

Stock Code: 6023



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

2019 Annual General Meeting

## **Agenda**

May 23, 2019

# Table of Contents

|      |   |    |
|------|---|----|
| I.   | Meeting Procedures .....  | 1  |
| II.  | Meeting Agendas .....   | 2  |
|      | 1. Reporting matters .....  | 3  |
|      | 2. Acknowledgments .....  | 3  |
|      | 3. Discussions .....  | 4  |
|      | 4. Extempore Motion .....   | 6  |
| III. | Attachment  |    |
|      | 1. 2018 Business Report .....   | 7  |
|      | 2. Audit Committees' Review Report .....  | 10 |
|      | 3. 2018 Financial Statements and Auditor's Report .....   | 11 |
|      | 4. 2018 Disposition of Net Earnings .....   | 31 |
|      | 5. Amendments to the Articles of Incorporation .....  | 32 |
|      | 6. The comparison table of the “Regulations Governing the Acquisition and Disposal of Assets” amendment ..... | 34 |
| IV.  | Appendix  |    |
|      | 1. Current and minimum number of shares held by Directors .....   | 54 |
|      | 2. Information relating to shareholders meeting agendas .....   | 55 |
|      | 3. Articles of Incorporation .....  | 56 |
|      | 4. Regulations Governing the Acquisition and Disposal of Assets .....   | 62 |
|      | 5. Shareholders Meeting Rules .....   | 76 |

Yuanta Futures Co., Ltd.  
2019 Annual General Meeting Procedures

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

# Yuanta Futures Co., Ltd.

## 2019 Annual General Meeting Agendas

- I. Time: 9am Thursday, May 23, 2019
- II. Venue: 13F., No.27, Sec. 1, Anhe Rd., Da'an Dist., Taipei City ,(The Chinese National Futures Association Business Center)
- III. Commence Meeting
- IV. Chairman Takes the Chair
- V. Chairman's Speech
- VI. Reporting matters
  - (I) Presenting the Company's 2018 Business Report.
  - (II) Audit Committee has the audit report for the Company's 2018 business report, financial statements, and disposition of net earnings presented for approval.
  - (III) Presenting the 2018 Employees' Remuneration Distribution.
- VII. Acknowledgments
  - (I) Acknowledging the Company's 2018 Business Report and Financial Statements.
  - (II) Acknowledging the Company's 2018 Earnings Distribution.
- VIII. Discussions
  - (I) Partial amendments to the "Articles of Incorporation".
  - (II) Please discuss the revision of the Company's "Regulations Governing the Acquisition and Disposal of Assets".
  - (III) Proposal for lifting competition restrictions on the Company's directors.
- IX. Extempore Motion
- X. Adjournment

## I. Reporting matters

1. Reported subject: Presenting the Company's 2018 Business Report.  
Details: (1) Please refer to Attachment 1 for The Company's 2018 Business Report (pages 7~9 of this manual).  
(2) The report is ready for review.
2. Reported subject: Audit Committee has the audit report for the Company's 2018 business report, financial statements, and disposition of net earnings presented for approval.  
Details: (1) The Company's 2018 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 2 (Page 10 of this manual).  
(2) The report is ready for review.
3. Reported subject: Presenting the 2018 Employees' Compensation Distribution.  
Details: (1) According to the Article 29 of the "Articles of Incorporation," 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 Compensation to employees, which can be paid with stock or cash.  
(2) With respect to the above provision, the 2018 income before tax prior to deducting the compensation for employees as audited by the certified public accountant was NT\$1,249,006,615. About 0.274% of which will be allocated as the 2018 compensation NT\$3,424,700 for employees according to the "Regulations for Distribution of Compensation for Employees". Compensation was distributed in cash to active employees in the year and on the day of distribution. The said amount in the preceding paragraph had already booked in the 2018 operating expense that was no different from the expense recognized in 2018.  
(3) The report is ready for review.

## II. Acknowledgments

1. Subject: Acknowledging the Company's 2018 Business Report and Financial Statements. (The proposal was submitted by the Board of Directors)  
Details: (1) The Company's 2018 consolidated financial statements and the financial statements were audited by CPA Se-kai Lin and CPA Po-Ju Kuo of PricewaterhouseCoopers and were resolved for acceptance on the 12<sup>th</sup> Meeting of the 10<sup>th</sup> term Board of Directors (March 21, 2019). 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, Auditor's Report, the consolidated financial statements and financial statements, please refer to Attachments 1, 3 (Pages 7 ~ 9 and Pages 11 ~ 30 of this manual).  
(3) The agenda has been proposed for acknowledgment.

Resolution:

2. Subject: Acknowledging the Company's 2018 Earnings Distribution. (The proposal was submitted by the Board of Directors)

- Details: (1) The 2018 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 12<sup>th</sup> Meeting of the 10<sup>th</sup> Board of Directors (March 21, 2019). The annual earnings distribution proposal was reviewed by the Audit Committee without any nonconformity identified and with a review report issued.
- (2) The amount of beginning undistributed earnings was NT\$144,557,662. After deducting retained earnings at NT\$13,210,731 transferred from the actuarial gains and losses of the defined benefit plans and retained earnings at NT\$316,411 transferred from the effects on opening as specified in IFRS 9; and adding the 2018 net income at NT\$1,000,044,753 and NT\$5,477,529 reversed from the education and training for employee transformation and the outplacement and settlement of employees according to the requirement specified in Letter Jin-Guan-Zheng-Quan-Zi (FSC-Securities) No. 10500278285, and deducting the net loss of equity instruments disposed of in 2018 by financial assets measured at fair value through other comprehensive income (FVTOCI ) at NT\$37,553,321, the amount of distributable earnings was NT\$1,098,999,481.
- (3) The year earnings are appropriated for legal reserve of NT\$100,004,475, special reserve (20%) of NT\$200,008,951 and special reserve (Fintech 0.5%) of NT\$5,000,224. The cash dividend this year is NT\$2.8 per share and for a grand total of NT\$650,373,606. The unappropriated earnings amounted to NT\$143,612,225 afterwards. Please refer to Attachment Four for further details regarding the earnings appropriation (page 31 of this manual).
- (4) The 2018 earnings are applied for the distribution of cash dividend, namely NT\$2.8 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 Chairman shall be authorized to make the necessary changes with regards to dividend payout per shareholder.
- (6) The agenda has been proposed for acknowledgment.

Resolution:

### III. Discussions

1. Subject: Partial amendments to the "Articles of Incorporation". (The proposal was submitted by the Board of Directors)

Details: (1) The Company has the Article 1 and Article 29 of the Articles of Incorporation amended as follows in accordance with the Article 18, Article 392-1 and Article 235-1 amendment of the Company Act:

1. With respect to the amendment to the Company Act promulgated on August 1, 2018, the English name of the company was added to facilitate the need for internationalization.
  2. In coordination with the amendment to Article 235-1 of the Company Act, this amendment to the release of bonuses for employees has been made upon this Company's internal regulations and rewards for employees of affiliates without discrimination. We have thus expanded the scope of recipients to employees of companies under this Company's control or those affiliated to this Company.
- (2) Please refer to Attachment 5 for the "Articles of Incorporation" amendment outlines and the updated text enclosed. (page 32 ~ 33 this manual).
- (3) Proposed for referendum.

Resolution:

2. Subject: Please discuss the revision of the Company's "Regulations Governing the Acquisition and Disposal of Assets". (The proposal was submitted by the Board of Directors)

Details: (1) The Company's "Regulations Governing the Acquisition and Disposal of Assets" will be amended partially in compliance with the law and regulations and the Company's actual practice.

- (2) Please refer to Attachment 6 (Page 34~53 of this manual) for the Company's "Regulations Governing the Acquisition and Disposal of Assets" amendment outlines.
- (3) Proposed for referendum.

Resolution:

3. Subject: Proposal for lifting competition restrictions on the Company's directors. (The proposal was submitted by the Board of Directors)

Details: (1) Pursuant to Article 209, Paragraph 1 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 Company's directors or directors who have invested or operated the same or similar scope of business as the Company fell in one of the circumstances, an agreement is reached to lift competition restrictions on them.
- (3) The directors (independent directors) on the list of the non-compete clause lifted are as follows.

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

|          | Name  | Status of concurrent serving        |
|----------|---|-------------------------------------|
| Director | Yuanta Financial Holdings Co., Ltd. Representative: Cheng-hua Sun | Yuanta Securities Co., Ltd. Manager |
| Director | Yuanta Financial Holdings Co., Ltd. Representative: Mei-ling Kuo  | Yuanta Securities Co., Ltd. Manager |

Resolution:

IV. Extempore Motion

V. The meeting was adjourned



## Yuanta Futures Co., Ltd.

### 2018 Business Report

#### I. Market Overview

Compared to the steady market growth in 2017, frequent international risk events in 2018 brought drastic volatility to most futures commodities. In February the Dow Jones Industrial Average plunged by 1,175 points, the largest one day drop in history that led to a global stock market crash. Issues including the Italian election and the US midterm elections also impacted the financial market. The U.S. Dollar Index stayed high after several interest raises by the Fed. The risk from the US-China trade war continues.

In the performance of commodity futures, the volatility of most commodity futures expanded in 2018. For example, the oil price was the lowest in the last 13 years before the output cut in 2017. It ran to the highest in the last four years as the equilibrium price resumed progressively after the production cut. However, it fell significantly by 45% after oil producing countries agreed to resume output in June 2018. In metal commodities, the performance of palladium and gold was brilliant compared to that of daily gold.

Domestically, trading volumes were pushed by the vigorous volatility resulting from the US-China trade war and the US interest raise. A new total transaction volume at 308 million lots was seen at TAIEX in 2018 after exceeding 200 million lots for four consecutive years. In the Taiwan Futures Exchange, the total of futures accounts came to 1,802,391, growing from the same figure in 2017. After-hours trading launched in 2017 became the main source of volume growth of Taiwan's futures transaction in 2018, with about 19.5% from the after-hours trading of index futures, doubling the volume at 8.5% of 2017. Based on the significant effect of after-hours trading, it is expected that market volatility will continue in 2019 as a result of risk events including the US-China trade war, yield inversion, and Brexit, and a new history height in overall futures transaction is expected.

The Company has spared no effort in strengthening a variety of business management policies, including maximizing the yield of shareholder equity, enforcing risk management, and achieving agency business targets. Targets achieved are as follows: In terms of financial performance, in 2018 our net profit after tax came to NT\$1,000 million, coming out first amidst all futures houses, with earnings per share (EPS) after tax coming to NT\$4.31 and post-tax ROE at 12.75%. In terms of business performance results, Yuanta Futures attained a market share of a remarkable 23.98% in futures brokerage, 16.77% in option brokerage and 26.53% in overseas futures exchanges, ranking first in all categories and leaving the runner-ups too far behind to catch up.

In 2018, we performed risk control against AML/CFT at full stretch. We further established an AML/CFT implementation team and abided by AML/CFT laws and regulations to enhance overall control effectiveness and effectively reduce related risks. In addition, we established a triple defense mechanism comprising the sales, compliance and risk control, and audit departments and completed the enterprise-wide risk assessment to fulfill effective risk control and steady operations. In addition, we participated in and prepared for the third round of the 2018 mutual evaluation organized by the Asia/Pacific Group on Money Laundering (APG) to help Taiwan complete the onsite evaluation by the jury smoothly. We also received a letter of recognition from competent authorities.

#### II. Corporate governance

(I) 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.

- (II) We participated in the past three “Corporate Governance Review” hosted by TWSE and TPEx from 2014-2017. 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.
- (III) After 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 13 meetings in 2018.

### III. Operating results

In 2018, 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:

- (I) Financial performance: The 2018 net income was NT\$1 billion. Apart from a history high, we were ranked top of FCMs with exclusive futures trading business, with an EPS of NT\$4.31 and a ROE of 12.75%.
- (II) Sales performance: Our futures brokerage market share was 23.98%, with a transaction volume over 54.07 million lots. Our option merchant market share was 16.77%, with a transaction volume exceeding 65.50 million lots. Our overseas futures exchange market share was 26.53%, with a total transaction volume over 11.39 million lots. A growth is seen when compared to that of 2017 respectively. We were also ranked top of the market with achievements way ahead of competitors.
- (III) Credits and honors: As a leading futures brand in Taiwan, apart from providing investors with the best platform service for futures transaction through transparent operations and scrupulous governance and internal control while maintaining R&D and innovation at the same time, we adhere to our core value to become a benchmarking brand in Asia-Pacific’s financial market.

#### Credits and honors in 2018

1. Awarded with the honor of the 4<sup>th</sup> corporate governance “OTC company top five-percent performance.”
2. No. 1 in the futures sector, Taiwan Top 2000, *CommonWealth Magazine*.
3. No. 1 in futures companies amongst the Top 5000 large corporations in Taiwan.
4. The only public futures company to win the “Excellence in Corporate Social Responsibility” in the Little Giant Group.
5. Highly Commended, Derivatives House of the Year, *The Asset*
6. Emerging Market Non-Bank Broker of the Year, FOW Awards for Asia
7. FCM Transaction Volume Diamond Award & FCM Foreign Investment Transaction Volume Diamond Award, 4<sup>th</sup> Futures Diamond Awards, Taipei Futures Exchange
8. Awarded with the “Outstanding Enterprise and “Most Popular Brand” at the 15<sup>th</sup> National Brand Yushan Award.

## 9. The 72<sup>nd</sup> ROC Excellent Businessmen Award

(IV) The Company's 2018 income and expense and profitability analysis as follows:

(Unit NT\$ thousand)

| Item                           | 2018      | 2017      | Difference | Variation |
|--------------------------------|-----------|-----------|------------|-----------|
| Operating gains                | 3,638,296 | 2,921,001 | 717,295    | 24.56%    |
| Earnings before tax            | 1,245,582 | 1,025,100 | 220,482    | 21.51%    |
| Current period net profit      | 1,000,045 | 873,286   | 126,759    | 14.52%    |
| Net worth (NT\$100mn)          | 82.21     | 74.68     | 7.53       | 10.08%    |
| After-tax EPS (NT\$)           | 4.31      | 3.76      | 0.55       | 14.63%    |
| Return on shareholders' equity | 12.75%    | 11.92%    | 0.83%      | 6.96%     |

### IV. Research and development

Aiming to be a benchmarking FCM, we offer quality transaction experience and build a first-choice platform for futures transaction by developing the cloud smart ordering function and the personalized operating route for the AP and APP platforms to meet investor needs more closely.

With insistence on the diversity and depth of research reports, we combine fintech for a full revision of periodic reports to make quality research reports more convenient to access and easier to read through intuitively.

For stringent control of transaction risks for customers, we have independently developed an integrated risk management information system as the powerful support of development of various types of business. We were also awarded the "Best Risk Management Award" at the 11<sup>th</sup> to 14<sup>th</sup> Golden Goblet Awards to demonstrate our resources and achievements in risk management.

### V. Future operating plans and development strategies

Looking out in 2019, we will continue to steadily consolidate our leadership in the futures sector based on the operational objective: "Total Improvement for New Horizons". Apart from total hardware and software investment, we spare no effort in creating new horizons in intelligence and new digital services through aggressively investing resources in fintech. In global development, we advance cross-border and transboundary operations. Apart from integrating overseas business with physical economic services, we develop new horizons for operations with the combined resources of Hong Kong, Taiwan, and China, aiming to become an international FCM.

In 2019, the operating plans of Yuanta Futures are highlighted below:

- (I) "Promote new kinds of business in compliance with the policies of the Taiwan Futures Exchange."
- (II) Increase profit and market share in different types of business and maintain risk management at the same time.
- (III) Drive the growth of overseas business and build Hong Kong into the overseas futures base to add new momentum for business operations.
- (IV) Optimize risk management performance and enhance the in-depth defense of information security.

Chairman:

President:

Accounting Supervisor:

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

For the Company's 2018 consolidated financial statements, financial statements and the 2018 business report and statement of retained earnings presented by the board of directors, in which, the financial statements were audited by CPA Sekai Lin and CPA Po-Ju Kuo of 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 2019 Annual General Meeting of Yuanta Futures Co., Ltd.

The Audit Committee of Yuanta Futures Co., Ltd.

Convener Yu, Chwo-Ming

March 21, 2019

## Attachment 3

### Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18003599

To Yuanta Futures Co., Ltd.:

### **Audit opinion**

We have audited the accompanying proprietary consolidated balance sheet of Yuanta Futures Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017 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, 2018 and 2017, 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 "Regulations Governing Auditing and Attestation 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China and with other responsibilities of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 2018 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 key audit matters (KAMs) of the 2018 consolidated reports of Yuanta Futures Co., Ltd. and subsidiaries are as follows:

#### **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 statement for information regarding the accounting policy for unlisted stocks with no active market (financial assets measured at FVTOCI). Please refer to Note 6-(5) of the consolidated financial statement for information regarding other important accounting titles. Please refer to Note 5-(2) of the consolidated financial statement for information regarding the uncertainty and assumption of accounting estimate of fair value measurement. Please refer to Note 20-(3) of the consolidated financial statement for information regarding the fair value of financial instruments. By December 31, 2018, the amount of

investments in unlisted stocks in financial assets measured at FVTOCI was NT\$1,404,019,000.

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 Approach, 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 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 evaluate the reasonableness of the input values.

### **Impairment assessment of futures margin receivables**

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

Please refer to Note 4-(15) of the consolidated financial statement for information regarding the accounting policy for the impairment assessment of futures margin receivables. Please refer to Note 6-(4) of the consolidated financial statement for information regarding the important accounting titles. Please refer to Note 5-(1) of the consolidated financial statement for information regarding the uncertainty of accounting estimate and assumption of impairment. By December 31, 2018, the total amount of futures margin receivables and the amount of allowance for losses were NT\$90,158,000 and NT\$89,136,000 respectively.

The impairment of futures margin receivables of this Company and subsidiaries was assessed with the expected credit loss model. Impairment loss was set aside by estimating the impairment loss based on impairment parameters including the overdue length and expected loss rate. While the said impairment loss of futures margin receivables was set aside based on subjective judgments and assumptions, including the significance of credit risk increase after initial recognition and the materiality of impact of the amount on financial statements, we had listed the impairment assessment of futures margin receivables as a key audit matter of 2018.

