

YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

PWCR21000315

To the Board of Directors and Stockholders of Yuanta Futures Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Yuanta Futures Co., Ltd. (the "Company") as at December 31, 2021 and 2020, and the parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of Yuanta Futures Co., Ltd. as at December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and Regulation Governing the Preparation of Financial Reports by Securities Firms.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's parent company only financial statements of the current period are stated as follows:

Fair value measurement of valuation of the unlisted stocksDescription

For the accounting policy of the unlisted stocks (accounted under financial assets at fair value through other comprehensive income), please refer to Note 4(7); for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5(2); for the details on unlisted stocks, please refer to Note 6(5). The carrying amount of financial assets at fair value through other comprehensive income – unlisted stocks as at December 31, 2021 was NTD 1,806,258 thousand.

Because there are no active market quoted prices for financial assets at fair value through other comprehensive income - unlisted stocks held by Yuanta Futures Co., Ltd., the management uses valuation techniques to estimate the fair value. The valuation techniques used by Yuanta Futures Co., Ltd. are primarily the market method. The market method involves certain assumptions and significant inputs that are not based on observable market data, including the selected valuation methods, the determination of similar and comparable companies, price to earnings ratio and discount of marketability, etc. The models and parameters used in valuation techniques are based on management's professional judgments and estimates, and such accounting judgments and estimates are highly uncertain. Thus, we have included the fair value valuation of unlisted stocks as a key audit matter in our audit for the year ended December 31, 2021.

How our audit addressed the key audit matter

In response to specific aspects of the above-mentioned key audit matter, we made use of experts to assist the evaluation of the reasonableness of valuation information used by the management, and conducted the following procedures:

1. Obtained an understanding and evaluated the policy and valuation process relevant to the fair value measurement of the unlisted stocks.
2. Evaluated whether the valuation methods used by the management were commonly used.
3. Evaluated the reasonableness of the selection of comparable companies by the management.
4. Sample tested the price to earnings ratio and the inputs of discount of marketability used in the valuation methods, and reviewed relevant information and supporting evidence.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and Regulation Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the parent company only audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



資誠

From the matters communicated with those charged with governance, we determine those matters of the Company that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Lo, Chiao-Sen

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 10, 2022

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

YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

ASSETS		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
111100	Cash and cash equivalents	6(1) and 7	\$ 8,286,016	9	\$ 6,195,959	6
112000	Financial assets at fair value through profit or loss - current	6(2), 7 and 11	285,884	-	860,190	1
113200	Financial assets at fair value through other comprehensive income - current	6(5)	806,830	1	655,432	1
114070	Customer margin deposits	6(3) and 7	81,058,821	85	82,809,012	87
114100	Security lending deposits		-	-	169,187	-
114130	Accounts receivable		4,057	-	199,609	-
114140	Accounts receivable - related parties	7	2,002	-	3,569	-
114150	Prepayments	7	8,741	-	5,234	-
114170	Other receivables		12,552	-	18,975	-
114180	Other receivables - related parties	7	4,165	-	3,876	-
114300	Leverage margin contract trading client margin deposits	7	347,405	-	294,448	-
114600	Current income tax assets		-	-	341	-
119000	Other current assets		-	-	23	-
110000	Subtotal current assets		90,816,473	95	91,215,855	95
Non-current assets						
123200	Financial assets at fair value through other comprehensive income - non-current	6(5)	1,932,733	2	1,618,523	2
124100	Investments accounted for under the equity method	6(6)	1,141,781	1	1,207,101	1
125000	Property and equipment	6(9)	624,845	1	607,595	1
125800	Right-of-use assets	6(10) and 7	147,548	-	190,744	-
127000	Intangible assets	6(11)	86,979	-	42,137	-
128000	Deferred income tax assets	6(31)	31,686	-	43,647	-
129010	Operating guarantee deposits	6(7) and 7	140,000	-	140,000	-
129020	Clearing and settlement funds	6(8)	544,465	1	548,092	1
129030	Refundable deposits	7	35,978	-	40,456	-
129130	Prepayment for equipment		139,051	-	73,982	-
129990	Other non-current assets - other		11,416	-	8,417	-
120000	Subtotal non-current assets		4,836,482	5	4,520,694	5
906001	Total Assets		\$ 95,652,955	100	\$ 95,736,549	100

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YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
212000	Financial liabilities at fair value	6(2) and 11				
	through profit or loss - current		\$ 926	-	\$ 220,672	-
214080	Futures traders' equity	6(3) and 7	80,868,836	85	82,588,649	87
214100	Leverage margin contract transaction					
	traders' equity		282,808	-	243,573	1
214130	Accounts payable		136,856	-	157,911	-
214140	Accounts payable - related parties	7	19,749	-	23,586	-
214160	Collection for third parties		9,098	-	9,614	-
214170	Other payables		184,185	-	241,049	-
214180	Other payables - related parties	7	1,842	-	225	-
214600	Current income tax liabilities		18,479	-	93,913	-
216000	Lease liabilities - current	7	42,849	-	37,795	-
219000	Other current liabilities	6(12)	31,143	-	19,584	-
210000	Subtotal current liabilities		81,596,771	85	83,636,571	88
Non-current liabilities						
221100	Bonds payable	6(13)	1,497,401	2	-	-
226000	Lease liabilities - non-current	7	118,224	-	159,509	-
228000	Deferred income tax liabilities	6(31)	11,191	-	-	-
229000	Other non-current liabilities		79,470	-	81,907	-
	Subtotal non-current liabilities		1,706,286	2	241,416	-
906003	Total Liabilities		83,303,057	87	83,877,987	88
Capital						
301010	Common stock	6(16)	2,899,763	3	2,899,763	3
Additional paid-in capital						
302000	Capital surplus	6(17)	3,070,484	3	3,070,484	3
Retained earnings						
304010	Legal reserve	6(19)	1,132,477	1	1,021,010	1
304020	Special reserve	6(18)(19)	2,508,054	3	2,294,034	3
304040	Undistributed earnings	6(19)	1,123,207	1	1,295,828	1
Other equity						
305000	Other equity interest	6(20)	1,615,913	2	1,277,443	1
906004	Total equity		12,349,898	13	11,858,562	12
906002	Total liabilities and equity		\$ 95,652,955	100	\$ 95,736,549	100

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

YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

				For the years ended December 31,			
				2021		2020	
Items		Notes	AMOUNT	%	AMOUNT	%	
Revenues							
401000	Brokerage	6(21) and 7	\$ 3,551,708	94	\$ 3,484,081	94	
410000	Gains on trading of securities	6(2)(22)	119,534	3	35,200	1	
421300	Dividend income	6(2) and 7	7,518	-	2,087	-	
421500	(Losses) gains on valuation of trading securities	6(2)	(2,576)	-	1,897	-	
421600	Losses on covering of borrowed securities and bonds with resale agreements-short sales	6(2)	(49,017)	(1)	(3,862)	-	
421610	Valuation gains (losses) on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(2)	35,719	1	(19,447)	-	
424200	Securities commission revenue	7	19,880	1	7,972	-	
424300	Clearance fee from consignment	6(23) and 7	65,185	2	73,190	2	
424400	Net gain on derivative financial instruments	6(2)(24)	13,862	-	126,068	3	
424900	Futures advisory revenues	7	16,142	-	13,487	-	
428000	Other operating revenues	7	4,354	-	853	-	
400000	Total revenues		3,782,309	100	3,721,526	100	
Costs and expenses							
501000	Brokerage fee	6(25)	(776,978)	(21)	(745,408)	(20)	
502000	Dealer handling fee	6(25)	(3,572)	-	(6,252)	-	
521200	Interest expense	7	(8,229)	-	(18,615)	(1)	
425300	Expected credit impairment losses and reversal gains		3,755	-	(34,492)	(1)	
524100	Futures commission	6(26) and 7	(650,567)	(17)	(641,943)	(17)	
524300	Clearance fee	6(27)	(573,923)	(15)	(561,880)	(15)	
528000	Other operating fee		(2,737)	-	(3,468)	-	
531000	Employee benefit expense	6(28)(29)	(676,198)	(18)	(662,662)	(18)	
532000	Depreciation and amortization	6(28)	(126,828)	(3)	(95,531)	(3)	
533000	Other operating expenses	6(28) and 7	(450,617)	(12)	(425,980)	(11)	
500000	Total costs and expenses		(3,265,894)	(86)	(3,196,231)	(86)	
Operating income			516,415	14	525,295	14	
601100	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method	6(6)	(33,082)	(1)	(24,553)	-	
602000	Other gains and losses	6(2)(30) and 7	565,627	15	824,838	22	
902001	Income before income tax		1,048,960	28	1,325,580	36	
701000	Income tax expense	6(31)	(188,678)	(5)	(255,481)	(7)	
902005	Net income		\$ 860,282	23	\$ 1,070,099	29	

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YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	For the years ended December 31,			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Items that will not be reclassified to profit or loss					
805510	Remeasurement of defined benefit obligations	6(14)			
		\$ 5,163	- (\$	13,558)	(1)
805540	Unrealized gain and loss on equity instrument investment measured at fair value through other comprehensive income	6(5)(20)			
		471,095	12	80,198	2
805599	Income tax related to components of items not to be reclassified	6(31)			
		(1,032)	-	2,712	-
Items that may be reclassified to profit or loss subsequently					
805610	Translation loss on the financial statements of foreign operating entities	6(20)			
		(32,238)	(1)	(43,610)	(1)
805000	Total other comprehensive income (net of tax)				
		\$ 442,988	11	\$ 25,742	-
	Total comprehensive income				
		\$ 1,303,270	34	\$ 1,095,841	29
Earnings per share (in New Taiwan dollars)					
	Basic and diluted earnings per share	6(32)			
		\$ 2.97		\$ 4.23	

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

YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Capital surplus			Retained earnings			Other equity interest		
			Paid-in capital in excess of par value	Paid-in capital from business merger				Translation loss on the financial statements of foreign operating entities	Unrealized gain and loss on equity instrument investment measured at fair value through other comprehensive income	Total equity
	Notes	Common stock			Legal reserve	Special reserve	Undistributed earnings			
For the year ended December 31, 2020										
Balance, January 1, 2020		\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 907,430	\$ 2,074,901	\$ 1,313,798	(\$ 21,375)	\$ 1,317,644	\$ 8,856,137
Net income for the year		-	-	-	-	-	1,070,099	-	-	1,070,099
Other comprehensive income (loss) for the year	6(5)(20)	-	-	-	-	-	(10,846)	(43,610)	80,198	25,742
Total comprehensive income (loss)		-	-	-	-	-	1,059,253	(43,610)	80,198	1,095,841
Appropriations of 2019 earnings:										
Legal reserve		-	-	-	113,580	-	(113,580)	-	-	-
Special reserve		-	-	-	-	219,133	(219,133)	-	-	-
Cash dividends		-	-	-	-	-	(799,924)	-	-	(799,924)
Issuance of shares	6(16)	577,000	2,085,472	-	-	-	-	-	-	2,662,472
Share-based payments	6(15)	-	44,036	-	-	-	-	-	-	44,036
Disposal of equity instrument investment measured at fair value through other comprehensive income	6(5)(20)	-	-	-	-	-	55,414	-	(55,414)	-
Balance, December 31, 2020		\$ 2,899,763	\$ 3,024,151	\$ 46,333	\$ 1,021,010	\$ 2,294,034	\$ 1,295,828	(\$ 64,985)	\$ 1,342,428	\$ 11,858,562
For the year ended December 31, 2021										
Balance, January 1, 2021		\$ 2,899,763	\$ 3,024,151	\$ 46,333	\$ 1,021,010	\$ 2,294,034	\$ 1,295,828	(\$ 64,985)	\$ 1,342,428	\$ 11,858,562
Net income for the year		-	-	-	-	-	860,282	-	-	860,282
Other comprehensive income (loss) for the year	6(5)(20)	-	-	-	-	-	4,131	(32,238)	471,095	442,988
Total comprehensive income (loss)		-	-	-	-	-	864,413	(32,238)	471,095	1,303,270
Appropriations of 2020 earnings:										
Legal reserve		-	-	-	111,467	-	(111,467)	-	-	-
Special reserve		-	-	-	-	214,020	(214,020)	-	-	-
Cash dividends		-	-	-	-	-	(811,934)	-	-	(811,934)
Disposal of equity instrument investment measured at fair value through other comprehensive income	6(5)(20)	-	-	-	-	-	100,387	-	(100,387)	-
Balance, December 31, 2021		\$ 2,899,763	\$ 3,024,151	\$ 46,333	\$ 1,132,477	\$ 2,508,054	\$ 1,123,207	(\$ 97,223)	\$ 1,713,136	\$ 12,349,898

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

YUANTA FUTURES CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31,	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,048,960	\$ 1,325,580
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(9)(10)(28)	114,664	83,434
Amortization	6(11)(28)	12,164	12,097
Interest income	6(30)	(339,968)	(694,306)
Interest expense		8,229	18,615
Share of profit or loss of subsidiaries associates, and joint ventures accounted for using the equity method	6(6)	33,082	24,553
Gains (losses) on disposal of property and equipment	6(9)	(271)	259
Dividend income	6(30)	(159,578)	(90,094)
Expected credit impairment losses and reversal gains		(3,755)	34,492
Share-based payments	6(15)	-	44,036
Gains on lease modification	6(10)(30)	(490)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		574,306	(607,497)
Customer margin deposits		1,750,191	(19,205,736)
Futures trading margin receivable		3,755	(34,492)
Security lending deposits		169,187	(123,343)
Accounts receivable		195,552	(143,614)
Accounts receivable - related parties		1,567	(1,192)
Prepayments	(	( 3,507)	487
Other receivables	(	( 2,697)	1,193
Leverage margin contract trading client margin deposits	(	( 52,957)	(36,198)
Other current assets		23	(5)
Other non-current assets - other	(	( 2,999)	(6,331)
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current	(	( 219,746)	149,395
Futures traders' equity	(	( 1,719,813)	19,148,360
Leverage margin contract transaction traders' equity		39,235	18,388
Accounts payable	(	( 21,055)	53,297
Accounts payable - related parties	(	( 3,837)	9,081
Collection for third parties	(	( 516)	3,337
Other payables	(	( 58,062)	2,622
Other payables-related parties		1,652	(969)
Other current liabilities		11,559	5,983
Other non-current liabilities		2,727	(1,457)
Cash inflow (outflow) generated from operations		1,377,602	(10,025)
Interest received		348,029	705,424
Interest paid	(	( 7,015)	(22,856)
Dividends received		160,348	89,593
Income tax paid	(	( 241,652)	(249,893)
Net cash flows generated from operating activities		1,637,312	512,243
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	(	( 1,141,643)	(1,120,976)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	1,147,130	1,027,205
Acquisition of property and equipment	6(9)	(52,308)	(35,036)
Proceeds from disposal of property and equipment	6(9) and 7	405	210
Increase in intangible assets	6(11)	(52,565)	(2,447)
Decrease (increase) in clearing and settlement funds		3,627	(12,406)
Decrease (increase) in refundable deposits		4,478	(5,982)
Increase in prepayment for equipment	(	( 100,034)	(63,728)
Net cash flows used in investing activities	(	( 190,910)	(213,160)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Principal payment for lease liabilities	(	( 41,761)	(23,032)
Proceeds from issuance of bonds	6(13)	1,497,350	-
Payment of cash dividends	6(19)	(811,934)	(799,924)
Proceeds from issuance of shares	6(16)	-	2,662,472
Net cash flows generated from financing activities		643,655	1,839,516
Net increase in cash and cash equivalents		2,090,057	2,138,599
Cash and cash equivalents at beginning of year		6,195,959	4,057,360
Cash and cash equivalents at end of year		\$ 8,286,016	\$ 6,195,959

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

YUANTA FUTURES CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. HISTORY AND ORGANIZATION

Yuanta Futures Co., Ltd.’s (the “Company”) profile is described below:

- (1) The Company was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) and started its operations on April 9, 1997. The Company merged with “Refco Taiwan Co., Ltd.” on September 1, 2003 and was renamed as “Polaris Refco Futures Co., Ltd.”. As of 2005, on account of changes in foreign shareholders, an extraordinary shareholders’ meeting was held on February 15, 2006, and resolved to change its name to “Polaris MF Futures Co., Ltd.” as approved by the Ministry of Economic Affairs.

On October 6, 2011, the Board of Directors of Polaris MF Futures Co., Ltd. decided to merge with Yuanta Futures Co., Ltd. In relation to the share conversion with Yuanta Futures Co., Ltd. in accordance with Gin-Gwen-Zheng-Qi Letter No. 1000052507, the Company can exchange its common shares using a ratio of 1.01 share to 1 share of Yuanta Futures common share. Both parties agreed to set April 1, 2012 as the merger date. The Company has also obtained the approval to change its name to “Yuanta Futures Co., Ltd.”.

- (2) The Company is primarily engaged in onshore and offshore futures brokerage business, futures dealing, futures consulting, futures business management, securities dealing, leverage transaction merchant, and a variety of futures related businesses approved by the competent authority. On August 14, 2017, with permission from the competent authority, the Company ceased engaging in futures business management. As of December 31, 2021, the Company had 4 branches.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'

April 1, 2021 (Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts — cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 – 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants and Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRS”).

(2) Basis of preparation

- A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:
 - (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (B) Financial assets at fair value through other comprehensive income.
 - (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the parent company only financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange

rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(C) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the parent company only balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the parent company only balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(D) Foreign exchange gains and losses are presented in the parent company only statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all subsidiaries and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(B) Income and expenses for each parent company only statement of comprehensive income are translated at average exchange rates of that period; and

(C) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realised within twelve months from the balance sheet date;

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (A) Liabilities that are expected to be settled within the normal operating cycle;
- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities that are to be settled within twelve months from the balance sheet date;
- (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the parent company only balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash and cash equivalents include petty cash, checking accounts, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Customer Margin deposits

In accordance with the Rules Governing Futures Commission Merchants, customer margin deposits accounts refer to the guarantee deposits and premiums collected from the futures customers, and the spread is calculated based on daily market price.

(9) Futures traders' equity / Futures trading margin receivable

Futures traders' equity is the trading margin/premiums deposited by customers and the difference of daily close-market balance. Futures traders' equity is shown under current liabilities. It cannot be offset except for the same customer with the same category of accounts. If payable to customer does not occur, it should be classified as futures trading margin receivable.

(10) Leverage margin contract trading client margin deposits

In accordance with the Regulations Governing Leverage Transaction Merchants, margin deposits accounts refer to the guarantee deposits and premiums collected from the leveraged trader, and the difference of daily evaluation.

(11) Leverage margin contract transaction traders' equity

Leverage margin contract transaction traders' equity is the trading margin/premiums deposited by customers and the difference of daily evaluation. Leverage margin contract transaction traders' equity is shown under current liabilities.

(12) Accounts receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(13) Impairment of financial assets

For customer margin deposit, futures trading margin receivables, security borrowing deposits, accounts receivable, other receivables, operation guarantee deposits, clearing and settlement fund, and refundable deposits, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

(14) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(15) Investment accounted for under the equity method – subsidiaries and associates

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power

over the entity.

- B. Unrealised gains on transactions between the Company and its subsidiaries are eliminated to the extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, according to its share of interest in the subsidiary, the Company does not recognise further losses.
- D. According to Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the profit or loss for the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.

(16) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Equipment applies cost model and is depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change. The estimated useful lives of various fixed assets are 3~6 years except for buildings, which have useful lives from 10~60 years.

(17) Leasing arrangements (lessee)—right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the

lease term.

- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (A) Fixed payments, less any lease incentives receivable; and
- (B) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (A) The amount of the initial measurement of lease liability;
- (B) Any lease payments made at or before the commencement date; and
- (C) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(18) Intangible assets

- A. Membership in a foreign Futures Exchange

Membership in a foreign Futures Exchange is stated at acquisition cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Membership in a foreign Futures Exchange is not amortised, but is tested annually for impairment.

- B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

(19) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish,

the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(20) Derivative financial instruments and non-hedging activities

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(A) Hybrid (combined) contracts; or

(B) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(C) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

- B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Bonds payable

Ordinary corporate bonds issued by the Company are initially recognised at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

(23) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(24) Employee benefits

- A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the Company pays fixed contributions to an independent, publicly or privately administered pension fund. The Company has no further legal or constructive obligations once the contributions have been paid. The contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

a. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

b. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are

measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated based on the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each parent company only balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the parent company only balance sheet

when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

- A. Brokerage fee income: Service fee income that is generated from futures merchants exercising futures transaction is recognised on the date of settlement.
- B. Security commission revenue: Commission revenues that are generated from the operation of securities introducing broker business by futures commission merchants. These income are recognised on an accrual basis under the agreed terms.
- C. Entrusted clearing settlement service fee: Service fee income that is generated by future merchants who has the qualification of clearing membership while exercising clearing settlement transaction is recognised on the date of futures transaction.
- D. Derivative instrument net income
 - (A) Futures contract gains or losses: The margin of futures trading is recognised at cost and measured through mark-to-market accounting. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognised as gains or losses in the current period.
 - (B) Options trading: The deposit of options trading is recognised at cost and assessed monthly through mark-to-market valuation before the obligation is fulfilled. Any gain and loss occurring due to the option exercise is recognised as gain and loss in the period.
- E. Futures management fees revenues and supervisory income: These incomes are recognised on an accrual basis under the agreed terms.
- F. Interest income: All of the interest income of financial instruments are calculated using the effective interest rate.

5. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND KEY SOURCES OF ASSUMPTION
UNCERTAINTY

The preparation of the financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience, the effect of Covid-19 and other factors. There is no significant change during the period. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Evaluation of expected credit loss on futures trading margin receivable

The impairment assessment of the Company's futures trading margin receivable is based on subjective judgements, including whether there has been significant increase in credit risk since initial recognition and loss rates calculated from historical data. Therefore, the Company periodically examines the appropriateness of its estimates. Please refer to Note 21(6) for more information.

