Cathay Securities Investment Trust Co., Ltd.
Financial Statements
For The Years Ended
31 December 2013 and 2012
With Independent Auditors' Report

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The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

Index to Financial Statements

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English Translation of Report Originally Issued in Chinese

Report of Independent Auditors

The Board of Directors
Cathay Securities Investment Trust Co., Ltd.

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

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Securities Investment Trust Co., Ltd. as of 31 December 2013, 31 December 2012 and 1 January 2012, and the results of its operations and its cash flows for the years then ended, in conformity with the International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission.

Ernst & Young

Ernst & Young
Taipei, Taiwan
The Republic of China
13 March 2014

Notice to Readers
The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with IFRSs recognized by the Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the ROC.

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Balance Sheets

31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of New Taiwan Dollars)

Assets	Notes	31 December 2013		31 December 2012		1 January 2012	
		Amount	%	Amount	%	Amount	%
Current assets	IV, VI and VII						
Cash and cash equivalents	IV	$1,555,238	64	$1,563,383	68	$1,569,977	71
Accounts receivables, net	IV and VII	11,775	-	11,364	-	7,955	-
Accounts receivable - related parties, net	IV and VII	97,324	4	87,064	4	78,695	4
Other receivables	VI and VII	550	-	4,237	-	1,366	-
Prepayments		16,436	1	11,713	1	6,568	-
Total current assets		1,681,323	69	1,677,761	73	1,664,561	75
Non-current assets							
Available-for-sale financial assets-non current	IV, VI and VII	143,232	6	128,032	6	118,147	5
Held-to-maturity financial assets-non current	IV and VI	-	-	200,000	9	200,000	9
Investments in debt securities with no active market-non current	IV and VI	2,500	-	11,250	-	8,750	-
Investments accounted for using equity method-non current	IV and VI	298,036	12	-	-	-	-
Property and equipment	IV and VI	18,466	1	19,952	1	24,048	1
Intangible assets	IV and VI	15,191	1	10,475	-	10,376	1
Deferred tax assets	IV and VI	9,614	-	9,406	-	9,278	1
Refundable deposits	VI and VII	219,639	9	204,172	9	187,672	8
Other non-current assets	VI and VII	58,037	2	39,892	2	-	-
Total non-current assets		764,715	31	623,179	27	558,271	25
Total assets		$2,446,038	100	$2,300,940	100	$2,222,832	100

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Balance Sheets (continued)

31 December 2013, 31 December 2012 and 1 January 2012

(Expressed in thousands of New Taiwan Dollars)

		31 December 2013		31 December 2012		1 January 2012	
Liabilities and equity	Notes	Amount	%	Amount	%	Amount	%
Current liabilities	IV and VII						
Other payables	VI	$240,250	10	$168,724	8	$152,348	7
Deferred income		17,484	1	11,367	1	-	-
Receipts under custody		3,703	-	3,426	-	2,895	-
Total current liabilities		261,437	11	183,517	9	155,243	7
Non-current liabilities							
Provisions-non current	IV and VI	56,554	2	55,328	2	54,575	2
Long-term deferred income	VI	96,424	4	66,119	3	-	-
Total non-current liabilities		152,978	6	121,447	5	54,575	2
Total liabilities		414,415	17	304,964	14	209,818	9
Capital stock							
Common stock	VI	1,500,000	61	1,500,000	65	1,500,000	67
Capital reserves	VI	13,908	1	13,908	1	13,908	1
Retained earnings	VI						
Legal reserves		260,051	11	232,336	10	198,586	9
Special reserves		7,023	-	6,446	-	5,083	-
Undistributed earnings		233,656	9	241,297	10	302,984	14
Tota retained earnings		500,730	20	480,079	20	506,653	23
Other equity		16,985	1	1,989	-	(7,547)	-
Total equity		2,031,623	83	1,995,976	86	2,013,014	91
Total liabilities and equity		$2,446,038	100	$2,300,940	100	$2,222,832	100

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Comprehensive Income

For the years ended 31 December 2013 and 2012

(Expressed in thousands of New Taiwan Dollars, except per share information)

		2013		2012	
Items	Notes	Amount	%	Amount	%
Operating income	IV, VI and VII	$1,248,468	100	$1,111,684	100
Operating expenses	VI and VII	(907,030)	(73)	(802,173)	(72)
Operating profit		341,438	27	309,511	28
Non-operating income and expenses					
Interest income	VII	13,166	1	20,662	2
Other income		125	-	122	-
Gain on disposal of investment		6,293	1	2,228	-
Other expenses		(167)	-	-	-
Loss on disposal of property and equipment		(1)	-	(63)	-
Loss on foreign currency exchange		(547)	-	(116)	-
Investment loss recognized by the equity method		(30,929)	(3)	-	-
Total non-operating income (expenses)		(12,060)	(1)	22,833	2
Income before income tax		329,378	26	332,344	30
Income tax expense	IV and VI	(59,862)	(5)	(56,242)	(5)
Net income from continuing operations		269,516	21	276,102	25
Other comprehensive income	VI				
Net gains on available-for-sale financial assets		9,823	1	9,536	1
Share of other comprehensive profit of associates		5,173	-	-	-
Other comprehensive income		$284,512	22	$285,638	26
Earnings per share (in dollars)					
Basic earning per share					
Net income from continuing operations	VI	$1.80		$1.84	
Net income		$1.80		$1.84	

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Changes in Equity

For the years ended 31 December 2013 and 2012

(Expressed in thousands of New Taiwan Dollars)

			Retained earnings			Other equity		
Description	Capital stock	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences resulting from translating the financial statements of a foreign operation	Unrealized gains or losses on available-for-sale financial assets	Total
Balance as of 1 January 2012	$1,500,000	$13,908	$198,586	$5,083	$302,984	$-	$(7,547)	$2,013,014
Appropriation and distribution of 2012 earnings:								
Legal reserves	-	-	33,750	-	(33,750)	-	-	-
Special reserves	-	-	-	1,363	(1,363)	-	-	-
Cash dividends	-	-	-	-	(302,676)	-	-	(302,676)
Net income for the year ended 31 December 2012	-	-	-	-	276,102	-	-	276,102
Other comprehensive income for the year ended 31 December 2012	-	-	-	-	-	-	9,536	9,536
Total comprehensive income for the year ended 31 December 2012	-	-	-	-	276,102	-	9,536	285,638
Balance as of 31 December 2012	$1,500,000	$13,908	$232,336	$6,446	$241,297	$-	$1,989	$1,995,976
Balance as of 1 January 2013	$1,500,000	$13,908	$232,336	$6,446	$241,297	$-	$1,989	$1,995,976
Appropriation and distribution of 2013 earnings:								
Legal reserves	-	-	27,715	-	(27,715)	-	-	-
Special reserves	-	-	-	577	(577)	-	-	-
Cash dividends	-	-	-	-	(248,865)	-	-	(248,865)
Net income for the year ended 31 December 2013	-	-	-	-	269,516	-	-	269,516
Other comprehensive income for the year ended 31 December 2013	-	-	-	-	-	5,173	9,823	14,996
Total comprehensive income for the year ended 31 December 2013	-	-	-	-	269,516	5,173	9,823	284,512
Balance as of December 31, 2013	$1,500,000	$13,908	$260,051	$7,023	$233,656	$5,173	$11,812	$2,031,623

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

English Translation of Financial Statements Originally Issued in Chinese

Cathay Securities Investment Trust Co., Ltd.

