

Stock Code: 6023



# **Yuanta Futures Co., Ltd.**

**(formerly known as Polaris Futures Co., LTD.)**

2018 Annual General Meeting

## **Agenda**

May 24, 2018

# Table of Contents

I.	Meeting Procedures .....	1
II.	Meeting Agendas .....	2
	1. Reporting matters.....	3
	2. Acknowledgments .....	3
	3. Discussions .....	4
	4. Election-related Issues .....	4
	5. Other matters.....	7
	6. Extempore Motion .....	7
III.	Attachment	
	1. 2017 Business Report .....	8
	2. Audit Committees' Review Report .....	12
	3. The comparison table of the “Code of Ethical Conduct” amendment.....	13
	4. 2017 Financial statements and Auditor's Report .....	16
	5. 2017 Statement of Retained Earnings.....	34
	6. The comparison table of the Procedures for Election of Directors amendment .....	35
IV.	Appendix	
	1. Current and minimum number of shares held by Directors.....	39
	2. Information relating to shareholders meeting agendas .....	40
	3. Codes of Ethical Conduct .....	41
	4. Procedures for Election of Directors.....	44
	5. Articles of Incorporation.....	47
	6. Rules of Procedure for Shareholders Meetings .....	51

Yuanta Futures Co., Ltd.  
(formerly known as Polaris Futures Co., LTD.)  
2018 Annual General Meeting Procedures

- I. Commence Meeting
- II. Chairman Takes the Chair
- III. Chairman's Speech
- IV. Reporting matters
- V. Acknowledgments
- VI. Discussions
- VII. Election-related Issues
- VIII. Other matters
- IX. Extempore Motion
- X. Adjournment

Yuanta Futures Co., Ltd.  
(formerly known as Polaris Futures Co., LTD.)

2018 Annual General Meeting Agendas

1. Time: 9am Thursday, May 24, 2018
2. Venue: 13F., No.27, Sec. 1, Anhe Rd., Da'an Dist., Taipei City, (The Chinese National Futures Association Business Center)
3. Commence Meeting
4. Chairman Takes the Chair
5. Chairman's Speech
6. Reporting matters
  - (1) Presenting the Company's 2017 Business Report.
  - (2) Audit Committee has the audit report for the Company's 2017 business report, financial statements, and statement of retained earnings presented for approval.
  - (3) Presenting the Company's 2017 Employees' Remuneration Distribution.
  - (4) The amended "Code of Ethical Conduct" report is hereby presented by the Company.
7. Acknowledgments
  - (1) Acknowledging the Company's 2017 Business Report and Financial Statements.
  - (2) Acknowledging the Company's 2017 Earnings Distribution.
8. Discussions
  - (1) Partial amendments to the "Procedures for Election of Directors".
9. Election-related Issues
  - (1) Please proceed with the election of the Company's directors (including independent directors) for the 10<sup>th</sup> term.
10. Other matters
  - (1) Relieving new Directors of any restrictions imposed in relation to Article 209 of The Company Act - "Prohibition against directors' involvements in competing businesses".
11. Extempore Motion
12. Adjournment

## I. Reporting matters

1. Reported issue: Presenting the Company's 2017 Business Report.  
Details: (1) Please refer to Attachment One for The Company's 2017 Business Report (pages 8~11 of this manual).  
(2) The report is ready for review.
2. Reported issue: Audit Committee has the audit report for the Company's 2017 business report, financial statements, and statement of retained earnings presented for approval.  
Details: (1) The Company's 2017 consolidated financial statements and financial statements have been audited by its auditors. Audit Committees have finished reviewing the audited financial statements, the Business Report, and the Earnings Distribution, and issued the Audit Committees' Review Report as shown in Attachment Two (Page 12 of this manual).  
(2) The report is ready for review.
3. Reported issue: Presenting the 2017 Employees' Remuneration Distribution.  
Details: (1) According to the Article 29 of the "Articles of Association," the Company will appropriate an amount equivalent to 0.01% ~ 5% of the annual net income (net income before tax and before deducting the remuneration to employees), if any, net of accumulated losses as remuneration to employees, which can be paid with stock or cash.  
(2) According to the preceding paragraph, the Company's net income before tax and before deducting the remuneration to employees is audited by the CPA amounted to NT\$1,028,360,380 in 2017; also, an amount equivalent to 0.317% of the said amount will be appropriated as 2017 remuneration to employees in cash, namely NT\$3,260,211. The said amount in the preceding paragraph had already booked in the 2017 operating expense that was no different from the expense recognized in 2017.  
(3) The report is ready for review.
4. Reported issue: The amended "Code of Ethical Conduct" report is hereby presented by the Company.  
Details: (1) The Company will amend the "Codes of Ethical Conduct" to meet the needs of the operation as well as to comply with the "Codes of Ethical Conduct" as outlined by Yuanta Financial Holding.  
(2) The revision focuses on revising the definition of managerial officers, adding equal appointment and prohibition of discrimination, and conflict of interest to the scope of application. Relevant texts are adjusted to meet the needs of the operation. The resolution was approved in the ninth session of the 37th board meeting on March 28, 2018.  
(3) The reference of the "Codes of Ethical Conduct" amended is attached in the Attachment three (page 13 to page 15 of the manual)

## II. Acknowledgments

1. Subject: Acknowledging the Company's 2017 Business Report and Financial Statements. (The proposal was submitted by the Board of Directors)  
Details: (1) The Company's 2017 consolidated financial statements and the financial statements were audited by CPA Se-kai Lin and CPA Po-Ju Kuo of PwC (PricewaterhouseCoopers) and were resolved for acceptance on the 37th Meeting of the 9<sup>th</sup> term Board of Directors (March 28, 2018). The audited financial statements and the business report were reviewed by the Audit Committee without any nonconformity identified and with a review report

issued.

- (2) For details on the Business report, Independent Auditor's Report, the consolidated financial statements and financial statements, please refer to Attachments One, Four (Pages 8 ~ 11 and Pages 16 ~ 33 of this manual).
- (3) The agenda has been proposed for acknowledgment.

Resolution:

2. Subject: Acknowledging the Company's 2017 Earnings Distribution. (The proposal was submitted by the Board of Directors)

- Details:
- (1) The 2017 annual earnings distribution proposal was in compliance with the Company Act and the Company's Articles of Incorporation; also, it was resolved for acceptance on the 37<sup>th</sup> term Meeting of the 9<sup>th</sup> Board of Directors (March 28, 2018). The annual earnings distribution proposal was reviewed by the Audit Committee without any nonconformity identified and with a review report issued.
  - (2) The beginning unappropriated earnings of the Company of NT\$1,540,145 (the same currency used in the financial reports) less the defined benefit plan actuarial gains and losses of NT\$636,393 included in the retained earnings and the 2017 net income of NT\$873,285,900 for a grand total of NT\$875,462,438 is available for distribution.
  - (3) The year earnings are appropriated for legal reserve of NT\$87,328,590, special reserve (20%) of NT\$174,657,180 and special reserve (Fintech 0.5%) of NT\$4,366,430. The cash dividend this year is NT\$2 per share and for a grand total of NT\$464,552,576. The unappropriated earnings amounted to NT\$144,557,662 afterwards. Please refer to Attachment Five for further details regarding the earnings appropriation (Page 34 of this manual).
  - (4) The 2017 earnings are applied for the distribution of cash dividend, namely NT\$2 per share (It is calculated and rounded up to the dollar in accordance with 232,276,288 common stock shares issued. The total number of odd shares for less than NT\$1 is transferred to the Welfare Committee with the postage fees paid by the shareholders themselves). The board of directors will be authorized upon the resolution reached in the shareholders' meeting to have the ex-dividend date determined and the dividend distributed proportionally according to the latest shareholders' registry.
  - (5) Should The Company buyback its shares, transfer treasury stocks to employees, encounter conversions of corporate bonds or engage in any transactions that affect the number of outstanding shares before the dividend base date, the Board of Directors shall be authorized to make the necessary changes with regards to dividend payout per shareholder.
  - (6) The agenda has been proposed for acknowledgment.

Resolution:

3. Discussions

Proposal 1:

Subject: Partial amendments to the "Procedures for Election of Directors". (The proposal was submitted by the Board of Directors)

- Details:
1. Amended according to Letter No.1060020872 of Taipei Exchange (TPEX) issued on July 31, 2017, "Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors" and "Procedures for Election of Directors" of Yuanta Financial Holding.

2. Please refer to Attachment Six (Page 35~38 of this manual) for the “Procedures for Election of Directors” amendment outlines.
3. Proposed for referendum

Resolution:

#### IV. Elections

##### Proposal 1:

**Subject:** Please proceed with the election of the Company’s directors (including independent directors) for the 10<sup>th</sup> term. (The proposal was submitted by the Board of Directors)

- Details:**
1. The current term (9<sup>th</sup>) of the Company’s directors (including independent directors) will be ended on May 20, 2018 with an election to be held in the current shareholders’ meeting. There are 9 directors (including 3 independent directors) to be elected currently in accordance with Article 19 of the Articles of Incorporation.
  2. The tenure of the 9<sup>th</sup> term of directors (including independent directors) will be extended until the upcoming current shareholders’ meeting. The three years tenure of the 10<sup>th</sup> term of directors will start from May 24, 2018 to May 23, 2021. Re-election is permitted.
  3. Please refer to Appendix Four (Page 44~46 of this manual) for the Procedures for Election of Directors.
  4. The list of the candidates for current board directors (including independent directors) approved by the board of directors on March 28, 2018 is as follows:

Name of the candidates for directors:	Number of shares held	Education Background	Work Experience
Yuanta Financial Holdings Co., Ltd. Representative: Mr. Lin, Tien-Fu	Shareholding of Yuanta Financial Holdings: 159,467,282 shares	Yu Da High School of Commerce and Home Economics	<ol style="list-style-type: none"> <li>1. Chairman, Yuanta Futures Co., Ltd.</li> <li>2. General Manager, Yuanta Securities Co., Ltd.</li> <li>3. Vice Chairman, Yuanta Securities Finance Co., Ltd.</li> <li>4. Director and General Manager, Fuh Hwa Securities Investment Trust Co., Ltd.</li> <li>5. Director and Executive Vice President, Yuanta Core Pacific Securities Co., Ltd.</li> <li>6. Chairman, Ding Fu Securities Co., Ltd.</li> <li>7. Director, Yuanta Financial Holdings Co., Ltd.</li> </ol>
Yuanta Financial Holdings Co., Ltd. Representative: Ms. Chou, Hsiao-Ling		MBA in Finance, National Taiwan University	<ol style="list-style-type: none"> <li>1. Director and General Manager, Yuanta Futures Co., Ltd.</li> <li>2. Director and General Manager, Polaris Futures Co., Ltd.</li> <li>3. Director and Vice President, Overseas Chinese Bank</li> <li>4. General Manager of Brokerage Department, Polaris Securities Co., Ltd.</li> </ol>
Yuanta Financial Holding Co., Ltd. Representative: Mr. Li, Yueh-Tsang		Department of Sociology, Toyo University	<ol style="list-style-type: none"> <li>1. Director, Yuanta Financial Holding Co., Ltd.</li> <li>2. Director, Yuanta Securities Co., Ltd.</li> <li>3. Director, Yuanta Futures</li> </ol>
Yuanta Financial Holding Co., Ltd. Representative: Mr. Chiu, Hsien-Tao		Business Administration Dept., Southwestern University	<ol style="list-style-type: none"> <li>1. Director, Yuanta Financial Holding Co., Ltd.</li> <li>2. Director, Yuanta Commercial Bank Co., Ltd.</li> <li>3. Director, Yuanta Futures</li> <li>4. Chairman, Taiwan Yi Ho International Co., Ltd.,</li> <li>5. Chairman, Fayaque International Co., Ltd.</li> <li>6. Chairman, Kandlee Trading Co., Ltd.</li> <li>7. Chairman, Topasia Investment Management Limited</li> <li>8. Director, Chen Long Automobile Co., Ltd.</li> <li>9. Chairman, Yee Ho Automobile Co., Ltd.</li> <li>10. Director, Fong Long Automobile Co., Ltd.</li> </ol>

Name of the candidates for directors:	Number of shares held	Education Background	Work Experience
Yuanta Financial Holding Co., Ltd. Representative: Mr. Chen, Hsiu-Wei		Department of Law, National Chung Hsing University	<ol style="list-style-type: none"> <li>1. Strategy Director, Legal Officer, Senior Secretary of Yuanta Financial Holding Co., Ltd.</li> <li>2. Director, Yuanta Futures</li> <li>3. Chairman, Yuanta International Asset Management Co., Ltd.,</li> <li>4. Chairman, Yuanta Securities (HK) Co., Limited</li> </ol>
Yuanta Financial Holdings Co., Ltd. Representative: Mr. Kung, Shao-Hsing		Department of Cooperative Economics, Tamkang University	<ol style="list-style-type: none"> <li>1. Executive Vice President, Yuanta Securities Co., Ltd.</li> <li>2. Vice President, Yuanta Securities Co., Ltd.</li> <li>3. Director, Yuanta Futures</li> </ol>
Yu Cho-Min	0	PhD in Management & Organizations, University of Michigan Ross School of Business	<ol style="list-style-type: none"> <li>1. Professor of Business Administration, National Chengchi University</li> <li>2. Independent Director, Yuanta Securities Co., Ltd.;</li> <li>3. Independent Director, Yuanta Commercial Bank;</li> <li>4. Independent Director, Advantech Co., Ltd.</li> <li>5. Director, supervisor, HannStar Display Corporation</li> <li>6. Independent Director, Antec, Inc.</li> </ol>
Hung Ching-Shan	0	<ol style="list-style-type: none"> <li>1. Master of Accounting, National Chengchi University</li> <li>2. Master of Law, National ChengChi University</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent Director, Yuanta Securities Co., Ltd.;</li> <li>2. Independent Director, Yuanta Commercial Bank;</li> <li>3. Chairman, Qingsheng Financial Consulting Co., Ltd.</li> <li>4. Vice Director, PwC</li> <li>5. Vice President, National Federation of CPA Associations of ROC.</li> </ol>
Huang Nai-Kuan	0	PhD in Engineering, USC	<ol style="list-style-type: none"> <li>1. Independent Director, Yuanta Securities Co., Ltd.;</li> <li>2. Supervisor, RFIC Technology Corporatoin.</li> <li>3. Vice President and Chief Information Officer, Taiwan Stock Exchange Corporation</li> <li>4. Chairman, Taiwan Ratings Corp.</li> <li>5. Sr. Executive Vice President and Public Welfare Supervisor, Taiwan Futures Exchange</li> <li>6. Chairman, TAIWAN-CA. Inc.</li> </ol>

Results of the Election:



V. Other matters

Proposal 1:

Subject: Please referendum the proposal to release the Company’s newly-elected directors from the “Non-competition Restrictions for Directors” prescribed in Article 209 of the Company Act. (The proposal was submitted by the board of directors.)

