through futures positions. For the entire year, the division managed to post a profit of NT\$160 million and its performance was among the best within the industry. Going forward, global economic research will become more in-depth and operation guidelines will focus the adjustment of positions and strategies. Also, investments will be diversified to expand the division's revenue sources. It is hopeful that we will continue to achieve industry-leading profit

levels and retain our competitive strengths.

B. Risk Management

In addition to using VaR figures provided by the proprietary trading department's risk control office, stop losses and limit alerts are set for the stocks that each trader trades. Each trader is given trading limits and trading performances are updated in real time and, when necessary, trading authorizations can be immediately revoked. The effect of all of these measures is to ensure maximum protections for our shareholders.

C. Hedging Operations

Futures and options are our primary hedging tools. By nimbly adjusting our market positions and by using futures and options for effective hedging, the company achieved the best return on assets rate in the industry in 2012.

■ Fixed Income Dealing

A. Outright Purchases and Sales of Government Bonds

The company's Fixed Income Department saw a drop in its market share ranking of 2012 in the outright purchases/sells market. This was due to a shift in investment strategy towards foreign currency bonds. Given the gradual decline of trading volume in the bond market as a whole, the narrowing of market volatility and increasingly fewer market opportunities, the department will continue its shift towards foreign bonds to seek more profit opportunities.

B. Convertible Bonds

In 2012, the company increased its position in convertible bonds from NT\$1.7-1.9 billion to about NT\$2.2 billion. The increase in stock positions was primarily attributable to adjustments in investment strategy, which involved establishing investment positions in guaranteed convertible bonds. As of the end of December 2012, the department's position in guaranteed convertible bonds totaled about NT\$362 million and accounted for 19.36% of the investment portfolio. Compared to other industry players, the company's investment strategy for convertible bonds was centered on downside risk considerations and there were hence fewer positions in unsecured SME convertible bonds. This made it difficult to generate higher profits since the market indexes did not undergo significant shifts over the year. But when the European debt crisis struck and systemic risk rippled through the indexes, the company's positions had a comparatively limited loss ratio.

C. Government Bond Futures

The government bond future market was in standstill with the fact that its trade amount kept dwindling and the trade mechanism of spot borrowing and lending was not good enough. Virtually all the brokerage including the company was not willing to take part in it. Since authorities did not require brokerage to perform their market makers' duties, the market came to a complete stop. The trade volume ended up in zero last year.

D. Bond Options

As Taiwan's bond market is limited by ownership concentration, trading volume has been shrinking gradually and bond yield volatility has remained low. Hence bond option buyers and sellers have become less willing to trade, this in turn led to a rather bleak bond options market. With fewer profit opportunities, bond options played a non-existent role in 2012.

E. Interest Rate Swaps (IRS)

With worldwide yield levels being persistently low and Taiwan facing excess liquidity, the interest rate environment over here has been relatively gloomier. Hence interest rate swap rates have hit a new low, corrections have continued and trading volume has been low. With no clear signs of where interest rates are headed, the profiting from the interest rate swap market will be difficult. Faced with these variables in the environment, President Securities' Fixed Income Department has increasingly become less engaged in interest rate swaps over the years though it will pounce on fresh opportunities that arise.

F. Foreign Bonds

Amid renminbi internationalization and a better economic outlook in Asia, prospects for Asia's bond market will remain bullish. The company possesses extensive experience when it comes to international bond trading and will persist in growing its Asian bond business. It plans to operate in tandem with the international market and thus expand profit opportunities. Last year, the company's Fixed Income Department obtained approval from GTSM to engage in foreign bond proprietary trading. Through stringent trading strategy research and analysis, and by successfully applying its trading experience in Taiwan's bond market to the foreign bond market, the department has been gradually raising profitability levels and producing trading results as seen this year.

■ Financial Products Business

A. Equity Warrants

2012 saw strong expansion in Taiwan's equity warrant market, with all securities firms aggressively issuing warrant products. A total of 17,682 equity warrants were issued in 2012, for a total dollar value of just over NT\$272.176 billion.

The total dollar value of all equity warrants issued by THE COMPANY in 2012 was NT\$12.372billion, giving us a market share of 4.55%, making 8th in the market. Most of the warrants that we issued were based on the value weighted stock or on quality large and mid-cap stocks. Through effective hedging we are able to enjoy stable profits from our warrant business and contribute to the depth of the warrant market overall.

B. Structured Note Products

In 2012, for the whole year, a total of NT\$106.359 billion in structure note products were issued with NT\$15.727 billion. For the year of 2012, the company undertook contracts amounting to a principal of NT\$2.253 billion and was ranked sixth in the market.

C. Convertible Bond Asset Swaps

Fixed Income Trading with a total of NT\$29.434 billion worth of contracts currently

outstanding, the company had an accumulated trading volume of NT\$57.021 billion for 2012.

Option Trading with a total of NT\$54.929 billion worth of contracts currently outstanding, the company had an accumulated trading volume of NT\$62.184 billion for 2012.

For the year of 2012, the company undertook contracts amounting to a principal of NT\$0.11 billion and became one of its stable income sources.

■ Underwriting Business (Capital Markets)

A. Domestic Bond and Equity Underwriting

As of the end of 2012, there were a total of 809 companies listed on the TWSE, and a total of 638 companies listed on the GreTai Market, representing an annual increase of 2.4% and 5.1%, respectively. In 2012 the number of lead manager case totals 8 deals. JETWAY had NT\$200 million CB、CEC had NT\$600 million unsecured CB、Chateau had NT\$220 million IPO、CFHC had NT\$11.65 billion cash capital increase、Y.C.C. had NT\$168 million IPO、L & K had NT\$700 million CB、AEM had NT\$300 million CB、AEON had NT\$216 million IPO. Going forward, we will continue to adhere to a strict screening process and select only high quality companies to underwrite, all the while being mindful of prudent risk controls.

B. Financial Advisory

We take great pride in providing professional corporate finance services. In recent years, our financial advisory business has also made great progress and expanded into advisory services dealing with employee stock option exercise prices, offering price for preferred stocks and stock repurchase by listed companies. We will be advising a financial holding company on the public issuance of common shares previously sold through private placement.

We will no doubt continue to develop our financial advisory services business with a particular emphasis securities related consulting (i.e., IPOs, mergers, private placements, and other consulting services) around the Greater China Region.

C. Offshore Underwriting

In March 2008, the Executive Yuan allowed foreign enterprises to conduct initial listings (OTC) and offer emerging stocks in Taiwan, thus expanding the local securities market. The division had also been actively competing for business from foreign enterprises intending to list in Taiwan. At present, it is handling a foreign company to be based in the Cayman Islands and may submit the company's listing application by as early as the second quarter of 2013. Subject to market conditions, the division will also be working on companies listed in SE Asia and Hong Kong that intend to issue TDRs.

D. Emerging Market Exchange

Although the domestic economy continued growing in 2012, the stock market was affected by the capital gains tax issue. This caused transactions on the Emerging Stock Board to drop in the first half of the year. However, this was also followed by a recovery in the second half of the year. At the close of 2012, there were 279 companies listed on the Emerging Stock Board, two more than 2011's 277 and representing a 0.7% growth. To capture more IPOs, the department has also been

actively positioning itself with respect to emerging board targets. However, the IFRS's launch in 2013 has changed the way emerging board stocks will be assessed, and to take risk control into account, the number of emerging board companies being recommended will tentatively be no more than 35. As of the end of 2011, the number of officially recommended emerging board companies is 32. This year, the division will continue to compete for quality clients while maintaining risk control, and issue recommendations for emerging stocks based on the progress of its client counseling.

■ **Wealth Management**

In September 2009, the Financial Supervisory Commission (FSC) allowed securities dealers to engage in monetary trust and negotiable securities trust businesses. As of the end of 2012, eight securities firms are offering money trusts and two are offering negotiable securities trusts, remaining unchanged from 2011. A look at the number of new applicants indicates that the peak application period has passed for securities firms wanting to move into the trust business. Among the types of trust businesses that may be operated, it has become increasingly clear that securities firms are primarily selecting those that coincide with their respective niches, and in terms of managing assets and clientele growth, it is increasingly the big players that are growing and widening the gap between them and other securities firms. Competent authorities are currently studying plans to allow securities specialists to engage in wealth management operations, hence securities firms will be managing wealth management businesses mainly through brokerage subsidiaries.

The focus of securities firms in the wealth management business has shifted from applying for businesses to building up platforms. Going forward, wealth management will require not only differentiation, but also wide product lines and more personalized trading platforms in order to raise business competitiveness.

3. R&D for Derivative Product

■ **Various Technical Expertise and R&D**

We have put together a complete and well-rounded financial engineering research team that is capable of researching both trading strategies and derivative products themselves. Our team is comprised of professionals from the areas of finance, statistics, and information technology. They are able to effectively synergize their diverse talents in developing valuable hardware and software for trading and product valuation. By coupling cutting-edge financial engineering techniques with comprehensive product research and substantial trading experience, we are able to design various new financial products and thus provide our clients with derivatives products and services that they need.

■ **Our Research Analysts, Their Training, and Our R&D Costs for the Most Recent 5 years**

The company has been aggressively developing new products and working diligently to secure regulatory approvals for new products. Over the past 5-year period, we have spent an average of NT\$4.5 million per year on R&D efforts.

■ **New products or Techniques Successfully Developed Within the Last 5 years**

The company has been successful in the design and pricing of many structured

note products, equity swaps, credit derivative products, as well as equity-linked forex derivative products, bonds and interest rates, and we stand ready to issue these products whenever appropriate market timing emerges. We have successfully developed several market operating strategies, as well as option market making models and strategies.

■ Electronic trading system improvements

The electronic trading market continues to grow and the company is able to raise customer service quality through an e-trading platform that is stable, convenient and diversified.

(1) President Securities 2012 Electronic Trading System R&D Plan

System	R&D capabilities
Electronic Transaction Customer Survey	1. Analyze the characteristics of electronic transaction customers. 2. Understand trends with regard to characteristics of electronic transaction customer base, and have them serve as reference for the development of electronic transactions in the future.
President Securities Customer Service Website	1. Website to have a new customer service area that provides descriptions and guides for various electronic transaction system functions and FAQs. 2. Give customers access to electronic signature services and online password replacement features to boost convenience for them.
Mobile Order Placement Platform	1. Add instant account features: Includes stock gains and losses, realized gains and losses, instant retention ratio search, settlement payment search, new stock subscription and successful subscription search. 2. Add Windows Phone platform.
Customized market watch and order placement system for mid-level customers	Customize and introduced VIP program based on customers' needs.
SysJust AP system	1. Introduce SysJust AP Quotation System that will enable our staff to win over electronic transaction customers and raise the company's competitiveness. 2. Build dual AP redundant architecture after the launch of SysJust AP.

(2) R&D investment plan and progress

Project plan	Project content and outcome	Estimated R&D expense	Estimated time of completion
Equipment update and redundancy enhancement for electronic transaction system	1. Update equipment and improve performance. 2. Review backup systems already in place, then strengthen areas requiring	NT\$2 million	September 2013

	improvements and ensure effective backup in the event of system anomalies.		
Function improvements for electronic transaction system	1. Optimization of user interface of specialist order placement system. 2. Optimization of mobile transaction platform functions including automated reminders of successful transactions and mobile certificate application. 3. Recommend optimizations for AP Order Placement System based on customers' needs.	NT\$2 million	December 2013
Customize mid-level investor trading system	Customized according to client requirements, provides trading convenience for clients and improves turnover rate	NT\$1 million	October 2013

4. Future Business Development

In an effort to establish our core competitiveness, it is essential that we have a clear understanding of future trends in the securities industry and then establish a corresponding business development plan. We must also develop strategies that will allow us to accommodate business areas newly approved by regulators so that we are in a position to move quickly in these new markets. Accordingly, we see our business developing in the following ways:

- Continue to recruit exceptional talent, and thereby improve our competitiveness and, in doing so, increase our market share.
- Implement risk management practices and technologies, thereby improving profitability and stabilizing overall business operations.
- Improve IT and enhance e-business infrastructure.
- Offer professional asset management and provide personalized financial planning services.
- Be ready to move on market liberalizations and, in particular, business opportunities across the Hong Kong-PRC-Taiwan market.
- Groom talented researchers and thus raise our abilities in designing new products.
- Move forward with consolidation within the President Group, thereby enhancing our securities business and financial services.
- Build and maintain alliances with financial institutions and corporations outside of the finance industry, relationships that allow for mutual cooperation and mutual benefit.

5. Market Conditions

5-1 Breakdown of Market Share According to Business Area

Business Area	Component	Market Share	Rank
Brokerage	Equity Brokerage Trading Volume	3.67%	8
	Individual Branch	0.105%	1
Financial Products	Warrants Issued (Value)	4.54%	8
	Structure Commodity Business Volume	2.12%	6
	Property Exchange Option Business Volume	0.18%	14
	Stock Option Business Volume	1.02%	6
Fixed Income Dealing	Repo Transactions	0.99%	11
	Outright Purchases / Sales	1.03%	28
	Interest Rate Swaps	21.51%	2
Underwriting	Lead Underwriting Deals No./Value	8 / 3.19%	9 / 8
	Co-Lead Underwriting Deals No./Value	52/ 5.04%	3 / 8

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

This year, quantitative easing and breakthroughs in energy technology should enable the US to overcome its fiscal cliff and sustain economic growth. Despite the suppression of spending by governments, consumers and businesses in the Eurozone, the European Central Bank's strong support is already restoring investor confidence gradually and should limit the severity of the economic recession. China's successful leadership handover and new leadership team should usher in a bright future. As for the domestic economy, the global economy's gradual recovery should drive export growth. Together with the policy to bring Taiwanese businesses back into Taiwan, which will stimulate private investment, the domestic economy should emerge from last year's downturn and gradually improve.

In the securities industry, the introduction of securities transaction tax for individuals will increase transaction costs for investors and reduce the willingness of brokerage clients to trade. We expect this to affect the brokerage business. Although the competent authorities are also planning to reduce futures transactions tax and securities transaction tax for warrant hedging, and also intending to liberalize the offshore securities business with the "Developing Financial Businesses with Cross-straits Characteristics" and "Developing a Taiwan-centered Financial Platform for the People" plans, their effectiveness remains to be seen.

Looking at our brokerage business, at present, the competent authorities are adopting a more active stance with regard to the liberalization of securities-related businesses, including RMB-denominated commodities, sub-brokerage A shares and offshore securities, all of which will be liberalized. Our plans regarding relevant businesses will become more extensive and robust, and it is hoped that we will be able to provide customers with a more complete range of products and services in the future. Given that the big players tend to grow bigger in the securities firm-brokerage business, the company is also be pouncing on opportunities to increase its presence so as to accelerate the growth of brokerage-related businesses, take advantage of economies of scale and reduce operating costs. With our visions, we have started the electronic

trading from very early stage. As of this year our electronic trade has grown over 35%. We intend to enhance our online trading platform by adding and integrating new functionalities thereby giving the company an upper hand in the online trading. At the same time, we will keep expanding our electronic trade business and integrate the function of our trade platform, keeping our advantageous position in the field of electronic trade.

Looking at our underwriting business, given the intense competition that exists within the domestic securities industry for corporate underwriting deals, the reality is that not all deals end up being profitable endeavors. Accordingly, it is very important to carefully select convertible bond deals for high-quality companies with solid creditworthiness and sufficient assets. Having said that, the number of high-quality companies not yet publically listed are indeed fewer and harder to find. From increasing competition within certain industries is forcing a greater appetite for restructurings, which, in turn, driving the need for, and thus opportunities for, private placements, mergers, acquisitions, capital increases and reductions, and general financial consulting services.

Over the last few years, the Taiwan government has begun allowing access to more international business areas. This is allowing domestic underwriters to not only become more internationalized but more diversified. To this end, the Taiwan government hopes will encourage foreign companies to consider a primary, secondary listings, or TDR listing in Taiwan. Going forward, then, the company intends to offer investment banking services across the greater Hong Kong-PRC-Taiwan market, while continuing to search out quality foreign companies with an interest in listing their shares and/or raising capital in Taiwan.

Looking at our proprietary trading, with global capital flows moving so rapidly, a global investment strategy is the key to the future of our proprietary trading operations. As regulators begin allowing domestic securities firms to participate more in global financial markets, domestic securities firms will be able to better diversify their investments. Thus, going forward, those securities firms that can best understand global industries and can best grasp global economic trends will be the ones that will turn in the most profits.

With respect to our financial products business, a reasonable solution to the warrant and financial product taxation problems has been reached. In the future, the move towards liberalization by competent authorities will allow us to provide client-oriented and highly customizable financial products, and also strengthen our hedging techniques and risk control model so as to reduce risk and stabilize profits.

For our wealth management business, with the global economy's fundamentals recovering gradually and in an increasingly clear manner, only the inflationary pressures generated by the currency devaluation race and regional political instabilities remain as growth variables. Amid the steady development of cross-straits relations and the government's active role in liberalizing markets, Taiwan's financial environment is expected to be better this year compared to the last. This year, the competent authorities are expected to loosen mainland A share investment restrictions. As for wealth management (with respect to the trust business), this year will see more products available for transaction on platform, more online transaction features will also be provided, which will further facilitate convenience on the transaction platform. Also, given the accelerating pace of cross-straits financial liberalization, business development will be focused primarily on expanding into the mainland China market and renminbi businesses, renminbi-denominated products will be introduced quicker and customers will enjoy a greater range of products. °

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

■ Our Competitive Strengths

- a. Our corporate image is solid.
- b. We respect professional management and leadership.
- c. Our organization is flat and human resource costs are well-controlled.
- d. Our brokerage business market share grows up steadily.
- e. Our position management performance is outstanding in winning percentage.
- f. Our operating costs and risk management are both well-controlled.