Statements of Cash Flows

For the years ended 31 December 2013 and 2012

(Expressed in thousands of New Taiwan Dollars)

Items	Notes	2013	2012
Cash flows from operating activities:			
Income before income tax		$329,378	$332,344
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	VI	8,500	9,417
Amortization	VI	7,502	6,884
Loss on disposal of property and equipment		1	63
Interest income		(13,166)	(20,662)
Gain on disposal of investment		(6,293)	(2,228)
Investment loss recognized by the equity method		30,929	-
Net changes in operating assets and liabilities:			
Net changes in operating assets:			
Increase in accounts receivables		(411)	(3,410)
Increase in accounts receivable - related parties		(10,260)	(8,368)
Increase in prepayments		(4,723)	(5,145)
Increase in other receivables		(3)	-
Increase in other non-current assets		(18,145)	(39,892)
Net changes in operating liabilities:			
Increase in other payables		31,974	26,566
Increase in deferred income		6,118	11,367
Increase in receipts under custody		277	531
Increase in provision		1,226	753
Increase in long-term deferred income		30,304	66,119
Cash from operating activities		393,208	374,339
Interest received		16,856	17,791
Income tax paid		(20,519)	(66,560)
Net cash provided by operating activities		389,545	325,570
Cash flows from investing activities:			
Aquisition of availabl-for-sale financial assets		(64,800)	(50,350)
Disposal of available-for-sale financial assets		65,718	52,228
Aquisition of investments in debt securities with no active market		-	(2,500)
Disposal of investments in debt securities with no active market		8,750	-
Repayment of held-to-maturity financial assets		200,000	-
Increase in investments accounted for using equity method		(323,793)	-
Aquisition of property and equipment		(7,015)	(5,383)
Increase in refundable deposits		(15,467)	(16,500)
Aquisition of intangible assets		(12,218)	(6,983)
Net cash used in investing activities		(148,825)	(29,488)
Cash flows from financing activities:			
Cash dividends		(248,865)	(302,676)
Net cash used in financing activities		(248,865)	(302,676)
Net decrease in cash and cash equivalents		(8,145)	(6,594)
Cash and cash equivalents at beginning of the period		1,563,383	1,569,977
Cash and cash equivalents at end of the period		$1,555,238	$1,563,383

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

1. Organization and Operations

Cathay Securities Investment Trust Co., Ltd. (the "Company") which obtained the license authorized to be established in Taipei on 11 February 2000. The Company was enfranchised by the Securities and Futures Bureau, Financial Supervisory Commission ("FSC") in the Republic of China (the "ROC") on 9 March 2000.

In order to provide immediate services to clients in southern Taiwan, the Company established Kaohsiung branch on 18 September 2008 under permission of Explanatory Letter No. Financial-Supervisory-Securities-IV-0970049791 of the FSC and started its main operating business on 15 December 2008. The Company obtained the business license authorized to establish branches and started its main operating business in Hsinchu and Taichung in June 2011 and May 2010, respectively.

The Company has become one of the subsidiaries of Cathay Financial Holding Co., Ltd. as the former stockholders sold all shares to Cathay Financial Holding Co., Ltd. on 24 June 2011.

The Company has been approved to conduct business in (1) raising securities investment trust funds through issuance of beneficiary certificates to invest in securities and related products；(2) discretionary investment services；(3) futures trust business；(4) securities investment consulting business；(5) other business permitted by the Securities and Futures Bureau, FSC in the ROC.

As of 31 December 2013, 31 December 2012 and 1 January 2012, the Company employed 240, 230 and 223 employees, respectively.

As of 31 December 2013, 31 December 2012 and 1 January 2012, the Company had raised the following funds:

Names	Type of Fund	Date of Inception	2013.12.31 Amounts in millions (Not audited)	2012.12.31 Amounts in millions (Not audited)	2012.1.1 Amounts in millions (Not audited)
Cathay Dragon Fund	Open-end	March 1994	$9,991	$11,464	$9,743
Cathay Cathay Fund	Open-end	June 2000	2,837	3,091	2,727
Cathay Taiwan Money Market Fund (Cathay Bond Fund renamed Cathay Taiwan Money Market Fund on 14 January 2012)	Open-end	October 2000	33,087	32,478	38,990
Cathay Small & Medium Cap Fund	Open-end	January 2001	4,474	5,623	4,650
Cathay Assets Allocation Neutral Fund	Open-end	June 2001	536	678	686
Cathay Greater China Fund	Open-end	January 2002	7,505	8,621	8,547
Cathay Technology Fund	Open-end	July 2002	2,330	2,675	2,504
Cathay Rich Ladder Umbrella Fund	Open-end	December 2005	1,295	1,413	1,670
Cathay Global Money Market Fund	Open-end	July 2006	-	213	294
Cathay Global Infrastructure Fund	Open-end	December 2006	2,060	2,414	2,736
Cathay Taiwan Quantitative Fund	Open-end	October 2007	234	318	331
Cathay Global Ecology Fund	Open-end	March 2008	530	633	664
Cathay Man AHL Futures Trust Fund of Funds	Open-end Portfolio	August 2009	530	817	1,181
Cathay Mandarin Fund	Open-end	November 2009	2,517	2,649	2,450
Cathay High Income Fund of Funds	Open-end	May 2010	1,404	1,586	1,846
Cathay Emerging Markets Fund	Open-end	August 2010	886	1,294	1,442
Cathay Global Resources Fund	Open-end	December 2010	1,152	1,744	2,648
Cathay Oriental Bond Fund of Funds	Open-end	May 2011	-	-	420
Cathay China Domestic Demand Growth Fund	Open-end	June 2011	2,135	1,735	2,224
Cathay Emerging Market High Yield Fund-A	Open-end	September 2011	1,104	1,023	861
Cathay Emerging Market High Yield Fund-B	Open-end	September 2011	7,281	4,695	1,185
Cathay China Emerging Industries Fund	Open-end	April 2012	5,072	1,437	-
Cathay Value and Superior Fund	Open-end	July 2012	1,178	1,056	-
Cathay New Zealand Dollar Principal Protected Fund	Open-end	October 2012	2,216	2,155	-
Cathay Multi-Strategy High Yield Bond Fund-A	Open-end	January 2013	1,463	-	-
Cathay Multi-Strategy High Yield Bond Fund-B	Open-end	January 2013	1,619	-	-
Cathay New Zealand Dollar 8-Year Principle Protected Fund	Open-end	October 2013	1,253	-	-
Cathay Non-Finance Non-Electronics Sub-Index Fund	Open-end	November 2013	252	-	-
Cathay RMB Money Market Fund	Open-end	December 2013	3,475	-	-
Cathay Emerging China Bond Fund	Open-end	December 2013	4,752	-	-
			$103,168	$89,812	$87,799

2. Date and procedures of authorization of financial statements for issue

   The financial statements of the Company for the years ended 31 December 2013 and 2012 were authorized for issue in accordance with the Board of Directors' resolution on 13 March 2014.

3. Newly issued or revised standards and interpretations

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

   IFRS 9 *Financial Instruments*

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

   (2) Standards issued by IASB but not yet recognized by FSC at the date of issuance of the Company's financial statements are listed below.