### **The responsive auditing process**

The audit process of the said KAM is summarized as follows:

1. Acquire and discern the policies and assessment processes in relation to the futures margin receivables of Yuanta Futures and subsidiaries.
2. Assess the suitability of the management's judgment on the significance of credit risk increase.



3. Assess the suitability of the loss rate adopted by the management for expected credit loss calculation.
4. Re-check and re-calculate the accuracy of the amount of expected credit loss.

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

Yuanta Futures Co., Ltd. has compiled its 2018 and 2017 individual financial statements, for which we issued unqualified opinion.

### **The responsibility of the management and check governing 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 2018 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-Zi No.  
0960072936

Former Financial Supervisory Commission

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

March 21, 2019



Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and 2017

Unit: NT\$ thousand

| Assets                    | Additional notes   | December 31, 2018    |                      | December 31, 2017 |                      |            |
|---------------------------|--|----------------------|----------------------|-------------------|----------------------|------------|
|                           |  | Amount               | %                    | Amount            | %                    |            |
| <b>Current assets</b>     |  |                      |                      |                   |                      |            |
| 111100                    | Cash and cash equivalents  | 6(1) and 7           | \$ 5,291,562         | 7                 | \$ 4,776,563         | 8          |
| 112000                    | Financial assets at fair value through profit or loss- current                 | 6 (2), 11 and 20 (9) | 244,675              | 1                 | 146,673              | -          |
| 113200                    | Financial assets at fair value through other comprehensive income- current     | 6 (5)                | 155,525              | -                 | -                    | -          |
| 113400                    | Available-for-sale financial assets - current                                  | 20 (9)               | -                    | -                 | 280,461              | 1          |
| 114070                    | Customers' margin accounts   | 6(3) and 7           | 64,540,616           | 88                | 49,642,864           | 87         |
| 114080                    | Futures trading margin receivable  | 6 (4)                | 1,022                | -                 | 241                  | -          |
| 114100                    | Securities Based Lending (SBL)   |                      | -                    | -                 | 6,130                | -          |
| 114130                    | Accounts receivable  |                      | 2,960                | -                 | 11,441               | -          |
| 114140                    | Accounts receivable - related parties  | 7                    | 4,033                | -                 | 4,828                | -          |
| 114150                    | Prepayments  |                      | 6,343                | -                 | 7,879                | -          |
| 114170                    | Other receivable   |                      | 27,919               | -                 | 15,279               | -          |
| 114180                    | Other receivables - related parties  | 7                    | 15,135               | -                 | 8,645                | -          |
| 114300                    | Special account for leverage bond contract transaction customer margin         | 7                    | 126,850              | -                 | 45,372               | -          |
| 114600                    | Current Income Tax Asset   |                      | 341                  | -                 | 341                  | -          |
| 119000                    | Other current assets   |                      | 23                   | -                 | 13                   | -          |
| 110000                    | <b>Total of Current Assets</b>   |                      | <u>70,417,004</u>    | <u>96</u>         | <u>54,946,730</u>    | <u>96</u>  |
| <b>Non-Current assets</b> |  |                      |                      |                   |                      |            |
| 123200                    | Financial assets at fair value through other comprehensive income- non-current | 6 (5)                | 1,404,019            | 2                 | -                    | -          |
| 123300                    | Financial assets measured at amortized cost- non-current                       | 6 (6)                | 92,333               | -                 | -                    | -          |
| 123400                    | Available-for-sale financial assets - non-current                              | 20 (9)               | -                    | -                 | 1,273,519            | 2          |
| 125000                    | Property and equipment   | 6 (9)                | 612,943              | 1                 | 576,842              | 1          |
| 127000                    | Intangible assets  | 6 (10)               | 42,832               | -                 | 36,626               | -          |
| 128000                    | Deferred income tax assets   | 6 (26)               | 23,995               | -                 | 14,103               | -          |
| 129010                    | Business guaranty bond   | 6(7), 7 and 8        | 145,886              | -                 | 147,168              | -          |
| 129020                    | Settlement / clearance fund  | 6 (8)                | 492,788              | 1                 | 442,569              | 1          |
| 129030                    | Refundable deposits  | 7                    | 38,323               | -                 | 22,823               | -          |
| 129130                    | Prepayment for equipment purchase  |                      | 21,300               | -                 | 9,290                | -          |
| 129990                    | Other non-current assets- Other  |                      | 431                  | -                 | -                    | -          |
| 120000                    | <b>Total of Non-Current Assets</b>   |                      | <u>2,874,850</u>     | <u>4</u>          | <u>2,522,940</u>     | <u>4</u>   |
| 906001                    | <b>Total assets</b>  |                      | <u>\$ 73,291,854</u> | <u>100</u>        | <u>\$ 57,469,670</u> | <u>100</u> |

(Continued on next page)

Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2018 and 2017

| Liabilities and equity                              | Additional notes  | December 31, 2018    |                      | Unit: NT\$ thousand<br>December 31, 2017 |                      |            |
|---|---|----------------------|----------------------|--|----------------------|------------|
|   |   | Amount               | %                    | Amount                                   | %                    |            |
| <b>Current liabilities</b>                          |   |                      |                      |  |                      |            |
| 212000  | Financial liabilities at fair value through profit or loss- current | 6 (2), 11 and 20 (9) | \$ 20,089            | -  | \$ 7,449             | -          |
| 214080  | Futures traders' equity   | 6(3) and 7           | 64,332,759           | 88                                       | 49,432,661           | 86         |
| 214100  | Rights & interest for leverage bond contract transaction traders    |                      | 103,735              | -  | 44,813               | -          |
| 214130  | Accounts payable  |                      | 123,995              | -  | 128,211              | -          |
| 214140  | Accounts payable - related parties                                  | 7                    | 18,993               | -  | 24,654               | -          |
| 214160  | Agency Receipts   |                      | 7,179                | -  | 5,729                | -          |
| 214170  | Other payable   |                      | 205,909              | 1  | 204,152              | 1          |
| 214180  | Other payables - related parties                                    | 7                    | 923                  | -  | 733                  | -          |
| 214200  | Other financial liabilities- current                                |                      | -                    | -  | 500                  | -          |
| 214600  | Current Income Tax Liability  |                      | 150,338              | -  | 59,796               | -          |
| 219000  | Other current liabilities   |                      | 24,182               | -  | 23,343               | -          |
| 210000  | <b>Total of current liabilities</b>                                 |                      | <u>64,988,102</u>    | <u>89</u>                                | <u>49,932,041</u>    | <u>87</u>  |
| <b>Non-current liabilities</b>                      |   |                      |                      |  |                      |            |
| 225100  | Liabilities reserve- non-current                                    |                      | 80,998               | -  | 67,824               | -          |
| 229000  | Other non-current liabilities                                       |                      | 2,204                | -  | 2,220                | -          |
| 220000  | <b>Total of non-current liabilities</b>                             |                      | <u>83,202</u>        | <u>-</u>                                 | <u>70,044</u>        | <u>-</u>   |
| 906003  | <b>Total liabilities</b>  |                      | <u>65,071,304</u>    | <u>89</u>                                | <u>50,002,085</u>    | <u>87</u>  |
| <b>Attributable to owners of the parent company</b> |   |                      |                      |  |                      |            |
| <b>Share capital</b>                                |   |                      |                      |  |                      |            |
| 301010  | Ordinary shares capital   | 6 (12)               | 2,322,763            | 3  | 2,322,763            | 4          |
| <b>Capital reserve</b>                              |   |                      |                      |  |                      |            |
| 302000  | Capital reserve   | 6 (13)               | 940,976              | 1  | 940,976              | 2          |
| <b>Retained earnings</b>                            |   |                      |                      |  |                      |            |
| 304010  | Legal earnings reserve  | 6 (15)               | 807,426              | 1  | 720,097              | 1          |
| 304020  | Special earnings reserve  | 6 (14) (15)          | 1,875,370            | 3  | 1,696,347            | 3          |
| 304040  | Undistributed earnings  | 6 (15)               | 1,093,522            | 1  | 875,462              | 1          |
| <b>Other equity</b>                                 |   |                      |                      |  |                      |            |
| 305000  | Other equity  | 6 (16)               | 1,180,493            | 2  | 911,940              | 2          |
| 906004  | <b>Total equity</b>   |                      | <u>8,220,550</u>     | <u>11</u>                                | <u>7,467,585</u>     | <u>13</u>  |
| 906002  | <b>Total liabilities and equity</b>                                 |                      | <u>\$ 73,291,854</u> | <u>100</u>                               | <u>\$ 57,469,670</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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand  
(except EPS in NT\$)

| Item                    | Additional notes   | 2018             |                     | 2017         |                     |              |
|-------------------------|--|------------------|---------------------|--------------|---------------------|--------------|
|                         |  | Amount           | %                   | Amount       | %                   |              |
| <b>Revenue</b>          |  |                  |                     |              |                     |              |
| 401000                  | Brokerage commission   | 6(17) and 7      | \$ 3,439,375        | 95           | \$ 2,712,136        | 93           |
| 410000                  | Operating gain (loss) on sale of securities  | 6 (2) (18)       | ( 16,277)           | -            | 2,486               | -            |
| 421300                  | Dividend income  | 6 (2)            | 1,491               | -            | 3,263               | -            |
| 421500                  | Net loss of securities trade measured at the fair value through profit or loss                             | 6 (2)            | ( 571)              | -            | ( 106)              | -            |
| 421600                  | SBL and reverse sell margin-trading-short - net gain (loss)  | 6 (2)            | 15,679              | 1            | ( 55,765)           | ( 2)         |
| 421610                  | Net Profit (Losses) on Measurement at Fair Value through Profit or Loss for Securities Held for Operations |                  | ( 381)              | -            | 607                 | -            |
| 424200                  | security commission earned   | 7                | 4,743               | -            | 4,425               | -            |
| 424300                  | Settlement and clearance fees  | 6(19) and 7      | 83,717              | 2            | 75,996              | 3            |
| 424400                  | Net gains in the derivative financial instruments  | 6 (2) (20)       | 84,151              | 2            | 135,539             | 5            |
| 424800                  | Management fee income  |                  | -                   | -            | 198                 | -            |
| 424900                  | Consultancy fee income   |                  | 14,259              | -            | 16,487              | -            |
| 428000                  | Other operating revenue  | 7                | 12,110              | -            | 25,735              | 1            |
| 400000                  | <b>Total revenues</b>  |                  | <u>3,638,296</u>    | <u>100</u>   | <u>2,921,001</u>    | <u>100</u>   |
| <b>Expense</b>          |  |                  |                     |              |                     |              |
| 501000                  | Brokerage commission expenses  | 6 (21)           | ( 620,625)          | ( 17)        | ( 516,514)          | ( 18)        |
| 502000                  | Proprietary trade service commission expenses  | 6 (21)           | ( 6,692)            | -            | ( 5,951)            | -            |
| 521200                  | Financial costs  | 7                | ( 52,617)           | ( 2)         | ( 34,609)           | ( 1)         |
| 425300                  | Expected credit impairment loss  | 20 (6)           | ( 89,113)           | ( 3)         | -                   | -            |
| 524100                  | Futures commission expenses  | 6(22) and 7      | ( 775,740)          | ( 21)        | ( 554,276)          | ( 19)        |
| 524300                  | Clearance and settlement service expenses  |                  | ( 488,057)          | ( 14)        | ( 411,591)          | ( 14)        |
| 528000                  | Other operating expenses   |                  | ( 3,382)            | -            | ( 779)              | -            |
| 531000                  | Employee Benefit expenses  | 6 (23) (24)      | ( 625,300)          | ( 17)        | ( 539,067)          | ( 19)        |
| 532000                  | Depreciation and amortization expenses   | 6 (9) (10) (23)  | ( 49,985)           | ( 1)         | ( 39,503)           | ( 1)         |
| 533000                  | Other operating expenses   | 6(23) (28) and 7 | ( 511,000)          | ( 14)        | ( 442,343)          | ( 15)        |
| 500000                  | <b>Total Expense</b>   |                  | <u>( 3,222,511)</u> | <u>( 89)</u> | <u>( 2,544,633)</u> | <u>( 87)</u> |
| <b>Operating profit</b> |  |                  |                     |              |                     |              |
| 602000                  | Other profits and losses   | 6(25) and 7      | 415,785             | 11           | 376,368             | 13           |
| 902001                  | <b>Earnings before tax</b>   |                  | <u>829,797</u>      | <u>23</u>    | <u>648,732</u>      | <u>22</u>    |
| 701000                  | Income tax expense   | 6 (26)           | ( 245,537)          | ( 7)         | ( 151,814)          | ( 5)         |
| 900024                  | <b>Current period net profit</b>   |                  | <u>\$ 1,000,045</u> | <u>27</u>    | <u>\$ 873,286</u>   | <u>30</u>    |

(Continued on next page)

Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand  
(except EPS in NT\$)  
2017

| Item   | Additional notes  | 2018         |      | 2017        |      |
|--|---|--------------|------|-------------|------|
|  |   | Amount       | %    | Amount      | %    |
| <b>Other comprehensive income</b>                                  |   |              |      |             |      |
| <b>Items that are not reclassified as profit and loss:</b>         |   |              |      |             |      |
| 805510   | Defined benefit plan revaluation amount and volume  | 6 (11)       |      |             |      |
|  |   | (\$ 16,482)  | ( 1) | \$ 776      | -    |
| 805540   | Unrealized valuation gains of equity instruments investments in financial assets measured at FVTOCI | 6 (5)(16)    |      |             |      |
|  |   | 205,687      | 6    | -           | -    |
| 805599   | Income tax related to accounts not being reclassified   | 6 (26)       |      |             |      |
|  |   | 3,272        | - (  | 131)        | -    |
| <b>Accounts to be reclassified to profit or loss subsequently:</b> |   |              |      |             |      |
| 805610   | Exchange differences arising from translating the financial statements of foreign operations        | 6 (16)       |      |             |      |
|  |   | 25,454       | 1 (  | 23,052)     | ( 1) |
| 805620   | Unrealized valuation gains on financial asset available for sale                                    | 6 (16)       |      |             |      |
|  |   | -            | -    | 6,542       | -    |
| 805000   | <b>Other comprehensive income (post-tax profit or loss)</b>   |              |      |             |      |
|  |   | \$ 217,931   | 6    | (\$ 15,875) | ( 1) |
| 902006   | <b>Total comprehensive income for the period</b>  |              |      |             |      |
|  |   | \$ 1,217,976 | 33   | \$ 857,411  | 29   |
| <b>Profit attributable to:</b>                                     |   |              |      |             |      |
|  | Owners of parent  |              |      |             |      |
|  |   | \$ 1,000,045 | 27   | \$ 873,286  | 30   |
| <b>Total comprehensive income attributable to:</b>                 |   |              |      |             |      |
|  | Owners of parent  |              |      |             |      |
|  |   | \$ 1,217,976 | 33   | \$ 857,411  | 29   |
| <b>Earnings per ordinary share</b>                                 |   |              |      |             |      |
|  | <b>Basic and diluted earnings per share</b>   | 6 (27)       |      |             |      |
|  |   | \$           | 4.31 | \$          | 3.76 |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated statement of changes in equity  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

|   | Additional notes | Attributable to owners of the parent company |               |                             |                        |                          |                        |  |   |   | Total equity |
|---|------------------|--|---------------|-----------------------------|------------------------|--------------------------|------------------------|--|---|---|--------------|
|   |                  | Capital reserve                              |               |                             | Retained earnings      |                          |                        | Other 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 gain (loss) on financial assets at fair value through other comprehensive income | Unrealized gains or losses on available-for-sale financial assets |              |
| <b>2017</b>   |                  |  |               |                             |                        |                          |                        |  |   |   |              |
| Balance at January 1, 2017  | 6 (12)           | \$ 2,322,763                                 | \$ 894,643    | \$ 46,333                   | \$ 637,326             | \$ 1,526,665             | \$ 827,716             | (\$ 4,224 )  | \$ -  | \$ 932,674  | \$ 7,183,896 |
| 2017 net profit   |                  | -  | -             | -                           | -                      | -                        | 873,286                | -  | -   | -   | 873,286      |
| 2017 Other general gains and losses                                 |                  | -  | -             | -                           | -                      | -                        | 635                    | ( 23,052 )   | -   | 6,542   | ( 15,875 )   |
| Total comprehensive income for the period                           |                  | -  | -             | -                           | -                      | -                        | 873,921                | ( 23,052 )   | -   | 6,542   | 857,411      |
| Dividend allocation and distribution for 2016                       | 6 (15)           |  |               |                             |                        |                          |                        |  |   |   |              |
| Legal earnings reserve  |                  | -  | -             | -                           | 82,771                 | -                        | ( 82,771 )             | -  | -   | -   | -            |
| Special earnings reserve  |                  | -  | -             | -                           | -                      | 169,682                  | ( 169,682 )            | -  | -   | -   | -            |
| Cash dividend to shareholders                                       |                  | -  | -             | -                           | -                      | -                        | ( 573,722 )            | -  | -   | -   | ( 573,722 )  |
| Balance at December 31, 2017  |                  | \$ 2,322,763                                 | \$ 894,643    | \$ 46,333                   | \$ 720,097             | \$ 1,696,347             | \$ 875,462             | (\$ 27,276 )   | \$ -  | \$ 939,216  | \$ 7,467,585 |
| <b>2018</b>   |                  |  |               |                             |                        |                          |                        |  |   |   |              |
| Balance at January 1, 2018  | 6 (12)           | \$ 2,322,763                                 | \$ 894,643    | \$ 46,333                   | \$ 720,097             | \$ 1,696,347             | \$ 875,462             | (\$ 27,276 )   | \$ -  | \$ 939,216  | \$ 7,467,585 |
| The influence of the application and reclassification in retrospect |                  | -  | -             | -                           | -                      | -                        | ( 317 )                | 104  | 938,971   | ( 939,216 )   | ( 458 )      |
| Balance on January, 1 2018 after adjustment                         | 6 (16)           | 2,322,763                                    | 894,643       | 46,333                      | 720,097                | 1,696,347                | 875,145                | ( 27,172 )   | 938,971   | -   | 7,467,127    |
| 2018 net profit   |                  | -  | -             | -                           | -                      | -                        | 1,000,045              | -  | -   | -   | 1,000,045    |
| 2018 Other comprehensive income                                     | 6 (5)(16)        | -  | -             | -                           | -                      | -                        | ( 13,210 )             | 25,454   | 205,687   | -   | 217,931      |
| Total comprehensive income for the period                           |                  | -  | -             | -                           | -                      | -                        | 986,835                | 25,454   | 205,687   | -   | 1,217,976    |
| Dividend allocation and distribution for 2018                       | 6 (15)           |  |               |                             |                        |                          |                        |  |   |   |              |
| Legal earnings reserve  |                  | -  | -             | -                           | 87,329                 | -                        | ( 87,329 )             | -  | -   | -   | -            |
| Special earnings reserve  |                  | -  | -             | -                           | -                      | 179,023                  | ( 179,023 )            | -  | -   | -   | -            |
| Cash dividend to shareholders                                       |                  | -  | -             | -                           | -                      | -                        | ( 464,553 )            | -  | -   | -   | ( 464,553 )  |
| Disposal of equity instruments measured at FVTOCI                   | 6 (5)(16)        | -  | -             | -                           | -                      | -                        | ( 37,553 )             | -  | 37,553  | -   | -            |
| Balance at December 31, 2018  |                  | \$ 2,322,763                                 | \$ 894,643    | \$ 46,333                   | \$ 807,426             | \$ 1,875,370             | \$ 1,093,522           | (\$ 1,718 )  | \$ 1,182,211  | \$ -  | \$ 8,220,550 |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd. and its subsidiaries  
Consolidated cash flow statement  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