■ Positive Factors

- a. The global economy is in recovery; consumption and investment are picking up, which will drive domestic economic growth.
- b. Capital is readily available and the cost of capital is quite low.
- c. The official launch of the cross-straits currency settlement mechanism will create more opportunities for the development of renminbi-related financial products and services.
- d. With competent authorities gradually widening the business scope of securities firms, the breadth of the company's operations will also be increased as well.
- e. Proprietary trading and brokerage business are both industry leaders. Market share for individual retail branches is quite high. Solid management practices are having a positive effect on the entire organization.
- f. Free from the shackles of a financial holding company and from restructuring and consolidation activities that would result from such M&A activities, employees can focus more on tasks at hand and the organization can enjoy smooth and unfettered development.
- g. Growth in online trading shows no signs of slowing down. The company's fast and reliable online trading technology is well-positioned to attract a new, young client base.
- h. The level of computerization and automation of information and processes is one of the highest in the industry. Such organization translates into increased efficiency for the organization, overall.
- i. Through President Group, the firm and our employees have access to superb sales channels and myriad resources.
- j. The government is continuing to open up new areas of business to domestic securities firms and allowing new forms of investments.
- k. With structured note products now available, products can be custom designed for either retail clients or institutional clients, thereby retaining clients who would have otherwise been drawn to banks and financial holding companies.
- l. The government is planning to bring tax policies on financial products in line with international standards and this will encourage financial product innovation and spur new business.
- m. The company encourages a corporate culture that emphasizes innovation and rising to challenges.
- n. As financial markets continue to mature and become increasingly democratized, overall efficiency in these markets will also rise.

■ Obstacles

- a. Financial holding companies have the advantage of capital employment and crisscross integration

- b. It is hard to mark up brokerage handling charge due to fierce competition.
- c. The capital gains tax will increase transaction costs for customers and reduce their willingness to trade, hence trading volume may decline.

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

Business Area	Strategy
Brokerage	1. Encourage various departments and subsidiaries to work together to develop new business. 2. Increase existing institutional clients' trading volume and frequency of position turnover. 3. Modify client structure so as to reduce the concentration of risks. 4. Expand our spread trading business, increase mid-level customer trading volumes and position turnovers rates. 5. Enhance internal auditing procedures, reduce client complaints 6. Customer- made online brokerage system for institutional investors. 7. Increase revenues from borrowed securities service to investors. 8. Cultivate all employees' abilities to cross-sell a range of financial products, particularly personal financial planning products and wealth management services. 9. Push forward with online brokerage business; implement comprehensive platform that integrates both information and trading systems. Bolster online trading system stability and order entry quality. 10. Improve our employee training, assistance in preparation for related licenses, performance management, and information system knowledge, to upgrade our employee's professionalism and productivity. 11. Continue to bring in new blood, groom strong management trainees and financial planning professionals who are familiar with a wide range of products. Train back-office staff to take on sales roles thereby streamlining HR costs. 12. Strengthen expense and cost controls in base areas, adjust and optimize logistics staffing.
Proprietary Trading	1. Recognize and adjust to different market conditions, switching between "Range Trading" and "Trend Trading" strategies, thereby maintaining an optimal market position. 2. Strictly implement risk control regulations to effectively reduce the impact of systemic risk. 3. Improve our research and trading of Emerging Market Exchange equities, foreign-listed equities, and futures markets, to create more diverse sources of revenue. 4. Add quantitative analysis and technical indicator model analysis to our operating systems.
Fixed Income Dealing	1. Expand internal databases and develop additional system tools to aid in increasing profitability. 2. Expand the flexibility of our traders and the range of products they trade. 3. Strengthen foreign bond research and trading personnel lineup to meet the growing needs of expanding businesses.
Financial Products	1. Refine hedging techniques and enhance trading system functionality so as to improve profits. 2. Be more responsive to consumer demand and develop new products to meet these demands. 3. Increase cooperation between the brokerage department, the wealth management department, and the capital markets department. 4. Strengthen research and investment analysis for foreign markets, foreign

Business Area	Strategy
	underlying, and foreign products; develop structured financial products based on foreign underlying that meet client needs.
Future Proprietary Trading	1. Diversify our trading strategies to better react to market changes. 2. Continue to improve the skills of our traders. 3. Increased the sharing of resources across multiple departments, thereby creating better synergies. 4. Expand our range of foreign products traded and increase profitability in foreign products.
Underwriting (Capital Markets)	1. Prior to taking initial steps on a given underwriting deal, consultations should be conducted with colleagues throughout the company's various departments and divisions so as to accurately access to the realistic profit opportunities and risks of the deal. Once a deal is ongoing, regular reassessments and revisions should be made in order to ensure the quality of the overall project. 2. When acting as exclusive sales agent for an issue, a risk assessment report must be generated to determine if risks fall within the firm's accepted parameters. Afterwards, daily risk values should be generated and market simulations should be conducted to as so have a clear and timely picture of risk exposure and thus determine when to initiate stop losses or when to take profits. The net effect of all of these efforts will be to lower overall risk while pursuing the largest possible profit. . 3. Leverage clients from across our Brokerage Division, Financial Products Division, Shareholder Services Coordination Division, President Investment Consulting Corp., and our President Investment Trust Corp. and provide these clients with financial planning products customized for either retail or institutional business, thereby implementing an effective cross-selling network. 4. Leverage contacts from our International Business Department to search out foreign companies interested in a primary listing or TDR issue in Taiwan (such as Hong Kong H-shares issuing TDRs).
Shareholder Services Coordination	1. Improve quality of service a) Respond quickly to legal changes which affect procedures and materials. Improve efficiency of training cycles. Develop employee knowledge on various regulations and procedures. Enhance mutual support and flexibility among employees. Increase efficiency of human resource utilization. b) Enhance inter-department cooperation and verifications, thereby ensuring accuracy and security of processes. 2. Enhance efficiency of operations Follow the internal objective of "Customer satisfaction, unceasing improvement and innovation; strive to become a shareholder services coordinator that can provide investment planning functions". Implementation of this philosophy will mean making this division an important conduit for developing new cross-selling opportunities from throughout the firm's various divisions.
Wealth Management & Trust	1. Help business personnel to obtain the relevant wealth management licenses and raise their professional competence. 2. Integrate the various wealth management transaction platforms and provide a diversified range of products and services. 3. Develop trust business model that stands out from those of banks and avoid direct competition with them. 4. Enter niche development areas with respect to Offshore Securities Units (OSUs).

6. Employee Data

Analysis of Average Tenure, Age, and Education, for Sales Force in 2011, 2012, and the first quarter of 2013.

Year		2011	2012	2013 Q1
Number of Employees	Management	102	101	104
	Regular Staff	1,472	1,399	1,380
	Total	1,574	1,500	1,484
Average Age		40.60	41.69	42.05
Average Tenure		9.75	10.74	10.99
Education (%)	Doctorate Degree	0.06	0.07	0.07
	Master's Degree	10.93	11.13	10.98
	Bachelor Degree / Junior College Graduate	72.62	72.4	72.51
	Senior High School	16.39	16.40	16.44
	High School or Less	--	--	--

Note: Management figures include position of "Manager" or senior.

7. Environmental Protection and Corporate Citizenship

7-1 Environmental Protection

Based on governmental order #0950007006, each company is required to disclose in its annual report its compliance with the European Union's Restriction of hazardous Substances Directive (RoHS). The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply.

7-2 Corporate Citizenship

President Securities Group has been a long-standing supporter of important social charitable activities and, for its efforts, has been recognized with the 7th annual Wenxin Award and the National Civic Service Award. Indeed, over the last several years, President Securities Corp. has planned and run a number of activities with groups such as the Taiwan Fund for Children and Families, the Taiwan Foundation for Rare Disorders, and the United Way of Taiwan. We assist these organizations by mobilizing all of our group's extensive resources, employees, and customers. We contribute real money and resources to causes that we believe in and, in doing so, meet our responsibilities as a good corporate citizen.

Every year since 2001, the company has called together all staff members from across all of our different divisions, along with many of our clients, to participate in the "Send Them Our Love" charity event, which raises money for donation to charity

groups .we began working with the Taiwan Fund for Children and Families to provide scholarships for underprivileged primary school students.

In August 2006, the company held what would be its first annual employee blood donation drive. From the following year, in 2007, this successful annual blood donation drive was scaled up to twice a year. In 2010, the blood donation drive was increased to three times a year and was further expanded to bring in members of the local community to participate.

President Securities Group will continue to hold the spirit of “giving to society what you get from society”, and will continue to support underprivileged groups and strive to support charitable activities.

7-3 Work Environment Safety and Precautions

The company is classified as a securities service business and, accordingly, pollution and other environmental concerns do not apply. Each branch office is required to select an individual to undergo training to be certified as a fire safety manager, and must establish a fire safety plan for the work premises in accordance with the law, and thereby ensure the overall safety of the work premises. General accident insurance has been purchased for each of the company’s branches and work premises so as to protect customer rights. Employer insurance has also been purchased so as to protect the interests of all employees.

8 Labor Relations

8-1 Employee Benefits

The company has always maintained a harmonious relationship with its employees. We have spared no expense in providing attractive employee benefits, in providing opportunities for personal growth, in providing a pleasant work environment, and in providing clear and accessible communication channels to all levels of management.

In addition, we go beyond simply offering benefits prescribed by domestic labor laws, such as annual leave time and number of working hours. Employees also enjoy additional benefits such as group life insurance, worker’s compensation coverage, and employee accident insurance. As well, we offer employees funds for weddings and in time of bereavement, and organizes and subsidized employee outings aimed at strengthening relationships between the firm and our employees, and among employees themselves.

The company is committed to creating a reasonable, friendly, and efficient work environment for its employees, an environment that includes strong lines of communication for employees to express opinions and suggestions about the firm. With this in mind, the firm has established an “Employee Suggestion Center” and also organizes regular employee workshops to actively solicit, discuss, and then respond to employee concerns and suggestions.

In January of 2004, the company expanded its employee benefits to include an “Employee Savings Program”, allowing those employees who participate to have a set portion of their monthly pay automatically deducted and placed in a special trust account, where matching funds will be provided by the company. The aim of this program is to promote long-term commitments from employees as well as encourage healthy savings habits and encourage responsible retirement planning.

Essentially, all such benefits and programs are designed to foster a harmonious

relationship between employees and the company. Going forward, we are optimistic to continue to improve upon these relationships, always with the ultimate aim of allowing both the company and our employees to enjoy mutual benefit and growth.

8-2 Employee Disputes and Protection of Employee Rights

In accordance with the Labor Standards Act, the company has instituted its own set of work rules and has submitted a copy of these work rules to the Taipei City Government Department of Labor for approval. In addition to notifying all employees via internet of the content of these work rules, we also have posted a copy of these work rules on the company's internal corporate web site where employees may view a copy of these rules at any time.

To date, the company has made every effort to maintain a harmonious and fulfilling work environment for all of its employees and, as such, has not suffered any loss or damage resulting from any employee disputes, in the firm's entire history. And, the company has every reason to believe that this harmonious dynamic will continue.

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

8-4 Value of Present and Future Events with the Potential to Result in Financial Loss, and Corresponding Strategies for Dealing with These Events: None

8-5 Internal Legal Compliance and Material Information Management

- a) On June 29, 2010, our Board of directors has passed and promulgated "internal material information handling procedures", assigning the Compliance Office to be in charge of internal major information in order to do coordination and prevent internal trading. In accordance with the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Listed Companies" and with the "Taiwan Stock Exchange Corporation Procedures for Press Conferences Concerning Material Information of Listed Companies", we have posted all such information on the company's internal corporate website where employees and managers may view it.
- b) Within the Office of the CEO, we have established a Legal Compliance Department, which is tasked with ensuring that all of the company's processes and administrative procedures are in compliance with the most recent laws and regulations, that all activities are conducted in accordance with relevant laws and regulations. This department is also tasked with conducting regular legal compliance evaluations of each department and each branch office and then conducting legal compliance training specific to their needs.
- c) We have created a legal compliance section on our internal corporate website where we routinely post information on any recent amendments made to relevant laws and regulations. We have also set up a hotline where employees can call to learn more about insider trading, its key principles, definitions, and the potential civil and criminal exposures involved. All of these measures, taken together, provide our employees with comprehensive legal guidance.

VI. Financial Information

1. Balance Sheet from 2008 to 2013Q1

Unit: NT\$ thousands

Item		2008	2009	2010	2011	2012	2013Q1
Current Assets		22,454,699	33,703,331	40,453,654	32,231,838	33,145,665	37,501,541
Funds and Investments		3,544,465	3,730,479	3,693,808	3,770,141	3,631,900	3,725,129
Fixed Assets		2,260,863	2,291,386	2,418,697	2,489,825	2,476,474	2,454,936
Intangible Assets		-	-	-	-	-	2,233
Other Assets		1,831,136	1,869,513	1,699,346	1,486,815	1,342,837	1,389,810
Total Assets		30,112,983	41,594,709	48,265,505	40,063,280	40,596,876	45,073,649
Current Liabilities	Before Distribution	8,960,566	18,896,419	27,479,848	19,292,981	18,758,995	23,072,326
	After Distribution	8,960,566	19,844,078	28,049,427	19,292,981	-	-
Long-term Liabilities		3,678,430	2,865,024	-	-	-	-
Other Liabilities		233,025	342,278	323,441	29,126	21,476	30,570
Total Liabilities	Before Distribution	12,872,021	22,111,374	27,803,478	19,322,107	18,829,373	23,102,896
	After Distribution	12,872,021	23,059,033	28,373,057	19,322,107	-	-
Common Stock		12,157,062	11,857,062	12,319,334	12,845,816	13,231,191	13,231,191
Capital Surplus		255,234	317,109	399,809	409,826	255,676	256,116
Retained Earnings	Before Distribution	5,644,976	7,670,170	8,063,587	7,684,986	8,567,531	8,511,398
	After Distribution	5,644,976	6,260,239	6,766,886	7,453,761	-	-
Unrealized Gain/Loss on Financial Instruments		-231,626	18,281	256,992	11,794	1,134	-505
Cumulative Translation Adjustments		-35,122	-87,565	-285,973	-211,249	-288,029	-27,447
Net loss on Cost		-3,017	-	-	-	-	-
Total Equity	Before Distribution	17,240,962	19,483,335	20,462,027	20,741,173	21,767,503	21,970,753
	After Distribution	17,240,962	18,535,676	19,892,448	20,741,173	-	-

2. Income Statement from 2008 to 2013Q1

Unit: NT\$ thousands

Item	2008	2009	2010	2011	2012	2013Q1
Operating Revenue	4,505,668	5,253,354	5,173,586	4,415,118	3,667,819	989,708
Gross Profit	2,786,760	4,907,951	4,594,514	3,370,794	3,258,045	903,686
Operating Income	319,872	1,856,462	1,513,063	610,507	894,851	334,781
Non-operating Income	264,726	523,184	523,230	246,812	402,403	102,431
Non-operating Expenses	930,802	147,739	173,016	166,343	77,230	110,052
Income(Loss) from Continuing Operations - before Income Taxes	-346,204	2,231,907	1,863,277	690,976	1,220,024	327,160
Income(Loss) from Continuing Operations - after Income Taxes	-529,617	2,025,194	1,803,348	566,895	1,113,770	301,349
Income(Loss) from discontinued Operations	-	-	-	-	-	-
Extraordinary Income (Loss)	-	-	-	-	-	-
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	-	-
Net Income(Loss)	-529,617	2,025,194	1,803,348	566,895	1,113,770	301,349
Earnings Per Share	-0.39	1.55	1.38	0.43	0.84	0.23

3. Financial Analysis from 2008 to 2013Q1

Item		2008	2009	2010	2011	2012	2013Q1
Capital Structure Analysis (%)	Debt Ratio	42.75	53.16	57.61	48.23	46.38	51.26
	Long-term Fund to Fixed Assets Ratio	925.28	975.32	845.99	833.04	878.97	894.96
Liquidity Analysis (%)	Current Ratio	250.59	178.36	147.21	167.07	176.69	162.54
	Quick Ratio	250.27	178.24	147.11	166.96	176.56	162.34
Profitability Analysis	Return on Assets (%)	-0.44	5.75	4.15	1.51	3.03	0.72
	Return on Equity (%)	-2.88	11.03	9.03	2.75	5.24	1.38
	Operating Income to Paid-in Capital Ratio (%)	2.63	15.66	12.28	4.75	6.76	2.53
	Pre-tax Income to Paid-in Capital Ratio (%)	-2.85	18.82	15.12	5.38	9.22	2.47
	Net income ratio (%)	-11.75	38.55	34.86	12.84	30.37	30.45
	Earnings Per Share (NT\$)	-0.39	1.55	1.38	0.43	0.84	0.23
Cash Flow	Cash Flow Ratio (%)	175.20	-	-	67.98	0.46	-
	Cash Flow Adequacy Ratio (%)	278.58	284.19	340.73	574.00	939.77	719.74
	Cash Flow Reinvestment Ratio (%)	66.7	-	-4.42	59.57	0.39	-
Other Ratio (%)	Debt to Equity Ratio	74.66	113.49	135.88	93.16	86.50	105.15
	Fixed Assets to Total Assets Ratio	9.64	7.05	6.33	7.15	7.15	6.43
	Total Underwriting to Quick Assets Ratio	1.69	1.13	1.60	1.92	1.84	0.37
	Total Margin Loan Balance to Equity Ratio	36.98	82.19	94.63	51.52	44.91	45.03
	Total Short Sales Amount to Equity Ratio	6.29	12.03	9.65	8.39	7.38	4.08

VII. Financial Status ,Operation Performance & Risk Management

1. Financial Status

Unit: NT\$ thousands

Item \ Year	2012	2011	Fluctuation	
			Amount	(%)
Current Assets	33,145,665	32,231,838	913,827	2.84%
Funds and Investments	3,631,900	3,770,141	-138,241	-3.67%
Fixed Assets	2,476,474	2,489,825	-13,351	-0.54%
Other Assets	1,342,837	1,486,815	-143,978	-9.68%
Total Assets	40,596,876	40,063,280	533,596	1.33%
Current Liabilities	18,758,995	19,292,981	-533,986	-2.77%
Long-term Liabilities	0	0	0	-
Other Liabilities	21,476	29,126	-7,650	-26.27%
Total Liabilities	18,829,373	19,322,107	-492,734	-2.55%
Capital Stock	13,231,191	12,845,816	385,375	3.00%
Capital Surplus	255,676	409,826	-154,150	-37.61%
Retained Earnings	8,567,531	7,684,986	882,545	11.48%
Total Equity	21,767,503	20,741,173	1,026,330	4.95%

2. Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2012	2011	Amount	(%)
Operating Revenue	3,667,819	4,415,118	-747,299	-16.93%
Operating Expenses	2,772,968	3,804,611	-1,031,643	-27.12%
Operating Income	894,851	610,507	284,344	46.58%
Non-operating Income	402,403	246,812	155,591	63.04%
Non-operating Expenses	77,230	166,343	-89,113	-53.57%
Income(Loss) from Continuing Operations - before Income Taxes	1,220,024	690,976	529,048	76.57%
Income Tax Expense	106,254	124,081	-17,827	-14.37%
Net Income	1,113,770	566,895	546,875	96.47%

3. Long-term Investment Policy and Results

In 2012, the company's domestic reinvestment operations generated healthy profits while its foreign reinvestment business was affected by factors, such as European debt default concerns and a weak US economy, and posted lower-than-expected profits. Each subsidiary's operations will still be subject to strict risk control with timely stop-loss and stop-gain orders, so as to reduce risk and maintain steady development.