(2) Financial assets—fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined by the market approach. The approach is taken with assumptions relating to the determination of comparable companies and employing those companies' latest price to earnings ratio multiples as basis of pricing estimation along with discounts of marketability consideration. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 21(3) for the financial instruments fair value information.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash	\$ 30	\$ 30
Cash in bank		
Checking deposits	15	15
Demand deposits	317,585	90,781
Time deposits	<u>7,203,600</u>	<u>4,963,600</u>
Subtotal	7,521,230	5,054,426
Excess futures margin deposits	330,800	498,394
Excess margin in foreign exchange margin trading	74,275	53,817
Commercial paper (expiring within three months)	<u>359,711</u>	<u>589,322</u>
	<u>\$ 8,286,016</u>	<u>\$ 6,195,959</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets and liabilities at fair value through profit or loss – current

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 224,771	\$ 168,510
Beneficiary certificates	-	601,408
Futures contracts - non-hedging	16,347	62,741
Options contracts - non-hedging	1,219	4,166
Leverage margin contract transactions - non-hedging	36,525	13,537
	<u>278,862</u>	<u>850,362</u>
Valuation adjustment	7,022	9,828
	<u>\$ 285,884</u>	<u>\$ 860,190</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial liabilities held for trading		
Options - non-hedging	\$ 926	\$ 13,332
Security borrowing payable - non-hedging	-	171,614
	<u>926</u>	<u>184,946</u>
Valuation adjustment	-	35,726
	<u>\$ 926</u>	<u>\$ 220,672</u>

A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets and liabilities at fair value through profit or loss		
Listed stocks	\$ 129,154	\$ 38,871
Beneficiary certificates	(4,137)	(5,565)
Borrowed securities	(13,298)	(23,309)
Futures contracts - non-hedging	(17,765)	(132,554)
Options contracts - non-hedging	1,198	223,790
Leverage margin contract transactions	30,429	34,832
Other financial instruments	14	(176)
	<u>\$ 125,595</u>	<u>\$ 135,889</u>

For the years ended December 31, 2021 and 2020, the above mentioned amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are recognised in gains on trading of securities, dividend income, (losses) gains on valuation of trading securities, losses on covering of borrowed securities and bonds with resale agreements-short sales, valuation gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss, net gain on derivative instruments and other gains and losses.

B. Futures

The Company entered into futures contracts to earn the spread. As of December 31, 2021 and 2020, margin deposits for the contract was \$347,147 and \$561,135, respectively, with excess margin of \$330,800 and \$498,394, respectively, recognised in “cash and cash equivalents”.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

(3) Customer margin deposits /Futures traders' equity

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Margin deposits by customers:		
Cash in bank	\$ 59,406,731	\$ 61,028,517
Clearing house	14,432,637	12,185,195
Other futures commission merchants	<u>7,219,453</u>	<u>9,595,300</u>
Total	81,058,821	82,809,012
Less: Fees and interest revenue		
pending for transfer	(154,452)	(194,246)
Futures exchange tax		
pending for transfer	(4,595)	(6,702)
Temporary receipts	(6,239)	(7,623)
Others	<u>(24,699)</u>	<u>(11,792)</u>
Futures trader's equity	<u>\$ 80,868,836</u>	<u>\$ 82,588,649</u>

A. The Company has no expected credit loss on customer margin deposits.

B. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the customer margin deposits held by the Company was \$81,058,821 and \$82,809,012, respectively.

(4) Futures trading margin receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Futures trading margin receivable	\$ 107,770	\$ 120,901
Less: Allowance for uncollectible accounts	<u>(107,770)</u>	<u>(120,901)</u>
	<u>\$ -</u>	<u>\$ -</u>

A. Information relating to credit risk of futures trading margin receivable is provided in Note 21(6).

B. The ageing analysis of futures trading margin receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Up to 30 days	\$ -	\$ -
31-90 days	-	-
91-180 days	-	-
Over 181 days	<u>107,770</u>	<u>120,901</u>
	<u>\$ 107,770</u>	<u>\$ 120,901</u>

The above ageing analysis was based on posting date.

(5) Financial assets at fair value through other comprehensive income

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Equity instrument		
Listed stocks	\$ 700,524	\$ 605,624
Valuation adjustment	<u>106,306</u>	<u>49,808</u>
Total	<u>\$ 806,830</u>	<u>\$ 655,432</u>
Non-current items:		
Equity instrument		
Listed stocks	\$ 104,771	\$ 104,771
Valuation adjustment	<u>21,704</u>	<u>(1,075)</u>
Subtotal	<u>126,475</u>	<u>103,696</u>
Non-Listed stocks	221,132	221,132
Valuation adjustment	<u>1,585,126</u>	<u>1,293,695</u>
Subtotal	<u>1,806,258</u>	<u>1,514,827</u>
Total	<u>\$ 1,932,733</u>	<u>\$ 1,618,523</u>

- A. The Company has elected to classify stock investments that are considered to be strategic investments and earning steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,739,563 and \$2,273,955 as at December 31, 2021 and 2020, respectively.
- B. For the years ended December 31, 2021 and 2020, to avoid systemic risks due to market interference and uncertainties, the Company sold \$1,147,130 and \$1,027,205, respectively, of listed stocks at fair value and resulted in cumulative gains on disposal of \$100,387 and \$55,414, respectively.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>471,095</u>	\$ <u>80,198</u>
Cumulative gains reclassified to retained earnings due to derecognition	(\$ <u>100,387</u>)	(\$ <u>55,414</u>)
Dividend income recognised in profit or loss		
Held at end of period	\$ 113,928	\$ 61,048
Derecognised during the period	<u>38,132</u>	<u>26,086</u>
	<u>\$ 152,060</u>	<u>\$ 87,134</u>

D. The Company has no financial assets at fair value through other comprehensive income pledged to others.

(6) Investments accounted for under the equity method

A. Items of equity investments are summarised below:

Company name	December 31, 2021	
	Amount	Shareholding ratio
SYF Information Co., Ltd.	\$ 286,527	100.00%
Yuanta Futures (Hong Kong) Co., Ltd.	855,254	100.00%
	<u>\$ 1,141,781</u>	

Company name	December 31, 2020	
	Amount	Shareholding ratio
SYF Information Co., Ltd.	\$ 282,338	100.00%
Yuanta Futures (Hong Kong) Co., Ltd.	924,763	100.00%
	<u>\$ 1,207,101</u>	

B. The Company's share of the operating results in all individually immaterial invested companies are summarised below:

	For the years ended December 31,	
	2021	2020
Loss for the year from continuing operations	(\$ 33,082)	(\$ 24,553)
Currency translation differences	(32,238)	(43,610)
Total comprehensive loss	<u>(\$ 65,320)</u>	<u>(\$ 68,163)</u>

(7) Operating guarantee deposits

The Company's annual interest rates on operating guarantee deposits that were provided as time deposits maturing within one-year with Yuanta Bank as of December 31, 2021 and 2020 was 0.77% and 0.77%~1.035%, respectively.

As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the operating guarantee deposits held by the Company were both \$140,000.

(8) Clearing and settlement funds

As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the clearing and settlement funds held by the Company was \$544,465 and \$548,092, respectively.

(9) Property and equipment

2021					
	Land	Buildings	Equipment	Leasehold improvements	Total
At January 1,					
Cost	\$ 410,992	\$ 71,577	\$ 239,460	\$ 9,692	\$ 731,721
Accumulated depreciation	-	(12,213)	(104,644)	(7,269)	(124,126)
	<u>\$ 410,992</u>	<u>\$ 59,364</u>	<u>\$ 134,816</u>	<u>\$ 2,423</u>	<u>\$ 607,595</u>
Opening net book amount at January 1,	\$ 410,992	\$ 59,364	\$ 134,816	\$ 2,423	\$ 607,595
Additions	-	-	42,071	10,237	52,308
Transfers	-	-	22,500	8,024	30,524
Reclassifications (Note)	55,955	(55,955)	-	-	-
Disposals (cost)	-	-	(56,633)	(9,692)	(66,325)
Disposals (accumulated depreciation)	-	-	56,575	9,616	66,191
Depreciation expense	-	(3,409)	(58,402)	(3,637)	(65,448)
Closing net book amount at December 31,	<u>\$ 466,947</u>	<u>\$ -</u>	<u>\$ 140,927</u>	<u>\$ 16,971</u>	<u>\$ 624,845</u>
At December 31,					
Cost	\$ 466,947	\$ 15,622	\$ 247,398	\$ 18,261	\$ 748,228
Accumulated depreciation	-	(15,622)	(106,471)	(1,290)	(123,383)
	<u>\$ 466,947</u>	<u>\$ -</u>	<u>\$ 140,927</u>	<u>\$ 16,971</u>	<u>\$ 624,845</u>

Note: During the current period, an old building with a book value of \$55,955 (Cost:\$71,577 & Accumulated depreciation:\$15,622) was adjusted as addition to book value of the land due to the city renovation. A trust in Chang Hwa Bank was set up upon the land due to the city renovation.

2020					
	Land	Buildings	Equipment	Leasehold improvements	Total
At January 1,					
Cost	\$ 410,992	\$ 71,577	\$ 185,285	\$ 12,236	\$ 680,090
Accumulated depreciation	-	(8,804)	(82,962)	(6,517)	(98,283)
	<u>\$ 410,992</u>	<u>\$ 62,773</u>	<u>\$ 102,323</u>	<u>\$ 5,719</u>	<u>\$ 581,807</u>
Opening net book amount at January 1,	\$ 410,992	\$ 62,773	\$ 102,323	\$ 5,719	\$ 581,807
Additions	-	-	35,036	-	35,036
Transfers	-	-	45,214	-	45,214
Disposals (cost)	-	-	(26,075)	(2,544)	(28,619)
Disposals (accumulated depreciation)	-	-	25,606	2,544	28,150
Depreciation expense	-	(3,409)	(47,288)	(3,296)	(53,993)
Closing net book amount at December 31,	<u>\$ 410,992</u>	<u>\$ 59,364</u>	<u>\$ 134,816</u>	<u>\$ 2,423</u>	<u>\$ 607,595</u>
At December 31,					
Cost	\$ 410,992	\$ 71,577	\$ 239,460	\$ 9,692	\$ 731,721
Accumulated depreciation	-	(12,213)	(104,644)	(7,269)	(124,126)
	<u>\$ 410,992</u>	<u>\$ 59,364</u>	<u>\$ 134,816</u>	<u>\$ 2,423</u>	<u>\$ 607,595</u>

(10) Leasing arrangements — lessee

A. The Company leases various assets including buildings. Rental contracts are typically made for periods of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	<u>\$ 147,548</u>	<u>\$ 190,744</u>
	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
	<u>2021</u>	<u>2020</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Buildings	<u>\$ 49,216</u>	<u>\$ 29,441</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$6,038 and \$188,688, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,129	\$ 379
Expense on short-term lease contracts	123	644
Gains on lease modification	490	-

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$43,013 and \$24,055, respectively.

F. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(11) Intangible assets

2021			
	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1,			
Cost	\$ 24,125	\$ 35,077	\$ 59,202
Accumulated amortisation	-	(17,065)	(17,065)
	<u>\$ 24,125</u>	<u>\$ 18,012</u>	<u>\$ 42,137</u>
Opening net book amount as at January 1,	\$ 24,125	\$ 18,012	\$ 42,137
Additions	-	52,565	52,565
Transfers	-	4,441	4,441
Disposals (cost)	-	(13,307)	(13,307)
Disposals (accumulated amortisation)	-	13,307	13,307
Amortisation expense	-	(12,164)	(12,164)
Closing net book amount as at December 31,	<u>\$ 24,125</u>	<u>\$ 62,854</u>	<u>\$ 86,979</u>
At December 31,			
Cost	\$ 24,125	\$ 78,776	\$ 102,901
Accumulated amortisation	-	(15,922)	(15,922)
	<u>\$ 24,125</u>	<u>\$ 62,854</u>	<u>\$ 86,979</u>
2020			
	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1,			
Cost	\$ 24,125	\$ 35,172	\$ 59,297
Accumulated amortisation	-	(18,545)	(18,545)
	<u>\$ 24,125</u>	<u>\$ 16,627</u>	<u>\$ 40,752</u>
Opening net book amount as at January 1,	\$ 24,125	\$ 16,627	\$ 40,752
Additions	-	2,447	2,447
Transfers	-	11,035	11,035
Disposals (cost)	-	(13,577)	(13,577)
Disposals (accumulated amortisation)	-	13,577	13,577
Amortisation expense	-	(12,097)	(12,097)
Closing net book amount as at December 31,	<u>\$ 24,125</u>	<u>\$ 18,012</u>	<u>\$ 42,137</u>
At December 31,			
Cost	\$ 24,125	\$ 35,077	\$ 59,202
Accumulated amortisation	-	(17,065)	(17,065)
	<u>\$ 24,125</u>	<u>\$ 18,012</u>	<u>\$ 42,137</u>

(12) Other current liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Temporary receipts	\$ 31,143	\$ 19,584

(13) Bonds payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	\$ 1,500,000	\$ -
Less: Discount on bonds payable	(2,599)	-
	<u>\$ 1,497,401</u>	<u>\$ -</u>

First issue of unsecured subordinate normal corporate bond in 2021

Par value	\$1,500,000
Stated interest rate	Fixed interest rate at 0.85%
Issuance date	November 12, 2021
Maturity date	November 12, 2028
Issuance area	Taiwan

(14) Pension

A. Defined benefit plan

(A) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions to cover the deficit by next March.

(B) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligations	\$ 92,316	\$ 98,594
Fair value of plan assets	(26,045)	(24,852)
Net defined benefit liability	<u>\$ 66,271</u>	<u>\$ 73,742</u>

(C) Movement in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 98,594	(\$ 24,852)	\$ 73,742
Interest expense (income)	296	(74)	222
	<u>98,890</u>	<u>(24,926)</u>	<u>73,964</u>
Remeasurements:			
Return on plan assets	-	(369)	(369)
Change in demographic assumptions	54	-	54
Change in financial assumptions	(2,948)	-	(2,948)
Experience adjustments	(1,900)	-	(1,900)
	<u>(4,794)</u>	<u>(369)</u>	<u>(5,163)</u>
Pension fund contribution	-	(750)	(750)
Paid pension	(1,780)	-	(1,780)
Balance at December 31	<u>\$ 92,316</u>	<u>(\$ 26,045)</u>	<u>\$ 66,271</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 83,729	(\$ 23,142)	\$ 60,587
Interest expense (income)	586	(162)	424
	<u>84,315</u>	<u>(23,304)</u>	<u>61,011</u>
Remeasurements:			
Return on plan assets	-	(783)	(783)
Change in financial assumptions	4,513	-	4,513
Experience adjustments	9,828	-	9,828
	<u>14,341</u>	<u>(783)</u>	<u>13,558</u>
Pension fund contribution	-	(765)	(765)
Paid pension	(62)	-	(62)
Balance at December 31	<u>\$ 98,594</u>	<u>(\$ 24,852)</u>	<u>\$ 73,742</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings

attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.60%	0.30%
Future salary increases	3.00%	3.00%

For the years ended December 31, 2021 and 2020, assumptions regarding future mortality rate were estimated in accordance with the 6th Chart and 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises. Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 2,316)	\$ 2,403	\$ 2,021	(\$ 1,963)
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 2,854)	\$ 2,968	\$ 2,463	(\$ 2,387)

(F) The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(G) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$738.

(H) As of December 31, 2021, the weighted average duration of the retirement plan is 10 years.

B. Defined contribution plan

(A) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with

R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020, were \$18,617 and \$17,476, respectively.

(15) Share-based payment

A. For the year ended December 31, 2020, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	February 12, 2020	1,693	N/A	Vested immediately
Cash capital increase reserved for employee preemption	October 8, 2020	3,581	N/A	Vested immediately

The share-based payment arrangements above are settled by equity.

B. The fair value of stock options granted on February 12, 2020 and October 8, 2020 is measured using the Black-Scholes-Merton-option-pricing model. Relevant information is as follows:

Amount in NTD

Type of arrangement	Grant date	Stock price	Exercise price	Exercise price volatility (Note1)	Expected option life (Note2)	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	February 12, 2020	\$ 55.80	\$ 48.00	10.43%	38 days	N/A	0.46%	\$ 7.82
Cash capital increase reserved for employee preemption	October 8, 2020	\$ 54.10	\$ 45.50	14.20%	20 days	N/A	0.06%	\$ 8.60

Note 1: It was estimated based on annualised standard deviation of returns of the Company.

Note 2: It was the period between the grant date of the capital increase (February 12, 2020 and October 8, 2020) to the payment period end date of employee stock option (March 20, 2020 and October 27, 2020).

C. Expenses incurred on share-based payment transactions are shown below:

	For the years ended December 31,	
	2021	2020
Equity-settled	\$ -	\$ 44,036

(16) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$3,500,000 consisting of 350,000 thousand shares, and paid-in capital was \$2,899,763 with a par value of 10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (thousand shares) are as follows:

	2021	2020
At January 1	289,976	232,276
Cash capital increase	-	57,700
At December 31	289,976	289,976

B. On November 17, 2019, the Board of Directors of the Company resolved to increase its capital by issuing common stock, totaling 17,700 thousand shares with a par value of \$10 (in dollars) per share and the issuance price was \$48 (in dollars) per share. The purpose is to fulfill working capital needs. The proceeds amounted to \$849,600 (excluding the issuance cost of \$2,272). The record date of cash capital increase was set on March 25, 2020, and the paid-in capital was \$2,499,763 after the capital increase.

C. On August 20, 2020, the Board of Directors of the Company resolved to increase its capital by issuing common stock, totaling 40,000 thousand shares with a par value of \$10 (in dollars) per share and the issuance price was \$45.5 (in dollars) per share. The purpose is to fulfill working capital needs. The proceeds amounted to \$1,820,000 (excluding the issuance cost of \$4,856). The record date of cash capital increase was set on October 30, 2020, and the paid-in capital was \$2,899,763 after the capital increase.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Special reserve

	December 31, 2021	December 31, 2020
Legal capital reserve	\$ 2,508,054	\$ 2,294,034

- A. According to the “Rules Governing the Administration of Securities Firms”, 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be capitalised. According to the Gin-Gwen-Zheng-Qi Letter No. 1110380212 dated January 21, 2022, provision basis for special reserve should be included in the amount of current year's undistributed earnings other than the current year's net income.
- B. The Company transferred provision on bad debt loss that had been set aside but not reversed to special reserve on initial application of IFRSs in accordance with Gin-Gwen-Zheng-Qi Letter No. 1010032090, dated July 10, 2012. Except for offsetting operating losses or special reserve exceeding 50% of the Company's paid-in capital after transferring, the Company could transfer half of special reserve as share capital.
- C. According to other regulations, upon the distribution of earnings, other than the setting aside of legal reserve, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative decrease in stockholders' equity of the prior period, an equal amount of special reserve set aside based on the undistributed earnings should not be distributed. If there is any reversal of the decrease in stockholders' equity, the earnings may be distributed based on the reversal proportion.
- D. In line with aforementioned regulations, the appropriation of 2019 earnings as resolved by the shareholders on May 27, 2020, the Company reversed special reserve in the amount of (\$8,027).

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% and 20% of the remaining amount shall be set aside as legal reserve and special reserve. In addition, if there is any surplus after the special reserve is set aside or reversed as required by regulations, the remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. Details of the earnings distribution for 2020 of the Company resolved by the stockholders' meeting on July 5, 2021 and the earnings distribution for 2019 resolved by the stockholders' meeting on May 27, 2020 are as follows:

	2020		2019	
	Dividends per		Dividends per	
	Amount	Share (in dollars)	Amount	Share (in dollars)
Legal reserve	\$111,467		\$113,580	
Special reserve	214,020		227,160	
Reversal of special reserve (Note)	-		(8,027)	
Cash dividends	811,934	\$ 2.80	799,924	\$ 3.20

Note : According to the Gin-Gwen-Zheng-Quan Letter No. 10500278285, the Company shall set aside 0.5% special reserve for staff education training, staff transfer or resettlement due to the development of financial technology and the protection of employee's right. The special reserve is reversed in accordance with the letter.