Standards or interpretations	Effective date (Note 1)
Improvements to IFRSs 2010:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Annual periods beginning on or after 1 January 2011
IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2010
IFRS 7 *Financial Instruments: Disclosures*	Annual periods beginning on or after 1 January 2011

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

Standards or interpretations	Effective date (Note 1)
Amendments to IAS 36 *Impairment of Assets*	Annual periods beginning on or after 1 January 2014
IFRIC 21 *Levies*	Annual periods beginning on or after 1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments : Recognition and measurement* and IFRIC 9 *Derivatives*)	Annual periods beginning on or after 1 January 2014
IFRSs 9 *Financial Instruments*-Hedge Accounting	Not published
Amendments to IAS 19 *Employee Benefit*-Defined Benefit Plans: Employee contributions	Annual periods beginning on or after 1 July 2014
Annual Improvement 2010-2012 Cycle:	
IFRS 2 *Share-based Payments*	Note 2
IFRS 3 *Business Combinations*	Note 3
IFRS 8 *Operating Segments*	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement*	-
IAS 16 *Property, Plant and Equipment*	Annual periods beginning on or after 1 July 2014
IAS 24 *Related Parties Disclosures*	Annual periods beginning on or after 1 July 2014
IAS 38 *Intangible Assets*	Annual periods beginning on or after 1 July 2014
Annual Improvement 2011-2013 Cycle:	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	-
IFRS 3 *Business Combinations*	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement*	Annual periods beginning on or after 1 July 2014
IAS 40 *Investment property*	Annual periods beginning on or after 1 July 2014
IFRS 14 *Regulatory Deferral Account*	Annual periods beginning on or after 1 July 2016

Note 1: Newly issued or revised standards and interpretations mentioned above will be effective on the effective date unless otherwise stated.

Note 2: The amendment prospectively applies to share-based payment transactions for which the grant date is on or after 1 July 2014.

Note 3: The amendments apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

The adoption of the following standards or interpretations could have a material impact on the Company’s financial statements in the period of initial application.

Improvements to IFRSs 2010

IFRS 7 "Financial Instruments: Disclosures"

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

IFRS 7 "Financial Instruments: Disclosures" (Amendment)

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, when financial assets are derecognised in their entirety, but the entity has a continuing involvement in them, or financial assets are not derecognised in their entirety.

IFRS 13"Fair Value Measurement"

IFRS 13 primarily relates to defining fair value, setting out in a single IFRS a framework for measuring fair value and requiring disclosures about fair value measurements to reduce complexity and improve consistency in application when measuring fair value. However, IFRS 13 does not change existing requirements in other IFRS as to when the fair value measurement or related disclosure is required.

IAS 1 "Presentation of Financial Statements" - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that would be reclassified (or recycled) to profit or loss in the future would be presented separately from items that will never be reclassified.

IAS 19 "Employee Benefits" (Revised)

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

IFRS 7 "Financial Instruments: Disclosures" - Disclosures - Offsetting Financial Assets and Financial Liabilities

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

IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities

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

Improvements to International Financial Reporting Standards (2009-2011 cycle):

IAS 1 "Presentation of Financial Statements"

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

IAS 19 "Employee Benefits" (Defined benefit plans: employee contributions)

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to provide a policy choice for a simplified accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Improvements to International Financial Reporting Standards (2010-2012 cycle):

IFRS 13 "Fair Value Measurement"

The amendment to the Basis for Conclusions of IFRS 13 clarifies that when deleting paragraph B5.4.12 of IFRS 9 *Financial Instruments* and paragraph AG79 of IAS 39 *Financial Instruments: Recognition and Measurement* as consequential amendments from IFRS 13 *Fair Value Measurement*, the IASB did not intend to change the measurement requirements for short-term receivables and payables.

Improvements to International Financial Reporting Standards (2011-2013 cycle):

IFRS 13 "Fair Value Measurement"

The amendment clarifies that paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment is to clarify that this portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

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

4. Summary of significant accounting policies

(1) Statement of compliance

The financial statements of the Company for the years ended 31 December 2013 and 2012 have been prepared in accordance with the International Financial Reporting Standards, International Accounting Standards and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission.

(2) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars unless otherwise stated.

(3) Current and non-current distinction

An asset is classified as current when:

(A) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

(B) The Company holds the asset primarily for the purpose of trading

(C) The Company expects to realize the asset within twelve months after the reporting period

(D) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(A) The Company expects to settle the liability in its normal operating cycle

(B) The Company holds the liability primarily for the purpose of trading

(C) The liability is due to be settled within twelve months after the reporting period

(D) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(4) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(A) Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified as held for trading if:

(a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
(b) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

(a) it eliminates or significantly reduces a measurement or reocgnition inconsistency; or
(b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their far value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

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

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

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

Held-to-maturity financial assets

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

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

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

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Impairment of financial assets

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

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

Other loss events include:

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

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exits for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

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

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

Derecognition of financial assets

A financial asset is derecognized when:

(a) The rights to receive cash flows from the asset have expired
(b) The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
(c) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(B) Offsetting of financial instruments

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

(C) Fair value of financial instruments

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

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

(6) Investments accounted for using the equity method

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

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

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

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

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

(7) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Computer equipment	3 - 6 years
Office equipment	5 - 10 years
Lease assets	5 - 10 years
Leasehold improvements	The shorter of lease terms or economic useful lives

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(8) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (3 to 5 years).

(9) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

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

(10) Recognition of revenue

The Company’s operating income are mainly from the management fees and service charge fees. The Company receives management fees resulting from managing the trust funds. Service charge fees are collected when investors subscribe the securities investment trust funds under the Company’s management. Operating income are recognized on an accrual basis.

(11) Post-employment benefits

For the defined contribution plan, the Company will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

For the defined benefit plan that is classified as a defined benefit plan uses the Projected United Credits Methods to measure its obligations and costs based on actuarial assumptions. The Company recognizes all actuarial gains and losses in the period in which they occur in other comprehensive income. Actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings.

(12) Income taxes

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

Current income tax

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

The 10% income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

Cathay Financial Holding Co., Ltd. has adopted the consolidated income tax return for income tax filings with its qualified subsidiaries, including the Company.

5. Significant accounting judgments, estimates and assumptions

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

Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

The classification of financial assets

The management must make judgment for the classification of financial assets which would affect the method of accounting and the financial position and the result of operation of the Company.

Estimates and assumptions

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

(1) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs that would be directly attributable to the disposal of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows projections are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

(2) Income tax

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

(3) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

6. Contents of significant accounts

(1) Cash and cash equivalents

	2013.12.31	2012.12.31	2012.1.1
Cash on hand	$-	$30	$100
Demand deposits	1,786	3,756	809
Check deposits	22,202	25,297	15,858
Time deposits	1,371,250	1,514,300	1,492,200
Securities purchased under agreements to resell	160,000	20,000	61,010
Total	$1,555,238	$1,563,383	$1,569,977

Time deposits that are within twelve months' readily convertible to known amounts of cash and be subjected to an insignificant risk of changes in value.

(2) Financial assets

(A) Available-for-sale financial assets – non-current

	2013.12.31	2012.12.31	2012.1.1
Beneficiary certificates-open-end funds	$131,420	$126,043	$125,694
Adjustments for change in value of investment	11,812	1,989	(7,547)
Total	$143,232	$128,032	$118,147

(B) Held-to-maturity financial assets – non-current

	2013.12.31	2012.12.31	2012.1.1
Bonds-92 Taipei Fubon Bank	$-	$200,000	$200,000

The Company purchased Taipei Fubon Bank financial debentures in 18 November 2005. The debentures were totaling $200,000 thousands with inverse floating rates connected with 6 months LIBOR rates. The financial debentures are matured in 31 July 2013. For the year ended 31 December 2012, the actual rates computed by the year end LIBOR rates are as follows.

	2012
Bonds-92 Taipei Fubon Bank	4.226%

(C) Investment in debt securities with no active market-non-current

	2013.12.31	2012.12.31	2012.1.1
Time deposits	$2,500	$11,250	$8,750

No investment in debt securities with no active market was pledged.

(3) Investments accounted for using the equity method

The following lists the investments accounted for using the equity method of the Company:

	31 December 2013	
Investees	Carrying amount	Percentage of ownership (%)
Investments in associates		
CDBS Cathay Asset Management Co., Ltd.	$298,036	33.30%

The following illustrates summarized financial information of the Company’s investment in the associate：

	2013.12.31
Total assets (100%)	$937,436
Total liabilities (100%)	42,432

	2013.12.31
Revenue (100%)	$10,237
Profit (loss) (100%)	(92,881)

(A) The Company acquired 33.3% shareholding of CDBS Cathay Asset Management Co., Ltd. for CNY 66,600 thousands in August 2013.The reinvestment has approved by the Investment Commission, Ministry of Economic Affairs.