- Details:
1. Pursuant to Article 209 of the Company Act “If a director is engaged in activities which are within the business scope of the company, either for his/her own sake or on behalf of others, the director should explain to the shareholders’ meeting the major contents of such activities and obtain approval accordingly.”
  2. For the newly elected directors (including independent directors) who are subject to the non-compete clause of the Company Act Article 209, under the precondition of not-jeopardizing the interests of the Company, a proposal may be made in the shareholders’ meeting to have the said non-compete clause against the newly elected directors (including independent directors) lifted.
  3. The directors (including independent directors) on the list of the non-compete clause lifted are as follows.

1. The directors on the list of the non-compete clause lifted are as follows.

	Name	Adjunct to the company	Current additional positions
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Li, Yueh-Tsang	Yuanta Securities Co., Ltd.	Director
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Chiu, Hsien-Tao	Yuanta Commercial Banking Corporation	Director
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Chen, Hsiu-Wei	Yuanta Securities (HK) Co., Limited	Chairman
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Kung, Shao-Hsing	Yuanta Securities Co., Ltd.	Manager

2. The independent directors on the list of the non-compete clause lifted are as follows:

	Name	Adjunct to the company	Current additional positions
Independent Director	Yu Cho-Min	Yuanta Securities Co., Ltd.	Independent Director
		Yuanta Commercial Banking Corporation	
Independent Director	Hung Ching-Shan	Yuanta Securities Co., Ltd.	Independent Director
		Yuanta Commercial Banking Corporation	
Independent Director	Huang Nai-Kuan	Yuanta Securities Co., Ltd.	Independent Director

Resolution:

VI. Extempore Motion

VII. The meeting was adjourned

**Yuanta Futures Co., Ltd.**  
**(formerly known as Polaris Futures Co., LTD.)**

**2017 Business Report**

I. Market Overview

Compares to the volatile market fluctuation in 2016 due to the Black Swan effect, the global economy got better in 2017 and the future market was relatively peaceful. However, several events still had a great impact on the global markets. In the performance of commodity futures, the international oil price had a steady rebound in 2017. Light crude oil prices also come to the new high after a year and a half. In metal futures, the livelihood metal was fundamentally on an upward trend. Copper futures was especially active in 2017 driven by the hype in automatic cars. Gold futures also had high volume trades with an upward trend due to the steady supplies and the rising demands.

In terms of domestic market, the trading volume of the Taiwan Futures Exchange (TAIFEX) in 2017 reached a record high of 265 million, the 4th consecutive year for more than 200 million. The total account opening for futures trading increased from 2016 and reached 1,739,050. The biggest change is that TAIFEX started the night trades as of May 15, 2017. The trading volume has accounted for 10% of the overall trades since its opening. As the night trades continues to amplify, the trading volume in 2018 is expected to be very optimistic.

In 2017, Yuan Futures continuously strengthen the management, including to improve the profitability of shareholder equity, the implementation of risk management and objectives of brokerage business, and so on. All operating objectives have been precisely implemented and achieved as follows: in financial performance, after-tax net profit of 2017 is NT\$873 million, ranked first in the specialty futures; after-tax EPS is NT\$3.76/share; after tax ROE is 11.92%. In turns of business performance, our market shares account for 21.71% in future brokerage, 14.61% in option brokerage, and 25.6% in foreign futures. All are ranked first and significantly lead the industry.

In addition, in response with the third round of mutual assessment in 2018 that will be conducted by Asia/Pacific Group for the Prevention of Money Laundering (APG) and to comply with the AML/CFT laws and regulations, the Company has been fully dedicated in executing AML/CFT risk management in 2017. We built up three lines of defense through our business units, law compliance and auditing department and complete the organization-wide risk assessment. The establishment of the AML/CFT prevention team to enhance the overall effectiveness of the risk management, reduce the relative risks, and fulfill the company's goal in steady growth.

II. Corporate governance

1. Participating in the 10<sup>th</sup>, 11<sup>th</sup>, and 12<sup>th</sup> "Information Disclosure Ranking Results in Taiwan by the Securities and Futures Institute" of the ROC Securities and Futures Institute with the highest honor of "A++" rating received; also, the Company is the one and only futures company in Taiwan receiving such honor for three consecutive years. It indicates that the Company's dedication to actively deploy new business and promote business; also, value and substantiate the concrete practice of corporate governance.
2. We participated in the past three "Corporate Governance Review" hosted by TWSE and TPEX from 2014-2016. Our evaluation results have been consistently ranked in the top 5% among all OTC companies. It is an honorable recognition of our operation philosophy in

honesty, maximizing the shareholder's equity, and sustainable operation.

3. From April 2012, the Board of Directors had the "Audit Committee" setup to replace the functions of supervisors, to supervise the Company's financial operations, internal control, regulatory compliance, and risk control for emphasizing an open and transparent management philosophy. The Audit Committee had convened 14 meetings in 2017.
4. Through the "corporate governance system assessment" held by Taiwan Corporate Governance Association, examine the Company with the corporate governance assessment in response to the considerations of listing commitments and the Company's long-term operation so to make the Company's operating information more transparent, the internal controls better, and shareholder's benefit maximized. The Company was, as well, officially accredited by the Taiwan Corporate Governance Association for both "CG6004" and "CG6006".

### III. Operating results

In 2017, the Company continued intensifying a variety of business management, including the efforts to boost the profitability of the shareholders' equity, put into implementation thoroughly risk management, implement the targets of proprietary dealing and brokerage businesses which have been embodied through various business targets below:

1. In terms of financial performance, the Company's 2017 net income was NT\$873 million, the highest of the futures brokerage; also, the net EPS was NT\$3.76 and ROE after tax was 11.92%.
2. Business performance: Futures brokerage market share is 21.71% with a turnover of more than 34,050,000 transactions; option brokerage market share is 14.98% with a turnover of more than 54,040,000 transactions; foreign futures market share is 25.6% with a turnover of 8,410,000 transactions; the market shares referred to above are ranked number one in market and significantly ahead of the industry.
3. Awards: The Company was committed to provide excellent services to customers persistently with high transparent operation, sound financial performance, innovation and R&D capabilities, comprehensive risk control mechanism, strict corporate governance, and internal control. The Company's performance had been well recognized in market in 2017:
  - (1) The third term recognition of the top 5% OTC companies in corporate governance review.
  - (2) No. 1 in futures companies amongst the Top 5000 large corporations in Taiwan.
  - (3) Awarded with the "Derivatives House of the Year - Highly Commended" by The Asset magazine.
  - (4) Awarded with the "Country Awards- Best Brokerage House, Taiwan" by The Asset magazine.
  - (5) Awarded with the "Outstanding Enterprise and "Most Popular Brand" at the 14<sup>th</sup> National Brand Yushan Award.
  - (6) Awarded with first place in the category of futures commission merchant trade volume of the 3rd "Futures Diamond Award" held by Taiwan Futures Exchange.
  - (7) The 14<sup>th</sup> Golden Goblet Award – Outstanding Futures Talent, Outstanding Risk Management, and Outstanding Financial Innovation.
  - (8) The 71<sup>th</sup> ROC Excellent Businessmen Award

4. The Company's 2017 income and expense and profitability analysis is summarized as follows:

(Unit: NTD thousand)

Item	2017	2016	Difference	Variation
Operating gains	2,921,001	2,933,375	-12,374	-0.42%
Operating expenses	1,523,720	1,526,765	-3,045	-0.20%
Operating fees	1,020,913	1,008,449	12,464	1.24%
Other profits and losses	648,732	592,095	56,637	9.57%
Earnings before tax	1,025,100	990,256	34,844	3.52%
Current period net profit	873,286	835,706	37,580	4.50%
Net profit margin	29.90%	28.49%	1.41%	4.9%
After-tax EPS (NTD)	3.76	3.6	0.16	4.44%
Return on shareholders' equity	11.92%	11.97%	-0.05%	-0.42%

#### IV. Research and development

As the leading brand of the futures industry, Yuanta Futures has a long-term commitment of integrity, excellence, sound and innovative business. Due to the development of the wave of digital finance in recent years, the Company also invest capital, manpower, and upgrade system equipment to research and development of the user-oriented "Yuanta Futures Smart Ecosystem Chain", which includes online signing consultant contract, online payment, Cloud strategy platform, and online/offline courses. The Company aims to combine it with E-order through "Yuanta Intelligent Wizard" to create a one-stop financial services that optimize and provide the investors experiences. While developing financial technology, Yuanta Futures also focus on risk management. The Company's own risk management information system has now integrated different markets and financial commodities. Its risk models is now to meet different types of cross-market, trans-commodity complex trading strategy, becoming the most powerful tool and strong foundation to promote the Company's business. As a result, the winning of the 14<sup>th</sup> Golden Goblet Award for outstanding risk management and outstanding financial innovation in 2017 indicates our efforts and dedications in investing resources and development has been greatly recognized.

#### V. Future operating plans and development strategies

In 2017, Yuanta Futures will implement the overall operation strategy of innovative optimizing and global connectivity. To face the tough environment, we not only continuously implement the corporate government, shielding with strong financial backing and steady operation, we also continuously developing new products and optimize innovation to strengthen our strategy and business transform. In addition, the Company expanded overseas businesses to grasp the cross-border trend of business, and to implement the development of services to the real economy and other opportunities; As the business development in IB services, institutional business, futures consultants, leveraged traders and others, we are also optimizing the IT platform, risk management, interactive marketing services and research and development of competitiveness to plan, with the opening of the process and law, the future layout of the Asian

market. With the combination innovation and development capabilities in FinTech, we plan to head towards the best integrated Futures service in Asia-Pacific region.

Our 2018 operation plan is as follows:

1. “Maintain our market share in brokerages” and “increase the gross margin, promote foreign currency futures consignment business to be the main driver of growth”, and “expand the investors’ AUM margin scale”. Cultivate domestic and international futures and options commodities and customers to maintain our leading position in operation and financial performance.
2. Promote “the plan of Futures Base in Hong Kong”. The Hong Kong branch expanded in May, 2017 and became the first Taiwanese company to obtain the secondary agency license of Shanghai International Energy Exchange Co., Ltd., (INE) and enter into the greater China investment circle. We expect to position the Hong Kong subsidiary as the diversified, cross-border, multi-dimensional international trading platform to satisfy our international investors’ needs of one-stop shop investing in 2018.
3. “Expand the leverage trading business scope” to create the market differentiate. We started to provide foreign currency margin and unique structural products in 2017. We expect to utilize our niches in futures and options trading to provide the general investors and institutional investors a variety of channel to profit or hedge. We also expect to lead the market using our abilities in new product development and innovations.
4. “Promote innovative financial development”, which includes improvement of customer services by integrate the Yuanta smart net with AI technology and the expected rollout of the “Yuanta Smart API” solution in 2018. The latter is expected to provide our investors with an unrestricted platform to trade by using their most accustomed system language. We are also ahead of our peers in developing a new form of APP and digital finance. We also improve the digital mobile services of Yuanta intelligent Wizard and integrate all domestic commodities trading system and investment information into the platform.
5. “Optimizing risk management” to cope with the ever-changing futures market. It includes strengthen the regulatory compliance and risk management of our oversea branches, develop core business talents and improve their abilities of innovative thinking, increase the system efficiency to prevent the loss and damage when the future market paralyzed (loss of liquidity), and augment the IT security to prevent hacking.

Chairman:

General Manager:

Accounting Supervisor:

**Yuanta Futures Co., Ltd.**  
**Audit Committees' Review Report**

For the Company's 2017 consolidated financial statements, financial statements and the 2017 business report and statement of retained earnings presented by the board of directors, in which, the financial statements were audited by CPA Se-kai Lin and CPA Po-Ju Kuo of PwC (PricewaterhouseCoopers) with an adjusted unqualified opinion stated in the independent auditor's report.

The statements referred to above were audited by the Audit Committee without any nonconformity found and a report was issued with the unanimous agreement of the committee members in accordance with Article 219 of the Company Act. Please bring attention to the presentation.

Best regards

The 2018 Annual General Meeting of Yuanta Futures Co., Ltd.

The Audit Committee of Yuanta Futures Co., Ltd.

Convener    Mr. Lai, Kun-Hung

March 28, 2018

Attachment III

**Yuanta Futures Co., Ltd.**

**The Comparison Table of the “Code of Ethical Conduct” Amendment**

Amendments	Current existing clauses	Description
<p>Article 2 (Terminology of the Code of Ethical Conduct) The staff in the Code of Ethical Conduct refers to the directors, managers, and employees. The managerial officers being referred in the Guidance includes the President, Vice President, the <u>managers of each department and branches</u> as <u>outlined in Article 29 of the Company Act</u>. The employee in the Guidance refers to anyone who is <u>hired by the Company and received compensation as a result of services performed</u>, excluding the <u>mentioned</u> managerial officers.</p>	<p>Article 2 (Terminology of the Code of Ethical Conduct) The staff in the Code of Ethical Conduct refers to the board directors, managers, and <u>other</u> employees. The managerial officers in the Code of Ethical Conduct includes the President, Vice President, <u>Assistant Vice President, and other managers who are authorized for business operation and authorized to sign documents on behalf of the company</u>. <u>The employee</u> in the Code of Ethical Conduct refers to the managerial officers and <u>other employees</u>.</p>	<p>In order to distinguish the definition of the employee and the managerial officers, the definition in article II – Managerial officers and Paragraph III – Employees are amended.</p>
<p>Article 5 (Equal job opportunity and prohibition of discrimination) The Company respects a diversified society and gives <u>managers and</u> employees equal job opportunity and career development without practicing any differential treatment or any form of discrimination due to personal gender, race, religion, political parties, <u>sexual orientation</u>, rank, nationality, or age.</p>	<p>Article 5 (Equal job opportunity and prohibition of discrimination) The Company respects a diversified society and gives employees equal job opportunity and career development without practicing any differential treatment or any form of discrimination due to personal gender, race, religion, political parties, <u>gender orientation</u>, rank, nationality, or age.</p>	<ol style="list-style-type: none"> <li>1. The employees hired by the Company shall include managerial officers. The term “managerial officers” is added as amended in the article.</li> <li>2. Due to the “gender orientation” is a less common used legal term, the reference is revised as “sexual orientation” in the article in accordance with Employment Service Law, Article 5.</li> </ol>
<p>Article 14 (Prevention of possible conflicts of interest) Directors and <u>managerial officers</u> shall exercise a high degree of self-discipline. If a board director and <u>mentioned person</u> or a juristic person represented by the board director is an interested party with respect to any proposal for a board meeting and the relationship is likely to prejudice the interests of the company, either</p>	<p>Article 14 (Prevention of possible conflicts of interest) Directors shall exercise a high degree of self-discipline. If a board director a juristic person represented by the board director is an interested party with respect to any proposal for a board meeting and the relationship is likely to prejudice the interests of the company, either recognized by the <u>directors</u> or by the board, these persons shall enter recusal</p>	<p>Due to the managerial officers is also within the scope of prevention of possible conflicts of interest, the term “managerial officers” is added to amended Paragraph I and II.</p>