E. On March 10, 2022, the Board of Directors resolved the distribution of profits for 2021 as follows:

	2021	
	Dividends per	
	Amount	Share (in dollars)
Legal reserve	\$ 96,480	
Special reserve	192,960	
Cash dividends	666,945	\$ 2.30

(20) Other equity items

	Unrealised gains (losses) on valuation	Currency translation differences	Total
At January 1, 2021	\$ 1,342,428	(\$ 64,985)	\$ 1,277,443
Financial assets at fair value through other comprehensive income			
-Revaluation	471,095	-	471,095
-Revaluation transferred to retained earnings	(100,387)	-	(100,387)
Currency translation differences			
-Exchange differences	-	(32,238)	(32,238)
At December 31, 2021	\$ 1,713,136	(\$ 97,223)	\$ 1,615,913

	Unrealised gains (losses) on valuation	Currency translation differences	Total
At January 1, 2020	\$ 1,317,644	(\$ 21,375)	\$ 1,296,269
Financial assets at fair value through other comprehensive income			
-Revaluation	80,198	-	80,198
-Revaluation transferred to retained earnings	(55,414)	-	(55,414)
Currency translation differences			
-Exchange differences	-	(43,610)	(43,610)
At December 31, 2020	<u>\$ 1,342,428</u>	<u>(\$ 64,985)</u>	<u>\$ 1,277,443</u>

(21) Brokerage

	For the years ended December 31,	
	2021	2020
Dealers' commissions	<u>\$ 3,551,708</u>	<u>\$ 3,484,081</u>

(22) Net gain on trading of securities

	For the years ended December 31,	
	2021	2020
Revenue from sale of securities - dealing	\$ 6,006,382	\$ 1,251,265
Cost from sale of securities - dealing	(5,886,848)	(1,216,065)
Total	<u>\$ 119,534</u>	<u>\$ 35,200</u>

(23) Clearance fee from consignment

	For the years ended December 31,	
	2021	2020
Clearance fee from consignment - non-related parties	\$ 38,449	\$ 37,703
Clearance fee from consignment - related parties	26,736	35,487
Total	<u>\$ 65,185</u>	<u>\$ 73,190</u>

(24) Net gain on derivative financial instruments

	For the years ended December 31,	
	2021	2020
Non-hedging		
Gains (losses) from futures contract interests		
Futures contract gains	\$ 393,682	\$ 527,256
Futures contract losses	(411,447)	(659,810)
	<u>(\$ 17,765)</u>	<u>(\$ 132,554)</u>
Gains (losses) from options trading		
Gains from options trading	\$ 482,224	\$ 548,452
Losses from options trading	(481,026)	(324,662)
	<u>\$ 1,198</u>	<u>\$ 223,790</u>
Gains (losses) from leverage margin contract transactions		
Gains from leverage margin contract transactions	\$ 197,885	\$ 336,827
Losses from leverage margin contract transactions	(167,456)	(301,995)
	<u>\$ 30,429</u>	<u>\$ 34,832</u>
Gains from derivatives financial instruments	\$ 1,073,791	\$ 1,412,535
Losses from derivatives financial instruments	(1,059,929)	(1,286,467)
	<u>\$ 13,862</u>	<u>\$ 126,068</u>

(25) Service charge

	For the years ended December 31,	
	2021	2020
Service charge - brokerage	\$ 776,978	\$ 745,408
Service charge - dealing	3,572	6,252
Total	<u>\$ 780,550</u>	<u>\$ 751,660</u>

(26) Futures commission

	For the years ended December 31,	
	2021	2020
Entrusted futures transaction	\$ 294,270	\$ 297,791
Futures auxiliary business	356,297	344,152
Total	<u>\$ 650,567</u>	<u>\$ 641,943</u>

(27) Clearance fee

	For the years ended December 31,	
	2021	2020
Clearance fee - brokerage	\$ 571,691	\$ 557,650
Clearance fee - dealing	2,232	4,230
Total	<u>\$ 573,923</u>	<u>\$ 561,880</u>

(28) Operating expenses

	For the years ended December 31,	
	2021	2020
Employee benefit expense	\$ 676,198	\$ 662,662
Depreciation expense	114,664	83,434
Amortisation expense	12,164	12,097
Postage and telephone costs	98,725	95,353
Tax expenses	115,301	104,150
Computer information expenses	102,723	98,959
Donation	10,475	9,642
Institutional membership fees	32,269	33,683
Operating lease payments	123	644
Repair charge	31,254	27,126
Advertising costs	9,646	11,393
Service expenses	14,698	9,784
Other expenses	35,403	35,246
Total	<u>\$ 1,253,643</u>	<u>\$ 1,184,173</u>

(29) Employee benefit expense

	For the years ended December 31,	
	2021	2020
Wages and salaries	\$ 585,887	\$ 589,687
Labor and health insurance fees	38,811	34,294
Pension costs	18,839	17,900
Post-employment benefits	12,470	1,683
Other personnel expenses	20,191	19,098
	<u>\$ 676,198</u>	<u>\$ 662,662</u>

- A. In accordance with the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 0.01%~5.00% after covering accumulated deficit with the year-end earnings. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at \$3,952 and \$3,832, respectively, and the aforementioned amounts were recognised in salary expenses.
- B. Employees' compensation of 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- C. Information about employees' compensation of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Other gains and losses

	For the years ended December 31,	
	2021	2020
Interest income	\$ 339,968	\$ 694,306
Gains (losses) on disposals of investments	765 (	8,623)
Gains (losses) on disposals of property and equipment	271 (	259)
Dividend income	152,060	88,007
Net currency exchange losses	(9,213) (	15,991)
(Losses) gains on financial assets at fair value through profit or loss	(210)	1,696
Gains on lease modification	490	-
Others	81,496	65,702
Total	<u>\$ 565,627</u>	<u>\$ 824,838</u>

(31) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 165,816	\$ 277,398
Tax on undistributed surplus earnings	-	1,877
Prior year income tax under (over) estimation	742 (	7,933)
Total current tax	<u>166,558</u>	<u>271,342</u>
Deferred tax:		
Origination and reversal of temporary differences	22,120 (	15,861)
Total deferred tax	<u>22,120</u> (	<u>15,861</u>)
Income tax expense	<u>\$ 188,678</u>	<u>\$ 255,481</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	<u>\$ 1,032</u>	<u>(\$ 2,712)</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 209,792	\$ 265,116
Tax exempt income by tax regulation	(21,856)	(3,579)
Tax on undistributed surplus earnings	-	1,877
Prior year income tax under (over) estimation	742	(7,933)
Income tax expense	<u>\$ 188,678</u>	<u>\$ 255,481</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2021				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
— Accrued pension liabilities	\$ 5,419	(\$ 462)	(\$ 1,032)	\$ 3,925
Unrealised exchange loss	1,492	1,322	-	2,814
Expected credit losses	24,111	(910)	-	23,201
Others	12,625	(10,879)	-	1,746
Subtotal	<u>\$ 43,647</u>	<u>(\$ 10,929)</u>	<u>(\$ 1,032)</u>	<u>\$ 31,686</u>
Deferred income tax liabilities:				
— Others	-	(11,191)	-	(11,191)
Total	<u>\$ 43,647</u>	<u>(\$ 22,120)</u>	<u>(\$ 1,032)</u>	<u>\$ 20,495</u>

For the year ended December 31, 2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
— Accrued pension liabilities	\$ 2,788	(\$ 81)	\$ 2,712	\$ 5,419
Unrealised exchange loss	930	562	-	1,492
Expected credit losses	17,282	6,829	-	24,111
Others	4,074	8,551	-	12,625
Total	<u>\$ 25,074</u>	<u>\$ 15,861</u>	<u>\$ 2,712</u>	<u>\$ 43,647</u>

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

The Company's subsidiary, SYF Information Co. Ltd.'s income tax returns through 2019 have been assessed and approved by the Tax Authority.

(32) Earnings per share

For the year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 860,282	289,976	\$ 2.97
For the year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,070,099	252,799	\$ 4.23

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's parent and ultimate controlling party is Yuanta Financial Holding Co., Ltd., which owns 66.27% of the Company's shares.

(2) The names and relationship of related parties

Names	Relationship with the Group
Yuanta Financial Holdings	The parent company of the Company
Yuanta Bank Co., Ltd.	The same group of enterprises
Yuanta Securities Co., Ltd.	The same group of enterprises
Yuanta Life Insurance Co., Ltd.	The same group of enterprises
Yuanta Securities Investment Trust Co., Ltd.	The same group of enterprises
Yuanta Securities Investment Consulting Co., Ltd.	The same group of enterprises
Yuanta Securities Korea Co., Ltd.	The same group of enterprises
Yuanta Securities (Hong Kong) Co., Ltd.	The same group of enterprises
Funds managed by Yuanta Securities Investment Trust	The funds managed by same group of enterprises
Yuanta Futures (Hong Kong) Co., Ltd.	The subsidiary company of the Company
Yuanta Cultural & Educational Foundation	Related parties in substance
Yuanta Polaries Research	Related parties in substance
Taiwan Securities Association	A director of Yuanta Group acting as its key management (Note)
Other	Refer to the same enterprise group, parent company, substantial related parties and its major shareholders, key management and its related investment enterprises and other companies or institutions who is also held by the Company's chairman of the director or general manager, or have spouse or relatives in the same position.

Note: Taiwan Securities Association is no longer as related party since January 1, 2021.

(3) Significant related party transactions and balances

A. Cash and cash equivalents/ operating guarantee deposits/ customer margin deposits

	December 31, 2021				
	Bank deposits	Operating guarantee deposits	Customer margin deposits	Futures trading margin Own funds	Excess margin
Subsidiary					
Yuanta Futures (Hong Kong) Co., Ltd.	\$ -	\$ -	\$ 519,977	\$ 205	\$ 15,425
Fellow subsidiary					
Yuanta Bank Co., Ltd.	3,188,646	140,000	16,272,127	-	-
	<u>\$ 3,188,646</u>	<u>\$ 140,000</u>	<u>\$ 16,792,104</u>	<u>\$ 205</u>	<u>\$ 15,425</u>

December 31, 2020					
	Bank deposits	Operating guarantee deposits	Customer margin deposits	Futures trading margin Own funds	Excess margin
Subsidiary					
Yuanta Futures (Hong Kong) Co., Ltd.	\$ -	\$ -	\$ 465,625	\$ 1,515	\$ 25,516
Fellow subsidiary					
Yuanta Bank Co., Ltd.	880,409	140,000	11,408,201	-	-
	<u>\$ 880,409</u>	<u>\$ 140,000</u>	<u>\$ 11,873,826</u>	<u>\$ 1,515</u>	<u>\$ 25,516</u>

B. Leverage margin contract trading client margin deposits

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	<u>\$ 200,734</u>	<u>\$ 257,218</u>

C. Accounts receivable - related parties

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 2,002</u>	<u>\$ 3,569</u>

D. Prepayments

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Life Insurance Co., Ltd.	<u>\$ 1,449</u>	<u>\$ 1,351</u>

E. Other receivables - related parties

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	<u>\$ 4,165</u>	<u>\$ 3,876</u>

F. Leasing arrangements — lessee

- a. The Company leases buildings from Yuanta Bank Co., Ltd., Yuanta Securities Co., Ltd. and Yuanta Life Insurance Co., Ltd. with a lease term from 2.5 months to 5 years and rents are paid monthly.
- b. Acquisition of right-of-use assets

For the years ended December 31,		
	2021	2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	\$ 1,949	\$ -
Yuanta Securities Co., Ltd.	4,089	-
Yuanta Life Insurance Co., Ltd.	-	188,688
	<u>\$ 6,038</u>	<u>\$ 188,688</u>

c. Rental expense

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	\$ 16	\$ 37
Yuanta Securities Co., Ltd.	39	244
	<u>\$ 55</u>	<u>\$ 281</u>

d. Lease liabilities

(a) Outstanding balance

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	\$ 7,051	\$ 891
Yuanta Life Insurance Co., Ltd.	153,175	188,902
Yuanta Securities Co., Ltd.	-	5,636
	<u>\$ 160,226</u>	<u>\$ 195,429</u>

(b) Interest expense

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	\$ 26	\$ 14
Yuanta Life Insurance Co., Ltd.	1,083	214
Yuanta Securities Co., Ltd.	8	129
	<u>\$ 1,117</u>	<u>\$ 357</u>

G. Refundable deposits

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	\$ 10,304	\$ 10,199
Yuanta Life Insurance Co., Ltd.	6,740	6,991
Yuanta Securities Co., Ltd.	-	5,154
A director of Yuanta Group acting as its key management		
Taiwan Securities Association	-	300
	<u>\$ 17,044</u>	<u>\$ 22,644</u>

H.Futures traders' equity

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary		
Yuanta Futures (Hong Kong) Co., Ltd.	\$ 165,748	\$ 140,472
Fellow subsidiary		
Yuanta Bank Co., Ltd.	84,459	-
Yuanta Securities Co., Ltd.	4,754,268	7,280,656
Yuanta Securities (Hong Kong) Co., Ltd.	118,304	91,086
Yuanta Securities Korea Co., Ltd.	209,437	200,709
Funds managed by fellow subsidiary		
Funds managed by Yuanta		
Securities Investment Trust	29,244,360	28,223,681
Other related parties	88,823	73,478
	<u>\$ 34,665,399</u>	<u>\$ 36,010,082</u>

I.Accounts payable - related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 19,749</u>	<u>\$ 23,586</u>

J.Other payables - related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Parent Company		
Yuanta Financial Holdings	\$ 724	\$ 30
Fellow subsidiary		
Yuanta Securities Co., Ltd.	51	186
Yuanta Life Insurance Co., Ltd.	1,040	-
Other related parties	27	9
	<u>\$ 1,842</u>	<u>\$ 225</u>

K.Brokerage

	For the years ended December 31,	
	2021	2020
Subsidiary		
Yuanta Futures (Hong Kong) Co., Ltd.	\$ 936	\$ 698
Fellow subsidiary		
Yuanta Bank Co., Ltd.	551	22
Yuanta Securities Co., Ltd.	84,103	100,481
Yuanta Securities (Hong Kong) Co., Ltd.	6,810	3,980
Yuanta Securities Korea Co., Ltd.	2,047	4,121
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	134,998	140,818
Other related parties	8,662	6,723
	<u>\$ 238,107</u>	<u>\$ 256,843</u>

L.Dividend income

	For the years ended December 31,	
	2021	2020
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	\$ -	\$ 873

M.Securities commissions revenue

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 19,880</u>	<u>\$ 7,972</u>

N.Clearance fee from consignment

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 26,736</u>	<u>\$ 35,487</u>

O.Futures advisory revenues

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 88</u>	<u>\$ 93</u>

P. Other operating revenues - Co-marketing revenue

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Securities Investment Trust	\$ 1	\$ 1
Yuanta Bank Co., Ltd.	-	1
	<u>\$ 1</u>	<u>\$ 2</u>

Q. Futures commissions expense and consigned/entrusted foreign futures trading commissions

	For the years ended December 31,	
	2021	2020
Subsidiary		
Yuanta Futures (Hong Kong) Co., Ltd.	\$ 7,942	\$ 6,377
Fellow subsidiary		
Yuanta Securities Co., Ltd.	303,403	284,601
	<u>\$ 311,345</u>	<u>\$ 290,978</u>

The Company engaged with Yuanta Securities Co., Ltd., and Yuanta Futures (Hong Kong) Co., Ltd. for the purpose of futures trading and consigned/entrusted foreign futures trading, that is, the Company acts as an agent for trading of futures contracts and futures option contracts for its customers. The futures commission expense and payment terms do not have any significant difference between related parties and non-related parties.

R. Service fees

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Securities Investment Consulting Co., Ltd.	\$ 3,600	\$ 3,600
Yuanta Securities Co., Ltd.	1,874	1,748
	<u>\$ 5,474</u>	<u>\$ 5,348</u>

S. Interest income

	For the years ended December 31,	
	2021	2020
Subsidiary		
Yuanta Futures (Hong Kong) Co., Ltd.	\$ 210	\$ 845
Fellow subsidiary		
Yuanta Bank Co., Ltd.	89,062	105,680
Yuanta Life Insurance Co., Ltd.	53	18
Yuanta Securities Co., Ltd.	19	54
A director of Yuanta Group acting as its key management		
Taiwan Securities Association	-	3
	<u>\$ 89,344</u>	<u>\$ 106,600</u>

Interest income includes the interest from demand deposits, time deposits, customer margin deposits, and operating guarantee deposits. See Note 6(7) for details of operations guarantee deposits.

T. Interest expense

	For the years ended December 31,	
	2021	2020
Subsidiary		
Yuanta Futures (Hong Kong) Co., Ltd.	\$ 2	\$ 32
Fellow subsidiary		
Yuanta Bank Co., Ltd.	5	4
Yuanta Securities (Hong Kong) Co., Ltd.	-	56
Yuanta Life Insurance Co., Ltd.	53	18
Yuanta Securities Co., Ltd.	935	1,522
Yuanta Securities Korea Co., Ltd.	6	74
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities Investment Trust	1,952	11,708
	<u>\$ 2,953</u>	<u>\$ 13,414</u>

U. Donation expenditure

	For the years ended December 31,	
	2021	2020
Yuanta Cultural & Education Foundation	\$ 4,000	\$ 2,750
Yuanta Polaris Research	1,050	1,190
	<u>\$ 5,050</u>	<u>\$ 3,940</u>

V. Property transactions

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Acquisition of financial assets		
Funds managed by fellow subsidiary		
Funds managed by Yuanta		
Securities Investment Trust	<u>\$ -</u>	<u>\$ 1,349</u>

The gains (losses) on disposal of funds managed by fellow subsidiary were \$692 and (\$9,755) for the years ended December 31, 2021 and 2020, respectively.

In the year 2021, the Company sold transportation equipment to Yuanta Securities Co., Ltd., the disposal price was \$405, and gains on disposal was \$347.

In the year 2020, the Company purchase transportation equipment from Yuanta Securities Co., Ltd. and Yuanta Bank Co., Ltd.. The price of transportation equipment were \$590 and \$850, respectively and classified as equipment.

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 203,555	\$ 180,609
Post-employment benefits	4,359	5,363
Other long-term benefits	1,923	1,896
	<u>\$ 209,837</u>	<u>\$ 187,868</u>

8. PLEDGED ASSETS

None.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2021, the amount for the contracts of capital expenditures signed by the Company is \$355,208. Based on the contracts, the amount that was paid is \$143,305 and the amount that was not yet paid is \$211,903.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. DERIVATIVE INSTRUMENT TRANSACTIONS

The Company had derivative financial instrument trading as follows:

December 31, 2021						
Item	Object of transaction	Buyer /Seller	Open Interest		Margin paid (received)	Fair value
			Number of contract(s) (lot)			
Futures contracts (Domestic)	TX	Buyer	4	\$	14,533	\$ 14,567
	MTX	Buyer	6		5,484	5,467
	MTX	Seller	27 (		24,574) (	24,582)
	Stock Futures	Buyer	462		133,635	135,388
	Stock Futures	Seller	1,045 (		221,912) (	225,729)
	TF	Buyer	1		1,714	1,714
Futures contracts (Overseas)	Index Futures	Buyer	5		17,067	17,039
	Index Futures	Seller	5 (		20,604) (	20,567)
	Metal Futures	Buyer	2		990	1,012
	Energy Futures	Seller	2 (		4,180) (	4,164)
Option contracts (Domestic)	TXO	Buy call	45		589	780
	TXO	Buy put	48		514	439
	TXO	Sell call	48 (		575) (	611)
	TXO	Sell put	45 (		516) (	315)

Note: The Company does not have any derivative financial instruments for hedging purpose.

December 31, 2020

Item	Object of transaction	Open Interest				Remarks
		Buyer /Seller	Number of contract(s) (lot)	Margin paid (received)	Fair value	
Futures contracts (Domestic)	TX	Buyer	28	\$ 81,660	\$ 82,197	
	TX	Seller	6 (	17,374)	(17,614)	
	MTX	Buyer	252	183,531	185,025	
	MTX	Seller	29 (	21,205)	(21,308)	
	Stock Futures	Buyer	1,823	243,912	270,184	
	Stock Futures	Seller	1,664 (	111,447)	(117,229)	
	TE	Buyer	4	11,457	11,477	
	TF	Seller	4 (	4,994)	(5,114)	
Futures contracts (Overseas)	Grain Futures	Buyer	1	469	494	
	Energy Futures	Buyer	5	8,118	8,129	
	Index Futures	Buyer	6	38,761	39,039	
	Index Futures	Seller	9 (	19,520)	(19,509)	
Option contracts (Domestic)	TXO	Buy call	60	949	1,411	
	TXO	Buy put	396	2,493	1,588	
	TXO	Sell call	372 (	6,995)	(8,687)	
	TXO	Sell put	62 (	196)	(116)	
	Stock options	Buy call	66	300	569	
	Stock options	Buy put	132	667	301	
	Stock options	Sell call	272 (	2,928)	(4,174)	
	Stock options	Sell put	20 (	82)	(44)	
	TEO	Sell call	20 (	205)	(311)	
	TFO	Buy call	20	173	297	

Note: The Company does not have any derivative financial instruments for hedging purpose.

12. RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES COMMISSION

MERCHANTS LAWS

According to Regulations Governing Futures Commission Merchants

Article	Calculation formula	December 31, 2021		December 31, 2020		Standard	Enforcement (Note3)
		Calculation	Ratio	Calculation	Ratio		
17	<i>Equity</i>	12,349,898	5.07	11,858,562	9.20	≥ 1	Satisfied
	<i>(Total liabilities - Future traders' equity)</i>	2,434,221		1,289,338			
17	<i>Current assets</i>	90,816,473	1.11	91,215,855	1.09	≥ 1	Satisfied
	<i>Current liabilities</i>	81,596,771		83,636,571			
22	<i>Equity</i>	12,349,898	1165.08%	11,858,562	1118.73%	$\geq 60\%$ $\geq 40\%$ (Note 2)	Satisfied
	<i>Minimum paid - in capital (Note 1)</i>	1,060,000		1,060,000			
22	<i>Adjusted net capital</i>	10,619,823	64.72%	8,480,028	54.56%	$\geq 20\%$ $\geq 15\%$	Satisfied
	<i>Total margin deposit required for futures traders, not yet off-set</i>	16,408,186		15,541,267			

Note 1: "Minimum paid-in capital" shall be in compliance with futures commission merchants standard set of capital amount or designated appropriation of operating capital amount.

Note 2: For the entrusted foreign futures trading of foreign futures merchants, the standard ratios (equity / minimum paid-in capital) are adjusted to 50% and 30%, respectively.

Note 3: "Enforcement" column shall state whether or not the financial ratio requirements are satisfied; if not, an explanation is needed to be filed with a specific appointed institution or establish an improvement plan.

13. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER

- (1) Credit risk is the main risk for engaging in futures brokerage business since the Company must demand collecting trading margin deposits from customers. The credit risk occurs when the customers fail to pay margin deposits. The Company acts as agents for trading futures and options contracts and should pay attention to daily margin credit as to control credit risk. Market risk is also noted in the industry due to dealer business. Dealer business is price index sensitive, therefore, the Company pre-sets stop loss point for risk management purposes.
- (2) The specific risks of the Company's futures brokerage business are outlined below:

Futures trading has a characteristic of low margin. Therefore, the risks of futures trading include: when the futures market trend is unfavorable for customers, futures firms may demand to collect additional trading margin deposits from customers to keep certain margin level. If the customers fail to pay margin deposits in a period prescribed, futures firms have the right to offset the contract amount of the customers by the additional margin deposits demanded. Further, futures firms may incur losses when futures market prices fluctuate drastically and the customers are unable to settle futures contracts.
- (3) See Note 21 for significant financial risk information on futures dealer business.

