CAPITAL SECURITIES CORPORATION

SEPARATE FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

AND

INDEPENDENT AUDITORS' REPORT

Address: 4th Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C.
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CAPITAL SECURITIES CORPORATION

FINANCIAL REPORT

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Independent Auditors' Report

The Board of Directors
Capital Securities Corporation

We have audited the accompanying statement of financial position of Capital Securities Corporation as of December 31, 2014 and 2013 and the related statements of comprehensive income, changes in equity, and cash flows for the years ended. The financial report is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial report based on our audits.

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

In our opinion, the financial report referred to above present fairly, in all material respects, the financial position of Capital Securities Corporation as of December 31, 2014 and 2013, and the results of its financial performance and its cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms in the Republic of China.

KPMG
Taipei, Taiwan, R.O.C.
March 27, 2015

Notice to Readers

The accompanying financial report is intended only to present the financial position, financial performance, and cash flows in accordance with IFRSs endorsed by the FSC and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial report are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial report are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language independent auditors' report and financial report, the Chinese version shall prevail.

CAPITAL SECURITIES CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2014 and 2013
(New Taiwan Dollars in Thousands)

ASSETS	December 31, 2014 Amount	%	December 31, 2013 Amount	%
Current Assets				
Cash and cash equivalents (Note 6(1))	$ 1,196,603	2	2,006,379	3
Financial assets at fair value through profit or loss - curren (Notes 6(2) and 8)	24,074,134	35	19,519,949	29
Bonds purchased under resale agreements (Notes 6(3) and 8)	-	-	558,394	1
Receivable for securities provided as collateral	19,378,280	27	17,747,936	26
Refinancing margin	15,527	-	190,114	-
Receivable on refinancing collateral	24,434	-	158,152	-
Collateral for securities borrowed	649,413	1	369,830	1
Security borrowing margin	593,827	1	1,288,233	2
Notes receivable	4,024	-	8,556	-
Accounts receivable (Note 6(4))	6,287,042	9	7,707,100	11
Prepayments	21,823	-	28,066	-
Other receivables	56,181	-	28,044	-
Current income tax assets	35,560	-	22,089	-
Other current assets	530,380	1	1,054,713	2
	52,867,228	76	50,687,555	75
Non-current Assets				
Financial assets at fair value through profit or loss - non-current (Notes 6(2) and 8)	189,262	-	208,135	-
Financial assets measured at cost - non-current (Note 6(2))	389,353	1	636,539	1
Investments under equity method (Note 6(5))	3,588,515	5	3,127,503	5
Property and equipment(Notes 6(6) and 8)	4,770,367	7	5,643,817	8
Investment property (Notes 6(7) and 8)	2,172,137	3	1,364,191	2
Intangible assets (Note 6(8))	3,552,023	5	3,543,873	5
Deferred income tax assets (Note 6(17))	581,309	1	783,007	1
Other non-current assets	1,601,102	2	1,629,391	3
	16,844,068	24	16,936,456	25
TOTAL ASSETS	**$ 69,711,296**	**100**	**67,624,011**	**100**

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2014 Amount	%	December 31, 2013 Amount	%
Current Liabilities				
Short-term borrowings (Note 6(9))	$ 2,657,000	4	2,019,000	3
Commercial paper payable (Note 6(10))	1,749,717	3	2,299,582	3
Financial liabilities at fair value through profit or loss - curren (Notes 6(11))	2,133,183	3	1,343,111	2
Bonds sold under repurchase agreements (Note 6(12))	14,725,686	21	13,115,259	19
Guarantee deposited for short sales	2,231,990	3	2,366,747	4
Proceeds payable from short sales	2,593,973	4	3,008,916	5
Securities lending refundable deposits	2,254,764	3	1,779,917	3
Notes payable	1,146	-	858	-
Accounts payable (Note 6(13))	5,382,632	8	7,253,187	11
Advance receipts	17,526	-	148,287	-
Receipts under custody	123,215	-	560,640	1
Other payables	700,167	1	735,181	1
Other financial liabilities - current (Note 6(22))	2,140,965	3	289,377	-
Current income tax liability	167,818	-	243,628	-
Provisions - current (Note 6(16))	42,792	-	42,821	-
Long-term liabilities - current portion (Note 6(14))	500,000	1	-	-
Other current liabilities	2	-	-	-
	37,422,576	54	35,206,511	52
Non-current Liabilities				
Other financial liabilities -non-current (Note 6(22))	112,565	-	1,399,141	2
Deferred income tax liabilities (Note 6(17))	540,340	1	453,340	1
Other non-current liabilities (Note 6(16))	537,335	1	517,502	1
	1,190,240	2	2,369,983	4
Total Liabilities	38,612,816	56	37,576,494	56
Equity				
Common stock (Note 6(18))	23,690,730	33	23,690,730	35
Capital surplus				
Premium from stock issuance	1,940,208	3	1,940,208	3
Treasury stock transactions	107,031	-	107,031	-
Paid-in capital from merger	658,234	1	658,234	1
Changes in ownership interests in subsidiaries	6,287	-	-	-
Retained earnings				
Legal reserve	753,136	1	605,958	1
Special reserve	1,756,283	3	1,628,318	2
Unappropriated earnings (Note 6(17))	2,089,222	3	1,423,960	2
Exchange differences on translation of foreign operations	76,558	-	(19,525)	-
Unrealized gains on available-for-sale financial assets	20,791	-	12,603	-
Total Equity	31,098,480	44	30,047,517	44
TOTAL LIABILITIES AND EQUITY	**$ 69,711,296**	**100**	**67,624,011**	**100**

The accompanying notes are an integral part of the financial report.

CAPITAL SECURITIES CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

Years Ended December 31, 2014 and 2013

(New Taiwan Dollars in Thousands, Except Earnings Per Share Data)

	2014 Amount	2014 %	2013 Amount	2013 %
Income:				
Brokerage commissions (Note 6(20))	$ 2,548,810	45	2,182,783	45
Revenues from securities business money lending	75	-	63	-
Revenue from securities lendings	46,224	1	89,063	2
Underwriting commissions (Note 6(20))	169,368	3	284,510	6
Commissions on wealth management business	45,947	1	16,137	-
Net gains on sale of trading securities (Note 6(20))	559,012	10	401,259	8
Securities management, distribution, and management fees	138,790	2	140,462	3
Interest revenues (Note 6(20))	1,386,150	24	1,209,365	25
Dividend revenues	252,244	4	91,892	2
Net gain (losses) on measurement of trading securities at fair value through profit or loss	(48,522)	(1)	271,483	5
Net losses on covering of borrowed securities and bonds with resale agreements	(73,360)	(1)	(23,325)	-
Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	640	-	(29,973)	(1)
Net gains on stock warrants issued (Notes 6(20) and 6(22))	620,898	11	244,901	5
Futures commission revenues	120,735	2	112,789	2
Net gains (losses) on derivative instruments - futures (Note 6(22))	(117,058)	(2)	977	-
Net losses on derivative instruments - OTC (Note 6(22))	(45,491)	(1)	(245,126)	(5)
Other operating revenues	114,015	2	136,503	3
	5,718,477	100	4,883,763	100
Expenses:				
Brokerage fees	160,247	3	132,311	3
Brokerage and clearing fees - proprietary trading	13,063	-	7,306	-
Clearing and exchange fees - refinancing	1,977	-	2,136	-
Clearing and exchange fees - underwriting	3,954	-	3,008	-
Financial costs	159,610	3	133,818	3
Securities commission expenses - introducing brokers	3,033	-	2,275	-
Other operating expenditure	13,287	-	5,696	-
Employee benefits expenses (Note 6(20))	2,204,432	39	2,220,464	45
Depreciation and amortization expenses (Note 6(20))	186,522	3	194,024	4
Other operating expenses (Note 6(20))	1,258,604	22	1,167,418	24
	4,004,729	70	3,868,456	79
Other income and expenses：				
Share of profits of associates and joint venture (Note 6(5))	261,631	4	252,162	5
Other gains and losses (Note 6(20))	289,924	5	380,578	8
	551,555	9	632,740	13
Profit before income tax	2,265,303	39	1,648,047	34
Income tax expense (Note 6(17))	(239,998)	(4)	(176,263)	(4)
Profit for the year	2,025,305	35	1,471,784	30
Other comprehensive income				
Exchange differences on translating financial statements of foreign operations	106,622	2	42,173	1
Unrealized gain on available-for-sale financial assets, net	-	-	29,598	1
Actuarial gains (losses) on defined benefit plans	(18,051)	-	13,882	-
Share of other comprehensive income of subsidiaries, associates and joint venture	17,014	-	14,785	-
Income tax expense relating to components of other comprehensive income (Note 6(17))	(19,679)	-	(7,601)	-
Other comprehensive income for the period, net of income tax	85,906	2	92,837	2
Total comprehensive income for the period	**2,111,211**	**37**	**1,564,621**	**32**
Basic earnings per share (Note 6(19))	**$**	**0.85**		**0.62**
Dilutive earnings per share (Note 6(19))	**$**	**0.85**		**0.62**

The accompanying notes are an integral part of the financial report.

CAPITAL SECURITIES CORPORATION

STATEMENT OF CHANGES IN EQUITY

Years Ended December 31, 2014 and 2013

(New Taiwan Dollars in Thousands)

			Retained earnings			Equity - other items		
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Total
Beginning balance, January 1, 2013	$ 23,690,730	2,705,473	500,532	1,281,093	750,679	(56,638)	(32,759)	28,839,110
Profit for the year	-	-	-	-	1,471,784	-	-	1,471,784
Other comprehensive income	-	-	-	-	10,362	37,113	45,362	92,837
Total comprehensive income	-	-	-	-	1,482,146	37,113	45,362	1,564,621
Appropriation of earnings (Note 1) :								
Legal reserve	-	-	105,426	-	(105,426)	-	-	-
Special Reserve	-	-	-	210,851	(210,851)	-	-	-
Cash dividends	-	-	-	-	(355,361)	-	-	(355,361)
Special reserve for deduction of stockholders' equity	-	-	-	136,374	(136,374)	-	-	-
Indemnification to stockholders due to merger (Note 12)	-	-	-	-	(853)	-	-	(853)
Ending balance, December 31, 2013	23,690,730	2,705,473	605,958	1,628,318	1,423,960	(19,525)	12,603	30,047,517
Profit for the year	-	-	-	-	2,025,305	-	-	2,025,305
Other comprehensive income	-	-	-	-	(18,365)	96,083	8,188	85,906
Total comprehensive income	-	-	-	-	2,006,940	96,083	8,188	2,111,211
Appropriation of earnings (Note 2) :								
Legal reserve	-	-	147,178	-	(147,178)	-	-	-
Special Reserve	-	-	-	294,357	(294,357)	-	-	-
Cash dividends	-	-	-	-	(1,066,083)	-	-	(1,066,083)
Difference between consideration and carrying amount of subsidiaries disposed	-	-	-	-	(452)	-	-	(452)
Change in the ownership interest of subsidiaries	-	6,287	-	-	-	-	-	6,287
Reversal of special reserve for deduction of stockholders' equity	-	-	-	(166,392)	166,392	-	-	-
Ending balance, December 31, 2014	**$ 23,690,730**	**2,711,760**	**753,136**	**1,756,283**	**2,089,222**	**76,558**	**20,791**	**31,098,480**

Note 1：The remuneration to directors and supervisors and the employee bonuses were $15,284 and $11,463 which were deducted from the statement of income, respectively.

Note 2：The remuneration to directors and supervisors and the employee bonuses were $25,436 and $14,377 which were deducted from the statement of income, respectively.

The accompanying notes are an integral part of the financial report.