Amendments	Current existing clauses	Description
<p>recognized by <u>themselves</u> or by the board, these persons shall enter recusal during the discussion and voting.</p> <p>When board directors <u>and managerial officers</u> believe that they cannot handle business operation objectively or to the advantage of the Company, or, may have a conflict of interest in certain matters, they should take the initiative to clarify it and handle it legally and properly, otherwise, they should have themselves excused from handling the matters.</p> <p>When board directors and managerial officers, due to their job position and authority, or their spouses, parents, children, or second-degree cousins and their employers have involved in the business operation of the Company, they should take the initiative to clarify it and handle it legally and properly, otherwise, they should have themselves excused from handling the matters.</p>	<p>during the discussion and voting.</p> <p>When board directors believe that they cannot handle business operation objectively or to the advantage of the Company, or, may have a conflict of interest in certain matters, they should take the initiative to clarify it and handle it legally and properly, otherwise, they should have themselves excused from handling the matters.</p> <p>When board directors and managerial officers, due to their job position and authority, or their spouses, parents, children, or second-degree cousins and their employers have involved in the business operation of the Company, they should take the initiative to clarify it and handle it legally and properly, otherwise, they should have themselves excused from handling the matters.</p>	
<p>Article 15 (Fair trade and treatment)</p> <p>The Company’s staff should treat the trade counterparties fairly without any unfair or unethical conduct committed, including:</p> <ol style="list-style-type: none"> <li>1. Making improper mutual interest;</li> <li>2. Spreading rumors about customers, traders, competitors, and <u>company’s staff</u></li> <li>3. Deliberately misrepresenting the quality or content of the Company’s products or services</li> <li>4. Other illegal gains collected through manipulation, concealment, and abuse of information that is learned from the job duties, making false statements, or practicing unfair trading.</li> </ol>	<p>Article 15 (Fair trade and treatment)</p> <p>The Company’s staff should treat the trade counterparties fairly without any unfair or unethical conduct committed, including:</p> <ol style="list-style-type: none"> <li>1. Making improper mutual interest;</li> <li>2. Spreading rumors about customers, traders, competitors, and employees</li> <li>3. Deliberately misrepresenting the quality or content of the Company’s products or services</li> <li>4. Other illegal gains collected through manipulation, concealment, and abuse of information that is learned from the job duties, making false statements, or practicing unfair trading.</li> </ol>	<p>The target that the untruthful rumor shall not be spread against shall include directors and managerial officers. Therefore, the word “staff” is amended to be included in the article.</p>



Amendments	Current existing clauses	Description
<p>The Company’s staff when dealing with the related party or affiliated companies shall conform to the principle of equality and comply with regulations, requirements of the competent authority, and the specifications of the Company without any preferential treatment.</p>	<p>The Company’s staff when dealing with the related party or affiliated companies shall conform to the principle of equality and comply with regulations, requirements of the competent authority, and the specifications of the Company without any preferential treatment.</p>	
<p>Article 19 (Limitation of engaging in political parties) The Company’s <u>staff</u> may not engage in any activities of political parties at workplace or during working hours; also, may not use company resources for such purpose. Specific public activities carried out by the public relations staff is not subject to such limitation.</p>	<p>Article 19 (Limitation of engaging in political parties) The Company’s <u>employee</u> may not engage in any activities of political parties at workplace or during working hours; also, may not use company resources for such purpose. Specific public activities carried out by the public relations staff is not subject to such limitation.</p>	<p>The prohibition of performing political campaign during the working hours or within the working environment shall also include director and managerial officers. Therefore, the word “staff” is amended to be included in the article.</p>
<p>Article 27 (The announcement and implementation of the Code of Ethical Conduct) The Code of Ethical Conduct should be implemented with the approval of <u>audit committee</u> and the board of directors and reported in the shareholders’ meeting, so is the amendment.</p>	<p>Article 27 (The announcement and implementation of the Code of Ethical Conduct) The Code of Ethical Conduct should be implemented with the approval of the board of directors and reported in the shareholders’ meeting, so is the amendment.</p>	<p>The amended “The Code of Ethical Conduct” should be implemented with the approval of audit committee and the board of directors and reported in the shareholders’ meeting.</p>

## Attachment IV

### Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17004129

To Yuanta Futures Co., Ltd.:

#### **Audit opinion**

We have audited the accompanying proprietary consolidated balance sheet of Yuanta Futures Co., Ltd. (formerly known as Polaris Futures Co., LTD.) and its subsidiaries as of December 31, 2017 and 2016 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Futures and its subsidiaries as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants," "Regulations Governing the Preparation of Financial Reports by Securities Firms," and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

#### **Basis of an audit opinion**

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of "independent auditor's responsibility for consolidated financial statements." The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Yuanta Futures and its subsidiaries in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

#### **Key Audit Matters**

The key audit matters means that the independent auditor has used their professional judgment to audit, the most important matters on the 2017 consolidated financial statements of Yuanta Futures and its subsidiaries. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

#### **The measurement of fair value of the unlisted stock without market price available for reference**

##### **Description of the matter**

Please refer to Note 4 (8) of the consolidated financial statements for the accounting policies on the unlisted stock (available-for sale financial assets) without a market price available for reference. Please refer to Note 6 (4) of the consolidated financial statements for the description of important accounting accounts. Please refer to Note 5 (2) of the consolidated financial statements for the uncertainty of accounting estimates and assumptions related to the measurements of fair value. Please refer to Note 20 (3) of the consolidated financial statements for the fair value of financial instruments. As of December 31, 2017, the unlisted stock investment amount of the available-for-sale financial assets amounted to NT\$1,183,345 thousand dollars.

The fair value of the unlisted stock of Yuanta Futures and its subsidiaries without market price available for reference is measured in accordance with the market method, which involves a number of assumptions and significant unobservable input values, including the evaluation methods used, the determination of the similar observable subject matters, and the price-to-earnings (P/E) ratio and discount for lack of marketability with subjective judgment and a high degree of uncertainty, since the measurement results do have a significant impact on the financial statements, the independent auditor has the fair value measurement of the unlisted stock without market price available for reference classified as a key audit matter of the year.

### **The responsive auditing process**

The independent auditor has commissioned price evaluation experts to assist in assessing the rationality of the evaluation methods, assumptions, and input values used by the management for the aforementioned key audit matters. The responsive audit process implemented is summarized as follows:

1. Understand and evaluate the relevant policies and valuation process related to the fair value measurement of the unlisted stock without market price for reference of Yuanta Futures and its subsidiaries.
2. Assess the valuation approach used by the management that is indeed widely and properly used for the industry or environment.
3. Assess the rationality of the similar comparable company selected by the management, including assessing the degree of similarity of its business characteristics and the supporting document.
4. Check the P/E (price-to-earnings) ratio and the input value of the discount for lack of marketability used in the valuation approach; also, review the relevant information and supporting documents to confirm the reasonableness of the input values.

### **Other matters - individual financial report**

Yuanta Futures Co., Ltd. has compiled its 2017 and 2016 individual financial statements, for which we issued unqualified opinion.

### **The responsibility of the management and management units to the consolidated financial statements**

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants,” “Regulations Governing the Preparation of Financial Reports by Securities Firms,” and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

While preparing the consolidated financial statements, the management’s responsibility also includes assessing the continuing operation of Yuanta Futures and its subsidiaries, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operation, unless the management intends to liquidate Yuanta Futures and its subsidiaries or cease the business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Yuanta Futures are responsible for supervising the financial reporting process.

### **The responsibilities of the independent auditor to the consolidated financial statements**

The purpose of the independent auditor’s auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the consolidated financial statements, it is considered significant.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the consolidated financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating

internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.

2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Yuanta Futures and its subsidiaries.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Yuanta Futures and its subsidiaries are with significant uncertainties. If the independent auditor believes that such events or circumstances are with significant uncertainties, it is necessary to remind the users of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Yuanta Futures and its subsidiaries to continue operating.
5. Assess the overall expression, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the individual financial information of Yuanta Futures and its subsidiaries in order to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; also, is responsible for forming an opinion on the audit of the group.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2017 consolidated financial statements of Yuanta Futures and its subsidiaries. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

Se-kai Lin

CPA

Po-Ju Kuo

Former Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan

Approval Document No.: Jin-Guan-Zheng-6-0960072936

Former Financial Supervisory Commission, Executive Yuan.

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
1000035997

March 28, 2018

Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated Balance Sheet  
December 31, 2017 and 2016

Unit: NTD thousand

Assets	Additional notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current assets</b>						
111100	Cash and cash equivalents	6(1) and 7	\$ 4,776,563	8	\$ 4,646,555	8
112000	Financial assets at fair value through profit or loss- current	6(2), 7 and 11	146,673	-	259,894	-
113400	Available-for-sale financial assets - current	6 (4)	280,461	1	176,883	-
114070	Customers' margin accounts	6(3) and 7	49,642,864	87	54,305,390	87
114080	Futures trading margin receivable		241	-	703	-
114100	Stock Borrowing Margin (SBL)	7	6,130	-	311,108	1
114130	Accounts receivable		11,441	-	351,084	1
114140	Accounts receivable - related parties	7	4,828	-	3,133	-
114150	Prepayments		7,879	-	4,321	-
114170	Other receivable		15,279	-	27,986	-
114180	Other receivables - related parties	7	8,645	-	27,227	-
114300	Leverage contract trading customer margin account	7	45,372	-	-	-
114600	Current Income Tax Asset		341	-	453	-
119000	Other current assets		13	-	482	-
110000	<b>Total of Current Assets</b>		<u>54,946,730</u>	<u>96</u>	<u>60,115,219</u>	<u>97</u>
<b>Non-Current assets</b>						
123400	Available-for-sale financial assets - non-current	6 (4)	1,273,519	2	1,330,040	2
125000	Property and equipment	6 (7)	576,842	1	53,039	-
127000	Intangible assets	6 (8)	36,626	-	30,396	-
128000	Deferred income tax assets	6 (24)	14,103	-	16,600	-
129010	Business guaranty bond	6(5), 7 and 8	147,168	-	165,000	-
129020	Settlement / clearance fund	6 (6)	442,569	1	442,913	1
129030	Guarantee deposits paid	7	22,823	-	12,754	-
129130	Prepayment for equipment purchase		9,290	-	5,882	-
120000	<b>Total of Non-Current Assets</b>		<u>2,522,940</u>	<u>4</u>	<u>2,056,624</u>	<u>3</u>
906001	<b>Total assets</b>		<u>\$ 57,469,670</u>	<u>100</u>	<u>\$ 62,171,843</u>	<u>100</u>

(Continued next page)

Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated Balance Sheet  
December 31, 2017 and 2016

Liabilities and equity		Additional notes	December 31, 2017		Unit: NTD thousand December 31, 2016	
			Amount	%	Amount	%
<b>Current liabilities</b>						
212000	Financial liabilities at fair value through profit or loss- current	6(2) and 11	\$ 7,449	-	\$ 354,386	1
214080	Futures traders' equity	6(3) and 7	49,432,661	86	54,187,829	87
214100	Leverage contract trading investor rights		44,813	-	-	-
214130	Accounts payable		128,211	-	78,804	-
214140	Accounts payable - related parties	7	24,654	-	17,207	-
214160	Agency Receipts		5,729	-	5,085	-
214170	Other payable		204,152	1	183,083	-
214180	Other payables - related parties	7	733	-	21,513	-
214200	Other financial liabilities- current		500	-	-	-
214600	Current Income Tax Liability		59,796	-	63,746	-
219000	Other current liabilities		23,343	-	5,324	-
210000	<b>Total of current liabilities</b>		<u>49,932,041</u>	<u>87</u>	<u>54,916,977</u>	<u>88</u>
<b>Non-current liabilities</b>						
225100	Liabilities reserve- non-current	6 (9)	67,824	-	70,970	-
229000	Other non-current liabilities		2,220	-	-	-
220000	<b>Total of non-current liabilities</b>		<u>70,044</u>	<u>-</u>	<u>70,970</u>	<u>-</u>
906003	<b>Total liabilities</b>		<u>50,002,085</u>	<u>87</u>	<u>54,987,947</u>	<u>88</u>
<b>Attributable to owners of the parent company</b>						
<b>Share capital</b>						
301010	Ordinary shares capital	6 (10)	2,322,763	4	2,322,763	4
<b>Capital reserve</b>						
302000	Capital reserve	6 (11)	940,976	2	940,976	1
<b>Retained earnings</b>						
304010	Legal earnings reserve	6 (13)	720,097	1	637,326	1
304020	Special earnings reserve	6 (12)	1,696,347	3	1,526,665	3
304040	Undistributed earnings	6 (13)	875,462	1	827,716	1
<b>Other equity</b>						
305000	Other equity	6 (14)	911,940	2	928,450	2
906004	<b>Total equity</b>		<u>7,467,585</u>	<u>13</u>	<u>7,183,896</u>	<u>12</u>
906002	<b>Total liabilities and equity</b>		<u>\$ 57,469,670</u>	<u>100</u>	<u>\$ 62,171,843</u>	<u>100</u>

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated comprehensive income statements  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2017		2016		
		Amount	%	Amount	%	
<b>Revenue</b>						
401000	Brokerage commission	6(15) and 7	\$ 2,712,136	93	\$ 2,733,061	93
410000	Operating gain on sale of securities	6 (16)	2,486	-	2,764	-
421300	Dividend income		3,263	-	-	-
421500	Net loss of securities trade measured at the fair value through profit or loss		( 106)	-	( 11,712)	-
421600	SBL and reverse sell margin-trading-short - net loss		( 55,765)	( 2)	-	-
421610	Net Profit (Losses) on Measurement at Fair Value through Profit or Loss for Securities Held for Operations		607	-	( 225)	-
424200	Security commission earned	7	4,425	-	3,139	-
424300	Settlement and clearance fees	6(17) and 7	75,996	3	82,514	3
424400	Net gains in the derivative financial instruments	6 (2) (18)	135,539	5	59,338	2
424800	Management fee income		198	-	49	-
424900	Consultancy fee income		16,487	-	15,826	-
428000	Other operating revenue	7	25,735	1	48,621	2
400000	<b>Total revenues</b>		<u>2,921,001</u>	<u>100</u>	<u>2,933,375</u>	<u>100</u>
<b>Expense</b>						
501000	Brokerage commission expenses	6 (19)	( 516,514)	( 18)	( 502,321)	( 17)
502000	Proprietary trade service charge	6 (19)	( 5,951)	-	( 10,881)	-
521200	Financial costs	7	( 34,609)	( 1)	( 31,391)	( 1)
524100	Futures commission expenses	6(20) and 7	( 554,276)	( 19)	( 570,403)	( 20)
524300	Clearance and settlement service expenses		( 411,591)	( 14)	( 411,769)	( 14)
528000	Other operating expenses		( 779)	-	-	-
531000	Employee Benefit expenses	6 (21) (22)	( 539,067)	( 19)	( 543,915)	( 19)
532000	Depreciation and amortization expenses	6 (7) (8) (21)	( 39,503)	( 1)	( 41,569)	( 1)
533000	Other operating expenses	6(21) (26) and 7	( 442,343)	( 15)	( 422,965)	( 14)
500000	<b>Total Expense</b>		<u>( 2,544,633)</u>	<u>( 87)</u>	<u>( 2,535,214)</u>	<u>( 86)</u>
<b>Operating profit</b>						
602000	Other profits and losses	6(23) and 7	376,368	13	398,161	14
902001	<b>Earnings before tax</b>		<u>648,732</u>	<u>22</u>	<u>592,095</u>	<u>20</u>
701000	Income tax expense	6 (24)	( 151,814)	( 5)	( 154,550)	( 5)
902005	<b>Current period net profit</b>		<u>\$ 873,286</u>	<u>30</u>	<u>\$ 835,706</u>	<u>29</u>