As for our present direct investment policy, we consider all areas of business currently permitted by Taiwan's regulators and look for effective cross-selling strategies and other possible synergies, with the overall aim of best leveraging all of the company's resources. Looking to the coming year, we expect regulators to again open up many new areas of business and we intend to be ready to move on each of these.

We are building international alliances with other industry players so as to expand into new business areas, to develop and promote new financial products. In particular, we are looking to Hong Kong and the PRC as key areas of expansion to bolster our presence in international financial services and our cross-strait business.

4. Analysis of Risk Management

4-1 Our Risk Management Policies

- In order to ensure that we have a solid and effective risk management system in place, our system has been developed so as to encompass all of our business areas. Then, with appropriate risk tolerance levels in place, we can effectively raise profits, create value for the company, and achieve our return on asset targets.
- By constructing risk controls for each individual business area, we are able to achieve a measured approach to risk management. Accordingly, each department is assigned risk parameters based on its respective responsibilities, thereby achieving layered yet comprehensive risk management.
- The company's risk management measures take into account the following forms of risk, market risk, credit risk, liquidity risk, operational risk, legal risk, and model risk.

4-2 Related Risk Management System Architecture

- Board of Directors audits the company's risk management policy, supervises sales business strategies, approves all business proposals and trading permissions, and is ultimately responsible for risk management.
- Risk Control Committee is a committee established by the Board of Directors tasked with integrating all risk management operations, with supervising and assisting all the various risk management and related operations. The committee is also tasked with setting the various risk authorities, limits, and targets, for a centralized supervision of the status of all of the company's risk management efforts.
- Office of the CEO Supervisors the daily implementation of all of the company's risk management operations and authorizes any exceptions to the risk management protocols.
- Assets/Liabilities Committee controls the company's overall asset structure, sets limits for different businesses, collects and analyzes domestic and international interest rates, exchange rates, and economic changes.
- Risk Control Office has been established the Trading Business Risk Management Team and the Operating Risk Management Team tasked with monitoring daily risk management operations:
- Trading Business Risk Management Team is responsible for trading department risk management, for amendments to the business operational risk regulations, for the construction of a back-office risk control system, for ensuring compliance with trading regulations, and for creating trading business risk reports.
- Operating Risk Management Team is responsible for the drafting of risk policies and regulations, for monitoring market and credit risks, for monitoring liquidity risks, for compiling data on operational risk control and management, for constructing and maintaining the risk management system, for implementation of risk management systems, and for ensuring company-wide regulatory compliance.
- Auditing Office sets operations risk controls, sets the standards for risk

control systems, puts in place internal auditing controls, and implements daily check routines.

- Legal Compliance and Legal Matters Department implements legal risk controls and ensures that all businesses and risk management operations are in compliance with relevant laws and regulations.
- Finance Department monitors capital adequacy rates and liquidity risks, and analyzes the company's asset/liability structure and other key financial ratios.
- Sales Department based on the company's risk management policies and regulations sets risk management guidelines for various businesses, and produces a report on abnormal risk items for the General Manager Office.

4-3 Risk Evaluation Standards

The company has set risk management principles. In order to ensure that all of our organizations businesses adhere to our operating policies, operating goals, and capital levels, we must set suitability evaluation policies that can react to changes in our business and in the market:

- Market Risk Evaluation
 - i) We use RiskMetrics market risk management system to manage our company's exposure to market risk. In addition to producing daily risk value tables, we perform simulation analysis and historical analysis to supplement missing risk values.
 - ii) We evaluate the completeness of the evaluation models on different business areas, and evaluate the assumptions, parameters, and data for various product models, and then test if the models for the various products are reasonable.
 - iii) We evaluate the effectiveness of risk control models, and regularly perform Back Testing to ensure the reasonableness of the models used.
- Credit Risk Evaluation
 - i) Our company undergoes credit rating evaluations from Moody's, Standard & Poor's, Fitch, and Taiwan Ratings Corp.
 - ii) Trading counter-partner credit risk: assess our company's maximum exposure in the event that the counterparty defaults, and use maximum exposure limits set by the board of directors in determining the credit risk of a trading counterparty
 - iii) Issuer's Credit Risk: we use KVM models to perform an internal evaluation, and combine that with financial data and stock price data, to calculate a probability of default. Based on these measurements, we then develop an internal evaluation, Z-Score model, to control the external credit risk gaps from issuers and augment.
- Operational Risk Evaluation
 - i) Operational risk is risk that is created when internal processes, employees, or systems are inappropriate or cause errors; or risk that is caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.
 - ii) We create operations risk policies handbooks that encompass every level of operations.
 - iii) Through our risk report and audit report, we ensure that risk is appropriately evaluated, disclosed, and controlled.

4-4 Risk Factors and Corresponding Responses

- **Management Crisis Risk:** Management Crisis Risk refers to significant market changes, a lack of access to capital, or significant losses from direct investments, that affect a company's operations and cause losses.

Response: We have implemented a "Management Crisis Response Policy" that clearly lays out what steps should be followed in the event of a serious crisis so as to ensure normal operation of the company.

- **Market Risk:** Market risk refers to dramatic changes in pricing or volatility in interest rates, equities, or foreign exchange rate, that can result in serious losses to open positions.

Response: We will attempt to lessen the impact of such market risks through prudent business analysis, product analysis, and process analysis, so as to clearly identify sources of market risk. Based on this, we then set effective management controls, we monitor investment position risk levels, risk structure, and risk changes, to ensure that they are all in line with our forecasts.

- **Credit Risk:** Credit risk refers to the exposure for underwriters for the terms and conditions of the securities that underwrite and for losses that may result from a counterparty being unable to fulfill its obligations to the security.

Response: In an effort to shield ourselves from potential credit risk, we conduct extensive credit risk evaluations prior to a deal being executed and then conduct repeated evaluations after the deal has been executed. Based on these evaluations and a worst-case scenario for the counterparty in question, we set credit risk limits for that counterparty. In evaluating the risk to the underwriter for debt-related securities, we look not only at the TCRI rating, but also at default rates based on KMV models.

- **Operational Risk:** Operational risk refers to the risk created when internal processes, employees, or systems are inappropriate or cause errors, or the risks caused by external factors. This type of risk is related to legal risks but not strategic risk or credit risk.

Response: In order to reduce the probability of such operation risk occurring, we have created an operating manual that addresses every level of our operations, we perform regular audits of every business segment, as well as every work flow, every legal risk point, and every risk control point. Finally, we compile an audited risk report that helps us to ensure that our operating quality is properly balanced, controlled, and disclosed.

- **Legal/Regulatory Risk:** Legal/Regulatory risk refers risk related to non-compliance with laws and regulations governing our investment strategies and our business operations, and any resulting corrective orders or penalties from relevant authorities, or any civil or criminal actions taken against us. It also refers to risk related to our inability to perform our obligations under agreements that we have entered into with other parties.

Response: In order to reduce our exposure to legal/regulatory risks, we have created a Legal Compliance and Legal Matters Department.

- **Liquidity Risk:** Liquidity risk refers to position liquidity risks and capital liquidity

risks. Sometimes losses can be suffered as a result of illiquid markets that make it difficult to open or close a position at normal market prices requiring that a position be either bought at a premium or sold at a discount. Capital liquidity risks result when positions are increased beyond planned levels, leaving the company with insufficient funds to meet settlement requirements for a position.

Response: In an effort to better manage liquidity risks, we have created centralized risk management standards that take into consideration all departments and that set position limits for each department. We also have a team that performs daily forecasts of capital requirements based on the needs of all company guarantees and of departments that are required to service loans, and then monitors daily capital adjustments accordingly. We also produce a monthly "Capital Liquidity Risk Simulation Analysis Table" that analyzes multiple scenarios, forecasts the potential liquidity risks for those scenarios, and estimates the capital levels that each such scenario would require.

- **Model Risk:** Model risk refers to potential situations where market values and other variables are beyond normal and predictable conditions and therefore exceed the ability of the model to handle.

Response: We effectively maintain and manage our models, with particular emphasis on financial product risk management. We have created a set of "Model Use Management Procedures" that clearly spell out procedures for developing models, for validating models, for managing variables, and for discontinuing the use of problem models.

4-5 An Evaluation of Key Risks

An Evaluation of Key Risks in Recent Years and the Status of those Risks at the Time of Printing of this Annual Report

- Effects of recent interest rates, foreign exchange rate fluctuations, and inflation concerns on our company and our strategies for dealing with these concerns
 - i. Interest Rates: Changes in interest rates have a direct impact on the income we derive from our fixed income-related businesses. In addition to conducting our own thorough research on domestic and foreign interest rate trends, we utilize various interest rate derivative tools as well a risk control system that manages our interest rate-related risks, that creates an effective interest rate hedging system for our fixed income-related businesses. Changes in interest rates also affect our company's financing costs. Going forward, we intend to utilize interest rate hedging and other capital raising avenues as ways to control our company's financing costs.

(A) Bond and interest derivative product business:

The amount of our company's major interest products in 2013Q1 and the likely loss of NT\$108,488 thousand due to the 1% interest rate change

item	Amount (in thousand dollars)	Profit/loss based on 1% Interest rate change (in thousand dollars)
Government bond	3,300,000	-45,360
Corporate bond, financial bond	3,707,609	-47,736
Interest rate exchange	7,334,673	-15,392

Sum	14,342,282	-108,488
-----	------------	----------

Countermeasures: Our Company has risk management rules and operational procedures on government bond, corporate bond, foreign/international bond and interest rate exchange. Our company has put the interest risk under good control by means of buying by evaluation beforehand and risk control afterward.

- (B) Borrowing: The main risk of borrowing is the fluctuation of interest rate. Our company can adjust methods, conditions and terms of borrowing according to the likely interest changing trend. We can also avert risks through the product of interest exchange etc.

Our total debt amount of short-term borrowing, and payable short-term bill totals NT\$4.54 billion. They are both borrowing with interest rate risks. With every 1bp change in market interest rate, our company has to pay NT\$454,000 more interest every year.

Response: Faced with impending interest rate shifts, we will carry out appropriate adjustments to our positions based on market conditions and operational requirements. In 2013, with the US, Japan and European countries implementing loose monetary policies, and with the economy having yet to recover significantly, the central bank is likely to maintain the current interest rate levels, hence domestic interest rate levels in the financial market is expected to remain steady over the next one year and the company's borrowing rates will not be significantly raised.

- ii. Exchange rate: The company's principal business targets and place of business are domestic; hence the impact of currency fluctuations is minimal. Potential foreign exchange risks include not just that arising from the par of exchange for foreign currency assets, but also that from foreign currency investment with respect to foreign reinvested or reinvested companies (when future earnings are repatriated or disposed). Whenever the company invests in foreign currency assets, FX swaps will always be in place to avoid foreign exchange risk. Since its overseas subsidiaries are running perpetual operations, the impact of exchange rate movements on long-term equity investments is limited to the changes to book value and does not affect profits and losses.

At Mar. 2013, the company's main exchange rate product positions, and 1% exchange rates fluctuation may result in a loss of NT\$39,567 (as show in the following table).

Unit: NT\$

item	Position (thousand)	loss resulted by 1% exchange rates fluctuation (thousand)
stocks	337,957	-6,674
bonds	3,207,609	-32,893
total	3,545,566	-39,567

Response: The company's principal business targets and place of business are domestic, hence the impact of currency fluctuations is limited. Risk management rules and operating procedures are in place for transactions made by the company involving US stocks, Hong Kong stocks and foreign bonds. As for the foreign negotiable securities trading business, risk management measures such as FX swaps will be used to reduce exchange rate fluctuation risks.

iii. Inflation: The CPI growth rate in 1Q 2013 was 1.81%. Inflation had no meaningful effect on operations or on profits

- Recent High-Risk or High-Leverage Investments, Loans to Third Parties, Pledges Given for Third Parties, Derivative Products Trading Policy and Profitability and Losses, Reasons for Losses and Strategies for Correcting Such Losses Going Forward.

- i) In Q1 2013, we did not engage in any high-risk or highly-leveraged investments, did not provide any loans to third parties, and did not provide any pledge for any third parties.
- ii) We only trade those derivative products which have been approved by the relevant authorities and which are permitted by our company's Articles of Incorporation. We have also created and follow a "Derivatives Trading Procedures" in an effort to further reduce our exposure to related risk.

- Future Development Plans and Expected R&D Investments

To assist with our development of ever-better products and trading strategies, we have assembled a professional financial engineering team, which brings together experts from finance, statistics, mathematics, and information technology, to create trading and valuation software and hardware resources. Our annual spending on human resources and R&D in this area is in the millions of dollars every year. Please see Chapter 5 for more information on the status of our operations and on our R&D efforts.

It has been more than a year since the company started to offer non-discretionary money trusts. Over this period, our customer base and managed assets have grown significantly. In 2013, online fund trading will be established upon the foundations of the existing accounts system, so as to provide customers with a transaction platform that is more convenient and responsive, and thus reach out to potential trust customers. This will cost around NT\$2 million.

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

We are constantly on watch for significant policy and legal changes both inside Taiwan and abroad and, to that end, routinely enlists the help of professional legal and accounting firms to assist in evaluating these changes, to help create effective responses to these changes, and to ensure compliance with these changes, thereby working to reduce the effects of policy and legal changes on our business. In recent years, we have been quite effective in adjusting to policy and legal changes both within and beyond Taiwan and, thus, our overall solid financial health has seen little impact from such changes.

- Article 36 of Securities and Exchange Act

Unless under special circumstances as otherwise provided by the Competent Authority, an issuer under this Act shall perform public announcement and registration with the Competent Authority as follows:

1. within three months after the close of each fiscal year, publicly announce and register with the Competent Authority financial reports duly audited and attested by a certified public accountant, approved by the board of directors, and recognized by the supervisors.
2. within 45 days after the end of the first, second, and third quarters of each fiscal year publicly announce and register with the Competent Authority financial

reports duly reviewed by a certified public accountant and reported to the board of directors.

3. within the first ten days of each calendar month publicly announce and register with the Competent Authority the operating status for the preceding month. Regulations governing the applicable scope of “special circumstances” as referred to in the preceding paragraph, deadlines for public announcement and registration under such special circumstances, and other matters for compliance in connection therewith, shall be prescribed by the Competent Authority.

■ Article 11 of Regulations Governing the Preparation of Financial Reports by Securities Firms

A securities firm shall prepare consolidated financial reports in accordance with Chapter II of these Regulations and IAS 27, and shall prepare annual parent company only financial reports in accordance with Chapter IV of these Regulations. A securities firm preparing interim financial reports shall follow the provisions of Chapters II and III of these Regulations as well as IAS 34. A securities firm, when preparing semi-annual financial reports, shall also prepare semi-annual parent company only financial reports pursuant to Articles 25 to 27, or semi-annual individual financial reports pursuant to Article 27.

Article 21 of Regulations Governing Securities Firms

Within 3 months after the close of each fiscal year, a securities firm shall publicly announce and report to the FSC the annual financial reports audited and attested by certified public accounts, approved by the board of directors, and recognized by the supervisors; within 2 months after close of each half fiscal year, it shall publish and report to the FSC the financial reports audited and attested by certified public accountants, approved by the board of directors, and recognized by the supervisors.

■ Effects of Industry Changes and Technological Changes and Measures for Dealing with These Changes

In response to changes in technology and subsequent increases in online trading in recent years, we moved to meet this market demand and has invested considerable effort and resources into developing and improving our online trading platform and ultimately providing a system that matches the habits of Taiwan's online traders.