(B) For the year ended 31 December 2013, the share of the loss of the associate accounted for using the equity method amount to $30,929 thousands, were recognized based on the investee's audited financial statements.

(C) No investment in the associates was pledged.

(4) Property and equipment

	Computer equipment	Office equipment	Leasehold improvements	Total
Cost:				
2013.1.1	$20,016	$5,985	$25,666	$51,667
Additions	3,918	1,090	2,007	7,015
Disposals	(34)	-	-	(34)
Transfers	(404)	404	-	-
2013.12.31	$23,496	$7,479	$27,673	$58,648
2012.1.1	$17,695	$5,525	$25,183	$48,403
Additions	4,388	512	483	5,383
Disposals	(2,067)	(52)	-	(2,119)
2012.12.31	$20,016	$5,985	$25,666	$51,667
Depreciation and impairment:				
2013.1.1	$(10,845)	$(2,741)	$(18,129)	$(31,715)
Depreciation	(2,146)	(688)	(5,666)	(8,500)
Disposals	33	-	-	33
Transfers	299	(299)	-	-
2013.12.31	$(12,659)	$(3,728)	$(23,795)	$(40,182)
2012.1.1	$(10,331)	$(1,840)	$(12,184)	$(24,355)
Depreciation	(2,520)	(952)	(5,945)	(9,417)
Disposals	2,006	51	-	2,057
2012.12.31	$(10,845)	$(2,741)	$(18,129)	$(31,715)
Net carrying amount as at:				
2013.12.31	$10,837	$3,751	$3,878	$18,466
2012.12.31	$9,171	$3,244	$7,537	$19,952
2012.1.1	$7,364	$3,685	$12,999	$24,048

No property and equipment was pledged.

(5) Intangible assets

	2013.1.1	Addition-acquired separately	Amortization	2013.12.31
Computer software				
Cost	$30,915	$12,218	$-	$43,133
Amortization and impairment	(20,440)	-	(7,502)	(27,942)
Net carrying amount	$10,475	$12,218	$(7,502)	$15,191

	2012.1.1	Addition-acquired separately	Amortization	2012.12.31
Computer software				
Cost	$23,932	$6,983	$-	$30,915
Amortization and impairment	(13,556)	-	(6,884)	(20,440)
Net carrying amount	$10,376	$6,983	$(6,884)	$10,475

(6) Refundable deposits

	2013.12.31	2012.12.31	2012.1.1
Lease deposits	$9,539	$9,172	$9,172
Security deposits (Note1)	160,100	145,000	128,500
Operating deposits (Note2)	50,000	50,000	50,000
Total	$219,639	$204,172	$187,672

Note 1: Security deposits were used as collaterals in certain discretionary contracts.

Note 2: Operating deposits are aiming to operate the futures trust business and discretionary investment in according to “Standards Governing the Establishment of Futures Trust Enterprises” and “Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises”.

(7) Deferred expenses and income

In 24 October 2013 and 26 October 2012, the Company organized investment trust funds, and received fund management fees incomes of the contract amounted to $128,510 thousands (calculated by raised scale accordingly) and paid distributors $77,372 thousands for sales costs, which were recognized as deferred expenses and income, respectively. The Company offered management service, in accordance with the contract and transferred deferred expenses and income to management fees income and operating expenses over time. For the year ended 31 December 2013, prepayments which will be transferred to revenue in one year and other non-current assets which will be transferred to revenue one year later are amounted to $10,529 thousands and $58,037 thousands, respectively. Deferred income which will be transferred to expenses in one year and long-term deferred income which will be transferred to expenses one year later are amounted to $17,484 thousands and $96,424 thousands, respectively, and the Company has transferred to management fees income and operating expenses amounted to $12,520 thousands and $7,550 thousands, respectively.

(8) Post-employment benefits

Defined contribution plan

The Company adopts a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company has made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Expenses under the defined contribution plan for the years ended 31 December 2013 and 2012 are $11,005 thousands and $9,764 thousands, respectively.

Defined benefits plan

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

The following tables summaries the components of the benefit expense recognized in profit or loss:

	2013	2012
Current service costs	$1,807	$1,356
Interest cost	1,259	1,183
Expected return on plan assets	(283)	(228)
Actuarial gain	(458)	-
Other	369	(89)
Total	$2,694	$2,222

The benefit expense under the defined benefits plan recognized in the statement of comprehensive income:

	2013	2012
Operating expenses	$2,694	$2,222

Reconciliations of asset of the defined benefit plan are as follows:

	2013.12.31	2012.12.31	2012.1.1
Defined benefit obligation	$68,557	$71,944	$67,595
Plan assets at fair value	(15,459)	(14,184)	(13,020)
Funded status	53,098	57,760	54,575
Unrecognized past service cost	3,456	(2,432)	-
Prepaid pension cost recognized on the balance sheets	$56,554	$55,328	$54,575

Changes in present value of the defined benefit obligation are as follows:

	2013	2012
Defined benefit obligation at 1 January	$71,944	$67,595
Current service cost	1,807	1,356
Interest cost	1,259	1,183
Benefits paid	-	(467)
Actuarial losses (gains)	(6,453)	2,277
Defined benefit obligation at 31 December	$68,557	$71,944

Changes in fair value of plan assets are as follows:

	2013	2012
Plan assets, at fair value at 1 January	$14,184	$13,020
Expected return on plan assets	283	228
Contributions by employer	1,099	1,558
Benefits paid	-	(467)
Actuarial gains	(107)	(155)
Plan assets, at fair value at 31 December	$15,459	$14,184

The Company expects to contribute $3,114 thousands to its defined benefit plan during the 12 months beginning after 31 December 2013.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plan (%) as at		
	2013.12.31	2012.12.31	2012.1.1
Cash	21.06	22.49	23.87
Equity instruments	38.25	36.63	40.75
Debt instruments	40.69	40.88	35.38

Actual return on plan assets amounted to $175 thousands and $110 thousands were recognized for the years ended 31 December 2013 and 2012, respectively.

Employee pension fund is deposited under a trust administered by the Bank of Taiwan. The overall expected rate of return on assets is determined based on historical trend and analyst's expectation on the asset's return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks are also taken into consideration in determining the expected rate of return on assets.

The principal assumptions used in determining the Company's defined benefit plan are shown below:

	2013.12.31	2012.12.31	2012.1.1
Discount rate	2.00%	1.75%	1.75%
Expected rate of return on plan assets	2.00%	2.00%	1.75%
Expected rate of salary increases	2.00%	2.00%	2.00%

A 0.5 percentage change in discount rate on defined benefit obligation:

	2013		2012	
	Discount rate Increase By 0.5%	Discount rate Decrease By 0.5%	Discount rate Increase By 0.5%	Discount rate Decrease By 0.5%
Effect on the defined benefit obligation	$(5,015)	$5,568	$6,360	$7,118

Other information on the defined benefit plan are as follows:

	2013	2012
Defined benefit obligation at present value	$(68,557)	$(71,944)
Plan assets at fair value	15,459	14,184
Deficit in plan	$(53,098)	$(57,760)
Experience adjustments on plan liabilities	$(6,453)	$2,227
Experience adjustments on plan assets	$107	$155

(9) Equity

(A) Common Stock

As of 31 December 2013, 31 December 2012 and 1 January 2012, the authorized and issued capital of the Company were $1,500,000 thousand shares at par value of $10 divided into 150,000 thousand shares.