|  | Additional notes | 2018         | 2017          |
|--|------------------|--------------|---------------|
| <u>Cash flow from operating activities</u>                             |                  |              |               |
| Pre-tax profit for the current period                                  |                  | \$ 1,245,582 | \$ 1,025,100  |
| Adjustments  |                  |              |               |
| Income and expenses having no effect on cash flows                     |                  |              |               |
| Depreciation   | 6 (9) (23)       | 42,827       | 35,937        |
| Amortizations  | 6 (10) (23)      | 7,158        | 3,566         |
| Interest income  | 6 (25)           | ( 699,311 )  | ( 498,976 )   |
| Interest expenses  |                  | 52,617       | 34,609        |
| Gains from disposal of financial assets available for sale             |                  | -            | ( 108,280 )   |
| Dividend income  | 6 (25)           | ( 74,347 )   | ( 54,043 )    |
| Expected credit impairment loss  | 20 (6)           | 89,113       | -             |
| 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         | (                | 98,002 )     | 113,221       |
| Customers' margin accounts   | (                | 14,897,752 ) | 4,662,526     |
| Futures trading margin receivable                                      | (                | 90,158 )     | 462           |
| Securities Based Lending (SBL)   |                  | 6,130        | 304,978       |
| Accounts receivable  |                  | 8,481        | 339,643       |
| Accounts receivable - related parties                                  |                  | 795          | ( 1,695 )     |
| Prepayments  |                  | 1,536        | ( 3,558 )     |
| Other receivable   |                  | 57           | 9,876         |
| Other receivables - related parties                                    | (                | 145 )        | 19,599        |
| Special account for leverage bond contract transaction customer margin | (                | 81,478 )     | ( 45,372 )    |
| Other current assets   | (                | 10 )         | 469           |
| Other non-current assets- Other  | (                | 431 )        | -             |
| Net changes in liabilities relating to operating activities            |                  |              |               |
| Financial liabilities at fair value through profit or loss- current    |                  | 12,640       | ( 346,937 )   |
| Futures traders' equity  |                  | 14,900,098   | ( 4,755,168 ) |
| Rights & interest for leverage bond contract transaction traders       |                  | 58,922       | 44,813        |
| Accounts payable   | (                | 4,216 )      | 49,407        |
| Accounts payable - related parties                                     | (                | 5,661 )      | 7,447         |
| Agency Receipts  |                  | 1,450        | 644           |
| Other payable  |                  | 1,595        | 20,868        |
| Other payables - related parties                                       |                  | 182          | ( 20,788 )    |
| Other financial liabilities- current                                   | (                | 500 )        | 500           |
| Other current liabilities  |                  | 839          | 18,019        |
| Liabilities reserve- non-current                                       | (                | 3,308 )      | ( 2,380 )     |
| Other non-current liabilities  | (                | 16 )         | 2,220         |
| Net cash provided by operating activities                              |                  | 474,687      | 856,707       |
| Interest received  |                  | 680,580      | 501,138       |
| Income tax paid  | (                | 161,615 )    | ( 153,286 )   |
| Dividends received   |                  | 74,347       | 54,043        |
| Interest paid  | (                | 52,447 )     | ( 34,400 )    |
| Net cash inflow from operating activities                              |                  | 1,015,552    | 1,224,202     |
| <u>Cash flow from investing activities</u>                             |                  |              |               |
| Acquisition of financial assets measured at FVTOCI                     | (                | 216,766 )    | -             |
| Value of disposal of financial assets measured at FVTOCI               |                  | 326,715      | -             |
| Acquisition of available-for-sale financial assets                     |                  | -            | ( 469,222 )   |
| Proceeds from disposal of financial assets available for sale          |                  | -            | 529,228       |
| Purchase of property and equipment                                     | 6 (9)            | ( 31,727 )   | ( 522,877 )   |
| Increase in intangible assets  | 6 (10)           | ( 2,639 )    | ( 882 )       |
| Decrease in business guaranty bond                                     |                  | 1,282        | 17,832        |
| Decrease (Increase) in settlement / clearance fund                     |                  | ( 50,219 )   | 344           |
| Increase in guarantee deposits paid                                    |                  | ( 15,500 )   | ( 10,069 )    |
| Increase in installment on equipment                                   |                  | ( 69,355 )   | ( 51,500 )    |
| Net cash outflow from investing activities                             |                  | ( 58,209 )   | ( 507,146 )   |
| <u>Cash flow from financing activities</u>                             |                  |              |               |
| Cash dividend distribution   | 6 (15)           | ( 464,553 )  | ( 573,722 )   |
| Net cash outflow from financing activities                             |                  | ( 464,553 )  | ( 573,722 )   |
| Impact of change in exchange rate on cash and cash equivalent          |                  | 22,209       | ( 13,326 )    |
| Increase in cash and cash equivalents for the current period           |                  | 514,999      | 130,008       |
| Opening balance of cash and cash equivalents                           |                  | 4,776,563    | 4,646,555     |
| Closing balance of cash and cash equivalents                           |                  | \$ 5,291,562 | \$ 4,776,563  |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

## Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18003565

To Yuanta Futures Co., Ltd.:

### **Audit opinion**

We have audited the accompanying proprietary individual balance sheet of Yuanta Futures Co., Ltd. as of December 31, 2018 and 2017 and the related individual statements of income, of changes in shareholders' equity and of 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, 2018 and 2017, 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 "Regulations Governing Auditing and Attestation 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China and with other responsibilities of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 2018 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 KAMs of 2018 individual financial statements of Yuanta Futures are as follows:

#### **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 consolidated financial statement for information regarding the accounting policy for unlisted stocks with no active market (financial assets measured at FVTOCI). Please refer to Note 6-(5) of individual financial statements for information regarding other important accounting titles. Please refer to Note 5-(2) of individual financial statements for information regarding the uncertainty and assumption of accounting estimate of fair value measurement. Please refer to Note 20-(3) of individual financial statements for information regarding the fair value of financial instruments. By December 31, 2018, the amount of investments in unlisted stocks in financial assets measured at FVTOCI was NT\$1,404,019,000.

The fair value of the unlisted stock of Yuanta Futures without market price available for reference was measured in accordance with the Market Approach, 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 2018.

### **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 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 evaluate the reasonableness of the input values.

### **Impairment assessment of futures margin receivables**

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

Please refer to Note 4-(13) of the individual financial statements for information regarding the accounting policy for the impairment assessment of futures margin receivables. Please refer to Note 6-(4) of the individual financial statements for information regarding the important accounting titles. Please refer to Note 5-(1) of individual financial statements for information regarding the uncertainty of accounting estimates and assumption of impairment. By December 31, 2018, the total amount of futures margin receivables and the amount of allowance for losses were NT\$90,158,000 and NT\$89,136,000 respectively.

The impairment of futures margin receivables of this Company and subsidiaries was assessed with the expected credit loss model. Impairment loss was set aside by estimating the impairment loss based on impairment parameters including the overdue length and expected loss rate. While the said impairment loss of futures margin receivables was set aside based on subjective judgments and assumptions, including the significance of credit risk increase after initial recognition and the materiality of impact of the amount on financial statements, we had listed the impairment assessment of futures margin receivables as a key audit matter of 2018.

### **The responsive auditing process**

The audit process of the said KAM is summarized as follows:

1. Acquire and discern the policies and assessment processes in relation to the futures margin receivables of Yuanta Futures and subsidiaries.
2. Assess the suitability of the management's judgment on the significance of credit risk increase.
3. Assess the suitability of the loss rate adopted by the management for expected credit loss calculation.
4. Re-check and re-calculate the accuracy of the amount of expected credit loss.

### **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 2018 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  
Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
1000035997

March 21, 2019

Yuanta Futures Co., Ltd.  
Individual Balance Sheet  
December 31, 2018 and 2017

Unit: NT\$ thousand

| Assets                    | Additional notes   | December 31, 2018       |                      | December 31, 2017 |                      |            |
|---------------------------|--|-------------------------|----------------------|-------------------|----------------------|------------|
|                           |  | Amount                  | %                    | Amount            | %                    |            |
| <b>Current assets</b>     |  |                         |                      |                   |                      |            |
| 111100                    | Cash and cash equivalents  | 6(1) and 7              | \$ 4,226,607         | 6                 | \$ 4,288,867         | 8          |
| 112000                    | Financial assets at fair value through profit or loss- current                 | 6 (2), 7, 11 and 20 (9) | 154,838              | -                 | 40,212               | -          |
| 113200                    | Financial assets at fair value through other comprehensive income- current     | 6 (5)                   | 155,525              | -                 | -                    | -          |
| 113400                    | Available-for-sale financial assets - current                                  | 20 (9)                  | -                    | -                 | 280,461              | -          |
| 114070                    | Customers' margin accounts   | 6(3) and 7              | 63,368,595           | 88                | 48,894,899           | 86         |
| 114080                    | Futures trading margin receivable  | 6 (4)                   | 1,022                | -                 | 241                  | -          |
| 114100                    | Securities Based Lending (SBL)   | 7                       | -                    | -                 | 6,130                | -          |
| 114130                    | Accounts receivable  |                         | 2,960                | -                 | 11,441               | -          |
| 114140                    | Accounts receivable - related parties  | 7                       | 4,033                | -                 | 4,828                | -          |
| 114150                    | Prepayments  |                         | 5,273                | -                 | 5,557                | -          |
| 114170                    | Other receivable   |                         | 23,720               | -                 | 14,388               | -          |
| 114180                    | Other receivables - related parties  | 7                       | 8,887                | -                 | 8,111                | -          |
| 114300                    | Special account for leverage bond contract transaction customer margin         | 7                       | 126,850              | -                 | 45,372               | -          |
| 114600                    | Current Income Tax Asset   |                         | 341                  | -                 | 341                  | -          |
| 119000                    | Other current assets   |                         | 23                   | -                 | 13                   | -          |
| 110000                    | <b>Total of Current Assets</b>   |                         | <u>68,078,674</u>    | <u>94</u>         | <u>53,600,861</u>    | <u>94</u>  |
| <b>Non-Current assets</b> |  |                         |                      |                   |                      |            |
| 123200                    | Financial assets at fair value through other comprehensive income- non-current | 6 (5)                   | 1,404,019            | 2                 | -                    | -          |
| 123400                    | Available-for-sale financial assets - non-current                              | 20 (9)                  | -                    | -                 | 1,183,345            | 2          |
| 124100                    | Investments accounted for by the equity method                                 | 6 (6)                   | 1,280,500            | 2                 | 721,074              | 2          |
| 125000                    | Property and equipment   | 6 (9)                   | 590,324              | 1                 | 552,173              | 1          |
| 127000                    | Intangible assets  | 6 (10)                  | 42,252               | -                 | 36,042               | -          |
| 128000                    | Deferred income tax assets   | 6 (26)                  | 23,995               | -                 | 14,103               | -          |
| 129010                    | Business guaranty bond   | 6(7), 7 and 8           | 140,000              | -                 | 140,000              | -          |
| 129020                    | Settlement / clearance fund  | 6 (8)                   | 492,788              | 1                 | 442,569              | 1          |
| 129030                    | Refundable deposits  | 7                       | 34,493               | -                 | 19,612               | -          |
| 129130                    | Prepayment for equipment purchase  |                         | 21,300               | -                 | 9,290                | -          |
| 129990                    | Other non-current assets- Other  |                         | 431                  | -                 | -                    | -          |
| 120000                    | <b>Total of Non-Current Assets</b>   |                         | <u>4,030,102</u>     | <u>6</u>          | <u>3,118,208</u>     | <u>6</u>   |
| 906001                    | <b>Total assets</b>  |                         | <u>\$ 72,108,776</u> | <u>100</u>        | <u>\$ 56,719,069</u> | <u>100</u> |

(Continued on next page)

Yuanta Futures Co., Ltd.  
Individual Balance Sheet  
December 31, 2018 and 2017

| Liabilities and equity         | Additional notes  | December 31, 2018    |                      | Unit: NT\$ thousand<br>December 31, 2017 |                      |            |
|--------------------------------|---|----------------------|----------------------|--|----------------------|------------|
|                                |   | Amount               | %                    | Amount                                   | %                    |            |
| <b>Current liabilities</b>     |   |                      |                      |  |                      |            |
| 212000                         | Financial liabilities at fair value through profit or loss- current | 6 (2), 11 and 20 (9) | \$ 19,333            | -  | \$ 7,136             | -          |
| 214080                         | Futures traders' equity   | 6(3) and 7           | 63,163,761           | 88                                       | 48,684,919           | 86         |
| 214100                         | Rights & interest for leverage bond contract transaction traders    |                      | 103,735              | -  | 44,813               | -          |
| 214130                         | Accounts payable  |                      | 123,995              | -  | 128,211              | -          |
| 214140                         | Accounts payable - related parties                                  | 7                    | 18,993               | -  | 24,654               | -          |
| 214160                         | Agency Receipts   |                      | 7,092                | -  | 6,186                | -          |
| 214170                         | Other payable   |                      | 192,658              | 1  | 201,149              | 1          |
| 214180                         | Other payables - related parties                                    | 7                    | 937                  | -  | 733                  | -          |
| 214200                         | Other financial liabilities- current                                |                      | -                    | -  | 500                  | -          |
| 214600                         | Current Income Tax Liability  |                      | 150,338              | -  | 59,796               | -          |
| 219000                         | Other current liabilities   |                      | 24,182               | -  | 23,343               | -          |
| 210000                         | <b>Total of current liabilities</b>                                 |                      | <u>63,805,024</u>    | <u>89</u>                                | <u>49,181,440</u>    | <u>87</u>  |
| <b>Non-current liabilities</b> |   |                      |                      |  |                      |            |
| 225100                         | Liabilities reserve- non-current                                    | 6 (11)               | 80,998               | -  | 67,824               | -          |
| 229000                         | Other non-current liabilities                                       |                      | 2,204                | -  | 2,220                | -          |
| 220000                         | <b>Total of non-current liabilities</b>                             |                      | <u>83,202</u>        | <u>-</u>                                 | <u>70,044</u>        | <u>-</u>   |
| 906003                         | <b>Total liabilities</b>  |                      | <u>63,888,226</u>    | <u>89</u>                                | <u>49,251,484</u>    | <u>87</u>  |
| <b>Share capital</b>           |   |                      |                      |  |                      |            |
| 301010                         | Ordinary shares capital   | 6 (12)               | 2,322,763            | 3  | 2,322,763            | 4          |
| <b>Capital reserve</b>         |   |                      |                      |  |                      |            |
| 302000                         | Capital reserve   | 6 (13)               | 940,976              | 1  | 940,976              | 2          |
| <b>Retained earnings</b>       |   |                      |                      |  |                      |            |
| 304010                         | Legal earnings reserve  | 6 (15)               | 807,426              | 1  | 720,097              | 1          |
| 304020                         | Special earnings reserve  | 6 (14) (15)          | 1,875,370            | 3  | 1,696,347            | 3          |
| 304040                         | Undistributed earnings  | 6 (15)               | 1,093,522            | 1  | 875,462              | 1          |
| <b>Other equity</b>            |   |                      |                      |  |                      |            |
| 305000                         | Other equity  | 6 (16)               | 1,180,493            | 2  | 911,940              | 2          |
| 906004                         | <b>Total equity</b>   |                      | <u>8,220,550</u>     | <u>11</u>                                | <u>7,467,585</u>     | <u>13</u>  |
| 906002                         | <b>Total liabilities and equity</b>                                 |                      | <u>\$ 72,108,776</u> | <u>100</u>                               | <u>\$ 56,719,069</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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd.  
Individual comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand  
(except EPS in NT\$)