CAPITAL SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
Years Ended December 31, 2014 and 2013
(New Taiwan Dollars in Thousands)

	2014	2013
Cash flows from operating activities:		
Profit before tax	$ 2,265,303	1,648,047
Adjustments for:		
Income and expenses items with no effect on cash flows:		
Depreciation expense	154,648	161,704
Amortization expense	31,874	32,320
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	48,522	(271,483)
Gain on non-operating financial instruments at fair value through profit or loss	(5,123)	(6,089)
Interest expense	159,610	133,818
Interest income (including financial income)	(1,388,769)	(1,211,196)
Dividend income	(273,822)	(111,096)
Cash dividend received from investments under equity method	163,371	95,043
Share of profits of associates and joint ventures	(261,631)	(252,162)
Gains on disposal or retirement of property and equipment	(3,169)	(1,345)
Total income and expense items with no effect on cash flows	(1,374,489)	(1,430,486)
Changes in assets and liabilities from operating activities:		
Net changes in assets from operating activities:		
Increase in financial assets at fair value through profit or loss	(4,578,711)	(4,822,758)
Decrease in available-for-sale financial assets	-	225,997
Decrease in bonds purchased under resale agreements	558,394	1,173,007
Increase in receivable for securities provided as collateral	(1,630,344)	(1,914,407)
Decrease (Increase) in refinancing margin	174,587	(176,671)
Decrease (Increase) in receivable on refinancing collateral	133,718	(139,113)
Increase in collateral for securities borrowed	(279,583)	(48,244)
Decrease (Increase) in security borrowing margin	694,406	(213,411)
Decrease in notes receivable	4,532	737
Decrease (Increase) in accounts receivable	1,491,727	(2,603,905)
Decrease (Increase) in prepayments	6,243	(2,695)
Decrease (Increase) in other receivables	(28,137)	113,193
Decrease (Increase) in current income tax assets	(13,471)	36,703
Decrease (Increase) in other current assets	524,333	(479,406)
Decrease (Increase) in guarantee deposited for business operations	28,470	(14,300)
Decrease (Increase) in settlement fund	(5,360)	8,074
Decrease (Increase) in other non-current assets	(2,435)	19,080
Total net changes in assets from operating activities:	(2,921,631)	(8,838,119)
Net changes in liabilities from operating activities:		
Increase (Decrease) in financial liabilities at fair value through profit or loss	790,072	(452,144)
Increase in bonds sold under repurchase agreements	1,610,427	1,786,090
Decrease in guaranty deposited for short sales	(134,757)	(188,474)
Decrease in proceeds payable from short sales	(414,943)	(385,726)
Increase (Decrease) in securities lending refundable deposits	474,847	(7,628)
Increase (Decrease) in notes payable	288	(219)
Increase (Decrease) in accounts payable	(1,870,555)	2,655,894
Increase (Decrease) in advance receipts	(130,761)	139,656
Increase (Decrease) in receipts under custody	(437,425)	430,150
Increase in other payables	19,897	36,815
Increase in other financial liabilities	565,012	55,790
Increase in other current liabilities	2	-
Decrease in provision - current	(29)	(1,059)
Increase (Decrease) in other non-current liabilities	1,782	(20,739)
Total net changes in liabilities from operating activities	473,857	4,048,406
Total net changes in assets and liabilities from operating activities	(2,447,774)	(4,789,713)
Total Cash generated from adjuestment items	(3,822,263)	(6,220,199)

CAPITAL SECURITIES CORPORATION

STATEMENT OF CASH FLOWS (CONT'D)

Years Ended December 31, 2014 and 2013

(New Taiwan Dollars in Thousands)

	2014	2013
Cash generated by operating activities	$ (1,556,960)	(4,572,152)
Interest received	1,317,215	1,225,894
Dividends received	273,707	111,150
Interest paid	(214,521)	(190,810)
Income tax paid	(43,504)	(779,732)
Net cash used in operating activities	(224,063)	(4,205,650)
Cash flows from investing activities:		
Acquisition of investments under equity method	(236,566)	-
Proceeds from disposal of financial assets measured at cost	23,395	-
Proceeds from capital reduction of financial assets measured at cost	223,791	10,000
Increase of deferred debits	(2,832)	(2,188)
Acquisitions of property and equipment	(85,489)	(38,087)
Proceeds from disposal of property and equipment	5,499	19,600
Acquisitions of intangible assets	(35,563)	(19,238)
Net cash used in investing activities	(107,765)	(29,913)
Cash flows from financing activities:		
Increase in short-term borrowing	638,000	2,019,000
Increase (Decrease) in long-term liabilities - current portion	500,000	(299,881)
Increase (Decrease) in commercial paper payable	(549,865)	2,299,582
Cash dividends	(1,066,083)	(355,361)
Net cash provided by (used in) financing activities	(477,948)	3,663,340
Decrease in cash and cash equivalents	(809,776)	(572,223)
Cash and cash equivalents, beginning of the year	2,006,379	2,578,602
Cash and cash equivalents, end of the year	**$ 1,196,603**	**2,006,379**

The accompanying notes are an integral part of the financial report.

(ENGLISH TRANSLATION)
CAPITAL SECURITIES CORPORATION
NOTES TO FINANCIAL REPORT
DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS UNLESS OTHERWISE STATED)

1. OVERVIEW

Capital Securities Corporation (the "Company") was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988, The address of the Company's registered office is 4 Fl. No. 101, Sung-Jen Road, Taipei, Taiwan, R.O.C. As of December 31, 2014, the Company has 63 branches nationwide.

The Company is authorized to conduct the following businesses:

(1) Underwriting of marketable securities;

(2) Trading of marketable securities on a proprietary basis on stock exchange;

(3) Brokerage of marketable securities on stock exchange;

(4) Trading of marketable securities at the Company's branches;

(5) Brokerage of marketable securities at the Company's branches;

(6) Margin loan, short sale and refinancing;

(7) Securities registration agency services;

(8) Dealership of foreign marketable securities;

(9) Short-term bills service;

(10) Accessory services of futures trading;

(11) Futures trading on a proprietary basis;

(12) Securities business money lending;

(13) Managing the unexpended balance of clients' securities accounts within their authorization;

(14) Trust business;

(15) Offshore securities business; and;

(16) Other relevant services as approved by the authority in charge.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL REPORT

The financial report was authorized for issuance by the board of directors on March 27, 2015.

3. NEW STANDARDS AND INTERPRETATIONS

(1) Impact of the 2013 version of the International Financial Reporting Standard ("IFRS") endorsed by the ROC Financial Supervisory Commissions ("FSC") but not yet effective

According to the FSC Ruling Letter No. 1030010325 issued on April 3, 2014, listed, over-the-counter, and emerging stock companies are required to adopt the 2013 version of the IFRS endorsed by the FSC (IFRS 9 Financial instruments is excluded) in preparing financial statements starting 2015. The new standards and amendments issued by the International Accounting Standards Board ("IASB") were as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
· Amendments to IFRS 1 Limited Exemption from Comparative IFRS7 Disclosures for First - time Adopters	July 1, 2010
· Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First - time Adopters	July 1, 2011
· Amendments to IFRS 1 Government Loans	January 1, 2013
· Amendments to IFRS 7 Disclosure - Transfers of Financial Assets	July 1, 2011
· Amendments to IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
· IFRS 10 Consolidated Financial Statements	January 1, 2013 (Investment Entities amendments, effective January 1, 2014)
· IFRS 11 Joint Arrangements	January 1, 2013
· IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
· IFRS 13 Fair Value Measurement	January 1, 2013
· Amendments to IAS 1 Presentation of Items of Other Comprehensive Income	July 1, 2012
· Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets	January 1, 2012
· Revision to IAS 19 Employee Benefits	January 1, 2013
· Revision to IAS 27 Separate Financial Statements	January 1, 2013
· Amendments to IAS 32 Offsetting of Financial Assets and Financial Liabilities	January 1, 2014
· Interpretations to IFRS 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following items, the Company believes that the adoption of aforementioned 2013 IFRSs version may not have a significant effect on the Company's parent company only financial statements.

A. Amendments to IAS 19, "Employee Benefits"

The amendments to IAS 19 require the Company to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on planned assets used in current IAS19. In addition, the amendments eliminate the accounting treatment of either corridor approach or the immediate recognition of actuarial gains and losses to profit or loss when it incurs, and instead, required to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it incurs and no longer be amortized over the average period before vested on a straight-line basis. A liability and expense for termination benefits is recognized not only when the Company is demonstrably committed to terminating the employment of employees, but also at the earlier of the following dates when the Company can no longer withdraw the offer or when the Company recognizes costs for a restructuring. The Company is not expecting the standard to have significant impact on the financial position and the results of operations. In addition, the Company will also provide a broader disclosure in defined benefit plans.

B. Amendments to IAS 1, "Presentation of Items of Other Comprehensive Income"

According to the amendments to IAS 1, the items of other comprehensive income will be grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The Company will modify the presentation of statement of comprehensive income statement in accordance with the amendment.

C. IFRS 12, "Disclosure of Interests in Other Entities"

The Standard integrates and makes consistent the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company will increase disclosures on the consolidated and unconsolidated entities in accordance with the standard.

D. IFRS 13, "Fair Value Measurement"

The Standard defines fair values, establishes a framework for measuring fair value and requires disclosures about fair value measurement. The Company is not expecting the standard to have significant impact on the financial position and the results of operations. The Company will increase disclosures regarding the fair value measurement in accordance with the standard.

(2) New standards and interpretations of 2013 IFRSs issued by IASB but not yet endorsed by the FSC

A summary of the new standards, amendments and interpretations of 2013 IFRSs issued by the IASB, but not yet endorsed by the FSC:

Newly issued, Revised accounting standards and interpretations	Effective date per IASB
‧ IFRS 9 Financial Instruments	January 1, 2018
‧ Amendment to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
‧ Amendment to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
‧ Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
‧ IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
‧ IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
‧ Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
‧ Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
‧ Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plant"	January 1, 2016
‧ Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
‧ Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
‧ Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
‧ Amendment to IAS 39 " Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
‧ Interpretations to IFRS 21 "Levies"	January 1, 2014

The Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the above standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the financial report are summarized as follows. The significant accounting policies have been applied consistently to all periods presented in the financial report.

(1) Assertion of compliance

The separate financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

(2) Basis of preparation

A. Basis of measurement

The financial report has been prepared on a historical cost basis except for the following material items of balance sheet:

a. Financial instruments measured at fair value through profit or loss (including derivative instruments);

b. Available-for-sale financial assets that are measured at fair value; and

c. The defined benefit asset is recognized as plan assets, plus unrecognized actuarial loss, less unrecognized actuarial gain and the present value of the defined benefit obligation.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial report is presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(3) Foreign currency

A. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for available-for-sale equity investment which are recognized in other comprehensive income arising on the retranslation.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(4) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

A. Assets arising from operating activities that are expected to be realized, or are intend to be sold or consumed within the normal operating cycle;

B. Assets held primarily for the purpose of trading;

C. Assets that are expected to be realized within twelve months from the balance sheet date;

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

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

A. Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

B. Liabilities arising primarily for the purpose of trading;

C. Liabilities that are to be settled within twelve months from the balance sheet date;

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

(5) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(6) Financial instruments

Financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the instruments.

A. Financial assets

The company classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

a. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of disposal or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss is measured at fair value, and changes therein are recognized in profit or loss. A regular way of purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.
Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

b. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment losses, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

c. Held-to-maturity current financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

d. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise accounts receivable and other receivables. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular transaction on purchase or disposal of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

e. Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by Companying together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment loss on available-for-sale financial assets is recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment loss recognized on an available-for-sale equity security is not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

f. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity- unrealized gain or loss on available-for-sale financial assets is recognized in profit or loss.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

B. Financial liabilities

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

A financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss.

b. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as measured at fair value through profit or loss, which comprise accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

c. Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

d. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

C. Derivative financial instruments

Derivatives are recognized initially at fair value and transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss

a. Interest rate swaps

Since there is no physical transfer of principal, only memo entries of notional principals are made of interest rate swaps. For non-trading swaps, differences in interest are included in current earnings. Trading swaps are recognized on the balance sheet in their fair value. Realized and unrealized changes in their fair value are included in current earnings at the time of occurrence.

b. Convertible bond asset- backed swaps

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The contract amount for the counter-parties receiving the convertible bond is the notional principal. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counter-parties. The Company also receives the right to call the convertible bond prior to the expiration of the contract.

The rights to call the convertible bond can be sold to third parties and counter-parties, are reflected under asset-backed options.

c. Structured products

The portfolio of structured products contract is fixed income products and financial derivatives instruments, including main-contract of non-derivatives and embedded derivatives, those shall be recognized separately. The principal value of structured products is the present value of fixed income products, measured at amortized cost, and recognized imputed interest with effective interest rate over the duration of contracts. Embedded derivatives are measured at fair value, and the changes in fair value are recognized through profit or loss.
On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities ,respectively.

When hedging positions are securities held for trading (including stocks, bonds and warrants) or options contracts, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are futures contracts, the accounting policy is referred to futures hedging transactions.

d. Interest options

On the contract date, the premium received from the counterparty is recognized and gain or loss on interest options is valued using the fair value method.

e. Bond options

Over the duration of contracts, the notional principal can be executed is recorded as memo entry. Option contracts are valued at fair market value on the balance sheet date and current gain or loss is recorded. If the options are exercised and underlying bonds are been acquired or delivered, bond selling revenue or purchase costs are recorded at their fair market value. The exercise prices calculated in accordance with interest rate are recorded as receivables or payables.

f. Equity options

The buyer and seller of equity options recognized equity derivatives assets and liabilities at trading date according to fair value. Equity options are valued at fair value and the difference between book value and fair value are recognized through profit or loss over the duration of contracts.

On the settlement date with physical delivery, the fair value of the acquired securities are stated at cost; the fair value and the cost of the delivered securities are recognized as revenue on sale of securities and cost on sale of securities, respectively.

