

## Minutes of the 2019 Annual General Meeting of Yuanta Futures Co., Ltd.

Meeting time: 9:00am on May 23 (Thursday), 2019

Meeting place: 13F., No.27, Sec. 1, Anhe Rd., Da'an Dist., Taipei City (The Chinese National Futures Association Business Center)

Shareholding of the attending shareholders: 205,805,668 shares of the attending shareholders and by proxy (of which 204,549,440 votes were exercised electronically and were deemed present), representing 88.60% of the total issuance of 232,276,288 shares.

Chairman: Lin, Tien-Fu

Clerk: Kuo, Ying-Ying

Attendees: Director and President, Chou, Hsiao-Ling; Director, Sun, Cheng-Hua; Independent Director, Yu, Chwo-Ming; Independent Director, Hung, Ching-Shan; Independent Director, Huang, Nai-Kuan

CPA Lin, Se-kai of PricewaterhouseCoopers

Attorney Liang, Huai-Hsin of Giant Era International Law Firm

I. Meeting commencement: Omitted.

II. Statement by the Chairman: Omitted.

III. Reporting matters:

1. Presenting the Company's 2018 Business Report. (Attachment 1) -- Acknowledged by all present shareholders.
2. Audit Committee has the audit report for the Company's 2018 business report, financial statements, and statement of retained earnings presented for approval. (Attachment 2)  
-- Acknowledged by all present shareholders.
3. Presenting the 2018 Employees' Remuneration Distribution. -- Acknowledged by all present shareholders.

IV. Acknowledgments:

Proposal 1:

Subject: Adoption of the Company's 2018 Business Report and Financial Statements. (Proposed by the Board of Directors)

- Explanation:
1. The Company's 2018 consolidated financial statements and the financial statements were audited by CPA Lin, Se-kai and CPA Kuo, Po-Ju of PricewaterhouseCoopers and were resolved for acceptance on the 12<sup>th</sup> Meeting of the 10<sup>th</sup> term Board of Directors (March 21, 2019). The audited financial statements and the business report were reviewed by the Audit Committee without any nonconformity identified and with a review report issued.
  2. For details on the Business Report, Independent Auditor's Report, the consolidated financial statements and individual financial statements, please refer to Attachment 1 and 3.
  3. The agenda has been proposed for acknowledgment.

Resolutions: This case was voted with 203,307,276 voting rights in favor, accounting for 98.79 % of the total voting rights of the presenting shareholders. There were 6,645 voting right not in favor of the case. There were 2,491,747 waived/not voted and 0 voting right invalid. This case is passed according to the resolution reached by voting in the board meeting.

Proposal 2:

Subject: Adoption of the Company's 2018 Earnings Distribution. (Proposed by the Board of Directors)

- Explanation:
1. The 2018 annual earnings distribution proposal was in compliance with the Company Act and the Company's Articles of Incorporation; also, it was resolved for acceptance on the 12<sup>th</sup> Meeting of the 10<sup>th</sup> Board of Directors (March 21, 2019). The annual earnings distribution proposal was reviewed by the Audit Committee without any nonconformity identified and with a review report issued.
  2. The amount of beginning undistributed earnings was NT\$144,557,662. After deducting retained earnings at NT\$13,210,731 transferred from the actuarial gains and losses of the defined benefit plans and retained earnings at NT\$316,411 transferred from the effects on opening as specified in IFRS 9; and adding the 2018 net income at NT\$1,000,044,753 and NT\$5,477,529 reversed from the education and training for employee transformation and the outplacement and settlement of employees according to the requirement specified in Letter Jin-Guan-Zheng-Quan-Zi (FSC-Securities) No. 10500278285, and deducting the net loss of equity instruments disposed of in 2018 by financial assets measured at fair value through other comprehensive income (FVTOCI) at NT\$37,553,321, the amount of distributable earnings was NT\$1,098,999,481.
  3. The year earnings are appropriated for legal reserve of NT\$100,004,475, special reserve (20%) of NT\$200,008,951 and special reserve (Fintech 0.5%) of NT\$5,000,224. The cash dividend this year is NT\$2.8 per share and for a grand total of NT\$650,373,606. The unappropriated earnings amounted to NT\$143,612,225 afterwards. Please refer to Attachment Four for further details regarding the earnings appropriation.
  4. The 2018 earnings are applied for the distribution of cash dividend, namely NT\$2.8 per share (It is calculated and rounded up to the dollar in accordance with 232,276,288 common stock shares issued. The

total number of odd shares for less than NT\$1 is transferred to the Welfare Committee with the postage fees paid by the shareholders themselves). The board of directors will be authorized upon the resolution reached in the shareholders' meeting to have the ex-dividend date determined and the dividend distributed proportionally according to the latest shareholders' registry.

5. Should The Company buyback its shares, transfer treasury stocks to employees, encounter conversions of corporate bonds or engage in any transactions that affect the number of outstanding shares before the dividend base date, the Chairman shall be authorized to make the necessary changes with regards to dividend payout per shareholder.
6. The agenda has been proposed for acknowledgment.

Resolutions: This case was voted with 203,453,764 voting rights in favor, accounting for 98.86 % of the total voting rights of the presenting shareholders. There were 32,158 voting right not in favor of the case. There were 2,319,746 waived/not voted and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.

V. Discussions:

Case 1:

Subject: Partial amendments to the "Articles of Incorporation". (Proposed by the Board of Directors)

Explanation: (1) The Company proposal to amend Articles 1 and 29 of the Articles of Association as follows in accordance with the Article 18, Article 392-1 and Article 235-1 amendment of the Company Act:

1. With respect to the amendment to the Company Act promulgated on August 1, 2018, the English name of the Company was added to facilitate the need for internationalization.
2. In response to the said amendment to Article 235-1 of the Company Act, we have expanded the scope of recipients of the compensation for employees to companies controlled by or affiliated to this Company according to the internal policy and rewards for all employees based on a fair basis.

(2) Please refer to Attachment 5 for the comparison table of partial amendments to the "Articles of Incorporation".

(3) Proposed for referendum.

Resolutions: This case was voted with 203,454,181 voting rights in favor, accounting for 98.86 % of the total voting rights of the presenting shareholders. There were 14,305 voting right not in favor of the case. There were 2,337,182 waived/not voted and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.

Case 2:

Subject: Please discuss the revision of the Company's "Regulations Governing the Acquisition or Disposal of Assets". (Proposed by the Board of Directors)

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

(2) Please refer to Attachment 6 for the comparison table of partial amendments to the "Regulations Governing the Acquisition or Disposal of Assets Regulations Governing the Acquisition or Disposal of Assets"

(3) Proposed for referendum.

Resolutions: This case was voted with 203,389,175 voting rights in favor, accounting for 98.86 % of the total voting rights of the presenting shareholders. There were 14,312 voting right not in favor of the case. There were 2,402,181 waived/not voted and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.

Case 3:

Subject: Proposal for lifting Non-competition Restrictions for Directors. (Proposed by the Board of Directors)

Explanation: (1) Pursuant to Article 209, Paragraph 1 of the Company Act "If a director is engaged in activities which are within the business scope of the company, either for his/her own sake or on behalf of others, the director should explain to the shareholders' meeting the major contents of such activities and obtain approval accordingly."

(2) For the Company's directors or directors who have invested or operated the same or similar scope of business as the Company fell in one of the circumstances, an agreement is reached to lift competition restrictions on them.

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

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

Resolutions: This case was voted with 203,407,170 voting rights in favor, accounting for 98.83 % of the total voting rights of the presenting shareholders. There were 63,844 voting right not in favor of the case. There were 2,334,654 waived/not voted and 0 voting right invalid. This case is passed according to the revolution reached by voting in the board meeting.

VI. Extempore motion: None.

VII. Meeting adjourned: (9:35am)

Chairman: Lin, Tien-Fu

Clerk: Kuo, Ying-Ying

\* The purpose of the meeting is documented in the minutes of the general shareholders' meeting. The agenda and procedures of the meeting are taped in video and audio form.

# Yuanta Futures Co., Ltd.

## 2018 Business Report

### I. Market Overview

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

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

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

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

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

### II. Corporate governance

(I) Participating in the 10<sup>th</sup>, 11<sup>th</sup>, and 12<sup>th</sup> "Information Disclosure Ranking Results in Taiwan by the Securities and Futures Institute" of the ROC Securities and Futures Institute with the highest honor of "A++" rating received; also, the Company is the one and only futures company in Taiwan receiving such honor for three consecutive years. It indicates that the Company's dedication to actively deploy new business and promote business; also, value and substantiate the concrete practice of corporate governance.

(II) We participated in the past three "Corporate Governance Review" hosted by TWSE and TPEX

from 2014-2017. Our evaluation results have been consistently ranked in the top 5% among all OTC companies. It is an honorable recognition of our operation philosophy in honesty, maximizing the shareholder's equity, and sustainable operation.

- (III) After April 2012, the Board of Directors had the "Audit Committee" setup to replace the functions of supervisors, to supervise the Company's financial operations, internal control, regulatory compliance, and risk control for emphasizing an open and transparent management philosophy. The Audit Committee had convened 13 meetings in 2018.