(Continued next page)

Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated comprehensive income statements  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand  
(except EPS in NTD)  
2016

Item	Additional notes	2017		2016	
		Amount	%	Amount	%
<b>Other general gains and losses</b>					
<b>Items that are not reclassified as profit and loss:</b>					
805510	Defined benefit plan revaluation amount and volume	6 (9)			
		\$ 766	-	(\$ 10,756)	( 1)
805599	Income tax related to accounts not being reclassified	6 (24)			
		( 131)	-	1,828	-
<b>Accounts to be reclassified to profit or loss subsequently:</b>					
805610	Exchange differences arising from translating the financial statements of foreign operations	6 (14)			
		( 23,052)	( 1)	( 10,751)	-
805620	Unrealized valuation gains on financial asset available for sale	6 (4) (14)			
		6,542	-	120,352	4
<b>Other comprehensive income (post-tax profit or loss)</b>			( 1)	100,673	3
<b>Total comprehensive income for the period</b>			29	936,379	32
<b>Profit attributable to:</b>					
Owners of parent			30	835,706	28
<b>Total comprehensive income attributable to:</b>					
Owners of parent			29	936,379	32
<b>Earnings per ordinary share</b> 6 (25)					
<b>Basic and diluted earnings per share</b>					
			3.76		3.60

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei



Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated statement of changes in equity  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand

	Additional notes	Attributable to owners of the parent company							Exchange differences arising from translating the financial statements of foreign operations	Unrealized gains or losses on financial asset available for sale	Total equity
		Capital reserve			Retained earnings			Other equity			
		Ordinary shares capital	Share Premium	Consolidated P remium Amount	Legal earnings reserve	Special earnings reserve	Undistributed earnings				
<u>2016</u>											
Balance at January 1, 2016	6 (10)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 561,535	\$ 1,375,086	\$ 757,898	\$ 6,527	\$ 812,322	\$ 6,777,107	
Dividend allocation and distribution for 2015	6 (13)										
Legal earnings reserve		-	-	-	75,791	-	( 75,791 )	-	-	-	
Special earnings reserve		-	-	-	-	151,579	( 151,579 )	-	-	-	
Cash dividend to shareholders		-	-	-	-	-	( 529,590 )	-	-	( 529,590 )	
2016 net profit		-	-	-	-	-	835,706	-	-	835,706	
2016 Other general gains and losses	6 (14)	-	-	-	-	-	( 8,928 )	( 10,751 )	120,352	100,673	
Balance at December 31, 2016		<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 637,326</u>	<u>\$ 1,526,665</u>	<u>\$ 827,716</u>	<u>(\$ 4,224 )</u>	<u>\$ 932,674</u>	<u>\$ 7,183,896</u>	
<u>2017</u>											
Balance at January 1, 2017	6 (10)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 637,326	\$ 1,526,665	\$ 827,716	(\$ 4,224 )	\$ 932,674	\$ 7,183,896	
Dividend allocation and distribution for 2016	6 (13)										
Legal earnings reserve		-	-	-	82,771	-	( 82,771 )	-	-	-	
Special earnings reserve		-	-	-	-	169,682	( 169,682 )	-	-	-	
Cash dividend to shareholders		-	-	-	-	-	( 573,722 )	-	-	( 573,722 )	
2017 net profit		-	-	-	-	-	873,286	-	-	873,286	
2017 Other general gains and losses	6 (14)	-	-	-	-	-	635	( 23,052 )	6,542	( 15,875 )	
Balance at December 31, 2017		<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 720,097</u>	<u>\$ 1,696,347</u>	<u>\$ 875,462</u>	<u>(\$ 27,276 )</u>	<u>\$ 939,216</u>	<u>\$ 7,467,585</u>	

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

Yuanta Futures Co., Ltd. and its subsidiaries  
(Originally: Yuanta Futures Co., Ltd. and its subsidiaries)  
Consolidated cash flow statement  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand

	Additional notes	2017	2016
<b>Cash flow from operating activities</b>			
Pre-tax profit for the current period		\$ 1,025,100	\$ 990,256
Adjustments			
Income, expense, and loss			
Depreciation	6 (7) (21)	35,937	34,855
Amortizations	6 (8) (21)	3,566	6,714
Interest income	6 (23)	( 498,976 )	( 536,858 )
Interest expenses		34,609	31,392
Losses (gains) from disposal of financial assets available for sale	6 (4)	( 108,280 )	2,364
Gains from disposal of property or equipment	6 (7)	-	( 2,516 )
Dividend income		( 54,043 )	( 36,338 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss-current		113,221	306,415
Customers' margin accounts		4,662,526	( 4,549,320 )
Leverage contract trading customer margin account	(	45,372 )	-
Futures trading margin receivable		462	-
Stock Borrowing Margin (SBL)		304,978	( 285,207 )
Accounts receivable		339,643	( 319,936 )
Accounts receivable - related parties	(	1,695 )	2,067
Prepayments	(	3,558 )	476
Other receivable		9,876	( 4,188 )
Other receivables - related parties		19,599	( 4,027 )
Other current assets		469	( 451 )
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss-current	(	346,937 )	344,317
Futures traders' equity	(	4,755,168 )	4,592,633
Leverage contract trading investor rights		44,813	-
Accounts payable		49,407	( 60,025 )
Accounts payable - related parties		7,447	( 8,731 )
Agency Receipts		644	( 121 )
Other payable		20,868	( 6,507 )
Other payables - related parties	(	20,788 )	20,882
Other financial liabilities-current		500	-
Other current liabilities		18,019	( 1,534 )
Liabilities reserve- non-current	(	2,380 )	733
Other non-current liabilities		2,220	-
Net cash provided by operating activities		856,707	517,345
Interest received		501,138	525,604
Income tax paid	(	153,286 )	( 134,075 )
Dividends received		54,043	36,338
Interest paid	(	34,400 )	( 28,082 )
Net cash inflow from operating activities		1,224,202	917,130
<b>Cash flow from investing activities</b>			
Acquisition of available-for-sale financial assets	(	469,222 )	( 189,520 )
Proceeds from disposal of financial assets available for sale		529,228	14,525
Decrease in investments accounted for by the equity method		-	8,519
Purchase of property and equipment	6 (7)	( 522,877 )	( 22,433 )
Disposal of real estate and equipment	6 (7)	-	8,314
Increase in intangible assets	6 (8)	( 882 )	( 1,917 )
Decrease in business guaranty bond		17,832	20,000
Decrease in settlement / clearance fund		344	48,425
Increase in installment on equipment	(	51,500 )	( 3,746 )
Increase in guarantee deposits paid	(	10,069 )	( 3,039 )
Net cash outflow from investing activities	(	507,146 )	( 120,872 )
<b>Cash flow from financing activities</b>			
Cash dividend distribution	6 (13)	( 573,722 )	( 529,590 )
Net cash outflow from financing activities	(	573,722 )	( 529,590 )
Impact of change in exchange rate on cash and cash equivalent	(	13,326 )	( 7,858 )
Increase in cash and cash equivalents for the current period		130,008	258,810
Opening balance of cash and cash equivalents		4,646,555	4,387,745
Closing balance of cash and cash equivalents	\$	4,776,563	\$ 4,646,555

Please refer to the notes enclosed in the consolidated financial reports that are an integral part of the consolidated financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

## Auditor's Report

(2018) Cai-Shen-Bao-Zi No. 17004130

To Yuanta Futures Co., Ltd.:

### **Audit opinion**

We have audited the accompanying proprietary individual balance sheet of Yuanta Futures Co., Ltd. (formerly known as Polaris Futures Co., LTD.) as of December 31, 2017 and 2016 and the related individual statements of income, retained earnings, cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Futures Co., Ltd. as of December 31, 2017 and 2018, and the results of its individual operations and its individual cash flows for the years then ended in conformity with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” and “Financial Supervisory Commission and the Regulations Governing the Preparation of Financial Reports by Securities Firms”.

### **Basis of an audit opinion**

We conducted our audit in accordance with the “Rules Governing the Examination of Financial Statements by Certified Public Accountants” and generally accepted auditing standards. The responsibilities of the independent auditor under these standards will be further explained in the paragraph of the “independent auditor’s responsibility for individual financial statements.” The personnel of the CPA Firm subject to the independence requirements have acted independently from the business operations of Yuanta Futures in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

### **Key Audit Matters**

The key audit matters means that the independent auditor has based its evaluations on the professional judgment to audit the most important matters on the 2017 individual financial statements of Yuanta Futures. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

### **The measurement of fair value of the unlisted stock without market price available for reference**

#### **Description of the matter**

Please refer to Note 4 (7) of the individual financial statements for the accounting policies on the unlisted stock (available-for sale financial assets) without market price available for reference. Please refer to Note 6 (4) of the individual financial statements for the description of important accounting accounts. Please refer to Note 5 (2) of the individual financial statements for the uncertainty of accounting estimates and assumptions related to the measurements of fair value. Please refer to Note 20 (3) of the individual financial statements for the fair value of financial instruments. As of December 31, 2017, the unlisted stock investment of the available-for-sale financial assets amounted to NT\$1,183,345 thousand.

The fair value of the unlisted stock of Yuanta Futures without market price available for reference was measured in accordance with the market method, which involves a number of assumptions and significant unobservable input values, including the evaluation methods used, the determination of the similar observable subject matters, and the price-to-earnings (P/E) ratio and discount for lack of marketability with subjective judgment and a high degree of uncertainty, since the measurement results do have a significant impact on the financial statements, the independent auditor has the fair value measurement of the unlisted stock without market price available for reference classified as the key audit matter of the year.

The responsive auditing process

The independent auditor has commissioned price evaluation experts to assist in assessing the rationality of the evaluation methods, assumptions, and input values used by the management for the aforementioned key audit matters. The responsive audit process implemented is summarized as follows:

1. Understand and evaluate the relevant policies and valuation processes related to the fair value measurement of the unlisted stock without market price for reference of Yuanta Futures.
2. Assess the valuation approach used by the management that is indeed widely and properly used for the industry or environment.

3. Assess the rationality of the similar comparable company selected by the management, including assessing the degree of similarity of its business characteristics and the supporting document.
4. Check the P/E (price-to-earnings) ratio and the input value of the discount for lack of marketability used in the valuation approach; also, review the relevant information and supporting documents to confirm the reasonableness of the input values.

### **The responsibility of the management and management units to the individual financial statements**

The responsibility of the management is to have the individual financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” and the “Regulations Governing the Preparation of Financial Reports by Securities Firms”; also, maintain the necessary internal controls related to the individual financial statements in order to ensure that the individual financial statements are free of any material misstatement arising from frauds or errors.

While preparing the individual financial statements, the management’s responsibility also includes assessing the continuing operation of Yuanta Futures, the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Yuanta Futures or cease business operation, or there is lack of any alternative except for liquidation or suspension. The governance units (including the Audit Committee) of Yuanta Futures are responsible for supervising the financial reporting process.

### **The responsibilities of the independent auditor to the individual financial statements**

The purpose of the independent auditor’s auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Yuanta Futures.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Use the audit evidence obtained to draw conclusions on the suitability of the accounting base for continuing operation adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Yuanta Futures have significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Yuanta Futures to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.

6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Yuanta Futures in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has used communication with the governing unit to determine the key audit matters to be performed on the 2017 individual financial statements of Yuanta Futures. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

Se-kai Lin

CPA

Po-Ju Kuo

Former Securities and Futures Bureau, Financial Supervisory  
Commission, Executive Yuan

Approval Document No.: Jin-Guan-Zheng-6-Zi No. 0960072936

Former Financial Supervisory Commission, Executive Yuan.

Approval Document No.: Jin-Guan-Zheng-Shen-Zi No. 1000035997

March 28, 2018

Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual Balance Sheet  
December 31, 2017 and 2016

Unit: NTD thousand

Assets	Additional notes	December 31, 2017		December 31, 2016		
		Amount	%	Amount	%	
<b>Current assets</b>						
111100	Cash and cash equivalents	6(1) and 7	\$ 4,288,867	8	\$ 4,269,421	7
112000	Financial assets at fair value through profit or loss- current	6(2), 7 and 11	40,212	-	259,894	-
113400	Available-for-sale financial assets - current	6 (4)	280,461	-	176,883	-
114070	Customers' margin accounts	6(3) and 7	48,894,899	86	54,305,390	87
114080	Futures trading margin receivable		241	-	703	-
114100	Stock Borrowing Margin (SBL)	7	6,130	-	311,108	1
114130	Accounts receivable		11,441	-	351,084	1
114140	Accounts receivable - related parties	7	4,828	-	3,133	-
114150	Prepayments		5,557	-	4,138	-
114170	Other receivable		14,388	-	27,452	-
114180	Other receivables - related parties	7	8,111	-	27,055	-
114300	Leverage contract trading customer margin account	7	45,372	-	-	-
114600	Current Income Tax Asset		341	-	453	-
119000	Other current assets		13	-	16	-
110000	<b>Total of Current Assets</b>		<u>53,600,861</u>	<u>94</u>	<u>59,736,730</u>	<u>96</u>
<b>Non-Current assets</b>						
123400	Available-for-sale financial assets - non-current	6 (4)	1,183,345	2	1,230,961	2
124100	Investments accounted for by the equity method	6 (5)	721,074	2	482,705	1
125000	Property and equipment	6 (8)	552,173	1	50,487	-
127000	Intangible assets	6 (9)	36,042	-	29,852	-
128000	Deferred income tax assets	6 (25)	14,103	-	16,600	-
129010	Business guaranty bond	6(6), 7 and 8	140,000	-	165,000	-
129020	Settlement / clearance fund	6 (7)	442,569	1	442,913	1
129030	Guarantee deposits paid	7	19,612	-	9,511	-
129130	Prepayment for equipment purchase		9,290	-	5,762	-
120000	<b>Total of Non-Current Assets</b>		<u>3,118,208</u>	<u>6</u>	<u>2,433,791</u>	<u>4</u>
906001	<b>Total assets</b>		<u>\$ 56,719,069</u>	<u>100</u>	<u>\$ 62,170,521</u>	<u>100</u>

(Continued next page)

Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual Balance Sheet  
December 31, 2017 and 2016