When hedging positions are stocks, the accounting policy is referred to stock warrants hedging transactions; when hedging positions are stock index options or stock options, the accounting policy is referred to those hedging transactions.

g. Forward rate agreement

As there is no principal is transferred, forward rate agreement is only recorded as memo entry on the contract date. Forward rate agreement contract is valued at fair value and recognized the gain or loss on forward rate agreement.

h. Futures contracts and options

Margins are required when trading futures or options. Changes in the margin balance of futures and options due to daily valuation are reflected under "futures margin-proprietary trading" and "call options" or "put options." When offsetting a futures or options position, the settlement difference is included in current earnings, and the difference between the settlement prices and average prices of open positions at the balance sheet date is also included in current earnings.

i. Warrants

Issuance of stock warrants by a securities firm should be recognized as a liability according to amounts actually received, and amounts paid in the repurchase of stock warrants previously issued should be listed as a deduction from liabilities.

(7) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(8) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under "bonds sold under repurchase agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest expense. When bonds are resold, they are reflected under "bonds purchased under resell agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

When bonds purchased under resell agreements are resold, the amounts are recognized under "bonds purchased under resell agreements-short sales". Unrealized gain or loss arising from the valuation at the balance sheet date is recognized under "gain or loss on valuation of borrowed securities and bonds with resell agreements". Gain or loss arising from covering at maturity is recognized under "gain or loss on covering of borrowed securities and bonds with resell agreements".

(9) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(10) Investments in subsidiaries

When preparing parent-company-only financial statement, the Company uses Equity Method in evaluating the control of an investee. Under Equity Method, the net income or loss for the period of individual financial statement and other comprehensive income of parent-company-only financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the individual financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(11) Property and equipment

A. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from disposal property and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other income and expenses.

B. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

C. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

D. Depreciation

The depreciable amount of an asset is determined after deducting its residual values, and it shall be allocated on a systematic basis over its useful life. Items of property and equipment with the same useful life may be companied in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

a.	Buildings	3~55 years
b.	Transportation equipment	5 years
c.	Office equipment and computer facilities	3~5 years
d.	Miscellaneous equipment	5~10 years
e.	Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period.	

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(12) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, supply of services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost as well, the depreciation method, useful life and residual values are as same as the regulations of "property and equipment". Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(13) Intangible assets

A. Goodwill

a. Initial recognition

Goodwill resulted in acquisition of subsidiaries includes in intangible assets.

b. Subsequent measurement

Goodwill is measured in accordance with cost less accumulated impairment loss. Investments under Equity Method, the carrying amount of goodwill included in the carrying amount of investments and impairment loss of such investments are not allocated to goodwill and any assets, Equity Method as part of the carrying amount of the investment.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Amortization

The amortizable amount is the cost of an asset less its residual value.
Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

a. Customer relationships: 5 years

b. Computer software cost and dial-up service charges: 3 years

The amortization method and period should be evaluated at least at each financial year-end. The changes of the amortization method and the period shall be accounted for as changes in accounting estimation.

(14) Leases

A. Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

B. Lessee

Operating leases are not recognized in the Company's statement of balance sheet. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in expenses on a straight-line basis over the term of the lease. Lease incentives received are recognized as deductions of the total lease expense, over the term of the lease. Lease payments under operating lease shall be recognized in rent expenses and disclosed in financial report.

(15) Non-financial assets impairment

The Company assesses whether there is any objective evidence of impairment for non-financial assets on each reporting date except for deferred tax assets and assets arising from employee benefits and estimates the recoverable amounts for any impaired assets. If it is not possible to determine the recoverable amount for an individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount and recognized as impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date market yields of high-quality government bonds on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. The recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses at January 1 2012, the date of transition to IFRS approved by the FSC, were recognized in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

C. Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminating the employment of employees before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

D. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(17) Revenue recognition

A. Brokerage commissions

Handling fee revenue from trade brokerage, security financing or securities lending is recognized on an accrual basis.

B. Underwriting commissions

Revenue from underwriting business is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

C. Interest revenue

Interest revenue arising from security financing, margin loans and other operation related interest is recognized on an accrual basis.

(18) Income tax

Income tax expenses include both current income taxes and deferred income taxes. Except for business combination, expenses recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current income taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the exceptions below:

A. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

B. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

C. Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

A. The entity has the legal right to settle tax assets and liabilities on a net basis; and

B. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

   a. levied by the same taxing authority; or

   b. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for an unused tax loss carry-forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forwards can be utilized. The carrying amount of deferred income tax assets should be reviewed and adjusted at the end of each reporting period.

The Company's 10% surtax on unappropriated earnings is recorded as current expense after the date of the resolution of stockholders' meeting for declaring the distribution of earnings.

(19) Business combinations

The Company only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation

(20) Earnings per share (EPS)

The Company presents its basic and dilutive earnings per share attributable to the ordinary equity holders. The basic earnings per share of the Company is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company include employee bonus.

(21) Segment information

The Company has disclosed the segment information on the consolidated financial report, thus, the Company does not disclose it on this financial report.

5. Major sources of accounting assumptions, judgments and estimation uncertainty

The preparation of the separate financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the separate financial statements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

The impairment of goodwill: The Company performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

6. SUMMARY OF MAJOR ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2014	December 31, 2013
Cash	$ 2,900	2,950
Bank deposits		
Checking accounts	44,229	61,886
Demand deposits	58,834	189,875
Time deposits	690,603	1,365,401
Foreign currency deposits	141,592	225,735
Subtotal	935,258	1,842,897
Futures margin-excess margin	258,445	160,532
Subtotal	258,445	160,532
Total	**$ 1,196,603**	**2,006,379**

(2) Financial assets

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

	December 31, 2014	December 31, 2013
Open-ended funds and money-market instruments		
Open-ended funds and money-market instruments	$ 438,691	446,833
Valuation adjustment	11,336	6,213
Subtotal	450,027	453,046
Trading securities - proprietary trading:		
Listed stocks	1,246,079	816,882
OTC stocks	231,959	184,174
Emerging market stocks	366,836	255,194
Convertible corporate bonds	511,164	806,669
Government bonds	1,203,375	993,148
Corporate bonds	9,832,713	8,668,013
Financial debentures	1,698,780	143,992
Foreign stocks	314,143	150,166
Overseas bonds	252,928	238,224
Emerging fund	7,452	-
Other	79,861	35,189
	15,745,290	12,291,651
Valuation adjustment	4,889	14,216
Subtotal	15,750,179	12,305,867
Trading securities - underwriting:		
Listed stocks	2,730	19,608
OTC stocks	8,648	-
Convertible corporate bonds	106,300	65,200
Financial debentures	-	490,228
	117,678	575,036
Valuation adjustment	(496)	2,649
Subtotal	117,182	577,685
Trading securities - hedging:		
Listed stocks	2,585,889	1,920,379
OTC stocks	923,311	538,571
Convertible corporate bonds	3,872,940	3,418,346
	7,382,140	5,877,296
Valuation adjustment	181,804	215,838
Subtotal	7,563,944	6,093,134
Derivatives:		
Call options	1,123	1,680
Interest rate swaps	-	885
Futures margin - proprietary fund	110,452	51,452
IRS asset swaps	25,952	23,786
Asset swap options-long position	9,881	10,575
Structured notes	76	469
Foreign exchange swaps	45,318	1,370
Subtotal	192,802	90,217
Total	**$ 24,074,134**	**19,519,949**

As of December 31, 2014 and 2013, the par value of trading securities - bonds under repurchase agreement were $13,462,900 and $12,256,200 respectively (please refer to Note 6(12) for details).

B. Financial assets at fair value through profit and loss - non-current:

	December 31, 2014	December 31, 2013
Financial assets held for trading:		
Government bonds	$ 191,990	208,865
Valuation adjustment	(2,728)	(730)
Total	**$ 189,262**	**208,135**

As of December 31, 2014 and 2013, the Company took advantage of government bonds as margin of bills business, interest rate swaps, structured notes and settlement fund guarantee deposits (please refer to Note 8 for details).

C. Financial assets measured at cost - non-current:

	December 31, 2014	
Non- listed (or non-over-the-counter)	**Ownership ratio**	**Amount**
Taiwan Depository & Clearing Corp.	1.29%	$ 18,661
Taiwan Futures Exchange Corp.	1.33%	27,498
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	202,681
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan Ⅲ Venture Capital Co., Ltd.	7.00%	78,008
Prudence Venture Investment Corp.	1.50%	39,127
Total		**$ 389,353**

	December 31, 2013	
Non-listed (or non-over-the-counter)	**Ownership ratio**	**Amount**
Taiwan Depository & Clearing Corp.	1.29%	$ 18,661
Taiwan Futures Exchange Corp.	1.33%	27,498
Taiwan Integrated Shareholder's Service Corp.	8.57%	23,395
Taiwan Stock Exchange Corporation	0.06%	12,242
Global Securities Finance Corporation	6.05%	414,342
Chou Chin Industrial Co., Ltd.	0.05%	-
Jong-Yih Industrial Development Co., Ltd.	0.68%	1,369
Reliance Securities Investment Trust Co., Ltd	3.02%	9,767
Top Taiwan Ⅲ Venture Capital Co., Ltd.	7.00%	85,008
Prudence Venture Investment Corp	1.50%	44,257
Total		**$ 636,539**

On March 24, 2014, the investee Taiwan Integrated Shareholder's Service Corp. was merged by Taiwan Depository and Clearing Corporation. Taiwan Integrated Shareholder's Service Corporation dissolved and the Company received proceeds from the disposal which amounted to $24,312. For the year 2014 and 2013, Top Taiwan III Venture Capital Co., Ltd. refunded the proceeds of capital reduction amounted to $7,000 each year, Prudence Venture Investment Corp. refunded the proceeds of capital reductions which amounted to $5,130 and $20,392 respectively and Global Securities Finance Corporation refunded the proceeds of capital reduction which amounted to $211,661 and $0 respectively.

F. The Company uses Value at Risk (VAR) to monitor and measure the market risk of its investment in equity stocks. VAR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VAR, which is the estimation of potential loss per day and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VAR will exceed the disclosed amounts due to the changes in market price. Year 2013 and 2012 VAR (99%, per day) of equity stocks are as follows:

Type of market risk	December 31, 2014	December 31, 2013	2014			2013		
			Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	59,689	25,474	61,870	90,773	29,771	19,416	33,619	8,697

(3) Bonds purchased under resale agreements

	December 31, 2014	December 31, 2013
Bonds purchased under resell agreements	$ -	**558,394**
Resell price under the agreements	-	**558,671**
Interest rate	-	**0.77%**

As of December 31, 2014 and 2013, the Company's appropriated bonds purchased under resale agreements is $558,394 (Par value $550,000) for repurchase agreement transactions purpose.

(4) Accounts Receivable

	December 31, 2014	December 31, 2013
Receivable on securities purchased by customers	$ 59,827	749,901
Settlement	1,513,355	1,512,834
Interests receivable	489,022	417,468
Receivables on securities sold	4,148,850	4,948,346
Others	79,017	81,580
Subtotal	6,290,071	7,710,129
Less: allowance for doubtful accounts	(3,029)	(3,029)
Total	$ 6,287,042	7,707,100

(5) Investments under Equity Method

	December 31, 2014	December 31, 2013
Subsidiaries		
Capital Investment Management Corp.	$ 104,867	98,454
CSC International Holdings Ltd.	1,776,294	1,663,109
Capital Futures Corp.	1,588,805	1,260,701
Capital Insurance Advisory Corp.	45,245	5,545
Capital Insurance Agency Corp.	58,021	83,943
Taiwan International Securities (B.V.I.) Corp.	1,514	1,734
Taiwan International Securities Investment Consulting Corp.	13,769	14,017
	$ 3,588,515	3,127,503

Profit sharing of gain or loss from the subsidiaries based on audited investee financial statements or self-prepared financial statements for the year 2014 and 2013 are as follows:

	2014	2013
Based on the audited financial statements	$ 261,631	252,159
Based on the self-prepared financial statements	-	3
Total	$ 261,631	252,162

Please refer to the consolidated financial statements of December 31, 2014 for the financial information of the subsidiaries of the Company.

(6) Property and equipment

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost					
Balance at January 1, 2014	$ 4,105,054	2,166,619	479,575	255,553	7,006,801
Additions	-	588	72,534	12,367	85,489
Transferred from investment property	(555,404)	(425,354)	-	-	(980,758)
Transferred from prepayment for equipment	-	-	5,985	-	5,985
Disposals	(1,181)	(1,321)	(91,923)	(370)	(94,795)
Balance at December 31, 2014	**$ 3,548,469**	**1,740,532**	**466,171**	**267,550**	**6,022,722**
Balance at January 1, 2013	$ 4,102,206	2,173,790	496,984	240,999	7,013,979
Additions	-	-	24,063	14,024	38,087
Transferred from investment property	8,902	5,220	-	-	14,122
Transferred from prepayment for equipment	-	-	38,700	4,480	43,180
Disposals	(6,054)	(12,391)	(80,172)	(3,950)	(102,567)
Balance at December 31, 2013	**$ 4,105,054**	**2,166,619**	**479,575**	**255,553**	**7,006,801**
Depreciation and impairment					
Balance at January 1, 2014	$ -	828,253	309,545	225,186	1,362,984
Depreciation	-	42,345	86,245	11,186	139,776
Reclassified to investment property	-	(157,940)	-	-	(157,940)
Disposals	-	(368)	(91,923)	(174)	(92,465)
Balance at December 31, 2014	**$ -**	**712,290**	**303,867**	**236,198**	**1,252,355**
Balance at January 1, 2013	$ -	781,022	297,405	216,560	1,294,987
Depreciation	-	47,578	92,313	12,178	152,069
Transferred from investment property	-	240	-	-	240
Disposals	-	(587)	(80,173)	(3,552)	(84,312)
Balance at December 31, 2013	**$ -**	**828,253**	**309,545**	**225,186**	**1,362,984**

	Land	Buildings	Equipment	Leasehold improvements	Total
Carrying amount:					
December 31, 2014	**$ 3,548,469**	**1,028,242**	**162,304**	**31,352**	**4,770,367**
December 31, 2013	**$ 4,105,054**	**1,338,366**	**170,030**	**30,367**	**5,643,817**

As of December 31, 2014 and 2013, the property and equipment which are provided as collateral or pledge are disclosed under Note 8, please refer to Note 8 for details.