■ Significant Impairment of Corporate Image and Measures for Dealing with that Damage

Our company has a core philosophy of “3 Goods and One Fair” (“Good Quality”, “Good Trust”, “Good Service”, and “Fair Price”). This is combined with “Professional Leadership, Kind Service”. We have no negative corporate image issues to report.

■ Expected Benefits from On-Going M&A Activities, Potential Risks, and Measures for Dealing with Those Risks

None.

■ Expected Benefits from Expansion of Facilities, Potential Risks, and Measures for Dealing with Those Risks

Given that the bigger plays in the securities industry are increasingly the ones that tend to grow bigger, the company will be evaluating the possibility of acquiring brokerages. This will help it to not just expand its securities brokerage business, but also to grow the scale of its operations in other businesses. After

the acquisitions are completed, the restructuring and integration of business areas will occur in these new locations in order to achieve post-merger synergy. With regard to financial and M&A risks, we intend to have professional financial consulting company help out with assessments.

■ Potential Inventory Risks and Measures for Dealing with Those Risks

N/A

■ Effects of Large Transfers or Large Conversions of Company Stock by Directors, Supervisors, or Shareholders Holding More than 10% of the Company's Shares, Potential Risks, and Measures for Dealing with Those Risks

None.

■ Effects of Change in Management Control, Potential Risks, and Measures for Dealing with Those Risks

None.

■ Litigation and Non-litigation Issues

i) Judgments already handed down or any ongoing litigation, non-litigation, or administrative action over the previous two years up to the time that this annual report was published, the potential effects on shareholder rights and on the company's share price, the key facts of the dispute, dollar values involved, the date that the litigation was initiated, the key parties involved, and the current status of said litigation(s): None

ii) Any Company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that is involved in any judgments already handed down or any ongoing litigation, non-litigation, or administrative action over the previous two years up to the time that this annual report was published, the potential effects on shareholder rights and on the company's share price, the key facts of the dispute, dollar values involved, the date that the litigation was initiated, the key parties involved, and the current status of said litigation(s): None.

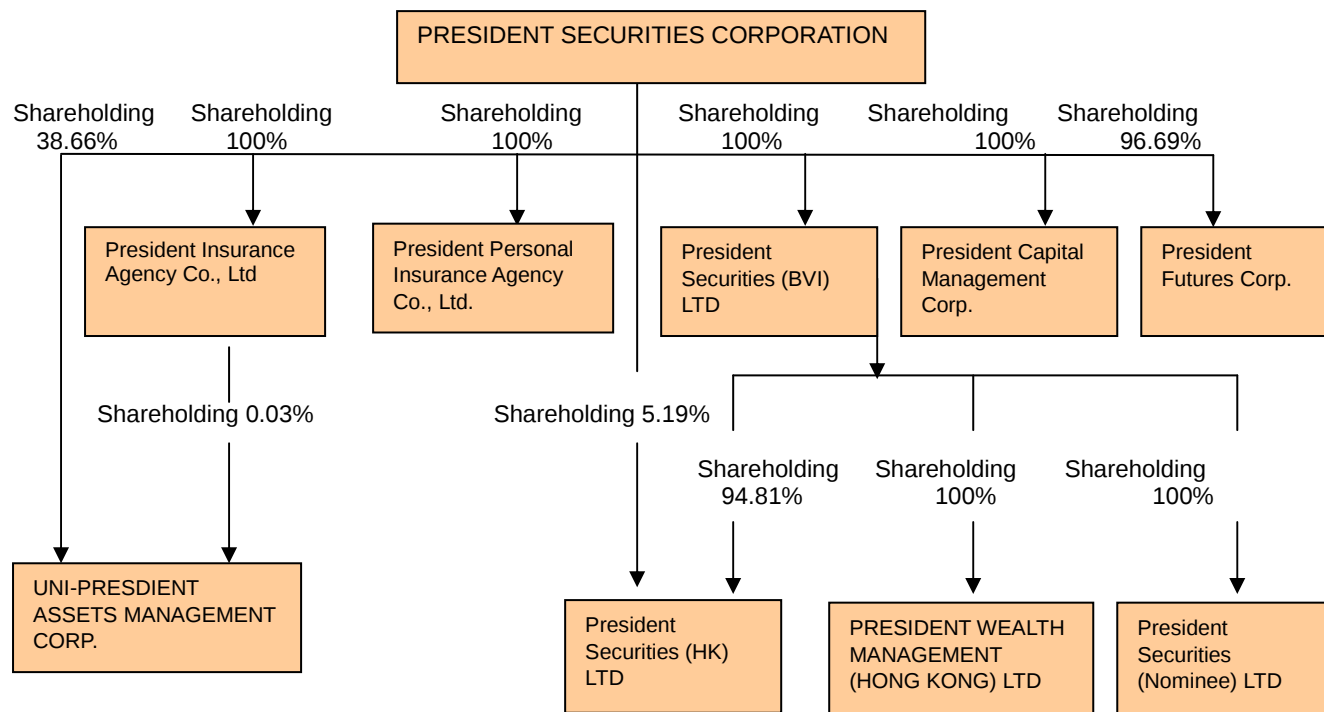
iii) Any company director, supervisor, manager, responsible person, or company shareholder holding more than 10% of the company's shares that has been found in violation of Article 157 of the Securities and Exchange Act over the previous two-year period and up to the time that this annual report was published, and the current status of any related action taken or being taken against that person: None.

■ Other Important Risks:

Due to the implementation of the Financial Consumer Protection Act and Personal Information Protection Act, the company will enhance professional training for employees with respect to consumer protection, so as to reduce their operational risk.

VIII. Other Disclosures

1. Affiliated Companies Chart



2. Basic Information of Affiliates

Unit: NT\$ thousands
As of April 30, 2013

Company	Established Date	Address	Currency	Paid-in Capital	Main business
President Futures Corp.	1994.03.01	B1.,No.8, Dongxing Rd., Taipei City	NTD	660,000	Futures brokerage
President Capital Management Corp.	1997.04.15	3F.,No.8, Dongxing Rd., Taipei City	NTD	124,000	Securities Investment Consulting
President Securities (HK) Ltd.	1994.07.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	192,600	Securities proprietary, brokerage, underwriting , and consulting
President Securities (BVI) Ltd.	1998.02.26	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	USD	67,746	Securities Investment and holding company
President Securities (Nominee) Ltd.	1999.08.06	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	1,000	Nominee Service
President Wealth Management (Hong Kong) Ltd.	2002.03.31	Unit 2603-6,26/F., Infinitus Plaza ,199 Des Voeux Road, Central , Hong Kong	HKD	23,400	Wealth Management
Uni-President Assets Management Corp	1992.09.03	8F.,No.8, Dongxing Rd., Taipei City	NTD	351,000	Investment Trust
President Personal Insurance Agency Co., Ltd.	2006.12.21	6F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent
President Insurance Agency Co., Ltd.	2008.05.06	6F.,No.8, Dongxing Rd., Taipei City	NTD	5,000	Insurance Agent

3. Operational Highlights of Affiliated Companies

As of 31/12/2012 Unit: NT\$ thousands

Company	Currency	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income (Loss)	EPS
President Futures Corp.	NTD	660,000	8,274,958	7,087,792	1,187,166	568,060	19,906	93,359	1.41
President Capital Management Corp.	NTD	124,000	152,763	5,612	147,151	37,824	8	1,428	0.12
Uni-President Assets Management Corp.	NTD	351,000	760,496	109,024	651,472	602,487	206,913	182,861	5.21
President Personal Insurance Agency Co., Ltd.	NTD	5,000	9,559	1,958	7,601	9,748	2,211	1,892	3.78
President Insurance Agency Co., Ltd.	NTD	5,000	11,182	1,299	9,883	9,709	1,804	3,596	7.19
President Securities (HK) Ltd.	HKD	192,600	678,665	391,754	286,911	36,225	(35,430)	(32,102)	(0.17)
President Securities (Nominee) Ltd.	HKD	1,000	625	10	615	0	(22)	(25)	(0.02)
President Wealth Management (Hong Kong) Ltd.	HKD	23,400	14,613	10	14,603	0	(41)	(17)	(0.001)
President Securities (BVI) Ltd.	USD	67,746	60,042	3	60,039	0	(72)	(1,478)	(0.02)

Notes : Foreign exchange rates for balance sheet amounts as follows: USD/NTD= 29.04

HKD/NTD : 3.747

Foreign exchange rates for income statement amounts as follows:

USD/NTD=29.5696 HKD/NTD : 3.8124

4. Capital Adequacy Ratio:

Within the securities industry, a company's capital adequacy rate is viewed as a key performance indicator. Many BIS regulations require that a securities firm has a minimum capital adequacy rate of 200% in order to be permitted to operate in many key business areas. As such, this level can be seen as an important benchmark in evaluating a securities firm's business performance and risk management measures. As of March of 2013, our capital adequacy rate stood at 551%, well above this key 200% level.



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

DECEMBER 31, 2012 AND 2011

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Report of Independent Accountants Translated from Chinese

PWCR12000341

To the Board of Directors and Shareholders of President Securities Corporation

We have audited the accompanying non-consolidated balance sheets of President Securities Corporation as of December 31, 2012 and 2011, and the related non-consolidated statements of income, of changes in shareholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of President Securities Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Firms", "Rules Governing the Preparation of Financial Statements by Futures Commission Merchants", and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of President Securities Corporation and its subsidiaries (not presented herein) as of and for the years ended December 31, 2012 and 2011. In our report dated March 26, 2013, we expressed an unqualified opinion on those consolidated financial statements.

PricewaterhouseCoopers, Taiwan

March 26, 2013

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

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

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Note	2012		2011	
		Amount	%	Amount	%
<u>Current assets</u>					
Cash and cash equivalents	4 (1)	\$ 2,701,529	7	\$ 1,773,140	4
Financial assets at fair value through profit or loss - current	4 (2), 5, 6 and 10	16,556,741	41	14,437,899	36
Bonds purchased under resale agreements	4 (4)	-	-	230,044	1
Margin loans receivable	4 (5)	9,772,570	24	10,683,585	27
Refinancing security deposits		374	-	2,820	-
Receivables from refinance guaranty		12,901	-	36,522	-
Receivables from security lending		45,803	-	176,124	1
Security lending deposits		41,382	-	160,393	-
Notes receivable		1,518	-	1,630	-
Accounts receivable - net	5	380,252	1	337,609	1
Prepayments		24,535	-	20,565	-
Prepaid pension expenses - current	4 (13)	140,524	-	118,016	-
Other receivables		625,158	2	368,356	1
Restricted assets	4 (1) and 6	2,614,256	6	3,121,236	8
Deferred tax assets - current	4 (22)	10,072	-	17,166	-
Available-for-sale financial assets - current	4 (3) and 10	<u>218,050</u>	<u>1</u>	<u>746,733</u>	<u>2</u>
Total current assets		<u>33,145,665</u>	<u>82</u>	<u>32,231,838</u>	<u>81</u>
<u>Funds and investments</u>					
Investments accounted for under the equity method	4 (6)	3,528,171	9	3,650,879	9
Available-for-sale financial assets - non-current	4 (3)	52,844	-	67,627	-
Financial assets at fair value through profit or loss - non-current	4 (2) , 6 and 10	<u>50,885</u>	<u>-</u>	<u>51,635</u>	<u>-</u>
Total funds and investments		<u>3,631,900</u>	<u>9</u>	<u>3,770,141</u>	<u>9</u>
<u>Fixed assets</u>					
	6				
Land		1,573,570	4	1,573,570	4
Buildings		1,025,395	3	1,033,570	3
Equipment		200,174	-	180,302	-
Prepayments for equipment		2,415	-	9,570	-
Leasehold improvements		101,570	-	69,334	-
Less: accumulated depreciation		(426,650)	(1)	(376,521)	(1)
Total fixed assets		<u>2,476,474</u>	<u>6</u>	<u>2,489,825</u>	<u>6</u>
<u>Other assets</u>					
Operating guarantee deposits	6 and 10	702,000	2	702,000	2
Exchange clearing deposits	5 and 10	286,961	1	427,941	1
Deposits-out	5 and 10	65,484	-	66,314	-
Rental assets	5	249,127	-	250,985	1
Idle assets	6	38,177	-	38,419	-
Deferred tax assets - non-current	4 (22)	<u>1,088</u>	<u>-</u>	<u>1,156</u>	<u>-</u>
Total other assets		<u>1,342,837</u>	<u>3</u>	<u>1,486,815</u>	<u>4</u>
Securities brokerage debit accounts - net	4 (24)	<u>-</u>	<u>-</u>	<u>84,661</u>	<u>-</u>
TOTAL ASSETS		\$ 40,596,876	100	\$ 40,063,280	100

(Continued)

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2012		2011	
		Amount	%	Amount	%
<u>Current liabilities</u>					
Short-term loans	4 (7) and 10	\$ 2,400,000	6	\$ 2,650,000	7
Commercial papers payable	4 (8) and 10	1,999,639	5	1,499,781	4
Bonds sold under repurchase agreements	4 (9) and 6	7,979,713	20	8,616,273	21
Financial liabilities at fair value through profit or loss - current	4 (10) and 10	448,263	1	427,195	1
Deposits on short sales		1,245,017	3	1,478,214	4
Short sale proceeds payable		1,606,777	4	1,741,022	4
Guarantee deposit received on borrowed securities		1,144,289	3	1,795,332	4
Accounts payable		474,578	1	33,935	-
Advance receipts		6,795	-	34	-
Collections on behalf of third parties		258,383	-	230,571	1
Other payables	4 (22)	1,073,944	3	737,126	2
Other financial liabilities - current	4 (11) and 10	<u>121,597</u>	<u>-</u>	<u>83,498</u>	<u>-</u>
Total current liabilities		<u>18,758,995</u>	<u>46</u>	<u>19,292,981</u>	<u>48</u>
<u>Other liabilities</u>					
Deposits-in	5 and 10	<u>21,476</u>	<u>-</u>	<u>29,126</u>	<u>-</u>
Securities brokerage credit accounts - net	4 (24)	<u>48,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total liabilities</u>		<u>18,829,373</u>	<u>46</u>	<u>19,322,107</u>	<u>48</u>
<u>SHAREHOLDERS' EQUITY</u>					
Capital					
Common stock	4 (16)	13,231,191	33	12,845,816	32
Capital reserve					
Common stock	4 (17)	25,524	-	13,558	-
Treasury stock	4 (21)	230,152	1	396,268	1
Retained earnings					
Legal reserve	4 (18)	1,960,558	5	1,903,868	5
Special reserve	4 (19)	5,482,607	13	5,198,754	13
Unappropriated earnings	4 (20)	1,124,366	3	582,364	1
Other adjustments to shareholders' equity					
Cumulative translation adjustments		(288,029)	(1)	(211,249)	-
Unrealized gain or loss on financial instruments	4 (3)	<u>1,134</u>	<u>-</u>	<u>11,794</u>	<u>-</u>
<u>Total shareholders' equity</u>		<u>21,767,503</u>	<u>54</u>	<u>20,741,173</u>	<u>52</u>
<u>Commitments</u>	7				
<u>Subsequent events</u>	9				
<u>Other disclosure items</u>	11				
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>		<u>\$ 40,596,876</u>	<u>100</u>	<u>\$ 40,063,280</u>	<u>100</u>

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

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

		2012		2011	
	Note	Amount	%	Amount	%
Revenues					
Securities brokerage fees		\$ 1,333,211	33	\$ 1,876,280	40
Security lending		49,330	1	60,465	1
Underwriting fees		89,033	2	47,544	1
Gain on trading of securities - dealer	4(2), (3), (26) and 5	337,538	8	386,549	8
Gain on trading of securities - underwriter	4(2), (3) and (26)	64,668	2	27,230	1
Stock custodian income	5	80,329	2	77,942	2
Interest income	10	816,411	20	1,090,529	23
Dividend income		154,397	4	205,370	5
Gain on valuation of trading securities	4(2)	128,342	3	-	-
Gain on short covering and trading securities - RS financing covering		2,606	-	41,461	1
Gain on valuation of borrowed securities and bonds with resale agreements		-	-	15,277	-
Gain on warrants issuance	10	108,814	3	241,246	5
Commissions on futures	5	55,167	1	75,390	2
Gain on derivative financial instruments - futures	10	408,406	10	223,659	5
Other operating income	5	39,567	1	46,176	1
Non-operating income	4(6), (27), 5 and 10	<u>402,403</u>	<u>10</u>	<u>246,812</u>	<u>5</u>
		<u>4,070,222</u>	<u>100</u>	<u>4,661,930</u>	<u>100</u>
Expenses					
Handling charges - brokerage		(94,174)	(2)	(145,017)	(3)
Handling charges - dealing		(70,781)	(2)	(100,715)	(2)
Service charges - refinancing		(1,409)	-	(1,942)	-
Loss on trading of securities - hedging	4 (2) and (26)	(21,686)	-	(259,672)	(5)
Interest expense		(78,303)	(2)	(45,731)	(1)
Loss on valuation of trading securities	4 (2)	-	-	(329,259)	(7)
Loss on valuation of borrowed securities and bonds with resale agreements		(17,164)	-	-	-
Warrants issuance expenses		(28,559)	(1)	(35,656)	(1)
Securities commission fees		(708)	-	(670)	-
Clearing charges	5	(29,542)	(1)	(47,445)	(1)
Loss on derivative financial instruments - OTC	10	(66,403)	(2)	(76,270)	(2)
Operating expenses	4 (25) and 5	(2,363,194)	(58)	(2,760,287)	(59)
Other operating expenses		(1,045)	-	(1,947)	-
Non-operating expenses	4 (28)	(77,230)	(2)	(166,343)	(4)
		(2,850,198)	(70)	(3,970,954)	(85)
Income before income tax		1,220,024	30	690,976	15
Income tax expense	4 (22)	(106,254)	(3)	(124,081)	(3)
Net income		<u>\$ 1,113,770</u>	<u>27</u>	<u>\$ 566,895</u>	<u>12</u>
		Before	After	Before	After
		Income tax	Income tax	Income tax	Income tax
Basic earnings per share (in dollars)	4 (23)				
Net income		<u>\$ 0.92</u>	<u>\$ 0.84</u>	<u>\$ 0.52</u>	<u>\$ 0.43</u>
Diluted earnings per share (in dollars)					
Net income		<u>\$ 0.92</u>	<u>\$ 0.84</u>	<u>\$ 0.52</u>	<u>\$ 0.43</u>