| Item                    | Additional notes   | 2018             |                     | 2017         |                     |              |
|-------------------------|--|------------------|---------------------|--------------|---------------------|--------------|
|                         |  | Amount           | %                   | Amount       | %                   |              |
| <b>Revenue</b>          |  |                  |                     |              |                     |              |
| 401000                  | Brokerage commission   | 6(17) and 7      | \$ 3,244,219        | 95           | \$ 2,708,485        | 94           |
| 410000                  | Operating gain (loss) on sale of securities  | 6 (2) (18)       | ( 16,277)           | -            | 2,486               | -            |
| 421300                  | Dividend income  | 6 (2)            | 1,491               | -            | 3,263               | -            |
| 421500                  | Net loss of securities trade measured at the fair value through profit or loss                             | 6 (2)            | ( 571)              | -            | ( 106)              | -            |
| 421600                  | SBL and reverse sell margin-trading-short gain (loss)  | 6 (2)            | 15,679              | 1            | ( 55,765)           | ( 2)         |
| 421610                  | Net Profit (Losses) on Measurement at Fair Value through Profit or Loss for Securities Held for Operations | 6 (2)            | ( 381)              | -            | 607                 | -            |
| 424200                  | security commission earned   | 7                | 4,743               | -            | 4,425               | -            |
| 424300                  | Settlement and clearance fees  | 6(19) and 7      | 83,717              | 2            | 75,996              | 3            |
| 424400                  | Net gains in the derivative financial instruments  | 6 (20)           | 80,508              | 2            | 133,245             | 5            |
| 424800                  | Management fee income  |                  | -                   | -            | 198                 | -            |
| 424900                  | Consultancy fee income   |                  | 14,259              | -            | 16,487              | -            |
| 428000                  | Other operating revenue (loss)   | 7                | 3,927               | -            | ( 1,553)            | -            |
| 400000                  | <b>Total revenues</b>  |                  | <u>3,431,314</u>    | <u>100</u>   | <u>2,887,768</u>    | <u>100</u>   |
| <b>Expense</b>          |  |                  |                     |              |                     |              |
| 501000                  | Brokerage commission expenses  | 6 (21)           | ( 620,625)          | ( 18)        | ( 516,514)          | ( 18)        |
| 502000                  | Proprietary trade service commission expenses  | 6 (21)           | ( 5,657)            | -            | ( 5,621)            | -            |
| 521200                  | Financial costs  | 7                | ( 52,603)           | ( 1)         | ( 34,607)           | ( 1)         |
| 425300                  | Expected credit impairment loss  | 6 (4)            | ( 89,136)           | ( 3)         | -                   | -            |
| 524100                  | Futures commission expenses  | 6(22) and 7      | ( 641,973)          | ( 19)        | ( 554,543)          | ( 19)        |
| 524300                  | Clearance and settlement service expenses  |                  | ( 488,057)          | ( 14)        | ( 411,591)          | ( 14)        |
| 528000                  | Other operating expenses   |                  | ( 3,382)            | -            | ( 779)              | -            |
| 531000                  | Employee Benefit expenses  | 6 (23) (24)      | ( 569,369)          | ( 17)        | ( 513,941)          | ( 18)        |
| 532000                  | Depreciation and amortization expenses   | 6 (9) (10) (23)  | ( 43,304)           | ( 1)         | ( 34,623)           | ( 1)         |
| 533000                  | Other operating expenses   | 6(23) (28) and 7 | ( 438,130)          | ( 13)        | ( 390,745)          | ( 14)        |
| 500000                  | <b>Total Expense</b>   |                  | <u>( 2,952,236)</u> | <u>( 86)</u> | <u>( 2,462,964)</u> | <u>( 85)</u> |
| <b>Operating profit</b> |  |                  |                     |              |                     |              |
| 601100                  | Share of profit of subsidiaries, associates and joint ventures accounted for under equity method           | 6 (6)            | ( 3,783)            | -            | ( 40,114)           | ( 2)         |
| 602000                  | Other profits and losses   | 6(25) and 7      | 770,287             | 22           | 640,410             | 22           |
| 902001                  | <b>Earnings before tax</b>   |                  | <u>1,245,582</u>    | <u>36</u>    | <u>1,025,100</u>    | <u>35</u>    |
| 701000                  | Income tax expense   | 6 (26)           | ( 245,537)          | ( 7)         | ( 151,814)          | ( 5)         |
| 902005                  | <b>Current period net profit</b>   |                  | <u>\$ 1,000,045</u> | <u>29</u>    | <u>\$ 873,286</u>   | <u>30</u>    |

(Continued on next page)

Yuanta Futures Co., Ltd.  
Individual comprehensive income statements  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand  
(except EPS in NT\$)  
2017

| Item   | Additional notes   | 2018       |              | 2017        |                  |
|--|--|------------|--------------|-------------|------------------|
|  |  | Amount     | %            | Amount      | %                |
| <b>Other comprehensive income</b>                                  |  |            |              |             |                  |
| <b>Items that are not reclassified as profit and loss:</b>         |  |            |              |             |                  |
| 805510   | Defined benefit plan revaluation amount and volume   | 6 (11)     |              |             |                  |
|  |  |            |              | (\$ 16,482) | -                |
| 805540   | Unrealized valuation gains of equity instruments investments in financial assets measured at FVTOCI                  | 6 (5)(16)  |              |             |                  |
|  |  |            | 205,687      | 6           | -                |
| 805599   | Income tax related to accounts not being reclassified  | 6 (26)     |              | 3,272       | - ( 131)         |
| <b>Accounts to be reclassified to profit or loss subsequently:</b> |  |            |              |             |                  |
| 805610   | Exchange differences arising from translating the financial statements of foreign operations                         | 6 (16)     |              | 25,454      | 1 ( 23,052) ( 1) |
| 805620   | Unrealized valuation gains on financial asset available for sale   | 6 (16)     |              | -           | -                |
| 805660   | Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method | 6 (6) (16) |              | -           | -                |
|  |  |            |              |             | ( 1,146)         |
| <b>Other comprehensive income (post-tax profit or loss)</b>        |  |            |              |             |                  |
|  |  |            | 217,931      | 7           | ( 15,875)        |
| <b>Total comprehensive income for the period</b>                   |  |            |              |             |                  |
|  |  |            | \$ 1,217,976 | 36          | \$ 857,411 30    |
| <b>Basic and diluted earnings per share</b>                        |  |            |              |             |                  |
|  |  |            | \$           | 4.31        | \$ 3.76          |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd.  
Individual statement of changes in equity  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

|   | 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 gain (loss) on financial assets at fair value through other comprehensive income | Unrealized gains or losses on available-for-sale financial assets |              |
| <b>2017</b>   |                  |                         |               |                             |                        |                          |                        |  |   |   |              |
| Balance at January 1, 2017  | 6 (12)           | \$ 2,322,763            | \$ 894,643    | \$ 46,333                   | \$ 637,326             | \$ 1,526,665             | \$ 827,716             | ( \$ 4,224)  | \$ -  | \$ 932,674  | \$ 7,183,896 |
| 2017 net profit   |                  | -                       | -             | -                           | -                      | -                        | 873,286                | -  | -   | -   | 873,286      |
| 2017 Other general gains and losses                                 | 6 (16)           | -                       | -             | -                           | -                      | -                        | 635                    | ( 23,052)  | -   | 6,542   | ( 15,875)    |
| Total comprehensive income for the period                           |                  | -                       | -             | -                           | -                      | -                        | 873,921                | ( 23,052)  | -   | 6,542   | 857,411      |
| Dividend allocation and distribution for 2016                       | 6 (15)           |                         |               |                             |                        |                          |                        |  |   |   |              |
| Legal earnings reserve  |                  | -                       | -             | -                           | 82,771                 | -                        | ( 82,771)              | -  | -   | -   | -            |
| Special earnings reserve  |                  | -                       | -             | -                           | -                      | 169,682                  | ( 169,682)             | -  | -   | -   | -            |
| Cash dividend to shareholders                                       |                  | -                       | -             | -                           | -                      | -                        | ( 573,722)             | -  | -   | -   | ( 573,722)   |
| Balance at December 31, 2017  |                  | \$ 2,322,763            | \$ 894,643    | \$ 46,333                   | \$ 720,097             | \$ 1,696,347             | \$ 875,462             | ( \$ 27,276)   | \$ -  | \$ 939,216  | \$ 7,467,585 |
| <b>2018</b>   |                  |                         |               |                             |                        |                          |                        |  |   |   |              |
| Balance at January 1, 2018  | 6 (12)           | \$ 2,322,763            | \$ 894,643    | \$ 46,333                   | \$ 720,097             | \$ 1,696,347             | \$ 875,462             | ( \$ 27,276)   | \$ -  | \$ 939,216  | \$ 7,467,585 |
| The influence of the application and reclassification in retrospect |                  | -                       | -             | -                           | -                      | -                        | ( 317)                 | 104  | 938,971   | ( 939,216)  | ( 458)       |
| Balance on January, 1 2018 after adjustment                         | 6 (16)           | 2,322,763               | 894,643       | 46,333                      | 720,097                | 1,696,347                | 875,145                | ( 27,172)  | 938,971   | -   | 7,467,127    |
| 2018 net profit   |                  | -                       | -             | -                           | -                      | -                        | 1,000,045              | -  | -   | -   | 1,000,045    |
| 2018 Other comprehensive income                                     | 6 (5)(16)        | -                       | -             | -                           | -                      | -                        | ( 13,210)              | 25,454   | 205,687   | -   | 217,931      |
| Total comprehensive income for the period                           |                  | -                       | -             | -                           | -                      | -                        | 986,835                | 25,454   | 205,687   | -   | 1,217,976    |
| Dividend allocation and distribution for 2018                       | 6 (15)           |                         |               |                             |                        |                          |                        |  |   |   |              |
| Legal earnings reserve  |                  | -                       | -             | -                           | 87,329                 | -                        | ( 87,329)              | -  | -   | -   | -            |
| Special earnings reserve  |                  | -                       | -             | -                           | -                      | 179,023                  | ( 179,023)             | -  | -   | -   | -            |
| Cash dividend to shareholders                                       |                  | -                       | -             | -                           | -                      | -                        | ( 464,553)             | -  | -   | -   | ( 464,553)   |
| Disposal of equity instruments measured at FVTOCI                   | 6 (5)(16)        | -                       | -             | -                           | -                      | -                        | ( 37,553)              | -  | 37,553  | -   | -            |
| Balance at December 31, 2018  |                  | \$ 2,322,763            | \$ 894,643    | \$ 46,333                   | \$ 807,426             | \$ 1,875,370             | \$ 1,093,522           | ( \$ 1,718)  | \$ 1,182,211  | \$ -  | \$ 8,220,550 |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

Yuanta Futures Co., Ltd.  
Individual Cash Flow Statement  
January 1 to December 31, 2018 and 2017

Unit: NT\$ thousand

|  | <u>Additional notes</u> | <u>2018</u>    | <u>2017</u>   |
|--|-------------------------|----------------|---------------|
| <u>Cash flow from operating activities</u>   |                         |                |               |
| Pre-tax profit for the current period  |                         | \$ 1,245,582   | \$ 1,025,100  |
| Adjustments  |                         |                |               |
| Income and expenses having no effect on cash flows                                 |                         |                |               |
| Depreciation   | 6 (9) (23)              | 36,393         | 31,618        |
| Amortizations  | 6 (10) (23)             | 6,911          | 3,005         |
| Interest income  | 6 (25)                  | ( 664,676 )    | ( 488,463 )   |
| Interest expenses  |                         | 52,603         | 34,607        |
| Gains from disposal of financial assets available for sale                         |                         | -              | ( 108,280 )   |
| Share of profit of associates and joint ventures accounted for under equity method | 6 (6)                   | 3,783          | 40,114        |
| Dividend income  |                         | ( 72,771 )     | ( 54,043 )    |
| Expected credit impairment loss  | 6 (4)                   | 89,136         | -             |
| 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                     |                         | ( 114,626 )    | 219,682       |
| Customers' margin accounts   |                         | ( 14,473,696 ) | 5,410,491     |
| Futures trading margin receivable  |                         | ( 90,158 )     | 462           |
| Securities Based Lending (SBL)   |                         | 6,130          | 304,978       |
| Accounts receivable  |                         | 8,481          | 339,643       |
| Accounts receivable - related parties  |                         | 795            | ( 1,695 )     |
| Prepayments  |                         | 284            | ( 1,419 )     |
| Other receivable   |                         | 250            | 10,353        |
| Other receivables - related parties  |                         | -              | 32,937        |
| Special account for leverage bond contract transaction customer margin             |                         | ( 81,478 )     | ( 45,372 )    |
| Other current assets   |                         | ( 10 )         | 3             |
| Other non-current assets- Other  |                         | ( 431 )        | -             |
| Net changes in liabilities relating to operating activities                        |                         |                |               |
| Financial liabilities at fair value through profit or loss- current                |                         | 12,197         | ( 347,250 )   |
| Futures traders' equity  |                         | 14,478,842     | ( 5,502,910 ) |
| Rights & interest for leverage bond contract transaction traders                   |                         | 58,922         | 44,813        |
| Accounts payable   |                         | ( 4,216 )      | 49,407        |
| Accounts payable - related parties   |                         | ( 5,661 )      | 7,447         |
| Agency Receipts  |                         | 906            | 1,110         |
| Other payable  |                         | ( 8,653 )      | 19,178        |
| Other payables - related parties   |                         | 196            | ( 20,788 )    |
| Other financial liabilities- current   |                         | ( 500 )        | 500           |
| Other current liabilities  |                         | 839            | 18,019        |
| Liabilities reserve- non-current   |                         | ( 3,308 )      | ( 2,380 )     |
| Other non-current liabilities  |                         | ( 16 )         | 2,220         |
| Net cash provided by operating activities  |                         | 482,050        | 1,023,087     |
| Interest received  |                         | 654,318        | 477,181       |
| Income tax paid  |                         | ( 161,615 )    | ( 153,286 )   |
| Dividends received   |                         | 72,771         | 54,043        |
| Interest paid  |                         | ( 52,433 )     | ( 34,398 )    |
| Net cash inflow from operating activities  |                         | 995,091        | 1,366,627     |
| <u>Cash flow from investing activities</u>   |                         |                |               |
| Acquisition of financial assets measured at FVTOCI                                 |                         | ( 216,766 )    | -             |
| Value of disposal of financial assets measured at FVTOCI                           |                         | 326,715        | -             |
| Acquisition of available-for-sale financial assets                                 |                         | -              | ( 469,222 )   |
| Proceeds from disposal of financial assets available for sale                      |                         | -              | 529,228       |
| Increase in Investments accounted for by the equity method                         |                         | ( 537,972 )    | ( 302,680 )   |
| Purchase of property and equipment   | 6 (9)                   | ( 27,920 )     | ( 496,304 )   |
| Increase in intangible assets  | 6 (10)                  | ( 2,400 )      | ( 882 )       |
| Decrease in business guaranty bond   |                         | -              | 25,000        |
| Decrease (Increase) in settlement / clearance fund                                 |                         | ( 50,219 )     | 344           |
| Increase in guarantee deposits paid  |                         | ( 14,881 )     | ( 10,101 )    |
| Increase in installment on equipment   |                         | ( 69,355 )     | ( 51,019 )    |
| Net cash outflow from investing activities   |                         | ( 592,798 )    | ( 775,636 )   |
| <u>Cash flow from financing activities</u>   |                         |                |               |
| Cash dividend distribution   | 6 (15)                  | ( 464,553 )    | ( 573,722 )   |
| Net cash outflow from financing activities   |                         | ( 464,553 )    | ( 573,722 )   |
| Impact of change in exchange rate on cash and cash equivalent                      |                         | -              | 2,177         |
| Increase (decrease) in cash and cash equivalents for the current period            |                         | ( 62,260 )     | 19,446        |
| Opening balance of cash and cash equivalents                                       |                         | 4,288,867      | 4,269,421     |
| Closing balance of cash and cash equivalents                                       |                         | \$ 4,226,607   | \$ 4,288,867  |

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

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan



**Attachment 4**

Yuanta Futures Co., Ltd.  
2018 Disposition of Net Earnings

Unit: NT\$

| Item  | Amount           |
|---|------------------|
| 1. Amount available for distribution:                                     |                  |
| Opening undistributed earnings  | \$ 144,557,662   |
| Less: Defined benefit actuarial gains and recognized as retained earnings | (13,210,731)     |
| Less: IFRS 9 Effects on opening transferred to retained earnings.         | (316,411)        |
| Unappropriated adjusted earnings  | 131,030,520      |
| Add: The 2018 Net income  | 1,000,044,753    |
| Add: Reversal of special reserves set aside for fintech development.      | 5,477,529        |
| Less: 2018 net loss of equipment instruments measured at FVTOCI           | (37,553,321)     |
| Distributable earnings for the year                                       | \$ 1,098,999,481 |
| 2. Distribution within the year:  |                  |
| Legal earnings reserve (10%)  | \$ 100,004,475   |
| Special earnings reserve (20%)  | 200,008,951      |
| Special earnings reserve (0.5%)   | 5,000,224        |
| Cash dividend to shareholders (\$2.8 per share)                           | 650,373,606      |
| Closing undistributed earnings  | \$ 143,612,225   |

Chairman:

President:

Accounting Supervisor:

Attachment 5

**Yuanta Futures Co., Ltd.**

**Amendments to the Articles of Incorporation**

| Amendments  | Current existing clauses  | Description of amendments  |
|---|---|--|
| <p>Article 1<br/>This Company is named “元大期貨股份有限公司”, <u>English as Yuanta Futures Co., Ltd.</u>, according to the Articles of Incorporation of this Company.</p>  | <p>Article 1<br/>The company is incorporated according to The Company Act, and is named Yuanta Futures Co., Ltd.</p>  | <p>The English name of the company was added to facilitate the need for internationalization.</p>  |
| <p>Article 29<br/>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.<br/>To incentivize employees and the management team, this Company shall appropriate one per-mille (1‰) to five per-cent (5%) of the balance from deducting the accumulated deficits from the profit of the year (e.g. income before tax deducting the income before deducting the compensation for employees). In addition, <u>when distributing the compensation for employees in stock or in cash, the scope of recipients may cover employees of companies under the control of or affiliated to this Company fulfilling certain requirements.</u></p> | <p>Article 29<br/>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.<br/>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.</p> | <p>With respect to the amendment to paragraph 5, Article 235-1 of the Company Act promulgated on August 1, 2018, we have expanded the scope of recipients of the compensation for employees to companies controlled by or affiliated to this Company according to the internal policy and rewards for all employees based on a fair basis as specified in the amendment.</p> |

| Amendments   | Current existing clauses  | Description of amendments |
|--|---|---------------------------|
| <p><u>The said “certain requirements” shall be determined by the Board of Directors.</u></p> <p>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:</p> <ol style="list-style-type: none"> <li>1. The amount distributed as dividends must not be lower than 50% of distributable earnings.</li> <li>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.</li> </ol> | <p>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:</p> <ol style="list-style-type: none"> <li>1. The amount distributed as dividends must not be lower than 50% of distributable earnings.</li> <li>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.</li> </ol> |                           |
| <p>Article 32</p> <p>The Company’s Articles of Incorporation was stipulated on January 14, 1997. The 22<sup>nd</sup> amendment was completed on May 17, 2013; the 23<sup>rd</sup> amendment was completed on May 20, 2014; the 24<sup>th</sup> amendment was completed on May 21, 2015; the 25<sup>th</sup> amendment was completed on May 18, 2016; the 26<sup>th</sup> amendment was completed on May 17, 2017; <u>the 27<sup>th</sup> amendment was completed on May 23, 2019</u> and implemented with the resolutions reached in the shareholders’ meeting, same as the amendment.</p>   | <p>Article 32</p> <p>The Company’s Articles of Incorporation was stipulated on January 14, 1997. The 22<sup>nd</sup> amendment was completed on May 17, 2013; the 23<sup>rd</sup> amendment was completed on May 20, 2014; the 24<sup>th</sup> amendment was completed on May 21, 2015; the 25<sup>th</sup> amendment was completed on May 18, 2016; the 26<sup>th</sup> amendment was completed on May 17, 2017 and implemented with the resolutions reached in the shareholders’ meeting, same as the amendment.</p>  | <p>Revision history</p>   |

Attachment 6

**Yuanta Futures Co., Ltd.**

**The comparison table of partial amendments to the “Regulations Governing the Acquisition or Disposal of Assets”**

| Amendments  | Current existing clauses  | Description  |
|---|---|--|
| <p>Article 2<br/>The Company’s acquisition or disposal of assets is processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets.” The requirements, if any, specified in <u>laws and regulations in relation to finance</u> or by the Financial Supervisory Commission (hereinafter referred to as the “competent authorities”) shall apply.</p>  | <p>Article 2<br/>The Company’s acquisition or disposal of assets is processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets.” The requirements otherwise provided by the law and regulations or the Financial Supervisory Commission (hereinafter referred to as the “competent authorities”) shall be followed.</p>  | <p>With respect to the exclusion of Article 2 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” amended by FSC with Order Jin-Guan-Zheng-Fa-Zi No. 1070341072 on November 26, 2018, “unless other laws and regulations otherwise require” refers to the prioritization of applicability of laws and regulations specific to respective financial industries for the acquisition or disposal of assets. These financial industries include publicly offered banks, insurers, note companies, securities companies, and future companies. Article 2 of the “Procedures for Acquisition and Disposal of Assets” was thus amended.</p> |
| <p>Article 4<br/>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, housing and construction, investment real property) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets including patents, copyrights, trademarks, and charter</li> </ol> | <p>Article 4<br/>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, housing and construction, investment real property, <u>and land use rights</u>) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets including patents, copyrights, trademarks, and charter</li> </ol> | <ol style="list-style-type: none"> <li>1. FSC expanded the scope of right-of-use assets the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” with respect to IFRS 16 – Leases.</li> <li>2. Subparagraph 5 was thus added to Article 4 and the original subparagraph 2 on land access was</li> </ol>  |

| Amendments   | Current existing clauses   | Description   |
|--|--|---|
| <p><u>5.</u> Right-of-use assets</p> <p><u>6.</u> Financial institutions claims (including receivables, foreign exchange discount and loans, and nonperforming loans)</p> <p><u>7.</u> Derivatives</p> <p><u>8.</u> The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully</p> <p><u>9.</u> Other important assets</p>  | <p><u>5.</u> Financial institutions claims (including receivables, foreign exchange discount and loans, and nonperforming loans)</p> <p><u>6.</u> Derivatives</p> <p><u>7.</u> The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully</p> <p><u>8.</u> Other important assets</p>   | <p>merged with subparagraph 5 accordingly.</p> <p>3. In addition, the exiting subparagraph 5 was changed to subparagraph 8, and subparagraph 6 to subparagraph 9.</p>   |
| <p>Article 5<br/>Terms and definitions used in these Procedures are as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the <u>above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The alleged forward contracts exclude insurance contract, performance contract, post-sale service contract, long-term lease contract, and long-term purchases (sales) <u>contract</u>.</p> <p>2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company’s shares by issuing stock shares in accordance with Article 156-3 of the Company Act (hereinafter referred to as “assignment of shares”)</p> <p>3. Related party and subsidiaries: It is recognized in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission</p> | <p>Article 5<br/>The terminologies used in the operating procedures are as follows:</p> <p>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, or hybrid <u>contracts combining the above contracts</u> whose value is derived from a specified <u>asset, interest rate, exchange rate, index, or other interest</u>. The alleged forward contracts exclude insurance contract, performance contract, post-sale service contract, long-term lease contract, and long-term purchases (sales) <u>contract</u>.</p> <p>2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company’s shares by issuing stock shares in accordance with Article 156 Paragraph 8 of the Company Act (hereinafter referred to as “assignment of shares”)</p> <p>3. Related party and subsidiaries: It is recognized in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.”</p> | <p>1. FSC amended the scope derivatives specified in Article 4 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” with respect to IFRS 9 – Financial Instruments. Subparagraph 1 of this article was thus amended accordingly.</p> <p>2. In addition, in response to the amendments to the Company Act promulgated and implemented lately, the reference “paragraph 8 of Article 156” for subparagraph 2 was thus amended to “Article 156-3”.</p> <p>3. With respect to Article 4 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by FSC, in consideration of the expertise required by futures commission merchants</p> |

| Amendments  | Current existing clauses   | Description   |
|---|--|---|
| <p>Merchants.”</p> <p>4. Professional appraisers: refers to the real property appraiser or other appraisers conducting real property and equipment appraisal by law.</p> <p>5. Date of occurrence: refers to the contract date, payment date, commission closing date, the date of settlement, the board resolution date, or other date with the counterparty and transaction amount confirmed whichever is earlier. The investment that must be with the approval of the competent authorities is based on the date referred to above or the date received the approval of the competent authorities whichever is earlier.</p> <p>6. Investment in Mainland China: refers to the investment in Mainland China in accordance with the “Regulations Governing Investment or Technical Cooperation in Mainland China” of the Investment Commission, MOEA.</p> <p>7. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. Securities exchange: “Domestic securities exchange” refers to <u>Taiwan Stock Exchange Corporation</u>; “foreign securities exchange” refers to <u>any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities</p> | <p>4. Professional appraisers: refers to the real property appraiser or other appraisers conducting real property and equipment appraisal by law.</p> <p>5. Date of occurrence: refers to the contract date, payment date, commission closing date, the date of settlement, the board resolution date, or other date with the counterparty and transaction amount confirmed whichever is earlier. The investment that must be with the approval of the competent authorities is based on the date referred to above or the date received the approval of the competent authorities whichever is earlier.</p> <p>6. Investment in Mainland China: refers to the investment in Mainland China in accordance with the “Regulations Governing Investment or Technical Cooperation in Mainland China” of the Investment Commission, MOEA.</p> | <p>operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, due to their needs for trading marketable securities for hedging or own capital utilization, and given the compliance with the said investment professionals, this Company thus added subparagraph 7 to specify scope of investment professionals to facilitate the article’s applicability.</p> <p>4. To define the operating venues of stock exchanges and securities firms at home and abroad as a dependable reference for this Company, subparagraph 8 and 9 were added to define the scope of operating venues for stock exchanges and securities firms at home and abroad with respect to Article 5 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities and Article 2 of the Regulations Governing Securities Trading on the Taipei Exchange.</p> |

| Amendments   | Current existing clauses   | Description   |
|--|--|---|
| <p><u>firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>   |  |   |
| <p>Article 6<br/>Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions <u>shall meet the following requirements:</u></p> <ol style="list-style-type: none"> <li>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></li> <li>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></li> <li>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></li> </ol> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> </ol> | <p>Article 6<br/>For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters, <u>and the trade parties must be not be related.</u></p> | <ol style="list-style-type: none"> <li>1. With respect to Article 5 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” promulgated by FSC, apart from including the notice for hiring professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters, the passive qualifications of related professionals were added. In addition, paragraph 2 was added to define the assessment, audit, and undertaking of the appraisal reports or opinions issued by experts.</li> <li>2. Furthermore, related requirements as shown in subparagraphs 1-3 of paragraph 1 and paragraph 2 were added to this article.</li> </ol> |



| Amendments  | Current existing clauses  | Description  |
|---|---|--|
| <p>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> |   |  |
| <p>Article 7<br/>Related laws and regulations and related business regulations and the Regulations for Fund Management of this Company shall apply to the limit on the total amount of real property <u>or other right-of-use assets</u> or marketable securities and the limit on individual marketable securities acquired by this Company and subsidiaries not for operational uses.</p>   | <p>Article 7<br/>Related laws and regulations and related business regulations and the Regulations for Fund Management of this Company shall apply to the limit on the total amount of real property or marketable securities and the limit on individual marketable securities acquired by this Company and subsidiaries not for operational uses.</p>   | <p>The scope of the right-of-use assets has been expanded with respect to IFRS 16 – Leases, and this article was amended based on the “applicability of assets” as specified in Article 3 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> |
| <p>Article 9<br/>In the event that the transaction amount for acquiring or disposing of real property, equipment, <u>or its right-of-use assets</u> reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to</p>  | <p>Article 9<br/>In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or</p> | <p>1. Paragraph 1 of this article was amended and right-of-use assets were included in this article with respect to the limitation on domestic government agencies as specified in paragraph 1 of</p>  |



| Amendments   | Current existing clauses  | Description   |
|--|---|---|
| <p>build on rented land, or acquiring or disposing of equipment <u>or its right-of-use assets held for business use:</u></p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same procedure shall apply to any subsequent changes to the terms and conditions of transaction.</u></li> <li>2. The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</li> <li>3. For the professional appraiser's with one of the following results, unless the appraisal result of the assets acquired is higher than the transaction amount or the appraisal result of the assets disposed is lower than the transaction amount, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation (hereinafter referred to as the "Accounting Research and Development Foundation"); also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price: <ol style="list-style-type: none"> <li>(1) The spread between the appraisal result and the transaction amount exceeds 20%</li> <li>(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount</li> </ol> </li> <li>4. The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.</li> </ol> | <p>acquiring or disposing of equipment held for business use:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the changes in trading conditions should be processed the same.</u></li> <li>2. The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</li> <li>3. For the professional appraiser's with one of the following results, unless the appraisal result of the assets acquired is higher than the transaction amount or the appraisal result of the assets disposed is lower than the transaction amount, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation (hereinafter referred to as the "Accounting Research and Development Foundation"); also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price: <ol style="list-style-type: none"> <li>(1) The spread between the appraisal result and the transaction amount exceeds 20%</li> <li>(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount</li> </ol> </li> <li>4. The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.</li> </ol> <p><u>Attention should be paid to the following matters when contact a professional appraiser to issue an appraisal report or to</u></p> | <p>Article 9 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and IFRS 16 – Leases.</p> <ol style="list-style-type: none"> <li>2. The text of subparagraph 1, paragraph 1, of this article was amended accordingly for legal process.</li> <li>3. After being merged with Article 6, paragraph 2 of this article was deleted.</li> </ol> |

| Amendments   | Current existing clauses  | Description   |
|--|---|---|
|  | <p>express an opinion:</p> <p>(1) <u>The professional appraiser and its appraising personnel and the trade party must be not related.</u></p> <p>(2) <u>The professional appraisers and its appraising personnel are without any convicted criminal act or are not sentenced in the court of law.</u></p> <p>(3) <u>If an appraisal report must be issued by two or more professional appraisers, the two different professional appraisers or appraising personnel must be not related.</u></p>  |   |
| <p>Article 10<br/>For the acquisition or disposal of securities, the Company should collect the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amount over 20% of the paid-in capital or NT\$300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices <u>before the date of occurrence</u>. If a professional report is needed by the CPAs, should be handled in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, the securities are offered publicly with a quote available in market or otherwise authorized by the competent authorities; it is not subject to this restriction.</p> | <p>Article 10<br/>For the acquisition or disposal of securities, the Company should collect the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amount over 20% of the paid-in capital or NT\$300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices. If a professional report is needed by the CPAs, should be handled in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, the securities are offered publicly with a quote available in market or otherwise authorized by the competent authorities; it is not subject to this restriction.</p> | <p>The time point to request for opinion regarding the fairness of transaction price from a CPA was added to this article with respect to Article 10 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p> |
| <p>Article 11<br/>In the event that the transaction amount for acquiring or disposing of intangible assets <u>or its right-of-use assets</u> or membership cards reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a <u>domestic</u> government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price. The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>   | <p>Article 11<br/>For the acquisition or disposal of <u>membership cards or</u> intangible assets with the transactions amount over 20% of the paid-in capital or NT\$300 million, except for the transactions conducted with government agencies, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p>   | <p>The reason for amendment is the same as in description 1 for Article 9, and the text was also amended accordingly.</p>   |
| <p>Article <u>12</u><br/>The transactions amount in the first three clauses should be calculated in</p>  | <p>Article <u>11-1</u><br/>The transactions amount in the first three clauses should be calculated in</p>   | <p>Article order change and adjustment of the number of referenced</p>  |

| Amendments   | Current existing clauses   | Description   |
|--|--|---|
| <p>accordance with Article <u>36</u> Paragraph 2. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the guidelines.</p>   | <p>accordance with Article <u>35</u> Paragraph 2. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the guidelines.</p>   | <p>articles.</p>  |
| <p>Article <u>13</u></p>   | <p>Article <u>12</u></p>   | <p>Article order change without content change.</p>   |
| <p>Article <u>14</u><br/>The Finance <u>Accounting</u> Department is to prepare the property catalog for the Company’s fixed assets in accordance with the relevant evidences. The Administration Office is to have the inventory count list prepared at the end of each year with the participation of the Audit Office, if necessary. The assets other than the ones referred to above and the supporting documents should be inventory counted by the <u>Accounting</u> Department from time to time; also, should be cross examined against the bookkeeping.</p>   | <p>Article <u>13</u><br/>The Finance Department is to prepare the property catalog for the Company’s fixed assets in accordance with the relevant evidences. The Administration Office is to have the inventory count list prepared at the end of each year with the participation of the Audit Office, if necessary. The assets other than the ones referred to above and the supporting documents should be inventory counted by the Finance Department from time to time; also, should be cross examined against the bookkeeping.</p>   | <p>Article order change and update with supporting departments.</p>   |
| <p>Article <u>15</u></p>   | <p>Article <u>14</u></p>   | <p>Article order change without content change.</p>   |
| <p>Article <u>16</u><br/>In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA’s opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company’s total assets. The calculation of the transaction amount referred to above should be processed in accordance with Article <u>12</u>. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p> | <p>Article <u>15</u><br/>In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA’s opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company’s total assets. The calculation of the transaction amount referred to above should be processed in accordance with Article <u>11-1</u>. The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p> | <p>Article order change and adjustment of the number of the second referenced articles.</p>                                 |
| <p>Article <u>17</u><br/>When acquiring or disposing of real property <u>or its right-of-use assets</u> or other assets with a related party through purchase or swap at an amount reaching twenty percent (20%) of paid-in capital or the percent (10%) of the total assets or exceeding NT\$300 million, the Company</p>   | <p>Article <u>16</u><br/>For the acquisition or disposal of real property or other assets conducted with a related party for an amount more than 20% of the Company’s paid-in capital, 10% of the total assets, or NT\$300 million, except for the trading of government bonds, RP/RS bonds, and</p>   | <p>1. Article order change and adjustment of the number of referenced articles for subparagraph 3 of paragraph 1 and 2.</p> |

| Amendments  | Current existing clauses  | Description  |
|---|---|--|
| <p>shall prepare the following documentation and submit it to the Audit Committee and the Board of Directors for approval prior to signing the transaction contract and disbursing the payment, except for trading <u>domestic</u> bonds or bonds under repurchase and resale agreements, or subscription or buy back of domestic money market funds issued by security investment trust funds.</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of real property and assets.</li> <li>2. The reasons for selecting the related party as the counterparty</li> <li>3. When acquiring real property or its right-of-use assets from a related party, assess the fairness of transaction terms according articles <u>18</u> and <u>19</u>.</li> <li>4. The matters of the related party’s original acquisition date and price, counterparty, and the relationship with the Company and the related party.</li> <li>5. The monthly cash income and expense forecast within the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</li> <li>6. Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.</li> <li>7. The restrictions and other important stipulations of the transaction.</li> </ol> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made with respect to paragraph 2 of Article <u>31</u>. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part approved by the Board of Directors and recognized by the Audit Committee according to these <u>Procedures</u> shall be exempted.</p> <p>When reported to the Board for discussion in accordance with Paragraph 1, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the</p> | <p>purchasing/repurchasing of money market funds that are issued by domestic securities investment trust enterprises, the following information should be submitted to the Board of Directors for approval and the Audit Committee for acknowledgement before having the trade agreement signed and payment made:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of real property and assets.</li> <li>2. The reasons for selecting the related party as the counterparty</li> <li>3. The information used to assess the reasonableness of the trade terms and conditions for the acquisition of real property from the related party in accordance with Article 17 and Article 18.</li> <li>4. The matters of the related party’s original acquisition date and price, counterparty, and the relationship with the Company and the related party.</li> <li>5. The monthly cash income and expense forecast within the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</li> <li>6. Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.</li> <li>7. The restrictions and other important stipulations of the transaction</li> </ol> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made with respect to paragraph 2 of Article <u>35</u> paragraph 2. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part approved by the Board of Directors and recognized by the Audit Committee according to these <u>Procedures</u> shall be exempted.</p> <p><u>For the acquisition or disposal of operating equipment between the Company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 8 paragraph 2 to have a</u></p> | <ol style="list-style-type: none"> <li>2. With respect to paragraph 1 of Article 15 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, government bonds shall, by principle, mean bonds issued by the central government and local governments with clear and easy enquiries. Therefore, submission to the Board of Directors for approval and the Audit Committee for review can be exempted. This article shall not apply to bonds issued by foreign governments for their variety. In addition, the right-of-use asset was included in the scope in coordination with IFTS 16 – Leases. Paragraph 1 of this article was thus amended to limit the scope of bonds to domestic government bonds.</li> </ol> |