(7) Investment property

	Land and improvements	Buildings	Total
Cost or deemed cost			
Balance at January 1, 2014	$ 1,027,720	537,979	1,565,699
Transferred from property and equipment	555,404	425,354	980,758
Balance at December 31, 2014	**$ 1,583,124**	**963,333**	**2,546,457**
Balance at January 1, 2013	$ 1,036,622	543,199	1,579,821
Transferred to property and equipment	(8,902)	(5,220)	(14,122)
Balance at December 31, 2013	**$ 1,027,720**	**537,979**	**1,565,699**
Depreciation and impairment loss			
Balance at January 1, 2014	$ -	201,508	201,508
Depreciation	-	14,872	14,872
Transferred from property and equipment	-	157,940	157,940
Balance at December 31, 2014	**$ -**	**374,320**	**374,320**
Balance at January 1, 2013	$ -	192,113	192,113
Depreciation	-	9,635	9,635
Transferred from property and equipment	-	(240)	(240)
Balance at December 31, 2013	**$ -**	**201,508**	**201,508**
Carrying amount:			
December 31, 2014	**$ 1,583,124**	**589,013**	**2,127,137**
December 31, 2013	**$ 1,027,720**	**336,471**	**1,364,191**
Fair value			
December 31, 2014			**$ 3,236,967**
December 31, 2013			**$ 2,099,725**

The Company elected to apply Cost Method to evaluate investment properties. The investment properties were evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

As of December 31, 2014 and 2013, the property and equipment were provided as collateral or pledge under Note 8. Please refer to Note 8 for details.

(8) Intangible assets

A. Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2014 and 2013, the book value was $3,126,698 for both the year.

For the purpose of impairment test, goodwill was allocated to the operating segments of the Company. The operating segment is the lowest level at which the goodwill is monitored for internal management purposes, and should not be larger than the operating departments of the Company.

Goodwill is allocated to the operating segments as follows:

		December 31, 2014	December 31, 2013
Brokerage segment	$	1,304,458	1,304,458
Underwriting segment		265,144	265,144
Proprietary trading segment		1,557,096	1,557,096
Total	**$**	**3,126,698**	**3,126,698**

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 4.69% and 9.02% in year 2014 and 2013 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2014 and 2013 exceeded the carrying amount, no impairment occurred for both years.

B. Customer relationships

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized other intangible assets - customer relationships as $17,082. As of December 31, 2014 and 2013, the amortized book value was $4,555 and $7,972 respectively.

C. Operation franchise

The Company acquired the operation of securities corporation operation franchise during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets," the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2014 and 2013, the book value of the operation franchise was $389,999 for both the year.

D. Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2014 and 2013, the book value was $30,771 and $19,204 respectively.

(9) Short-term loans

Nature of borrowings	December 31, 2014	December 31, 2013
Collateralized loan	$ 380,000	380,000
Credit loans	2,277,000	1,639,000
Total	**$ 2,657,000**	**2,019,000**

Short-term loans were based on floating interest rates. As of December 31, 2014 and 2013, the loan interest rate range was 0.90%~1.79% and 0.90% respectively.

As of December 31, 2014 and 2013, the Company had provided the land, buildings, and certificates of time deposits as collateral (please refer to Note 8 for details).

(10) Commercial paper payable

	December 31, 2014	December 31, 2013
Commercial paper payable	$ 1,750,000	2,300,000
Less: Unamortized discount	(283)	(418)
Net amount	**$ 1,749,717**	**2,299,582**

Commercial paper payables were based on floating interest rates. As of December 31, 2014 and 2013, the interest rate was 0.858%~0.908 and 0.828% respectively.

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

	December 31, 2014	December 31, 2013
Liabilities on sale of borrowed securities	$ 995,472	619,359
Redeem liabilities on sale of borrowed securities	-	(1,336)
Valuation adjustment	48,377	49,017
Subtotal	1,043,849	667,040
Settlement coverage bonds payable of short sale	99,749	-
Valuation adjustment on settlement coverage bonds payable of short sale	17	-
Subtotal	99,766	-
Stock warrants issued	8,277,524	8,644,046
Stock warrants repurchased	(7,644,334)	(8,297,858)
Subtotal	633,190	346,188
Put options	421	333
Equity derivatives	-	2
IRS asset swaps	249	-
Asset swap options - short position	348,450	310,475
Structured notes	3,085	19,073
Interest rate swaps	3,670	-
Currency swaps	503	-
Subtotal	356,378	329,883
Total	**$ 2,133,183**	**1,343,111**

(12) Bonds sold under repurchase agreements

	December 31, 2014	December 31, 2013
Bonds sold under repurchase agreements	$ 14,725,686	13,115,259
Agreed-upon repurchase amounts	$ 14,736,603	13,121,880
Interest rates	0.45% ~ 3.89%	0.45% ~ 0.85%

(13) Accounts payable

	December 31, 2014	December 31, 2013
Payable of securities sold by customers	$ 51,767	85,541
Payable of securities	5,303,861	7,140,779
Others	27,004	26,867
Total	$ 5,382,632	7,253,187

(14) Long-term borrowings

As of December 31, 2014 and 2013, the Company's long-term borrowings are as follows:

	December 31, 2014	December 31, 2013
Long-term borrowings	$ 500,000	-
Less: Long-term liabilities -current portion	(500,000)	-
Non-current portion of long-term debt	$ -	-
Collateral	Real estate	-
Interest rate range	1.080%	-

In September 2012, Hua Nan Bank approved a two years long-term borrowing of $4,000,000 to the Company. The credit line would not be diminished gradually, and would be assessed annually. The credit line bears a floating interest rate.

(15) Operating leases

A. Lessee

Non-cancellable operating lease payables are as follows:

	December 31, 2014	December 31, 2013
Within 1 year	$ 23,190	16,715
1-5 years	223,505	248,739
	$ 246,695	265,454

The Company rents several offices under operating lease, the lease terms are within 1 to 5 years and the Company has the preferential renewal options when the lease term expires. The rentals are adjusted yearly to reflect market condition. Some lease terms bear the additional rental payments depends on the fluctuations of a local price index.

For the year ended December 31, 2014 and 2013, the operating lease expenses recognized in profit or loss were $165,997 and $183,399 respectively.

B. Lessor

The Company leases investment property to other under operating lease agreements, please refer to Note 6(7) for details. The future lease receivables under non-cancellable leases are as follows:

	December 31, 2014	December 31, 2013
Within 1 year	$ 8,911	10,297
1-5 years	89,453	39,972
	$ 98,364	**50,269**

The rental revenue from investment property for the year ended December 31, 2014 and 2013 amounted to $57,711 and $44,473 respectively.

(16) Employee benefit

A. Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	December 31, 2014	December 31, 2013
Present value of defined benefit obligations	$ (1,033,138)	(1,036,894)
Fair value of plan assets	568,071	589,761
Recognized liabilities for defined benefit obligations	**$ (465,067)**	**(447,133)**

The Company's employee benefits liabilities are as follows:

	December 31, 2014	December 31, 2013
Liability for long service leave	**$ 42,792**	**42,821**

Under the defined benefit plan, the Company deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

a. Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Labor Pension Fund Supervisory Committee. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to $285,061 and $ 315,862 as of December 31, 2014 and 2013 respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund. Please refer to the information published on the website under Labor Pension Fund Supervisory Committee of the Council of Labor Affairs Executive Yuan.

b. Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2014 and 2013 are as follows:

	2014	2013
Defined benefit obligation on January 1	$ 1,036,894	1,071,977
Benefits paid by the plan	(51,758)	(50,897)
Current service costs and interest	27,293	30,841
Actuarial (gains) losses	20,709	(15,027)
Defined benefit obligation on December 31	**$ 1,033,138**	**1,036,894**

c. Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2014 and 2013 are as follows:

	2014	2013
Fair value of plan assets on January 1	$ 589,761	609,498
Contributions to the plan	18,829	23,162
Benefits paid by the plan	(51,758)	(50,897)
Expected return on plan assets	8,581	9,143
Actuarial gains (losses)	2,658	(1,145)
Fair value of plan assets on December 31	**$ 568,071**	**589,761**

d. Expense recognized in profit or loss

The expenses recognized in profit or loss for the Company in 2014 and 2013 are as follows:

	2014	2013
Current service cost	$ 11,843	13,904
Interest cost	15,450	16,937
Expected return on plan assets	(8,581)	(9,143)
Current pension cost	**$ 18,712**	**21,698**
Actual return on plan assets	**$ 11,239**	**7,998**

e. Actuarial gains and losses recognized under other comprehensive income

Actuarial gains and losses recognized under other comprehensive income in 2014 and 2013 are as follows:

	2014	2013
Balance at January 1	$ (22,163)	(36,045)
Recognized amount during the period	(18,051)	13,882
Balance at December 31	**$ (40,214)**	**(22,163)**

f. Actuarial assumptions

The principal actuarial assumptions at the reporting date are as follows:

	2014	2013
Discount rate	1.53%	1.49%
Expected rate of return on plan assets	1.53%	1.49%
Future salary growth rate	2.00%	2.00%

g. Experience of adjustments on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	$ (1,033,138)	$ (1,036,894)	(1,071,977)	(1,048,590)
Fair value of plan assets	568,071	589,761	609,498	611,194
Net (assets) liabilities of defined benefit obligations	**$ (465,067)**	**(447,133)**	**(462,479)**	**(437,396)**
Experience of adjustments on the present value of defined benefit plans	**$ (23,542)**	**15,027**	**(33,861)**	**-**
Change in the financial actuarial assumption of the present value of defined benefit plans	**$ 2,833**	**-**	**-**	**-**
Experience of adjustments on the fair value of the plan assests	**$ 2,658**	**(1,145)**	**(2,184)**	**-**

The expected contributions to the defined benefit plans for the one year after the reporting date is $18,000.

h. When calculating the present value of the defined benefit obligations, the Company needs to make some judgments and estimates to determine the actuarial assumptions which include employee turnover rates and future salary changes at reporting date. Any changes in the actuarial assumptions may significantly affect the amount of the defined benefit obligations.

As of December 31, 2014, the Company's accrued pension liabilities were $465,067. If the discount rate increases or decreases 0.50%, the accrued pension liabilities of the Company are estimated to decrease $32,251 or increase $33,863 respectively.

B. Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Company contributes 6% of the employee's monthly wages to the Bureau of the Labor Insurance. Therefore, the Company has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Company contributed $78,423 and $77,889 under defined contribution plan to the Bureau of the Labor Insurance in the year 2014 and 2013 respectively.