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

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Retained Earnings					Cumulative		Unrealized Gain or	
	Common	Capital	Legal	Special	Unappropriated	Translation	Treasury Stock	Loss on Financial	Total
	Stock	Reserve	Reserve	Reserve	Retained Earnings	Adjustments		Instruments	
Balance as of January 1, 2011	\$ 12,319,334	\$ 399,809	\$ 1,723,534	\$ 4,527,183	\$ 1,812,870	(\$ 285,973)	(\$ 291,722)	\$ 256,992	\$ 20,462,027
Appropriations of 2010 earnings:									
Legal reserve	-	-	180,334	-	(180,334)	-	-	-	-
Special reserve	-	-	-	320,366	(320,366)	-	-	-	-
Cash dividends	-	-	-	-	(569,579)	-	-	-	(569,579)
Stock dividends	727,122	-	-	-	(727,122)	-	-	-	-
Net income for the year ended									
December 31, 2011	-	-	-	-	566,895	-	-	-	566,895
Unrealized loss on financial instruments	-	-	-	-	-	-	-	(245,198)	(245,198)
Cumulative translation adjustments	-	-	-	-	-	74,724	-	-	74,724
Reserve for trading loss and default transferred to special reserve (including investees)	-	-	-	351,205	-	-	-	-	351,205
Treasury stock transactions	-	4,318	-	-	-	-	96,781	-	101,099
Treasury stock retired	(200,640)	5,699	-	-	-	-	194,941	-	-
Balance as of December 31, 2011	<u>\$ 12,845,816</u>	<u>\$ 409,826</u>	<u>\$ 1,903,868</u>	<u>\$ 5,198,754</u>	<u>\$ 582,364</u>	<u>(\$ 211,249)</u>	<u>\$ -</u>	<u>\$ 11,794</u>	<u>\$ 20,741,173</u>
Balance as of January 1, 2012	\$ 12,845,816	\$ 409,826	\$ 1,903,868	\$ 5,198,754	\$ 582,364	(\$ 211,249)	\$ -	\$ 11,794	\$ 20,741,173
Appropriations of 2011 earnings:									
Legal reserve	-	-	56,690	-	(56,690)	-	-	-	-
Special reserve	-	-	-	283,853	(283,853)	-	-	-	-
Stock dividends	231,225	-	-	-	(231,225)	-	-	-	-
Stock dividends from capital reserve	154,150	(154,150)	-	-	-	-	-	-	-
Net income for the year ended									
December 31, 2012	-	-	-	-	1,113,770	-	-	-	1,113,770
Unrealized loss on financial instruments	-	-	-	-	-	-	-	(10,660)	(10,660)
Cumulative translation adjustments	-	-	-	-	-	(76,780)	-	-	(76,780)
Balance as of December 31, 2012	<u>\$ 13,231,191</u>	<u>\$ 255,676</u>	<u>\$ 1,960,558</u>	<u>\$ 5,482,607</u>	<u>\$ 1,124,366</u>	<u>(\$ 288,029)</u>	<u>\$ -</u>	<u>\$ 1,134</u>	<u>\$ 21,767,503</u>

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,113,770	\$ 566,895
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including rental and idle assets)	91,488	86,187
(Income) loss on valuation of open-ended funds and money-market instruments	(25,427)	23,241
(Income) loss on valuation of trading securities	(128,342)	329,259
Write-off of bad debts classified as income	(2,594)	(223)
Provision for bad debts	331	6,427
Income on long-term investments accounted for under the equity method	(119,487)	(25,186)
Cash dividends received from long-term investments at equity method	153,234	94,400
Gain on sales of investments under equity method	(358)	-
Gain on disposal of fixed assets	-	(3)
Discount on bonds payable	-	26,463
Changes in assets and liabilities:		
Financial assets at fair value through profit or loss - current	(1,964,324)	(18,624)
Bonds purchased under resale agreements	230,044	268,044
Margin loans receivable	910,678	8,677,479
Refinancing security deposits	2,446	(2,745)
Receivables from refinance guaranty	23,621	(25,059)
Receivables from security lending	130,321	(168,726)
Security lending deposits	119,011	(153,710)
Notes receivable	112	(250)
Accounts receivable	(40,243)	(190,508)
Prepayments	(3,970)	7,929
Prepaid pension expenses - current	(22,508)	(19,147)
Other receivables	83,656	(14,285)
Deferred tax assets	7,162	3,611
Available-for-sale financial assets - current	518,023	626,368
Bonds sold under repurchase agreements	(636,560)	5,156,741
Financial liabilities at fair value through profit or loss - current	21,068	(362,868)
Deposits on short sales	(233,197)	(89,586)
Short sale proceeds payable	(134,245)	(233,263)
Guarantee deposit received on borrowed securities	(651,043)	631,028
Accounts payable	440,643	(1,223,805)
Advance receipts	6,761	10
Collections on behalf of third parties	27,812	(31,387)
Other payables	(3,440)	(552,161)
Other financial liabilities - current	38,099	(191,835)
Securities brokerage (Credit) debit accounts - net	133,563	(84,850)
Net cash provided by operating activities	<u>86,105</u>	<u>13,115,861</u>

(Continued)

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted assets - current	\$ 506,980	(\$ 862,374)
Proceeds from sales of investments accounted for under equity method	12,540	-
Return of share capital due to capital reduction in available-for-sale financial assets	14,783	14,496
Acquisition of fixed assets	(76,037)	(68,951)
Proceeds from disposal of fixed assets	-	3
Changes in clearing and settlement fund	140,980	2,090
Changes in refundable deposits	<u>830</u>	<u>91,817</u>
Net cash provided by (used in) investing activities	<u>600,076</u>	(<u>822,919</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in short-term loans	(250,000)	(4,210,000)
Increase (decrease) in commercial papers payable	499,858	(4,748,604)
(Decrease) increase in deposits-in	(7,650)	10,397
Payments for redeemed bonds	-	(2,357,600)
Cash dividends paid	-	(569,579)
Treasury stock transactions	<u>-</u>	<u>101,099</u>
Net cash provided by (used in) financing activities	<u>242,208</u>	(<u>11,774,287</u>)
Net increase in cash and cash equivalents	928,389	518,655
Beginning balance of cash and cash equivalents	<u>1,773,140</u>	<u>1,254,485</u>
Ending balance of cash and cash equivalents	<u>\$ 2,701,529</u>	<u>\$ 1,773,140</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 128,694</u>	<u>\$ 134,364</u>
Cash paid for income tax	<u>\$ 117,869</u>	<u>\$ 334,332</u>

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

PRESIDENT SECURITIES CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- 1) President Securities Corporation (“the Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 17, 1988, and started commercial operations on April 3, 1989. As of December 31, 2012, the Company had 35 operating branches with approximately 1,500 employees.
- 2) The Company is primarily engaged in the underwriting, dealing, brokerage, financing of marketable securities, futures, warrants, derivative financial instruments and wealth management business.
- 3) The Company’s shares are listed on the Taiwan Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Firms”, “Rules Governing the Preparation of Financial Statements by Futures Commission Merchants” and generally accepted accounting principles in the Republic of China. The Company’s significant accounting policies are described below:

1) Translation of foreign currency transactions

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

2) Cash and cash equivalents

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

3) Financial assets and financial liabilities at fair value through profit or loss

- A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value. The account is classified into current and noncurrent. Non-current assets or liabilities are recorded as “financial assets or financial liabilities at fair value through profit or loss – noncurrent” under funds and investments or long-term

liabilities, respectively.

- B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks, closed-end mutual funds and beneficiary certificates is based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of delisted (TSE and OTC) stocks and emerging stocks are based on the cost at the balance sheet date when the Company has no ability to exercise significant influence. The fair value of derivative financial instruments is based on the value estimated using the pricing model.
- C. Profit or loss on derivatives not qualifying for hedge accounting and fall within the definition of option trading is recognized at the fair value on the trading date. For non-option trading, it is recognized at a fair value of zero on the trading date.
- D. Financial assets and liabilities designated at fair value through profit or loss are those that meet one of the following requirements:
 - a) The product is a mixed product; or
 - b) The designation can significantly eliminate the inconsistency in measurement or recognition; or
 - c) The position is mutually managed in accordance with the risk management or investment strategies of the Company and is designated for the purpose of fair value evaluation.
- E. For call options and resetting options, which are embedded in bonds payable, please refer to Note 2(10).

4) Available-for-sale financial assets

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

5) Notes and accounts receivable, other receivables and margin loans receivable

- A. Notes and accounts receivable and margin loans receivable are claims resulting from the sales of goods or services; other receivables are receivables other than the above. Notes and accounts receivable and margin loans receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment loss.
- B. The Company assesses at each balance sheet date whether there is objective evidence

that a financial asset or a group of financial assets is impaired. A provision for impairment of financial asset is established when there is objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss being recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not make the asset's carrying amount greater than its amortized cost without impairment loss being recognized. The recoveries of amounts are recognized in profit or loss.

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

Bonds sold with repurchase or purchased with resale agreements are stated at cost. The variance between the contracted price and the cost is recognized in interest revenue or interest expense.

7) Investments accounted for under the equity method

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

B. Exchange differences arising from the translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "Cumulative translation adjustments" under shareholders' equity.

8) Fixed, rental and idle assets

A. Fixed and rental assets are stated at cost. Interests incurred on the loans used to bring the asset for their intended uses are capitalized. Depreciation is provided using the weighted-average method based on the estimated economic useful lives of the assets less the residual value, except for leasehold improvements which are depreciated based on useful lives or the term of the contracts whichever is shorter. The estimated useful lives of major fixed assets range from 3 to 10 years, except for buildings which is 50 years.

B. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed when incurred.

C. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.

D. Fixed assets which are not used for operations are recorded as idle assets or leased assets based on the lower of net realizable value or book value, and any loss is

recorded as non-operating expense.

9) Impairment of non-financial assets

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

10) Bonds payable

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

- A. The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as “interest expense”.
- B. The value of any derivative features (such as a call option and resetting option) embedded in the compound financial instrument is recognized as “financial assets or financial liabilities at fair value through profit or loss”. These derivative features are subsequently remeasured and stated at fair value on each balance sheet date, and the gain or loss is recognized as “gain/loss on valuation of financial assets or financial liabilities”. At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative is recognized as “paid-in capital”; however, if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as “gain or loss”. Upon reset of conversion price, the reduction of fair value due to reset is reclassified to “shareholders’ equity”.
- C. A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized in “capital reserve from stock warrants”, net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued, and the resulting difference shall be recognized as “gain or loss” in the current period. The cost of the common stock issued due to the conversion shall be based on the adjusted book value of the abovementioned liability component plus the book value of the stock warrants.

11) Pension plan

The Company has a non-contributory and funded defined benefit pension plan covering all regular employees. The Company recognizes the pension cost based on an actuarial valuation report. The pension cost includes service cost, interest cost, expected return on fund assets, amortization of unrecognized net transition obligation and unrecognized pension loss. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

12) Income tax

- A. Provision for income tax includes deferred income tax resulting from temporary differences and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years’ income tax liabilities is included in

current year's income tax.

- B. The additional 10% income tax on undistributed earnings of the Company is recognized as tax expense in the year the shareholders approve a resolution to retain the earnings.
- C. When a change in the tax laws is enacted, the deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or asset, should be recognized as an adjustment to income tax expense (benefit) for income from continuing operations in the current period.

13) Treasury stock

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

14) Share-based payment-employee compensation plan

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

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

Effective January 1, 2008, pursuant to EITF 96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration", the costs of employees' bonus and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts resolved by the shareholders at their annual shareholders' meeting subsequently, the differences shall be recognized as gain or loss in the year of distribution. In addition, according to EITF 97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, "Criteria for Listed Companies in Calculating the Number of Shares of Employees' Stock Bonus", the Company calculates the number of shares of employees' stock bonus based on the closing price of the Company's common stock at the previous day of the shareholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

16) Earnings per share

- A. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.
- B. The Company adopted R.O.C. SFAS No. 24 "Earnings Per Share", which requires the calculation of earnings per share by disclosing basic and diluted earnings per share if there are potential common stocks.

17) Revenues and expenses

Revenues and expenses are recognized as follows:

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

18) Use of estimates

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

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realized within twelve months from the balance sheet date; and
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date; and
 - d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

20) Operating segments

A. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

B. In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements rather than in the separate financial statements of the Company.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Notes and accounts receivable, other receivables and margin loans receivable

Effective January 1, 2011, the Company adopted the amendments to R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". A provision for impairment (bad debts) of notes and accounts receivable, other receivables and margin loans receivable is made when there is objective evidence of impairment. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

2) Operating segments

Effective January 1, 2011, the Company adopted R.O.C. SFAS No. 41, "Operating Segments" and therefore, restated the segment reporting of 2010 upon the first adoption of R.O.C. SFAS No. 41. This change in accounting principle had no significant effect on net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31,	
	2012	2011
Checking deposits	\$ 296,812	\$ 226,226
Current deposits :		
Deposits denominated in NTD	384,831	268,366
Deposits denominated in foreign currencies	737,322	229,534
Time deposits		
Deposits denominated in NTD	3,640,500	3,358,500
Deposits denominated in foreign currencies	958,320	1,513,750
Subtotal	6,017,785	5,596,376
Less : Restricted assets-current	(2,614,256)	(3,121,236)
Restricted assets-non-current	(702,000)	(702,000)
Total	\$ 2,701,529	\$ 1,773,140

2) Financial assets at fair value through profit or loss

	December 31,	
	2012	2011
Current items:		
Financial assets held for trading:		
<u>Open-end mutual funds beneficiary certificates</u>		
<u>and money market instruments</u>		
Open-end mutual funds beneficiary certificates	\$ 505,000	\$ 390,000
Adjustment of open-end mutual funds		
beneficiary certificates	8,318	(17,109)
Total	513,318	372,891
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	1,191,365	690,702
Government bonds	4,316,367	6,453,767
Corporate bonds	220,000	1,499,296
Convertible corporate bonds	2,012,191	1,831,857
Emerging stocks	173,771	246,153
Overseas stocks	4,812,323	587,958
Exchange-traded funds	45,298	-
Subtotal	12,771,315	11,309,733
Adjustment of trading securities - dealer	34,316	(44,617)
Total	12,805,631	11,265,116
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	187,679	135,595
Convertible corporate bonds	619,939	608,000
Subtotal	807,618	743,595
Adjustment of trading securities - underwriter	23,716	(11,860)
Total	831,334	731,735
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	544,727	298,313
Convertible corporate bonds	127,837	221,008
Warrants	21,313	54,281
Exchange-traded funds	270,500	63,291
Subtotal	964,377	636,893
Adjustment of trading securities - hedging	29,600	(16,460)
Total	993,977	620,433
<u>Buy option - futures</u>	12,232	8,032
<u>Futures guarantee deposits receivable</u>	1,344,981	1,283,718
<u>Derivative financial instrument assets - OTC</u>	55,268	155,974
Total	\$ 16,556,741	\$ 14,437,899
Non-current items:		
Trading securities - dealer - government bonds	\$ 52,001	\$ 52,114
Adjustment of trading securities	(1,116)	(479)
Total	\$ 50,885	\$ 51,635

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

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

		For the year ended December 31, 2012	
		Gain (loss) on disposal	Gain on valuation
Open-end mutual funds beneficiary certificates	(\$	11,364)	\$ 25,427
Trading securities - dealer		292,852	46,704
Trading securities - underwriter		62,540	35,577
Trading securities - hedging	(	21,686)	46,061
Total	\$	322,342	\$ 153,769

		For the year ended December 31, 2011	
		Gain (loss) on disposal	Loss on valuation
Open-end mutual funds beneficiary certificates	(\$	23,780)	(\$ 23,241)
Trading securities - dealer	(	59,882)	(147,597)
Trading securities - underwriter		17,989	(71,084)
Trading securities - hedging	(	259,672)	(110,578)
Total	(\$	325,345)	(\$ 352,500)

C. For details of the listed stocks reclassified to “available-for-sale financial assets-current”, please refer to Note 4(3).