### III. Operating results

In 2018, the Company continued intensifying a variety of business management, including the efforts to boost the profitability of the shareholders' equity, put into implementation thoroughly risk management, implement the targets of proprietary dealing and brokerage businesses which have been embodied through various business targets below:

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

#### Credits and honors in 2018

1. Awarded with the honor of the 4<sup>th</sup> corporate governance "OTC company top five-percent performance."
2. No. 1 in the futures sector, Taiwan Top 2000, *CommonWealth Magazine*.
3. No. 1 in futures companies amongst the Top 5000 large corporations in Taiwan.
4. The only public futures company to win the "Excellence in Corporate Social Responsibility" in the Little Giant Group.
5. Highly Commended, Derivatives House of the Year, *The Asset*
6. Emerging Market Non-Bank Broker of the Year, FOW Awards for Asia
7. FCM Transaction Volume Diamond Award & FCM Foreign Investment Transaction Volume Diamond Award, 4<sup>th</sup> Futures Diamond Awards, Taipei Futures Exchange
8. Awarded with the "Outstanding Enterprise and "Most Popular Brand" at the 15<sup>th</sup> National Brand Yushan Award.
9. The 72<sup>nd</sup> ROC Excellent Businessmen Award

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

(Unit NT\$ thousand)

Item	2018	2017	Difference	Variation
Operating gains	3,638,296	2,921,001	717,295	24.56%
Earnings before tax	1,245,582	1,025,100	220,482	21.51%
Current period net profit	1,000,045	873,286	126,759	14.52%
Net worth (NT\$100mn)	82.21	74.68	7.53	10.08%

After-tax EPS (NT\$)	4.31	3.76	0.55	14.63%
Return on shareholders' equity	12.75%	11.92%	0.83%	6.96%

#### IV. Research and development

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

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

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

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

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

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

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

#### Attachment 2

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

For the Company’s 2018 consolidated financial statements, financial statements and the 2018 business report and statement of retained earnings presented by the board of directors, in which, the financial statements were audited by CPA Sekai Lin and CPA Po-Ju Kuo of PricewaterhouseCoopers with an adjusted unqualified opinion stated in the independent auditor’s report.

Chairman:

President:

Accounting Supervisor:

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

Best regards

The 2019 Annual General Meeting of Yuanta Futures Co., Ltd.

The Audit Committee of Yuanta Futures Co., Ltd.

Convener Yu, Chwo-Ming

March 21, 2019

To Yuanta Futures Co., Ltd.:

**Audit opinion**

We have audited the accompanying proprietary consolidated balance sheet of Yuanta Futures Co., Ltd. and its subsidiaries as of December 31, 2018 and 2017 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows and Notes to consolidated financial statement (including significant accounting policies) for the years then ended.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Futures and its subsidiaries as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants," "Regulations Governing the Preparation of Financial Reports by Securities Firms," and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

**Basis of an audit opinion**

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

**Key Audit Matters**

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2018 consolidated financial statements of Yuanta Futures and its subsidiaries. The key audit matters have been responded to in the process of auditing the consolidated financial statements as a whole and forming an audit opinion; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit matters (KAMs) of the 2018 consolidated reports of Yuanta Futures Co., Ltd. and subsidiaries are as follows:

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

Please refer to Note 4-(8) of the consolidated financial statement for information regarding the accounting policy for unlisted stocks with no active market (financial assets measured at FVTOCI). Please refer to Note 6-(5) of the consolidated financial statement for information regarding other important accounting titles. Please refer to Note 5-(2) of the consolidated financial statement for information regarding the uncertainty and assumption of accounting estimate of fair value measurement. Please refer to Note 20-(3) of the consolidated financial statement for information regarding the fair value of financial instruments. By December 31, 2018, the amount of investments in unlisted stocks in financial assets measured at FVTOCI was NT\$1,404,019,000.

The fair value of the unlisted stock of Yuanta Futures and its subsidiaries without market price available for reference is measured in accordance with the Market Approach, which involves a number of assumptions and significant unobservable input values, including the evaluation methods used, the determination of the similar observable subject matters, and the price-to-earnings (P/E) ratio and discount for lack of marketability with subjective judgment and a high degree of uncertainty, since the measurement results do

have a significant impact on the financial statements, the independent auditor has the fair value measurement of the unlisted stock without market price available for reference classified as a key audit matter of the year.

### **The responsive auditing process**

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

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

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

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

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

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

#### **The responsive auditing process**

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

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

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

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

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

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the "Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants," "Regulations Governing the Preparation of Financial Reports by Securities Firms," and International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), International Accounting Standards (IAS), Interpretation (IFRIC) and Interpretative Announcement

(SIC); also, maintain the necessary internal controls related to the consolidated financial statements in order to ensure that the consolidated financial statements are free of any material misstatement arising from fraud or errors.

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

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

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

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

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

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

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal

controls identified in the auditing process).

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

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2018 consolidated financial statements of Yuanta Futures and its subsidiaries. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PwC Taiwan

Se-kai Lin

CPA

Po-Ju Kuo

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

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

Former Financial Supervisory Commission

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

March 21, 2019

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

Unit: NT\$ thousand

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

(Continued on next page)

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

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

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

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

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

Item	Additional notes	2018		2017		
		Amount	%	Amount	%	
<b>Revenue</b>						
401000	Brokerage commission	6(17) and 7	\$ 3,439,375	95	\$ 2,712,136	93
410000	Operating gain (loss) on sale of securities	6 (2) (18)	( 16,277)	-	2,486	-
421300	Dividend income	6 (2)	1,491	-	3,263	-
421500	Net loss of securities trade measured at the fair value through profit or loss	6 (2)	( 571)	-	( 106)	-
421600	SBL and reverse sell margin-trading-short - net gain (loss)	6 (2)	15,679	1	( 55,765)	( 2)
421610	Net Profit (Losses) on Measurement at Fair Value through Profit or Loss for Securities Held for Operations		( 381)	-	607	-
424200	security commission earned	7	4,743	-	4,425	-
424300	Settlement and clearance fees	6(19) and 7	83,717	2	75,996	3
424400	Net gains in the derivative financial instruments	6 (2) (20)	84,151	2	135,539	5
424800	Management fee income		-	-	198	-
424900	Consultancy fee income		14,259	-	16,487	-
428000	Other operating revenue	7	12,110	-	25,735	1
400000	<b>Total revenues</b>		<u>3,638,296</u>	<u>100</u>	<u>2,921,001</u>	<u>100</u>
<b>Expense</b>						
501000	Brokerage commission expenses	6 (21)	( 620,625)	( 17)	( 516,514)	( 18)
502000	Proprietary trade service commission expenses	6 (21)	( 6,692)	-	( 5,951)	-
521200	Financial costs	7	( 52,617)	( 2)	( 34,609)	( 1)
425300	Expected credit impairment loss	20 (6)	( 89,113)	( 3)	-	-
524100	Futures commission expenses	6(22) and 7	( 775,740)	( 21)	( 554,276)	( 19)
524300	Clearance and settlement service expenses		( 488,057)	( 14)	( 411,591)	( 14)
528000	Other operating expenses		( 3,382)	-	( 779)	-
531000	Employee Benefit expenses	6 (23) (24)	( 625,300)	( 17)	( 539,067)	( 19)
532000	Depreciation and amortization expenses	6 (9) (10) (23)	( 49,985)	( 1)	( 39,503)	( 1)
533000	Other operating expenses	6(23) (28) and 7	( 511,000)	( 14)	( 442,343)	( 15)
500000	<b>Total Expense</b>		<u>( 3,222,511)</u>	<u>( 89)</u>	<u>( 2,544,633)</u>	<u>( 87)</u>
<b>Operating profit</b>						
602000	Other profits and losses	6(25) and 7	829,797	23	648,732	22
902001	<b>Earnings before tax</b>		1,245,582	34	1,025,100	35
701000	Income tax expense	6 (26)	( 245,537)	( 7)	( 151,814)	( 5)
900024	<b>Current period net profit</b>		<u>\$ 1,000,045</u>	<u>27</u>	<u>\$ 873,286</u>	<u>30</u>

(Continued on next page)