(17) Income tax

A. Income tax expense (benefit)

The amount of income tax expense (benefit) for the year 2014 and 2013 are as follows:

		2014	2013
Current income tax expense (benefit)			
Current year	$	8,004	24,833
Adjustment to the prior years' income tax		(37,025)	(84,803)
		(29,021)	(59,970)
Deferred income tax expense			
Unrealized losses on derivative financial instruments		(24,552)	(10,703)
Unrealized gains on foreign investments under Equity Method		1,637	5,437
Amortization of operation franchise		2,647	6,689
Amortization of goodwill		106,308	106,308
Decrease in tax loss carried forward		173,384	64,357
Adjustments of deferred income tax assets and liabilities		9,595	64,145
		269,019	236,233
Income tax expenses	**$**	**239,998**	**176,263**

The amount of income tax expense or benefit recognized in other comprehensive income in year 2014 and 2013 is as follows:

		2014	2013
Foreign exchange difference from translating financial statements of foreign operations	**$**	**19,679**	**7,601**

Reconciliation of income tax expense (benefit) and income before tax in year 2014 and 2013 are as follows:

	2014	2013
Net income before tax	$ 2,265,303	1,648,047
Income tax using the Company's domestic tax rate	$ 385,102	280,168
Tax-exempt income	(125,678)	(108,080)
10% surtax on undistributed earnings	8,359	24,625
Income tax difference of bonds purchased under resale agreements and income tax separately levied	(355)	208
Adjustments to prior years' income tax	(37,025)	(84,803)
Unrecognized temporary differences for prior years	9,595	64,145
Total	**$ 239,998**	**176,263**

B. Deferred income tax assets and liabilities

a. Recognized deferred income tax assets

	December 31, 2014	December 31, 2013
Foreign exchange difference from translating financial statements of foreign operations	$ -	4,000
Tax loss carried forward	581,309	750,794
Unrealized impairment loss	-	6,925
Provision pension fund	-	21,288
Deferred income tax assets	**$ 581,309**	**783,007**

The ROC Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2014, the Company's estimated tax losses recognized under deferred income tax asset are as follows:

Loss Year	Amount	Expiration Year
2011(Assessed)	**$ 2,948,426**	2021

b. Recognized deferred income tax liabilities

	December 31, 2014	December 31, 2013
Foreign exchange difference resulted from translation of financial statements of foreign operations	$ 15,681	-
Unrealized gains on derivative financial instruments	12,997	37,549
Unrealized gains on foreign investments under Equity Method	9,153	7,516
Losses on intercompany transactions	1,639	1,639
Amortization of operation franchise	63,384	75,458
Amortization of goodwill	389,795	283,487
Land value incremental tax	47,691	47,691
Deferred income tax liabilities	**$ 540,340**	**453,340**

c. Income tax assessment status

The Company's income tax returns through 2011 were assessed by the Tax authority.

d. The information about imputation system is as follows:

	December 31, 2014	December 31, 2013
Undistributed earnings after 1998	**$ 2,089,222**	**1,423,960**
Imputation credit account	**$ 3,383,514**	**3,629,028**

	2014 (Estimated)	2013 (Actual)
Deductible ratio for earnings distributed to ROC residents	**23.19%**	**26.09%**

The above imputation information was calculated based on the Ruling No. 10204562810 issued by the Ministry of Finance on October 17, 2013.

e. Income tax administrative relief

(1) Since income tax of securities trading and amortization of intangible assets withheld for year 2008 and 2010 were assessed differently from those reported by the Company, additional tax of $52,253 was levied, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept. Since income from securities trading and amortization of intangible assets withheld for 2011 were assessed differently from those reported by the Company, additional tax loss carried forward of $123,042 was levied, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(2) The income tax returns of the merged entity, Taiwan International Securities Corp., have been assessed by the Tax Authority through 2010.

(18) Capital and other equity

A. Capital stock

As of December 31, 2014 and 2013, the Company had authorized capital of $30,000,000 and issued common stock of $2,369,073 thousand shares with $10 dollars face value per share.

B. Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

C. Retained earnings

a. Legal reserve

In accordance with Company Act amended in January 2012, 10 percent of the current year's earnings after tax should be set aside as legal reserve, until the cumulative balance equals to the total amount of paid-in capital. If the Company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders' meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

b. Special reserve

In accordance with Article 41 of the Securities and Exchange Law, 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1010028514 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

c. Unappropriated earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then 10% and 20% of the remainder should be appropriated as legal reserve and special reserve, respectively. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The rest may be distributed in the ratio specified below:

(1) Remuneration to directors and supervisors: 1%~4%.

(2) Employees bonuses: 1%~3%.

(3) Dividends to stockholders: 93%~98%.

The estimation of employee bonuses and remunerations to directors and supervisors was calculated based on the income after tax of the year deducted by legal reserve and special reserve and multiplied by the distribution rates of employee bonuses and remunerations to directors and supervisors which are regulated in the Company's articles of incorporation. The Company estimated employee bonuses of $23,487 and $32,585 and remunerations to directors and supervisors of $39,144 and $43,447 respectively and was recognized in operating expense for year 2014 and 2013.

To continue its expansion and increase profitability, and maintain its capital adequacy ratio, the Company adopts the residual dividend policy. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the budget plan, stock dividends are distributed to retain necessary funds first, and may then be paid as cash dividends subsequently. Cash dividends cannot be less than 10%.

According to the resolution of shareholders' meeting on June 18, 2014, the Company's 2013 earnings distribution for employee bonuses, remuneration to directors, supervisors and cash dividends were $14,377, $25,436 and $1,066,083 respectively. Due to the above changes, the difference between employee bonuses of $32,585 and remuneration to directors and supervisors of $43,447 for 2013 financial statements was $36,219 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2014.

The Company's 2012 earnings distribution for employee bonuses, remuneration to directors, supervisors and cash dividends were $11,463, $15,284 and $355,361 under the resolution of shareholders' meeting on June 25, 2013. Due to the above changes, the difference of employee bonuses $21,630 and remuneration to directors and supervisors $28,841 for 2012 financial statements was $23,724 in total. The difference was accounted for as changes in accounting estimates and would be reflected in the statement of income in 2013.

The resolution of the board of directors and stockholders about earnings distribution can be found on the Market Observation Post System.

(19) Earnings per share

The basic earnings per share and dilutive earnings per share of year 2014 and 2013 are calculated as follows:

	2014	2013
Net income	$ 2,025,305	1,471,784
Weighted-average number of common stock shares outstanding (thousands of shares)	2,369,073	2,369,073
Basic earnings per share (dollar)	$ 0.85	0.62
Dilutive potential ordinary shares (thousands of shares) (Note)	2,248	2,949
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,371,321	2,372,022
Dilutive earnings per share (dollar)	$ 0.85	0.62

Note: The shares were calculated based on the closing price at the reporting date.

(20) Items of comprehensive income statement

A. Brokerage commissions

	2014	2013
Brokerage commission from TSE market	$ 1,768,032	1,625,639
Brokerage commission from OTC market	705,017	486,900
Handling fee from security financing	74,946	69,157
Others	815	1,087
	$ 2,548,810	2,182,783

B. Underwriting commissions

	2014	2013
Revenues from underwriting securities on a firm commitment basis	$ 57,040	73,021
Handling fee revenues from underwriting securities on best-efforts basis	1,001	2,603
Processing fee revenues from underwriting operations	25,732	38,204
Revenues from underwriting consultation	13,763	29,707
Others	71,832	140,975
	$ 169,368	284,510

C. Net gains on sale of trading securities

		2014	2013
Revenue from securities sold - proprietary trading	$	370,357,454	374,992,088
Cost of securities sold - proprietary trading		(370,019,155)	(374,877,151)
Subtotal		338,299	114,937
Revenue from securities sold - underwriting		563,537	344,465
Cost of securities sold - underwriting		(486,710)	(328,148)
Subtotal		76,827	16,317
Revenue from securities sold - hedging		47,244,554	26,355,157
Cost of securities sold - hedging		(47,100,668)	(26,085,152)
Subtotal		143,886	270,005
Total	**$**	**559,012**	**401,259**

D. Interest revenue

		2014	2013
Interest revenue - margin loans	$	1,154,465	1,020,646
Interest revenue - bonds		192,090	149,050
Others		39,595	39,669
	$	**1,386,150**	**1,209,365**

E. Gains (Losses) on valuation of trading securities measured at fair value through profit or loss

		2014	2013
Trading securities - Proprietary	$	(11,327)	79,202
Trading securities - Underwriting		(3,145)	1,660
Trading securities - Hedging		(34,033)	190,621
Settlement coverage bonds payable of short sale		(17)	-
	$	**(48,522)**	**271,483**

F. Net gains on stock warrants issued

		2014	2013
Gains on changes in fair value of stock warrants	$	12,887,698	13,808,046
Gains on exercise of stock warrants before maturity		14,580,391	9,806,593
Losses on changes in fair value of stock warrants repurchased		(26,762,513)	(23,302,631)
Gains on expiration of stock warrants		35,031	12,753
Stock warrants issuance expenses		(119,709)	(79,860)
	$	**620,898**	**244,901**

G. Employee benefits, depreciation and amortization expenses

		2014	2013
Employee benefit expenses			
Salary expense	$	1,897,043	1,914,769
Health and labor insurance expense		153,289	150,666
Pension expense		97,135	99,587
Others		56,965	55,442
Depreciation expense		154,648	161,704
Amortization expense		31,874	32,320
	$	**2,390,954**	**2,414,488**

H. Other operating expenses

		2014	2013
Rental expense	$	165,997	183,399
Taxes		375,747	250,620
Information technology expense		104,092	108,718
Postage expense		98,525	100,402
Professional service fee		100,611	105,969
Other expenses		413,632	418,310
	$	**1,258,604**	**1,167,418**

I. Other gains and losses

		2014	2013
Financial revenue	$	2,619	1,831
Revenue from bank's allocation fee		151,312	144,842
Exchange gains (losses)		(47,680)	18,426
Lease revenue		57,711	44,473
Revenue from information technology service		18,020	24,105
Gains on reversal of prior year's liabilities		53,237	62,606
Net gains on disposal of property and equipment		3,169	1,345
Dividend revenue		21,578	19,204
Net gains on disposal of investment		7,811	1,427
Net gains on measuremet of non-operating instruments at fair value through profit or loss		5,123	6,089
Others		17,024	56,230
	$	**289,924**	**380,578**

(21) Financial instruments

A. Credit risk

a. Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2014 and 2013, the maximum credit exposure amounted to $41,872,428 and $38,958,660 respectively.

b. Impairment loss

The Company's ageing analysis of receivables at reporting date is as follows:

	December 31, 2014		December 31, 2013	
	Total amount	Impairment	Total amount	Impairment
Not past due	$ 25,787,427	65,924	25,548,703	65,623
Past due 0~30 days	117	117	187	187
Past due 31~120 days	209	209	525	525
Past due 121~160 days	113	113	91	91
Past due more than one year	688	688	623	623
	$ 25,788,554	**67,051**	**25,550,129**	**67,049**

Allowance for doubtful debts under receivables is recorded for the debt expense or impairment loss. Where a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2014 and 2013, the impairment losses of account receivables were recognized $67,051 and $67,049 respectively.

B. Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Company predicts the cash flow occurring point or the actual amount of this maturity analysis will not be significantly earlier or different.

December 31, 2014	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	$ 1,043,849	1,043,849	1,043,849	-	-	-	-
Settlement coverage bonds payable of short sale	99,766	99,766	99,766	-	-	-	-
Stock warrants issued	633,190	633,190	560,487	72,703	-	-	-
Put options - futures	421	421	421	-	-	-	-
Interest swap contracts	4,422	4,422	(353)	396	639	3,740	-
Put options	348,450	348,450	38,817	54,326	192,673	62,634	-
Short-term borrowings	2,657,000	2,657,000	2,657,000	-	-	-	-
Commercial paper payable	1,749,717	1,750,000	1,750,000	-	-	-	-
Bonds sold under repurchase agreements	14,725,686	14,736,603	14,736,603	-	-	-	-
Securities financing refundable deposits	2,231,990	2,231,990	2,231,990	-	-	-	-
Deposits payable for securities financing	2,593,973	2,593,973	2,593,973	-	-	-	-
Securities lending refundable deposits	2,254,764	2,254,764	2,254,764	-	-	-	-
Notes payable and accounts payable	44,173	44,173	44,173	-	-	-	-
Receipts under custody	123,215	123,215	123,215	-	-	-	-
Other payables	700,167	700,167	700,167	-	-	-	-
Long term liabilities - current portion	500,000	500,000	500,000	-	-	-	-
Current tax liabilities	167,818	167,818	-	167,818	-	-	-
Structured notes	2,256,615	2,256,615	2,030,527	113,523	95,377	17,188	-
	$ 32,135,216	**32,146,416**	**31,365,399**	**408,766**	**288,689**	**83,562**	**-**

December 31, 2013	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	$ 667,040	667,040	667,040	-	-	-	-
Stock warrants issued	346,188	346,188	328,911	17,277	-	-	-
Put options - futures	333	333	333	-	-	-	-
Equity derivatives	2	2	2	-	-	-	-
Put options	310,475	310,475	63,119	80,727	109,519	57,110	-
Short-term loans	2,019,000	2,019,000	2,019,000	-	-	-	-
Commercial paper payable	2,299,582	2,300,000	2,300,000	-	-	-	-
Bonds sold under repurchase agreements	13,115,259	13,121,880	13,121,880	-	-	-	-
Securities financing refundable deposits	2,366,747	2,366,747	2,366,747	-	-	-	-
Deposits payable for securities financing	3,008,916	3,008,916	3,008,916	-	-	-	-
Securities lending refundable deposits	1,779,917	1,779,917	1,779,917	-	-	-	-
Notes payable and accounts payable	136,287	136,287	136,287	-	-	-	-
Receipts under custody	560,640	560,640	560,640	-	-	-	-
Other payables	735,181	735,181	735,181	-	-	-	-
Current tax liabilities	243,628	243,628	-	243,628	-	-	-
Structured notes	1,707,591	1,707,591	120,130	169,246	1,418,215	-	-
	$ 29,296,786	**29,303,825**	**27,208,103**	**510,878**	**1,527,734**	**57,110**	**-**

C. Currency risk

a. Currency risk exposure

The Company's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

	December 31, 2014		December 31, 2013	
Financial assets	**Foreign currency**	**Rate**	**Foreign currency**	**Rate**
Monetary Item				
USD	1,222	31.65	55,293	29.81
HKD	17,422	4.08	6,949	3.84
EUR	39	38.47	22	41.09
JPY	2,165	0.2646	3,810	0.2839
GBP	8	49.27	1	49.28
AUD	23	25.91	60	26.59
SGD	32	23.94	45	23.58
CHF	1	31.98	-	-
ZAR	7	2.74	-	-
CNY	50,800	5.092	81,731	4.920
CAD	6	27.27	6	28.01
Non-Monetary Item				
USD	9,069	31.65	8,732	29.81
HKD	73,465	4.08	42,442	3.84
CNY	338,838	5.092	128,479	4.920
Investment under Equity Mothod				
USD	56,260	31.600	55,952	29.755

	December 31, 2014		December 31, 2013	
Financial liabilities	**Foreign currency**	**Rate**	**Foreign currency**	**Rate**
Monetary Item				
USD	77,346	31.65	66,950	29.81
CNY	188,071	5.092	120	4.920

b. Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets measured at fair value through profit or loss and securities lending refundable deposits, which are denominated in foreign currencies. Foreign exchange gain or loss occurs when translating the foreign currency assets to NTD assets. For the year ended December 31, 2014 and 2013, given other factors remain the same, if NTD increase or decrease 5% contrary to other currencies, the income after help will increase or decrease by $29,924 and $47,349 respectively.

D. Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The Company's internal reports to key management level showed the increases or decreases in the interest rates and the exposure to changes in interest rates on 20 basis points so as to allow key management to evaluate the reasonableness of the changes in the interest rates.

If the interest rate increases or decreases 0.2% (20 basis points) with all other variable factors remain constant, the Company's net income will decrease or increase by $483 and $3,880 for the year 2014 and 2013, this is mainly due to the Company's borrowing, investment, and saving in floating rates

E. Fair value of financial instruments

As of December 31, 2014 and 2013, the fair value information of the financial assets and financial liabilities of the Company is as follows:

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets :				
Cash and cash equivalents	$ 1,196,603	1,196,603	2,006,379	2,006,379
Financial assets at fair value through profit or loss - current				
Financial assets held for trading				
Non-derviative financial instruments				
Open-ended funds and money-market instruments	450,027	450,027	453,046	453,046
Trading securities	23,431,305	23,431,305	18,976,686	18,976,686
Derviative financial instruments				
Futures margin - proprietary fund	110,452	110,452	51,452	51,452
Call options - futures	1,123	1,123	1,680	1,680
Derviative financial assets - OTC	81,227	81,227	37,085	37,085
Bonds purchased under resale agreements	-	-	558,394	558,394
Accrued receivable	27,044,288	27,044,288	27,520,054	27,520,054
Pledged assets - current	391,000	391,000	399,000	399,000
Financial assets at fair value through profit or loss - non-current	189,262	189,262	208,135	208,135
Financial assets measured at cost - non-current	389,353	389,353	636,539	636,539
Investments under equity method	3,588,515	3,716,875	3,127,503	3,540,958
Other assets - non-current	1,578,860	1,578,860	1,607,486	1,607,486
Financial liabilities :				
Short-term borrowings	$ 2,657,000	2,657,000	2,019,000	2,019,000
Commercial paper payable	1,749,717	1,749,717	2,299,582	2,299,582
Financial liabilities at fair value through profit or loss - current				
Financial liabilities held for trading				
Non-derviative financial instruments				
Liabilities on sale of borrowed securities	1,043,849	1,043,849	667,040	667,040
Settlement coverage bonds payable of short sale	99,766	99,766	-	-
Derviative financial instruments				
Stock warrants issued	8,277,524	8,277,524	8,644,046	8,644,046
Stock warrants repurchased	(7,644,334)	(7,644,334)	(8,297,888)	(8,297,858)
Put options - futures	421	421	333	333
Derviative financial liabilities - OTC	355,957	355,957	329,550	329,550
Bonds sold under repurchase agreements	14,725,686	14,725,686	13,115,259	13,115,259
Accrued payable	13,332,492	13,332,492	15,388,434	15,388,434
Other financial liabilities - current	2,140,965	2,140,965	289,377	289,377
Long-term liabilities - current portion	500,000	500,000	-	-
Other financial liabilities - non-current	112,565	112,565	1,399,141	1,399,141
Other liabilities - non-current	537,335	537,335	517,502	517,502

Valuation techniques and assumptions used by the Company for fair value evaluation were as follow:

a. For short term financial instruments, the fair values are determined based on their book value because of their short maturities. The method is applied to cash and cash equivalents, bonds purchased under resale agreements, accrued receivable, other current assets, other assets - non-current, short term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, other financial liabilities - current , other financial liabilities - non-current, and other liabilities - non-current.

b. Financial assets measured at cost and equity investments in unlisted stocks do no have the quoted market prices in an active market and the variability in the range of reasonable fair values is significant or the probabilities of the various estimates within the range can't be reasonably assessed, so the fair value is unable to be reliably measured. Therefore, the Company considers the book value as a reasonable approximation of fair value.

c. The fair value of financial instruments at fair value through profit or loss and available-for-sale financial assets that belongs to non-derivative financial instrument is based on quoted market prices in an active market. If the quoted market price is unavailable, the fair value is determined based on certain valuation techniques. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

d. The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

F. Fair value hierarchy

a. The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (Unobservable inputs)

The financial assets and liabilities measured at fair value as of December 31, 2104 and 2013 are as follows:

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 7,685,284	16,385,310	-	24,070,594
Derivative financial assets	111,575	81,227	-	192,802
	$ 7,796,859	**16,466,537**	**-**	**24,263,396**
Financial liabilities at fair value through profit or loss	$ 1,776,805	-	-	1,776,805
Derivative financial liabilities	421	355,957	-	356,378
	$ 1,777,226	**355,957**	**-**	**2,133,183**

b. Transfer between tier 1 and tier 2

There is no significant transfer between tier 1 and tier 2 during year 2014 and 2013.

(22) Financial risk management

A. Brief

The Company is exposed to the following risks due to the usage of financial instruments:

a. Credit risk

b. Liquidity risk

c. Market risk

This note describes the Company's information concerning risk exposure, and the Company's targets, policies and procedures to measure and manage the risks. The further detail of the quantitative result please refers to each note.

B. Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

C. Credit risk

Credit risk refers to the risk of financial losses to the Company arising from default by the clients or counterparties of financial instruments on the contract obligation.

The Company sets up the credit limits for issuers and counterparties according to the credit information requirements of the authorities and the credit rating information release by credit rating agencies. The credit limit of securities margin transactions is subject to the requirements of the competent authority. The derivatives' credit exposure of counterparty shall be measured on a daily basis. If the limits are exceeded, to increase of collateral or lower transaction position is required. The bonds can be invested only its credit rating is above a prescribed level. And monitor the material information disclosed, information on capital raising activities and operation status of counterparty as a reference for measuring the possibility of credit default. The bond position should be disposed if the credit rating is lower than required.

D. Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.

Besides decentralizing the financial institutions, the Company also to diversify the financing channels for funding. The Company plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Company has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc to address the liquidity risk of each holding position. Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

E. Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Company's revenue or the value of its holdings of financial instruments.

The Company has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Company uses to measure the market risk are as follows:

a. Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.

b. Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.

c. Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.

d. Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Company can utilizes approved financial hedging instruments (such as Futures, Options, Swap and etc) to adjust the risk level to improve the risk management system implemented.

F. Hedging strategies (financial hedging)

The Company's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position.

a. Equity securities:

As equity securities price fluctuate, the Company will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

b. Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer losses when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

c. Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Company will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Company will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

d. Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

e. Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Company manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

G. Financial risk information of derivative financial instruments

As of December 31, 2014 and 2013, the related financial risk and the presentation of the Company's financial derivatives were as follows:

Stock warrants

a. Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Stock warrants issued	$ 41,313,589	-	9,754,376	-

The Company collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

b. Market risk

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants.

c. Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand.

The Company establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

d. Type, purpose, and strategy of financial derivatives held

The Company's strategy is to avoid most of the market risk. Non-trading marketable securities hedging positions are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

e. Presentation of financial derivatives

In year 2014 and 2013, relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

In 2014:

(1) Gains (losses) on valuation

	Amount	Account
Stock warrants issued	$ 4,095,759	Gains (losses) on stock warrants issued
Stock warrants repurchased	(3,851,835)	Gains (losses) on stock warrants issued

(2) Gains (losses) on sale

	Amount	Account
Security borrowing	$ (68,812)	securities and bonds with resale agreements
Trading securities - hedging	(89,159)	Gains (losses) on sale of trading securities
Futures	(90,195)	Gains (losses) on derivative financial instruments - futures

(3) Gains (losses) on maturity

	Amount	Account
Stock warrants issued	$ 23,407,361	Gains (losses) on stock warrants issued
Stock warrants repurchased	(22,910,678)	Gains (losses) on stock warrants issued

In 2013:

(1) Gains (losses) on valuation

	Amount	Account
Stock warrants issued	$ 3,932,533	Gains (losses) on stock warrants issued
Stock warrants repurchased	(3,889,488)	Gains (losses) on stock warrants issued

(2) Gains (losses) on sale

	Amount	Account
Security borrowing	$ (62,448)	Gains (losses) on covering of borrowed securities and bonds with resale
Trading securities - hedging	119,614	Gains (losses) on sale of trading securities
Futures	20,076	Gains (losses) on derivative financial instruments - futures

(3) Gains (losses) on maturity

	Amount	Account
Stock warrants issued	$ 19,694,859	Gains (losses) on stock warrants issued
Stock warrants repurchased	(19,413,143)	Gains (losses) on stock warrants issued

Futures

a. Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Taiex Futures	$ 28,797	-	75,098	-
Taiex Options	410	-	88	-
Taiex Weekly Options	5	-	-	-
For non-trading purpose:				
Taiex Futures	194,735	-	-	-
Stock Futures	900,101	-	340,462	-
Taiex Options	2,062	-	2,585	-
Stock Options	19	-	-	-

Should counterparties to stock futures, index futures, index options and stock options default, the associated loss is borne by the futures commission merchants. Hence, the Company is subject to insignificant credit risk.

b. Market risk

Market risk of trading stock index futures, index options and stock options resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the Company can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gain or loss from the fluctuations of index tends to offset gain and loss of the hedged items. Hence, there is no significant market risk.

c. Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand

The open positions of futures and options held by the Company can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Stock index futures and government bond futures are considered margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Company. For margin calls, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Company has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

d. Presentation of financial derivatives

In 2014 and 2013, gains (losses) on index futures and stock futures transactions amounted to ($101,490) and $21,369, respectively, and were reflected as gains or losses on derivatives - futures. As of December 31, 2014 and 2013, futures margin - proprietary fund amounted to $110,452 and $51,452, respectively, and were reflected as financial assets at fair value through profit or loss - current.

In 2014 and 2013, losses on index options and stock options amounted to $15,568 and $20,392, respectively, and were reflected as losses on derivatives - futures. As of December 31, 2014 and 2013, the balance of call options which recognized as financial assets at fair value through profit or loss - current amounted to $1,123 and $1,680, respectively, put options which recognized as financial liabilities at fair value through profit or loss - current amounted to $421 and $333 respectively.

Derivative financial instruments - OTC

a. Interest rate financial derivatives

(1) Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	$ 53,440,000	-	50,890,065	-

Counterparties to interest rate swaps are banks with good credit ratings. The Company pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

(2) Market risk

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gain or loss from the fluctuations of interest rate tends to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, Stop-loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Company's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

(4) Type, purpose, and strategy of financial derivatives held

The Company entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Company's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Company engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

b. Structured notes

(1) Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Equity-linked notes	$ 16,000	-	65,588	-
Principal guaranteed notes	1,932,968	-	1,309,040	-
Credit-linked notes	304,800	-	330,600	-

The Company collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

(2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

The Company collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

c. Convertible bond asset-backed swaps

(1) Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Convertible bond asset-backed swaps	$ 1,038,100	-	1,080,000	-
Convertible bond options	2,875,700	-	2,167,700	-

Counterparties to convertible bond asset-backed swaps are institutions with good credit ratings. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Company maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Company collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

(2) Market risk

For convertible bond asset-backed swaps, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

(3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Company also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

The underlying assets of Convertible bond option transaction in which the Company engages in were acquired through underwriting or proprietary trading. Prior to issuing convertible bond options, the Company has collected premium or margins from investors; therefore there is no significant liquidity risk.

d. Options

(1) Notional principal (nominal amount) and credit risk

	December 31, 2014		December 31, 2013	
Financial Instruments	**Notional principal / Nominal amount**	**Credit Risk**	**Notional principal / Nominal amount**	**Credit Risk**
For trading purpose:				
Equity options	$ -	-	10,500	-

The counterparties that the Company entered into for derivative transactions were all well-known financial institutions with good credit ratings. The Company does not expect the counter-party to default and hence, credit risk is low.