| Amendments   | Current existing clauses   | Description  |
|--|--|--|
| <p>Board meeting.<br/>Matters recognized by the Audit Committee with respect to paragraph 1 shall first be approved by over half of all members of the Audit Committee and <u>submitted to the Board of Directors for resolutions</u> prior to implementing according to the regulations specified by the competent authority.</p>   | <p><u>decision made within the quota and then reported in the most recent board meeting for ratification.</u><br/>When reported to the Board for discussion in accordance with Paragraph 1, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.<br/>Matters recognized by the Audit Committee with respect to paragraph 1 shall first be approved by over half of all members of the Audit Committee and prior to implementing according to the regulations specified by the competent authority.</p>  |  |
| <p>Article <u>18</u><br/>When acquiring real property or its right-of-use assets from a related party, this Company shall evaluate the fairness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based on the transactions price of the related party plus the necessary funds interest cost and buyer's cost by law The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased provided that it should not be higher than the non-financial industry's highest loan interest rate announced by the Ministry of Finance.</li> <li>2. If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institutions and the counterparty are related.</li> </ol> <p>For the combined purchase <u>or lease</u> of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</p> | <p>Article <u>17</u><br/>When acquiring real property from a related party, this Company shall evaluate the fairness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based on the transactions price of the related party plus the necessary funds interest cost and buyer's cost by law The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased provided that it should not be higher than the non-financial industry's highest loan interest rate announced by the Ministry of Finance.</li> <li>2. If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institutions and the counterparty are related.</li> </ol> <p>For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.<br/>When acquiring real property from a related party, this Company shall assess</p> | <ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. Paragraphs 1-4 of this article were amended to include the acquisition of the rights-of-use of real property by lease with respect to Article 16 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" and in coordination with IFRS 16 – Leases.</li> <li>3. The same as above, in consideration of the overall planning between a public company and its parent or subsidiaries, or between its wholly owned subsidiaries may involve collective lease of real property for subletting and lower risk than non-arm's length transactions, subparagraph 4 was added to paragraph 4 of this article to exclude the fairness assessment of the transaction cost of</li> </ol> |

| Amendments   | Current existing clauses  | Description  |
|--|---|--|
| <p>When acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall assess the fairness of the transaction cost with respect to the <u>previous</u> two paragraphs and ask a CPA for a review and specific opinion. When any one of the following circumstances exists while acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall acquire such property with respect to Article <u>16</u>, and the above three paragraphs shall not apply.</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or its right-of-use assets</u> through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property <u>or its right-of-use assets</u> to the signing date for the current transaction.</li> <li>3. Acquire property by signing with the related party a construction contract, including joint construction contract, proprietary-land construction, or leaded-land construction.</li> <li>4. <u>The right-of-use of the real property for business use are acquired between this Company and the parent company, between subsidiaries, or between this Company with a subsidiary wholly owned, either directly or indirectly, by this Company.</u></li> </ol> | <p>the fairness of the transaction cost with respect to <u>Paragraph 1 and Paragraph 2</u> and ask a CPA for a review and specific opinion.</p> <p>When any one of the following circumstances exists while acquiring real property from a related party, this Company shall acquire such property with respect to Article <u>16</u>, and the above three paragraphs shall not apply.</p> <ol style="list-style-type: none"> <li>1. The acquisition of real property by related arty is by inheritance or gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. Acquire property by signing with the related party a construction contract, including joint construction contract, proprietary-land construction, or leaded-land construction.</li> </ol> | <p>transactions described below (the transaction price for a related party to acquire the real property or the price spent to lease the real property). In addition, as the applicability of this article is excluded from such transactions, there is no need to present evidence to support the fairness of the transaction price as specified in Article 21 after order amendment and to appropriate special reserves as specified in Article 22. Both are thus described as above.</p> <ol style="list-style-type: none"> <li>4. The text of paragraphs 3 and 4 of this article was made for legal process.</li> </ol> |
| <p>Article <u>19</u><br/>If the assessment result is lower than the transaction price in accordance with Section 1 and Section 2 referred to above, the Company is to have it processed in accordance with Article <u>20</u>. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real property appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <ol style="list-style-type: none"> <li>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions: <ol style="list-style-type: none"> <li>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with</li> </ol> </li> </ol>  | <p>Article <u>18</u><br/>If the assessment result is lower than the transaction price in accordance with Section 1 and Section 2 referred to above, the Company is to have it processed in accordance with Article <u>19</u>. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real property appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <ol style="list-style-type: none"> <li>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions: <ol style="list-style-type: none"> <li>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with</li> </ol> </li> </ol>                         | <ol style="list-style-type: none"> <li>1. Article order change and adjustment of the reference order for paragraph 1.</li> <li>2. With respect to Article 17 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with the practice of lease of real property, such as factory buildings, restrictions on acquiring right-of-use assets of real property from related parties were</li> </ol>   |



| Amendments  | Current existing clauses  | Description   |
|---|---|---|
| <p>the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</p> <p>(2) The transaction terms and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property transaction or lease practices.</p> <p>2. This Company evidences that the transaction terms and area of the real property acquired <u>or its right-of-use assets leased</u> from a related party are similar to that of transactions completed by unrelated parties in the neighborhood within the previous year.</p> <p>Transactions in the neighborhood as claimed in the preceding paragraph, refer, in principle, to transactions of real property in the same or neighboring block and within less than 500 meters radius from the premises or with a close assessed value. “Similar area” as claimed in the preceding paragraph refers, in principle, to the area of property in transactions completed by unrelated parties not less than fifty percent (50%) of the property for transaction. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition of the real property <u>or its right-of-use assets</u>.</p> | <p>the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</p> <p>(2) The transaction terms and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property transaction or lease practices.</p> <p>(3) <u>The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real property lease.</u></p> <p>2. The Company evidences that the trade terms of acquiring the real property from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.</p> <p>The alleged “<u>successful</u> trade” in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged “similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real property.</p> | <p>alleviated to allow for calculating lease transactions and estimating transaction price fairness within the previous year in the neighborhood of unrelated parties. Item 2 of subparagraph 1 was merged with item 3 of the same subparagraph 1 of paragraph 1; “a transaction case can also act as a lease case” was added. Item 2 of subparagraph 1 of paragraph 1 and subparagraph 2 and paragraph 2 of this article were amended.</p> |
| <p>Article <u>20</u><br/>When acquiring real property <u>or its right-of-use assets</u> from a related party and the results of appraisals conducted in</p>   | <p>Article <u>19</u><br/>When acquiring real property from a related party and the results of appraisals conducted in accordance with the <u>Article</u></p>  | <p>1. Article order change.<br/>2. With respect to Article 18 of the</p>  |

| Amendments  | Current existing clauses  | Description  |
|---|---|--|
| <p>accordance with the <u>preceding two</u> articles are uniformly lower than the transaction cost, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property <u>or its right-of-use assets</u>, without being distributed or used for capital increase or issuance of bonus shares. If the Company has the investment in other company valued under the equity method, the Company is to have special reserve appropriated proportionally to the shareholding ratio in respect of the invested company's appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</li> <li>2. Article 218 of the Company Act shall apply mutatis mutandis to the <u>independent directors forming the</u> Audit Committee.</li> <li>3. The results of handling according to the <u>preceding two subparagraphs</u> shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</li> </ol> <p>After appropriating a special reserve under the preceding paragraph, this Company may not utilize the special reserve until a loss is recognized on the decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>With acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> | <p><u>17 and Article 18</u> are uniformly lower than the transaction cost, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property without being distributed or used for capital increase or issuance of bonus shares. If the Company has the investment in other company valued under the equity method, the Company is to have special reserve appropriated proportionally to the shareholding ratio in respect of the invested company's appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</li> <li>2. Article 218 of the Company Act shall apply mutatis mutandis forming the Audit Committee.</li> <li>3. The results of handling according to the Subparagraph 1 and Subparagraph 2 shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</li> </ol> <p>After appropriating a special reserve under the preceding paragraph, this Company may not utilize the special reserve until a loss is recognized on the decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p> <p>With acquiring real property from a related party, this Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p> | <p>“Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with IFRS 16 – Leases, subparagraph 1 of paragraph 1, paragraph 2, and paragraph 3 of this article was amended to include the acquisition of the right of use of real property from a related party to the actions to be taken when the transaction cost is lower than the transaction price.</p> <ol style="list-style-type: none"> <li>3. The text of paragraph 1 and subparagraph 3 of paragraph 1 were amended for legal process.</li> </ol> |



| Amendments   | Current existing clauses  | Description  |
|--|---|--|
| <p>Article 21<br/>When engaging in derivatives trading and trading derivatives, this Company shall comply with the Regulations Governing Futures Commission Merchants, Regulations Governing Leverage Transaction Merchants, related FSC letters and orders, and the division of responsibility, division of authorization, and other related regulations of this Company.</p> | <p>Article 20<br/><u>The Company’s futures proprietary trading business engaging in futures contracts business at domestic and foreign Futures Exchange that is announced in accordance with Article 5 of Futures Trading Act by the competent authorities, and acquiring foreign futures contracts in accordance with the Regulations Governing Futures Contract Selection and Management at Foreign Futures Exchange defined internally must comply with the futures proprietary trading business internal control system, governing regulations, and delegation of responsibility.</u><br/><u>The leverage margin contract transactions conducted by the Company’s futures leverage traders must comply with the leverage transaction business internal control system, governing regulations, and delegation of responsibility.</u><br/><u>The Company’s engaging in the derivative transactions other than those defined in Paragraph 1 and Paragraph 2 is for the purpose of ensuring the Company’s operating profit and avoiding the risks resulted from the changes in asset prices, exchange rates, and interest rates must be in compliance with the regulations in this chapter.</u></p> | <p>With respect to the exclusion of Article 2 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, other laws and regulations in relation to finance, if any, shall apply to the acquisition and disposal of assets for public companies. As a FCM, an LTM, and a concurrent securities firm, this Company meets the above requirements as a franchised business engaging in derivatives trading or trading derivatives. Therefore, we are exempted from Section IV of Chapter II of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, while other related laws and regulations apply. This article is thus amended accordingly.</p> |
| <p>(Deleted)</p>   | <p><u>Articles 21-25 (omitted)</u></p>  | <p><u>Deleted for the same reasons as mentioned above.</u></p>   |
| <p>Article 22<br/>This Company shall also supervise re-invested subsidiaries to follow related laws and regulations at home and abroad and the regulations of this Company when engaging in derivatives trading.</p>   | <p>Article 26<br/><u>The Company’s derivative transactions, unless otherwise regulated by law and this process, should be with a memorandum setup independently to document the type, amount, authorization quota, board approval date, and transaction date of the derivatives; also, the matters to be carefully assessed in accordance with Article 24 Paragraph1 Subparagraph 1, Article 25 Paragraph1 Subparagraph 2 and Paragraph 2 Subparagraph 1.</u><br/><u>The Company’s subsidiary that is engaged in derivatives transactions should be promoted to stipulate the Procedures for Derivatives Trading in accordance with the Company’s Regulations Governing the Acquisition or Disposal of Assets and the Procedures.</u><br/><u>The Company shall have the derivative transaction of the Company and its</u></p>   | <ol style="list-style-type: none"> <li>1. The reason for deleting paragraph 1 of this article is the same as description 2 of the original Article 20.</li> <li>2. In addition, the text of the second section of this article was amended and combined into one paragraph.</li> <li>3. Paragraph 4 was deleted as the same has been defined in paragraph 4 of Article 35.</li> </ol>  |

| Amendments  | Current existing clauses  | Description  |
|---|---|--|
|   | <p><u>non-public subsidiary up to the last month published and reported monthly in accordance with the governing law and regulations.</u></p>   |  |
| <p>Article <u>23</u></p>  | <p>Article <u>27</u></p>  | <p>Article order change with contents remained unchanged.</p>  |
| <p>Article 24<br/>Article 24<br/>When engaging in a merger, demerger, or acquisition of another company, this Company shall prepare a public report before a meeting of shareholders to detail the important contents and related matters of the merger, demerger, or acquisition. The expert opinion referred to in the preceding Article and the notice of meeting of shareholders shall be delivered to shareholders for the reference of approving the merger, demerger, or acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement.<br/>For the merger, spins-off, or acquisition of a company, if the shareholders' meeting of either party cannot be convened and a resolution cannot reached due to insufficient attendance, insufficient ballots, or other legal restriction, or the proposal is vetoed in the shareholders' meeting, the company of merger, spins-off, or acquisition should immediately explain the root cause to the public, the subsequent operations, and the expected date of the shareholders' meeting.</p> | <p>Article 28<br/>Article 28<br/>When engaging in a merger, demerger, or acquisition of another company, this Company shall prepare a public report before a meeting of shareholders to detail the important contents and related matters of the merger, demerger, or acquisition. The expert opinion referred to in the <u>Paragraph 1</u> of preceding Article and the notice of meeting of shareholders shall be delivered to shareholders for the reference of approving the merger, demerger, or acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement.<br/>For the merger, spins-off, or acquisition of a company, if the shareholders' meeting of either party cannot be convened and a resolution cannot reached due to insufficient attendance, insufficient ballots, or other legal restriction, or the proposal is vetoed in the shareholders' meeting, the company of merger, spins-off, or acquisition should immediately explain the root cause to the public, the subsequent operations, and the expected date of the shareholders' meeting.</p> | <p>Article order change with minor text amendment.</p>   |
| <p>Article <u>25</u><br/>Unless other laws and regulations otherwise require or the competent authority otherwise approves, the company participating in a merger, demerger, or acquisition of this Company shall convene a board meeting and a meeting of shareholders on the day of the transaction to resolve matters in relation to the merger, demerger, or acquisition. Unless other laws and regulations otherwise require or the competent authority otherwise approves, the company participating in a transfer of this Company shall convene a board meeting and a meeting of shareholders on the day</p>   | <p>Article <u>29</u><br/>For the merger, spins-off, or acquisition of a company, unless otherwise required by law or due to special factors must report to the competent authorities in advance, the board meeting and the shareholders' meeting should be convened in the same day to resolve the matters related to the corporate merger, spins-off, and acquisition.<br/>For the assignment of shares of a company, unless otherwise required by law or due to special factors must report to the competent authorities in advance, the board meeting should be convened in the same day.</p>  | <ol style="list-style-type: none"> <li>1. Article order change and minor text amendment made to paragraphs 1-4 of this article.</li> <li>2. Reference order change for paragraph 5 for legal process.</li> </ol> |

| Amendments  | Current existing clauses  | Description  |
|---|---|--|
| <p>of the transaction to resolve matters in relation to the merger, demerger, or acquisition.</p> <p>When engaging in a merger, demerger, transfer of shares or acquisition of another company, this Company shall document the following records and retain them for five years for future reference:</p> <ol style="list-style-type: none"> <li>1. Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.</li> <li>2. Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.</li> <li>3. Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.</li> </ol> <p>When engaging in a merger, demerger, transfer of shares or acquisition, this Company shall report to the competent authority for reference over the internet specified in subparagraphs 1 and 2 of the preceding paragraph in the required format within two days from the board's resolution.</p> <p>When engaging in a merger, demerger, transfer of shares or acquisition with an unlisted company or a company with stocks traded at a securities firm, this Company shall report the transaction contract according to the preceding two paragraphs.</p> | <p>For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the following information should be composed in writing and reserved for five years for inspection:</p> <ol style="list-style-type: none"> <li>1. Personnel information: including the title, name, and identity card number (or passport number for foreigners) of the personnel involved in a merger, spins-off, acquisition, or assignment of shares, or, the plan executor.</li> <li>2. Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.</li> <li>3. Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.</li> </ol> <p>When engaging in a merger, demerger, transfer of shares or acquisition, this Company shall report to the competent authority for reference over the internet specified in subparagraphs 1 and 2 of the preceding paragraph in the required format within two days from the board's resolution.</p> <p>For the merger, spins-off, acquisition, or assignment of shares of a non-listed company or the company without stock traded at the securities business premise, <u>the Company shall have</u> an agreement signed with it in accordance with the provisions in <u>Paragraph 3 and 4</u> referred to above.</p> |  |
| <p>Article <u>26</u> to Article <u>27</u></p>   | <p>Article <u>30</u> to Article <u>31</u></p>   | <p>Article order change without content change.</p>  |
| <p>Article 28</p> <p>The Company that participates in the merger, spins-off, acquisition, or assignment of shares should have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:</p> <ol style="list-style-type: none"> <li>1. Event of default</li> <li>2. The principle for the process of</li> </ol>   | <p>Article 32</p> <p><u>The subsidiary</u> of the Company that participates in the merger, spins-off, acquisition, or assignment of shares should have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:</p> <ol style="list-style-type: none"> <li>1. Event of default</li> </ol>   | <ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. Minor text amendment.</li> </ol> |