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

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

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

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

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

Unit: NT\$ thousand

Additional notes	Attributable to owners of the parent company								
	Capital reserve			Retained earnings			Other equity		
	Ordinary shares capital	Share Premium	Consolidated Premium Amount	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	Unrealized losses on for-sale assets
6 (12)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 637,326	\$ 1,526,665	\$ 827,716	(\$ 4,224 )	\$ -	\$ -
and losses e for the	-	-	-	-	-	873,286	-	-	-
tribution	-	-	-	-	-	635	( 23,052 )	-	-
6 (15)	-	-	-	-	-	873,921	( 23,052 )	-	-
	-	-	-	82,771	-	( 82,771 )	-	-	-
ders 017	-	-	-	-	169,682	( 169,682 )	-	-	-
	-	-	-	-	-	( 573,722 )	-	-	-
	<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 720,097</u>	<u>\$ 1,696,347</u>	<u>\$ 875,462</u>	<u>(\$ 27,276 )</u>	<u>\$ -</u>	<u>\$ -</u>
tion and ect after	6 (12)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 720,097	\$ 1,696,347	\$ 875,462	(\$ 27,276 )	\$ -
	6 (16)	-	-	-	-	-	( 317 )	104	938,971
		<u>2,322,763</u>	<u>894,643</u>	<u>46,333</u>	<u>720,097</u>	<u>1,696,347</u>	<u>875,145</u>	<u>( 27,172 )</u>	<u>938,971</u>
income e for the	6 (5)(16)	-	-	-	-	-	1,000,045	-	-
		-	-	-	-	-	( 13,210 )	25,454	205,687
tribution	6 (15)	-	-	-	-	-	986,835	25,454	205,687
		-	-	-	87,329	-	( 87,329 )	-	-
ders nts	6 (5)(16)	-	-	-	-	179,023	( 179,023 )	-	-
		-	-	-	-	-	( 464,553 )	-	-
		-	-	-	-	-	( 37,553 )	-	37,553
018		<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 807,426</u>	<u>\$ 1,875,370</u>	<u>\$ 1,093,522</u>	<u>(\$ 1,718 )</u>	<u>\$ 1,182,211</u>

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

Chairman, Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

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

Unit: NT\$ thousand

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

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

## Auditor's Report

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

To Yuanta Futures Co., Ltd.:

### **Audit opinion**

We have audited the accompanying proprietary individual balance sheet of Yuanta Futures Co., Ltd. as of December 31, 2018 and 2017 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

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

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

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

### **Key Audit Matters**

The "key audit matters" means that the independent auditor has based its evaluations on the professional judgment to audit the most important matters on the 2018 individual financial statements of Yuanta Futures. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The KAMs of 2018 individual financial statements of Yuanta Futures are as follows:

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

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

Please refer to Note 4-(7) of the consolidated financial statement for information regarding the accounting policy for unlisted stocks with no active market (financial assets measured at FVTOCI). Please refer to Note 6-(5) of individual financial statements for information regarding other important accounting titles. Please refer to Note 5-(2) of individual financial statements for information regarding the uncertainty and assumption of accounting estimate of fair value measurement. Please refer to Note 20-(3) of individual financial statements for information regarding the fair value of financial instruments. By December 31, 2018, the amount of investments in unlisted stocks in financial assets measured at FVTOCI was NT\$1,404,019,000.

The fair value of the unlisted stock of Yuanta Futures without market price available for reference was measured in accordance with the Market Approach, which involves a number of assumptions and significant unobservable input values, including the evaluation methods used, the determination of the similar observable subject matters, and the price-to-earnings (P/E) ratio and discount for lack of marketability with subjective judgment and a high degree of uncertainty, since the measurement results do have a significant impact on the financial statements, the independent auditor has the fair value measurement of the unlisted stock without market price available for reference classified as the key audit matter of the Year 2018.

##### **The responsive auditing process**

The independent auditor has commissioned price evaluation experts to assist in assessing the rationality of the evaluation methods, assumptions, and input values used by the management for the aforementioned

key audit matters. The responsive audit process implemented is summarized as follows:

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

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

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

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

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

#### **The responsive auditing process**

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

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

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

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

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

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

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

The purpose of the independent auditor's auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of

assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

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

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

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

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

The independent auditor has used communication with the governing unit to determine the key audit matters to be performed on the 2018 individual financial statements of Yuanta Futures. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

Se-kai Lin

CPA

Po-Ju Kuo

Former Securities and Futures Bureau, Financial  
Supervisory Commission, Executive Yuan  
Approval Document No.: Jin-Guan-Zheng-6-Zi No.  
0960072936

Former Financial Supervisory Commission  
Approval Document No.: Jin-Guan-Zheng-Shen-Zi No.  
1000035997

March 21, 2019

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

Unit: NT\$ thousand

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

(Continued on next page)

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

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

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

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

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

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

(Continued on next page)

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

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

Item	Additional notes	2018		2017	
		Amount	%	Amount	%
<b>Other comprehensive income</b>					
<b>Items that are not reclassified as profit and loss:</b>					
805510	Defined benefit plan revaluation amount and volume	6 (11)			
				(\$ 16,482)	-
805540	Unrealized valuation gains of equity instruments investments in financial assets measured at FVTOCI	6 (5)(16)			
			205,687	6	-
805599	Income tax related to accounts not being reclassified	6 (26)		3,272	-
				( 131)	-
<b>Accounts to be reclassified to profit or loss subsequently:</b>					
805610	Exchange differences arising from translating the financial statements of foreign operations	6 (16)			
			25,454	1	( 23,052)
805620	Unrealized valuation gains on financial asset available for sale	6 (16)			
			-	-	7,688
805660	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for under equity method	6 (6) (16)			
			-	-	( 1,146)
<b>Other comprehensive income (post-tax profit or loss)</b>			<u>217,931</u>	<u>7</u>	<u>( 15,875)</u>
<b>Total comprehensive income for the period</b>			<u>\$ 1,217,976</u>	<u>36</u>	<u>\$ 857,411</u>
<b>Basic and diluted earnings per share</b>			<u>\$ 4.31</u>	<u>\$ 3.76</u>	

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

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

Unit: NT\$ thousand

Additional notes	Capital reserve			Retained earnings			Other equity		
	Ordinary shares capital	Share Premium	Consolidated Premium Amount	Legal earnings reserve	Special earnings reserve	Undistributed earnings	Exchange differences arising from translating the financial statements of foreign operations	Unrealized gain (loss) on financial assets at fair value through other comprehensive income	U gain on
6 (12)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 637,326	\$ 1,526,665	\$ 827,716	(\$ 4,224)	\$ -	\$ -
and losses	-	-	-	-	-	873,286	-	-	-
6 (16)	-	-	-	-	-	635	(23,052)	-	-
ne for the period	-	-	-	-	-	873,921	(23,052)	-	-
tribution for 2016	-	-	-	-	-	-	-	-	-
6 (15)	-	-	-	82,771	-	(82,771)	-	-	-
lders	-	-	-	-	169,682	(169,682)	-	-	-
017	-	-	-	-	-	(573,722)	-	-	-
	<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 720,097</u>	<u>\$ 1,696,347</u>	<u>\$ 875,462</u>	<u>(\$ 27,276)</u>	<u>\$ -</u>	<u>\$ -</u>
6 (12)	\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 720,097	\$ 1,696,347	\$ 875,462	(\$ 27,276)	\$ -	\$ -
ation and	-	-	-	-	-	(317)	104	938,971	(
ect	-	-	-	-	-	-	-	-	-
3 after adjustment	<u>2,322,763</u>	<u>894,643</u>	<u>46,333</u>	<u>720,097</u>	<u>1,696,347</u>	<u>875,145</u>	<u>(27,172)</u>	<u>938,971</u>	<u>(</u>
income	-	-	-	-	-	1,000,045	-	-	-
6 (5)(16)	-	-	-	-	-	(13,210)	25,454	205,687	-
ne for the period	-	-	-	-	-	-	25,454	205,687	-
tribution for 2018	-	-	-	-	-	986,835	-	-	-
6 (15)	-	-	-	87,329	-	(87,329)	-	-	-
lders	-	-	-	-	179,023	(179,023)	-	-	-
ents measured at	-	-	-	-	-	(464,553)	-	-	-
6 (5)(16)	-	-	-	-	-	(37,553)	-	37,553	-
018	<u>\$ 2,322,763</u>	<u>\$ 894,643</u>	<u>\$ 46,333</u>	<u>\$ 807,426</u>	<u>\$ 1,875,370</u>	<u>\$ 1,093,522</u>	<u>(\$ 1,718)</u>	<u>\$ 1,182,211</u>	<u>\$ -</u>

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

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

Unit: NT\$ thousand

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

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

Chairman: Mr. Lin, Tien-Fu

President: Ms. Chou, Hsiao-Ling

Accounting Supervisor: Liang-Huei Yuan

## Attachment 4

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

Unit: NT\$

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

Chairman:

President:

Accounting Supervisor:

## Yuanta Futures Co., Ltd.

### Amendments to the Articles of Incorporation

Amendments	Current existing clauses	Description of amendments
<p>Article 1 This Company is named “元大期貨股份有限公司”, <u>English as Yuanta Futures Co., Ltd.</u>, according to the Articles of Incorporation of this Company.</p>	<p>Article 1 The company is incorporated according to The Company Act, and is named Yuanta Futures Co., Ltd.</p>	<p>The English name of the company was added to facilitate the need for internationalization.</p>
<p>Article 29 After paying tax and making up for the accumulated losses with the annual earnings, the Company shall appropriate 10% of the remaining earnings as legal reserve, 20% of the remaining earnings as special reserve and with the special reserve appropriated or reversed according to the law and regulations before distributing earnings. The remaining balance amount plus the unappropriated earnings of previous years should be distributed to shareholders according to the proposal of the Board of Directors and the resolution reached in the Shareholders’ meeting. The appropriation of the legal reserve referred to in the preceding paragraph can be exempted when it is equivalent to the Company’s paid-in capital. To incentivize employees and the management team, this Company shall appropriate one per-mille (1‰) to five per-cent (5%) of the balance from deducting the accumulated deficits from the profit of the year (e.g. income before tax deducting the income before deducting the compensation for employees). In addition, <u>when distributing the compensation for employees in stock or in cash, the scope of recipients may cover employees of companies under the control of or affiliated to this Company</u> fulfilling certain requirements. <u>The said “certain requirements” shall be determined by the Board of Directors.</u> The Company optimizes its dividend policy to ensure long-term financial stability while satisfying</p>	<p>Article 29 After paying tax and making up for the accumulated losses with the annual earnings, the Company shall appropriate 10% of the remaining earnings as legal reserve, 20% of the remaining earnings as special reserve and with the special reserve appropriated or reversed according to the law and regulations before distributing earnings. The remaining balance amount plus the unappropriated earnings of previous years should be distributed to shareholders according to the proposal of the Board of Directors and the resolution reached in the Shareholders’ meeting. The appropriation of the legal reserve referred to in the preceding paragraph can be exempted when it is equivalent to the Company’s paid-in capital. The Company will appropriate an amount equivalent to 0.01% ~ 5% of the annual net income (net income before tax and before deducting the remuneration to employees), if any, net of accumulated losses as remuneration to employees as incentive to the employees and management team.</p> <p>The Company optimizes its dividend policy to ensure long-term financial stability while satisfying the needs for future growth, and</p>	<p>With respect to the amendment to paragraph 5, Article 235-1 of the Company Act promulgated on August 1, 2018, we have expanded the scope of recipients of the compensation for employees to companies controlled by or affiliated to this Company according to the internal policy and rewards for all employees based on a fair basis as specified in the amendment.</p>

Amendments	Current existing clauses	Description of amendments
<p>the needs for future growth, and thereby maximizing shareholders' interests. Detailed rules are as follows:</p> <ol style="list-style-type: none"> <li>1. The amount distributed as dividends must not be lower than 50% of distributable earnings.</li> <li>2. The Company may decide the weight of dividends issued in cash and in shares based on its business operations and capital requirements projected for the next year. However, cash dividends must not be lower than 30% of all dividends issued.</li> </ol>	<p>thereby maximizing shareholders' interests. Detailed rules are as follows:</p> <ol style="list-style-type: none"> <li>1. The amount distributed as dividends must not be lower than 50% of distributable earnings.</li> <li>2. The Company may decide the weight of dividends issued in cash and in shares based on its business operations and capital requirements projected for the next year. However, cash dividends must not be lower than 30% of all dividends issued.</li> </ol>	
<p>Article 32 The Company's Articles of Incorporation was stipulated on January 14, 1997. The 22<sup>nd</sup> amendment was completed on May 17, 2013; the 23<sup>rd</sup> amendment was completed on May 20, 2014; the 24<sup>th</sup> amendment was completed on May 21, 2015; the 25<sup>th</sup> amendment was completed on May 18, 2016; the 26<sup>th</sup> amendment was completed on May 17, 2017; <u>the 27<sup>th</sup> amendment was completed on May 23, 2019</u> and implemented with the resolutions reached in the shareholders' meeting, same as the amendment.</p>	<p>Article 32 The Company's Articles of Incorporation was stipulated on January 14, 1997. The 22<sup>nd</sup> amendment was completed on May 17, 2013; the 23<sup>rd</sup> amendment was completed on May 20, 2014; the 24<sup>th</sup> amendment was completed on May 21, 2015; the 25<sup>th</sup> amendment was completed on May 18, 2016; the 26<sup>th</sup> amendment was completed on May 17, 2017 and implemented with the resolutions reached in the shareholders' meeting, same as the amendment.</p>	<p>Revision history</p>

## Yuanta Futures Co., Ltd.

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

Amendments	Current existing clauses	Description
<p>Article 2</p> <p>The Company’s acquisition or disposal of assets is processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets.” The requirements, if any, specified in <u>laws and regulations in relation to finance</u> or by the Financial Supervisory Commission (hereinafter referred to as the “competent authorities”) shall apply.</p>	<p>Article 2</p> <p>The Company’s acquisition or disposal of assets is processed in accordance with the “Regulations Governing the Acquisition or Disposal of Assets.” The requirements otherwise provided by the law and regulations or the Financial Supervisory Commission (hereinafter referred to as the “competent authorities”) shall be followed.</p>	<p>With respect to the exclusion of Article 2 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” amended by FSC with Order Jin-Guan-Zheng-Fa-Zi No. 1070341072 on November 26, 2018, “unless other laws and regulations otherwise require” refers to the prioritization of applicability of laws and regulations specific to respective financial industries for the acquisition or disposal of assets. These financial industries include publicly offered banks, insurers, note companies, securities companies, and future companies. Article 2 of the “Procedures for Acquisition and Disposal of Assets” was thus amended.</p>
<p>Article 4</p> <p>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, housing and construction, investment real property) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets including patents, copyrights, trademarks, and charter</li> <li>5. <u>Right-of-use assets</u></li> <li>6. Financial institutions claims (including receivables, foreign exchange discount and loans, and nonperforming loans)</li> </ol>	<p>Article 4</p> <p>The scope of assets defined in the Guidelines is as follows:</p> <ol style="list-style-type: none"> <li>1. Investment in stocks, government bonds, corporate bonds, financial bonds, fund-based securities, depositary receipts, call (put) warrants, beneficial securities, and asset-backed securities.</li> <li>2. Real property (including land, housing and construction, investment real property, <u>and land use rights</u>) and equipment</li> <li>3. Membership card</li> <li>4. Intangible assets including patents, copyrights, trademarks, and charter</li> <li>5. Financial institutions claims (including receivables, foreign exchange discount and loans, and nonperforming loans)</li> <li>6. Derivatives</li> </ol>	<ol style="list-style-type: none"> <li>1. FSC expanded the scope of right-of-use assets the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” with respect to IFRS 16 – Leases.</li> <li>2. Subparagraph 5 was thus added to Article 4 and the original subparagraph 2 on land access was merged with subparagraph 5 accordingly.</li> <li>3. In addition, the exiting subparagraph 5</li> </ol>

Amendments	Current existing clauses	Description
<p>7. Derivatives</p> <p>8. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully</p> <p>9. Other important assets</p>	<p>7. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully</p> <p>8. Other important assets</p>	<p>was changed to subparagraph 8, and subparagraph 6 to subparagraph 9.</p>
<p>Article 5</p> <p>Terms and definitions used in these Procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable</u>; or hybrid contracts combining the <u>above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The alleged forward contracts exclude insurance contract, performance contract, post-sale service contract, long-term lease contract, and long-term purchases (sales) <u>contract</u>.</li> <li>2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company's shares by issuing stock shares in accordance with Article 156-3 of the Company Act (hereinafter referred to as "assignment of shares")</li> <li>3. Related party and subsidiaries: It is recognized in accordance with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants."</li> <li>4. Professional appraisers: refers to the real property appraiser or other appraisers conducting real property and equipment appraisal by law.</li> <li>5. Date of occurrence: refers to the contract date, payment date, commission closing date, the date of settlement, the board resolution date, or other date with</li> </ol>	<p>Article 5</p> <p>The terminologies used in the operating procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, or hybrid <u>contracts combining the above contracts</u> whose value is derived from a specified <u>asset, interest rate, exchange rate, index, or other interest</u>. The alleged forward contracts exclude insurance contract, performance contract, post-sale service contract, long-term lease contract, and long-term purchases (sales) <u>contract</u>.</li> <li>2. The acquisition or disposal of assets by merger, spins-off, acquisition, or assignment of shares lawfully: Refers to the acquisition or disposal of assets by merger, spins-off, or purchase in accordance with the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institutions Merger Act, or other laws, or, assignment of other company's shares by issuing stock shares in accordance with Article 156 Paragraph 8 of the Company Act (hereinafter referred to as "assignment of shares")</li> <li>3. Related party and subsidiaries: It is recognized in accordance with the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants."</li> <li>4. Professional appraisers: refers to the real property appraiser or other appraisers conducting real property and equipment appraisal by law.</li> <li>5. Date of occurrence: refers to the contract date, payment date, commission closing date, the date of settlement, the board resolution date, or other date with the counterparty and transaction</li> </ol>	<ol style="list-style-type: none"> <li>1. FSC amended the scope derivatives specified in Article 4 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" with respect to IFRS 9 – Financial Instruments. Subparagraph 1 of this article was thus amended accordingly.</li> <li>2. In addition, in response to the amendments to the Company Act promulgated and implemented lately, the reference "paragraph 8 of Article 156" for subparagraph 2 was thus amended to "Article 156-3".</li> <li>3. With respect to Article 4 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by FSC, in consideration of the expertise required by futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, due to their needs for trading marketable</li> </ol>