(B) Capital reserve

As of 31 December 2013, 31 December 2012 and 1 January 2012, capital surplus of the Company were $13,908 thousands.

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

(C) Legal reserve

According to the Company Act, 10% of the Company's after-tax net income in the current year must be appropriated to legal reserve unless where such legal reserve amounts to the total authorized capital. This legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of shareholders.

(D) Special reserve

According to the Rules Governing Future Trust Enterprises, the Company shall appropriate 20% of the current year after income tax earnings as special reserve. Once the special reserve reaches the paid-in capital, it shall not be appropriated.

(E) Retained earnings

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating losses and then 10% of the remaining amount shall be set aside as legal reserve and appropriate in specific ratio of special reserve. The remaining earnings should be appropriated in accordance with the board meetings, the Company shall appropriate 1% as employees' bonus and remaining amount with prior years' accumulated undistributed earnings use as retained earnings and if any, shall appropriate as special reserve for business need.

The Company estimated the amounts of the employee bonus for the years ended 31 December 2013 and 2012 to be $2,419 thousands and $2,488 thousands, respectively. The estimates were based on the Company's Articles of Incorporation of 1% appropriated as employees' bonus and were recognized as operating expense for the period. The difference between the estimation and the resolution of shareholder's meeting were recognized in profit or loss of 2014 and 2013, respectively.

(10) Operating income

	2013	2012
Management fees income	$1,243,793	$1,109,565
Sales service fees income	4,675	2,119
Total	$1,248,468	$1,111,684

(11) Operating expenses

	2013	2012
Personnel expenses		
Salary	$361,812	$309,984
Insurance	22,897	19,619
Pension	13,699	11,986
Other employee benefits	7,766	7,187
Depreciation	8,500	9,417
Amortization	7,502	6,884

(12) Components of other comprehensive income

For the year ended 31 December 2013

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to component of comprehensive income	Other comprehensive income, net of tax
Unrealized gains from available-for-sale financial assets	$16,116	$(6,293)	$9,823	$-	$9,823
Share of other comprehensive income of associate accounted for using the equity method	5,173	-	5,173	-	5,173
Total of other comprehensive income	$21,289	$(6,293)	$14,996	$-	$14,996

For the year ended 31 December 2012

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to component of comprehensive income	Other comprehensive income, net of tax
Unrealized gains from available-for-sale financial assets	$11,764	$(2,228)	$9,536	$-	$9,536

(13) Income tax

(A) According to the “The standards of profit-seeking enterprise elects to declare the combined business income tax in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers And Acquisitions Act “released by Taiwan Financial Tax No 910458039 on 12 February 2003. Where a financial holding company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such financial holding company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire 12 months of the tax year, elect to be the tax payer itself, and jointly declare and report profit-seeking enterprise income tax. The Company jointly declared and reported 2012’s profit-seeking enterprise income tax and the 2011’s tax surcharge on surplus retained earnings of a profit-seeking enterprise with the Company’s parent company, Cathay Financial Holding Co., Ltd. And its qualified subsidiaries according to the regulation above. Additional tax or tax receivable caused by declaration consolidated income tax are recorded in receivables (payables) due to consolidated income tax.

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

	2013	2012
Income tax expense recognized in profit or loss		
Current income tax expense:		
Current income tax charge	$60,391	$56,248
Adjustments in respect of current income tax of prior periods	(321)	122
Deferred tax income:		
Deferred tax income relating to origination and reversal of temporary differences	(208)	(128)
Income tax expense	$59,862	$56,242

(C) A reconciliation between tax expense and the product accounting profit multiplied by applicable tax rates is as follows:

	2013	2012
Accounting profit before tax from continuing operations	$329,378	$332,344
Tax at the domestic rates applicable to profits in the country concerned (17%)	$55,994	$56,498
Adjustments in respect of current income tax of prior periods	(321)	122
Tax effect of deferred tax assets/liabilities	5,259	-
Tax effect of revenue exempt from taxation	(1,070)	(378)
Total income tax expense recognized in profit or loss	$59,862	$56,242

(D) Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2013

	Beginning balance as at 1 January 2013	Deferred tax income recognized in profit or loss	Deferred tax income recognized in other comprehensive income	Ending balance as at 31 December 2013
Temporary differences				
Pension	$9,406	$208	$-	$9,614
Deferred tax income		$208	$-	
Net deferred tax assets	$9,406			$9,614
Reflected in balance sheet as follows:				
Deferred tax assets	$9,406			$9,614
Deferred tax liabilities	$-			$-

For the year ended 31 December 2012

	Beginning balance as at 1 January 2012	Deferred tax income (expense) recognized in profit or loss	Deferred tax income recognized in other comprehensive income	Ending balance as at 31 December 2012
Temporary differences				
Pension	$9,278	$128	$-	$9,406
Deferred tax income		$128	$-	
Net deferred tax assets	$9,278			$9,406
Reflected in balance sheet as follows:				
Deferred tax assets	$9,278			$9,406
Deferred tax liabilities	$-			$-

(E) Imputation credit account:

	2013.12.31	2012.12.31	2012.1.1
Balance of imputation credit amounts	$-	$11,823	$51,628

The actual creditable ratio for 2012 and 2011 were 4.2657% and 20.50%, respectively.

Components of undistributed earnings:

	2013.12.31	2012.12.31	2012.1.1
After 1998	$233,656	$241,297	$302,984

(F) The assessment of income tax returns

As of 31 December 2013, the Company's income tax returns for the years of 2011 have been assessed by tax authority, except for the year of 2009.

(14) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

The Company does not issue any dilutive potential ordinary shares. Therefore, the Company does not need to adjust diluted earnings per share.

	2013	2012
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$269,516	$276,102
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	150,000	150,000
Basic earnings per share (NT$)	$1.80	$1.84

7. Related party transactions

(1) Cash in bank

The Company's deposits and related interest income and interest receivable in Cathay United Bank Co., Ltd are as follows:

	2013.12.31	2012.12.31	2012.1.1
Other related party			
Cathay United Bank Co., Ltd.			
Cash in bank	$134,718	$1,550,795	$1,516,733
Refundable deposits	$210,100	$195,000	$178,500
Interest income (accounted as non-operating income)	$7,801	$12,880	$6,449
Interest receivable (accounted as other receivables)	$-	$671	$-