(2) Market risk

Market risk of trading equity options results from the purchase and sale of options. Since the fair values of options are available, and stop-loss points are established in order to manage risk, the Company can confine losses to a predictable range. Therefore, there is no significant market risk.

(3) Liquidity risk, cash flow risk, and the amount of future cash demand

For equity options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, no cash flow risk, and no significant cash demand.

e. Presentation of derivative financial instruments - OTC

As of December 31, 2014 and 2013, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, forward bonds, and convertible bond asset-backed swaps were presented on the balance sheets as follows:

	December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss - current		
IRS asset swaps	$ 25,952	23,786
Interest rate swaps	-	885
Foreign exchange swaps	45,318	1,370
Asset swap options - long position	9,881	10,575
Structured notes	76	469
Total	**$ 81,227**	**37,085**

	December 31, 2014	December 31, 2013
Financial liabilities at fair value through profit or loss - current		
Asset swap options - short position	$ 348,450	310,475
IRS asset swaps	249	-
Equity derivatives	-	2
Interest rate swaps	3,670	-
Foreign exchange swaps	503	-
Structured notes	3,085	19,073
Total	**$ 355,957**	**329,550**
Other financial liabilities - current		
Structured notes principal value	**$ 2,140,965**	**289,377**
Other financial liabilities - non-current		
Structured notes principal value	**$ 112,565**	**1,399,141**

In year 2014 and 2013, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options and convertible bond asset-backed swaps are presented on statements of income as follows:

	2014	
	Gains (losses) on derivative financial instrumnets - OTC	Unrealized Gains (losses)
Interest rate swaps	$ (8,589)	(3,670)
Equity derivatives	1,497	-
Structured notes	(25,572)	(2,915)
IRS asset swaps	784	299
Asset swap options	(122,864)	(37,422)
Bond options	-	-
Foreign exchange swaps	109,253	44,815
Total	**$ (45,491)**	**1,107**

	2013	
	Gains (losses) on derivative financial instrumnets - OTC	**Unrealized Gains (losses)**
Interest rate swaps	$ (3,145)	885
Equity derivatives	(2,076)	189
Structured notes	(24,571)	(2,609)
IRS asset swaps	457	337
Asset swap options	(214,562)	(92,148)
Bond options	(2,599)	-
Foreign exchange swaps	1,370	-
Total	**$ (245,126)**	**(93,346)**

(23) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Company has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

As of December 31, 2014, the Company maintains no change of its capital management.

7. RELATED PARTY TRANSACTIONS

(1) Relationships between parents and subsidiaries

Refer to Note 13(2) for a detailed list of the Company's subsidiaries.

(2) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the consolidated Company.

(3) Key management personnel transactions

A. Key management personnel compensation:

	2014	2013
Short-term employee benefits	$ 118,470	117,299
Post-employment benefits	1,209	1,179
Total	**$ 119,679**	**118,478**

B. Bond transactions

Bonds sold under repurchase agreements between key management personnel in year 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Par value	Purchase price	Par value	Purchase price
Key management personnel	$ 56,400	60,914	59,100	63,463

Total financial expenses	2014	2013
Key management personnel	$ 438	318

C. Structured notes transactions

The Company engages in structured notes transactions with key management personnel. As of December 31, 2014 and 2013, the balances of structured notes transactions were $22,200 and $54,800 respectively.

(4) Significant transactions with related parties

A. Bond transactions

Bonds sold under repurchase agreements in year 2014 and 2013 are as follows:

	December 31, 2014		December 31, 2013	
	Par value	Purchase price	Par value	Purchase price
Subsidiaries	$ 126,800	128,592	15,000	16,197
Affiliates	11,000	11,300	29,600	31,196
Total	**$ 137,800**	**139,892**	**44,600**	**47,393**

	2014	2013
	Total financial expense	Total financial expense
Subsidiaries	$ 473	119
Affiliates	141	230
Total	**$ 614**	**349**

Transaction terms are the same as those with general clients.

B. Futures commission revenue

The Company provided futures trading assistance for subsidiary.

	December 31, 2014	December 31, 2013
Commission receivable	$ 12,690	8,007

	2014	2013
Futures commission revenue	$ 120,735	112,789

C. Futures trading

The futures margin in subsidiary of the Company is as follows:

	December 31, 2014	December 31, 2013
Futures margin - propreietary fund	$ 368,897	211,985

	2014	2013
Interest revenue of futures margin	$ 178	111
Handling fees	$ 4,657	2,615

D. Lease agreements

a. Lease revenue

	2014	2013
Subsidiaries	$ 17,097	17,430

b. Guarantee deposits received

	December 31, 2014	December 31, 2013
Subsidiaries	$ 3,909	3,909

E. Information technology service

In year 2014 and 2013, the Company provided information technology service to subsidiaries, and the revenue of information technology service amounted to $18,020 and $23,161 respectively.

F. Stock service income

In year 2014 and 2013, the Company provided stock service to subsidiaries, and the stock service income amounted to $431 and $391 respectively.

G. Securities commission expense

The Company delegated subsidiaries for introducing brokers. As of December 31, 2014 and 2013, securities commission expense payable amounted to $301 and $204 respectively and securities commission expenses amounted to $3,033 and $2,275 respectively.

H. Consulting fee

Subsidiaries agreed to provide investment information, training courses, and services of publishing non-periodicals. In year 2014 and 2013, consulting fee paid amounted to $87,150 and $84,000 respectively.

I. Insurance commission income

The Company assists subsidiaries to recruit insurance contracts and charge commission income. The details are as follows:

a. Commission revenues

	2014	2013
Subsidiaries	$ 13,812	37,783

b. Accounts receivable

	December 31, 2014	December 31, 2013
Subsidiaries	$ 311	5,080

J. Brokerage commissions

The investors of CSC Securities (HK) Ltd. traded of market securities with the Company through the trust account named "Citibank CSC Securities (HK) Trust Ltd." In year 2014 and 2013, the brokerage commissions were $8,362 and $4,428 respectively. The brokerage handling fee revenue from subsidiaries was $2,162 and $783 respectively.

K. Human resources and legal service income

The Company provided human resources and legal service for subsidiaries, and the human resources and legal service income amounted to $300, both in year 2014 and 2013.

L. The Company issued Letter of Comfort to the banks which loaned to subsidiaries.

8. PLEDGED ASSETS

The following assets were pledged as collateral or restricted in use on December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013	The collateral use
Restricted assets - current	$ 391,000	399,000	Bank borrowings, commercial paper and accounts settled
Restricted assets - non - current	130,586	130,586	Trust to a impartial third party (Note 12)
Trading securities and bonds purchased under resale agreements	13,462,900	12,806,200	Repurchase agreement
Property and equipment	3,835,966	4,687,438	Bank borrowings
Financial assets at fair value through profit or loss - non-current	189,262	208,135	Guaranty deposited for bills, interest rate swaps business, structured notes business and settlement fund
Investment property	1,167,787	936,948	Bank borrowings
Total	**$ 19,177,501**	**19,168,307**	

9. SIGNIFICANT CONTINGENT LIABILITY AND UNRECOGNIZED CONTRACT COMMITMENT

(1) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

	December 31, 2014		December 31, 2013	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	$ 1,058,730	10,587,300	1,043,985	10,439,850
Collateral for margin purchase	5,985	59,850	5,379	53,790
Collateral for short sales	7,293	72,930	18,866	188,660
Lending securities to customers through short sales	49,606	496,060	66,987	669,870

(2) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

	December 31, 2014		December 31, 2013	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	$ 573	5,730	3,376	33,760
Collateral for refinancing margin	217	2,170	14	140

(3) Information of issuing promissory notes in connection with guaranty for segregated error accounts, debt, and issuance of commercial paper are as follows:

	December 31, 2014	December 31, 2013
Promissory notes	**$ 20,820,000**	**21,020,000**
Promissory notes	**USD 80,000**	**50,000**

(4) The Company designated Mr. Liu as a consultant to assist expanding brokerage business and entered into a non-competition agreement with him. The Company paid the consulting fee according to the actual operating performance. During March, 2011, Mr. Liu and the Company re-signed a supplementary to replace the old agreement and the major difference is the annual consulting fee is fixed for $16,000. The effective period is from January 1, 2011 to March 31, 2016. The Company already recognized $16,000 both as miscellaneous expense in year 2014 and 2013.

(5) Securities and Futures Investors Protection Center claims against the Company for compensation of $2,004; due to the fact that the Company, being the underwriter of client's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The case is under the trial of Taiwan District Court. According to the opinion from the attorney of the Company, the case had no impact to the Company.

(6) The client, Mr. Wu, declared that a resigned employee of Tung-Hu branch stole and sold off his stocks and withdrew his deposit illegally. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation for damages of $36,000 with additional interests. Based on Year 2008 Chung Su No.684 verdict, the Taiwan Taipei District Court ruled in favor of the Company. Mr. Wu was unwilling accept the result and appealed to the high court. This case is currently under the review of the Taiwan High Court. According to the opinion from the attorney of the Company, the case is a personal financial dispute between customer and the former employee and had no impact to the Company.

(7) The client, Mr. Chen, declared that Entie Securities Finance Ltd. (the Company's merged entity) did not return the remaining amount of the transaction and requested the Company to reimburse $1,826 and related interests. Taiwan High Court ruled in favor of the Company. The client was not willing to accept the verdict and filed an appeal. It is currently under the review of the Taiwan Supreme Court.

(8) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the Regulations Governing Securities Firms due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US$15 million. However, relevant evidence is still under inspection and the legal responsibilities are pending clarification. Some investors instituted proceedings towards TISC and claimed damages amounting to US$7,956,873 (including claim amount US$280,000 towards Taiwan International Securities Investment Consulting Corp.). As of December 31, 2014, the damages claimed for amounted to US$2,152,075 which is favorable to the Company instead of US$5,026,873;and the investors reached compromises to waive off the appeal rights. Since the case is currently on trial, the possible loss remains uncertain at the moment according to the opinion from the attorney of the Company. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is $173,000, thus the Company recognized this amount as other liabilities.

(9) Ding-Li Assets Management Co., Ltd. (hereinafter known as "Ding-Li") acquired the financing creditor's right of Mr. Huang and two other person and claimed that employees of Chang-Li Securities Corp. and Da-Yong Securities Corp. opened these three people's accounts without their consent. Since Chang-Li Securities Corp. and Da-Yong Securities Corp. were acquired by the Company, Ding-Li filed a lawsuit to claim against the Company; amounting to $1,800. The case is currently under the review of the Taiwan Taipei District Court.

(10) The original shareholder of Taiwan International Securities Corporation (hereinafter known as "TISC"), China Development Financial Holdings (hereinafter known as "CDFH"), possessed a different point of view towards the election motion of 2009 shareholder's meeting and instituted a proceeding in terms of the existence of fiduciary relation toward the TISC. On June 4, 2010, Taiwan Taipei District Court ruled that the fiduciary relation between TISC and aforementioned board of directors and supervisors was not existed based on Year 2009 No. 1086 verdict. The CDFH and TISC both appealed to the verdict. On July 12, 2011, Taiwan High Court ruled that the CDFH has no legal interests in demanding such judgment after the Company merged the TISC and reversed the original judgment and dismissed all the related appeals based on Year 2010 No. 507 verdict. The CDFH appealed to Taiwan Supreme Court. Taiwan Supreme Court reversed the case to Taiwan High Court based on July 19, Year 2012 No 1093 verdict that the original verdict was in contravention of the laws because the distributing method of the remuneration for directors and supervisors was not explained.

(11) The Company provided the Letter of Comfort for its subsidiary CSC International Holdings Ltd. and CSC securities (HK) Ltd.

(12) In October 2005, the former account executive of the Company's subsidiary - Taiwan International Futures Corporation (hereinafter known as "TIFC") was suspected for deceiving futures investors and causing a material loss. Several investors institute proceedings towards TIFC and claim joint responsibility of compensation for damages. After viewing by TIFC and its attorney, those litigations were classified by actual situations and relevant matters, thereon adopted different solutions. As of December 31, 2014, sixteen litigations with civic claim were filed (including seven cases with ancillary civil action transferred from Taiwan Taipei District Court Criminal Division to Taiwan Taipei District Court Civic Division). Two litigations had been settled and dismissed. Eleven litigations were ruled in favor of TIFC by Taiwan Supreme Court, Taiwan High Court and Taiwan Taipei District Court, respectively. Two litigations were ruled by Supreme Court that the resigned-employee and TIFC should be jointly responsible for the compensation for damages, and TIFC had indemnified $52,701 for the investor. One litigation was ruled a partial victory and a partial defeat by Taiwan Taipei District Court on December 22, 2008, Taiwan High Court on May 25, 2010, Taiwan Supreme on June 30, 2011, and Taiwan High Court on February 19, 2014. TIFC has appealed and Taiwan Supreme Court remanded the case to Taiwan High Court on July 14, 2014. As of December 31, 2014, TIFC has paid $162,812 for compensation and the estimated losses amounted to $254,389 in other liabilities – non-current.