Amendments	Current existing clauses	Description
<p>the counterparty and transaction amount confirmed whichever is earlier. The investment that must be with the approval of the competent authorities is based on the date referred to above or the date received the approval of the competent authorities whichever is earlier.</p> <p>6. Investment in Mainland China: refers to the investment in Mainland China in accordance with the “Regulations Governing Investment or Technical Cooperation in Mainland China” of the Investment Commission, MOEA.</p> <p>7. <u>Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.</u></p> <p>8. <u>Securities exchange: “Domestic securities exchange” refers to Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter venue (“OTC venue”, “OTC”): “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></p>	<p>amount confirmed whichever is earlier. The investment that must be with the approval of the competent authorities is based on the date referred to above or the date received the approval of the competent authorities whichever is earlier.</p> <p>6. Investment in Mainland China: refers to the investment in Mainland China in accordance with the “Regulations Governing Investment or Technical Cooperation in Mainland China” of the Investment Commission, MOEA.</p>	<p>securities for hedging or own capital utilization, and given the compliance with the said investment professionals, this Company thus added subparagraph 7 to specify scope of investment professionals to facilitate the article’s applicability.</p> <p>4. To define the operating venues of stock exchanges and securities firms at home and abroad as a dependable reference for this Company, subparagraph 8 and 9 were added to define the scope of operating venues for stock exchanges and securities firms at home and abroad with respect to Article 5 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities and Article 2 of the Regulations Governing Securities Trading on the Taipei Exchange.</p>
<p>Article 6 Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide this Company with appraisal reports, certified</p>	<p>Article 6 For the appraisal report or the opinions obtained from the CPAs, attorney, or security underwriter by the Company, the professional appraisers and their</p>	<p>1. With respect to Article 5 of the “Regulations Governing the Acquisition and</p>

Amendments	Current existing clauses	Description
<p>public accountant’s opinions, attorney’s opinions, or underwriter’s opinions <u>shall meet the following requirements:</u></p> <ol style="list-style-type: none"> <li>1. <u>May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</u></li> <li>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></li> <li>3. <u>If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></li> </ol> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</u></p> <ol style="list-style-type: none"> <li>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></li> <li>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></li> <li>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</u></li> </ol>	<p>appraising personnel, CPAs, attorneys, security underwriters, <u>and the trade parties must be not be related.</u></p>	<p>Disposal of Assets by Public Companies” promulgated by FSC, apart from including the notice for hiring professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters, the passive qualifications of related professionals were added. In addition, paragraph 2 was added to define the assessment, audit, and undertaking of the appraisal reports or opinions issued by experts.</p> <ol style="list-style-type: none"> <li>2. Furthermore, related requirements as shown in subparagraphs 1-3 of paragraph 1 and paragraph 2 were added to this article.</li> </ol>

Amendments	Current existing clauses	Description
<p>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Article 7 Related laws and regulations and related business regulations and the Regulations for Fund Management of this Company shall apply to the limit on the total amount of real property <u>or other right-of-use assets</u> or marketable securities and the limit on individual marketable securities acquired by this Company and subsidiaries not for operational uses.</p>	<p>Article 7 Related laws and regulations and related business regulations and the Regulations for Fund Management of this Company shall apply to the limit on the total amount of real property or marketable securities and the limit on individual marketable securities acquired by this Company and subsidiaries not for operational uses.</p>	<p>The scope of the right-of-use assets has been expanded with respect to IFRS 16 – Leases, and this article was amended based on the “applicability of assets” as specified in Article 3 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>
<p>Article 9 In the event that the transaction amount for acquiring or disposing of real property, equipment, <u>or its right-of-use assets</u> reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a <u>domestic government agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or its right-of-use assets</u> held for business use:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the same procedure shall apply to any subsequent changes to the terms and conditions of transaction.</u></li> <li>2. The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</li> <li>3. For the professional appraiser’s with one of the following results, unless the appraisal result of the assets acquired is higher than the transaction amount or the appraisal result of the assets disposed is lower than</li> </ol>	<p>Article 9 In the event that the transaction amount for acquiring or disposing of real property, equipment, reaches twenty percent (20%) of the paid-in capital or NT\$300 million or more, the Company shall obtain an appraisal report prior to the date of event occurrence from a professional appraiser and comply with the provisions below, except for transacting with a government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment held for business use:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; <u>the changes in trading conditions should be processed the same.</u></li> <li>2. The transaction amounted to NT\$1 billion or more should be appraised by two or more professional appraisers.</li> <li>3. For the professional appraiser’s with one of the following results, unless the appraisal result of the assets acquired is higher than the transaction amount or the appraisal result of the assets disposed is lower than the transaction amount, it should be processed in</li> </ol>	<ol style="list-style-type: none"> <li>1. Paragraph 1 of this article was amended and right-of-use assets were included in this article with respect to the limitation on domestic government agencies as specified in paragraph 1 of Article 9 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and IFRS 16 – Leases.</li> <li>2. The text of subparagraph 1, paragraph 1, of this article was amended accordingly for legal process.</li> <li>3. After being merged with Article 6, paragraph 2 of this article was deleted.</li> </ol>

Amendments	Current existing clauses	Description
<p>the transaction amount, it should be processed in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation (hereinafter referred to as the “Accounting Research and Development Foundation”); also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:</p> <p>(1) The spread between the appraisal result and the transaction amount exceeds 20%</p> <p>(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount</p> <p>4. The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.</p>	<p>accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the ROC Accounting Research and Development Foundation (hereinafter referred to as the “Accounting Research and Development Foundation”); also, express an opinion on the cause of the nonconformity and the adequacy of the transaction price:</p> <p>(1) The spread between the appraisal result and the transaction amount exceeds 20%</p> <p>(2) The appraisal spread between the two or more appraisers exceeds 10% of the transaction amount</p> <p>4. The date of the appraisal report issued for the appraisal performed before the professional appraisal contract date may not be more than three months from the contract date. However, if it is applicable to the same present value announced and is not over six months, the original professional appraiser may have an opinion issued.</p> <p><u>Attention should be paid to the following matters when contact a professional appraiser to issue an appraisal report or to express an opinion:</u></p> <p>(1) <u>The professional appraiser and its appraising personnel and the trade party must be not related.</u></p> <p>(2) <u>The professional appraisers and its appraising personnel are without any convicted criminal act or are not sentenced in the court of law.</u></p> <p>(3) <u>If an appraisal report must be issued by two or more professional appraisers, the two different professional appraisers or appraising personnel must be not related.</u></p>	
<p>Article 10 For the acquisition or disposal of securities, the Company should collect the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amount over 20% of the paid-in capital or NT\$300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices <u>before the date of occurrence</u>. If a</p>	<p>Article 10 For the acquisition or disposal of securities, the Company should collect the latest financial statements audited or reviewed by the CPAs of the underlying company before the date of occurrence as a reference for evaluating the transaction prices. In addition, for the transactions amount over 20% of the paid-in capital or NT\$300 million, the commissioned CPA shall comment on the reasonableness of the transaction prices. If a professional report is needed by the</p>	<p>The time point to request for opinion regarding the fairness of transaction price from a CPA was added to this article with respect to Article 10 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.</p>

Amendments	Current existing clauses	Description
<p>professional report is needed by the CPAs, should be handled in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, the securities are offered publicly with a quote available in market or otherwise authorized by the competent authorities; it is not subject to this restriction.</p>	<p>CPAs, should be handled in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation. However, the securities are offered publicly with a quote available in market or otherwise authorized by the competent authorities; it is not subject to this restriction.</p>	
<p>Article 11 In the event that the transaction amount for acquiring or disposing of intangible assets <u>or its right-of-use assets</u> or membership cards reaches twenty percent (20%) of paid-in capital or NT\$300 million or more, except for transactions with a <u>domestic</u> government agency, the Company shall engage a certified public accountant prior to the date of event occurrence to render an opinion on the fairness of the transaction price. The certified public accountant shall render such an opinion in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</p>	<p>Article 11 For the acquisition or disposal of <u>membership cards or intangible assets</u> with the transactions amount over 20% of the paid-in capital or NT\$300 million, except for the transactions conducted with government agencies, the commissioned CPA shall comment on the reasonableness of the transaction prices before the date of occurrence in accordance with the Generally Accepted Auditing Standards (GAAS) No. 20 of the Accounting Research and Development Foundation.</p>	<p>The reason for amendment is the same as in description 1 for Article 9, and the text was also amended accordingly.</p>
<p>Article <u>12</u> The transactions amount in the first three clauses should be calculated in accordance with Article <u>36</u> Paragraph 2. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the guidelines.</p>	<p>Article <u>11-1</u> The transactions amount in the first three clauses should be calculated in accordance with Article <u>35</u> Paragraph 2. Also, the alleged “within one year” meant for the one year prior to the date of occurrence excluding the appraisal report issued by the professional appraiser or the CPA’s opinions acquired in accordance with the guidelines.</p>	<p>Article order change and adjustment of the number of referenced articles.</p>
<p>Article <u>13</u></p>	<p>Article <u>12</u></p>	<p>Article order change without content change.</p>
<p>Article <u>14</u> The Finance <u>Accounting</u> Department is to prepare the property catalog for the Company’s fixed assets in accordance with the relevant evidences. The Administration Office is to have the inventory count list prepared at the end of each year with the participation of the Audit Office, if necessary. The assets other than the ones referred to above and the supporting documents should be inventory counted by the <u>Accounting</u> Department from time to time; also, should be cross examined against the bookkeeping.</p>	<p>Article <u>13</u> The Finance Department is to prepare the property catalog for the Company’s fixed assets in accordance with the relevant evidences. The Administration Office is to have the inventory count list prepared at the end of each year with the participation of the Audit Office, if necessary. The assets other than the ones referred to above and the supporting documents should be inventory counted by the Finance Department from time to time; also, should be cross examined against the bookkeeping.</p>	<p>Article order change and update with supporting departments.</p>
<p>Article <u>15</u></p>	<p>Article <u>14</u></p>	<p>Article order change without content change.</p>
<p>Article <u>16</u> In addition to processing the related</p>	<p>Article <u>15</u> In addition to processing the related</p>	<p>Article order change and adjustment of the</p>