(2) Management fees income and accounts receivable

Management fees income

	For the years ended 31 December			
	2013		2012	
Related parties	Amounts	%	Amounts	%
Other related party				
Cathay Cathay Fund	$48,576	4	$48,988	4
Cathay Taiwan Money Market Fund	60,373	5	74,519	7
Cathay Small & Medium Cap Fund	79,424	6	87,767	8
Cathay Assets Allocation Neutral Fund	7,287	1	8,385	1
Cathay Greater China Fund	126,282	10	144,200	13
Cathay Technology Fund	40,505	3	43,648	4
Cathay Dragon Fund	129,951	10	141,201	13
Cathay Global Aggressive Fund of Fund	9,610	1	9,905	1
Cathay Global Balance Fund of Fund	2,070	-	2,566	-
Cathay Global Conservative Fund of Fund	-	-	81	-
Cathay Rich Ladder Umbrella Fund	5,878	1	-	-
Cathay Global Money Market Fund	270	-	1,237	-
Cathay Global Infrastructure Fund	35,158	3	40,777	4
Cathay Taiwan Quantitative Fund	4,645	-	5,410	-
Cathay Global Ecology Fund	10,295	1	10,690	1
Cathay Man AHL Futures Trust Fund of Funds	7,730	1	11,613	1
Cathay Mandarin Fund	47,033	4	45,732	4
Cathay High Income Fund of Funds	17,709	1	18,391	2
Cathay Emerging Markets Fund	17,769	1	21,873	2
Cathay Global Resources Fund	25,925	2	38,400	3
Cathay Oriental Bond Fund of Funds	-	-	1,572	-
Cathay China Domestic Demand Growth Fund	27,561	2	34,979	3
Cathay Emerging Market High Yield Fund (A)	15,475	1	10,058	1
Cathay Emerging Market High Yield Fund (B)	111,296	9	28,728	3
Cathay China Emerging Industries Fund	45,039	4	29,784	3
Cathay Value and Superior Fund	14,557	1	12,022	1
Cathay New Zealand Dollar Principal Protected Fund	11,367	1	2,081	-
Cathay Multi-Strategy High Yield Bond Fund-A	50,414	4	-	-
Cathay Multi-Strategy High Yield Bond Fund-B	38,559	3	-	-
Cathay Non-Finance Non-Electronics Sub-Index Fund	140	-	-	-
Cathay New Zealand Dollar 8-Years Principle Protected Fund	1,154	-	-	-
Discretionary Investment Account-Cathay Life Insurance Co., Ltd.	134,493	11	133,040	12
Discretionary Investment Account-Cathay Century Insurance Co., Ltd.	91	-	-	-
Discretionary Investment Account-Cathay Charity Foundation	297	-	291	-
Total	$1,126,933	90	$1,007,938	91

Accounts receivable resulting from management fees income to related parties as of 31 December 2013, 31 December 2012 and 1 January 2012 are summarized as follows:

	2013.12.31		2012.12.31		2012.1.1	
Related parties	Amounts	%	Amounts	%	Amounts	%
Cathay Cathay Fund	$3,844	4	$4,245	4	$3,634	4
Cathay Taiwan Money Market Fund	3,596	3	5,718	6	6,784	8
Cathay Small & Medium Cap Fund	6,070	6	7,634	8	6,144	7
Cathay Assets Allocation Neutral Fund	543	-	692	1	704	1
Cathay Greater China Fund	10,091	9	11,822	12	11,443	13
Cathay Technology Fund	3,208	3	3,659	4	3,341	4
Cathay Dragon Fund	10,447	10	12,259	12	10,207	12
Cathay Global Aggressive Fund of Fund	794	1	818	1	856	1
Cathay Global Balance Fund of Fund	155	-	194	-	228	-
Cathay Global Conservative Fund of Fund	-	-	-	-	85	-
Cathay Rich Ladder Umbrella Fund	5,878	5	-	-	-	-
Cathay Global Money Market Fund	-	-	93	-	124	-
Cathay Global Infrastructure Fund	2,737	3	3,308	3	3,706	4
Cathay Taiwan Quantitative Fund	323	-	434	-	446	1
Cathay Global Ecology Fund	702	1	850	1	906	1
Cathay Man AHL Futures Trust Fund of Funds	541	-	839	1	1,220	2
Cathay Mandarin Fund	3,991	4	3,920	4	3,802	5
Cathay High Income Fund of Funds	1,240	1	1,470	1	1,712	2
Cathay Emerging Markets Fund	1,242	1	1,741	2	2,009	2
Cathay Global Resources Fund	1,754	2	2,693	3	4,135	5
Cathay Oriental Bond Fund of Funds	-	-	-	-	195	-
Cathay China Domestic Demand Growth Fund	3,008	3	2,609	3	3,540	4
Cathay Emerging Market High Yield Fund(A)	1,222	1	1,230	1	1,252	1
Cathay Emerging Market High Yield Fund(B)	9,935	9	6,303	6	1,648	2
Cathay Non-Finance Non-Electronics Sub-Index Fund	128	-	-	-	-	-
Cathay China Emerging Industries Fund	7,296	7	2,360	2	-	-
Cathay Value and Superior Fund	1,483	1	1,562	2	-	-
Cathay Multi-Strategy High Yield Bond Fund-A	2,078	2	-	-	-	-
Cathay Multi-Strategy High Yield Bond Fund-B	2,148	2	-	-	-	-
Discretionary Investment Account-Cathay Life Insurance Co., Ltd.	12,754	12	10,586	11	10,551	12
Discretionary Investment Account-Cathay Charity Foundation	91	-	-	-	-	-
Discretionary Investment Account-Cathay Charity Foundation	25	-	25	-	23	-
Total	$97,324	89	$87,604	88	$78,695	91

(3) Rental expense and refundable deposits

Details of rental expense of the office and car leased from related parties were as follows:

	2013	2012
Other related parties		
Cathay Life Insurance Co., Ltd.	$40,080	$39,082

Refundable deposits of the office premises from Cathay Life Insurance Co., Ltd. were $9,270 thousands, $8,903 thousands and $8,903 thousands as of 31 December 2013, 31 December 2012 and 1 January 2012, respectively.

(4) Available-for-sale financial assets

	2013.12.31	
Related parties	Account balance	Unit
Other related parties		
Cathay High Income Fund of Funds	$20,534	1,807,092.80
Cathay Small & Medium Cap Fund	18,422	546,004.90
Cathay Greater China Fund	40,141	2,039,693.70
Cathay Dragon Fund	32,649	2,645,780.00
Cathay Value and Superior Fund	10,303	761,530.90
Cathay Mandarin Fund	8,723	887,347.50
Cathay China Domestic Demand Growth Fund	6,051	471,602.40
Cathay China Emerging Industries Fund	6,409	416,735.50
Total	$143,232	9,575,760.70

	2012.12.31	
Related parties	Account balance	Unit
Other related parties		
Cathay High Income Fund of Funds	$20,055	1,807,092.80
Cathay Small & Medium Cap Fund	28,687	963,950.70
Cathay Greater China Fund	27,894	1,545,364.30
Cathay Dragon Fund	29,075	2,566,205.80
Cathay Assets Allocation Neutral Fund	19,523	1,065,084.20
Cathay Value and Superior Fund	1,276	117,043.20
Cathay Mandarin Fund	508	64,352.70
Cathay China Domestic Demand Growth Fund	506	53,967.30
Cathay China Emerging Industries Fund	508	47,666.00
Total	$128,032	8,230,727.00

Related parties	2012.1.1 Account balance	2012.1.1 Unit
Other related parties		
Cathay High Income Fund of Funds	$49,564	4,824,994.90
Cathay Small & Medium Cap Fund	16,452	645,679.70
Cathay Greater China Fund	17,265	1,035,074.70
Cathay Dragon Fund	16,792	1,727,531.30
Cathay Assets Allocation Neutral Fund	18,074	1,065,084.20
Total	$118,147	9,298,364.80

(5) Securities sold under agreements to resell

	2013			
Related parties	Maximum balance	December 31, Account balance	Interest Rate (%)	Interest income
Other related parities				
Cathay United Bank Co., Ltd.	$1,475,128	$-	0.52~0.55	$797

	2012			
Related parties	Maximum balance	December 31, Account balance	Interest Rate (%)	Interest income
Other related parities				
Cathay United Bank Co., Ltd.	$778,000	$20,000	0.42~0.46	$492

(6) Prepaid expenses (Note 1)

Related parties	2013.12.31	2012.12.31	2012.1.1
Other related parities			
Cathay Life Insurance Co., Ltd.	$9,662	$5,991	$-

(7) Other non-current assets-other (Note 1)

Related parties	2013.12.31	2012.12.31	2012.1.1
Other related parities			
Cathay Life Insurance Co., Ltd.	$53,861	$34,849	$-

(8) Other payables

Related parties	2013.12.31	2012.12.31	2012.1.1
Parent Company			
Cathay Financial Holding Co., Ltd. (Note2)	$58,705	$19,154	$-
Other related parities			
Cathay Life Insurance Co., Ltd.	24,192	22,594	21,131
Total	$82,897	$41,748	$21,131

(9) Operating Expenses

Related parties	Transaction types	2013	2012
Other related parities			
Cathay United Bank Co., Ltd	Selling expenses	$31,185	$37,435
Cathay Life Insurance Co., Ltd. (Note1)	Selling expenses and advertising expenses	143,054	139,359
Cathay Securities Investment Consulting Co., Ltd.	Consulting expenses	10,920	12,180
Symphox Information Co., Ltd.	Selling expenses	7,289	5,225
Total		$192,448	$194,199

(10) Key management personnel compensation

	2013	2012
Short-term employee benefit	$36,442	$35,079

Note 1: The Company paid sales cost of fund and recognized as deferred expenses; however, Cathay Life Insurance Co., Ltd. recognized as current revenue when transaction occurred. Therefore, the Company still have related assets yet to recognized as expenses.