(BLANK)

3) Available-for-sale financial assets

Investees	December 31, 2012		December 31, 2011	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<u>Current</u>				
<u>Trading securities - dealer</u>				
Listed stocks	\$ 61,833	-	\$ 494,678	-
Exchange traded funds	155,083		-	
Subtotal	216,916		494,678	
Adjustment of trading securities - dealer	1,134		5,387	
Subtotal	218,050		500,065	
<u>Trading securities - underwriter</u>				
Listed stocks	-	-	240,261	-
Adjustment of trading securities - underwriter	-		6,407	
Subtotal	-		246,668	
Total	\$ 218,050		\$ 746,733	
<u>Non-Current</u>				
<u>Unlisted stocks</u>				
Taiwan Depository & Clearing Corp.	\$ 2,450	0.24%	\$ 2,450	0.24%
Taiwan Futures Exchange	4,000	0.20%	4,000	0.20%
Hua Liu Venture Capital Corporation	17,391	8.70%	32,174	8.70%
Cathay Venture Capital I	13,608	5.00%	13,608	5.00%
Taiwan Integrated Shareholder Service Company	15,395	5.27%	15,395	5.27%
Total	\$ 52,844		\$ 67,627	

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

Items	For the years ended December 31,	
	2012	2011
Trading securities - dealer	\$ 44,686	\$ 446,431
Trading securities - underwriter	2,128	9,241
Total	\$ 46,814	\$ 455,672

B. Due to the global financial crisis in 2008, the Company reclassified listed stocks totaling \$865,241, which were originally recorded as “financial assets at fair value through profit or loss” to “available-for-sale financial assets” during the third quarter of 2008 in accordance with the amended paragraph 104 of R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement”. As of December 31, 2012, all of them were disposed. The relevant information is set forth below:

- a) As of December 31, 2011, the carrying amount (fair value) of the reclassified listed stocks stated above is as follows:

<u>Items</u>	<u>December 31, 2011</u>
Listed stocks	\$ 494,411

- b) Changes in the fair values of the reclassified listed stocks stated above for the year ended December 31, 2011 were as follows:

<u>Items</u>	<u>For the year ended December 31, 2011 Changes in fair values</u>	
	<u>Recognized in gain</u>	<u>Recognized in adjustments to shareholders' equity</u>
Listed stocks	\$ 409,074	(\$ 2,006)

4) Bonds purchased under resale agreements

<u>Items</u>	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Government bonds	\$ -	\$ 230,044

The above bonds purchased under resale agreements as of December 31, 2011 was due within one year and were contracted to be resold at the agreed-upon price plus interest charge on the specific date after transaction. The total resale amounts was \$230,066, respectively, with annual interest rates ranging from 0.76%~0.78%.

5) Margin loans receivable

Margin loans receivable were secured by the securities purchased by customers under margin loans. The annual interest rate was adjusted to 6.4% starting from November 1, 2012, and the annual interest rates before October 31, 2012 and the year 2011 were both 6.525%.

6) Investments accounted for under the equity method

	<u>December 31, 2012</u>		<u>December 31, 2011</u>	
	<u>Amount</u>	<u>Percentage of ownership</u>	<u>Amount</u>	<u>Percentage of ownership</u>
President Futures Corp.	\$ 1,149,325	96.69%	\$ 1,164,602	97.69%
President Securities (HK) Ltd.	55,690	5.19%	64,631	5.19%
President Capital Management Corp.	147,151	100.00%	149,458	100.00%
President Securities (BVI) Ltd.	1,741,611	100.00%	1,861,535	100.00%
Uni-President Assets Management Corp.	416,908	38.66%	395,453	38.66%
President Personal Insurance Agency Co. Ltd.	7,602	100.00%	6,415	100.00%
President Insurance Agency Corp.	9,884	100.00%	8,785	100.00%
	<u>\$ 3,528,171</u>		<u>\$ 3,650,879</u>	

A. The Company and President Securities (BVI) Limited jointly own 100% of the outstanding shares of President Securities (HK) Limited which is accounted for under the equity method.

B. Investment income accounted for under the equity method for the years ended December 31, 2012 and 2011 were \$119,487 and \$25,186, respectively.

C. The Company has included investee companies in which the Company holds more than 50% of the investee company's voting shares or has control over the investee's operational decisions, into the consolidated financial statements.

7) Short-term loans

	December 31,	
	2012	2011
Secured loans	\$ 1,600,000	\$ 1,450,000
Unsecured loans	800,000	1,200,000
Total	<u>\$ 2,400,000</u>	<u>\$ 2,650,000</u>
Interest rates	<u>1.01%~1.164%</u>	<u>0.95%~1.50%</u>

8) Commercial papers payable

	December 31,	
	2012	2011
Face value	\$ 2,000,000	\$ 1,500,000
Less: discount on commercial papers payable	(361)	(219)
Total	<u>\$ 1,999,639</u>	<u>\$ 1,499,781</u>
Interest rates	<u>0.80%~0.875%</u>	<u>0.79%~0.87%</u>

The commercial papers payable were secured by the bills-financing institutions and banks.

9) Bonds sold under repurchase agreements

	December 31,	
	2012	2011
Government bonds	\$ 4,513,568	\$ 7,062,746
Corporate bonds	220,000	1,500,015
Foreign bonds	3,246,145	53,512
Total	<u>\$ 7,979,713</u>	<u>\$ 8,616,273</u>

The above bonds sold under repurchase agreements as of December 31, 2012 and 2011 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after the transaction. The total repurchase amount was \$7,987,973 and \$8,618,119, respectively, and the annual interest rates in every currency were shown as follows:

	December 31,	
Currency	2012	2011
NTD	0.60%~0.82%	0.65%~0.90%
AUD	3.78%~3.83%	-
EUR	0.42%~0.61%	-
USD	0.19%~0.70%	1.22%

10) Financial liabilities at fair value through profit or loss

	December 31,	
	2012	2011
<u>Financial liabilities held for trading:</u>		
Payables for securities borrowing - hedging	\$ 148,617	\$ 178,567
Adjustment of payables for securities borrowing - hedging	2,879	(14,285)
Subtotal	151,496	164,282
Warrants	7,343,510	7,271,841
(Gain) loss on price fluctuation	(1,351,547)	(2,526,876)
Market value (A)	5,991,963	4,744,965
Repurchase of warrants	(7,052,979)	(6,879,139)
Loss (gain) on price fluctuation	1,203,431	2,221,958
Market value (B)	(5,849,548)	(4,657,181)
Warrants - net (A+B)	142,415	87,784
Liabilities for sale of options - futures	27,312	1,159
Derivative financial instrument liabilities - OTC	127,040	173,970
Total	\$ 448,263	\$ 427,195

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

B. Among the warrants issued by the Company, except that contract-based warrants are European-style warrants, all other warrants are American-style warrants. Warrants are stated as liabilities for issuance of warrants at issuance price prior to expiration. Upon repurchase of warrants after issuance, the repurchased amounts are recognized as warrants repurchase and charged as a deduction to liabilities for issuance of warrants. The warrants have six to nine months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

11) Other financial liabilities - current

	December 31,	
	2012	2011
Equity-linked notes (ELN) - Options	\$ 41,600	\$ 33,500
Principal guaranteed notes (PGN) - fixed income	79,997	49,998
Total	\$ 121,597	\$ 83,498

12) Bonds payable

A. On May 28, 2008, the Company issued zero coupons, three-year unsecured convertible bonds with the principal amount of \$3,000,000. The bonds were listed on the Taiwan Over-The-Counter Securities Exchange.

B. The conversion price would be adjusted based on the terms of the convertible bonds. As of the due date, none of the bonds were converted to common stocks.

C. Under the terms of the convertible bonds, all bonds (redeemed, matured and converted) were retired and not to be re-issued. As of June 30, 2011, the total convertible bonds were due and redeemed.

D. Under the terms of the convertible bonds, the rights and obligations of the new shares converted from convertible bonds were the same as the issued and outstanding common stock.

E. The fair value of convertible options of \$166,500 was separated from bonds payable, and was recognized in "capital reserve from stock warrants" in accordance with R.O.C. SFAS

No. 36 “Financial Instruments: Disclosure and Presentation”. The fair value of call options and reset options was separated from bonds payable, and was recognized in “liabilities on derivative instruments - Taiwan Over-The-Counter Securities Exchange” under the account of “financial assets or financial liabilities at fair value through profit or loss” in accordance with R.O.C. SFAS No. 34, “Financial Instruments: Recognition and Measurement”. The effective annual interest rate of the bonds after separation was 2.8%.

13) Pension plan

A. The Company has a defined benefit plan under the Labor Standards Law which provides benefits based on an employee’s length of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year of service thereafter, with a maximum of 45 units. The Company contributes monthly an amount equal to 7.2% of employees’ monthly base salaries and wages to an independent fund with the Bank of Taiwan, the trustee. For the years ended December 31, 2012 and 2011, the Company recognized net periodic pension cost of \$40,799 and \$55,858, respectively. The fund balances were \$441,074 and \$409,080 as of December 31, 2012 and 2011, respectively. The total of additional retirement funds deposited were \$142,078 and \$116,129 as of December 31, 2012 and 2011, respectively.

a) Regarding the actuarial assumptions based on the actuarial report, the discount rates were 1.75% and 1.90%, the expected rates of return on plan assets were 1.75% and 1.90%, and the rates of compensation increase were both 2.50% for the years ended December 31, 2012 and 2011, respectively. The unrecognized net transition obligation is amortized on a straight-line basis over 15 years.

b) Funded status of the pension plan:

	December 31,	
	2012	2011
Benefit obligation		
Vested benefit obligation	(\$ 65,436)	(\$ 53,030)
Non-vested benefit obligation	(367,015)	(411,885)
Accumulated benefit obligation	(432,451)	(464,915)
Effect of future salary increments	(141,046)	(163,534)
Projected benefit obligation	(573,497)	(628,449)
Fair value of plan assets	583,153	525,209
Funded status	9,656	(103,240)
Unrecognized gain on plan assets	130,868	221,256
Prepaid pension expense	\$ 140,524	\$ 118,016
Vested benefit	\$ 71,035	\$ 58,408

	For the years ended December 31,	
	2012	2011
Service cost	\$ 7,155	\$ 8,574
Interest cost	11,941	11,114
Expected return on plan assets	(9,979)	(7,839)
Amortization of unrecognized gain on plan assets	-	(614)
Amortization of unrecognized net transition obligation	31,682	44,623

Net pension cost \$ 40,799 \$ 55,858

- B. Effective July 1, 2005, the Company established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. The total pension expenses amounted to \$49,458 and \$56,229 under the New Plan for the years ended December 31, 2012 and 2011, respectively.

14) Reserve for default

- A. In accordance with the "Rules Governing the Administration of Securities Firms", the Company provides a monthly default reserve at 0.0028% of the settlement value up to a maximum reserve balance of \$200,000.
- B. This reserve shall be used only to offset against actual loss resulting from customers' default on securities transactions or other losses approved by the Securities and Futures Bureau (SFB).
- C. In accordance with the ordering letters issued by the Financial Supervisory Commission on January 11 and 13, 2011, effective January, 2011, securities firms are no longer required to provide reserve for trading loss and reserve for default, in line with the amended "Rules Governing the Administration of Securities Firms". The Company had reclassified the reserve for trading loss and reserve for default as of December 31, 2010 into "special reserve" in January, 2011.

15) Reserve for trading loss

- A. In accordance with the "Rules Governing the Administration of Securities Firms" and the "Rules Governing Futures Commission Merchants", the Company provides a monthly reserve for trading loss on realized gain of the Futures Department at 10% of the net gain from trading of securities. This reserve shall only be used to offset actual loss on securities trading.
- B. For details regarding the treatment effective January, 2011, please refer to Note 4 (14) C.

16) Common stock

- A. As of December 31, 2012 and 2011, the Company's authorized capital was \$15,000,000. The Company's issued common stocks were 1,323,119 thousand shares and 1,284,582 thousand shares, respectively, and the outstanding common stocks were 1,323,119 thousand shares and 1,284,582 thousand shares as of December 31, 2012 and 2011, respectively, with a par value of \$10 (dollars) per share. For treasury stock transactions, please refer to Note 4 (21).
- B. In accordance with the resolutions adopted at the shareholders' meeting on June 22, 2012 and June 24, 2011, the Company increased its capital by capitalizing the unappropriated earnings amounting to \$231,225 and \$727,122, equivalent to 23,123 thousand shares and 72,712 thousand shares, respectively, and also adopted to capitalize the capital reserve amounting to \$154,150, equivalent to 15,415 thousand shares. All the capitalizations were approved by the Securities and Futures Bureau in 2012 and 2011. The registrations of the capital increase were completed.

17) Capital reserve

- A. Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. If for issuing cash to shareholders, it should be in accordance with Jin-Jheng-Cyuan Letter No.

1010029627 dated July 20, 2012. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. For the capitalization of capital reserve, please refer to Note 4(16).

18) Legal reserve

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital, and if for issuing cash to shareholders, it should be in accordance with Jin-Jheng-Cyuan Letter No. 1010029627 dated July 20, 2012.

19) Special reserve

A. According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company had already accumulated a special reserve of at least 50% of its paid-in capital stock and only half of such special reserve may be capitalized.

B. In accordance with the Administration of Securities Firms Letter No. 100116 dated January 3, 2000, for dividend distribution purposes, listed and over-the-counter companies shall exclude the balances of contra accounts from the unappropriated earnings balance in the shareholders' equity account. Therefore, the cumulative unappropriated earnings shall be recognized from the shareholders' equity account into the special reserve. If the portion of the contra accounts of shareholders' equity is revised, then the same portion of unappropriated earnings can be distributed to shareholders as well.

20) Unappropriated earnings

A. In accordance with the Company's Articles of Incorporation, the current year's earnings after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve and special reserve. In addition, an amount shall be appropriated from the remaining net income following a resolution approved by the Company's shareholders during their meeting as follows: 3% as special bonus to directors and supervisors; 2% as bonus to employees and 95% as dividends to shareholders, it should not be distributed if all the distributable earnings were not over 5% of the capital stock.

B. In addition, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50% and cash dividends shall be lower than 50%.

C. The Company's dividend policy is adopted taking into consideration the Company's operating results and future capital utilization plans.

D. In accordance with the resolution adopted by the shareholders on June 22, 2012 and June 24, 2011, the Company decided to distribute earnings for the years ended December 31, 2011 and 2010. Appropriation of 2011 and 2010 earnings as resolved by the shareholders

at their meeting on June 22, 2012 and June 24, 2011, respectively, are stated as follows:

		2011	
		Amount	Dividends per share (in dollars)
Legal reserve	\$	56,690	
Special reserve		283,853	
Stock dividends		231,225	\$0.18
Total	\$	571,768	
		2010	
		Amount	Dividends per share (in dollars)
Legal reserve	\$	180,334	
Special reserve		320,366	
Stock dividends		727,122	\$0.60
Cash dividends		569,579	0.47
Total	\$	1,797,401	

E. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the shareholders would be posted in the "Market Observation Post System" on the Taiwan Stock Exchange official website. As resolved by the shareholders at the shareholders' meeting, for the 2011 earnings distribution, the employees' bonus of \$4,868 and the directors' and supervisors' remuneration of \$7,302 recognized in the 2011 financial statements, resulted in a \$2 difference compared to the originally planned amount. The difference was adjusted to the statement of income for the year ended December 31, 2012.

F. Employees' bonus was accrued at \$14,485 and \$4,868 and directors' and supervisors' remuneration was accrued at \$21,727 and \$7,302 for the years ended December 31, 2012 and 2011, respectively, which were estimated based on certain percentages (prescribed by the Company's Articles of Incorporation) of net income in the current period after taking into account the legal reserve and other factors, and were accrued as operating expenses for the years ended December 31, 2012 and 2011, respectively.

G. Appropriation of 2012 earnings as resolved by the Board of Directors at the meeting on March 26, 2013 is as follows:

		2012	
		Amount	Dividends per share (in dollars)
Legal reserve	\$	111,377	
Special reserve		310,194	
Cash dividends		688,022	\$0.52
Total	\$	1,109,593	

21) Treasury stock

A. Details of treasury stock transactions for the year December 31, 2011 was as follows:
(Unit: thousand shares)

For the year ended December 31, 2011				
Reason for reacquisition	Beginning	Retirement	Transfer	Ending
To be reissued to employees	30,025	(20,064)	(9,961)	-

As of December 31, 2011, there was no treasury stock.

B. According to the Securities and Exchange Act, the total number of treasury stocks shall not exceed 10% of total shares outstanding and the total amount shall not exceed the sum

of the balance of retained earnings, paid-in capital in excess of par and realized capital reserve.

- C. Under the Securities and Exchange Act, treasury stocks shall not be pledged and shall bear no shareholder's right before reissuance.
- D. Under the Securities and Exchange Law, treasury stocks acquired to enhance shareholder value shall be retired within six months from the date of acquisition. In addition, treasury stocks acquired for employee ownership shall be transferred within three years from the date of acquisition. Otherwise, these shares shall be retired.

22) Income tax

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

	December 31,	
	2012	2011
Income tax payable (recorded as other payables)	\$ 27,432	\$ 46,209
Prepaid income tax	73,065	87,385
Net effect of deferred tax assets	7,162	3,611
Over provision of prior year's income tax	15,406 (	1,902)
Tax effect of amendments to the tax laws	(16,902) (	11,223)
Retention tax (10%) on unappropriated earnings	- (	594)
Payment for overseas income tax expense	91	-
Income tax expense - current	-	1
Retention tax (10%) on unappropriated earnings	106,254	123,487
Income tax expense	-	594
	<u>\$ 106,254</u>	<u>\$ 124,081</u>

B. Details of temporary differences resulting in deferred income tax assets and liabilities are as follows:

	December 31,			
	2012		2011	
<u>Temporary differences</u>	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Current:				
Temporary differences:				
- Bad debts	\$ 78,153	\$ 13,286	\$ 78,153	\$ 13,286
- Loss (gain) on valuation of financial instruments	(14,355)	(2,440)	7,113	1,209
- foreign exchange gain	(18,910)	(3,215)	(3,585)	(609)
- Others	14,361	2,441	19,297	3,280
		<u>\$ 10,072</u>		<u>\$ 17,166</u>
Non-current:				
Temporary differences:				
- Depreciation	\$ 6,402	\$ 1,088	\$ 6,801	\$ 1,156

C. Imputation tax system

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

	December 31,	
	2012	2011
Balance of imputation credit account	<u>\$ 723,179</u>	<u>\$ 681,267</u>

	<u>2011</u>	<u>2010</u>
Rate of imputation credit account	<u>20.73%</u>	<u>21.07%</u>

D. Unappropriated earnings

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
1998 and onwards	<u>\$ 1,124,366</u>	<u>\$ 582,364</u>

E. As of December 31, 2012, the Company's income tax returns through 2010 have been assessed by the National Tax Authority, except for the 2008 income tax return.