Amendments	Current existing clauses	Description
<p>decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.</p> <p>The calculation of the transaction amount referred to above should be processed in accordance with Article <u>12</u>.</p> <p>The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p>	<p>decision procedures and assessing the reasonableness of trade conditions in accordance with the provision referred to above and in this section, the appraisal report issued by the professional appraiser or the CPA's opinions must be acquired in accordance with the guidelines referred to above for the acquisition or disposal of assets by the Company from the related party with a transaction amount over 10% of the Company's total assets.</p> <p>The calculation of the transaction amount referred to above should be processed in accordance with Article <u>11-1</u>.</p> <p>The legal form and the real relationship should be considered in determining whether the counterparty is a related party.</p>	<p>number of the second referenced articles.</p>
<p>Article <u>17</u></p> <p>When acquiring or disposing of real property or its right-of-use assets or other assets with a related party through purchase or swap at an amount reaching twenty percent (20%) of paid-in capital or the percent (10%) of the total assets or exceeding NT\$300 million, the Company shall prepare the following documentation and submit it to the Audit Committee and the Board of Directors for approval prior to signing the transaction contract and disbursing the payment, except for trading <u>domestic</u> bonds or bonds under repurchase and resale agreements, or subscription or buy back of domestic money market funds issued by security investment trust funds.</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of real property and assets.</li> <li>2. The reasons for selecting the related party as the counterparty</li> <li>3. When acquiring real property or its right-of-use assets from a related party, assess the fairness of transaction terms according articles <u>18</u> and <u>19</u>.</li> <li>4. The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</li> <li>5. The monthly cash income and expense forecast within the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</li> <li>6. Acquire the appraisal report from the professional appraisers or the</li> </ol>	<p>Article <u>16</u></p> <p>For the acquisition or disposal of real property or other assets conducted with a related party for an amount more than 20% of the Company's paid-in capital, 10% of the total assets, or NT\$300 million, except for the trading of government bonds, RP/RS bonds, and purchasing/repurchasing of money market funds that are issued by domestic securities investment trust enterprises, the following information should be submitted to the Board of Directors for approval and the Audit Committee for acknowledgement before having the trade agreement signed and payment made:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and expected benefits of the acquisition or disposal of real property and assets.</li> <li>2. The reasons for selecting the related party as the counterparty</li> <li>3. The information used to assess the reasonableness of the trade terms and conditions for the acquisition of real property from the related party in accordance with Article 17 and Article 18.</li> <li>4. The matters of the related party's original acquisition date and price, counterparty, and the relationship with the Company and the related party.</li> <li>5. The monthly cash income and expense forecast within the year from the month of the contract signed; also, assess the necessity of the trade and the reasonableness of the use of funds.</li> <li>6. Acquire the appraisal report from the professional appraisers or the</li> </ol>	<ol style="list-style-type: none"> <li>1. Article order change and adjustment of the number of referenced articles for subparagraph 3 of paragraph 1 and 2.</li> <li>2. With respect to paragraph 1 of Article 15 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", government bonds shall, by principle, mean bonds issued by the central government and local governments with clear and easy enquiries. Therefore, submission to the Board of Directors for approval and the Audit Committee for review can be exempted. This article shall not apply to bonds issued by foreign governments for their variety. In addition, the right-of-use asset was included in the scope in coordination with IFTS 16</li> </ol>

Amendments	Current existing clauses	Description
<p>opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction.</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made with respect to paragraph 2 of Article 31. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part approved by the Board of Directors and recognized by the Audit Committee according to these <u>Procedures</u> shall be exempted.</p> <p>When reported to the Board for discussion in accordance with Paragraph 1, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p> <p>Matters recognized by the Audit Committee with respect to paragraph 1 shall first be approved by over half of all members of the Audit Committee and <u>submitted to the Board of Directors for resolutions</u> prior to implementing according to the regulations specified by the competent authority.</p>	<p>opinions of the CPAs in accordance with the provisions referred to above.</p> <p>7. The restrictions and other important stipulations of the transaction</p> <p>The calculation of the transaction amount referred to in the preceding paragraph shall be made with respect to paragraph 2 of Article 35 paragraph 2. “Within the previous year” as claimed in the preceding paragraph refers to the one year before the date of acquisition. The part approved by the Board of Directors and recognized by the Audit Committee according to these <u>Procedures</u> shall be exempted.</p> <p><u>For the acquisition or disposal of operating equipment between the Company and the parent company or the subsidiary, the board of directors may authorize the Chairman in accordance with Article 8 paragraph 2 to have a decision made within the quota and then reported in the most recent board meeting for ratification.</u></p> <p>When reported to the Board for discussion in accordance with Paragraph 1, it should fully consider the views of the independent directors. The objections or reservations of independent directors, if any, should be stated in the minutes of the Board meeting.</p> <p>Matters recognized by the Audit Committee with respect to paragraph 1 shall first be approved by over half of all members of the Audit Committee and prior to implementing according to the regulations specified by the competent authority.</p>	<p>– Leases. Paragraph 1 of this article was thus amended to limit the scope of bonds to domestic government bonds.</p>
<p>Article 18</p> <p>When acquiring real property or its right-of-use assets from a related party, this Company shall evaluate the fairness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based on the transactions price of the related party plus the necessary funds interest cost and buyer’s cost by law The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased provided that it should not be higher than the non-financial industry’s highest loan interest rate announced by the Ministry of Finance.</li> <li>2. If the related party has the underlying subject used as</li> </ol>	<p>Article 17</p> <p>When acquiring real property from a related party, this Company shall evaluate the fairness of the transaction costs by the following means:</p> <ol style="list-style-type: none"> <li>1. Based on the transactions price of the related party plus the necessary funds interest cost and buyer’s cost by law The alleged necessary funds interest cost is calculated in accordance with the weighted average interest rate of the loans in the year the assets purchased provided that it should not be higher than the non-financial industry’s highest loan interest rate announced by the Ministry of Finance.</li> <li>2. If the related party has the underlying subject used as collateral for a loan from</li> </ol>	<ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. Paragraphs 1-4 of this article were amended to include the acquisition of the rights-of-use of real property by lease with respect to Article 16 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with IFRS 16 – Leases.</li> <li>3. The same as above, in consideration of</li> </ol>