The alleged damages amounted to $284,139 for those two litigations are still on trial. In addition, the plaintiffs of those four cases applied to the court for provisional seizure and the amount of provisional seizure and execution fees were $222,991.

As of December 31, 2014, the objects of provisional seizure are as follows:

	Provisional Seizure Amount	
Bank deposit	$	88,821
Clearing and Settlement fund		15,121
Accounts receivable		9
Other accounts receivable		4
	$	**103,955**

The Financial Supervisory Commission Executive Yuan voided TIFC's business license on December 27, 2007. Thus, the shareholders' special meeting of TIFC decided to dissolve the company on September 18, 2008. Mr. Kuo, a certified public accountant, and Mr. Liu, a lawyer were designated as liquidators. TIFC is still in the process of liquidation.

(13) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and list of trust properties of trust accounts were declared as follows:

a. Balance sheet of trust accounts

Balance Sheet of Trust Accounts
December 31, 2014 and 2013

Trust Assets	December 31, 2014	December 31, 2013	Trust Liabilities	December 31, 2014	December 31, 2013
Bank deposits	$ 813,907	389,691	Accounts payable	$ 337	391
Short-term investment			Trust capital	10,996,632	4,248,534
Funds	9,459,615	2,623,736	Accumulated earnings or deficit	311,901	(14,401)
Stocks	724,537	680,507			
Securities lent	278,386	526,848			
Accounts receivable	32,425	13,742			
Total Assets	**$ 11,308,870**	**4,234,524**	**Total Liabilities**	**$ 11,308,870**	**4,234,524**

b. Income statement of trust accounts

Income Statement of Trust Accounts
Year Ended December 31, 2014 and 2013

	2014	2013
Revenue		
Interest revenue	$ 2,885	1,860
Cash dividends revenue	48,544	36,394
Rental revenue	8,926	16,278
Realized investment gain	167,345	68,318
Unrealized investment gain	276,388	108,852
Unrealized foreign exchange gain	137,477	11,734
Foreign exchange gain	31,639	2,564
Subotal	673,204	246,000
Expense		
Administrative fee	1,578	3,070
Commission expenses	35,111	408
Realized investment loss	93,780	40,658
Unrealized investment loss	163,815	163,472
Unrealized foreign exchange loss	8,982	4,076
Supplementary insurance premium	293	443
Foreign exchange loss	12,371	4,034
Subotal	315,930	216,161
Net income before tax	357,274	29,839
Income tax expense	(283)	163
Net income after income tax	**$ 356,991**	**29,676**

c. List of trust properties

List of Trust Properties
December 31, 2014 and 2013

Investment items	December 31, 2014	December 31, 2013
Bank deposits	$ 813,907	389,691
Short-term investment		
Stocks	724,537	680,507
Securities lent	278,386	526,848
Funds	9,459,615	2,623,736
Total	**$ 11,276,445**	**4,220,782**

10. SIGNIFICANT CATASTROPHIC LOSS：NONE

11. SIGNIFICANT SUBSEQUENT EVENTS：NONE

12. OTHERS

Taiwan International Securities Corp. (hereinafter known as "TISC"), the Company's merged entity, entrusted $182,000 to an impartial third party on the merging date with First Securities Co., Ltd. and Far East Securities Co., Ltd. In relations to the agreement of indemnification to the stockholders with aforementioned companies arising from the fraud matter of Taiwan International Futures Corporation (hereinafter known as "TIFC"). Such deposit shall be allocated by the trustee to the stockholders who are merged in proportion of their shareholdings in TISC, after being decided by the court or accommodated by the investors of TIFC.

By end of December 31, 2014, TIFC had reached partial consensus with its investors, and the accumulated amount of compensation was $162,812. According to the indemnification to the former stockholders of First Securities Co., Ltd. and Far Eastern Securities Co., Ltd, the Company needs to pay all of the compensation to the company participating in the merger. As of December 31, 2014, the trust amount of the impartial third party is $130,586 and the accumulated compensation expense is $51,414.

13. DISCLOSURES REQUIRED

(1) Information on significant transaction:

The followings are the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

A. Loans to others: Exhibit 1.

B. Endorsements and guarantee for others: None.

C. Acquisition of real estate over $100 millions or 20% of paid-in capital: None.

D. Disposal of real estate over $100 millions or 20% of paid-in capital: None.

E. Discount on commissions of transactions with related parties over $5 millions: None.

F. Receivables from related parties over $100 millions or 20% of paid-in capital: None.

(2) Information on reinvestment business: Exhibit 2.

(3) Information on investments in China:

A. Name of the investee, major operating item in China： None.

B. Limitation of investment in China: None.

(4) Disclosures required for securities firm investing in countries or regions without securities authority:

According to article 4, no. 5 of the letter no. 10300375782 issued by Financial Supervisory Commission on October 3, 2014, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2014 are as follows:

A. Balance sheet and income statement:

a. Balance sheet

Company / Nature	CSC International Holdings Ltd. December 31, 2014	Taiwan International Securities (B.V.I) December 31, 2014
Current assets	12,341	27
Long-term investments	26,647	-
Property and premises	2,418	-
Other assets	19,400	3,380
Total assets	60,806	3,407
Current liabilities	4,535	2
Other liabilities	59	3,357
Total liabilities	4,594	3,359
Common stock	45,000	9,516
Retained earnings	11,248	(9,385)
Cumulative translation adjustments	(36)	(83)
Total stockholders' equity	56,212	48
Total liabilities and stockholders' equity	60,806	3,407

b. Income statement

Company / Nature	CSC International Holdings Ltd. 2014	Taiwan International Securities (B.V.I) 2014
Operating revenue	1,011	-
Operating expense	(1,159)	(11)
Non-operating revenue	568	-
Non-operating expense	(95)	-
Income (loss) before tax	325	(11)
Net income (loss)	325	(11)

B. Marketable securities held as of December 31, 2014

Name of holding company	Securities types and name	Account classification	December 31, 2014	
			Shares	Book value
CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Long-term investments	4,864,400	$ 6,871
	CSC Securities (HK) Ltd.	Long-term investments	89,600,000	15,245
	CSC Finance Ltd.	Long-term investments	42,439,000	4,263
	CSC Asia Ltd.	Long-term investments	1,000,000	268
	Total			**$ 26,647**
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other	265,000,000	**$ (3,357)**

C. Transactions of financial derivatives: None.

D. Revenue on advisory and consulting service and related lawsuit: None

14. SEGMENT INFORMATION:

Please refer to the consolidated financial statements of the Company as of December 31, 2014.

CAPITAL SECURITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONT'D)

(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 1: Loans to others

(In thousands dollars)

No.	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related Party	Maximum Balance of the Period	Ending Balance	Capital Employed	Range of interest Rate	Type of Loans	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on loans to a single business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	Capital Securities (Hong Kong) Ltd.	Account receivables - Related party	Yes	US 22,288	US 22,287	US 22,287	-	2	-	Operations	-		-	US 56,212	US 56,212
3	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other receivables - Related party	Yes	US 3,380	US 3,405	US 3,380	-	2	-	Operations & repayment of financing	-		-	US 3,405	US 3,405
4	TIS Securities (HK) Limited	TIS Capital Co., Ltd.	Other receivables	Yes	HK 1,463	HK 1,463	HK 1,463	-	2	-	Repayment of financing	-		-	HK 1,463	HK 1,463

Note: Type of Loans
1. Business transactions
2. Necessaries of short-term financing

CAPITAL SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
(Amounts expressed in thousands of New Taiwan dollars, unless otherwise stated)

Exhibit 2: Disclosure required of investee companies

				Original investment amoun		Equity Ownership by Company (Note 3					
Ref No.	Name of investee company (Notes 1 and 2)	Area	Primary business operation	Ending of the period	Ending of last period	Shares	Ratio	Book value	Net income or loss of investee company	Investment gain or loss recognized by the Company	Note
0	Capital Investment Management Corp.	Taipei ,Taiwan, R.O.C.	Engaged in providing advice on securities investment and related matters , or securities investment consultancy analyzing the published materials on securities investments	72,515	72,515	7,000,000	100.00%	104,867	14,113	14,113	Subsidiary
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	Engaged in domestic and foreign futures business	649,610	413,043	70,810,918	59.01%	1,588,805	293,944	174,409	Subsidiary
0	CSC International Holdings Ltd.	British Virgin Island	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00%	1,776,294	9,970	9,970	Subsidiary
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business	3,890	3,890	389,000	100.00%	45,245	39,700	39,700	Subsidiary
0	Capital Insurance Agency Corp.	Taipei ,Taiwan, R.O.C.	Manages personal insurance agent business	7,400	7,400	740,000	100.00%	58,021	24,028	24,028	Subsidiary
0	Taiwan International Futures Corp.(Note 4)	Taipei ,Taiwan, R.O.C.	Liquidation in progress.	429,990	429,990	11,999,721	99.99%	-	-	-	Subsidiary
0	Taiwan International Securities (B.V.I) Corp	British Virgin Island	Holding company for international serurities business	1,394,817	1,394,817	300	100.00%	1,514	(341)	(341)	Subsidiary
0	Taiwan International Securities Investment Consulting Corp.(Note 5)	Taipei ,Taiwan, R.O.C.	Liquidation in progress.	9,992	9,992	999,200	99.92%	13,769	(248)	(248)	Subsidiary
1	CSC Asia Ltd.(Note 7)	Hong Kong	Liquidation in progress.	HK10,000 thousand	HK10,000 thousand	1,000,000	66.67%	HK1,437 thousand	HK(12) thousand	-	Second-level subsidiary
1	Capital Securities (Hong Kong) Ltd.(Note 7)	Hong Kong	Long-term equity investment businesses.	HK48,644 thousand	HK48,644 thousand	4,864,400	100.00%	HK53,271 thousand	HK3,262 thousand	-	Second-level subsidiary
1	CSC Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK89,600 thousand	HK89,600 thousand	89,600,000	70.00%	HK118,240 thousand	HK6,565 thousand	-	Second-level subsidiary
1	CSC Finance Ltd.(Note 7)	Hong Kong	Liquidation in progress.	HK42,439 thousand	HK42,439 thousand	42,439,000	100.00%	HK33,060 thousand	HK(10) thousand	-	Second-level subsidiary
2	CSC Securities (HK) Ltd.	Hong Kong	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK38,400 thousand	HK38,400 thousand	38,400,000	30.00%	HK50,674 thousand	HK6,565 thousand	-	Third-level subsidiary
2	CSC Asia Ltd.(Note 7)	Hong Kong	Liquidation in progress.	HK5,000 thousand	HK5,000 thousand	500,000	33.33%	HK-	HK(12) thousand	-	Third-level subsidiary
2	CSC Financial Service Ltd.(Note 7)	Hong Kong	Liquidation in progress.	HK5,000 thousand	HK5,000 thousand	5,000,000	100.00%	HK5,799 thousand	HK(9) thousand	-	Third-level subsidiary
3	TIS Securities (HK) Limited(Note 6)	Hong Kong	Liquidation in progress.	HK265,000 thousand	HK265,000 thousand	265,000,000	100.00%	HK(26,035) thousand	HK(51) thousand	-	Second-level subsidiary
4	TIS Capital Co., Ltd.(Note 6)	Hong Kong	Liquidation in progress.	HK2	HK2	2	100.00%	HK(49,197) thousand	HK126 thousand	-	Third-level subsidiary
5	CSC Futures (HK) Ltd.	Hong Kong	Futures dealing business.	HK122,800 thousand	HK52,800 thousand	120,000,000	100.00%	HK115,229 thousand	HK(6,622) thousand	-	Second-level subsidiary
5	Capital International Information Technology Co., Ltd.	Taipei ,Taiwan, R.O.C.	Management and consulting business. Information technology	50,000	-	5,000,000	100.00%	49,988	(12)	-	Second-level subsidiary
6	CSC Securities Nominees Ltd.	Hong Kong	Agency services.	HK2	HK2	2	100.00%	HK-	HK-	-	Third-level subsidiary

Note 1: (0) Capital Securities Corporation (1) CSC International Holdings Ltd.(2) Capital Securities (Hong Kong) Ltd.(3) Taiwan International Securities (B.V.I) Corp. (4)TIS Securities (HK) Limited. (5) Capital Futures Corp. (6) CSC Securities (HK) Ltd.

Note 2: Includes the Company's investment in overseas business and its reinvestments in other businesses, etc.

Note 3: Book value is the investment balance according to equity method, including investment income (loss), cash dividends, and cumulative translation adjustment, etc.

Note 4: The stockholders' special meeting of Taiwan International Securities Corp. resolved to dissolve the investee company on September 18, 2008 and the liquidation procedure is ongoing.

Note 5: The stockholders' special meeting resolved to dissolve on June 27, 2012 and the liquidation procedure is ongoing.

Note 6: The board of directors of the Company resolved to dissolve the investee company on December 30, 2011.

Note 7: The board of directors of Company resolved to cease operation on October 30, 2012.