Unit: NTD thousand

Liabilities and equity	Additional notes	December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
<b>Current liabilities</b>					
212000	Financial liabilities at fair value through profit or loss-current	\$ 7,136	-	\$ 354,386	1
214080	Futures traders' equity	48,684,919	86	54,187,829	87
214100	Leverage contract trading investor rights	44,813	-	-	-
214130	Accounts payable	128,211	-	78,804	-
214140	Accounts payable - related parties	24,654	-	17,207	-
214160	Agency Receipts	6,186	-	5,076	-
214170	Other payable	201,149	1	181,770	-
214180	Other payables - related parties	733	-	21,513	-
214200	Other financial liabilities-current	500	-	-	-
214600	Current Income Tax Liability	59,796	-	63,746	-
219000	Other current liabilities	23,343	-	5,324	-
210000	<b>Total of current liabilities</b>	<u>49,181,440</u>	<u>87</u>	<u>54,915,655</u>	<u>88</u>
<b>Non-current liabilities</b>					
225100	Liabilities reserve- non-current	67,824	-	70,970	-
229000	Other non-current liabilities	2,220	-	-	-
220000	<b>Total of non-current liabilities</b>	<u>70,044</u>	<u>-</u>	<u>70,970</u>	<u>-</u>
906003	<b>Total liabilities</b>	<u>49,251,484</u>	<u>87</u>	<u>54,986,625</u>	<u>88</u>
<b>Share capital</b>					
301010	Ordinary shares capital	2,322,763	4	2,322,763	4
<b>Capital reserve</b>					
302000	Capital reserve	940,976	2	940,976	1
<b>Retained earnings</b>					
304010	Legal earnings reserve	720,097	1	637,326	1
304020	Special earnings reserve	1,696,347	3	1,526,665	3
304040	Undistributed earnings	875,462	1	827,716	1
<b>Other equity</b>					
305000	Other equity	911,940	2	928,450	2
906004	<b>Total equity</b>	<u>7,467,585</u>	<u>13</u>	<u>7,183,896</u>	<u>12</u>
906002	<b>Total liabilities and equity</b>	<u>\$ 56,719,069</u>	<u>100</u>	<u>\$ 62,170,521</u>	<u>100</u>

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual comprehensive income statements  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2017		2016		
		Amount	%	Amount	%	
<b>Revenue</b>						
401000	Brokerage commission	6(16) and 7	\$ 2,708,485	94	\$ 2,733,061	95
410000	Operating gain on sale of securities	6 (17)	2,486	-	2,764	-
421300	Dividend income		3,263	-	-	-
421500	Net loss of securities trade measured at the fair value through profit or loss		( 106)	-	( 11,712)	-
421600	SBL and reverse sell margin-trading-short - net loss		( 55,765)	( 2)	-	-
421610	Net Profit (Losses) on Measurement at Fair Value through Profit or Loss for Securities Held for Operations		607	-	( 225)	-
424200	security commission earned	7	4,425	-	3,139	-
424300	Settlement and clearance fees	6(18) and 7	75,996	3	82,514	3
424400	Net gains in the derivative financial instruments	6 (2) (19)	133,245	5	59,338	2
424800	Management fee income		198	-	49	-
424900	Consultancy fee income		16,487	-	15,826	-
428000	Other operating losses	7	( 1,553)	-	( 644)	-
400000	<b>Total revenues</b>		<u>2,887,768</u>	<u>100</u>	<u>2,884,110</u>	<u>100</u>
<b>Expense</b>						
501000	Brokerage commission expenses	6 (20)	( 516,514)	( 18)	( 502,321)	( 18)
502000	Proprietary trade service charge	6 (20)	( 5,621)	-	( 10,881)	-
521200	Financial costs	7	( 34,607)	( 1)	( 31,392)	( 1)
524100	Futures commission expenses	6(21) and 7	( 554,543)	( 19)	( 570,403)	( 20)
524300	Clearance and settlement service expenses		( 411,591)	( 14)	( 411,769)	( 14)
528000	Other operating expenses		( 779)	-	-	-
531000	Employee Benefit expenses	6 (22) (23)	( 513,941)	( 18)	( 539,392)	( 19)
532000	Depreciation and amortization expenses	6 (8) (9) (22)	( 34,623)	( 1)	( 36,890)	( 1)
533000	Other operating expenses	6(22) (27) and 7	( 390,745)	( 14)	( 364,183)	( 13)
500000	<b>Total Expense</b>		<u>( 2,462,964)</u>	<u>( 85)</u>	<u>( 2,467,231)</u>	<u>( 86)</u>
<b>Operating profit</b>						
601100	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6 (5)	( 40,114)	( 2)	( 11,794)	-
602000	Other profits and losses	6(24) and 7	<u>640,410</u>	<u>22</u>	<u>585,171</u>	<u>20</u>
902001	<b>Earnings before tax</b>		<u>1,025,100</u>	<u>35</u>	<u>990,256</u>	<u>34</u>
701000	Income tax expense	6 (25)	( 151,814)	( 5)	( 154,550)	( 5)
902005	<b>Current period net profit</b>		<u>\$ 873,286</u>	<u>30</u>	<u>\$ 835,706</u>	<u>29</u>

(Continued next page)



Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual comprehensive income statements  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand  
(except EPS in NTD)

Item	Additional notes	2017		2016	
		Amount	%	Amount	%
<b>Other general gains and losses</b>					
<b>Items that are not reclassified as profit and loss:</b>					
805510	Defined benefit plan revaluation amount and volume	6 (10)			
		\$ 766	-	(\$ 10,756)	( 1)
805599	Income tax related to accounts not being reclassified	6 (25)			
		( 131)	-	1,828	-
<b>Accounts to be reclassified to profit or loss subsequently:</b>					
805610	Exchange differences arising from translating the financial statements of foreign operations	6 (15)			
		( 23,052)	( 1)	( 10,751)	-
805620	Unrealized valuation gains on financial asset available for sale	6 (4) (15)			
		7,688	1	117,617	4
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	6 (5)(15)			
		( 1,146)	-	2,735	-
<b>Other comprehensive income (post-tax profit or loss)</b>					
		( 15,875)	-	100,673	3
<b>Total comprehensive income for the period</b>					
		\$ 857,411	30	\$ 936,379	32
<b>Earnings per ordinary share Basic and diluted earnings per share</b>					
6 (26)					
		\$	3.76	\$	3.60

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chairman: Mr. Lin, Tien-Fu      General Manager: Ms. Chou, Hsiao-Ling      Accounting Supervisor: Yuan, Liang-Huei

Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual statement of changes in equity  
January 1 to December 31, 2017 and 2016

	Additional notes	Capital reserve			Retained earnings			Other equity		Total equity
		Ordinary shares capital	Share Premium	Consolidated Premium Amount	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gains or losses on financial asset available for sale	
Unit: NTD thousand										
<u>2016</u>										
Balance at January 1, 2016	6 (11)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 561,535	\$ 1,375,086	\$ 757,898	\$ 6,527	\$ 812,322	\$ 6,777,107
Dividend allocation and distribution for 2015 (Note 1)										
Legal earnings reserve		-	-	-	75,791	-	( 75,791 )	-	-	-
Special earnings reserve		-	-	-	-	151,579	( 151,579 )	-	-	-
Cash dividend to shareholders		-	-	-	-	-	( 529,590 )	-	-	( 529,590 )
2016 net profit		-	-	-	-	-	835,706	-	-	835,706
2016 Other general gains and losses	6 (15)	-	-	-	-	-	( 8,928 )	( 10,751 )	120,352	100,673
Balance at December 31, 2016		<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 637,326</u>	<u>\$ 1,526,665</u>	<u>\$ 827,716</u>	<u>(\$ 4,224 )</u>	<u>\$ 932,674</u>	<u>\$ 7,183,896</u>
<u>2017</u>										
Balance at January 1, 2017	6 (11)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 637,326	\$ 1,526,665	\$ 827,716	(\$ 4,224 )	\$ 932,674	\$ 7,183,896
Dividend allocation and distribution for 2016 (Note 2)										
Legal earnings reserve		-	-	-	82,771	-	( 82,771 )	-	-	-
Special earnings reserve		-	-	-	-	169,682	( 169,682 )	-	-	-
Cash dividend to shareholders		-	-	-	-	-	( 573,722 )	-	-	( 573,722 )
2017 net profit		-	-	-	-	-	873,286	-	-	873,286
2017 Other general gains and losses	6 (15)	-	-	-	-	-	635	( 23,052 )	6,542	( 15,875 )
Balance at December 31, 2017		<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 720,097</u>	<u>\$ 1,696,347</u>	<u>\$ 875,462</u>	<u>(\$ 27,276 )</u>	<u>\$ 939,216</u>	<u>\$ 7,467,585</u>

Note 1: Remuneration for bonus of \$3,072 and remuneration for directors and supervisors of \$0 has been deducted from the comprehensive income statements of 2015.

Note 2: Remuneration for bonus of NT\$3,074 and remuneration for directors and supervisors of \$0 has been deducted from the comprehensive income statements of 2016.

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

Yuanta Futures Co., Ltd.  
(Originally: Yuanta Futures Co., Ltd.)  
Individual Cash Flow Statement  
January 1 to December 31, 2017 and 2016

Unit: NTD thousand

	Additional notes	2017	2016
<u>Cash flow from operating activities</u>			
Pre-tax profit for the current period		\$ 1,025,100	\$ 990,256
Adjustments			
Income, expense, and loss			
Depreciation	6 (8) (22)	31,618	33,443
Amortizations	6 (9) (22)	3,005	3,447
Interest income	6 (24)	( 488,463 )	( 530,974 )
Interest expenses		34,607	31,392
Losses (gains) from disposal of financial assets available for sale	6 (4)	( 108,280 )	2,364
Share of profit of associates and joint ventures accounted for under equity method	6 (5)	40,114	11,793
Gains from disposal of property or equipment	6 (8)	-	( 2,516 )
Dividend income		( 54,043 )	( 36,337 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss- current		219,682	306,415
Customers' margin accounts		5,410,491	( 4,549,320 )
Futures trading margin receivable		462	-
Stock Borrowing Margin (SBL)		304,978	( 285,207 )
Accounts receivable		339,643	( 319,937 )
Accounts receivable - related parties		( 1,695 )	2,067
Prepayments		( 1,419 )	497
Other receivable		10,353	( 11,335 )
Other receivables - related parties		32,937	10,980
Leverage contract trading customer margin account		( 45,372 )	-
Other current assets		3	15
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss- current		( 347,250 )	344,317
Futures traders' equity		( 5,502,910 )	4,592,633
Leverage contract trading investor rights		44,813	-
Accounts payable		49,407	( 60,025 )
Accounts payable - related parties		7,447	( 8,731 )
Agency Receipts		1,110	( 109 )
Other payable		19,178	( 6,798 )
Other payables - related parties		( 20,788 )	20,882
Other financial liabilities- current		500	-
Other current liabilities		18,019	( 1,534 )
Liabilities reserve- non-current		( 2,380 )	733
Other non-current liabilities		2,220	-
Net cash provided by operating activities		1,023,087	538,411
Interest received		477,181	511,551
Income tax paid		( 153,286 )	( 134,075 )
Dividends received		54,043	36,338
Interest paid		( 34,398 )	( 27,986 )
Net cash inflow from operating activities		1,366,627	924,239
<u>Cash flow from investing activities</u>			
Acquisition of available-for-sale financial assets		( 469,222 )	( 189,520 )
Proceeds from disposal of financial assets available for sale		529,228	14,525
Decrease (increase) in investments accounted for by the equity method		( 302,680 )	8,519
Purchase of property and equipment	6 (8)	( 496,304 )	( 20,285 )
Disposal of real estate and equipment	6 (8)	-	8,314
Increase in intangible assets	6 (9)	( 882 )	( 1,917 )
Decrease in business guaranty bond		25,000	20,000
Decrease in settlement / clearance fund		344	48,425
(Increase) decrease in deposits paid		( 10,101 )	74
Increase in installment on equipment		( 51,019 )	( 3,626 )
Net cash outflow from investing activities		( 775,636 )	( 115,491 )
<u>Cash flow from financing activities</u>			
Cash dividend distribution	6 (14)	( 573,722 )	( 529,590 )
Net cash outflow from financing activities		( 573,722 )	( 529,590 )
Impact of change in exchange rate on cash and cash equivalent		2,177	469
Increase in cash and cash equivalents for the current period		19,446	279,627
Opening balance of cash and cash equivalents		4,269,421	3,989,794
Closing balance of cash and cash equivalents		\$ 4,288,867	\$ 4,269,421

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chairman: Mr. Lin, Tien-Fu

General Manager: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Yuan, Liang-Huei

**Attachment Five**

Yuanta Futures Co., Ltd.  
The 2017 Statement of Retained Earnings

Unit: NTD

Item	Amount
1. Amount available for distribution:	
Opening undistributed earnings	\$ 1,540,145
Add: Defined benefit actuarial gains and recognized as retained earnings	636,393
Unappropriated adjusted earnings	2,176,538
Add: The 2017 Net income	873,285,900
<b>Distributable earnings for the year</b>	<b>\$ 875,462,438</b>
2. Distribution within the year:	
Legal earnings reserve (10%)	\$ 87,328,590
Special earnings reserve (20%)	174,657,180
Special earnings reserve (0.5%)	4,366,430
Cash dividend to shareholders (\$2 per share)	464,552,576
<b>Closing undistributed earnings</b>	<b>\$ 144,557,662</b>

Chairman:

General Manager:

Accounting Supervisor:

Attachment Six

**Yuanta Futures Co., Ltd.**

**(formerly known as Polaris Futures Co., LTD.)**

**The comparison table of the Procedures for Election of Directors amendment**

Amendments	Current existing clauses	Description of amendments
<p>Article 1-1 The qualification and appointment of the Company’s independent directors should be processed in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p>	<p>Article 1-1 The qualification and appointment of the Company’s independent directors should be processed in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.”</p>	<p>Revise and modify the text in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”</p>
<p>Article 2 Omit The directors (including independent directors) of the Company should be elected in accordance with the nomination system and procedure defined in Article 192-1 of the Company Act <u>and stated in the “Articles of Incorporation”</u>. While reviewing the qualification, experience and education, and conducts defined in the Company Act Article 30 of the candidates for directors (including independent directors), the Company may not demand any additional supporting documents of qualification from the candidates; also, the review results should be presented to the shareholders for reference in order to elect competent directors (including independent directors). If the dismissal of any director for any reason causes the board with less than five directors in service, an election of directors should be held in the most recent shareholders’ meeting. However, if the vacancy of board director is one thirds of the chairs designated, the Company shall have an extraordinary shareholders’ meeting held within 60 days from the date of the event occurred. When an independent director is dismissed for any reason, resulting in a number of directors lower than that required as outlined in Security and Exchange Act Article 14-2, Paragraph 1, or Taiwan Stock Exchange <u>Corporation Rules Governing Review of Securities Listings</u>, or Standards for Determining Unsuitability for <u>TPEX</u> Listing under Article <u>10</u>, Paragraph <u>1</u> of the Taipei Exchange Rules Governing the Review of Securities for Trading on the</p>	<p>Article 2 Omit <u>The directors (including independent directors) of the Company should be elected</u> in accordance with the nomination system and procedure defined in Article 192-1 of the Company Act. While reviewing the qualification, experience and education, and conducts defined in the Company Act Article 30 of the candidates for directors (including independent directors), the Company may not demand any additional supporting documents of qualification from the candidates; also, the review results should be presented to the shareholders for reference in order to elect competent directors (including independent directors).  If the dismissal of any director for any reason causes the board with less than five directors in service, an election of directors should be held in the most recent shareholders’ meeting. However, if the vacancy of board director is one thirds of the chairs designated, the Company shall have an extraordinary shareholders’ meeting held within 60 days from the date of the event occurred. If the number of independent directors does not meet the requirements of the proviso in Article 142-2, Paragraph 1 of Securities Exchange Act, the relevant provisions of Taiwan Stock Exchange <del>Corporation Rules Governing Review of Listings</del>, or the Standards for Determining Unsuitability for GTSM Listing under Article <del>10</del>, Paragraph <del>1</del> of the GreTai Securities Market Rules Governing the Review of Securities for</p>	<p>Revise and modify the text in accordance with the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”</p>