14. SEGMENT INFORMATION

In accordance to Article 28 of the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants 28, when futures commission merchants prepare parent company only financial statements, it is not required to prepare segment information within the scope of IFRS 8.

15. SUBSEQUENT EVENTS

On June 30, 2021, to streamline organization structure, the Board of Directors of the Company approved to liquidate SYF Information (Shanghai) Limited. The liquidation had been approved by the competent authority on July 12, 2021. The local competent authority approved the liquidation on February 14, 2022, and the process is still ongoing.

16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

- (1) Financing activities to any company or person: None.
- (2) Endorsements and guarantees provided: None.
- (3) Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.
- (4) Disposal of real estate properties exceeding \$300 million or 20% of the Companies' paid-in capital: None.
- (5) Handling fee discounts on transactions with related parties in excess of NT\$5,000,000 : None.
- (6) Accounts receivable from related parties reaching \$100 million or over 20% of paid-in capital balance: None.

17. INFORMATION ON INVESTEEES

(1) Names of investee companies, locations, and related information are as follows:

Investor	Investee	Location	Set up date	FSC Approved Number	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Operating revenue of the investee	Net income (loss) of the investee	Investment income (loss) recognised by the Company	Cash dividend for the current period	Note
						Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares (in thousands)	Ownership (%)	Book value					
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	Hong Kong	2010.12.2	Gin-Gwen-Zheng-Qi Letter No.0990055943	Financial Services	1,033,971	1,033,971	34,000	100.00%	855,254	\$115,261	(\$ 38,209)	(\$ 38,209)	-	Subsidiaries
Yuanta Futures Co., Ltd.	SYF Information Co., Ltd.	Taiwan	2012.11.9	Gin-Gwen-Zheng-Qi Letter No.1010035210	Information Technology Services	350,000	350,000	35,000	100.00%	286,527	-	5,127	5,127	-	Subsidiaries

(2) Information on investee companies with direct or indirect controlling interest is as follows:

- A. Financing activities to any company or person: None.
- B. Endorsements and guarantees provided: None.
- C. Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.
- D. Disposal of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Handling fee discounts on transactions with related parties in excess of \$5 million : None.
- F. Accounts receivable from related parties reaching \$100 million or over 20% of paid-in capital: None.
- G. Other: Significant transactions between parent company and subsidiaries: None.

18. DISCLOSURE OF INFORMATION ON SETTING UP BRANCH OFFICES AND REPRESENTATIVE

None.

19. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENT IN MAINLAND CHINA

(1) Basic information:

Name of investee in Mainland China	Main business activities	Issued capital	Investment method (Note 1)	Beginning balance of foreign investment from Taiwan	Investment movement within this period		Ending balance of foreign investment from Taiwan	Net income (loss) of the investee	Percentage of direct or indirect investment holding (%)	Gain (loss) recognised during the period (Note 2) (2.C)	Book value as of December 31, 2021	Accumulated gain returned at end of period
					Invested amount	Returned amount						
SYF Information (Shanghai) Limited	Research & development and production of computer software, etc.	\$ 157,209	(3)	\$ 157,209	\$ -	\$ -	\$ 157,209	(\$ 356)	100	(\$ 356)	\$ 113,698	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 157,209	\$ 174,000	\$ 7,409,939

Note 1: Investment types are categorised into three sub-sections, as follows:

- (1) Direct investment in entities of Mainland China.
- (2) Reinvest in entities of Mainland China through indirect investment in the third place.
- (3) Through a subsidiary to invest in a company in Mainland China.

Note 2: In the 'Gain (loss) recognised during the period' column:

- (1) It should be indicated if the investee was still in the incorporation stage and had not yet any profit during this period.
- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
 - A. The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - B. The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - C. Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

- (2) Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.
- (3) On June 30, 2021, to streamline organization structure, the Board of Director of Yuanta Futures approved to liquidate SYF Information (Shanghai) Limited. The liquidation had been approved by the competent authority on July 12, 2021. The local competent authority approved the liquidation on February 14, 2022, and the process is still ongoing.

20. MAJOR SHAREHOLDERS INFORMATION

Futures commission merchants, whose stocks are listed for trading on the stock exchange or over-the-counter exchange, shall disclose the name, the number of shares held and shareholding ratio of the shareholders with a shareholding ratio of 5 percent or greater.

Shares	Number of shares held (thousands)	Shareholding ratio
Major Shareholder		
Yuanta Financial Holdings Co., Ltd.	192,167	66.27%
Cathay Life Insurance Co., Ltd.	23,998	8.27%
Luo Sheng Fong Co., Ltd.	17,711	6.10%

21. FINANCIAL RISK MANAGEMENT

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company adopted to strengthen risk-adjusted return on capital, which allocated the Company's capital effectively.

(2) Financial instruments

The methods of reporting derivative financial instruments on financial statements: please refer to the Notes 6(1), 6(2), 6(24).

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market has to satisfy all the following conditions: a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks, beneficiary certificates and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

(A) The carrying amounts of cash and cash equivalents, customer margin deposits, futures trading margin receivable, security leading deposits, accounts receivable, accounts receivable – related parties, other receivables, other receivables – related parties, leverage margin contract trading client margin deposits, other current assets, operating guarantee deposits, clearing and settlement funds, refundable deposits, futures traders' equity, leverage margin contract transaction traders' equity, accounts payable, accounts payable – related parties, other payables, other payables – related parties and other current liabilities are approximate to their

fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2021 and 2020 is as follows:

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 231,793	\$ -	\$ -	\$ 231,793
Futures	16,347	-	-	16,347
Options	1,219	-	-	1,219
Derivatives Assets - Leverage margin contract transaction	-	36,525	-	36,525
Financial assets at fair value through other comprehensive income				
Equity securities	933,305	-	1,806,258	2,739,563
Total	<u>\$ 1,182,664</u>	<u>\$ 36,525</u>	<u>\$ 1,806,258</u>	<u>\$ 3,025,447</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 926</u>
December 31, 2020	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 178,080	\$ -	\$ -	\$ 178,080
Beneficiary certificates	601,666	-	-	601,666
Futures	62,741	-	-	62,741
Options	4,166	-	-	4,166
Derivatives Assets - Leverage margin contract transaction	-	13,537	-	13,537
Financial assets at fair value through other comprehensive income				
Equity securities	759,128	-	1,514,827	2,273,955
Total	<u>\$ 1,605,781</u>	<u>\$ 13,537</u>	<u>\$ 1,514,827</u>	<u>\$ 3,134,145</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	\$ 13,332	\$ -	\$ -	\$ 13,332
Security borrowing payable - non-hedging	207,340	-	-	207,340
Total	<u>\$ 220,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,672</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- (A) The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss, or financial assets at fair value through other comprehensive income.
- (B) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (C) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (D) Specific valuation techniques used to value financial instruments include:
 - a. Quoted market prices or dealer quotes for similar instruments.
 - b. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
- E. For the years ended December 31, 2021 and 2020, there were no transfer between Level 1 and Level 2.
- F. The following table presents the changes in level 3 instruments for the years ended December 31, 2021 and 2020.

	Equity securities
January 1, 2021	\$ 1,514,827
Gains and losses recognised in other comprehensive income (Note)	291,431
December 31, 2021	<u>\$ 1,806,258</u>
	Equity securities
January 1, 2020	\$ 1,518,539
Gains and losses recognised in other comprehensive income (Note)	(3,712)
December 31, 2020	<u>\$ 1,514,827</u>

Note: Recorded as unrealised valuation gain or loss on financial assets at fair value through other comprehensive income.

- G. The following is the quantitative information of significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Non-listed stocks	\$ 1,806,258	Market multiplier approach	Discount of marketability	40%	The higher the discount of marketability, the lower the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity					
Non-listed stocks	\$ 1,514,827	Market multiplier approach	Discount of marketability	40%	The higher the discount of marketability, the lower the fair value

- H. The valuation process for fair values classified at Level 3 is the responsibility of the risk management department, which verifies the financial instrument's fair value. The result of the evaluation is then reviewed and approved by the risk management department of the Company's parent company. The risk management department evaluates the independence, reliability, consistency, and representativeness of the information source, and periodically verifies the valuation model and calibrates the valuation parameters, ensuring the valuation process and valuation results are in accordance with IFRS's requirements.
- I. Use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial instruments categorised within Level 3 if the valuation input of financial instrument classified in Level 3 moves upward or downward by 1%:

	December 31, 2021	
	Recognised in other comprehensive income	
	Favourable change	Unfavourable change
Financial assets		
Equity instrument	\$ 7,741	(\$ 7,741)
	December 31, 2020	
	Recognised in other comprehensive income	
	Favourable change	Unfavourable change
Financial assets		
Equity instrument	\$ 5,050	(\$ 5,050)

(4) System of risk management

A. Objectives of risk management

The Company controls any potential losses that might incur in operations within its tolerable limits by increasing completeness of risk management mechanism, establishing efficient risk management measures, models and systems, and monitoring the changes of whole risks strictly.

B. Risk management system

The Company's risk management system is in compliance with the "Risk Management Policy" of Yuanta Financial Holding Co., Ltd. and "Risk Management Practice Principles for Futures Commission Merchants" of Taiwan Futures Exchange. The Company has established the Risk Management Policy, which is the internally highest risk management standard authorised by the Board of Directors, comprising objectives, scopes, powers and responsibilities, and procedures of risk management.

C. Organizational structure of risk management

(A) The Company's organizational structure of risk management comprises the Board of Directors, Audit Committee, high management level, Risk Management Department, Legal Compliance Department, Auditing Office, each business unit and each functional committee; they all together form three lines of defense for risk management.

- a. First line of defense: this includes each business unit and each functional committee, whose personnel are serving in the operational or administration division and have responsibilities for risk identification, risk assessment and risk control.
- b. Second line of defense: this includes high management level, Risk Management Department and Legal Compliance Department, which are responsible for risk monitoring, risk management and taking measures in response to risk issues in accordance with the Company's Risk Management Policy. The Company also takes part in the Risk Management Committee of Yuanta Financial Holding Co., Ltd. for integration of risk control and management in the Company.
- c. Third line of defense: this includes the Board of Directors, Audit Committee and Auditing Office. Auditing Office conducts audits especially in the risk consideration to ensure every risk is under control.

(B) The function of each unit in the structure of risk management of the Company is as follows:

- a. The Board of Directors: The Board of Directors has ultimate responsibility for risk management on all businesses and operations in the Company; it shall be fully aware of every risk exposure to the Company, and then determines tolerable limit for every risk, allocates resources effectively, and authorizes relevant departments to execute risk measures for the achievement of effective risk management. The Board of Directors hears risk management and other related reporting by Risk Management Department, Auditing Office and Finance Department regularly to evaluate the impact of every risk and the impact on capital allocation, and determines responding strategies.
- b. Audit Committee: Audit Committee directs the execution of the risk management system under the commission of the Board of Directors; its main duties include review of the Company's risk scopes and risk toleration capability, of the Risk Management Policy and relevant principles, and of annual authorised acceptable limit of risk of each kind, as well as directing the execution of the risk management system.
- c. Risk Management Department: this department, an independent department under the Board of Directors, is responsible for market risk, liquidity risk and credit risk management, and controls operational risk with Auditing Office together; its main duties include daily risk monitoring and assessments of risk management affairs. Risk Management Department exercises its authority independently from business units and trading activities, and holds accountability to the Board of Directors directly. By employing the risk management information system, Risk Management Department checks the use status of risk limits authorized to each business unit, and assesses risk

exposures and extent of risk concentration, and submits risk management reports regularly.

- d. Auditing Office: Auditing Office, an independent department under the Board of Directors, is responsible for legislation and internal control system compliance management, operational risk management and supervision of operational risk management procedures. In accordance with the internal control rules of regulatory authorities, and adjusted operational risk management procedures appropriately in line with the amendments to the regulations of regulatory authorities, Taiwan Futures Exchange and Chinese National Futures Association or for the changes in the Company's business.
- e. Legal Compliance Department: this department is responsible for review of legal compliance for the Company's businesses, operations, trading and transaction contracts/documents and offering legal options on those aspects and pushing the execution of legal compliance within the Company together with Auditing Office.
- f. Each business unit: Each business unit is liable for the first-line risk management. The directors of each business unit are in charge of the whole risk management on businesses and trading activities of the unit, including analyzing and controlling risk exposures, drawing up responding plans and taking measures against risk when necessary, and also conveying related information to Risk Management Department to ensure the risk control mechanism and procedures are all effectively executed, and comply with the legislation and the Company's Risk Management Policy and regulations.

D. Procedures of risk management

The Company's procedures of risk management include risk identification, risk measurement, risk management and risk reporting. The design of these procedures is to ensure all risks faced by the Company can be effectively controlled.

- (A) Risk identification: The Company identifies risks, through business and product analyses, that may arise during the courses of operations, including market risk, credit risk, liquidity risk, operational risk, legal risk and model risk, and finds out risk factors of risk exposure of each kind, selects appropriate method of risk measurement, and establishes risk indexes and judgment principles and risk control procedures that can be connected to the internal information system.
- (B) Risk management: The Company measures market risk by using scenario analysis, sensitivity analysis and VaR model and credit risk by using the credit rating system, option pricing model and following the Company's credit risk assessment rules. Operational risk is controlled by establishing standard operating procedures, establishing internal and external event notification mechanism, reviewing current operating procedures and employing operational risk management methods.
- (C) Risk management: Risk monitoring and control are performed through the establishment of acceptable limits of risks and division of authority and responsibilities. Different risk management tools and information systems and statements are developed and employed for different risks to raise the efficiency and quality of risk management.
- (D) Risk reporting: Risk information and risk management performing results are compiled as risk management statements or reports. These results are disclosed periodically and provided as a reference to the management in making risk management policy and rules.

E. Hedging and risk diminishing strategies

The Company has established hedging tools and hedging mechanisms for risks of each business based on its capital scale and risk toleration capability. Through hedging mechanisms, the Company may restrict risks within authorised limits, and employ authorised financial instruments, based on market conditions, business strategies, characteristics of commodities and risk management rules, to adjust risk positions within acceptable levels.

F. The impact of COVID-19

According to Gin-Gwen-Zhang-Quan Letter No. 1090362692 and IASB, the Company has conducted an assessment of COVID-19 related implications regarding impairment and valuation of financial instruments and disclosures. The scope of assessment entailed (1) the Company's ability to continue as a going concern, (2) impairment of non-financial instruments, (3) financing risk, (4) the risk assessment and ongoing monitoring of bond investment and its expected credit loss. The COVID-19 pandemic had no impact on the Company based on its assessment. However, the Company will keep track of the development of the COVID-19 pandemic, as well as assess the significant impact on the Company's financial condition and financial performance and manage it accordingly.

(5) Market risk

The Company's financial assets include bank deposits, other short-term notes and bills authorised by Ministry of Finance, domestic listed stocks, securities investment trust funds, offshore funds authorised by competent authorities to be raised and sold in ROC, futures trust funds, futures trading listed in Article 5 of Futures Trading Act, other financial instruments authorised by competent authorities. The fair value of these financial assets would be changed by the fluctuations of market prices or interest rates.

To manage market risk, the Company has established the Rules of Financial Instruments Investment Risk Management, and established various control mechanisms based on the characteristics of financial instrument risks, such as position limits, profit and loss limits, and special authorization. The Company also conducts market risk quantitative management by employing VaR model in the measurement and control of market risk of each position.

Through the VaR model, the Company measures market risk by estimating maximum possible losses of the trading positions for the next day at the 99% confidence level. According to the types of trading, the VaR of equity trading, commodity trading, foreign-exchange-rate trading and interest-rate trading are as follows:

<Table> VaR of Trading of Different Types

Period: January 1 ~ December 31, 2021

Amount in thousands of NTD

Type of Trading	Foreign					Total
	Equity	Commodity	Exchange Rate	Interest Rate		
December 31, 2021	\$ 6,643	\$ 206	\$ 206	\$ -		\$ 6,281
Average	2,884	307	378	-		2,908
Lowest	283	1	199	-		461
Highest	23,814	1,391	739	-		23,743

Period: January 1 ~ December 31, 2020

Amount in thousands of NTD

Type of Trading	Foreign					Total
	Equity	Commodity	Exchange Rate	Interest Rate		
December 31, 2020	\$ 4,509	\$ 794	\$ 715	\$ -		\$ 4,743
Average	4,292	321	478	-		4,211
Lowest	521	2	270	-		590
Highest	49,719	1,538	1,676	-		48,760

Note 1 : Trading included futures dealer trading and securities dealer trading but not including medium and long-term securities investment.

Note 2 : Total category of value-at-risk may be less than the amount of value-at-risk of equity, commodity, foreign exchange rate and interest rate, that's due to diversification effects between different categories.

To ensure the VaR model can reasonably, completely and correctly measure the maximum potential risk of the financial instrument or portfolio, the Company continues to run model validation and back testing to ensure that the Company's VaR model can reasonably measure maximum potential losses of financial instruments or portfolios.

(6) Credit risk

A. The Company is exposed to credit risk from financial trading, including issuer credit risk, counterparty credit risk and underlying asset credit risk.

(A) Issuer credit risk occurs when issuer (or guarantor) of the financial debt instruments held by the Company or bank with which the Company deposits money fails to fulfill contractual obligations (or guarantor's obligations) because of its default, bankruptcy or liquidation, which would cause a financial loss to the Company.

(B) Counterparty credit risk occurs when counterparty of the financial instrument transaction undertaken by the Company fails to fulfill settlement or payment obligation on the appointed day, which would cause a financial loss to the Company.

(C) Underlying asset credit risk refers to the risk of loss that may arise from deterioration of credit quality of the underlying asset linked to the financial instruments or increasing of credit risk premium or downgrade of credit rating or contract default.

B. The financial assets of the Company with credit risk include bank deposits, OTC derivative trade, repurchase agreement/reverse repurchase agreement of bonds (bills), deposits for securities borrowing and lending trade, margins for futures trade, other refundable deposits¹ and receivables².

¹ Other refundable deposits include operating guarantee deposits, clearing and settlement funds and refundable deposits.

² Receivables include accounts receivable, other receivables and dealers' accounts receivable.

(A) Analysis of concentration of credit risk

a. Geographic location:

Percentages of credit risk exposure amounts of the Company's financial assets by geographic area were as follows (see the table below): As of December 31, 2021, the highest was Taiwan with 91.86%, the second was Asia with 4.22% and the third was Europe (excluding Taiwan) with 3.79%. Compared to the same period of last year, the proportion of investments in Europe and America have decreased in this period.

	December 31, 2021	December 31, 2020
Taiwan	\$ 83,221,481	\$ 81,429,606
Asia (excluding Taiwan)	3,821,681	3,854,947
Europe	3,429,684	5,744,579
America	120,220	195,532
Other	4,256	1,530
Total	<u>\$ 90,597,322</u>	<u>\$ 91,226,194</u>

b. Industry:

Percentages of credit risk exposure amounts of the Company's financial assets by industry were as follows (see the table below): Financial institutions accounted for 99.85% with other industry sectors representing less than 1%. Credit risk is concentrated in financial institutions because the Company's own funds and margins received from customers were both deposited with financial institutions, and counterparties of derivative trade undertaken by the Company were banks, futures clearing and settlement institution and re-consigned futures firms. The percentages distribution did not change significantly in this period compared to the corresponding period of last year.

	December 31, 2021	December 31, 2020
Privately owned businesses	\$ -	\$ 401,587
Financial institutions	90,461,707	90,683,573
Public enterprises	14,025	4
Other	121,590	141,030
Total	<u>\$ 90,597,322</u>	<u>\$ 91,226,194</u>

(B) Analysis of credit risk levels

a. Credit risk rating is categorised into Excellent, Standard, Below standard, Other and the definitions are illustrated below:

- (a) Excellent: The underlying position or an entity is capable of fulfilling its financial commitment even if facing significant uncertain factors or exposed to an adverse condition.
- (b) Standard: The underlying position or an entity's capacity to fulfill the contractual obligation is at an acceptable level, and any adverse movement toward operation, finance or economy could further weaken its capacity to fulfil financial commitment.
- (c) Below standard: The underlying position or an entity's capacity to fulfill the contractual obligation is weak, and the fulfillment of the contractual commitment

depends on the advantageous movement in operating environment and financial status.

(d) Other: This level shows that the counterparty or the underlying asset does not fulfill contractual obligations, or for other reasons fails to (or not) be applied with the internal credit risk ratings.

b. As of December 31, 2021, the credit quality levels of the Company's financial assets were classified as follows: Excellent is 98.10%, standard is 1.77%. The result of credit quality level classification did not change significantly compared to the same period last year. The proportion of financial assets classified as excellent had increased while assets classified as standard had decreased.

	December 31, 2021	December 31, 2020
Excellent	\$ 88,872,668	\$ 88,932,418
Standard	1,601,758	2,153,890
Below standard	122,896	139,886
Total	<u>\$ 90,597,322</u>	<u>\$ 91,226,194</u>

C. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

(A) The Company determines that there has been a significant increase in credit risk on a receivable (futures trading margin receivable and other receivables) if it is either past due over 30 days or in violation of the terms of the agreement.

(B) Refundable deposits that have not been returned and the number of days past the refund date is more than 30, excluding deposits not returned due to specific conditions set in the contract.

(C) At the balance sheet date, a debt instrument is considered to have significant increase in credit risk if the credit rating of the credit reference subject is non-investment grade and any of the following conditions apply:

- The credit rating of the credit reference subject has dropped by more than one scale since initial recognition.
- The implicit credit spread of the debt instrument has increased by a certain number of basis points since initial recognition.

(D) The definition of a financial asset in default

- The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- A debt instrument investment is considered in default if any of the following conditions apply:
 - Bond was credit-impaired at the time of purchase.
 - At the financial reporting date, the bond is rated as "in default."
 - Interest or principal payments have not been made in accordance with the issuance terms.
 - Due to credit condition of the issuer, the issuance terms were changed so that interest payments were delayed or not made at all.