Amendments	Current existing clauses	Description
<p>collateral for a loan from financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institutions and the counterparty are related.</p> <p>For the combined purchase <u>or lease</u> of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</p> <p>When acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall assess the fairness of the transaction cost with respect to the <u>previous</u> two paragraphs and ask a CPA for a review and specific opinion.</p> <p>When any one of the following circumstances exists while acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall acquire such property with respect to Article <u>16</u>, and the above three paragraphs shall not apply.</p> <ol style="list-style-type: none"> <li>1. The related party acquired the real property <u>or its right-of-use assets</u> through inheritance or as a gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property <u>or its right-of-use assets</u> to the signing date for the current transaction.</li> <li>3. Acquire property by signing with the related party a construction contract, including joint construction contract, proprietary-land construction, or leased-land construction.</li> <li>4. <u>The right-of-use of the real property for business use are acquired between this Company and the parent company, between subsidiaries, or between this Company with a subsidiary wholly owned, either directly or indirectly, by this Company.</u></li> </ol>	<p>financial institutions, the financial institutions are to assess the gross lending value of the subject matter. However, the actual accumulated lending value of the subject matter granted by the financial institutions should reach over 70% of the assessed gross lending value for a lending period over one year. However, it is not applicable if the financial institutions and the counterparty are related.</p> <p>For the combined purchase of the same underlying land and house, the transaction costs of land and house can be assessed by any of the methods referred to above.</p> <p>When acquiring real property from a related party, this Company shall assess the fairness of the transaction cost with respect to <u>Paragraph 1 and Paragraph 2</u> and ask a CPA for a review and specific opinion.</p> <p>When any one of the following circumstances exists while acquiring real property from a related party, this Company shall acquire such property with respect to Article <u>16</u>, and the above three paragraphs shall not apply.</p> <ol style="list-style-type: none"> <li>1. The acquisition of real property by related party is by inheritance or gift.</li> <li>2. More than five years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</li> <li>3. Acquire property by signing with the related party a construction contract, including joint construction contract, proprietary-land construction, or leased-land construction.</li> </ol>	<p>the overall planning between a public company and its parent or subsidiaries, or between its wholly owned subsidiaries may involve collective lease of real property for a lending period over one year. However, lower risk than non-arm's length transactions, subparagraph 4 was added to paragraph 4 of this article to exclude the fairness assessment of the transaction cost of transactions described below (the transaction price for a related party to acquire the real property or the price spent to lease the real property). In addition, as the applicability of this article is excluded from such transactions, there is no need to present evidence to support the fairness of the transaction price as specified in Article 21 after order amendment and to appropriate special reserves as specified in Article 22. Both are thus described as above.</p> <ol style="list-style-type: none"> <li>4. The text of paragraphs 3 and 4 of this article was made for legal process.</li> </ol>
<p>Article <u>19</u> If the assessment result is lower than the transaction price in accordance with Section 1 and Section 2 referred to above, the Company is to have it processed in accordance with Article <u>20</u>.</p>	<p>Article <u>18</u> If the assessment result is lower than the transaction price in accordance with Section 1 and Section 2 referred to above, the Company is to have it processed in accordance with Article <u>19</u>.</p>	<ol style="list-style-type: none"> <li>1. Article order change and adjustment of the reference order for paragraph 1.</li> <li>2. With respect to Article 17 of the</li> </ol>

Amendments	Current existing clauses	Description
<p>However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real property appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <ol style="list-style-type: none"> <li>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions: <ol style="list-style-type: none"> <li>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</li> <li>(2) The transaction terms and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property transaction or lease practices.</li> </ol> </li> <li>2. This Company evidences that the transaction terms and area of the real property acquired <u>or its right-of-use assets leased</u> from a related party are similar to that of transactions completed by unrelated parties in the neighborhood within the previous year.</li> </ol> <p>Transactions in the neighborhood as claimed in the preceding paragraph, refer, in principle, to transactions of real property in the same or neighboring block and within less than 500 meters radius from the premises or with a close assessed value. “Similar area” as claimed in the preceding paragraph refers, in principle, to the area of property in transactions completed by unrelated parties not less than fifty percent (50%) of the property for transaction. “Within the previous year” as claimed in the</p>	<p>However, as a result due to the following circumstances and with the objective evidence presented and an appraisal report collected from the professional real property appraiser and a reasonable opinion issued by the CPAs, it is not subject to the limitations:</p> <ol style="list-style-type: none"> <li>1. Related party that has obtained prime land or rental land for construction must submit the proof of complying with the following conditions: <ol style="list-style-type: none"> <li>(1) The prime land is assessed in accordance with the methods referred to above. House is assessed in accordance with the sum of the construction costs and a reasonable profit exceeding the actual transaction price. The term “reasonable construction profit” is based on the average gross profit rate in the last three years of the related party’s construction department or the latest gross profit rate of the construction industry announced by the Ministry of Finance whichever is lower.</li> <li>(2) The transaction terms and the area of premises on other floors in the same property or in the neighborhood in transactions completed by other unrelated parties within the previous year are similar as assessed based on the reasonable price difference by floor or by location in accordance with property transaction or lease practices.</li> <li>(3) <u>The lease of other floors of the same underlying house and land or the lease of the unrelated party within one year are assessed to be equivalent in accordance with the reasonable floors or spread in general practice of real property lease.</u></li> </ol> </li> <li>2. The Company evidences that the trade terms of acquiring the real property from the related parties are similar to the successful trade of the unrelated party in the neighborhood within one year with the similar floor area.</li> </ol> <p>The alleged “<u>successful trade</u>” in the neighborhood referred to above meant for the underlying subject on the same street or an adjacent street/block within the 500m-radius or with the similar announced present value. The alleged</p>	<p>“Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with the practice of lease of real property, such as factory buildings, restrictions on acquiring right-of-use assets of real property from related parties were alleviated to allow for calculating lease transactions and estimating transaction price fairness within the previous year in the neighborhood of unrelated parties. Item 2 of subparagraph 1 was merged with item 3 of the same subparagraph 1 of paragraph 1; “a transaction case can also act as a lease case” was added. Item 2 of subparagraph 1 of paragraph 1 and subparagraph 2 and paragraph 2 of this article were amended.</p>

Amendments	Current existing clauses	Description
<p>preceding paragraph refers to the one year before the date of acquisition of the real property <u>or its right-of-use assets</u>.</p>	<p>“similar floor area” meant for the successful trade by other non-related party is for not less than 50% of the floor area of the underlying subject. The alleged “within one year” meant for the one year prior to the date of occurrence for the acquisition of real property.</p>	
<p><u>Article 20</u> When acquiring real property <u>or its right-of-use assets</u> from a related party and the results of appraisals conducted in accordance with the <u>preceding two</u> articles are uniformly lower than the transaction cost, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property <u>or its right-of-use assets</u>, without being distributed or used for capital increase or issuance of bonus shares. If the Company has the investment in other company valued under the equity method, the Company is to have special reserve appropriated proportionally to the shareholding ratio in respect of the invested company’s appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</li> <li>2. Article 218 of the Company Act shall apply mutatis mutandis to the <u>independent directors forming the Audit Committee</u>.</li> <li>3. The results of handling according to the <u>preceding two subparagraphs</u> shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</li> </ol> <p>After appropriating a special reserve under the preceding paragraph, this Company may not utilize the special reserve until a loss is recognized on the decline in market value of the assets it purchased <u>or leased</u> at a premium, or they have been disposed of, <u>or the leasing contract has been terminated</u>, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>	<p><u>Article 19</u> When acquiring real property from a related party and the results of appraisals conducted in accordance with the <u>Article 17 and Article 18</u> are uniformly lower than the transaction cost, the following steps shall be taken:</p> <ol style="list-style-type: none"> <li>1. A special reserve shall be set aside with respect to paragraph 1 of Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property without being distributed or used for capital increase or issuance of bonus shares. If the Company has the investment in other company valued under the equity method, the Company is to have special reserve appropriated proportionally to the shareholding ratio in respect of the invested company’s appropriated amount in accordance with Article 41 Paragraph 1 of the Securities and Exchange Act.</li> <li>2. Article 218 of the Company Act shall apply mutatis mutandis forming the Audit Committee.</li> <li>3. The results of handling according to the Subparagraph 1 and Subparagraph 2 shall be reported to the meeting of shareholders, and the details of transaction shall be disclosed in the annual report and the prospectus.</li> </ol> <p>After appropriating a special reserve under the preceding paragraph, this Company may not utilize the special reserve until a loss is recognized on the decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and FSC has given its consent.</p>	<ol style="list-style-type: none"> <li>1. Article order change.</li> <li>2. With respect to Article 18 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with IFRS 16 – Leases, subparagraph 1 of paragraph 1, paragraph 2, and paragraph 3 of this article was amended to include the acquisition of the right of use of real property from a related party to the actions to be taken when the transaction cost is lower than the transaction price.</li> <li>3. The text of paragraph 1 and subparagraph 3 of paragraph 1 were amended for legal process.</li> </ol>

Amendments	Current existing clauses	Description
<p>With acquiring real property <u>or its right-of-use assets</u> from a related party, this Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	<p>With acquiring real property from a related party, this Company shall comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.</p>	
<p>Article 21 When engaging in derivatives trading and trading derivatives, this Company shall comply with the Regulations Governing Futures Commission Merchants, Regulations Governing Leverage Transaction Merchants, related FSC letters and orders, and the division of responsibility, division of authorization, and other related regulations of this Company.</p>	<p>Article 20 <u>The Company's futures proprietary trading business engaging in futures contracts business at domestic and foreign Futures Exchange that is announced in accordance with Article 5 of Futures Trading Act by the competent authorities, and acquiring foreign futures contracts in accordance with the Regulations Governing Futures Contract Selection and Management at Foreign Futures Exchange defined internally must comply with the futures proprietary trading business internal control system, governing regulations, and delegation of responsibility.</u> <u>The leverage margin contract transactions conducted by the Company's futures leverage traders must comply with the leverage transaction business internal control system, governing regulations, and delegation of responsibility.</u> <u>The Company's engaging in the derivative transactions other than those defined in Paragraph 1 and Paragraph 2 is for the purpose of ensuring the Company's operating profit and avoiding the risks resulted from the changes in asset prices, exchange rates, and interest rates must be in compliance with the regulations in this chapter.</u></p>	<p>With respect to the exclusion of Article 2 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", other laws and regulations in relation to finance, if any, shall apply to the acquisition and disposal of assets for public companies. As a FCM, an LTM, and a concurrent securities firm, this Company meets the above requirements as a franchised business engaging in derivatives trading or trading derivatives. Therefore, we are exempted from Section IV of Chapter II of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies", while other related laws and regulations apply. This article is thus amended accordingly.</p>
(Deleted)	<u>Articles 21-25</u> (omitted)	<u>Deleted for the same reasons as mentioned above.</u>
<p>Article 22 This Company shall also supervise re-invested subsidiaries to follow related laws and regulations at home and abroad and the regulations of this Company when engaging in derivatives trading.</p>	<p>Article 26 <u>The Company's derivative transactions, unless otherwise regulated by law and this process, should be with a memorandum setup independently to document the type, amount, authorization quota, board approval date, and transaction date of the derivatives; also, the matters to be carefully assessed in accordance with Article 24 Paragraph 1 Subparagraph 1, Article 25 Paragraph 1 Subparagraph 2 and Paragraph 2 Subparagraph 1.</u> <u>The Company's subsidiary that is engaged in derivatives transactions should be promoted to stipulate the Procedures for Derivatives Trading in accordance with the Company's Regulations Governing the Acquisition</u></p>	<ol style="list-style-type: none"> <li>1. The reason for deleting paragraph 1 of this article is the same as description 2 of the original Article 20.</li> <li>2. In addition, the text of the second section of this article was amended and combined into one paragraph.</li> <li>3. Paragraph 4 was deleted as the same has been defined in paragraph 4 of Article 35.</li> </ol>