Note 2: Payables for allocation of linked-tax system.

8. Commitments and contingencies

Operating lease commitments－The Company as leasee

The Company has entered into commercial property leases between three to five years. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2013, 31 December 2012 and 1 January 2012 are as follows:

Related parties	2013.12.31	2012.12.31	2012.1.1
Not later than one year	$41,948	$23,182	$40,930
Later than one year and not later than five years	21,887	576	22,619
Total	$63,835	$23,758	$63,549

9. Losses due to major disasters

None.

10. Significant subsequent events

On 23 January 2014, FSC required the Company to take over the operation of Ontario High-Tech Fund and Ontario Fortune Money Market Fund from Ontario Securities Investment Trust Co., Ltd., effective on 24 January 2014.

11. Others

(1) Categories of financial instruments

Financial assets

	2013.12.31	2012.12.31	2012.1.1
Financial assets at fair value through profit or loss			
Available-for-sale financial assets	$143,232	$128,032	$118,147
Held-to-maturity financial assets	-	200,000	200,000
Loans and receivables:			
Cash and cash equivalents (exclude cash on hand)	1,555,238	1,563,353	1,569,877
Investments in debt securities with no active market	2,500	11,250	8,750
Receivables	109,649	102,665	88,016
Subtotal	1,667,387	1,677,268	1,666,643
Total	$1,810,619	$2,005,300	$1,984,790

Financial liabilities

	2013.12.31	2012.12.31	2012.1.1
Financial liabilities at amortized cost:			
Payables	$240,250	$168,724	$123,004

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activates. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

The Company's equity instruments are measure at fair value. Therefore, the Company expose in the risk from the fluctuation of equity securities' market price.

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency).

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. There are no significant effect to the Company's net income of 2013 and 2012, when NTD strengthens/weakens against foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed income investments.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including fixed income investments. There are no significant effect to the Company's net income of 2013 and 2012, when a change of interest rate in a reporting period.

(4) Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

As of 31 December 2013, 31 December 2012 and 1 January 2012, amounts receivables from top ten customers represent 68.65%, 72.77% and 73.80% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and highly liquid equity investments.

As of 31 December 2013, 31 December 2012 and 1 January 2012, debts of the Company are mature within a year. The Company does not have any financial liabilities based on the contractual payment.

(6) Fair values of financial instruments

(A) the methods and assumptions applied in determining the fair value of financial instruments:

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The carrying amount of cash and cash equivalents, accounts receivables, accounts payable approximate their fair value.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities and bonds) at the reporting date.

(c) Fair value of equity instruments without market quotations (including unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as recent fund raising activities, valuation of similar companies, individual company's development, market conditions and other economic indicators.

(d) The fair value of other financial assets and liabilities is determined using discounted cash flow analysis, the interest rate and discount rate are selected with reference to those of similar financial instruments.

(B) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(C) Assets measured at fair value

The following table contains the fair value of financial instruments after initial recognition and the details of the three levels of fair value hierarchy:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2013.12.31

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Beneficiary certificates-open-end funds	$143,232	$-	$-	$143,232

2012.12.31

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Beneficiary certificates-open-end funds	$128,032	$-	$-	$128,032

2012.1.1

	Level 1	Level 2	Level 3	Total
Financial assets:				
Available-for-sale financial assets				
Beneficiary certificates-open-end funds	$118,147	$-	$-	$118,147

During the years ending 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

(7) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(8) Information regarding investment in Mainland China

On 9 January 2012, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to remit CNY66,600 thousands as the registered capital to establish CDBS Cathay Asset Management Co., Ltd., a China-based fund management business, in the form of a joint venture with China Development Bank Securities Co., Ltd.. The joint venture company has acquired a business license of an enterprise as legal person on 16 August 2013 with an authorized capital of CNY 200,000 thousands and the Company acquired 33.3% shareholding. As of 31 December 2013, the Company's remittance to this company totaled approximately CNY66,600 thousands.

12. Segment information

(1) General information

(A) The Company's operating segment report consists with the internal report to primary operating decision makers. The primary operating decision makers means an individual or a team that assign resource to the operating segment and evaluate the performance of the operating segment. The Company's Board of Directors is the primary operating decision maker.

(B) The Company's Board of Directors (primary operating decision makers) reviewed the operating results of the operating segment periodically and makes decisions about resource allocation and performance assessment.

(2) Evaluation of segment information

(A) The Company operates under a single business strategy. The Company's Board of Directors makes decisions based on resource allocation and performance assessment of the Company as a whole, the Company has only one reportable operating segment.

(B) Operating results of the Company's operating segment are mainly from management fees income. The Company's Board of directors evaluates the performance based on net income before and after income tax.

(C) The Company has only one reportable segment and not to disclose the information of segment profit, assets and liabilities.

13. First-time adoption of TIFRS

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with generally accepted accounting principles in R.O.C. (R.O.C. GAAP). The financial statements for the year ended 31 December 2013 are the first financial statements the Company has prepared in accordance with TIFRS.

Accordingly, the Company has prepared financial statements which comply with the International Financial Reporting standards, International Accounting standards and relevant interpretations and interpretative bulletins recognized by the Financial Supervisory Commission for the years beginning from 1 January 2013 as described in the accounting policies under Note 4. Furthermore, the first financial statements prepared under TIFRS also comply with the requirements under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Company's opening balance sheet was prepared as at 1 January 2012, the Company's transition date to TIFRS.

Exemptions applied in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 *First-time Adoption of International Financial Reporting Standards* allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

(1) The Company has recognized all cumulative actuarial gains and losses on pensions as at the date of transition to TIFRS directly in retained earnings.

(2) The Company has elected to disclosed amounts required by paragraph 120A(p) of IAS19 prospectively from the date of transition to TIFRS.