- (e) The issuer or guarantor has ceased operations, applied for reorganisation, filed for bankruptcy, dissolved, or sold assets that have a significant impact on the company's ability to continue as a going concern.

(E) Write off policy

If the Company cannot reasonably expect to recover the entire or part of the financial asset, it will write off the entire or part of the financial asset.

(F) Measurement of expected credit loss and consideration of forward-looking information

Futures trading margin receivable

Obtain historical loss rates (based on the historical losses from the past three years, compare the current and past economic environments to the predicted future environment (forward-looking factor) and determine if there is a significant change; adjust the estimate for future loss rates accordingly).

- a. The total carrying amount, allowance for losses, and maximum exposure of "futures trading margin receivable" of the Company are as follows:

	December 31, 2021			
		Lifetime		
		Significant increase in	Credit impaired	
	12 months	credit risk		
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
Expected loss rate	0%	99.66%	100%	
Total book value	\$ -	\$ -	\$ 107,770	\$107,770
Loss allowance	\$ -	\$ -	(\$ 107,770)	(\$107,770)
Maximum exposure amount	\$ -	\$ -	\$ -	\$ -
	December 31, 2020			
		Lifetime		
		Significant increase in	Credit impaired	
	12 months	credit risk		
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
Expected loss rate	0%	99.29%	100%	
Total book value	\$ -	\$ -	\$ 120,901	\$ 120,901
Loss allowance	\$ -	\$ -	(\$ 120,901)	(\$ 120,901)
Maximum exposure amount	\$ -	\$ -	\$ -	\$ -

b. Movements in loss allowance for futures trading margin receivable is as follows:

	For the year ended December 31, 2021			
		Lifetime		
	12 months	Significant increase in credit risk	Credit impaired	
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
January 1, 2021	\$ -	\$ -	(\$ 120,901)	(\$ 120,901)
Reversal of impairment loss	-	-	3,755	3,755
Write-offs	-	-	9,376	9,376
December 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 107,770)</u>	<u>(\$ 107,770)</u>
	For the year ended December 31, 2020			
		Lifetime		
	12 months	Significant increase in credit risk	Credit impaired	
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
January 1, 2020	\$ -	\$ -	(\$ 86,409)	(\$ 86,409)
Provision for impairment	-	-	(39,021)	(39,021)
Reversal of impairment loss	-	-	4,529	4,529
December 31, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 120,901)</u>	<u>(\$ 120,901)</u>

(7) Liquidity risk analysis

- A. Liquidity risk of capital refers to the risk arising from the Company's inability to raise funds adequately in a period, which makes it unable to fulfill repayment or disbursement obligations on the expiry days. For liquidity risk management, the Company has established a warning system based on the nature of its businesses, including capital liquidity index, current ratio, loan lines granted by financial institutions and capital shortfall indication, which can estimate in advance the possible capital shortfall in certain periods and help the Company be aware of the overall liquidity risk of capital; the Company has also established a fund procurement plan in response to the occurrence of systematic risk events or exceptional capital flows. For the realization, marketability and safety of current assets, the Company has established the rules of capital risk management, which state the Company's bank deposits, bond trade, repo trade, etc. must meet certain level above of the internal rating and their positions and liquidity shall be monitored regularly.

B. The information about the maturity of the Company's financial liabilities is shown below. The Company's working capital is sufficient enough to meet its funding requirements in the future. Therefore it has no liquidity risk that would arise from inability to raise funds to fulfill repayment or disbursement obligations.

Cash flow analysis of financial liabilities on December 31, 2021

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~ 12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit or loss - current	\$ 926	\$ -	\$ -	\$ -	\$ -	\$ 926
214080	Futures traders' equity	80,868,836	-	-	-	-	80,868,836
214100	Leverage margin contract transaction traders' equity	282,808	-	-	-	-	282,808
221100	Bonds payable	-	-	-	-	1,497,401	1,497,401
214130	Accounts payable	13,717	123,139	-	-	-	136,856
214140	Accounts payable - related parties	-	19,749	-	-	-	19,749
214170	Other payables	-	176,285	5,764	1,939	197	184,185
214180	Other payables - related parties	-	1,842	-	-	-	1,842
216000	Lease liabilities - current	-	10,730	32,119	-	-	42,849
219000	Other current liabilities	-	24,903	6,240	-	-	31,143
226000	Lease liabilities - non-current	-	-	-	118,224	-	118,224
	Total	<u>\$ 81,166,287</u>	<u>\$ 356,648</u>	<u>\$ 44,123</u>	<u>\$ 120,163</u>	<u>\$ 1,497,598</u>	<u>\$ 83,184,819</u>
	Percentage (%) of overall	97.58%	0.42%	0.05%	0.15%	1.80%	100.00%

Cash flow analysis of financial liabilities on December 31, 2020

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~ 12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit or loss - current	\$ 220,672	\$ -	\$ -	\$ -	\$ -	\$ 220,672
214080	Futures traders' equity	82,588,649	-	-	-	-	82,588,649
214100	Leverage margin contract transaction traders' equity	243,573	-	-	-	-	243,573
214130	Accounts payable	1,632	156,279	-	-	-	157,911
214140	Accounts payable - related parties	-	23,586	-	-	-	23,586
214170	Other payables	-	220,175	12,872	7,805	197	241,049
214180	Other payables - related parties	-	225	-	-	-	225
216000	Lease liabilities - current	-	5,516	32,279	-	-	37,795
219000	Other current liabilities	-	11,961	7,623	-	-	19,584
226000	Lease liabilities - non-current	-	-	-	159,509	-	159,509
	Total	<u>\$ 83,054,526</u>	<u>\$ 417,742</u>	<u>\$ 52,774</u>	<u>\$ 167,314</u>	<u>\$ 197</u>	<u>\$ 83,692,553</u>
	Percentage (%) of overall	99.24%	0.50%	0.07%	0.19%	0.00%	100.00%

The analysis of cash flow gap on December 31, 2021

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~ 12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,082,416	\$ 1,775,200	\$ 5,428,400	\$ -	\$ -	\$ 8,286,016
112000	Financial assets at fair value through profit or loss - current	285,884	-	-	-	-	285,884
113200	Financial assets at fair value through other comprehensive income - current	806,830	-	-	-	-	806,830
114070	Customer margin deposits	81,058,821	-	-	-	-	81,058,821
114080	Futures trading margin receivable	107,770	-	-	-	-	107,770
114130	Accounts receivable	-	4,057	-	-	-	4,057
114140	Accounts receivable - related parties	-	2,002	-	-	-	2,002
114170	Other receivables	-	12,532	20	-	-	12,552
114180	Other receivables - related parties	-	4,165	-	-	-	4,165
114300	Leverage margin contract trading client margin deposits	347,405	-	-	-	-	347,405
123200	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	1,932,733	1,932,733
129010	Operating guarantee deposits	-	-	-	-	140,000	140,000
129020	Clearing and settlement funds	-	-	-	-	544,465	544,465
129030	Refundable deposits	-	-	-	35,978	-	35,978
	Subtotal	\$ 83,689,126	\$ 1,797,956	\$ 5,428,420	\$ 35,978	\$ 2,617,198	\$ 93,568,678
	Cash inflow	\$ 83,689,126	\$ 1,797,956	\$ 5,428,420	\$ 35,978	\$ 2,617,198	\$ 93,568,678
	Cash outflow	81,166,287	356,648	44,123	120,163	1,497,598	83,184,819
	The amount of capital gap	\$ 2,522,839	\$ 1,441,308	\$ 5,384,297	(\$ 84,185)	\$ 1,119,600	\$ 10,383,859

The analysis of cash flow gap on December 31, 2020

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~ 12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,232,359	\$ 1,175,200	\$ 3,788,400	\$ -	\$ -	\$ 6,195,959
112000	Financial assets at fair value through profit or loss - current	860,190	-	-	-	-	860,190
113200	Financial assets at fair value through other comprehensive income - current	655,432	-	-	-	-	655,432
114070	Customer margin deposits	82,809,012	-	-	-	-	82,809,012
114080	Futures trading margin receivable	120,901	-	-	-	-	120,901
114100	Security lending deposits	169,187	-	-	-	-	169,187
114130	Accounts receivable	-	199,609	-	-	-	199,609
114140	Accounts receivable - related parties	-	3,569	-	-	-	3,569
114170	Other receivables	-	18,934	41	-	-	18,975
114180	Other receivables - related parties	-	3,876	-	-	-	3,876
114300	Leverage margin contract trading client margin deposits	294,448	-	-	-	-	294,448
119990	Other current assets	-	23	-	-	-	23
123200	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	1,618,523	1,618,523
129010	Operating guarantee deposits	-	-	-	-	140,000	140,000
129020	Clearing and settlement funds	-	-	-	-	548,092	548,092
129030	Refundable deposits	-	243	4,911	35,302	-	40,456
	Subtotal	<u>\$ 86,141,529</u>	<u>\$ 1,401,454</u>	<u>\$ 3,793,352</u>	<u>\$ 35,302</u>	<u>\$ 2,306,615</u>	<u>\$ 93,678,252</u>
	Cash inflow	\$ 86,141,529	\$ 1,401,454	\$ 3,793,352	\$ 35,302	\$ 2,306,615	\$ 93,678,252
	Cash outflow	<u>83,054,526</u>	<u>417,742</u>	<u>52,774</u>	<u>167,314</u>	<u>197</u>	<u>83,692,553</u>
	The amount of capital gap	<u>\$ 3,087,003</u>	<u>\$ 983,712</u>	<u>\$ 3,740,578</u>	<u>(\$ 132,012)</u>	<u>\$ 2,306,418</u>	<u>\$ 9,985,699</u>

(8) Currency risk

- A. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows :

(Foreign currency: functional currency)

	December 31, 2021		December 31, 2020	
	Foreign currency (In thousands)	Exchange rate	Foreign currency (In thousands)	Exchange rate
<u>Financial instrument</u>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD/NTD	\$ 992,624	27.6800	\$ 1,223,264	28.4800
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD/NTD	\$ 982,275	27.6800	\$ 1,213,331	28.4800

- B. The total exchange gains and losses, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to (\$9,213) and (\$15,991), respectively.

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YUANTA FUTURES CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Cash:			
Petty cash		\$ 30	
Checking deposits		15	
Demand deposits			
New Taiwan dollar		253,895	
Foreign currency	EUR \$177, exchange rate 31.3200	5,559	
(in thousands)	AUD \$22, exchange rate 20.0800	434	
	GBP \$5, exchange rate 37.3000	193	
	HKD \$979, exchange rate 3.5490	3,474	
	JPY \$4,186, exchange rate 0.2405	1,007	
	USD \$1,839, exchange rate 27.6800	50,895	
	CNY \$490, exchange rate 4.3440	2,128	
Time deposits			
New Taiwan dollar	expiring within one year, interest rate 0.090%~0.800%	7,203,600	
		<u>7,521,230</u>	
Cash equivalents:			
Excess futures margin deposits		330,800	
Excess margin in foreign			
exchange margin trading		74,275	
Commercial paper with resale			
agreements		359,711	Note
		<u>\$ 8,286,016</u>	

Note : Expiring date: 2022/1/14-2022/1/24
Interest rate : 0.280%-0.290%

YUANTA FUTURES CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — CURRENT
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name of financial instrument	Description	Shares or units (in thousands)	Face value	Total amount (in thousands)	Interest rate	Fair value		Amount of the fair value attributable to change in the credit risk	Note
						Unit price (dollars)	Total amount		
<u>Listed stocks</u>									
Micro-Star International Co., Ltd.		375				\$ 60,240	\$ 160.50	\$ 60,188	
Others		1,254				92,985		94,004	Note 1
Subtotal						153,225		154,192	
<u>OTC stocks</u>									
Allied circuit Co., Ltd.		100				15,673	166.00	16,600	
Phison Electronics Corp.		30				14,334	512.00	15,360	
Others		345				41,539		45,641	Note 1
Subtotal						71,546		77,601	
Total						\$ 224,771		\$ 231,793	
<u>Derivative financial instruments – non-hedging</u>									
Futures contracts – non-hedging								\$ 16,347	
Options contracts – non-hedging								1,219	Note 2
Leverage margin contract transactions – non-hedging								36,525	
Subtotal								54,091	
Total								\$ 285,884	

Note 1: The other items do not exceed 5%.

Note 2: Contract amount or premiums paid was \$1,103 and the fair value at the balance sheet date was \$1,219.

YUANTA FUTURES CO., LTD.
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME — CURRENT
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name of financial instrument	Description	Shares or units		Total amount (in thousands)	Interest rate	Cost	Accumulated impairment	Fair value		Note
		(in thousands)	Face value					Unit price (dollars)	Total amount	
<u>Listed stocks / OTC stocks</u>										
Asustek computer Inc.		1,050	\$ -	\$ -	-	\$ 351,422	N/A	\$ 376.00	\$ 394,800	
Quanta computer Inc.		3,476	-	-	-	255,305	N/A	94.70	329,177	
Wistron Corporation		2,710	-	-	-	90,295	N/A	29.15	78,997	
Others		124	-	-	-	<u>3,502</u>	N/A		<u>3,856</u>	Note
						<u>\$ 700,524</u>			<u>\$ 806,830</u>	

Note : The other items do not exceed 5%.

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YUANTA FUTURES CO., LTD.
STATEMENT OF FUTURES TRADING MARGIN — OWN FUNDS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Clearing house (Other futures commission merchants)	Description	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar	Note
Taiwan Futures Exchange	Cash in bank	NTD	\$ -	-	\$ 294,733	
	Cash in bank	USD	220	27.6800	6,080	
	Cash in bank	CNY	947	4.3440	4,112	
					<u>304,925</u>	
ADM Investor Services, Inc Taiwan branch	Cash in bank	USD	56	27.6800	<u>1,541</u>	
Nissan Securities Co., Ltd.	Cash in bank	JPY	1,673	0.2405	<u>402</u>	
J.P.Morgan Securities Ltd.	Cash in bank	USD	841	27.6800	23,281	
	Cash in bank	JPY	51	0.2405	13	
	Cash in bank	GBP	4	37.3000	144	
	Cash in bank	EUR	3	31.3201	88	
					<u>23,526</u>	
Yuanta Futures (Hong Kong) Co., Ltd	Cash in bank	HKD	886	3.5490	3,145	Related party
	Cash in bank	USD	451	27.6800	<u>12,485</u>	Related party
					<u>15,630</u>	
StoneX Group Inc.	Cash in bank	USD	4	27.6800	<u>114</u>	
R.J. O'BRIEN & ASSOCIATES, LLC	Cash in bank	USD	36	27.6800	<u>1,009</u>	
					<u>\$ 347,147</u>	

Note: The Company's margin deposits for the futures contract was \$347,147 with excess margin of \$330,800, recognised in "Cash and cash equivalents".

YUANTA FUTURES CO., LTD.
STATEMENT OF CUSTOMER MARGIN DEPOSITS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
Cash in bank	\$ 59,406,731	73	\$ 61,028,517	74
Clearing house				
-Cash in bank	14,452,372	18	12,077,450	15
-Gains (losses) on open futures positions	(19,815)	-	107,625	-
-Securities	80	-	120	-
	<u>14,432,637</u>	<u>18</u>	<u>12,185,195</u>	<u>15</u>
Other futures commission merchants				
-Cash in bank	7,200,181	9	8,303,992	10
-Gains on open futures positions	<u>19,272</u>	<u>-</u>	<u>1,291,308</u>	<u>1</u>
	<u>7,219,453</u>	<u>9</u>	<u>9,595,300</u>	<u>11</u>
Total	<u>\$ 81,058,821</u>	<u>100</u>	<u>\$ 82,809,012</u>	<u>100</u>

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YUANTA FUTURES CO., LTD.
STATEMENT OF CUSTOMER MARGIN DEPOSITS — CASH IN BANK
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Bank	Account	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar	Note
Yuanta Bank	367210718820	NTD	\$ -	1.0000	\$ 11,779,839	
E.SUN COMMERCIAL BANK, LTD.	15441025618	USD	123,118	27.6800	3,407,897	
E.SUN COMMERCIAL BANK, LTD.	15441025629	USD	170,008	27.6800	4,705,828	
Shin Kong Commercial Bank Co., Ltd	611101001582	NTD	-	1.0000	4,901,370	
Others(Note)		NTD	-	1.0000	22,971,566	
		USD	372,523	27.6800	10,311,439	
		HKD	16,901	3.5490	59,982	
		EUR	19,750	31.3200	618,576	
		JPY	618,113	0.2405	148,656	
		GBP	3,581	37.3000	133,565	
		AUD	2,661	20.0800	53,435	
		SGD	114	20.4600	2,329	
		CHF	-	30.1750	11	
		CNY	71,878	4.3440	312,238	
					<u>\$ 59,406,731</u>	

Note: The items which amount exceed 5% of the total account amount shall be individually presented, while the others that do not meet aforementioned threshold can be collectively presented.

YUANTA FUTURES CO., LTD.
STATEMENT OF CUSTOMER MARGIN DEPOSITS — CLEARING BALANCES WITH FUTURES
CLEARING HOUSE
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Clearing house	Description	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar (the marked-to- market value of pledged deposits)	Note
Taiwan Futures Exchange	Cash in bank	NTD	\$ -	1.0000	\$ 8,707,677	
		USD	51,072	27.6800	1,413,666	
		HKD	772	3.5490	2,739	
		CNY	5,692	4.3440	24,724	
		JPY	10,336	0.2405	2,486	
		GBP	9,490	37.3000	353,977	
		EUR	126,025	31.3200	3,947,103	
	Gains (losses) on open futures position	NTD	-	1.0000	(19,914)	
		USD	(1)	27.6800	(34)	
		CNY	17	4.3440	72	
		JPY	253	0.2405	61	
	Securities	NTD	-	1.0000	80	
					<u>\$ 14,432,637</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF CUSTOMER MARGIN DEPOSITS — CLEARING BALANCES WITH OTHER
FUTURES COMMISSION MERCHANTS
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)						
Other futures commission merchants	Description	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar	Note
G.H. Financials (Hong Kong) Limited	Cash in bank	AUD	\$ 2,757	20.0800	\$ 55,370	
	Gains (losses) on open futures position	AUD	(148)	20.0800	(2,981)	
					<u>52,389</u>	
	Cash in bank	USD	74	27.6800	2,055	
	Gains (losses) on open futures position	USD	-	27.6800	-	
					<u>2,055</u>	
J.P.Morgan Securities Ltd	Cash in bank	CHF	-	30.1750	1	
	Gains (losses) on open futures position	CHF	-	30.1750	-	
					<u>1</u>	
	Cash in bank	EUR	99	31.3200	3,093	
	Gains (losses) on open futures position	EUR	77	31.3200	2,417	
					<u>5,510</u>	
	Cash in bank	GBP	216	37.3000	8,048	
	Gains (losses) on open futures position	GBP	16	37.3000	614	
					<u>8,662</u>	
	Cash in bank	JPY	1,492	0.2405	359	
	Gains (losses) on open futures position	JPY	(369)	0.2405	(89)	
					<u>270</u>	
	Cash in bank	SGD	697	20.4600	14,264	
	Gains (losses) on open futures position	SGD	-	20.4600	-	
					<u>14,264</u>	

YUANTA FUTURES CO., LTD.
STATEMENT OF CUSTOMER MARGIN DEPOSITS — CLEARING BALANCES WITH OTHER
FUTURES COMMISSION MERCHANTS (Cont.)

DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Other futures commission merchants	Description	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar	Note
J.P.Morgan Securities Ltd	Cash in bank	USD	\$ 108,590	27.6800	\$ 3,005,782	
	Gains (losses) on open futures position	USD	9,573	27.6800	<u>264,968</u>	
					<u>3,270,750</u>	
Nissan Securities Co., Ltd	Cash in bank	JPY	184,955	0.2405	44,482	
	Gains (losses) on open futures position	JPY	6,230	0.2405	<u>1,498</u>	
					<u>45,980</u>	
OCBC Securities Private Limited	Cash in bank	JPY	(439,511)	0.2405	(105,703)	
	Gains (losses) on open futures position	JPY	(460)	0.2405	<u>(111)</u>	
					<u>(105,814)</u>	
	Cash in bank	SGD	8	20.4600	173	
	Gains (losses) on open futures position	SGD	3	20.4600	<u>67</u>	
					<u>240</u>	
	Cash in bank	USD	51,618	27.6800	1,428,775	
	Gains (losses) on open futures position	USD	(2,926)	27.6800	<u>(80,984)</u>	
					<u>1,347,791</u>	
Phillip Nova Pte Ltd	Cash in bank	USD	65,606	27.6800	1,815,973	
	Gains (losses) on open futures position	USD	(5,232)	27.6800	<u>(144,819)</u>	
					<u>1,671,154</u>	
R.J. O'BRIEN & ASSOCIATES, LLC	Cash in bank	USD	3,658	27.6800	101,247	
	Gains (losses) on open futures position	USD	(560)	27.6800	<u>(15,513)</u>	
					<u>85,734</u>	

YUANTA FUTURES CO., LTD.

STATEMENT OF CUSTOMER MARGIN DEPOSITS — CLEARING BALANCES WITH OTHER
FUTURES COMMISSION MERCHANTS (Cont.)

DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Other futures commission merchants	Description	Currency	Foreign amount (in thousands)	Exchange rate (dollars)	New Taiwan dollar	Note
StoneX Group Inc	Cash in bank	EUR	\$ 790	31.3200	\$ 24,730	
	Gains (losses) on open futures position	EUR	-	31.3200	-	
					<u>24,730</u>	
	Cash in bank	USD	8,892	27.6800	246,133	
	Gains (losses) on open futures position	USD	(34)	27.6800	(948)	
					<u>245,185</u>	
Yuanta Futures (Hong Kong) Co., Ltd	Cash in bank	HKD	27,744	3.5490	98,463	
	Gains (losses) on open futures position	HKD	(1,246)	3.5490	(4,423)	
					<u>94,040</u>	
	Cash in bank	USD	15,391	27.6800	426,024	
	Gains (losses) on open futures position	USD	(3)	27.6800	(87)	
					<u>425,937</u>	
ADM Investor Services, Inc Taiwan branch	Cash in bank	USD	1,117	27.6800	30,912	
	Gains (losses) on open futures position	USD	(12)	27.6800	(337)	
					<u>30,575</u>	
					<u>\$ 7,219,453</u>	

YUANTA FUTURES CO., LTD.
STATEMENT OF FUTURES TRADING MARGIN RECEIVABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Client code	Account	Foreign amount	Exchange rate	New Taiwan dollar	Note
A				\$ 9,464	
B				42,435	
C				11,445	
D				7,504	
E				11,880	
F				15,620	
Others (Note)				9,422	
Allowance for uncollectible accounts				(107,770)	
				<u>\$ -</u>	

Note: The items which amount exceed 5% of the total account amount shall be individually presented, while the others that do not meet aforementioned threshold can be collectively presented.

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YUANTA FUTURES CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Client	Description	Amount	Note
Non-related parties:			
Optiver Taiwan Futures Co., Ltd.	Price of settlement	\$ 2,525	
Others	Others	1,532	
		<u>\$ 4,057</u>	
Related parties:			
Yuanta Securities Co., Ltd.		<u>\$ 2,002</u>	

Note: The ageing of the accounts receivable are all within 30 days.

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YUANTA FUTURES CO., LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

Client name	Description	Amount	Note
Non-related parties:			
Wind Information (HK) Company Ltd.	Computer software expense	\$ 439	
MDBS Digital Technology Co., Ltd.	Computer software expense	567	
KHIENG ATELIER CO., LTD.	Employees uniform expense	3,444	
Others		<u>2,842</u>	
		<u>7,292</u>	
Related parties:			
Yuanta Life Insurance Co., Ltd.	Group insurance	<u>1,449</u>	
		<u>\$ 8,741</u>	

Note: The items which amount exceed 5% of the total account amount shall be individually presented, while the others that do not meet aforementioned threshold can be collectively presented.

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Non-related parties:			
Dividend receivable		\$ 230	
Interest receivable		8,441	
Settlement receivable		1,649	
Others		2,232	
		<u>\$ 12,552</u>	
Related parties:			
Interest receivable		<u>\$ 4,165</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME — NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name	Beginning balance		Addition		Decrease		Ending balance		Accumulated impairment	Collateral	Note
	Shares (in thousands)	Fair value	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Fair value			
Stocks:											
Taiwan											
Futures											
Exchange	18,415	\$ 1,514,827	2,578	\$ 291,431	-	\$ -	20,993	\$ 1,806,258	N/A	None	
Chicago											
Mercantile											
Exchange	20	103,696	-	22,779	-	-	20	126,475	N/A	None	
		<u>\$ 1,618,523</u>		<u>\$ 314,210</u>		<u>\$ -</u>		<u>\$ 1,932,733</u>			

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YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name	Beginning balance		Addition		Decrease		Ending balance		Market value or net assets value				Collateral	Note
	Share (in thousands)	Amount	Share (in thousands)	Amount	Share (in thousands)	Amount	Share (in thousands)	Percentage of ownership	Amount	Unit price	Total amount			
SYF Information Co., Ltd.	35,000	\$ 282,338	-	\$ 5,127	-	(\$ 938)	35,000	100%	\$ 286,527	\$ -	\$ 286,527		None	
Yuanta Futures (Hong Kong) Co., Ltd.	34,000	924,763	-	-	-	(69,509)	34,000	100%	855,254	-	855,254		None	
		<u>\$ 1,207,101</u>		<u>\$ 5,127</u>		<u>(\$ 70,447)</u>			<u>\$ 1,141,781</u>		<u>\$ 1,141,781</u>			

YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Beginning balance	Addition	Decrease	Ending balance	Collateral	Note
Land	\$ 410,992	\$ 55,955	\$ -	\$ 466,947	None	
Buildings and equipment	71,577	-	(55,955)	15,622	None	
Information equipment	229,280	59,715	(55,293)	233,702	None	
Miscellaneous equipment	1,898	3,271	(500)	4,669	None	
Office equipment	-	1,585	-	1,585	None	
Transpotation equipment	8,282	-	(840)	7,442	None	
Leasehold improvements	9,692	18,261	(9,692)	18,261	None	
Total	<u>\$ 731,721</u>	<u>\$ 138,787</u>	<u>(\$ 122,280)</u>	<u>\$ 748,228</u>		

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YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Beginning balance	Addition	Decrease	Ending balance	Note
Buildings and equipment	\$ 12,213	\$ 3,409	\$ -	\$ 15,622	Note1 and Note2
Information equipment	100,850	56,380	(55,293)	101,937	Note1 and Note3
Miscellaneous equipment	1,229	597	(500)	1,326	Note1 and Note4
Office equipment	-	44	-	44	Note1 and Note5
Transpotation equipment	2,565	1,381	(782)	3,164	Note1 and Note6
Leasehold improvements	7,269	3,637	(9,616)	1,290	Note1 and Note7
Total	<u>\$ 124,126</u>	<u>\$ 65,448</u>	<u>(\$ 66,191)</u>	<u>\$ 123,383</u>	

Note1: Property and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Note2: The useful life of buildings and equipment is 20 years.

Note3: The useful life of information equipment is 4 years.

Note4: The useful life of miscellaneous equipment is 6 years.

Note5: The useful life of office equipment is 6 years.

Note6: The useful life of transpotation equipment is 5 years.

Note7: The useful life of leasehold improvements is 3 years.

YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN RIGHT – OF – USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ <u>243,386</u>	\$ <u>13,013</u>	(\$ <u>61,428</u>)	\$ <u>194,971</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT – OF – USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Note</u>
Buildings	\$ <u>52,642</u>	\$ <u>49,216</u>	(\$ <u>54,435</u>)	\$ <u>47,423</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF CHANGE IN INTANGIBLE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Beginning balance	Addition	Decrease	Ending balance	Note
Computer software	\$ 18,012	\$ 57,006	(\$ 12,164)	\$ 62,854	Note 1
Membership in a foreign Futures Exchange	24,125	-	-	24,125	Note 2
	<u>\$ 42,137</u>	<u>\$ 57,006</u>	<u>(\$ 12,164)</u>	<u>\$ 86,979</u>	

Note 1: Computer software is amortised using the straight-line method to allocate its cost over 3 years.

Note 2: Membership in a foreign Futures Exchange with an indefinite useful life and is tested annually for impairment.

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YUANTA FUTURES CO., LTD.
STATEMENT OF DEFERRED INCOME TAX ASSETS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Accrued pension liabilities		\$ 3,925	
Unrealised exchange loss		2,814	
Expected credit losses		23,201	
Others		1,746	
		<u>\$ 31,686</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER NON-CURRENT ASSETS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Operating guarantee deposits		\$ 140,000	
Clearing and settlement funds		544,465	
Refundable deposits		35,978	
Prepayment for equipment		139,051	
Others		11,416	
		<u>\$ 870,910</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS — CURRENT
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Name of financial instrument	Description	Shares or units (in thousands)	Face value (in thousands)	Total amount (in thousands)	Interest rate	Fair value		Amount of the fair value attributable to change in the credit risk	Note	
						Unit price (dollars)	Total amount			
Financial liabilities held for trading:										
Options – non-hedging		-	\$ -	\$ -	-	\$ -	\$ -	926	\$ -	Note

Note: Contract amount or premiums received was \$1,091 and the fair value at the balance sheet date was \$926.

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YUANTA FUTURES CO., LTD.
STATEMENT OF FUTURES TRADERS' EQUITY
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Client code	Currency	Foreign amount (in thousands)	Exchange rate	New Taiwan dollar	Note
A	NTD	\$ -	1.0000	\$ 1,115	Related party
	USD	263,236	27.6800	7,286,362	
B	NTD	-	1.0000	6,928,185	Related party
C	NTD	-	1.0000	3,787,336	Related party
	USD	31,401	27.6800	869,175	
	HKD	10,760	3.5490	38,186	
	EUR	(40)	31.3200	(1,255)	
	JPY	37,100	0.2405	8,923	
	GBP	166	37.3000	6,206	
	AUD	2,276	20.0800	45,697	
D	NTD	-	1.0000	4,625,005	Related party
Others	NTD	-	1.0000	32,823,834	
	USD	677,437	27.6800	18,751,470	
	HKD	32,952	3.5490	116,947	
	EUR	146,770	31.3200	4,596,829	
	JPY	337,513	0.2405	81,171	
	GBP	13,135	37.3000	489,933	
	AUD	2,992	20.0800	60,090	
	SGD	821	20.4600	16,792	
	CHF	-	30.1750	12	
	CNY	77,537	4.3440	336,823	
				<u>\$ 80,868,836</u>	

YUANTA FUTURES CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Client	Description	Amount	Note
Non-related parties:			
Taiwan Futures Exchange	Clearance fee	\$ 49,007	
	Service charge	70,315	
Taiwan Stock Exchange	Securities settlement	9,018	
Others	Others	8,516	Others not exceeding 5%
		<u>\$ 136,856</u>	
Related parties:			
Yuanta Securities Co., Ltd.	Futures commissions	\$ 19,728	
	Others	21	Others not exceeding 5%
		<u>\$ 19,749</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Non-related parties:		
	Bonuses payable	\$ 147,547
	Business tax payable	12,074
	Others	24,564
		<u>\$ 184,185</u>
Related parties:		
Yuanta Financial Holdings	Others	\$ 724
Yuanta Life Insurance Co., Ltd.	Building management fee	1,040
Others	Others	78
		<u>\$ 1,842</u>

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER CURRENT LIABILITIES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Temporary receipts	Others	\$ 31,143	

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YUANTA FUTURES CO., LTD.
STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Leasing period	Discount rate	Ending balance	Note
Buildings		3~5 years	0.59~0.92%	\$ <u>161,073</u>	
		(Blank)			

YUANTA FUTURES CO., LTD.
STATEMENT OF BONDS PAYABLE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Bonds Name	Trustee	Issuance Date	Interest Payment Date	Interest Rate	Amount						
					Par Value	Repayment Paid	Ending Balance	Unamortized Premiums (Discounts)	Carrying Amount	Repayment Term	Collateral
First issue of unsecured subordinate normal corporate bond in 2021	BANK SINOPAC CO., Ltd	2021/11/12	Note	0.85	\$ 1,500,000	\$ -	\$ 1,500,000	(\$ 2,599)	\$ 1,497,401	Repaid on Maturity	None

Note: The principal is repaid at par on the maturity date and interest is according to stated interest rate payable annually on November 12 at simple interest from the issue date.

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YUANTA FUTURES CO., LTD.
STATEMENT OF DEFERRED INCOME TAX LIABILITIES
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Others		\$ 11,191	

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER NON-CURRENT LIABILITIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Accrued pension liabilities			
– non-current		\$ 66,271	
Other long-term liabilities		13,199	
		<u>\$ 79,470</u>	

Note 1: Listed by deposits received, collection for third parties and other liabilities, etc.

Note 2: The items which amount exceed 5% of the total account amount shall be individually presented, while the others that do not meet aforementioned threshold can be collectively presented.

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YUANTA FUTURES CO., LTD.
STATEMENT OF GAINS (LOSSES) ON DERIVATIVE FINANCIAL INSTRUMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Non-hedging			
Gains (losses) from futures contract interests			
Futures contract gains		\$ 393,682	
Futures contract losses		(411,447)	
		<u>(\$ 17,765)</u>	
Gains (losses) from options trading			
Gains from options trading		\$ 482,224	
Losses from options trading		(481,026)	
		<u>\$ 1,198</u>	
Gains (losses) from leverage margin contract transactions			
Gains from leverage margin contract transactions		\$ 197,885	
Losses from leverage margin contract transactions		(167,456)	
		<u>\$ 30,429</u>	
Non-hedging			
Gains from derivative financial instruments		\$ 1,073,791	
Losses from derivative financial instruments		(1,059,929)	
Net gains on derivative financial instruments		<u>\$ 13,862</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF FUTURES COMMISSIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Payee	Amount	Note
Entrusted futures transaction	J.P.Morgan Securities Ltd	\$ 172,511	
	OCBC Securities Private Limited	34,446	
	PHILLIP FUTURES PTE LTD (SG)	40,900	
	R.J.O BRIEN & ASSOCIATES, LLC	19,980	
	Others	26,433	
	Subtotal	294,270	
Futures auxiliary business	Yuanta Securities Co., Ltd.	303,403	Related party
	TAIWAN COOPERATIVE SECURITIES CO., LTD	19,167	
	Others	33,727	
	Subtotal	356,297	
Total		\$ 650,567	

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YUANTA FUTURES CO., LTD.
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, AMORTIZATION AND OTHER OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	2021	2020	Note
Employee benefit expense (Note):			
Wages and salaries	\$ 522,667	\$ 523,991	
Director's remuneration	63,220	65,696	
Labor and health insurance fees	38,811	34,294	
Pension costs	18,839	17,900	
Post-employment benefits	12,470	1,683	
Other personnel expenses	20,191	19,098	
	<u>676,198</u>	<u>662,662</u>	
Depreciation and amortisation expense:			
Depreciation expense	114,664	83,434	
Amortisation expense	12,164	12,097	
	<u>126,828</u>	<u>95,531</u>	
Other operating expenses:			
Postage and telephone costs	98,725	95,353	
Tax expenses	115,301	104,150	
Computer information expenses	102,723	98,959	
Donation	10,475	9,642	
Institutional membership fees	32,269	33,683	
Operating lease payments	123	644	
Repair charge	31,254	27,126	
Advertising costs	9,646	11,393	
Service expenses	14,698	9,784	
Other expenses	35,403	35,246	
	<u>450,617</u>	<u>425,980</u>	
	<u>\$ 1,253,643</u>	<u>\$ 1,184,173</u>	

Note 1: A. The Company had 420 and 409 employees in 2021 and 2020, respectively, in which directors not concurrently serving as employees were 6 and 6, respectively.

B. The annual consolidated financial statements shall additionally disclose the information below:

(A) Average employee benefit expense was \$1,481 and \$1,481, respectively.

(B) Average wages and salaries was \$1,262 and \$1,300, respectively.

(C) Year on Year change in average employee wages and salaries was (2.92%).

(D) Supervisors' remuneration in 2021 and 2020 were both \$0. (Because of the establishment of Audit Committee, there's no supervisors' remuneration.)

(E) Please illustrate the remuneration policy of the Company. (Including directors, supervisors, managers and employees)

a. Directors

(a) Including remuneration, severance pension and service payment.

(b) The monthly fixed pay to independent directors is determined by the board of directors taking into account industry standards, and independent directors do not receive the distribution of company directors' compensation.

(c) Service payment are expenses incurred by the directors in their capacity as company directors, including travelling costs and costs associated with attending meetings, and they are paid according to industry standards.

b. Managers and employees

(a) Including salary, pension, bonus and employee compensation.

(b) Managers and employees are remunerated based on their responsibilities, professional capabilities and experiences. In order to motivate the morale of all employees, each year, depending on the profitability, additional performance bonuses are granted to enhance the Company's future operating performance.

(c) Employee compensation is based on the Company's Articles of Incorporation. In order to motivate employees and the management team, if the current year's earnings, following offset prior years' operating losses, are positive, then 0.01% to 5% of the remaining balances shall be set aside as employee compensation.

Note 2: A. The table should describe the number of employees, and the calculation base should be in agreement with that of employees' benefit expenses and wages and salaries expense, and average employee numbers should be used when calculating.

B. Under IAS 19, employees include directors and other management personnel. Employees can provide services on a full-time, part-time, permanent, casual or temporary basis. Thus, the "employee" in this statement means directors, managers, normal staff and contract employees. However, supervisors, temp worker, hire of work or outsourcing personnel are not included.

C. The "directors' remuneration" is the remuneration, retirement payment, directors' compensation and service payments which are earned by all directors.

D. The term "supervisor's remuneration" refers to the remuneration, compensation and service payment received by all supervisors.

YUANTA FUTURES CO., LTD.
STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Non-related parties		\$ 4,159	
Related parties:			
Yuanta Futures (Hong Kong) Co., Ltd.		2	
Yuanta Securities Co., Ltd.		943	
Yuanta Bank Co., Ltd.		31	
Yuanta Life Insurance Co., Ltd.		1,136	
Yuanta Securities Korea Co., Ltd.		6	
Funds managed by Yuanta Securities Investment Trust		1,952	
		<u>\$ 8,229</u>	

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YUANTA FUTURES CO., LTD.
STATEMENT OF EXPECTED CREDIT IMPAIRMENT LOSSES (GAINS)
FOR THE YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Futures trading margin receivable	Futures traders' default amount	(\$ <u>3,755</u>)	Measured by the historical loss rate and consideration of forward-looking information

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YUANTA FUTURES CO., LTD.
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Interest income		\$ 339,968	
Gains on disposal of investments		765	
Gains on disposal of property and equipment		271	
Dividend income		152,060	
Net currency exchange losses	(	9,213)	
Gains on financial assets at fair value through profit or loss	(	210)	
Gains on lease modification		490	
Others		81,496	
Total		<u>\$ 565,627</u>	

Note: The items which amount exceed 5% of the total account amount shall be individually presented, while the others that do not meet aforementioned threshold can be collectively presented.

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資誠

YUANTA FUTURES CO., LTD.

REVIEW OF THE ADDITIONAL DISCLOSURE IN FINANCIAL REPORTS

To the Board of Directors and Stockholders of Yuanta Futures Co., Ltd.

We have audited the financial statements of Yuanta Futures Co., Ltd. (the “Company”) for the year ended December 31, 2021 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China, and we have issued an audit report on March 10, 2022. Our objectives were to express an opinion on the financial statements as a whole. The accompanying additional disclosure (the “Disclosure”) for the year ended December 31, 2021 was prepared by the Company in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and we have reviewed the Disclosure in accordance with Article 34, paragraph 2 of the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

In our opinion, the Disclosure in the Company’s financial statements for the year ended December 31, 2021 present fairly 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. The financial data included in the Disclosure was in consistent with the financial statements, and no significant amendment was required.

Lo, Chiao-Sen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 10, 2022

Lee, Hsiu-Ling

YUANTA FUTURES CO., LTD

ADDITIONAL DISCLOSURE

DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

1. Business conditions

(1) Significant business matters

A. Mergers and acquisitions of other companies or reorganizations over the most recent 5 years: None.

B. Investments in affiliated enterprises over the most recent 5 years

- (A) On October 14, 2013, BaoFu Futures Trust Co., Ltd. transferred ‘MF Global Multi-Strategy Futures Trust Fund’ to Yuanta Polaris Securities Investment Trust Co., Ltd, and applied to rename its company name as MFG Investment Consulting Co., Ltd. on October 28, 2013 which was approved by Taipei City Government on January 3, 2014. This company was liquidated in the second quarter of 2016.
- (B) The Company increased its capital of Yuanta Futures (Hong Kong) Co., Ltd. by \$302,680 and \$537,972 in the second quarter of 2017 and in 2018, respectively.
- (C) On September 25, 2019, to streamline organizational structure, the Board of Directors of the Company approved to liquidate SYF Information (Samoa) Limited. The liquidation had been approved by the competent authority on October 25, 2019 and was completed on July 17, 2020.
- (D) On June 30, 2021, the Board of Directors of the Company approved to liquidate SYF Information (Shanghai) Limited. The liquidation had been approved by the competent authority on July 12, 2021. The local competent authority approved the liquidation on February 14, 2022, and the process is still ongoing.

C. Purchases or disposals of major asset over the most recent 5 years

(A) Purchases of major assets:

Assets	Date of acquisition	Purchase consideration	Basis or reference used in setting the price	Reason for acquisition of real estate and the status of the real estate
Land: No. 764, 1st Subsec., Changchun Sec., Zhongshan Dist., Taipei City Buildings: 7F.-1&2, No. 225, Sec. 3, Nanjing E. Rd.	2017/05/03	\$482,569	Appraiser report issued by G-Beam Real Estate Appraisers Firm and Honda Real Estate Group on April 18, 2017. Appraiser: Jhih-Hao Chen, Yi-Ren Chen	Owner-occupied property

(B) Disposal of major assets: None.

D. Significant changes in operation method or business activity over the most recent 5 years: None.

(2) Remuneration to directors, supervisors, general manager, assistant general managers and related information

A. Remuneration to directors, supervisors, general manager, assistant general managers, and any board chairman(men) and general manager(s) who retired from the futures commission merchants or/and an affiliated enterprise thereof and have resumed employment at the futures commission merchants as a consultant and related information.