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

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

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

Amendments	Current existing clauses	Description
<p>equipment <u>or its right-of-use assets</u> for business operations from an unrelated party at a transaction amount of or above NT\$500 million.</p> <p>5. Acquisition of real property under an arrangement on engaging others to build on the Company’s own land, engaging others to build on rented land, joint construction and redistribution of housing units, joint construction and redistribution of ownership percentages, <u>or joint construction and separate sales from an unrelated party</u> in which the Company expects to invest up to NT\$500 million.</p> <p>6. The amount of the assets trade other than the ones in the five subparagraphs referred to above, the disposal of credit by the financial institutions, or the investment in Mainland China for an amount exceeds 20% of the paid-in capital or NT\$300 million. Except for in the following circumstances:</p> <p>(1) <u>Domestic</u> bond trade.</p> <p>(2) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (<u>excluding subordinated debt</u>) that are <u>offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds.</u></p> <p>(3) The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</p> <p>The transaction amount referred to above is calculated in accordance with the following:</p> <ol style="list-style-type: none"> <li>Amount per transaction</li> <li>The accumulated amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year</li> <li>The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property <u>or its right-of-use assets</u> in the same development project within the</li> </ol>	<p>is not a related party; also, the trade amount does not exceed NT\$500 million.</p> <p>5. The Company expects to invest <u>less than</u> NT\$500 million for the acquisition of real property with the methods of commissioned to build by land owner, commissioned to build by lessee, jointly built by separate estate, jointly built by percentage, and jointly built by separate sales.</p> <p>6. The amount of the assets trade other than the ones in the five subparagraphs referred to above, the disposal of credit by the financial institutions, or the investment in Mainland China for an amount exceeds 20% of the paid-in capital or NT\$300 million. Except for in the following circumstances:</p> <ol style="list-style-type: none"> <li>Bond trade</li> <li>It refers to the investment in securities trade conducted at <u>domestic and foreign</u> securities exchanges or securities firms, or the common corporate bonds that are subscribed to, offered, or issued in the domestic preliminary market and the general financial bonds that do not involve equity.</li> <li>The trade of RP/RS bonds and purchase/repurchase of money market funds that are issued by domestic securities investment trust enterprises</li> </ol> <p>The transaction amount referred to above is calculated in accordance with the following:</p> <ol style="list-style-type: none"> <li>Amount per transaction</li> <li>The accumulated amount of the acquisition or disposal of the same underlying subject with the same counterparty within one year</li> <li>The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of real property of the same development project within one year</li> <li>The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of the same security within one year</li> </ol> <p>The alleged “within one year” referred to</p>	<p>article were amended to include right-of-use assets in this article with respect to Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and in coordination with IFRS 16 – Leases.</p> <p>4. While the need for disclosure of transactions with a related party is defined in subparagraph 1 of paragraph 1, and subparagraph 5 aims to govern transactions with unrelated parties, subparagraph 5 of paragraph 1 was amended accordingly to provide a dependable reference for implementation.</p> <p>5. With respect to Article 31 of the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”, (1) in consideration that investments are done by professional investors, securities trading on securities exchanges or securities firms at home and abroad are regular and disclosures will be frequent, disclosure of such is exempted due to the materiality of information disclosure. In addition, as “at home and abroad” has been covered by “subject matter” or “organizations” as used in the Regulations Governing the</p>

Amendments	Current existing clauses	Description
<p>same year.</p> <p>4. The accumulated amount of the acquisition or disposal (itemized accumulation of acquisition and disposal) of the same security within one year</p> <p>The alleged “within one year” referred to above meant for the one year prior to the date of occurrence excluding the part that had already been announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.</p> <p>When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.</p> <p>If the competent authorities has the Company’s investment in Mainland China authorized after it is announced and reported by the Company in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” the information of the original announcement date, the invested company in China, the expected investment amount, counterparty, and the approval date of the competent authorities should be disclosed on the Market Observation Post System (MOPS).</p> <p>The Company should have the announcement and reporting made on behalf of the non-public subsidiary.</p>	<p>above meant for the one year prior to the date of occurrence excluding the part that had already been announced in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p> <p>The Company shall have the derivative transaction of the Company and its non-public subsidiary up to the last month published in the designated format on-line at the information network designated by the competent authorities before the 10<sup>th</sup> day of each month.</p> <p>When the items that are to be published by the Company in accordance with the regulations are found with errors or omissions at the time of publication, all the items should be published and reported again within 2 days from the date of learning of the discrepancy.</p> <p>The Company should have the contract, minutes of meeting, book, appraisal reports, the opinions of CPAs, attorneys, or underwriters related to the acquisition or disposal of assets ready at the Company’s premise for at least 5 years unless otherwise provided by law.</p> <p>If the competent authorities has the Company’s investment in Mainland China authorized after it is announced and reported by the Company in accordance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies,” the information of the original announcement date, the invested company in China, the expected investment amount, counterparty, and the approval date of the competent authorities should be disclosed on the Market Observation Post System (MOPS).</p> <p>The Company should have the announcement and reporting made on behalf of the non-public subsidiary.</p>	<p>Acquisition and Disposal of Assets by Public Companies”, “at home and abroad” in item 2, subparagraph 7, paragraph 1, of this article was deleted for diction consistency. In addition, (2) in consideration that investments are done by professional investors through subscription of ordinary corporate bonds at a primary market overseas and the simplicity of product nature, domestic securities investment trust enterprises and futures investment trust enterprises are under FSC supervision, and subscription or redemption of funds (excluding offshore mutual funds) are regular investments of professional investors, item 2, subparagraph 7, paragraph 1 of this Article was thus amended to exempt the need for disclosure for professional investors trading the said marketable securities. In addition, in consideration of the higher risk of subordinated debts, it is specified that ordinary corporate bonds and non-share-based ordinary financial bonds are not covered by the subordinated debt.</p> <p>6. Minor text amendment of subparagraph 3 of paragraph 1 for legal process.</p> <p>7. Minor text amendment of subparagraphs 4 and</p>

Amendments	Current existing clauses	Description
		6.
Article <u>32</u> to Article <u>34</u>	Article <u>36</u> to Article <u>38</u>	Article order change without content change.
<p data-bbox="172 309 608 490">Article <u>35</u> When reporting the acquisition or disposal of assets as mentioned above is required, a subsidiary that is not a domestic company shall let this Company handle the reporting.</p> <p data-bbox="172 524 608 705">The paid-in capital or total asset of this Company shall apply to subsidiaries in the preceding paragraph required to report acquisition or disposal of assets based on the paid-in capital or total asset under paragraph 1 of Article <u>31</u>.</p>	<p data-bbox="663 309 1106 490">Article <u>39</u> The Company is to have the acquisition or disposal of assets of the non-public subsidiary announced and reported in accordance with Chapter <u>III</u> on behalf of the non-public subsidiary.</p> <p data-bbox="663 524 1106 763">Article <u>34</u>, Paragraph 1, Subp aragraph <u>5</u> referred to above regarding the announcement and reporting standard of reaching the limit of <u>20%</u> of paid-in capital or <u>10%</u> of the total assets that is applicable to the subsidiary is based on the Company's paid-in capital or total assets.</p>	<ol data-bbox="1158 309 1420 981" style="list-style-type: none"> <li>1. Article order change and adjustment of the number of the second referenced articles.</li> <li>2. The reporting criteria of subsidiaries shall be consistent with that of the parent company. Paragraph 2 of this article was thus amended accordingly for subsidiaries to use the same set of criteria.</li> <li>3. Minor text amendment of paragraphs 1 for legal process.</li> </ol>
Article <u>36</u> to Article <u>37</u>	Article <u>40</u> to Article <u>41</u>	Article order change without content change.