Amendments	Current existing clauses	Description of amendments
<p>TPEX, a by-election for independent director shall be held at the next following shareholders meeting. When all independent directors have been dismissed, the company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the situation arose.</p>	<p>Trading on the GTSM<sup>22</sup> Subparagraph 8, an election of directors should be held in the most recent shareholders' meeting. When all independent directors were dismissed, the Company shall have an extraordinary shareholders' meeting held within 60 days from the date of the event occurred.</p>	
<p><u>Article 2-1</u>  <u>During the two years before being elected or during the term of office, an independent director may not have been or be any of the following:</u></p> <ol style="list-style-type: none"> <li><u>1. Employed by the company or any of its affiliated companies.</u></li> <li><u>2. Director or supervisor of the Company or its affiliates Except for the independent directors that are appointed by the Company or the parent company and subsidiaries in accordance with this Law or the local law.</u></li> <li><u>3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</u></li> <li><u>4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.</u></li> <li><u>5. Director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; a director, supervisor, or employee to any of the top 5 corporate shareholders.</u></li> <li><u>6. Director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.</u></li> <li><u>7. Professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; spouse to anyone listed herein. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Regulations Governing Appointment of Independent Directors and Compliance</u></li> </ol>	<p>(New addition)</p>	<ol style="list-style-type: none"> <li>1. Amended in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"</li> <li>2. The rules of the appointment, concurrently serve, and re-election of the independent directors.</li> <li>3. Further clarify that the member of the public tender offer review committee, or special committee for merger/consolidation and acquisition, who provides business administration, legal, finance, or accounting services, shall follow the same exemption as the member of remuneration committee from the paragraph 1, subparagraph 7.</li> <li>4. To take into the consideration of the independence and experience of the independent directors and clarify that if an independent director candidate has already served as an independent director of the Company for three consecutive terms or more, the company shall, in accordance with the paragraph 6, publicly disclose, together with the</li> </ol>

Amendments	Current existing clauses	Description of amendments
<p><u>Matters for Public Companies or to the Business Mergers and Acquisitions Act.</u></p> <p><u>The requirement of the preceding paragraph in relation to "during the two years before being elected" does not apply where an independent director has served as an independent director of the company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the company, as stated in subparagraph 2 or 6 of the preceding paragraph, but is currently no longer in that position.</u></p> <p><u>The term "specified company or institution" as used in paragraph 1, subparagraph 6, means a company or institution that has one of the following relationships with the company:</u></p> <ol style="list-style-type: none"> <li><u>1. It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company.</u></li> <li><u>2. It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of, and there is a record of financial or business transactions between them. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names.</u></li> <li><u>3. It and its group companies are the source of 30 percent or more of the operating revenue of the Company.</u></li> <li><u>4. It and its group companies are the source of 50 percent or more of the total volume or total purchase amount of principal raw materials (those that account for 30 percent or more of total procurement costs, and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of total operating revenue) of the Company.</u></li> </ol> <p><u>For the purposes of paragraph 1 and the preceding paragraph, the terms "parent", "subsidiary", and "group" shall have the meanings as determined under International Financial Reporting Standards 10.</u></p> <p><u>No independent director may concurrently serve as an independent director of more than three other public companies.</u></p> <p><u>If an independent director candidate has already served as an independent director of the Company for three consecutive terms or more, the company</u></p>		<p>review results, the reasons why the candidate is nominated again for the independent directorship, and present the reasons to the shareholders at the time of the election at the shareholders meeting.</p> <p>5. If an independent director candidate has already served as an independent director of the Company for three consecutive terms or more and the relevant documentation and reasons as to why the candidate is nominated again for the independent directorship, and present the reasons to the shareholders, the Company cannot prevent the shareholders to exercise their rights to nominate in accordance with the Article 192-1 of the Company Act. Both TWSE and TPEx require the Public and OTC companies submit the relevant evidence provided by the nominating shareholders when publishing a notification of nomination.</p>

Amendments	Current existing clauses	Description of amendments
<p><u>shall publicly disclose, together with the review results, the reasons why the candidate is nominated again for the independent directorship, and present the reasons to the shareholders at the time of the election at the shareholders meeting.</u></p> <p><u>If an independent director elected at a shareholders' meeting, or appointed by a financial holding company, the government, or a corporate shareholder under Article 7 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, he or she is required to be dismissed during the term of office for reason of a violation of Article 2 or 3, and shall be prohibited to change the status of the person from independent director to non-independent director. A non-independent director elected at a shareholders' meeting, or appointed by a financial holding company, the government, or a corporate shareholder under Article 7 of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”, likewise may not be arbitrarily changed from a non-independent director to an independent director during the term of office.</u></p>		



## Appendix I

### Current and minimum number of shares held by Directors

- i. The Company has a paid-up capital of \$2,322,762,880, issued in 232,276,288 ordinary shares.
- ii. According to the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies,” the minimum shareholding of the Company’s board directors is 12,000,000 shares. The Company has an Audit Committee established; therefore, there is no requirement on the minimum shareholding of the supervisors.
- iii. As at the book closure date of this annual general meeting (March 25, 2018), the shareholders registry showed total shares held by Directors at 159,467,282, of which have complied with Article 26 of The Securities Exchange Act. The details are as follows:

Ex-transfer date on March 25, 2018			
Title	Name	Number of shares held (shares)	Shareholding percentage (%)
Chairman	Yuanta Financial Holding Co., Ltd. Representative: Mr. Lin, Tien-Fu	159,467,282	68.65%
Director	Yuanta Financial Holding Co., Ltd. Representative: Ms. Chou, Hsiao-Ling		
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Chen, Hsiu-Wei		
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Kung, Shao-Hsing		
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Chiu, Hsien-Tao		
Director	Yuanta Financial Holding Co., Ltd. Representative: Mr. Li, Yueh-Tsang		
Independent Director	Mr. Huang, Jung-Hsien	0	0
Independent Director	Mr. Lai, Kun-Hung	0	0
Independent Director	Mr. Kuo, Tu-Mu	0	0
<b>Total Directors' shareholding</b>		159,467,282	68.65%

## Appendix 2

### Information relating to shareholders meeting agendas

- I. Shareholders meeting agendas
  1. According to Article 172-1 of The Company Act, shareholders who own more than 1% of The Company's outstanding shares are entitled to submit one agenda for discussion during the annual general meeting. The submission must be made in writing and is limited to 300 words.
  2. The Company has accepted shareholders' proposed agendas for this year's annual general meeting between March 10, 2018 and March 19, 2018. This information has been published on the Market Observation Post System.
  3. The Company received no proposals from existing shareholders during that period.

## Appendix III

# **Yuanta Futures Co., Ltd. (formerly known as Polaris Futures Co., LTD.) Code of Ethical Conduct (Before amendments)**

Resolved in the 11<sup>th</sup> board meeting of the 7<sup>th</sup> term on February 23, 2012.  
The amendment resolved in the 3<sup>rd</sup> board meeting of the 9<sup>th</sup> term on June 25, 2015.

- Article 1 (Purpose and basis)  
The Code of Ethical Conduct is stipulated for compliance in order to guide the Company's employees to act in line with ethical standards and to help the Company's stakeholders have a better understanding of the Company's code of ethical conduct.
- Article 2 (Terminology of the Code of Ethical Conduct)  
The staff in the Code of Ethical Conduct refers to the board directors, managers, and other employees.  
The management in the Code of Ethical Conduct refers to the President, Vice President, Assistant Manager, and other managers who are authorized for business operation and authorized to sign documents on behalf of the company.  
The employee in the Code of Ethical Conduct refers to the management and other employees.
- Article 3 (Code of Ethical Conduct)  
The Company's staff must comply with laws and regulations and the Code of Ethical Conduct while performing job duty and must pursue the highest standard of code of conduct.  
The Company's board directors and managers must set a good example to others and fulfill the requirements of this Code of Ethical Conduct.
- Article 4 (Team spirit and principle of good faith)  
The Company's staff while performing duties should uphold proactive, dedicate, and responsible attitude, abandon selfishness, focus on teamwork, and must abide by the principle of good faith.
- Article 5 (Equal job opportunity and prohibition of discrimination)  
The Company respects a diversified society and gives employees equal job opportunity and career development without practicing any differential treatment or any form of discrimination due to personal gender, race, religion, political parties, gender orientation, rank, nationality, or age.
- Article 6 (Healthy and safe working environment)  
The Company shall provide the Company's staff with a healthy and safe working environment.  
The Company's staff should jointly safeguard the healthy and safe working environment, without any sexual harassment or other violence, threatening behavior committed.
- Article 7 (Respect for privacy and prohibition of spreading rumors)  
The Company's staff should respect each other's privacy and may not spread rumors or slander that is detrimental to others.
- Article 8 (Confidentiality obligations)  
The Company's staff must have the matters, confidential information, or customer data that have learned from job duties carefully managed; also, such information may not be disclosed to others or used for other than the intended use without the consent of the Company, same as after resignation.  
The confidential information in the preceding paragraph includes all unpublished information that is likely to be used by the competitors or the data leakage may be detrimental to the Company or customers.
- Article 9 (Correct data production and storage)  
The Company's staff should ensure that the document or electromagnetic data they are responsible for are produced accurately and comprehensively for proper storage. The document or electromagnetic data that are found missing, damaged, or with concealment or false content should be reported to the department head for investigating the root cause.
- Article 10 (Proper protection of the Company's assets)  
The Company's staffs are responsible for protecting the Company's assets and ensure their effective and lawful use in business operation without jeopardizing the operational capabilities of the Company.  
The Company's staff while carrying out duties should protect data, information systems, and network equipment from any interference, destruction, and invasion in order to protect the confidentiality, integrity, and availability of the information of the Company.

- Article 11 (Prohibition of insider trading)  
The Company's staff must have the information that is learned from job duties and may affect futures and securities price kept in confidence in accordance with the Futures Trading Act and Securities Exchange Act before it becomes public; moreover, shall not use such confidential information for any insider trading.
- Article 12 (Prohibition of illegal personal gains from work)  
The Company's staff shall not take advantage of the job position to reap personal gains.  
The Company's staff should defend the legitimate rights and interests of the Company and avoid the following circumstances from occurring:
1. Reap personal gains by taking advantage of the corporate property, information, or the job position.
  2. Fail to compete with the company in due process, or conduct any act within the business scope of the Company for themselves or on behalf of any third party.
- When there is an opportunity for the Company to generate profits, the Company's staff should strive to help generate legitimate interests for the Company.
- Article 13 (Prohibition of conflict of interest)  
The Company's staff shall not engage in any loaning of fund, major assets trading, offering guarantee or other transactions that are in conflict of interest against the Company on behalf of themselves or others.
- Article 14 (Prevention of conflicts of interest)  
Board directors should exercise a high degree of self-discipline. The board directors or the legal persons they represented that have a conflict of interest against the proposals to be resolved in the board meetings and that may be detrimental to the Company's interest, or a resolution reached by the directors or the board to have themselves excused from attending the board meeting due to a conflict of interest should not attend the meeting.  
When board directors believe that they cannot handle business operation objectively or to the advantage of the Company, or, may have a conflict of interest in certain matters, they should take the initiative to clarify it and handle it legally and properly; otherwise, they should have themselves excused from handling the matters.  
When board directors and managers, due to their job position and authority, or their spouses, parents, children, or second-degree cousins and their employers have involved in the business operation of the Company, they should take the initiative to clarify it and handle it legally and properly, otherwise, they should have themselves excused from handling the matters.
- Article 15 (Fair trade and treatment)  
The Company's staff should treat the trade counterparties fairly without any unfair or unethical conduct committed, including:
1. Making improper mutual interest.
  2. Spreading rumors about customers, traders, competitors, and employees.
  3. Deliberately misrepresenting the quality or content of the Company's products or services.
  4. Other illegal gains collected through manipulation, concealment, and abuse of information that is learned from the job duties, making false statements, or practicing unfair trading.
- The Company's staff when dealing with the related party or affiliated companies shall base on the principle of equality and comply with regulations, requirements of the competent authority, and the specifications of the Company without any preferential treatment.
- Article 16 (Prohibition of gifts, bribes, or illegal gains)  
The Company's staff when performing duties shall not request, contract, deliver, or accept any gift, hospitality, kickbacks, bribes, or other illegal gains in any form on behalf of themselves, companies, or any third party. Unless the gift or hospitality is otherwise a social ritual practices or allowed according to the company policy.
- Article 17 (Obligation of reporting authentic transaction)  
The Company's staff when performing duties and dealing with others should base on the principle of good faith to report the transaction without any concealment or false statement that is detrimental to the interest of the company.
- Article 18 (Respect for the intellectual property rights of others)  
The Company's staff when performing duties shall respect and use the intellectual property rights of others legally.
- Article 19 (Limitation of engaging in political parties)  
The Company's employee may not engage in any activities of political parties at workplace or during working hours; also, may not use company resources for such purpose. Specific public activities

- carried out by the public relations staff is not subject to such limitation.
- Article 20 (Prohibition of encouraging others to participate in political activities)  
The Company's board directors and managers may not request the Company's staff at work place or during working hours to make donation to political parties, to support specific political party or candidate, or to engage in any political activities.
- Article 21 (Compliance to laws and regulations)  
The Company's staff shall comply with the laws and regulations, including Futures Trading Act, Securities Exchange Act, Money Laundering Control Act, and Fair Trading Act.
- Article 22 (Incentives for reporting illegal acts)  
The Company's board directors and managers should enhance the advocacy of moral values, encourage the Company's staff when discovering or reasonably suspecting any breach of regulations or Code of Ethical Conduct to report it to the direct supervisor, internal chief auditor, or other responsible personnel in accordance with the governing law without any malicious accusation intended.  
The Company is prohibited from carrying out any revenge or threat against the whistle blowers stated in the preceding paragraph. The Company should have any revenge, threats, or harassment handled immediately.
- Article 23 (Disciplinary act and relief procedures)  
The Company should have the staff who involved in serious violation of the relevant laws investigated for criminal and civil liability to protect the interests of the Company and its shareholders. Other violation against this Code of Ethical Conduct should be disciplined according to personnel regulations. The responsible supervisors who have failed to have such violation corrected or handled in accordance with the Company's requirements will be held accountable.  
The responsible department should have the Company's staff who involved in serious violation of this Code of Ethical Conduct reported for a disciplinary action in accordance with the reporting procedure. The staff facing a disciplinary action may have an objection, if any, raised within ten days upon receiving the notice of disciplinary action with a written request issued for a review. The Company shall refer to the appeal of the disciplined parties for further process.  
If the board director's or manager's violation of this Code of Ethical Conduct is found guilty in the first stance by the court of law or by the decision of the Company's board of directors with a disciplinary action delivered, the Company should immediately have the date of violation, fact of violation, violation of the Code of Ethical Conduct, and disciplinary action disclosed in MOPS.
- Article 24 (Exemption applicability procedures)  
The board director's or manager's being exempted from complying with the Code of Ethical Conduct, if any, must be with the consent of over three fourth of the attending directors with over two third of the directors presented at the board meeting.  
Under the circumstance stated in the preceding paragraph, the Company shall promptly disclose in MOPS the date such exemption resolved in the board meeting, the opposition or reservation of the independent directors, the exemption application period, root cause, and criteria.
- Article 25 (Disclosure)  
The Code of Ethical Conduct should be disclosed in the Company's website, annual reports, prospectus, and MOPS, so is the amendment.
- Article 26 (Stipulation and implementation of guidelines)  
The Company should have the guidelines stipulated for the principles and related matters disclosed. The violation committed by the staff of the Company's subsidiaries should be disciplined in accordance with the Code of Ethical Conduct; also, the subsidiaries should have it reported to the Company promptly for further process.
- Article 27 (The announcement and implementation of the Code of Ethical Conduct)  
The Code of Ethical Conduct should be implemented with the approval of the board of directors and reported in the shareholders' meeting, so is the amendment.