(A) Remuneration to directors and independent directors (aggregate remuneration information, with the name(s) indicated for each remuneration range):

Title	Name	Directors' remuneration								The sum of A, B, C and D and as a percentage of after-tax net profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G and as a percentage of after-tax net profit		Remuneration paid by investee enterprises other than the subsidiaries or parent company	
		Remuneration (A)		Servance pension (B)		Directors compensation (C)		Service payment (D)				Salaries, bonuses, special allowances etc. (E)		Pension (F)		Employees compensation (G)							
		The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company		All companies listed in the consolidated financial report		The Company	All companies listed in the consolidated financial report		
		Cash amount	Stock amount	Cash amount	Stock amount																		
Chairman	Name of corporate shareholder: Yuanta Financial Holdings Co., Ltd. Representative: Tien-Fu Lin	\$ 37,000	\$ 37,000	\$ -	\$ -	\$ -	\$ -	\$ 275	\$ 275	\$ 37,275 4.33%	\$ 37,275 4.33%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,275 4.33%	\$ 37,275 4.33%	None	
Vice Chairman	Name of corporate shareholder: Yuanta Financial Holding Co., Ltd. Representative: Hsiao-Ling Chou	17,935	17,935	-	-	-	-	302	302	18,237 2.12%	18,237 2.12%	-	-	-	-	-	-	-	-	18,237 2.12%	18,237 2.12%	2,070	
Director co-headed General Manager	Name of corporate shareholder: Yuanta Financial Holding Co., Ltd. Representative: Kuo-Tsun Hsu	-	-	-	-	-	-	864	864	864 0.10%	864 0.10%	12,884	12,884	-	-	15	-	15	-	13,763 1.60%	13,763 1.60%	7,729	
Director	Name of corporate shareholder: Yuanta Financial Holding Co., Ltd. Representative: Yueh-Tsang Lee																						
Director	Name of corporate shareholder: Yuanta Financial Holding Co., Ltd. Representative: Hsien-Tao Chiu																						
Director	Name of corporate shareholder: Yuanta Financial Holding Co., Ltd. Representative: Mei-Ling Kuo																						

Title	Name	Directors' remuneration								The sum of A, B, C and D and as a percentage of after-tax net profit		Remuneration as an employee								The sum of A, B, C, D, E, F and G and as a percentage of after-tax net profit		Remuneration paid by investee enterprises other than the subsidiaries or parent company
		Remuneration (A)		Servance pension (B)		Directors compensation (C)		Service payment (D)				Salaries, bonuses, special allowances etc. (E)		Pension (F)		Employees compensation (G)						
		The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company		All companies listed in the consolidated financial report		The Company	All companies listed in the consolidated financial report			
Independent Director	Yui-Chun Wu (Note1)	\$ 6,134	\$ 6,134	\$ -	\$ -	\$ -	\$ -	\$ 710	\$ 710	\$ 6,844 0.80%	\$ 6,844 0.80%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,844 0.80%	\$ 6,844 0.80%	None	
Independent Director	Chwo-Ming Yu (Note2)																					
Independent Director	Nai-Kuan Huang																					
Independent Director	Hui-Erh Yuan																					

Note 1: The Independent Director, Yui-Chun Wu, was elected on July 5, 2021.

Note 2: The Independent Director, Chwo-Minh Yu, was discharged on July 5, 2021.

Note 3: In 2021, the remuneration paid to the Directors' one chauffeur totaled \$655, not included in the directors' remuneration.

The range of remunerations to all directors and independent directors of the Company	Table of remuneration range			
	Names of the Directors and Independent Directors			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company	All companies listed in the consolidated financial report H	The Company	All investee enterprises and parent company I
<NT\$1,000,000	Yui-Chun Wu; Yueh-Tsang Lee; Hsien-Tao Chiu; Mei-Ling Kuo; Kuo-Tsun Hsu	Yui-Chun Wu; Yueh-Tsang Lee; Hsien-Tao Chiu; Mei-Ling Kuo; Kuo-Tsun Hsu	Yui-Chun Wu; Yueh-Tsang Lee; Hsien-Tao Chiu; Mei-Ling Kuo	Yui-Chun Wu; Mei-Ling Kuo
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)	Chwo-Ming Yu	Chwo-Ming Yu	Chwo-Ming Yu	Chwo-Ming Yu
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Hui-Erh Yuan; Nai-Kuan Huang	Hui-Erh Yuan; Nai-Kuan Huang	Hui-Erh Yuan; Nai-Kuan Huang	Hui-Erh Yuan; Nai-Kuan Huang
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)				Yueh-Tsang Lee; Hsien-Tao Chiu
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)				
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)			Kuo-Tsun Hsu	Kuo-Tsun Hsu
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)	Hsiao-Ling Chou	Hsiao-Ling Chou	Hsiao-Ling Chou	Hsiao-Ling Chou
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)	Tien-Fu Lin	Tien-Fu Lin	Tien-Fu Lin	Tien-Fu Lin
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)				
> NT\$100,000,000				
Total	\$ 63,220	\$ 63,220	\$ 76,119	\$ 85,918

(B) Remuneration to the general managers and assistant general managers (aggregate remuneration information, with the name(s) indicated for each remuneration range):

Title	Name	Salary (A)		Severance pension (B)		Bonuses and allowances etc. (C)		Employees compensation (D)				The sum of A, B, C and D as a percentage of after-tax net profit		Remuneration paid by investee enterprises other than the subsidiaries or parent company
		The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company	All companies listed in the consolidated financial report	The Company		All companies listed in the consolidated financial report		The Company	All companies listed in the consolidated financial report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
General Manager	Kuo-Tsun Hsu	\$ 24,813	\$ 38,741	\$ -	\$ -	\$ 32,923	\$ 35,102	\$ 150	\$ -	\$ 150	\$ -	\$ 57,886 6.73%	\$ 73,993 8.60%	None
Executive Assistant Manager	Yi-Jui Kao													
Executive Assistant Manager	Chun-Chieh Wang													
Senior Assistant General Manager	Chia-Ling Tsai													
Senior Assistant General Manager	Jian-Wan Lai													
Assistant General Manager	Wei-Pin Chuang													
Senior Assistant General Manager	Min-Fang Wu													
Assistant General Manager	Chun-Hao Chang													
Assistant General Manager	Ching-Yee Chang													
Assistant General Manager	Liang-Huei Yuan													
Assistant General Manager	Shih-Ming Lin													
General Manager of Yuanta Futures (Hong Kong) Co., Ltd	Chun-Hsing Jen													
COO of Yuanta Futures (Hong Kong) Co., Ltd	Fu-Chi Hsieh													
Assistant General Manager of Yuanta Futures (Hong Kong) Co., Ltd	Ying-Cheng Lin													

Note: The remuneration amounts of all companies, including Yuanta Futures (Hong Kong) Co., Ltd, shown in the consolidated financial report were translated at the exchange rate of HKD 1: TWD 3.5507 on December 31, 2021.

Table of remuneration range		
The range of remunerations to all general managers and assistant general managers of the Company	Names of the General Managers and the Assistant General Managers	
	The Company	All companies listed in the consolidated financial report E
<NT\$1,000,000		
NT\$1,000,000 ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 ~ NT\$3,500,000 (exclusive)	Shih-Ming Lin; Wei-Pin Chuang	Shih-Ming Lin; Wei-Pin Chuang; Fu-Chi Hsieh
NT\$3,500,000 ~ NT\$5,000,000 (exclusive)	Chun-Chieh Wang; Chia-Ling Tsai; Jian-Wan Lai; Min-Fang Wu; Chun-Hao Chang; Ching-Yee Chang; Liang-Huei Yuan	Chun-Chieh Wang; Chia-Ling Tsai; Jian-Wan Lai; Min-Fang Wu; Chun-Hao Chang; Ching-Yee Chang; Liang-Huei Yuan
NT\$5,000,000 ~ NT\$10,000,000 (exclusive)	Yi-Jui Kao	Yi-Jui Kao; Chun-Hsing Jen; Ying-Cheng Lin
NT\$10,000,000 ~ NT\$15,000,000 (exclusive)	Kuo-Tsun Hsu	Kuo-Tsun Hsu
NT\$15,000,000 ~ NT\$30,000,000 (exclusive)		
NT\$30,000,000 ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 ~ NT\$100,000,000 (exclusive)		
> NT\$100,000,000		
Total	\$ 57,886	\$ 73,993

B. Remuneration to any board chairman(men) and general manager(s) who retired from the futures commission merchants or/and affiliated enterprise thereof and have resumed employment at the futures commission merchants as a consultant and related information: None.

(3) Number of employees in non-supervisory positions, average annual employee benefit expense for the fiscal year, and the difference compared to those of the preceding year:

Item \ Year	2021	2020	Difference
Number of employees	386	389	(3)
Average benefit expense	\$ 1,065	\$ 1,179	(\$ 114)

(4) Labor-management relations

A. Elaborate on current significant agreement between labor and management and its implementation:

(A) Employees benefit policies:

- a. All employees of the Company shall join the labor insurance and group insurance, enjoying the insurance benefits.
- b. The Company holds on-the-job and professional training to enhance the knowledge and skills of its employees who shall not refuse to participate without reasonable causes.
- c. Employees could make recommendation to purchase various books and journals to improve knowledge, at any time, based on their actual needs; Head Office set up a 'reading area' in the office to provide various books for employees to read and borrow in their spare time to enrich knowledge and enhance competitiveness other than providing an environment for them to relax.
- d. To motivate employees to be passionate at work, holiday bonuses would be distributed for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival based on operation results. Distribution to the new staff is prorated based on their length of service.

(B) Professional development, training:

- a. Orientation: General training and department guidance.
- b. Department training: Professional skills training, work guidance, workshops, department meetings and reading group.
- c. Outsourced training: External and internal training with hired speakers.
- d. Nurturing training: Managerial talents nurturing program, internal speakers nurturing program and training for certificate examination.
- e. Overseas training: Overseas inspection, overseas education, overseas business internship.
- f. Project training: Intensive training for managerial staffs.
- g. Mandatory training: Pre-job training for futures specialist and on-the-job training for futures specialist (once every 2 years).

In order to improve the professionalism of internal audits, auditors are required to participate in internal audit workshops as well as external conferences. Financial staffs are also required to attend training courses organized by the competent authority.

(C) Retirement programs:

In accordance with the Labor Standards Law of the R.O.C., the Company contributes fund to the retirement fund deposited with Bank of Taiwan for future pension payment. Effective from July 1, 2005, the Company makes contribution to the account with the Bureau of Labor Insurance by adopting the new labor pension system under the Labor Pension Act.

(D) Other major agreement: None.

B. The losses sustained as a result of labor disputes in the most recent financial year, together with the disclosure of an estimate of losses incurred to date or likely to incur in the future and the mitigation measures taken or to be taken: None.

C. List any violations of the Labor Standards Act found during a labor inspection, including the disposition date, disposition, reference number, the articles of laws or regulations breached, description of the violation, and the disposition: None

(5) The implementation of the internal control system

A. Statement of the internal control system is disclosed in the attachments of financial reports.

B. If a CPA has been engaged to carry out a project audit of the internal control system, the CPA audit report shall be disclosed: None.

(6) Management of cyber security risk

A. The Company already established the “Cyber Security Policy,” which the Board of Directors approved, mainly to set up cyber security management system, establish related procedures and ensure the critical corporate information confidentiality, completeness, and availability. The Cyber Security Policy is based upon protecting shareholders’ interest. It aims to “protect the information asset security” and “keep business operating to achieve sustainability.”

In order to upgrade the ability to make decisions on the cyber security issues, enhance cyber security supervision, consolidate the promotion and coordination of cyber security policies and allocate resources, the Company set up the dedicated information security unit, “Information Security Dept.,” with 3 full-time employees and CISO, which are responsible for the cyber security governance, planning and supervision throughout the company, implement cyber security management operations, and report to the Board of Directors periodically.

The cyber security management shall fulfill the cyber security governance and compliance, while the risk control shall focus on the cyber security protection, including internal self-check, external proactive detection, disaster response drill and enhancement of management. The Company has actively implemented various auto-detecting and behavior monitoring systems to realize the real-time monitoring and blocking of external threats, access control of internal data, operations, and segmentation of equipment, in order to prevent any illegal or malicious activities by the strict separation and filtration mechanism. The cyber security budget in 2021 accounts for 11.39% of the overall information capital expenditure.

In addition to cyber security protection policies, the Company participates in the Financial Information Sharing and Analysis Center ((F-ISAC)), and integrate the information about threats via the cyber security defensive system to achieve the consolidated effect of the joint defense. The Company also assessed the potential risk with the aid from an independent third party, and periodically engages the vulnerability scanning, penetration test, and computer cyber security inspection or assessment as required.

B. There have been no major cyber security incidents in recent years.

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2. Financial overview

(1) Condensed balance sheet and statement of comprehensive income

A. Balance sheet

Year Item		Separate financial information for the most recent five years (Note 1)				
		2021 (Note 2)	2020	2019	2018	2017
Current assets		\$ 90,816,473	\$ 91,215,855	\$ 68,897,983	\$ 68,078,674	\$ 53,600,861
Property and equipment		624,845	607,595	581,807	590,324	552,173
Other non-current assets		4,211,637	3,913,099	3,669,875	3,439,778	2,566,035
Current liabilities	Before dividend distribution	81,596,771	83,636,571	64,215,319	63,805,024	49,181,440
	After dividend distribution	-	84,448,505	65,015,243	64,455,397	49,645,993
Non-current liabilities		1,706,286	241,416	78,209	83,202	70,044
Share capital		2,899,763	2,899,763	2,322,763	2,322,763	2,322,763
Retained earnings	Before dividend distribution	4,763,738	4,610,872	4,296,129	3,776,318	3,291,906
	After dividend distribution	-	3,798,938	3,496,205	3,125,945	2,827,353
Total assets		95,652,955	95,736,549	73,149,665	72,108,776	56,719,069
Total liabilities	Before dividend distribution	83,303,057	83,877,987	64,293,528	63,888,226	49,251,484
	After dividend distribution	-	84,689,921	65,093,452	64,538,599	49,716,037
Total equity	Before dividend distribution	12,349,898	11,858,562	8,856,137	8,220,550	7,467,585
	After dividend distribution	-	11,046,628	8,056,213	7,570,177	7,003,032

Note 1: All financial information above has been audited.

Note 2: As of the date this report was issued, the proposal for the distribution of earnings has not been passed by the general meeting of shareholders.

Note 3: Other non-current assets refer to non-current assets which were presented under non-current assets other than property and equipment.

B. Comprehensive income statement

Item \ Year	Separate financial information for the most recent five years (Note 1)				
	2021	2020	2019	2018	2017
Revenues	\$ 3,782,309	\$ 3,721,526	\$ 2,738,631	\$ 3,431,314	\$ 2,887,768
Costs and expenses	(3,265,894)	(3,196,231)	(2,551,065)	(2,952,236)	(2,462,964)
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(33,082)	(24,553)	14,421	(3,783)	(40,114)
Other gains and losses	565,627	824,838	1,208,025	770,287	640,410
Income before income tax	1,048,960	1,325,580	1,410,012	1,245,582	1,025,100
Net income	860,282	1,070,099	1,135,799	1,000,045	873,286
Earnings per share	2.97	4.23	4.89	4.31	3.76

Note 1: All financial information above has been audited.

Note 2: Other comprehensive income was excluded from income before income tax and net income.

Note 3: Earnings per share was expressed in New Taiwan dollars

C. The names of the CPA for the most recent five years, and their audit opinions

Accounting firm	Name of auditor		Year	Audit opinion
PwC Taiwan	Se-Kai Lin	Puo-Ju Kuo	2017	Unqualified opinion
PwC Taiwan	Se-Kai Lin	Puo-Ju Kuo	2018	Unqualified opinion
PwC Taiwan	Chiao-Sen Lo	Hsiu-Ling Lee	2019	Unqualified opinion
PwC Taiwan	Chiao-Sen Lo	Hsiu-Ling Lee	2020	Unqualified opinion
PwC Taiwan	Chiao-Sen Lo	Hsiu-Ling Lee	2021	Unqualified opinion

(2) Financial analysis

Item \ Year		Separate Financial analysis for the most recent five years (Note 1)				
		2021	2020	2019	2018	2017
Financial structure (%)	Debts ratio	87.09	87.61	87.89	88.60	86.83
	Ratio of long-term capital to property, plant and equipment	1,989.19	1,965.20	1,534.18	1,406.64	1,365.08
Solvency (%)	Current ratio	111.30	109.06	107.29	106.70	108.99
	Quick ratio	111.29	109.06	107.28	106.69	108.97
Profitability	Return on assets (%)	0.90	1.27	1.56	1.55	1.47
	Return on equity (%)	7.11	10.33	13.30	12.75	11.92
	Percentage to the paid-in capital (%)	Operating income	17.81	18.12	8.08	20.63
		Income before tax	36.17	45.71	60.70	53.63
	Net profit margin (%)	22.74	28.75	41.47	29.14	30.24
	Earnings per share (\$)	2.97	4.23	4.89	4.31	3.76
Cash flow	Cash flow ratio (%)	2.01	0.61	1.58	1.56	2.78
	Cash flow adequacy ratio (%)	127.10	123.84	102.85	99.38	95.81
	Cash flow reinvestment ratio (%)	5.82	(2.35)	4.00	6.32	10.41
The rates of other special requirements (%)	Shareholders' equity to adjusted total liabilities ratio	507.34	919.74	1,040.36	1,134.71	1,318.05
	Shareholders' equity to minimum paid-in capital ratio	1,165.08	1,118.73	835.48	775.52	704.49
	Adjusted net capital to required margins on futures traders' outstanding position	64.72	54.56	47.89	46.74	76.13
Explanation to major variations (only for variations above 20% over the most recent two years) 1. The decline of return on assets in the current period was mainly due to the decrease in net income. 2. The decline of return on equity in the current period was mainly due to the decrease in net income. 3. The ratio of income before tax to the paid-in capital in the current period fell mainly due to the decrease in the other gains. 4. The decline of net profit margin in the current period was mainly due to the decrease in the other gains and losses. 5. The rise of cash flow ratio was mainly due to the increase in net cash flows generated from operating activities. 6. The rise of cash flow reinvestment ratio was mainly due to the increase in net cash flows generated from operating activities.						

Note 1: All financial information above has been audited.

- (3) If the futures commission merchants or an affiliated enterprise has encountered any financial difficulties in the most recent fiscal year, the impact on the Company's financial condition shall be set forth: None.

3. Review and analysis of financial position, financial performance and cash flows

(1) Review and analysis of financial position

Item \ Year	2021	2020	Difference	
			Amount	Variation (%)
Current assets	\$ 90,816,473	\$ 91,215,855	(\$ 399,382)	-
Property and equipment	624,845	607,595	17,250	3
Other assets	4,211,637	3,913,099	298,538	8
Total assets	95,652,955	95,736,549	(83,594)	-
Current liabilities	81,596,771	83,636,571	(2,039,800)	(2)
Non-current liabilities	1,706,286	241,416	1,464,870	607
Total liabilities	83,303,057	83,877,987	(574,930)	(1)
Share capital	2,899,763	2,899,763	-	-
Capital surplus	3,070,484	3,070,484	-	-
Retained earnings	4,763,738	4,610,872	152,866	3
Other equity	1,615,913	1,277,443	338,470	26
Total equity	12,349,898	11,858,562	491,336	4
<p>1. Major changes in assets, liabilities, and shareholders' equity in the last two years (variations more than 20%); describe their cause: The increase in non-current liabilities was mainly due to the bonds issuance. The increase in other equity was mainly due to the increase in gain on financial asset measured at fair value through other comprehensive income.</p> <p>2. Future responsive plans: Not applicable as the above-mentioned variances are reasonable resulting from business operations.</p>				

(2) Review and analysis of financial performance

Item \ Year	2021	2020	Increase (Decrease)	Variation (%)
Revenues	\$ 3,782,309	\$ 3,721,526	\$ 60,783	1.63
Costs and expenses	(3,265,894)	(3,196,231)	69,663	2.18
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	(33,082)	(24,553)	(8,529)	34.74
Other gains and losses	565,627	824,838	(259,211)	(31.43)
Income from continuing operation before income tax	1,048,960	1,325,580	(276,620)	(20.87)
Income tax expense	(188,678)	(255,481)	(66,803)	(26.15)
Income from continuing operation after income tax	\$ 860,282	\$ 1,070,099	(\$ 209,817)	(19.61)
Explanation to major variations (only for variations above 20% in current and prior periods)				
A. The increase in share of loss of subsidiaries, associates and joint ventures accounted for using equity method was mainly due to losses from investments in Yuanta Futures (Hong Kong) Co., Ltd.				
B. The decrease in other gains and losses was mainly due to the decrease in the interest income.				
C. The decrease in income tax expense was mainly due to the decrease in the net income.				
D. The decrease in income from continuing operation before and after income tax was mainly due to the decrease in the other gains and losses.				

(3) Cash flow analysis

A. Analyze and explain any change over the most recent fiscal year

Item \ Year	2021	2020	Variation(%)
Cash flow ratio (%)	2.01	0.61	229.51
Cash flow adequacy ratio (%)	127.10	123.84	2.63
Cash flow reinvestment ratio (%)	5.82	(2.35)	(347.66)
Explanation to major variations (only for variations above 20% in current and prior periods)			
The rise of cash flow adequacy ratio and cash flow reinvestment ratio was mainly due to the increase in net cash flows generated from operating activities.			

B. Cash liquidity analysis for the coming fiscal year

Beginning cash balance (1)	Expected net cash flows from operating activities (2)	Expected cash outflow for the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Financing of cash deficits	
				Investment plans	Financing plans
\$ 8,286,016	\$ 1,104,566	\$ 301,682	\$ 9,088,900	-	-

(4) The impact of any material capital expenditures over the most recent fiscal year upon the futures commission merchants' financial and operating condition

A. The implementation of major capital expenditures and the sources of funds: None.

B. Anticipated possible benefits: None.

(5) The futures commission merchants' policy for the most recent fiscal year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming fiscal year

A. Investee enterprises

Name of investee enterprises	Main business activities	Acquisition costs (in thousands)	Shares (in thousands)	Ownership (%)	Investment gains/loss recognised in 2021 (in thousands)	Policy
Yuanta Futures (Hong Kong) Co., Ltd.	Financial Service	\$ 1,033,971	34,000	100%	(\$ 38,209)	International business planning
SYF Information Co., Ltd.	Information Technology Service	350,000	35,000	100%	5,127	Diversified information services

Note: Only the companies accounted for using equity method are disclosed.

B. Main reasons for losses and plans for improvement

Name of investee enterprises	Main reasons of loss	Plans for improvement
Yuanta Futures (Hong Kong) Co., Ltd.	<ol style="list-style-type: none"> 1. Impacted by factors such as the pandemic and the Mainland's foreign liquidity crunch, which resulted in limitation of the customers' funds to invest, combining with shrinking trading volume, and thus revenue declined. 2. Global interest rate was declining, leading to a continuous decrease in interest income, and it could only be partly offset by the profit generated by proprietary business. 	<ol style="list-style-type: none"> 1. It plans to strengthen its brokerage business and improve the income of the brokerage business through the differentiation of providing new commodities and entering into new markets. 2. It plans to develop new type of commodities for multiple business income sources. 3. It plans to expand operating revenue from proprietary business, with careful risk management, to fill the gap from the reduction of interest income.