Impacts of transitioning to TIFRS

The following tables contain reconciliation of balance sheets as at 1 January 2012 (the date of transition to TIFRS) and 31 December 2012 and statement of comprehensive income for the year ended 31 December 2012:

Reconciliation of balance sheet items as at 1 January 2012 (the date of transition to TIFRS)

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current assets					Current assets	
Cash and cash equivalents	$1,578,727	$-	$(8,750)	$1,569,977	Cash and cash equivalents	
Accounts receivable, net	7,955	-	-	7,955	Accounts receivable, net	
Accounts receivables-related parties, net	78,695	-	-	78,695	Accounts receivables-related parties, net	
Other receivables	1,366	-	-	1,366	Other receivables	
Prepayments	6,568	-	-	6,568	Prepayments	
Total current assets	1,673,311			1,664,561	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets-non-current	118,147	-	-	118,147	Available-for-sale financial assets-non-current	
Held-to-maturity financial assets-non-current	200,000	-	-	200,000	Held-to-maturity financial assets-non-current	
	-	-	8,750	8,750	Investments in debt securities with no active market-non current	
Total funds and investments	317,147					
Property and equipment	24,048	-	-	24,048	Property and equipment	
Intangible assets	10,376	-	-	10,376	Intangible assets	
Other assets					Other assets	
Operating deposits	50,000	-	(50,000)	-		
Refundable deposits	137,672	-	50,000	187,672	Refundable deposits	
Deferred tax assets	2,149	7,129	-	9,278	Deferred tax assets	1
Total other assets	189,821			558,271	Total non-current assets	
Total assets	$2,215,703			$2,222,832	Total assets	
Current liabilities					Current liabilities	
Income tax payable	$29,344	$-	$-	$29,344	Current tax liabilities	
Accrued expenses	123,004	-	(123,004)	-		
			123,004	123,004	Other payables	
Other current liabilities	2,895	-	-	2,895	Receipts under custody	
Total current liabilities	155,243			155,243	Total current liabilities	
Other liabilities					Non-current liabilities	
Accrued pension liabilities	12,641	41,934	-	54,575	Provisions	1
Total liabilities	167,884			209,818	Total liabilities	
Capital stock					Capital stock	
Common stock	1,500,000	-	-	1,500,000	Common stock	
Capital reserves	13,908	-	-	13,908	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	198,586	-	-	198,586	Legal reserves	
Special reserves	5,083	-	-	5,083	Special reserves	
Undistributed earnings	337,789	(34,805)	-	302,984	Undistributed earnings	1
Other shareholders' equity					Other equity	
Unrealized gain or loss on financial instruments	(7,547)	-	-	(7,547)	Unrealized gain or loss on available-for-sale financial assets	
Total shareholders' equity	2,047,819			2,013,014	Total equity	
Total liabilities and shareholders' equity	$2,215,703			$2,222,832	Total equity and liabilities	

Reconciliation of balance sheet items as at 31 December 2013

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Current assets					Current assets	
Cash and cash equivalents	$1,574,633	$-	$(11,250)	$1,563,383	Cash and cash equivalents	
Accounts receivable, net	10,739	-	625	11,364	Accounts receivable, net	
Accounts receivables-related parties, net	87,689	-	(625)	87,064	Accounts receivables-related parties, net	
Other receivables	4,237	-	-	4,237	Other receivables	
Prepayments	11,713	-	-	11,713	Prepayments	
Total current assets	1,689,011			1,677,761	Total current assets	
Funds and investments					Non-current assets	
Available-for-sale financial assets-non-current	128,032	-	-	128,032	Available-for-sale financial assets-non-current	
Held-to-maturity financial assets-non-current	200,000	-	-	200,000	Held-to-maturity financial assets-non-current	
	-	-	11,250	11,250	Investments in debt securities with no active market-non-current	
Total funds and investments	328,032					
Property and equipment	19,952	-	-	19,952	Property and equipment	
Intangible assets	32,311	(21,836)	-	10,475	Intangible assets	1
Other assets					Other assets	
Operating deposits	50,000	-	(50,000)	-		
Refundable deposits	154,172	-	50,000	204,172	Refundable deposits	
Deferred expenses	39,892	-	(39,892)	-		
Deferred tax assets	2,061	7,345	-	9,406	Deferred tax assets	1
	-	-	39,892	39,892	Other non-current assets	
Total other assets	246,125			623,179	Total non-current assets	
Total assets	$2,315,431			$2,300,940	Total assets	
Current liabilities					Current liabilities	
Accrued expenses	$168,724	$-	$(168,724)	$-		
	-	-	168,724	168,724	Other payables	
Advanced receipt	11,367	-	-	11,367	Deferred income	
Other current liabilities	3,426	-	-	3,426	Other liabilities	
Total current liabilities	183,517			183,517	Total current liabilities	
Non-current liabilities					Non-current liabilities	
Deferred income	66,119	-	-	66,119	Long-term deferred income	
Accrued pension liabilities	33,959	21,369	-	55,328	Provisions	1
Total non-current liabilities	100,078			121,447	Total non-current liabilities	
Total liabilities	283,595			304,964	Total liabilities	
Capital stock					Capital stock	
Common stock	1,500,000	-	-	1,500,000	Common stock	
Capital reserves	13,908	-	-	13,908	Capital reserves	
Retained earnings					Retained earnings	
Legal reserves	232,336	-	-	232,336	Legal reserves	
Special reserves	6,446	-	-	6,446	Special reserves	
Undistributed earnings	277,157	(35,860)	-	241,297	Undistributed earnings	1
Other shareholders’ equity					Other equity	
Unrealized gain or loss on financial instruments	1,989	-	-	1,989	Unrealized gain or loss on available-for-sale financial assets	
Total shareholders' equity	2,031,836			1,995,976	Total equity	
Total liabilities and shareholders' equity	$2,351,431			$2,300,940	Total equity and liabilities	

Reconciliation of statement of comprehensive income items for the year ended 31 December 2012

R.O.C. GAAP		Impact of transitioning to TIFRS		TIFRS		
Items	Amounts	Remeasurements	Presentation	Amounts	Items	Notes
Operating income	$1,111,684	$-	$-	$1,111,684	Operating income	
Non-operating income	23,012	-	(23,012)	-		
	1,134,696	-	(23,012)	1,111,684		
Expenses						
Operating expenses	(800,902)	(1,271)	-	(802,173)	Operating expenses	1
Non-operating expenses	(179)	-	179	-		
Total	333,615	(1,271)	(22,833)	309,511	Operating profit	
	-	-	20,662	20,662	Interest income	
	-	-	2,171	2,171	Other income and loss	
Income before tax	333,615	(1,271)	-	332,344	Income before tax	
Income tax expense	(56,458)	216	-	(56,242)	Income tax expense	
Net income	$277,157	$(1,055)	$-	$276,102	Net income	
					Other Comprehensive income	
					Unrealized gain or loss on available-for-sale	
			9,536	9,536	financial assets	
				$285,638	Total comprehensive income	

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

The transition from R.O.C. GAAP to TIFRS has not had a material impact on the statement of cash flows. The statement of cash flow prepared under R.O.C. GAAP was reported using the indirect method. Furthermore, cash flows from interest and dividends received and interest paid were classified as cash flows from operating activities and interest and dividends received were not disclosed separately. However, in accordance with the requirements under IAS 7 *Statement of Cash Flows*, the interest received for the year ended 31 December 2012, is separately disclosed in the statement of cash flow in the amount of $16,856 thousands and classified as cash flows from operating activities.

Apart from the aforementioned differences, there were no material differences between the statements of cash flows prepared under R.O.C. GAAP and TIFRS.

Reconciliation between R.O.C. GAAP to TIFRS that were recognized by the FSC

(1) Employee benefits

The Company used actuarial techniques to calculate the defined benefit obligation and recognized related pension costs and accrued pension liabilities under R.O.C. GAAP. Upon transitioning to TIFRS, actuarial calculations were made in accordance with the requirements under IAS 19 *Employee Benefits*. The Company recognized all remaining balance of unrecognized transitional net benefit obligation. As of 1 January 2012, the adjustments resulted in an increase of accrued pension liabilities by $41,934 thousands, an increase of deferred tax assets by $7,129 thousands and a decrease of retained earnings by $34,805 thousands; As of 31 December 2012, the adjustments resulted in an increase of accrued pension liabilities by $21,369 thousands, a decrease of deferred pension costs by $21,836 thousands, an increase of deferred tax assets by $7,345 thousands and an decrease of retained earnings by $35,860 thousands. In addition, the adjustments resulted in an increase of pension expense by $1,271 thousands and a decrease of income tax expense by $216 thousands for the year ended 31 December 2012.

(2) Others

Certain items in the financial statements prepared based on R.O.C. GAAP have been reclassified for comparison purposes.