## Appendix IV

# **Yuanta Futures Co., Ltd.** **(formerly known as Polaris Futures Co., LTD.)** **Procedures for Election of Directors (Before amendments)**

Resolved in the shareholders' meeting on June 7, 2005.  
Amended and resolved in the shareholders' meeting on March 22, 2007  
Amended and resolved in the shareholders' meeting on June 2, 2009.  
Amended and resolved in the shareholders' meeting on May 23, 2012  
Amended and resolved in the shareholders' meeting on May 20, 2014  
The amendment was resolved in the shareholder's meeting on May 21, 2015

### Article 1

The election, re-election, and supplement election of the Company's directors, unless otherwise provided by law or the Articles of Incorporation, should be processed in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

### Article 1-1

The qualification and appointment of the Company's independent directors should be processed in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

### Article 1-2

(Deleted)

### Article 2

The election of the Company's directors (including independent directors) should be held with the considerations of the overall configuration of the board and the diversification of the board members; also, diversified guidelines should be formulated in accordance with the operation, business patterns, and development needs, which should include but not limited to the standards with the following two aspects:

1. Basic conditions and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industrial experience.

Board members should possess the necessary knowledge, skills, and literacy for performing duties, which include:

1. Operating judgment
2. Accounting and financial analysis
3. Management capability
4. Crisis management capabilities
5. Industry knowledge
6. International market viewpoint
7. Leadership
8. Decision-making ability

The majority of the board directors may not be with a relationship of spouse or second cousin.

The Board of Directors shall base on the results of the performance evaluation to consider the adjustment of the Board members.

The directors (including independent directors) of the Company should be elected in accordance with the nomination system and procedure defined in Article 192-1 of the Company Act. While reviewing the qualification, experience and education, and conducts defined in the Company Act Article 30 of the candidates for directors (including independent directors), the Company may not demand any additional supporting documents of qualification from the candidates; also, the review results should be presented to the shareholders for reference in order to elect competent directors (including independent directors).

If the dismissal of any director for any reason causes the board with less than five directors in service, an election of directors should be held in the most recent shareholders' meeting. However, if the vacancy of board director is one thirds of the chairs designated, the Company shall have an extraordinary shareholders' meeting held within 60 days from the date of the event occurred.

If the number of independent directors does not meet the requirements of the proviso in Article 14-2,

Subparagraph 1 of Securities Exchange Act, the relevant provisions of Taiwan Stock Exchange “Corporation Rules Governing Review of Listings, or the Standards for Determining Unsuitability for GTSM Listing under Article 10, Subparagraph 1 of the GreTai Securities Market Rules Governing the Review of Securities for Trading on the GTSM” Subparagraph 8, an election of directors should be held in the most recent shareholders’ meeting. When all independent directors were dismissed, the Company shall have an extraordinary shareholders’ meeting held within 60 days from the date of the event occurred.

#### Article 3

The Company’s election of directors should be handled in accordance with the single name cumulative suffrage system. The voter’s name can be replaced with the attendance card number printed on the ballot. Unless otherwise provided by law, each stock share contains the suffrage equivalent to the number of directors to be elected, which can be distributed to one or more than one candidate.

#### Article 4

The Company’s directors are elected as independent directors and non-independent directors in that order in accordance with the number of chairs designated in the Articles of Incorporation and the electoral votes from top down. If there are two or more candidates received the same votes of suffrage resulting more candidates elected than the chairs designated, the candidates who received the same votes of suffrage are to take a draw for a solution; also, the Chairman is to take a draw on behalf of the absentees.

The individual who has been elected as a director and supervisor at the same time may determine discretionally to assume either one of the positions but not both, and the vacancy is to be filled by the un-elected candidate who has received the highest votes in the original election.

When the elected director is found nonconforming to the requirements of Article 26-3 Subparagraph 3 and Subparagraph 4 of the Securities Exchange Act, the election of the director should be concluded in accordance with Article 26-3 Subparagraph 5 of the Securities Exchange Act.

#### Article 5

The Board of Directors shall prepare ballots for a number equivalent to the chairs of directors designated and the ballots should be numbered in accordance with the attendance certificate number with the vote of suffrage detailed before distributing them to shareholders in the shareholders’ meeting. No ballot will be prepared if shareholders have votes casted in an electronic form.

#### Article 6

The Chairman is to have two ballot inspectors and several tellers designated at the beginning of the election for surveillance and vote counting; however, ballot inspectors must be a shareholder of the Company.

#### Article 7

Ballot boxes should be prepared for the election of directors by the board of directors; also, the ballot boxes are to be inspected by the ballot inspectors in public before voting. The results of the vote should be announced in the meeting immediately.

#### Article 8

If the candidates are shareholders, the voters must detail the account name and shareholder account number of the candidate in the “candidate” column on the ballot. If the candidates are not shareholders, the name and ID Card number of the candidates must be detailed. If the candidate is a government agency or institution shareholder, the candidate column on the ballot must be detailed with the name of the government agency or institution shareholder, or it can be the name of the government agency or institution shareholder and their representatives. If there is more than one representative appointed, the name of all the representatives must be listed separately.

#### Article 9

Ballots are invalid in any of the following circumstances:

- (1) Votes that do not comply with the “Rules for the Election of Directors and Supervisors.”
- (2) Blank ballots that are casted in the ballot box
- (3) Unidentifiable ballot due to illegible or incomplete corrections
- (4) The shareholder’s account name and number of the candidate who is a shareholder differs from the Shareholder Registry, or, the name and ID Card number of the candidate who is not a shareholder is found with nonconformity.
- (5) There are more than two candidates indicated on one ballot.
- (6) Ballot contains not only the candidate’s name, (account name), shareholder account number or ID

Card number but also other unauthorized information.

- (7) The name of the candidate is same as other shareholder but failed to state the candidate's shareholder account number or ID Card number for identification.
- (8) Failed to comply with Article 8.

Article 10

The ballot inspectors are to monitor the vote count and the chairman is to announce the results of the vote in the meeting immediately, including the list of the elected directors and the respective number of voting rights.

The ballots of the election referred to above should be sealed, signed, and reserved by the controller of ballot for safekeeping for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 11

The Company is to issue a certificate of election to each elected director and the elected director is to fill out the "Letter of Consent" for registration and inauguration.

Article 12

The matters that are not addressed in the "Rules for the Election of Directors and Supervisors" should be processed in accordance with the Company Act and Articles of Incorporation.

Article 13

These procedures will be implemented after being approved in the shareholders' meeting, same as the amendment.



## Appendix V

# **Yuanta Futures Co., Ltd. (formerly known as Polaris Futures Co., LTD.) Articles of Incorporation**

### **Chapter I General Principles**

- Article 1 The company is incorporated according to The Company Act, and is named Yuanta Futures Co., Ltd.
- Article 2 The Company's industry classifications are:  
H401011 Futures Merchant.  
H405011 Futures Consultation Services.  
H304011 Security-investing Advices.  
H407011 Futures Management.  
H301011 Securities Brokerage.  
H310011 Futures Introducing Broker.  
H404011 Leverage Transaction Merchants.
- Article 2-1 The Company's business activities are:  
1. Securities brokerage.  
2. Proprietary futures trading.  
3. Futures consultation services.  
4. Securities investment advice.  
5. Futures management.  
6. Proprietary trading of securities listed on Taiwan Stock Exchange.  
7. Proprietary trading of securities within business premise.  
8. Futures introducing agency.  
9. Leverage transaction merchants.  
10. Other business functions approved by the competent authority.
- Article 3 The Company is headquartered in Taipei City, the Republic of China, and may have branches or offices set up elsewhere at home or abroad as necessary as resolved by the board of directors, subject to approval by the competent authority.
- Article 4 Public announcements of the Company shall be duly made in accordance with Article 28 of The Company Act.

### **Chapter II Shareholding**

- Article 5 The Company's authorized capital is NTD2.5 billion, which can be raised in multiple issues at NT\$10 per share.
- Article 6 The Company issues its shares in non-tangible forms, and shall register them to the Central Securities Depository.
- Article 7 Shareholders must provide their names and residential or registered addresses, along with their signature specimen cards, to the Company. This information shall be registered into the shareholders registry.
- Article 8 (Deleted)
- Article 9 The company's share administration practices shall comply with "Printing Specifications for the Certificates of Publicly Traded Shares".
- Article 10 The company's shareholders' registry will be closed within 60 days before the annual general meeting, within 30 days before the extraordinary shareholders' meeting, or within 5 days before the base date for distributing dividends or other entitlements.
- Article 11 All other matters relating to share administration shall comply with The Company Act and other relevant regulations.

### **Chapter III General Meeting of shareholders**

- Article 12 The Company holds two types of shareholders meetings:  
I. The annual general meeting is held at least once a year, and within six months after the end of an accounting period unless otherwise permitted by The Company Act.  
II. Extraordinary shareholders meetings may be held whenever necessary, subject to compliance with the relevant laws.

- Article 13 The convention of an annual general meeting must be communicated to shareholders with detailed date, venue, and agendas at least 30 days, and 15 days for extraordinary shareholders meetings in advance. The Company may distribute the above mentioned notices to shareholders holding less than one thousand shares by way of public announcements instead.
- Article 14 All company shareholders are entitled to one vote for every share held, except for the circumstances described in Article 179 of The Company Act where shareholders cannot exercise their voting rights.
- Article 15 If a shareholder is unable to attend the shareholders meeting in person, a proxy can be appointed by completing The Company's proxy form and by specifying the scope of delegated authority. Unless otherwise regulated by The Company Act, shareholders must delegate their proxies in compliance with the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies". The above mentioned proxy form must be delivered at least 5 days before the shareholders meeting. If duplicate forms are received, the one submitted earlier shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.
- Article 16 Unless otherwise specified in The Company Act, shareholders meetings are convened by the Board of Directors. Shareholders meetings shall be chaired by the Chairmen. If the Chairman is unable to perform his/her duties due to leave of absence or any reasons, the Vice Chairman will take the Chairman's place in the meeting. If the Vice Chairman is also absent, the Chairman may appoint one of the directors to act on behalf. If no one is appointed, the remaining directors will appoint one among themselves to perform the Chairman's duties on behalf.
- Article 17 Except otherwise regulated by The Company Act, a shareholders meeting resolution is passed when more than half of all outstanding shares are represented in the meeting, and is approved by more than half of all voting rights represented during the meeting. In addition, when the Company has adopted an electronic voting form in accordance with the provisions of the competent authorities, the shareholders of the Company may exercise their voting rights in an electronic form. The shareholders who exercise their voting rights in an electronic form shall be deemed as voting in person; also, the relevant matters shall be handled in accordance with the laws and regulations.
- Article 18 Shareholders meeting resolutions must be compiled into detailed minutes, signed by the meeting chairman, and distributed to every shareholder within 20 days after the meeting. The distribution can be made by way of public announcement. The minutes must detail the date and venue of the meeting, the meeting chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained indefinitely. Shareholders' attendance sheets and proxy forms shall be retained as required by the relevant regulations. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

#### **Chapter IV The Board of Directors, Directors and Managers**

- Article 19 The Company may have a total of 7~11 Directors (including 3 Independent Directors), they are elected by shareholders to serve a term of three years, which can be renewed if elected at the end of the term. The amount of shares held by Directors must comply with all relevant securities regulations.
- The Company shall appoint the above mentioned Independent Directors by way of candidate nomination according to Article 14-2 and 183 of The Securities Exchange Act. The Directors (including independent directors) elections were held in accordance with a nomination system. Shareholders who are with over 1% shareholding and the board of directors may propose the list of nominees for directors for the review of the board of directors and with the qualified candidates presented in the shareholders' meeting to be elected by the shareholders.
- The nomination and announcement of Director candidates shall comply with The Company Act, the Securities Exchange Act, and other relevant regulations.
- Article 20 The Board of Directors exercises the following authorities:

1. Approval of The Company's business strategies and plans.
2. Approves The Company's budgets and reviews period-end closing.
3. Approval of The Company's foundation rules.
4. Approval of major policies within The Company.
5. Decides the increase/decrease of raised capital, and certifies the issuance of share certificates.
6. Drafts The Company's earnings appropriation proposals.
7. Resolves The Company's corporate bond issuance.
8. Decisions regarding buybacks of The Company's shares.
9. Appoints The Company's managers and finance, accounting, risk management, legal & compliance, and internal audit executives.
10. Approves the acquisition or disposal of major assets.
11. Sets the dates for The Company's annual general meetings or extraordinary shareholders meetings.
12. Approves managers' performance and remuneration standards, and the remuneration to individual directors.

Article 20-1 The Company shall assemble a remuneration committee, for which the Board of Directors is authorized to create its foundation rules according to the relevant regulations.

Article 21 The Chairman of the Board of Directors shall be appointed with the presence of more than two thirds of all directors, and the supports from more than half of all present directors. The Chairman represents the company in all dealings. If necessary, a Vice Chairman can be appointed through the same procedure. If the Chairman is unable to perform his/her duties due to leave of absence or any reasons, the Vice Chairman will take the Chairman's place. If the Vice Chairman is also absent, the Chairman may appoint one of the directors to act on behalf. If no one is appointed, the remaining directors will appoint one among themselves to perform the Chairman's duties on behalf.

Board of Directors meetings are convened by the Chairman. However, the first meeting of a newly-elected board shall be convened by the director receiving the highest number of votes during the shareholders meeting. The first meetings among newly-elected boards shall take place within 15 days after the election.

The convention of a Board of Directors meeting must be advised to all Directors with detailed agenda at least 7 days in advance. However, meetings can be held in shorter notices in case of emergency.

The notice of convening the board meeting can be made electronically or by fax with the consent of the counterparty.

Article 22 Unless otherwise regulated by The Company Act, all resolutions to Board of Directors meeting agendas must be discussed among more than half of all directors, and agreed by more than half of all directors present at the meeting. The meeting minutes must be signed or stamped by the meeting chairman and the recorder, and distributed to all Directors within 20 days after the meeting. This document shall also be included as part of the company's key files and kept properly over the company's existence.

The preparation and distribution of meeting minutes can be made in electronic form.