F. The Company's income tax returns for 2010 had been examined by the National Tax Authority (NTA) with an additional tax of \$4,438 to be levied on the Company. The Company did not agree with the NTA's assessment, and filed for an administrative remedy accordingly. Nevertheless, the Company has evaluated and recognized additional tax provision.

23) Basic earnings per share

A. The Company's capital structure is a simple capital structure. The basic earnings per share for the years ended December 31, 2012 and 2011 were calculated based on the weighted-average outstanding common shares of 1,323,119 thousand shares and 1,322,374 thousand shares, respectively, which had been adjusted retroactively.

B. Since the employee bonus can be distributed with the Company's stocks, the earnings per share can be determined by the assumption of employee bonus distributed with stocks under the method of weighted-average outstanding common shares as follows:

	For the year ended December 31, 2012				
	Amount		Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share:</u>					
Net income attributable to common shareholders	\$ 1,220,024	\$ 1,113,770	1,323,119	\$ 0.92	\$ 0.84
<u>Dilutive effect of common stock equivalents:</u>					
-Employee bonus	-	-	857		
<u>Diluted earnings per share</u>	<u>\$ 1,220,024</u>	<u>\$ 1,113,770</u>	<u>\$ 1,323,976</u>	<u>\$ 0.92</u>	<u>\$ 0.84</u>

	For the year ended December 31, 2011				
	Amount		Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)	
	Before tax	After tax		Before tax	After tax
<u>Basic earnings per share:</u>					
Net income attributable to common shareholders	\$ 690,976	\$ 566,895	1,322,374	\$ 0.52	\$ 0.43
<u>Dilutive effect of common stock equivalents:</u>					
-Employee bonus	-	-	340		
<u>Diluted earnings per share</u>	<u>\$ 690,976</u>	<u>\$ 566,895</u>	<u>\$ 1,322,714</u>	<u>\$ 0.52</u>	<u>\$ 0.43</u>

24) Securities brokerage accounts - net

	December 31,	
	2012	2011
Debits:		
Cash in bank - settlement	\$ 84,318	\$ 7,832
Accounts receivable - securities purchases	17,560	9,623
Net exchange clearing receivable	789,721	680,860
Accounts receivable - settlement	<u>3,685,900</u>	<u>2,637,412</u>
	<u>4,577,499</u>	<u>3,335,727</u>
Credits:		
Accounts payable - sales consignment of securities	(24,525)	(7,342)
Accounts payable - settlement	(4,220,253)	(3,006,450)
Net exchange clearing payable	(<u>381,623</u>)	(<u>237,274</u>)
	(<u>4,626,401</u>)	(<u>3,251,066</u>)
Securities brokerage accounts - net	<u>(\$ 48,902)</u>	<u>\$ 84,661</u>

25) Personal expenses, depreciation and amortization

Nature/ Function	For the year ended December 31, 2012				
	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	\$ 832,177	\$ 57,104	\$ 56,108	\$ 311,839	\$ 1,257,228
Labor and health insurance	66,486	4,895	5,544	11,760	88,685
Pension	72,387	4,397	4,526	8,947	90,257
Others	56,740	2,786	3,423	8,443	71,392
Depreciation (Note)	58,607	5,599	2,358	22,824	89,388
Amortization	-	-	-	-	-
Nature/ Function	For the year ended December 31, 2011				
	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	\$ 1,024,678	\$ 52,153	\$ 50,966	\$ 313,184	\$ 1,440,981
Labor and health insurance	75,444	4,458	4,880	10,840	95,622
Pension	93,030	4,438	4,546	10,073	112,087
Others	59,183	2,844	3,479	12,845	78,351
Depreciation (Note)	53,507	5,528	2,505	22,053	83,593
Amortization	-	-	-	-	-

Note: Depreciation on rental and idle assets for the years ended December 31, 2012 and 2011 were \$2,100 and \$2,594, respectively, which were recorded as non-operating expense.

26) Gains (loss) on trading of securities

		For the years ended December 31,	
		2012	2011
Dealer:			
- TAIEX	\$	217,589	\$ 517,575
- OTC		55,078	(123,720)
- Overseas trading		64,871	(7,306)
Subtotal		337,538	386,549
Underwriters:			
- TAIEX		36,064	14,742
- OTC		28,604	12,488
Subtotal		64,668	27,230
Hedging:			
- TAIEX	(	48,470)	(223,032)
- OTC		26,784	(36,640)
Subtotal	(	21,686)	(259,672)
Total	\$	380,520	\$ 154,107

27) Non-operating income and gains

		For the years ended December 31,	
		2012	2011
Interest revenue	\$	34,796	\$ 31,780
Foreign exchange gains		91,277	14,046
Rental revenue		100,525	99,094
Investment gain accounted for under the equity method		119,487	25,186
Open-ended funds & money market instruments valuation gain		25,427	-
Dividend revenue		3,814	13,014
Other non-operating revenues		27,077	63,692
Total	\$	402,403	\$ 246,812

28) Non-operating expenses and losses

		For the years ended December 31,	
		2012	2011
Interest expense	\$	52,869	\$ 100,474
Foreign exchange losses		9,034	12,113
Loss on disposal of investments		11,364	23,780
Other non-operating expenses		3,963	29,976
Total	\$	77,230	\$ 166,343

5. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
UNI-President Enterprises Corp.	Major shareholder
President Capital Management Corp. (PCMC)	Majority-owned subsidiary
President Futures Corp. (PFC)	Majority-owned subsidiary
Uni-President Assets Management Corp.	Majority-owned subsidiary
President Personal Insurance Agency Co., Ltd.	Majority-owned subsidiary
President Insurance Agency Corp.	Majority-owned subsidiary
President Chain Store Corp. (PCSC)	Affiliate company
President Pharmaceutical Corporation	Affiliate company
Ton Yi Industrial Corp.	Affiliate company
President Tokyo Co., LTD.	Affiliate company
President International Development Corp.	Affiliate company
President Fair Development Corp.	Affiliate company
Uni-President China Holding Ltd.	Affiliate company

2) Significant related party transactions and balances

A. Futures security deposits receivable

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
PFC	\$ 1,344,981	\$ 1,283,718

The futures deposits were used for futures transactions.

B. Receivables from related parties

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
PFC	\$ 4,595	\$ 6,474

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

C. Deposits-out

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
PFC	\$ 38,000	\$ 38,000

The above deposits-out pertained to futures settlement.

D. Deposits-in

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
PFC	\$ 16,000	\$ 24,000

The above deposits-in pertained to securities settlement.

E. Commission income – futures

	<u>For the years ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
PFC	\$ 55,167	\$ 75,390

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

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

	For the years ended December 31,	
	2012	2011
Uni-President Assets Management Corp.	\$ 34,453	\$ 37,390

The revenues were collected on a monthly basis in accordance with contract terms.

G. Rent revenue

			For the years ended December 31,	
	Period	Deposit	2012	2011
President Pharmaceutical Corp.	2010.08.01~2015.07.30	\$ -	\$ 4,556	\$ 4,512
Uni-President Assets Management Corp.	2011.05.01~2014.04.30	-	8,177	8,177
President Tokyo Co., Ltd.	2012.04.01~2015.03.31	-	6,528	6,524
Others	2011.06.01~2014.12.31	631	4,495	3,871
			\$ 23,756	\$ 23,084

The above rent revenue pertained to the rental of office space to the Company's related parties. The rent was determined based on negotiation between the parties, and payable according to the terms of the contract.

H. Stock custodian income

	For the years ended December 31,	
	2012	2011
Uni-President Enterprise Corp.	\$ 3,726	\$ 3,886
Others	7,733	5,772
Total	\$ 11,459	\$ 9,658

I. Clearing charges-futures

	For the years ended December 31,	
	2012	2011
PFC	\$ 29,542	\$ 47,445

J. Labor costs

	For the years ended December 31,	
	2012	2011
PCMC	\$ 21,600	\$ 28,494

K. Magazine expenses

	For the years ended December 31,	
	2012	2011
PCMC	\$ 1,564	\$ 1,533

L. Advertisement expenses

	For the years ended December 31,	
	2012	2011
President Fair Development Corp.	\$ -	\$ 10,000

M. Purchases of trading securities - dealer

For the years ended December 31, 2012 and 2011, stock trading transactions with related parties were as follows:

	For the year ended December 31, 2012		
	Ending Shares	Ending Balance	Loss
UNI-President Enterprises Corp.	1,010	\$ 53,425	\$ 5,332
Uni-President China Holding Ltd.	86	2,991	894
Ton Yi Industrial Corp.	-	-	(174)
President Chain Store Corp.	-	-	1,166
Total		\$ 56,416	\$ 7,218

	For the year ended December 31, 2011		
	Ending Shares	Ending Balance	Gain
UNI-President Enterprises Corp.	380	\$ 16,360	\$ 1,247
Ton Yi Industrial Corp.	-	-	697
President Chain Store Corp.	-	-	7,621
Total		\$ 16,360	\$ 9,565

N. The Company sold the 660,000 shares of President Futures Corporation to President International Development Corporation for \$12,540 with the cost of \$12,182 and the gain of \$358.

O. The salaries and rewards information of the main management, such as directors, supervisors, general managers, vice general managers, etc.:

	For the years ended December 31,	
	2012	2011
Salaries	\$ 29,035	\$ 28,411
Bonus	58,207	42,020
Service execution fees	14,330	12,148
Earnings distribution	22,439	7,540
Shared-based payment-treasury stock sold to employees	-	7,153
Total	\$ 124,011	\$ 97,272

- Salaries included salaries, bonus for position, retirement pension, severance pay, etc.
- Bonus included bonus with all kinds, incentive pay, etc.
- Service execution fees included travel fees, special fees, allowance, dormitory, vehicle, etc.
- Earnings distribution was the estimated salaries and rewards of key management, such as directors, supervisors, general manager, vice general manager, etc.
- Further information is disclosed in the Company's annual shareholders' report.

B.

6. PLEDGED ASSETS

The Company's assets pledged or restricted for use were as follows:

Assets	December 31,		Purpose
	2012	2011	
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	\$ 220,000	\$ 1,500,000	Securities for bonds sold under repurchase agreements
- Government bonds	4,135,800	6,408,000	Securities for bonds sold under repurchase agreements
- Overseas bonds	3,697,422	60,550	Securities for bonds sold under repurchase agreements
Financial assets at fair value through profit or loss - non-current (par value)			
- Government bonds	50,000	50,000	Trust fund deposit-out
Restricted assets:			
- Demand deposits	27,648	20,895	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	1,402,500	1,427,500	Securities for short-term loans and guarantees for issuance of commercial papers
- Deposits-in	1,184,108	1,672,841	Deposits-in for foreign currency securities
Fixed assets			
- Land and buildings (book value)	1,341,028	1,351,710	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	702,000	702,000	Security deposits
Idle assets			
- Land and buildings (book value)	38,177	38,418	Securities for short-term loans and guarantees for issuance of commercial papers

7. SIGNIFICANT COMMITMENTS

As of December 31, 2012, the Company entered into various operating lease agreements and the future minimum rental commitments are as follows:

Year	Amount
2013	\$ 71,092
2014	50,663
2015	37,669
2016	27,384
2017	4,647
	<u>\$ 191,455</u>

8. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

None.

10. OTHERS1) The fair values of the financial instruments

December 31, 2012			
		Fair value	
		Quotations in	Estimated using a
Assets:	<u>Book value</u>	<u>an active market</u>	<u>valuation method</u>
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 16,195,743	\$ -	\$ 16,195,743
Financial assets for trading purposes - current	15,144,260	10,660,385	4,483,875
Available-for-sale financial assets - current	218,050	218,050	-
Financial assets at fair value through profit and loss-non current	50,885	50,885	-
Operating guarantee deposits	702,000	-	702,000
Exchange clearing deposits	286,961	-	286,961
Deposits-out	65,484	-	65,484
<u>Derivative financial instruments</u>			
Buy options - futures	12,232	12,232	-
Futures guarantee deposits receivable	1,344,981	1,344,981	-
Derivative financial instrument assets - OTC	55,268	-	55,268
Total	<u>\$ 34,075,864</u>	<u>\$ 12,286,533</u>	<u>\$ 21,789,331</u>
December 31, 2011			
		Fair value	
		Quotations in	Estimated using a
Assets:	<u>Book value</u>	<u>an active market</u>	<u>valuation method</u>
<u>Non-derivative financial instruments</u>			
Financial assets with fair value equal to book value	\$ 16,976,120	\$ -	\$ 16,976,120
Financial assets for trading purposes - current	12,990,175	5,016,370	7,973,805
Available-for-sale financial assets - current	746,733	746,733	-
Financial assets at fair value through profit and loss-non current	51,635	51,635	-
Operating guarantee deposits	702,000	-	702,000
Exchange clearing deposits	427,941	-	427,941
Deposits-out	66,314	-	66,314
<u>Derivative financial instruments</u>			
Buy options - futures	8,032	8,032	-
Futures guarantee deposits receivable	1,283,718	1,283,718	-
Derivative financial instrument assets - OTC	155,974	-	155,974
Total	<u>\$ 33,408,642</u>	<u>\$ 7,106,488</u>	<u>\$ 26,302,154</u>

(Continued)

	December 31, 2012		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an active market</u>	<u>Estimated using a valuation method</u>
Liabilities:			
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 18,203,810	\$ -	\$ 18,203,810
Deposits-in	21,476	-	21,476
Security lending payable	151,496	151,496	-
<u>Derivative financial instruments</u>			
Put options - futures	27,312	27,312	-
Warrants	5,991,963	5,991,963	-
Repurchase of warrants	(5,849,548)	(5,849,548)	-
Derivative financial instrument liabilities - OTC	127,040	-	127,040
Other financial liabilities - current	<u>121,597</u>	<u>-</u>	<u>121,597</u>
Total	<u>\$ 18,795,146</u>	<u>\$ 321,223</u>	<u>\$ 18,473,923</u>
	December 31, 2011		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotations in an active market</u>	<u>Estimated using a valuation method</u>
Liabilities:			
<u>Non-derivative financial instruments</u>			
Financial liabilities with fair value equal to book value	\$ 18,736,045	\$ -	\$ 18,736,045
Deposits-in	29,126	-	29,126
Security lending payable	164,282	164,282	-
<u>Derivative financial instruments</u>			
Put options - futures	1,159	1,159	-
Warrants	4,744,965	4,744,965	-
Repurchase of warrants	(4,657,181)	(4,657,181)	-
Derivative financial instrument liabilities - OTC	173,970	-	173,970
Other financial liabilities - current	<u>83,498</u>	<u>-</u>	<u>83,498</u>
Total	<u>\$ 19,275,864</u>	<u>\$ 253,225</u>	<u>\$ 19,022,639</u>

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

- A. For short-term instruments, the fair values were determined based on their carrying values because of their short maturities. This method was applied to cash and cash equivalents, bonds purchased under resale agreements, margin loans receivable, refinancing security deposits, receivables from refinancing security, receivables from security lending, security lending deposits, notes receivable, accounts receivable, other receivables, restricted assets-current, operating guarantee deposits, exchange clearing deposits, deposits out, short-term loans, commercial papers payable, bonds sold under repurchase agreements, deposit on short sales, short sale proceeds payable, guarantee deposit received on borrowed securities, accounts payable, other payables (excluding income tax payable), collections on behalf of third parties, deposits-in, and securities brokerage credit accounts-net.
- B. For securities purchased and underwritten, the fair values were determined based on

- quoted market prices at the balance sheet date except for emerging stocks and the delisted stocks without significant influence which were based on cost. Open-end mutual funds beneficiary certificates are measured by their net assets value at the balance sheet date. Available-for-sale financial assets are revalued by the fair values.
- C. The fair values of operating security deposits and exchange clearing deposits at the balance sheet date were valued at book value, as they primarily consist of time deposits pledged.
- D. The fair values of derivative financial instruments were determined based on the amounts to be received or paid assuming the contracts were settled as of the reporting date, which include unrealized gains or losses on unsettled contracts.
- E. The fair values of financial assets and liabilities held for trading which is a non-derivative financial instrument are based on their quoted prices in an active market. The fair values of financial assets and liabilities held for trading which are derivative financial instruments are based on their market prices if their quoted prices are readily and regularly available from an active market; however if they have no quoted prices in an active market, their fair values are determined based upon the amounts to be received or paid assuming that the contracts are settled as of the reporting date.
- F. If available-for-sale financial instruments have quoted prices in an active market, their fair value is based on their quoted price; otherwise, their fair value is valued by using a valuation technique. The estimates and assumptions used to value the fair value through the valuation technique are the same as those used by market participants to set the price for financial instruments, which are accessible to the Company. The fair values of available-for-sale financial instruments which belong to unlisted stocks are not disclosed since they have no quoted prices in an active market and their fair value cannot be measured reliably.
- 2) As of December 31, 2012, the financial assets and financial liabilities with fair value risk due to the change of interest amounted to \$21,638,392 and \$8,395,722, respectively, and the financial assets and financial liabilities with cash flow risk due to the change of interest amounted to \$50,704 and \$93,510, respectively.
- 3) For the year ended December 31, 2012, total interest income and total interest expense on financial assets or financial liabilities that were not at fair value through profit or loss amounted to \$681,946 and \$131,172, respectively.
- 4) Procedure of financial risk control hedge
- The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.
- Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.
- The Company has a Risk Controller to supervise all of the Company's risk management strategies. The responsibility of the Risk Controller includes the following:

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

a) Financial risk management:

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

The risks faced by the Company include market risk, credit risk, liquidity risk, cash flow risk, operating risk and lawsuit risk. The risk management system is established to efficiently control the entire Company's risk. The Company's risk management system includes an independent risk management department and a risk management organizational structure, including the Board of Directors, risk and audit management committee, risk control office, inspection and audit office, legal affairs section and the financial department.

b) Hedging strategies (financial hedging):

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

i) Equity securities

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

ii) Fixed income securities

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

iii) Warrants

The market risk of warrants includes Delta risk, Gamma risk, position risk, hedging compound value loss risk, VaR risk, warrant market creating risk and reissuance risk. The Company monitors such risks based on the authorized limit, risk management principles and department risk management mechanisms, and controls market risk and liquidity risk of hedging operations by adjusting the number of shares of the underlying securities after the

issuance of warrants. The authorized limit of hedging position falls in certain range of the theoretical hedging number of shares.

iv) Structured notes

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

v) Convertible bond asset swap

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

5) Information of financial risk

A) Derivative financial instruments

Items	December 31,	
	2012 Book value	2011 Book value
<u>Assets:</u>		
Buy options - futures	\$ 12,232	\$ 8,032
Futures guarantee deposits receivable	1,344,981	1,283,718
Interest rate swap contracts	50,704	154,936
Exchange rate swap contracts	4,390	955
ELN - options	174	83
Total	<u>\$ 1,412,481</u>	<u>\$ 1,447,724</u>
<u>Liabilities:</u>		
Warrants	\$ 142,415	\$ 87,784
Put options - futures	27,312	1,159
Asset swap options	25,493	7,684
Interest rate swap contracts	93,510	166,284
Exchange rate swap contracts	6,071	-
Put options- non - hedging	1,918	-
Structured notes	48	2
ELN liabilities - Options premium (Note)	41,600	33,500
PGN liabilities - Fixed income securities (Note)	79,997	49,998
Total	<u>\$ 418,364</u>	<u>\$ 346,411</u>

Note: recorded as "other financial liabilities".