Note: Only the companies accounted for using equity method are disclosed.

C. Investment plan for the coming fiscal year: None.

(6) The section on the analysis and assessment of risks

A. The effect upon the futures commission merchants' profits (or losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

(A) The effect upon the Company's profits (or losses) of exchange rate fluctuations and response measures to be taken in the future

- a. The Company engages in futures services. Its income derives mainly from domestic investors, and most of which are denominated in the local currency. For commission revenues denominated in foreign currencies, the Company recognises them as income at least once a month in accordance with its Customers' Margin Policy. In 2021, changes in the USD exchange rate resulted in a net loss of \$9,213 thousand. Judging from the above, exchange rate fluctuations had limited impact on revenues as well as profit and loss.
- b. Responses to exchange rate fluctuations: The Company is not in need of making significant payments in foreign currencies, except for placing cash margins or paying USD interests on excess margins received. As a result, the Company monitors exchange rate movements based on the information provided by its banking partners for the best timing to make exchanges. The timing of currency exchange depends on the exchange rate spread, interest rate spread, capital requirement and movements in the foreign currency market.

- (B) The effect upon the Company's profits (or losses) of interest rate fluctuations and response measures to be taken in the future
- a. The Company engages in futures services and generates stable cash inflow by offering customers a globalized trading platform, and therefore the Company has no external borrowings. Additionally, futures are traded with prepaid margins where futures investors must first deposit sufficient cash margin before trading in futures or options contracts, causing the company to pay interest on customers' margin account. The customer margin deposit decreased from \$82,809,012 thousand as at December 31, 2020 to \$81,058,821 thousand as at December 31, 2021. Net interest income for the Company decreased from \$675,691 thousand in 2020 to \$331,739 thousand in 2021, representing a movement of (\$343,952) thousand; the rate of change was -50.90%. Interest rate fluctuations would impact on revenues as well as profit and loss.
 - b. The Company seeks to minimize the impacts of interest rate fluctuations on profit and loss by adopting the optimal financial structure and working closely with banks and various financial institutions to keep abreast of the dynamics of the financial market.
- (C) The effect upon the Company's profits (or losses) of changes in the inflation rate and response measures to be taken in the future
- a. Inflation variation triggers changes in interest rates, exchange rates, unemployment rates and other economic uncertainties, and is therefore considered a material factor to the overall economy and financial activities. It is a common consensus around the world that central banks should primarily aim to stabilize commodity prices, because price stability is the foundation on which an economy is able to sustain balanced and perpetual growth. According to the statistics published by the Directorate-General of Budget, Accounting, and Statistics, Executive Yuan, our consumer price index increased by 0.62%, 1.35%, 0.56%, -0.23% and 1.96% in 2017, 2018, 2019, 2020 and 2021, respectively. Under the effects of fluctuating commodity prices, oil prices, changes in the NT\$ exchange rates and the export price index etc., the wholesale price index increased by 0.90%, 3.63%, -2.26%, -7.80% and 9.42% in 2017, 2018, 2019, 2020 and 2021, respectively.
 - b. Inflation induced by fluctuating commodity prices will trigger producers' needs to hedge against commodity prices and speculators' desires to exploit price spreads, and thereby contributing to increase in futures trade volumes. Being a globalized futures service provider, the Company expects to gain from increased volatility in commodity prices.
- B. The futures commission merchants' policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

The Company specializes in derivatives trading mainly in the form of futures and options. All traded instruments have been approved by the competent authority. Within the available capital authorized by the Board of Directors under risk limits, the Company structures, executes, reviews, and revises trading strategies according to internal policies and prescribed procedures as means for managing its trading gains/losses. Computer programs were incorporated to facilitate automated control where every authorized personnel executes trading strategies with limited and quantifiable risks; and it is within this risk tolerance that the Company seeks to maximize its trading profits.

Proprietary trading inevitably involves the risks of losses under unfavorable circumstances. However, a consistent trading strategy will ensure profitability over the long-term, and the focus lies in maintaining possible short-term losses within manageable levels for maximum long-term profitability. Therefore, in addition to monitoring value at risk on holding positions, the Company needs to implement standard operating procedures and computerized controls to minimize operational risks.

Since its inception, the Company has bested other industry participants in terms of profits and profit stability, because of its competitive advantage in personnel talents, trading strategies, and risk management. The Company will continue to grow these professional abilities to become a large scale, globalized asset management institution.

Pursuant to the “Rules Governing Futures Commission Merchants”, futures commission merchants are not allowed to lend funds or offer endorsements/guarantees to others.

- C. Effect on the futures commission merchants' financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

Relevant personnel of Yuanta Futures and its subsidiaries always make advance analysis of the impacts on business operations from major changes in domestic and foreign policies and legal practices. In addition, the Company adjusts related internal operational strategies and SOPs in a timely manner to cope with the impacts of major changes in domestic and foreign policies and legal practices.

- D. Effect on the futures commission merchants' financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The rise of internet technology has changed the traditional form of transactions and services. As the cyber threat rises as well, technology development brought not only internet threats but multiple ways of external attacks and the challenge of cyber defense rose with it. Through inspecting periodically and updating cyber security management rules to comply with laws and the latest cyber security criterions. With cyber-attacks, backup plan and educating drills, the employees' competence and crisis awareness and the cyber security management mechanism have been enhanced and strengthened. Futures commission merchants now require more specialized

talents and more advanced equipment to accommodate the rise of e-trades and offer more integrated software to customers. Apart from purchasing new IT equipment, the Company also focuses on developing new software packages for customers and training of IT staffs.

- E. Effect on the futures commission merchants' crisis management of changes in the futures commission merchants' corporate image, and measures to be taken in response:

From the day it was incorporated, the Company had been renowned for its professional management, comprehensive services, and proprietary IT technologies. On top of which was a strong proprietary trading team that delivered top-notch performance and profitability in the futures industry. The Company's professional reputation has long been recognised in the market. The Company merged with Yuanta Futures on April 1, 2012, and through integrating the resources from Yuanta Financial Holdings and the old Polaris group, we not only endeavor in securing our existing advantages within domestic futures market, but also continue to form strategic cooperation internationally and proactively participate in the China futures market.

- F. Expected benefits and possible risks associated with any merger or acquisition, and measures to be taken in response:

Through merger, the two parties can integrate their overlapping businesses, personnel, software and hardware to improve competitive advantage, and thereby strengthening business profile as a whole, achieve economies of scale, and elevate international competitiveness.

- G. Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response: None.

- H. Risks associated with any consolidation of business operations, and measures to be taken in response:

The risk exposure of the Company by counterparty's geographic area and industry is concentrated in Taiwan and financial institutions, respectively; the related default risk is remote after the assessment. The Company controls concentration of risk by setting management measures and annual risk limit for large risk exposures and reviews it periodically to ensure the Company is free from the risk associated with concentration of business.

- I. Effect upon and risk to the futures commission merchants in the event of any large transfer or changing of hands of shareholding of a director, a supervisor, or a shareholder holding greater than a 10 percent stake in the futures commission merchants, and measures to be taken in response:

The Company and its subsidiaries are operated by professional managers with thorough authorization and management regulations clearly defining the scope of responsibilities for each level of personnel to realise segregation of duties, as a result when a director or a major shareholder with over 10% holding transfer or exchange shareholdings, the impact to the Company is minimal.

J. Effect upon and risk to the futures commission merchants associated with any change in governance personnel or top management, and measures to be taken in response:

There would be no changes in management as the Company has a stable management team.

K. Litigious or non-litigious matters. List any major litigious, non-litigious, or administrative dispute that involves the futures commission merchants or any of its directors, supervisors, general manager, major shareholder holding a stake of greater than 10 percent, or any company or companies controlled by the futures commission merchants, and that has been concluded by a final and conclusive judgment or is still pending. Where such a dispute could materially affect shareholders' equity or the prices of the futures commission merchants' securities, the report shall disclose the facts of the dispute, the amount of money at stake in the dispute, the date of commencement of litigation, the main parties to the dispute, and the status of the dispute as of the date of the close of the fiscal year: None.

L. Other significant risks and measures to be taken in response:

The risk management organization of the Company includes the Board of Directors, Audit Committee, Auditing Office, high management level, Risk Management Department, Compliance Department, and all business units to collectively form three lines of defense for risk management.

(A) First line of defense: this includes each business unit, whose personnel is serving in the operational or administration division and have responsibilities for risk identification, risk assessment and risk control.

(B) Second line of defense: this includes high management level, Risk Management Department and Legal Compliance Department, which are responsible for risk monitoring, risk management and taking measures in response to risk issues.

(C) Third line of defense: this includes the Board of Directors, Audit Committee and Auditing Office. The Auditing Office adopts a risk-based audit approach. The Board of Directors and the Audit Committee, in addition to setting annual risk appetite, evaluate the risk of the overall business and management comprehensively to ensure every risk is under effective control.

(7) Crisis management mechanisms

When a crisis occurs, each unit shall assign operational risk manager or specific associate who is responsible for the risk to report as well as actively follow up and manage the operational risk events. The relevant responsibilities shall be properly handed over to the deputy if the manager or the specific associate takes leaves.

The related procedures are executed as follows:

- A. When each unit discovers or identifies an operational risk event, with or without the amount of loss, it shall, report the event according to the reporting process and send it to Risk Management Department after being confirmed by the department managers within two business days from the following day.
- B. The contents of the events reported by each unit shall be clearly described.
- C. Risk Management Department may, upon receipt of the event reports from each unit, collaborate with the relevant unit where necessary.
- D. Each unit shall update the development of the reported event or report the close of the event after it confirms that the incurrence of a major development or a loss improvement plan, future risk reduction measures and a loss amount (including accounting treatment of the loss amount).
- E. Each unit shall describe the current type of risk transfer if it has adopted the risk transfer in response to the reported event.
- F. Risk Management Department shall analyze the reported events periodically, and establish the internal events database as the basis for operational risk measurement.

(8) Other important matters: None.

4. Information regarding CPA

(1) Information on professional fees

- A. The amount of both audit and non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm and the details of the non-audit services shall be disclosed:

Accounting firm	Name of CPA	Financial year	Audit fees	Non-audit fees	Total	Note
PwC Taiwan	Chiao-Sen Lo	2021	1,750	43	1,793	Note1
	Hsiu-Ling Lee			-		
	Yu-Chen Hu	2021	-	260	260	Note2

Note1: Non-audit services include registrations for issuing corporate bonds and reviews on checklist of information about salary of full-time employees who are not in a managerial position.

Note2: Non-audit services include the assistance in the preparation of income tax returns.

- B. The futures commission merchants change its accounting firm and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change: None.

C. The audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 10 percent or more: The audit fees paid for the current financial year are \$210,000, or 10.71%, lower than those paid for the prior financial year, as the Company reclassified tax compliance audit fees to non-audit fees in line with the amendments to certain Articles in the “Regulations Governing Information to be Published in Annual Reports of Public Companies” by the FSC on November 30, 2021.

(2) Information on change in CPA: None.

(3) The futures commission merchants' chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its auditing CPAs or at an affiliated enterprise of such accounting firm: None.

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YUANTA FUTURES CO., LTD.

DISCLOSURE OF SECURITIES DEPARTMENT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

ASSETS		Notes	December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
111100	Cash and cash equivalents	6(1)	\$	681,219	73	\$	587,793	72
112000	Financial assets at fair value through profit or loss - current	6(2)		231,793	25		179,436	22
114130	Accounts receivable			-	-		32,265	4
114170	Other receivables			230	-		-	-
114600	Current income tax assets			402	-		334	-
110000	Subtotal current assets			913,644	98		799,828	98
Non-current assets								
129010	Operating guarantee deposits	6(3) and 7		10,000	1		10,000	1
129020	Clearing and settlement funds	6(3)		7,572	1		7,424	1
120000	Subtotal non-current assets			17,572	2		17,424	2
906001	Total Assets		\$	931,216	100	\$	817,252	100
LIABILITIES AND EQUITY								
Current liabilities								
214130	Accounts payable		\$	13,750	1	\$	1,664	-
214160	Collection for third parties			7	-		8	-
214170	Other payables			7	-		122	-
210000	Subtotal current liabilities			13,764	1		1,794	-
229000	Other non-current liabilities			-	-		-	-
220000	Subtotal non-current liabilities			-	-		-	-
906003	Total Liabilities			13,764	1		1,794	-
Capital								
301110	Operating capital			800,000	86		800,000	98
Retained earnings								
304040	Undistributed earnings			117,452	13		15,458	2
906004	Total equity			917,452	99		815,458	100
906002	Total liabilities and equity		\$	931,216	100	\$	817,252	100

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

YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars)

			For the years ended December 31,			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
Revenues						
410000	Gains on trading of securities	6(2)	\$ 119,534	96	\$ 35,200	90
421300	Dividend income	6(2)	7,518	6	2,087	5
421500	(Losses) gains on valuation of trading securities	6(2)	(2,576)	(2)	1,897	5
400000	Total revenues		124,476	100	39,184	100
Costs and expenses						
502000	Dealer handling fee		(626)	(1)	(139)	-
531000	Employee benefit expense		(6,395)	(5)	(6,468)	(17)
533000	Other operating expenses		(17,438)	(14)	(4,429)	(11)
500000	Total costs and expenses		(24,459)	(20)	(11,036)	(28)
Operating income			100,017	80	28,148	72
602000	Other gains and losses	7	1,977	2	3,481	9
902005	Net income		\$ 101,994	82	\$ 31,629	81
Total comprehensive income			\$ 101,994	82	\$ 31,629	81

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

YUANTA FUTURES CO., LTD.
NOTES TO THE DISCLOSURE OF SECURITIES DEPARTMENT
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, Unless Otherwise Indicated)

1. HISTORY AND ORGANIZATION

The Department was approved by the competent authority to engage in securities dealing business on April 28, 2010, and it officially launched business on July 2, 2010.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These department financial statements were authorized for issuance by the Board of Directors on March 10, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform – Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

The above standards and interpretations have no significant impact to the Department’s financial condition and financial performance based on the Department’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Department

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Department's financial condition and financial performance based on the Department's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 — comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the Department's financial condition and financial performance based on the Department's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these department financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Department have been prepared in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Firms, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, the Department financial statements have been prepared under the historical cost convention:

Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Department’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Department financial statements are disclosed in Note 5.

(3) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realised within twelve months from the balance sheet date;

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

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(A) Liabilities that are expected to be settled within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

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

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

(4) Cash and cash equivalents

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

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Department measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Department subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Department recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Department and the amount of the dividend can be measured reliably.

(6) Accounts receivable

- A. Accounts receivable entitle the Department a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of non-financial assets

The Department assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(8) Impairment of financial assets

For accounts receivable, operation guarantee deposits, and clearing and settlement funds, at each reporting date, the Department recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

5. CRITICAL ACCOUNTING JUDGEMENT, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these department financial statements requires management to make critical judgements in applying the Department's accounting policies and make critical assumptions and estimates concerning future events. The significant accounting estimates and such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience, the effect of COVID-19 and other factors. The management assessed that the Department had no significant accounting estimates and assumptions.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Demand deposits	\$ 81,219	\$ 17,793
Time deposits	600,000	570,000
Total	<u>\$ 681,219</u>	<u>\$ 587,793</u>

A. The Department transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Department has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 224,771	\$ 168,430
Beneficiary certificates	-	1,408
	224,771	169,838
Valuation adjustment	7,022	9,598
	<u>\$ 231,793</u>	<u>\$ 179,436</u>

Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>For the years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets at fair value through profit or loss		
Listed stocks	\$ 129,154	\$ 38,871
Beneficiary certificates	(4,678)	313
Total	<u>\$ 124,476</u>	<u>\$ 39,184</u>

(3) Other assets

	December 31, 2021	December 31, 2020
Operating guarantee deposits	\$ 10,000	\$ 10,000
Clearing and settlement funds	7,572	7,424
Total	<u>\$ 17,572</u>	<u>\$ 17,424</u>

A. In accordance with “Securities and Exchange Act” and “Regulations Governing Securities Firms”, operating guarantee deposits shall deposit in financial institutions designated by the FSC.

B. In accordance with “Securities and Exchange Act” and “Regulations Governing Securities Firms”, clearing and settlement fund shall deposit in Taiwan Stock Exchange Corporation and Taipei Exchange.

C. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the other assets held by the Department was \$17,572 and \$17,424, respectively.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company’s ultimate controlling party is Yuanta Financial Holding Co., Ltd., which owns 66.27% of the Company’s shares.

(2) The names and relationship of related parties

<u>Names</u>	<u>Relationship with the Company</u>
Yuanta Bank Co., Ltd.	The same group of enterprises

(3) Significant related party transactions and balances

A. Operating guarantee deposits

	December 31, 2021	December 31, 2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	<u>\$ 10,000</u>	<u>\$ 10,000</u>

B. Interest income

	For the years ended December 31,	
	2021	2020
Fellow subsidiary		
Yuanta Bank Co., Ltd.	<u>\$ 274</u>	<u>\$ 90</u>

C. Property transaction

As of December 31, 2021 and 2020, the cost of the Department’s holding of funds managed by fellow subsidiary were \$0 and \$1,318, and the fair value of such investments were \$0 and \$1,349, respectively.

The gains on disposal of beneficiary certificates were \$692 and \$818 for the years ended December 31, 2021 and 2020, respectively.

8. PLEDGED ASSETS

None.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

None.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. DISCLOSURES OF FINANCIAL INSTRUMENTS INFORMATION

Please refer to the 2021 financial statements of the Company.

12. SPECIFIC INHERENT RISKS IN PROPRIETARY SECURITY BUSINESS

(1) The primary risk of the Department's securities dealing business is market price risk. The securities held are measured at fair value, and market prices of securities are price index sensitive, the Department employs optimum hedging strategy to reduce the degree of exposure to relevant risks.

(2) The Department adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

A. The Department determines that there has been a significant increase in credit risk on a receivable, if it is either past due over 30 days or in violation of the terms of the agreement.

B. The definition of a financial asset in default

The Department adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

C. Write off policy

If the Department cannot reasonably expect to recover the entire or part of the financial asset, it will write off the entire or part of the financial asset.

D. Measurement of expected credit loss and consideration of forward-looking information

Obtain historical loss rates (based on the historical losses from the past three years, compare the current and past economic environments to the predicted future environment (forward-looking factor) and determine if there is a significant change; adjust the estimate for future loss rates accordingly).

On December 31, 2021 and 2020, the Department's total carrying amount and maximum exposure to credit risk amount of account receivable were \$0 and \$32,265, respectively.

13. INCOME STATEMENTS BASED ON THE TYPE OF BUSINESS

N/A

14. SEGMENT INFORMATION

N/A

15. SUBSEQUENT EVENTS

None.

16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

None.

17. INFORMATION ON INVESTEEES

None.

18. DISCLOSURE OF INFORMATION ON SETTING UP BRANCH OFFICES AND
REPRESENTATIVE

None.

19. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENT IN MAINLAND CHINA

None.

20. OTHERS

None.

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YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Demand deposits		\$ 81,219	
Time deposits	expiring within one year, interest rate 0.090%~0.800%	600,000	
		<u>\$ 681,219</u>	

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YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS — CURRENT
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name of Financial Instrument	Description	Shares or units (in thousands)	Face Value	Total Amount (in thousands)	Interest Rate	Cost	Fair Value		Amount of the fair value attributable to change in the credit risk	Note
							Unit Price (dollars)	Total Amount		
<u>Listed stocks</u>										
Micro-Star International Co., Ltd.		375				\$ 60,240	\$ 160.50	\$ 60,188		Note
Others		1,254				92,985		94,004		
Subtotal						153,225		154,192		
<u>OTC stocks</u>										
ALLIED CIRCUIT CO., LTD.		100				15,673	166.00	16,600		
Phison Electronics Corp.		30				14,334	512.00	15,360		
Others		345				41,539		45,641		
Subtotal						71,546		77,601		
Total						\$ 224,771		\$ 231,793		

Note: The other items are not exceed 5%.

YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Client	Description	Amount	Note
Non-related parties:			
Taiwan Stock Exchange	Securities settlement payables	\$ 9,018	
	Service charge	23	
Taipei Exchange	Securities settlement payables	4,699	
	Service charge	10	
		<u>\$ 13,750</u>	

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YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION, AMORTIZATION AND OTHER
OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	2021	2020	Note
Employee benefit expense (Note):			
Wages and salaries	\$ 6,076	\$ 6,023	
Labor and health insurance fees	161	250	
Pension costs	63	118	
Other personnel expenses	95	77	
	<u>6,395</u>	<u>6,468</u>	
Other operating expenses:			
Tax expenses	15,934	3,415	
Computer information expenses	1,389	943	
Institutional membership fees	13	28	
Other expenses	102	43	
	<u>17,438</u>	<u>4,429</u>	
	<u>\$ 23,833</u>	<u>\$ 10,897</u>	

Note1: 1. The Department had 1 and 2 employees in 2021 and 2020, respectively. The Department has no director.
2. Average employee benefit expense was \$6,395 and \$3,234, respectively.
3. Average wages and salaries was \$6,076 and \$3,012, respectively.
4. Year on Year change in average employee wages and salaries was 101.73%.
5. Supervisors' remuneration in 2021 and 2020 were both \$0. (Because of the establishment of Audit Committee, there's no supervisors' remuneration.)
6. Please illustrate the remuneration policy of the Company. (Including directors, supervisors, managers and employees)
Please find the remuneration policy of the Department in 2021 parent company only financial statements, in the statements of employee benefits, depreciation, amortization and other operating expenses.

YUANTA FUTURES CO., LTD. SECURITIES DEPARTMENT
STATEMENT OF OTHER GAINS AND LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Other gains			
Interest income		\$ 1,877	
Others		100	
		<u>\$ 1,977</u>	

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