| Amendments  | Current existing clauses   | Description   |
|---|--|---|
| <p>the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger</p> <ol style="list-style-type: none"> <li>3. The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio</li> <li>4. The process for the changes in the entity and the number of companies involved</li> <li>5. The expected progress of the project and the schedule of completion</li> <li>6. The process of convening a shareholders' meeting when the project is not completed on time</li> </ol>   | <ol style="list-style-type: none"> <li>2. The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger</li> <li>3. The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio</li> <li>4. The process for the changes in the entity and the number of companies involved</li> <li>5. The expected progress of the project and the schedule of completion</li> <li>6. The process of convening a shareholders' meeting when the project is not completed on time</li> </ol>  |   |
| Article <u>29</u>   | Article <u>33</u>  | Article order change without content change.  |
| <p>Article <u>30</u><br/>For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with Article <u>25</u>, Article <u>26</u>, and <u>referred to above</u>.</p>   | <p>Article <u>34</u><br/>For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with Article <u>29</u>, Article <u>30</u>, and Article <u>33</u>.</p>   | <ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. Adjustment of the order of references and minor text amendment for legal process.</li> </ol>  |
| <p>Article <u>31</u><br/>The Company should have the acquisition or disposal of assets that fell in one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <u>or its right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real property <u>or its right-of-use assets</u> from or to a related party with a transaction amount that reaches twenty percent (20%) or more of the paid-in capital, ten percent (10%) or more of the Company's total assets, or NT\$300 million or more. However, <u>domestic</u> bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.</li> </ol> | <p>Article <u>35</u><br/>The Company should have the acquisition or disposal of assets that fell in one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party with a transaction amount that reaches twenty percent (20%) or more of the paid-in capital, ten percent (10%) or more of the Company's total assets, or NT\$300 million or more. However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.</li> <li>2. Process merger, spins-off, acquisition, or assignment of</li> </ol> | <ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. With respect to Article 31 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", in consideration that government bonds issued by the central government and local governments in Taiwan are clear and easy to enquire, disclosure can be exempted. This article shall not apply to bonds issued by foreign governments for their variety. Therefore, subparagraph 1 and item 1 of subparagraph 1 of paragraph 1 were</li> </ol> |

| Amendments  | Current existing clauses  | Description   |
|---|---|---|
| <p>2. Process merger, spins-off, acquisition, or assignment of shares.</p> <p>3. Losses from derivatives trading reaching the limit on aggregate losses specified in these Procedures or losses on individual contracts.</p> <p>4. Acquisition or disposal of equipment <u>or its right-of-use assets</u> for business operations from an unrelated party at a transaction amount of or above NT\$500 million.</p> <p>5. Acquisition of real property under an arrangement on engaging others to build on the Company’s own land, engaging others to build on rented land, joint construction and redistribution of housing units, joint construction and redistribution of ownership percentages, <u>or joint construction and separate sales from an unrelated party</u> in which the Company expects to invest up to NT\$500 million.</p> <p>6. The amount of the assets trade other than the ones in the five subparagraphs referred to above, the disposal of credit by the financial institutions, or the investment in Mainland China for an amount exceeds 20% of the paid-in capital or NT\$300 million. Except for in the following circumstances:</p> <p>(1) <u>Domestic</u> bond trade.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics <u>(excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds.</u></p> <p>(3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</p> <p>The transaction amount referred to above is calculated in accordance with the following:</p> | <p>shares.</p> <p>3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.</p> <p>4. The acquisition or disposal of <u>assets that are operating</u> equipment and the counterparty is not a related party; also, the trade amount does not exceed NT\$500 million.</p> <p>5. The Company expects to invest <u>less than</u> NT\$500 million for the acquisition of real property with the methods of commissioned to build by land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage, and jointly built by separate sales.</p> <p>6. The amount of the assets trade other than the ones in the five subparagraphs referred to above, the disposal of credit by the financial institutions, or the investment in Mainland China for an amount exceeds 20% of the paid-in capital or NT\$300 million. Except for in the following circumstances:</p> <p>(1) Bond trade</p> <p>(2) It refers to the investment in securities trade conducted at <u>domestic and foreign</u> securities exchanges or securities firms, or the common corporate bonds that are subscribed to, offered, or issued in the domestic preliminary market and the general financial bonds that do not involve equity.</p> <p>(3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</p> <p>The transaction amount referred to above is calculated in accordance with the following:</p> <p>1. Amount per transaction</p> <p>2. The accumulated amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year</p> <p>3. The accumulated amount of the</p> | <p>amended to set restrictions on domestic bonds only.</p> <p>3. The text of subparagraphs 1 and 4 of paragraph 1 and subparagraph 3 of paragraph 2 of this article were amended to include right-of-use assets in this article with respect to Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with IFRS 16 – Leases.</p> <p>4. While the need for disclosure of transactions with a related party is defined in subparagraph 1 of paragraph 1, and subparagraph 5 aims to govern transactions with unrelated parties, subparagraph 5 of paragraph 1 was amended accordingly to provide a dependable reference for implementation.</p> <p>5. With respect to Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, (1) in consideration that investments are done by professional investors, securities trading on securities exchanges or securities firms at home and abroad are regular and disclosures will be frequent, disclosure of such is exempted</p> |

| Amendments   | Current existing clauses  | Description   |
|--|---|---|
| <p>1. Amount per transaction</p> <p>2. The accumulated amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year</p> <p>3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use assets</u> in the same development project within the same year.</p> <p>4. The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of the same security within one year</p> <p>The alleged “within one year” referred to above meant for the one year prior to the date of occurrence excluding the part that had already been announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.</p> <p>When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.</p> <p>If the competent authorities has the Company’s investment in Mainland China authorized after it is announced and reported by the Company in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” the information of the original announcement date, the invested company in China, the expected investment amount, counterparty, and the approval date of the competent authorities should be disclosed on the Market</p> | <p>acquisition or disposal (itemized accumulation of acquisition and disposal) of real property of the same development project within one year</p> <p>4. The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of the same security within one year</p> <p>The alleged “within one year” referred to above meant for the one year prior to the date of occurrence excluding the part that had already been announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.</p> <p>When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.</p> <p>If the competent authorities has the Company’s investment in Mainland China authorized after it is announced and reported by the Company in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” the information of the original announcement date, the invested company in China, the expected investment amount, counterparty, and the approval date of the competent authorities should be disclosed on the Market Observation Post System (MOPS).</p> <p>The Company should have the announcement and reporting made on behalf of the non-public subsidiary.</p> | <p>due to the materiality of information disclosure. In addition, as “at home and abroad” has been covered by “subject matter” or “organizations” as used in the Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, “at home and abroad” in item 2, subparagraph 7, paragraph 1, of this article was deleted for diction consistency. In addition, (2) in consideration that investments are done by professional investors through subscription of ordinary corporate bonds at a primary market overseas and the simplicity of product nature, domestic securities investment trust enterprises and futures investment trust enterprises are under FSC supervision, and subscription or redemption of funds (excluding offshore mutual funds) are regular investments of professional investors, item 2, subparagraph 7, paragraph 1 of this Article was thus amended to exempt the need for disclosure for professional investors trading the said marketable securities. In addition, in consideration of the higher risk of</p> |



| Amendments   | Current existing clauses   | Description  |
|--|--|--|
| <p>Observation Post System (MOPS).<br/>The Company should have the announcement and reporting made on behalf of the non-public subsidiary.</p>   |  | <p>subordinated debts, it is specified that ordinary corporate bonds and non-share-based ordinary financial bonds are not covered by the subordinated debt.</p> <p>6. Minor text amendment of subparagraph 3 of paragraph 1 for legal process.</p> <p>7. Minor text amendment of subparagraphs 4 and 6.</p>  |
| <p>Article <u>32</u> to Article <u>34</u></p>  | <p>Article <u>36</u> to Article <u>38</u></p>  | <p>Article order change without content change.</p>  |
| <p>Article <u>35</u><br/>When reporting the acquisition or disposal of assets as mentioned above is required, a subsidiary that is not a domestic company shall let this Company handle the reporting.</p> <p>The paid-in capital or total asset of this Company shall apply to subsidiaries in the preceding paragraph required to report acquisition or disposal of assets based on the paid-in capital or total asset under paragraph 1 of Article <u>31</u>.</p> | <p>Article <u>39</u><br/>The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Chapter <u>III</u> on behalf of the non-public subsidiary.</p> <p>Article <u>34</u>, Paragraph 1, Subp aragraph <u>5</u> referred to above regarding the announcement and reporting standard of reaching the limit of <u>20%</u> of paid-in capital or <u>10%</u> of the total assets that is applicable to the subsidiary is based on the Company’s paid-in capital or total assets.</p> | <ol style="list-style-type: none"> <li>1. Article order change and adjustment of the number of the second referenced articles.</li> <li>2. The reporting criteria of subsidiaries shall be consistent with that of the parent company. Paragraph h 2 of this article was thus amended accordingly for subsidiaries to use the same set of criteria.</li> <li>3. Minor text amendment of paragraphs 1 for legal process.</li> </ol> |
| <p>Article <u>36</u> to Article <u>37</u></p>  | <p>Article <u>40</u> to Article <u>41</u></p>  | <p>Article order change without content change.</p>  |

## Appendix 1

### 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, 2019), the shareholders registry showed total shares held by Directors at 159,467,282, of which have complied with Article 26 of The Securities and Exchange Act. The details are as follows:

Ex-transfer date on March 25, 2019

| Title                                       | Name   | Number of shares held (shares) | Shareholding percentage (%) |
|---|--|--------------------------------|-----------------------------|
| Chairman                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Lin, Tien-Fu     | 159,467,282                    | 68.65%                      |
| Director                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Chou, Hsiao-Ling |                                |                             |
| Director                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Chen, Hsiu-Wei   |                                |                             |
| Director                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Kung, Shao-Hsing |                                |                             |
| Director                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Chiu, Hsien-Tao  |                                |                             |
| Director                                    | Yuanta Financial Holding Co., Ltd.<br>Representative: Lee, Yueh-Tsang  |                                |                             |
| Independent Director                        | Yu, Cho-Min  | 0                              | 0                           |
| Independent Director                        | Hung, Ching-Shan   | 0                              | 0                           |
| Independent Director                        | Huang, Nai-Kuan  | 0                              | 0                           |
| <b>Total shares held by Directors Total</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 15 to 25, 2019. This information has been published on the Market Observation Post System.
3. The Company received no proposals from existing shareholders during that period.

## Appendix 3

# Yuanta Futures Co., Ltd. The Company's Articles of Incorporation (Before amendments)

### Chapter 1 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 2 Share capital

Article 5 The Company's authorized capital is NT\$2.5 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 3 Shareholders Meetings**

Article 12 The Company holds two types of shareholders meetings:

1. 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.
2. 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 4 he 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 and 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 and 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 President and several managers; the appointment,

dismissal, and remuneration of whom shall comply with Article 29 of The Company Act.

The President 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 President'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.

## **Chapter 5 Accounting**

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.

## **Chapter 6 Additional Rules**

- 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 22<sup>nd</sup> amendment was completed on May 17, 2013; the 23<sup>rd</sup> amendment was completed on May 20, 2014; the 24<sup>th</sup> amendment was completed on May 21, 2015; the 25<sup>th</sup> amendment was completed on May 18, 2016; the 26<sup>th</sup> amendment was completed on May 17, 2017 and implemented with the resolutions reached in the shareholders' meeting, same as the amendment.

## Appendix 4

### Yuanta Futures Co., Ltd.

#### “Regulations Governing the Acquisition or Disposal of Assets” (Before amendments)

Resolved in the shareholders’ meeting on May 23, 2012

The amendment was resolved in the shareholder’s meeting on May 17, 2013

The amendment was resolved in the shareholder’s meeting on May 22, 2014

The amendment was resolved in the shareholder’s meeting on May 18, 2016

The amendment was resolved in the shareholder’s meeting on May 17, 2017

#### Chapter 1 General Principles

Article 1 The Company has the Guidelines stipulated to strengthen asset management and substantiate information disclosure.

Article 2 The Company’s acquisition or disposal of assets is processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets.” The requirements otherwise provided by the law and regulations or the Financial Supervisory Commission (hereinafter referred to as the “competent authorities”) shall be followed.

Article 3 If the Company’s acquisition or disposal of assets in accordance with the Guidelines or other law must be approved by the board of directors; also, there is director’s recorded or documented objections filed, the director’s objections should be delivered to Audit Committee.

For the discussion of the Guidelines and the proposal for the acquisition or disposal of assets, the Company must invite the independent directors to attend the meeting, have the opinions of each independent director considered sufficiently, and have their supporting or opposing opinions and reasons documented in the minutes of meeting.

Article 4 The scope of assets defined in the Guidelines is as follows:

1. Investment in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.
2. Real property (including land, housing and construction, investment real property, and land use rights) and equipment
3. Membership card
4. Intangible assets including patents, copyrights, trademarks, and charter
5. Financial institutions claims (including receivables, foreign exchange discount and loans, and nonperforming loans)
6. Derivatives
7. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully
8. Other important assets

Article 5 The terminologies used in the operating procedures are as follows:



1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, or hybrid contracts combining the above contracts whose value is derived from a specified asset, interest rate, exchange rate, index, or other interest. The alleged forward contracts exclude insurance contract, performance contract, post-sale service contract, long-term lease contract, and long-term purchases (sales) contract.
2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company's shares by issuing stock shares in accordance with Article 156 subparagraph 8 of the Company Act (hereinafter referred to as "assignment of shares")
3. Related party and subsidiaries: It is recognized in accordance with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants."
4. Professional appraisers: refers to the real property appraiser or other appraisers conducting real property and equipment appraisal by law.
5. Date of occurrence: refers to the contract date, payment date, commission closing date, the date of settlement, the board resolution date, or other date with the counterparty and transaction amount confirmed whichever is earlier. The investment that must be with the approval of the competent authorities is based on the date referred to above or the date received the approval of the competent authorities whichever is earlier.
6. Investment in Mainland China: refers to the investment in Mainland China in accordance with the "Regulations Governing Investment or Technical Cooperation in Mainland China" of the Investment Commission, MOEA.

Article 6 For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their appraising personnel, CPAs, attorneys, security underwriters, and the trade parties must be not be related.

## **Chapter 2 Operating procedures**

### **Section 1 Acquisition or disposal of assets**

Article 7 The total amount of the non-operating real property or securities acquired by the Company and its subsidiaries; also, the quota of individual security acquired are processed in accordance with the governing laws and the related business regulations and fund management provisions of the Company.

Article 8 The Company's investment scope and amount may not go beyond the regulations of the Futures Act.

The decision procedures (including prices determination, reference, and authorization hierarchy) of transaction terms and conditions for the acquisition and disposal of the Company's long-term and short-term investment portfolio, real property and equipment are processed in accordance with the governing laws and the related business regulations and fund management provisions of the Company.

Article 9 The Company's acquisition or disposal of real property or equipment, except for

the transactions conducted with government agencies, commissioned to build by land owner, commissioned to build by lessee, or acquisition or disposal of operating equipment and the transaction amount exceeding 20% of the paid-in capital or NT\$300 million, should be with the appraisal report collected from the professional appraisers before the date of occurrence in accordance with the following requirements:

1. If the transaction price is determined by referring to an attributive price, a specific price, or a special price for a good cause, the transaction should be presented to the board of directors for resolutions. The changes in trading conditions should be processed the same.
2. The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.
3. For the professional appraiser's with one of the following results, unless the appraisal result of the assets acquired is higher than the transaction amount or the appraisal result of the assets disposed is lower than the transaction amount, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation (hereinafter referred to as the "Accounting Research and Development Foundation"); also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:
  - (1) The spread between the appraisal result and the transaction amount exceeds 20%
  - (2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount
4. The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.

Attention should be paid to the following matters when contact a professional appraiser to issue an appraisal report or to express an opinion:

- (1) The professional appraiser and its appraising personnel and the trade party must be not related.
- (2) The professional appraisers and its appraising personnel are without any convicted criminal act or are not sentenced in the court of law.
- (3) If an appraisal report must be issued by two or more professional appraisers, the two different professional appraisers or appraising personnel must be not related.

Article 10 For the acquisition or disposal of securities, the Company should collect the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amount over 20% of the paid-in capital or NT\$300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices. If a professional report is needed by the CPAs, should be handled in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, the securities are offered publicly with a quote available in market or otherwise

authorized by the competent authorities; it is not subject to this restriction.

- Article 11 For the acquisition or disposal of membership cards or intangible assets with the transactions amount over 20% of the paid-in capital or NT\$300 million, except for the transactions conducted with government agencies, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.
- Article 11-1 The transactions amount in the first three clauses should be calculated in accordance with Article 35 paragraph 2. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the guidelines.
- Article 12 For the Company’s acquisition or disposal of assets by the court auction process, the supporting documents issued by the court can be used instead of the appraisal report or CPA’s opinions.
- Article 13 The Finance Department is to prepare the property catalog for the Company’s fixed assets in accordance with the relevant evidences. The Administration Office is to have the inventory count list prepared at the end of each year with the participation of the Audit Office, if necessary. The assets other than the ones referred to above and the supporting documents should be inventory counted by the Finance Department from time to time; also, should be cross examined against the bookkeeping.
- Article 14 The Administration Office should have the Company’s obsolete or missing assets identified during the inventory count reported and processed in accordance with the provision referred to above and the Guidelines Governing Profit-seeking Enterprise Income Tax Audit.

## **Section 2 Related party transactions**

- Article 15 In addition to processing the related decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA’s opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company’s total assets.
- The calculation of the transaction amount referred to above should be processed in accordance with Article 11-1.
- The legal form and the real relationship should be considered in determining whether the counterparty is a related party.
- Article 16 For the acquisition or disposal of real property or other assets conducted with a related party for an amount more than 20% of the Company’s paid-in capital, 10% of the total assets, or NT\$300 million, except for the trading of government bonds, RP/RS bonds, and purchasing/repurchasing of money market funds that are issued by domestic securities investment trust enterprises, the following information should be submitted to the Board of Directors for approval and the Audit Committee for acknowledgement before having the trade agreement signed and payment made:
1. The purpose, necessity, and expected benefits of the acquisition or disposal

of real property and assets

2. The reasons for selecting the related party as the counterparty
3. The information used to assess the reasonableness of the trade terms and conditions for the acquisition of real property from the related party in accordance with Article 17 and Article 18.
4. The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party
5. The monthly cash income and expense forecast within the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.
6. Acquire the appraisal report from the professional appraisers or the opinions of the CPAs in accordance with the provisions referred to above.
7. The restrictions and other important stipulations of the transaction

The transactions amount referred to above should be calculated in accordance with Article 35 Paragraph 2. Also, the alleged "within one year" meant for the one year prior to the date of occurrence excluding the part that had already been resolved in the board meeting and accepted by the Audit Committee.