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

	For the year ended December 31, 2012	
	Gain (loss) on derivative financial assets – OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	(\$ 13,624)	(\$ 31,458)
Options - asset swaps	(53,540)	(23,868)
Equity - linked note	2,508	456
Principal guaranteed note	(723)	(40)
Buy options - non-hedging	(1,322)	(413)
Buy options - hedging	298	-
Total	(\$ 66,403)	(\$ 55,323)
	For the year ended December 31, 2011	
	Gain (loss) on derivative financial assets – OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	(\$ 72,074)	(\$ 24,091)
Options - asset swaps	2,430	2,430
Investment loss before treasury bonds issued	(12,504)	-
Equity - linked note	6,433	(398)
Principal guaranteed note	(386)	201
Buy options - non-hedging	(1,162)	-
Buy options - hedging	993	(179)
Total	(\$ 76,270)	(\$ 22,037)

C) Information on financial instrumentsa) Trading of futures

The list of deposits for trading futures:

	December 31,	
	2012	2011
Futures security deposits receivable	\$ 1,344,981	\$ 1,283,718
Excess security deposits	\$ 1,184,682	\$ 1,280,490

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

	For the years ended December 31,	
	2012	2011
Gain (loss) on futures contract	\$ 487,863	(\$ 508,796)
(Loss) gain on trading options	(50,117)	744,742
Total	\$ 437,746	\$ 235,946

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

	For the years ended December 31,	
	2012	2011
Gain on futures contract - realized	\$ 940	\$ 39,367
Gain (loss) on futures contract - unrealized	(1,135)	46
Loss on options contract - realized	(31,419)	(51,740)
(Loss) gain on options contract - unrealized	2,274	40
Total	(\$ 29,340)	(\$ 12,287)

b) Warrants

For information relating to issuance of warrants: please refer to Note 4 (10).

c) Convertible bond asset swaps and options

The Company engages in the business of asset swaps and options. Under an asset swap, the Company sells convertible bonds to the counterparty and receives proceeds. Over the contract period, the Company exchanges its cash flows with the counterparty and retains the right to buy back the convertible bonds. Under an options transaction, the Company keeps the right to buy back the convertible bonds or the counterparty has the right to buy the convertible bonds. The Company can clear the position by rendering its currently owned bonds. As of December 31, 2012 and 2011, notional principal of convertible bond options sold were \$110,100 and \$220,000, respectively.

d) Interest rate swap contracts

The purpose of the Company to enter into an interest rate swap contract is to earn the interest gap based on the Company's estimation toward the interest rate trend. The contracts entered with financial institutions are valid for 1~5 years without any anticipation of material credit risk, and the interest will be received and paid according to floating interest rate and fixed interest rate, respectively. Most of the counterparties are financial institutions. As of December 31, 2012 and 2011, the nominal principals were \$130,075,738 and \$202,288,324, respectively.

e) Structured notes

The Company deals in equity linked products and combines fixed income instruments with call or put options. These products are categorized into ELN (Equity-Linked Notes) and PGN (Principal Guaranteed Notes). On trade date, the contracted amounts are collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts. All the linked products are financial instruments under the supervision of the SFB (Securities and Futures Bureau). As of December 31, 2012 and 2011, the nominal principals of ELN were \$41,600 and \$33,500, respectively, and the nominal principals of PGN were \$80,000 and \$50,000, respectively.

D) Information of financial riska) Market risk

i) Market risk refers to risk of asset impairments resulting from market risk factors such as changes in stock prices, interest rates, exchange rates and commodity prices, including directional and non-directional risk. The Company sets authorization limit and VaR (value at risk) limit for each business department as the standard of executing risk management. The Company measures risk using the Monte Carlo Simulation to calculate VaR with a confident interval of 95%.

ii) The Company's business involves some non-functional currency operations. In accordance with EITF 100-046 of the R.O.C. Accounting Research and Development Foundation, dated February 18, 2011, the information on monetary assets and liabilities denominated in foreign currencies whose values would be materially affected by the fluctuations of the foreign exchange rates is disclosed as follows:

<u>Effect on profit or loss</u>	<u>Currency</u>	<u>December 31, 2012</u>	
		<u>Foreign amount</u> <u>(in thousands)</u>	<u>Exchange</u> <u>rate</u>
<u>Financial assets</u>			
Cash and cash equivalents	USD	\$ 3,441	29.04
Financial assets at fair value through profit or loss	USD	97,543	29.04
	EUR	32,379	38.49
Restricted assets -current	USD	40,775	29.04
<u>Financial liabilities</u>			
Bonds sold under repurchase agreements	USD	\$ 70,368	29.04
Guarantee deposit received on borrowed securities	USD	39,159	29.04
<u>Effect on shareholders' equity</u>			
<u>Financial asset</u>			
Investments accounted for under the equity method	USD	\$ 59,973	29.04

<u>Effect on profit or loss</u>	<u>Currency</u>	<u>December 31, 2011</u>	
		<u>Foreign amount</u> <u>(in thousands)</u>	<u>Exchange</u> <u>rate</u>
<u>Financial assets</u>			
Cash and cash equivalents	USD	\$ 2,320	30.28
Financial assets at fair value through profit or loss	USD	14,217	30.28
Restricted assets -current	USD	55,255	30.28
<u>Financial liabilities</u>			
Guarantee deposit received on borrowed securities	USD	\$ 54,349	30.28
Securities brokerage accounts-net	USD	906	30.28
<u>Effect on shareholders' equity</u>			
<u>Financial asset</u>			
Investments accounted for under the equity method	USD	\$ 61,488	30.28

b) Credit risk

i) Failure to deliver risk

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

ii) Risk of degradation of the issuer's credit rating

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

iii) Default risk

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

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

c) Liquidity risk

1) Liquidity risk position

Liquidity risk occurs when the volume of transactions is insufficient in the market such that the Company will experience difficulty in disposing its position within a reasonable time.

i. Market liquidity risk:

(I) The risk of liquidation results from external factors such as customized products.

(II) Sudden decline in the volume of transactions due to market factors.

ii. Trading liquidity risk:

Internal factors of liquidity risk positions, such as inventory position for more than the normal market trading volume.

2) Cash liquidity risk:

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

(i) The investing position exceeds the original plan so that the Company cannot afford sufficient cash to clear the transaction.

(ii) The Company cannot deposit security on time so the position held is cleared irrevocably.

(iii) Other factors.

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

d) Fair value risk from changes in interest rates

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

6) Assets and liabilities of trust accounts

A. The Company obtained the permission of the FSC through the Letter No. 0990051320 to manage the trust assets and liabilities for special financial uses and operating purposes. Moreover, for internal management uses, the trust assets and liabilities are recognized into separate accounts and financial reports.

B. In accordance with the Trust Enterprise Act and Enforcement Rule No. 17, financial statements and property list of trust accounts are disclosed every six months.

(a) Balance sheet of trust accounts:

	December 31,	
	2012	2011
<u>Trust Assets</u>		
Bank savings	\$ 119,678	\$ 296
Fund	708,042	1,100
Receivable from securities sales	810	-
Interest receivable	6	-
Total of trust assets	<u>\$ 828,536</u>	<u>\$ 1,396</u>
<u>Trust Liabilities</u>	<u>Amount</u>	<u>Amount</u>
Accounts payable	\$ 13,597	\$ -
Money trust	814,650	1,396
Retained earnings	289	-
Total of trust liabilities	<u>\$ 828,536</u>	<u>\$ 1,396</u>

b) Income statement of trust accounts:

	For the years ended December 31,	
	2012	2011
<u>Items</u>		
Trust income		
Interest income	\$ 14	\$ -
Investment gain- realized	190	-
Investment gain- unrealized	113	-
Subtotal	317	-
Trust expense		-
Management fee	(3)	-
Income before income tax	314	-
Income tax expense	(1)	-
Net income	<u>\$ 313</u>	<u>\$ -</u>

c) Property list of trust accounts:

	December 31,	
	2012	2011
<u>Items</u>		
Bank savings	\$ 119,678	\$ 296
Fund	708,042	1,100
Receivable from securities sales	810	-
Interest receivable	6	-
	<u>\$ 828,536</u>	<u>\$ 1,396</u>

11. OTHER DISCLOSURE ITEMS

1) Information about significant transactions

- A. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.
- B. Endorsements and guarantees for others : None.
- C. Acquisitions of real estate exceeding \$100,000 or 20 percent of contributed capital : None.
- D. Disposals of real estate exceeding \$100,000 or 20 percent of contributed capital : None.
- E. Purchases or sales transactions discount on brokers' charges with related parties in excess of \$5,000 : None.
- F. Receivables from related parties exceeding \$100,000 or 20 percent of contributed capital : None.

2) Related information of investee companies

i. Related information of investee companies

Name of the investor	Name of the investee company	Location	Major operating activities	Original investment		Ending balance			Net income (loss) of investee company	Investment income (loss) recognized by the Company	Notes
				Balance on December 31, 2012	Balance on January 1, 2012	Shares	Percentage	Book value			
President Securities Corp.	President Futures Corp.	Taipei	Futures brokerage	\$ 644,650	\$ 651,317	63,817,303	96.69%	\$1,149,325	\$ 93,359	\$ 93,907	Subsidiary of the Company
	President Capital Management Corp.	Taipei	Securities investment consulting	150,000	150,000	12,400,000	100.00%	147,151	1,428	1,460	Subsidiary of the Company
	President Securities (HK) Ltd.	Hong Kong	Securities dealer , brokerage, underwriting and consulting	34,030	34,030	10,000,000	5.19%	55,690 (	122,388) (	6,458)	Subsidiary of the Company
	President Securities (BVI) Ltd.	British Virgin Islands	Securities investment and holding company	2,264,573	2,264,573	67,746,000	100.00%	1,741,611 (	43,697) (	45,627)	Subsidiary of the Company
	Uni-President Assets Management Corp.	Taipei	Investment Trust	624,940	624,940	13,570,830	38.66%	416,908	182,861	70,717	Note
	President Personal Insurance Agency Co., Ltd.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	7,602	1,892	1,892	Subsidiary of the Company
	President Insurance Agency Corp.	Taipei	Insurance Agent	5,000	5,000	500,000	100.00%	9,884	3,596	3,596	Subsidiary of the Company
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	Securities dealer , brokerage, underwriting and consulting	814,705	814,705	182,600,000	94.81%	1,019,260 (	122,388) (	116,037)	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	Wealth management	92,091	92,091	23,400,000	100.00%	54,718 (	66) (	66)	Indirect subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	Nominee Service	3,403	3,403	1,000,000	100.00%	2,306 (	94) (	94)	Indirect subsidiary of the Company
President Insurance Agency Corp.	Uni-President Assets Management Corp.	Taipei	Investment Trust	478	478	12,000	0.03%	372	182,861	63	Note

Note: Investee company accounted for under the equity method.

- ii. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.
- iii. Endorsements and guarantees for others : None.
- iv. Acquisitions of real estate exceeding \$100,000 or 20 percent of contributed capital : None.
- v. Disposals of real estate exceeding \$100,000 or 20 percent of contributed capital : None.
- vi. Purchases or sales transactions discount on brokers' charges with related parties in excess of \$5,000 : None.
- vii. Receivables from related parties exceeding \$100,000 or 20 percent of contributed capital : None.
- viii. Disclosure required by Ministry of Finance, Ruling No. 0920004507:
 - a) Securities held as of December 31, 2012 of President Securities (BVI) Ltd.:

Securities types and name	Type	Number of shares	Expressed in U.S. Dollars			
			Carrying value		Fair value	
			Unit price	Amount	Unit price	Amount
<u>Financial assets at fair value through profit or loss - current</u>						
FL. R GSC EUROPEAN CDO	STRUCTURED NOTES	2,500,000	\$ 1.000	\$ 2,500,000	\$ 0.677	\$ 1,692,985
FL. R ARES VIR	STRUCTURED NOTES	5,000,000	0.995	<u>4,975,000</u>	0.763	<u>3,816,032</u>
				7,475,000		5,509,017
Less : impairment				(2,000,000)		-
Total				<u>\$ 5,475,000</u>		<u>\$ 5,509,017</u>
<u>Long-term investment - equity method</u>						
President Securities (HK) Ltd.	STOCK	182,600,000	\$ 0.192	\$ 35,098,493	\$ 0.192	\$ 35,098,493
President Wealth Management (HK) Ltd.	STOCK	23,400,000	0.081	1,884,222	0.081	1,884,222
President Securities (Nominee) Ltd.	STOCK	1,000,000	0.079	<u>79,412</u>	0.079	<u>79,412</u>
Total				<u>\$ 37,062,127</u>		<u>\$ 37,062,127</u>

- b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd. :
As of December 31, 2012, the carrying value of USD 7,475,000 of asset securitization for derivatives was undertaken with the Company's own capital of USD 5,475,000.
- c) At December 31, 2012, President Securities (BVI) Ltd. had no litigation cases. However, the Company and President Securities (BVI) Ltd.'s subsidiary, due to the clients' account application procedures, was fined with HK\$ 2 million by the Securities and Futures Commission of Hong Kong (SFC) on December 4, 2012.

d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.
BALANCE SHEETS
DECEMBER 31 , 2012 AND 2011

					Expressed in U.S. Dollars				
Assets	2012		2011		Liabilities and Shareholders' Equity	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
Current Assets					Current Liabilities				
Cash and cash equivalents	\$ 17,491,567	29	\$ 16,930,915	27	Payables and other payables	\$ 3,212	-	\$ 7,207	-
Financial assets at fair value through profit or loss - current	5,475,000	9	3,575,000	5	Total liabilities	3,212	-	7,207	-
Other receivables	13,636	-	26,490	-	Shareholders' Equity				
Total current assets	22,980,203	38	20,532,405	33	Share capital	67,746,000	113	67,746,000	110
Long-term investment - equity method	37,062,127	62	40,896,593	67	Capital reserve	757,813	1	757,813	1
					Cumulative translation adjustments	761,953	1	666,808	1
					Accumulated deficit	(9,226,648)	(15)	(7,748,830)	(12)
					Total shareholders' equity	60,039,118	100	61,421,791	100
					Total Liabilities and Shareholders' Equity				
Total Assets	\$ 60,042,330	100	\$ 61,428,998	100		\$ 60,042,330	100	\$ 61,428,998	100

e) Statements of income

<u>PRESIDENT SECURITIES (BVI) LTD.</u> <u>STATEMENTS OF INCOME</u> <u>FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011</u>				
Accounts	2012		2011	
	Amount	%	Amount	%
Revenues				
Interest revenue	622,485	25	127,590	100
Other non-operating revenue	1,900,887	75	139	-
Total	2,523,372	100	127,729	100
Expenditures				
Investment loss accounted for under the equity method	(3,929,611)	(156)	(5,810,816)	(45)
Operating expenses	(71,569)	(3)	(68,187)	(1)
Non-operating expenses	(10)	-	(24)	-
Total	(4,001,190)	(159)	(5,879,027)	(46)
Net loss	(\$ 1,477,818)	(59)	(\$ 5,751,298)	54

f) Transactions between related parties and foreign business : None

3). Disclosure of investment in Mainland China : Not applicable.

12. SEGMENT FINANCIAL INFORMATION

In accordance with R.O.C. SFAS No. 41, "Operating Segments", segment information is disclosed in the consolidated financial statements.

13. PRE-DISCLOSURE INFORMATION FOR IFRSs ADOPTION

In accordance with Jin-Guan-Pao-Tzai Letter No. 0990004943 dated February 2, 2010, pre-disclosure information for IFRSs adoption is disclosed in the consolidated financial statements.