Article 23 If a Director is unable to attend the Board of Directors meeting in person, another director can be appointed as proxy, subject to compliance with Article 205 of The Company. The proxy arrangement must be supported by a proxy form. If the Board of Directors meeting proceeds by way of video conferencing, those who participate in the meeting using video conferencing are considered to have attended the meeting in person.

Article 24 (Deleted)

Article 25 The Company has the "Audit Committee" composed by all the independent directors in accordance with Article 14-4 of the Securities and Exchange Act.

The size, terms, responsibilities, authorities, and meeting rules relating to the Audit Committee shall comply with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and be governed under a separate set of Audit Committee Foundation Rules.

Article 26 The Company employs one General Manager and several managers; the appointment, dismissal, and remuneration of whom shall comply with Article 29 of The Company Act.

	The General Manager and managers must carry out corporate operations according to the Board of Directors' resolutions and the relevant laws.
Article 27	As a guideline, salaries to the Chairman and Vice Chairman shall be set between 50% to 200% of the General Manager's salary. The actual sum is subject to the Board of Directors' approval. Other remunerations and benefits to the Chairman and the Vice Chairman shall be granted according to The Company's relevant policies or in reference to industry peers. The Board of Directors is authorized to determine the level of compensation for Chairman's/Vice Chairman's resignation based on their participation and contribution to The Company, and in reference to industry peers. The Board of Directors is authorized to determine Independent Directors' remuneration in reference to industry peers. However, they are not entitled to earnings distributions under Article 29.
Article 27-1	The Company may acquire liability insurance for board directors in accordance with the resolutions reached by the Board of Directors.
<b>Chapter V</b>	<b>Accounting</b>
Article 28	The Company's fiscal year is from January 1 to December 31. The Board of Directors shall have the following statements prepared at the end of the fiscal year and presented in the shareholders' meeting for acceptance in accordance with the governing procedures: 1. Business Report. 2. Financial statements. 3. Earnings distribution or loss reimbursement proposal.
Article 29	After paying tax and making up for the accumulated losses with the annual earnings, the Company shall appropriate 10% of the remaining earnings as legal reserve, 20% of the remaining earnings as special reserve and with the special reserve appropriated or reversed according to the law and regulations before distributing earnings. The remaining balance amount plus the unappropriated earnings of previous years should be distributed to shareholders according to the proposal of the Board of Directors and the resolution reached in the Shareholders' meeting. The appropriation of the legal reserve referred to in the preceding paragraph can be exempted when it is equivalent to the Company's paid-in capital. The Company will appropriate an amount equivalent to 0.01% ~ 5% of the annual net income (net income before tax and before deducting the remuneration to employees), if any, net of accumulated losses as remuneration to employees as incentive to the employees and management team. The Company optimizes its dividend policy to ensure long-term financial stability while satisfying the needs for future growth, and thereby maximizing shareholders' interests. Detailed rules are as follows: 1. The amount distributed as dividends must not be lower than 50% of distributable earnings. 2. The Company may decide the weight of dividends issued in cash and in shares based on its business operations and capital requirements projected for the next year. However, cash dividends must not be lower than 30% of all dividends issued.
<b>Chapter VI</b>	<b>Additional Rules</b>
Article 30	The Board of Directors is authorized to determine The Company's foundation rules and levels of authority.
Article 31	Any matters that are not addressed in the Articles of Incorporation shall be governed by The Company Act and the relevant regulations.
Article 32	The Company's Articles of Incorporation was stipulated on January 14, 1997. The 22nd amendment was completed on May 17, 2013; the 23rd amendment was completed on May 20, 2014; the 24th amendment was completed on May 21, 2015; the 25th amendment was completed on May 18, 2016; the 26th amendment was completed on May 17, 2017 and implemented with the resolutions reached in the shareholders' meeting, same as the amendment.

## Appendix VI

### **Yuanta Futures Co., Ltd.** **Rules of Procedure for Shareholders Meetings**

The amendment was resolved in the shareholder's meeting on June 7, 2005

The amendment was resolved in the shareholder's meeting on March 22, 2007

The amendment was resolved in the shareholder's meeting on June 2, 2009

The amendment was resolved in the shareholder's meeting on October 6, 2011

The amendment was resolved in the shareholder's meeting on October 6, 2011

The amendment was resolved in the shareholder's meeting on May 23, 2012

It was resolved for re-set in the shareholder's meeting on May 17, 2013

The amendment was resolved in the shareholder's meeting on May 21, 2015

Article 1 For the purpose of establishing the Company's shareholder's meeting governance system, developing monitoring functions, and enhancing the management mechanism, the rules are stipulated in accordance with Article 5 of the Company's "Corporate Governance Best-Practice Principles" for compliance.

Article 2 The Company's Shareholders Meeting Rules', unless otherwise provided by the law and regulations or Articles of Incorporation, should be processed in accordance with the Rules.

Article 3 The Company's shareholders' meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors.

The preparation and upload of the Company's notice of shareholders' meeting and agenda handbook is processed in accordance with the Company Act, Securities and Exchange Act, Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Agenda Handbook of Public Companies, and the regulations published by the competent authorities.

The notice and announcement of convening the board meeting can be made electronically with the consent of the counterparty.

Director appointment or dismissal, Articles of Incorporation amendment, company dissolution, merger, spins-off, or the matters stated in Article 185 Paragraph 1 of the Company Act and Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" should be cited in the reason for convening the meeting instead of in the motion.

Shareholders with over 1% shareholding of the shares issued may have proposals presented in writing to the Company's General Shareholders' Meeting. However, it is limited to one proposal and the more than one proposals presented will not be discussed in the meeting. The board of directors may not have the proposals presented by shareholders that fall in the scope of Article 172-1 Paragraph 4 of the Company Act included for discussion.

The Company should have the shareholders proposals, admission place, and admission period published prior to the stock transfer cut-off date before the shareholders' meeting; the admission period shall not be less than 10 days.

The shareholder's proposal is limited to 300 words otherwise it will not be included for discussion. The proposing shareholders must attend the shareholders' meeting in person or by proxy to participate in the proposal discussion.

The Company shall have the processing result presented in the shareholders' meeting before the meeting convening date and have the proposals in compliance with this clause included in the notice of meeting. The board of directors is to give the reason why the shareholder's proposal is not included for discussion in shareholders' meeting.

Article 4 Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the shareholders' meeting.

It is one shareholder one proxy and limited to one commission that should be delivered to the Company 5 days before the shareholders' meeting date. The matter of proxy received in duplication is handled in accordance with the first arrival principle. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.

If the shareholders wish to exercise the balloting right by attending the meeting in person or voting in writing or by electronic means after the proxy is received by the Company, the shareholders shall have the Company informed in writing two days prior to the shareholders' meeting date to revoke the proxy. The balloting right exercised by the representative shall prevail if the proxy is not revoked before the deadline.

Article 5 The shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence anytime earlier than 9AM or later than 3PM. Independent Directors' opinions must be fully taken into consideration when deciding the time and venue of the meeting.

Article 6 The Company shall have the admission time, admission place, and other related matters set forth in the notice of meeting.

The shareholders' meeting admission time referred to above should be at least thirty minutes before the meeting in session; it should be clearly indicated at the admission place and with the adequate and qualified personnel to handle it.

The shareholders or their representatives (hereinafter referred to as the "shareholders") shall attend the shareholders' meeting with the evidence of the attendance card, attendance register, or other attendance documents. The Company may not demand the attending shareholders to present any additional identification documents; the proxy solicitors should bring proof of identity with them for examination.

The company will provide an attendance log to record shareholders' attendance; alternatively, shareholders may present their attendance cards to signify their presence.

The Company shall have the agenda handbook, annual reports, attendance card, statement slip, ballots, and other meeting materials delivered to the shareholders presented; also, the ballot will be distributed to the directors for the election of directors, if any.

The number of representative attending the shareholders' meeting on behalf of the institutional shareholders, both the government and legal person, is not limited to one person. The number of legal person entrusted to attend the shareholders' meeting is limited to one person.

Article 7 If the shareholders' meeting is convened by the board of directors, the chairman of the board is to preside the meeting. If the chairman of the board is on leave of absence or for some reason cannot perform duty, the representative of the Chairman is appointed in accordance with the Company Act.

The director who is the representative of the chairman to preside the meeting referred to above must have already served the term for more than six months and understand the Company's finance and business conditions. The rule referred to above does apply if the chairman is a representative of the legal director.

The Chairman shall personally preside the Shareholders' meeting that is convened by the Board of Directors; also, a majority of the Board of Directors and at least one member of each functional committee should attend the meeting with the attendance recorded in the minutes of meeting.

If the shareholders' meeting is convened by any authorized party other than the Board of Directors, the convener will act as the meeting chairman. If there are two or more conveners, they shall appoint one among themselves to chair the meeting.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to the shareholders meeting.

Article 8 The Company shall have the admission of the shareholders, the meeting in session, and the voting and vote counting process recorded and filmed uninterruptedly.

The audio and video data referred to above should be reserved for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 9 The attendance of the shareholders' meeting is counted by the shareholding. The attendees' shareholding is calculated in accordance with the attendance register submitted and the balloting rights exercised in writing or by electronic means.

The chairman should announce the commencement of the meeting as soon as it is due. However, if the attendees represented less than half of all outstanding shares, the meeting chairman may announce to postpone the meeting up to two times, for a period totaling no more than one hour. The Chairman may announce the meeting is adjourned if there remain insufficient shareholders

who represent two thirds of shareholding to attend the meeting after two meetings postponed. A pseudo-resolution could be reached in accordance with Article 175 Paragraph 1 of the Company Act if there remain insufficient attendees to attend the meeting after two meetings postponed that represents more than one thirds of shareholding. The shareholders should be notified about the pseudo-resolution reached and the shareholders' meeting will be convened again within one month.

If the number of shares represented during the meeting accumulates to more than half of all outstanding shares, the chairman may re-propose the temporary resolutions for final voting according to Article 174 of The Company Act.

Article 10 If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened other than by the board of directors.

The Chairman may not announce the meeting is adjourned until a resolution is reached for the two procedures (including motions) referred to above. If the Chairman has announced the meeting adjourned in violation of the procedures, the other board directors shall promptly assist the shareholders presented with a majority of balloting rights to elect a chairman to continue the meeting in accordance with the legal procedures.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

Article 11 Shareholders who wish to speak during the meeting must produce a Speak Request Form detailing the topics and the shareholder's name and account number (or the attendance ID serial number). The order of shareholders' comments will be determined by the meeting chairman.

Shareholders who submit Speak Request Forms without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the Speak Request Form, the actual comments shall prevail.

Each shareholder may not speak on the same proposal more than twice and not more than 5 minutes each time unless otherwise permitted by the Chairman. However, the Chairman may stop the shareholder from speaking if the speech is in violation of regulations or outside the scope of the proposal.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way without the consent of the meeting chairman and the person speaking. The meeting chairman shall restrain any violators.

For corporate shareholders who have appointed two or more representatives to attend the shareholders meeting, only one representative may speak per agenda.

The Chairman may have the speech of the shareholder responded in person or by the designated personnel.

Article 12 The balloting of the shareholders' meeting is based on the shareholding represented.

For the resolutions of the shareholders' meeting reached, the shareholding of the shareholders without balloting right is excluded from the count of the outstanding shares.

Shareholders cannot vote, or appoint proxies to vote, on any agendas that present conflicting interests, if doing so may compromise The Company's interests.

The shareholding of the shareholders without balloting right referred to above is not included in the balloting rights of the shareholders presented.

Except for the trust enterprise or the securities brokerages approved by the securities competent authorities, the balloting rights of the representative who is commissioned by two or more shareholders shall not exceed 3% of the balloting rights representing the total outstanding shares and the portion in excess does not count.

Article 13 Shareholders are entitled to one balloting right per share except for those restricted without any voting right granted or those without any voting according to Article 179 Paragraph 2 of the Company Act.

Voting rights can be exercised in writing or through the electronic method. Instructions for exercising voting rights in writing or through the electronic form must be clearly stated on the shareholders meeting advice. Shareholders who have voted in writing or using the electronic

method are considered to have attended the shareholders meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.

The uses of written and electronic votes mentioned above must be delivered to The Company at least 2 days before the shareholders meeting. If there are duplicate submissions, the earlier submission shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.

If, after submitting a written or electronic vote, the shareholder wishes to attend the shareholders meeting in person, then a proper declaration of withdrawal must be issued using the same method as the original vote at least 2 day before the shareholders meeting. If the withdrawal is not received in time, then the written or electronic vote shall prevail. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail. Unless otherwise provided in the Company Act and the Company's Articles of Incorporation, the proposal is passed in the meeting by the shareholders represented a majority of the balloting rights. The Chairman or the designated personnel are to announce the total number of balloting rights of the shareholders presented at the time of balloting. The result of the votes of approval, objection, or waiver casted by shareholders will be posted on the MOPS (Market Observation Post System) at the end of the shareholders' meeting.

If none is replied, the agenda is considered to have passed unanimously in favor. If objections are raised, the agenda shall be voted according to the rules outlined above.

For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

The meeting chairman will appoint a ballot examiner and a ballot counter for each agenda. However, the ballot examiner must be a Director.

The vote counting process of the shareholder's balloting or election should be held openly at the meeting venue. The balloting result should be announced immediately at the meeting, including statistical weights, and it should be documented for record.

Article 14 The election of directors in the shareholders' meeting must be processed in accordance with the Company's election procedures and the election result must be announced immediately, including the list of the elected directors and the election weights.

The ballots of the election referred to above should be sealed, signed, and reserved by the controller of ballot for safekeeping for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 15 The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.

The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.

The minutes must detail the date and venue of the meeting, the meeting chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained indefinitely.

Any resolutions involving the chairman asking for objections from shareholders and receiving none in return must be remarked as "Passed without objections from any shareholders present in the meeting". If shareholders did raise any objections, then the resolution must be remarked to have passed through voting, with details on the number of passing votes.

Article 16 The Company must have the statistics of the number of shares by soliciting and by proxy prepared in the prescribed format and has it disclosed openly at the meeting venue on the meeting date.

If the resolutions reached in the shareholders' meetings involving material information regulated by law and regulations and the GTSM, the Company shall within the prescribed time have the material information uploaded to the MOPS.



- Article 17 The service personnel for the shareholders' meeting shall wear identification badges or armbands.  
The meeting chairman may instruct picketers or security staffs to help maintain order in the meeting. While maintaining order in the meeting, all picketers or security staffs must wear arm badges which identify their roles as "Staff".  
If the meeting venue is equipped with speakerphones, the Chairman may stop the shareholders who do not use the device provided by the Company from speaking.  
The Chairman may command the marshals or security guards to escort the shareholders to leave the meeting venue if they are in violation of the rules of procedure, disobey the Chairman, and interfere with the meeting proceeding.
- Article 18 The Chairman at his/her discretion may announce the meeting in recess; also, may announce to have the meeting suspended due to force majeure and announce the time for the meeting to resume.  
If the venue of shareholders' meeting is not available before the end of the procedures (including motions), the shareholders' meeting may resolved to find another venue to continue the meeting.  
A resolution of having the meeting postponed or continued can be reached within 5 days in the shareholders' meeting in accordance with Article 182 of the Company Act.
- Article 19 These rules will be implemented after being approved in the shareholders' meeting, same as the amendment.