For the acquisition or disposal of operating equipment between the Company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 8 Paragraph 2 to have a decision made within the quota and then reported in the most recent board meeting for ratification. When reported to the Board for discussion in accordance with Paragraph 1, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.

The matters to be acknowledged by the Audit Committee in advance as stated in Paragraph 1 must be with the consent of the majority and governed by the competent authorities.

#### Article 17

The Company should assess the reasonableness of the transaction costs for the acquisition of real property from the related party in accordance with the following methods:

1. Based on the transactions price of the related party plus the necessary funds interest cost and buyer's cost by law The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased provided that it should not be higher than the non-financial industry's highest loan interest rate announced by the Ministry of Finance.
2. If the related party has the underlying subject used as collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institutions and the counterparty are related.

For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.

The cost of the real property acquired by the Company from the related party should be assessed in accordance with Paragraph 1 and Paragraph 2; also, a CPA should be commissioned to review and express an opinion.

The acquisition of real property by the Company from the related parties that fell in one of the following situations should be handled in accordance with Article 16 instead of the provisions referred in the last three sections:

1. The acquisition of real property by related party is by inheritance or gift.
2. Related party's contracting for the acquisition of real property is over five years from the date of the trade contract signed.
3. Acquire property by signing with the related party a construction contract, including joint construction contract, proprietary-land construction, or leased-land construction.

Article 18

If the assessment result is lower than the transaction price in accordance with Paragraph 1 and Paragraph 2 referred to above, the Company is to have it processed in accordance with Article 19. However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real property appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:

1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions:
  - (1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term "reasonable construction profit" is based on the average gross profit rate in the last three years of the related party's construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.
  - (2) The successful trade of other floors of the same underlying house and land or the successful trade of the unrelated party in the neighborhood within one year with the similar floor area; also, the trade conditions are assessed to be equivalent in accordance with the reasonable floors or regional spread in general practice of real property trade.
  - (3) The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real property lease.
2. The Company evidences that the trade terms of acquiring the real property from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.

The alleged "successful trade" in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged "similar floor area" meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged "within one year" meant for the one year prior to the date of occurrence for the acquisition of real property.

Article 19 If the assessment result of the acquisition of real property from the related party is lower than the transaction price in accordance with Article 17 and Article 18, the Company is to have the following matters processed:

1. A special reserve is to be appropriated in respect of the spread between the transaction price and the evaluation costs of the real property in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act; also, the special reserve may not be distributed or capitalized for stock dividend. If the Company has the investment in other company valued under the equity method, the Company is to have special reserve appropriated proportionally to the shareholding ratio in respect of the invested company's appropriated amount in accordance with Article 41 Section 1 of the Securities and Exchange Act.
2. The Audit Committee shall apply mutatis mutandis with Article 218 of the Company Act.
3. The process referred in Paragraph 1 and Paragraph 2 should be presented to the shareholders' meeting; also, the transaction details should be disclosed in the annual report and prospectus.

If the Company has a special reserve appropriated in accordance with the provision referred to above, the special reserve can be used with the approval of the competent authorities as soon as the high-price assets acquired is with the devaluation recognized, is disposed of, is appropriately compensated or restored, or is evidenced without any unreasonableness.

The acquisition of real property by the Company from the related party that is evidenced not in compliance with general business practices should be handled in accordance with the two sections referred to above.

### **Section 3 Engaged in derivative transactions**

Article 20 The Company's futures proprietary trading business engaging in futures contracts business at domestic and foreign Futures Exchange that is announced in accordance with Article 5 of Futures Trading Act by the competent authorities, and acquiring foreign futures contracts in accordance with the Regulations Governing Futures Contract Selection and Management at Foreign Futures Exchange defined internally must comply with the futures proprietary trading business internal control system, governing regulations, and delegation of responsibility.

The leverage margin contract transactions conducted by the Company's futures leverage traders must comply with the leverage transaction business internal control system, governing regulations, and delegation of responsibility.

The Company's engaging in the derivative transactions other than those defined in Paragraph 1 and Paragraph 2 is for the purpose of ensuring the Company's operating profit and avoiding the risks resulted from the changes in asset prices, exchange rates, and interest rates must be in compliance with the regulations in this chapter.

Article 21 Transaction principles and guidelines

1. Transacted instrument

The Company has engaged in derivative transactions for the purpose of hedging and to the extent of the instruments approved by the competent



authorities and with the transaction approved in advance by the board of directors.

2. Operating or hedging strategy
  - (1) Set the individual and total contract amount of the hedging transactions.
  - (2) Periodically evaluates the derivative gain or loss and performance status
  - (3) Rigorously assess the credit standing and professional competence of the counterparty.
  - (4) Each transaction and the related operations are processed in accordance with the Futures Trading Act, the relevant laws and regulations, and the Company's Articles of Incorporation.
3. Delineation of rights and obligations
  - (1) The rights and obligations of each department and division are as follows:
    1. Finance Department: counterparty assessment, trade execution, trade confirmation, trade control, bookkeeping, and announcement and reporting matters stipulated by the competent authorities.
    2. Administration Office: trade contracts and trade evidences management
    3. Audit Office: trade procedures and trade operation audit
    4. Risk Management Department: Measure transaction risk, supervise risk control, and follow up and evaluate performance.
    5. Trade Clearing Department: trade settlement and clearing operations
  - (2) The personnel responsible for trade execution and confirmation and settlement referred to above shall not be inter-exchangeable. Moreover, risk assessors, monitoring personnel, and controllers should not be in the same department with the staff referred to above. Department heads shall report to the board of directors or the management that is not responsible for trade or position decision-making.
4. Performance evaluation: The Finance Department has based on the realized net profit or loss after each contracted trade date to evaluate performance in accordance with the types of instruments traded; also, to compare and review profit and loss and performance periodically and report to the Chairman for review.
5. Total contract amount: The Company may not engage in derivative transactions for a total contract amount exceeding the actual business needs, instead, it should be limited to the amount of the hedged items; also, the individual contract amount and the total contract amount is limited to 20% of the Company's net worth.
6. Upper limit of loss: The Company has engaged in derivative transactions for the purpose of hedging; therefore, there is not necessary to set the upper limit of loss.

Article 22

Authorized quota

1. Board of Directors: authorize the type and amount of derivatives contract in

accordance with the scope defined in Paragraph 5 referred to above.

2. Chairman: authorizes individual derivatives and trade department's upper limit of outstanding contract, upper limit of net positions, and counterparty list.

Article 23 Risk management measures and internal audit system:

1. The scope of risk management includes credit, market price, liquidity, cash flow, operations, and legal risk management.
2. Audit Department should examine periodically the adequacy of the derivative transactions internal control and audit the compliance with the procedures for derivatives trading of the Audit Office monthly with an audit report issued. The Audit Committee should be notified in writing for any serious nonconformity identified.
3. The Risk Management Department should monitor the risk of the derivative transactions whether it is within the Company's tolerable range with a risk assessment report produced periodically for the senior management authorized by the board of directors.
4. The Company should consult the compliance officer or public legal counsel for any derivative transaction involving legal matters.

Article 24 Regular assessment methods and nonconformity handling

1. Finance Department should have the not-available-for-trade holding position and the changes in market evaluated at least twice a month; also, the evaluation report should be presented to the senior management authorized by the board of directors.
2. The board of directors should authorize the senior management to periodically monitor and evaluate the appropriateness of the risk management measures, the compliance of the derivative transactions engaged in, the performance of the derivative transactions complying with the defined business strategy, and the risks within the Company's tolerable range. Take necessary responsive measures for any nonconformity identified and report it to the board of directors immediately.

Article 25 Supervision and management

The board of directors is to supervise and manage the Company's derivatives transactions in accordance with the following principles:

1. Appoint the management to monitor and control the risk of derivative transactions at any time
2. Periodically evaluate the performance of the derivative transactions complying with the defined business strategy and the risks within the Company's tolerable range

The senior management authorized by the board of directors should have the derivative transactions managed in accordance with the following principles:

1. Periodically evaluate the appropriateness of the risk management measures in accordance with the procedures for derivatives trading.
2. Supervise transactions and profit and loss and report nonconformities upon identification with necessary responsive measures exercised; also,



immediately report to the board of directors. The presence and comment of the independent directors at the board meeting is mandatory.

After completion, personnel authorized to engage in derivatives trading for non-business purposes shall report the data regarding each transaction and profit/loss to the latest board meeting.

Article 26 The Company's derivative transactions, unless otherwise regulated by law and this process, should be with a memorandum setup independently to document the type, amount, authorization quota, board approval date, and transaction date of the derivatives; also, the matters to be carefully assessed in accordance with Article 24 Paragraph 1 Subparagraph 1, Article 25 Paragraph 1 Subparagraph 2 and Paragraph 2 Subparagraph 1.

The Company's subsidiary that is engaged in derivatives transactions should be promoted to stipulate the Procedures for Derivatives Trading in accordance with the Company's Regulations Governing the Acquisition or Disposal of Assets and the Procedures.

The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published and reported monthly in accordance with the governing law and regulations.

#### **Section 4 Corporate merger, spins-off, acquisition, and assignment of shares**

Article 27 For the process of corporate merger, spins-off, acquisition, or assignment of shares, the Company should have a CPA, lawyer, or securities underwriter invited to comment on the reasonableness of the exchange ratio, acquisition price, cash distributed to the shareholders, and the other assets and then presented in the board meeting for resolutions. For mergers between the Company and wholly-owned subsidiaries directly or indirectly, or for mergers between wholly-owned subsidiaries directly or indirectly, it is not necessary to obtain a reasonable opinion from the aforementioned experts.

Article 28 For the process of corporate merger, spins-off, or acquisition, the Company should have the important stipulations content and related matters composed for the reference of the shareholders prior to the shareholders' meeting, including the opinions of experts and the notice of the shareholders' meeting for the reference of shareholders whether to agree to the corporate merger, spins-off, and acquisition. However, the corporate merger, spins-off, or acquisition that does not have to be resolved in the shareholders' meeting according to other governing regulations is not subject to the requirement.

For the merger, spins-off, or acquisition of a company, if the shareholders' meeting of either party cannot be convened and a resolution cannot reached due to insufficient attendance, insufficient ballots, or other legal restriction, or the proposal is vetoed in the shareholders' meeting, the company of merger, spins-off, or acquisition should immediately explain the root cause to the public, the subsequent operations, and the expected date of the shareholders' meeting.

Article 29 For the merger, spins-off, or acquisition of a company, unless otherwise required by law or due to special factors must report to the competent authorities in advance, the board meeting and the shareholders' meeting should be convened in the same day to resolve the matters related to the corporate merger, spins-off, and acquisition.

For the assignment of shares of a company, unless otherwise required by law or

due to special factors must report to the competent authorities in advance, the board meeting should be convened in the same day.

For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the following information should be composed in writing and reserved for five years for inspection:

1. Personnel basic information: including the title, the name, and the identity card number (or passport number for aliens) of personnel involved in a merger, spins-off, acquisition, or transfer of shares, or, the project executor.
2. Date of significant events: including the date of signing a letter of intent or memorandum, commissioning a financial or legal adviser, signing a contract, and convening a board meeting.
3. Important documents and minutes of meeting: including the documents of the merger, spins-off, acquisition, or assignment of shares plans, letters of intent or memorandum, important contracts, minutes of board meeting.

For the merger, spins-off, acquisition, or assignment of shares of a listed company or the company with stock traded at the securities business premise, the Company should have the information stated in Subparagraph 1 and Subparagraph 2 in the Section referred to above reported on-line to the competent authorities for records in the designated format within 2 days after the resolution reached by the Board of Directors.

For the merger, spins-off, acquisition, or assignment of shares of a non-listed company or the company without stock traded at the securities business premise, the Company shall have an agreement signed with it in accordance with the provisions in Paragraph 3 and Paragraph 4 referred to above.

Article 30 The personnel participate in or are aware of the merger, spins-off, acquisition, or assignment of shares plan shall issue a written commitment of confidentiality not to disclose the plan to any third party before it is made known to the public and not to purchase the stock or equity-type securities of the companies related to the merger, spins-off, acquisition, or assignment of shares in their own names or others'.

Article 31 For the Company's participating in the merger, spins-off, acquisition, or assignment of shares, the swap ratio or purchase price, except for in the following circumstances, shall not be changed arbitrarily; also, the tolerable changes of the swap ratio or purchase price should be detailed in the merger, spins-off, acquisition, or assignment of shares contract:

1. Process cash capital increase and issue convertible bonds, stock dividends, bonds with stock option, preferred shares with stock option, stock options certificate, and other equity-type securities.
2. Disposal of major assets that affects the Company's financial operations
3. The occurrence of significant disasters and major changes in technology that affects the Company's shareholders' equity or securities price.
4. The adjustment of treasury stock repurchased lawfully by any company that participates in the merger, spins-off, acquisition, or assignment of shares.
5. Changes in the entity or number of companies involved in the merger, spins-off, acquisition, or assignment of shares.

6. The other conditions for tolerable changes are defined in the contract and have been publicly disclosed.

Article 32 The subsidiary of the Company that participates in the merger, spins-off, acquisition, or assignment of shares should have the rights and obligations in the merger, spins-off, acquisition, or assignment of shares detailed in the contract, including the following information:

1. Event of default
2. The principle for the process of the equity-type securities issued or treasury stock repurchased by the discontinued or spins-off company due to a merger.
3. The treasury stock to be repurchased lawfully by the involving company and the principle for its process after the base date for the calculation of stock swap ratio.
4. The process for the changes in the entity and the number of companies involved.
5. The expected progress of the project and the schedule of completion.
6. The process of convening a shareholders' meeting when the project is not completed on time.

Article 33 If the Company and the company that participates in the merger, spins-off, acquisition, or assignment of shares intends to go for another merger, spins-off, acquisition, or assignment of shares after disclosing information publicly, unless the number of companies involved is reduced and a resolution is reached in the shareholders' meeting with the board of directors authorized to have the authorization changed so the involving company needs not to have a shareholders' meeting convened again for resolutions, the completed procedures or legal act in the original merger, spins-off, acquisition, or assignment of shares should be processed again by the involving companies.

Article 34 For the company that is not a public company involved in a merger, spins-off, acquisition, or assignment of shares, it should have a contract signed with the Company in accordance with Article 29, Article 30, and Article 33.

### **Chapter 3 Information disclosure**

Article 35 The Company should have the acquisition or disposal of assets that fell in one of the following circumstances reported in the designated format on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:

1. The acquisition or disposal of real property from and to the related party, or the acquisition or disposal of assets other than real property from and to the related party for an amount exceeds 20% of the paid-in capital, 10% of the total assets, or NT\$300 million. However, bond trades, RP and RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises is not subject to such requirements.
2. Process merger, spins-off, acquisition, or assignment of shares.
3. Engaged in derivatives transaction with a loss up to the limit of the total or individual contract amount regulated in this procedure.
4. The acquisition or disposal of assets that are operating equipment and the counterparty is not a related party; also, the trade amount does not exceed

NT\$500 million.

5. The Company expects to invest less than NT\$500 million for the acquisition of real property with the methods of commissioned to build by land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage, and jointly built by separate sales.
6. The amount of the assets trade other than the ones in the five paragraphs referred to above, the disposal of credit by the financial institutions, or the investment in Mainland China for an amount exceeds 20% of the paid-in capital or NT\$300 million. Except for in the following circumstances:
  - (1) Bond trade
  - (2) It refers to the investment in securities trade conducted at domestic and foreign securities exchanges or securities firms, or the common corporate bonds that are subscribed to, offered, or issued in the domestic preliminary market and the general financial bonds that do not involve equity.
  - (3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises.

The transaction amount referred to above is calculated in accordance with the following:

1. Amount per transaction
2. The accumulated amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year.
3. The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of real property of the same development project within one year.
4. The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of the same security within one year.

The alleged “within one year” referred to above meant for the one year prior to the date of occurrence excluding the part that had already been announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”

The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.

When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.

The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.

If the competent authorities has the Company's investment in Mainland China authorized after it is announced and reported by the Company in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," the information of the original announcement date, the invested company in China, the expected investment amount, counterparty, and the approval date of the competent authorities should be disclosed on the Market Observation Post System (MOPS).

The Company should have the announcement and reporting made on behalf of the non-public subsidiary.

Article 36 If the transactions reported and announced by the Company in accordance with the provision referred to above are found with any of the following circumstances, the Company should have the related information announced and reported on-line at the information network designated by the competent authorities within 2 days from the date of occurrence:

1. The originally signed trade contract is modified, terminated, or revoked.
2. Merger, spins-off, acquisition, or assignment of shares is not completed in accordance with the deadline stated in the contract signed.
3. Changes are made to the original announcement and report.

#### **Chapter 4 Additional Rules**

Article 37 The Company has the subsidiary's acquisition or disposal of assets controlled in accordance with the governing law and the "Regulations Governing the Acquisition or Disposal of AssetsRegulations Governing the Acquisition or Disposal of Assets by Public Companies."

Article 38 The personnel in violation of the procedures will be disciplined and punishes in accordance with the Company's Personnel Management Rules.

Article 39 The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Chapter III on behalf of the non-public subsidiary.

Article 34, Paragraph 1, Subparagraph 5 referred to above regarding the announcement and reporting standard of reaching the limit of 20% of paid-in capital or 10% of the total assets that is applicable to the subsidiary is based on the Company's paid-in capital or total assets.

Article 40 The requirement of 10% of the total assets stated in the Procedures is based on the total assets in the latest proprietary or independent financial statements governed by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Article 41 The "Guidelines" is resolved by the board of directors and submitted to the shareholders' meeting for approval before implementation, same as the amendment.

## 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' Meetings," 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 one third 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). 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 legal 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 counted by the shareholding.

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 ROC 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 picketers 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.