

**YUANTA FUTURES CO., LTD. AND  
SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS**  
**DECEMBER 31, 2019 AND 2018**

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000292

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

***Opinion***

We have audited the accompanying consolidated balance sheets of Yuanta Futures Co., Ltd. and its subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Yuanta Futures Co., Ltd. and its subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulation Governing the Preparation of Financial Reports by Securities Firms” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

***Basis for Opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

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



Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

***Fair value measurement of valuation of the unlisted stocks without active market***

Description

For the accounting policy of the unlisted stocks without active market (accounted under financial assets at fair value through other comprehensive income), please refer to Note 4(8); for critical accounting estimates and assumption uncertainty of the fair value of unlisted stocks, please refer to Note 5; for the details on unlisted stocks, please refer to Note 6(5). The carrying amount of financial assets at fair value through other comprehensive income – unlisted stocks as at December 31, 2019 was NTD 1,518,539 thousand.

Because there are no active market quoted prices for financial assets at fair value through other comprehensive income - unlisted stocks held by Yuanta Futures Co., Ltd., the management uses valuation techniques to estimate the fair value. The valuation techniques used by Yuanta Futures Co., Ltd. are primarily the market method. The market method involves certain assumptions and significant inputs that are not based on observable market data, including the selected valuation methods, the decision of similar and comparable companies, price to earnings ratio and discount of marketability, etc. The models and parameters used in valuation techniques are based on management's professional judgments and estimates, and such accounting judgments and estimates are highly uncertain. Thus, we have included the fair value valuation of unlisted stocks as a key audit matter in our audit for the year ended December 31, 2019.

How our audit addressed the key audit matter

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

1. Obtained an understanding and evaluated the policy and valuation process relevant to the fair value measurement of the unlisted stocks without active market.
2. Evaluated whether the valuation methods used by the management were commonly used.
3. Evaluated the reasonableness of the selected comparable companies by the management.
4. Sample tested the price to earnings ratio and the inputs of discount of marketability used in the valuation methods, and reviewed relevant information and supporting evidence.

***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of Yuanta Futures Co., Ltd. as at and for the years ended December 31, 2019 and 2018.



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### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Regulation Governing the Preparation of Financial Reports by Securities Firms” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations’ as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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



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

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

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



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

Lo, Chiao-Sen

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2020

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

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2019		December 31, 2018		
		AMOUNT	%	AMOUNT	%	
<b>Current assets</b>						
111100	Cash and cash equivalents	6(1) and 7	\$ 5,224,945	7	\$ 5,291,562	7
112000	Financial assets at fair value through profit or loss - current	6(2), 7 and 11	316,294	1	244,675	1
113200	Financial assets at fair value through other comprehensive income - current	6(5)	581,447	1	155,525	-
114070	Margin deposits	6(3) and 7	64,708,416	87	64,540,616	88
114080	Futures trading margin receivable	6(4)	-	-	1,022	-
114100	Security lending deposits		45,844	-	-	-
114130	Accounts receivable		55,995	-	2,960	-
114140	Accounts receivable - related parties	7	2,377	-	4,033	-
114150	Prepayments		7,356	-	6,343	-
114170	Other receivables		31,441	-	27,919	-
114180	Other receivables - related parties	7	12,412	-	15,135	-
114300	Leverage margin contract trading client margin deposits	7	258,250	-	126,850	-
114600	Current income tax assets		341	-	341	-
119000	Other current assets		18	-	23	-
110000	<b>Subtotal current assets</b>		<u>71,245,136</u>	<u>96</u>	<u>70,417,004</u>	<u>96</u>
<b>Non-current assets</b>						
123200	Financial assets at fair value through other comprehensive income - non-current	6(5)	1,518,539	2	1,404,019	2
123300	Financial assets at amortised cost - non-current	6(6)	-	-	92,333	-
125000	Property and equipment	6(9)	597,740	1	612,943	1
125800	Right-of-use assets	6(10)	67,790	-	-	-
127000	Intangible assets	6(11)	41,049	-	42,832	-
128000	Deferred income tax assets		25,074	-	23,995	-
129010	Operating guarantee deposits	6(7), 7 and 8	145,799	-	145,886	-
129020	Clearing and settlement funds	6(8)	535,686	1	492,788	1
129030	Refundable deposits	7	38,487	-	38,323	-
129130	Prepayment for equipment		66,503	-	21,300	-
129990	Other non-current assets - Other		2,086	-	431	-
120000	<b>Subtotal non-current assets</b>		<u>3,038,753</u>	<u>4</u>	<u>2,874,850</u>	<u>4</u>
906001	<b>Total assets</b>		<u>\$ 74,283,889</u>	<u>100</u>	<u>\$ 73,291,854</u>	<u>100</u>

(Continued)

**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>						
212000	Financial liabilities at fair value	6(2) and 11				
	through profit or loss - current		\$ 72,099	-	\$ 20,089	-
214080	Futures traders' equity	6(3) and 7	64,525,451	87	64,332,759	88
214100	Leverage margin contract transaction					
	traders' equity		225,185	-	103,735	-
214130	Accounts payable		104,415	-	123,995	-
214140	Accounts payable - related parties	7	14,704	-	18,993	-
214160	Collection for third parties		6,322	-	7,179	-
214170	Other payables		252,319	1	205,909	1
214180	Other payables - related parties	7	1,296	-	923	-
214600	Current income tax liabilities		72,463	-	150,338	-
216000	Lease liabilities - current	7	36,089	-	-	-
219000	Other current liabilities		15,718	-	24,182	-
210000	<b>Subtotal current liabilities</b>		<u>65,326,061</u>	<u>88</u>	<u>64,988,102</u>	<u>89</u>
<b>Non-current liabilities</b>						
226000	Lease liabilities - non-current	7	31,884	-	-	-
229000	Other non-current liabilities	6(12)	69,807	-	83,202	-
220000	<b>Subtotal non-current liabilities</b>		<u>101,691</u>	<u>-</u>	<u>83,202</u>	<u>-</u>
906003	<b>Total liabilities</b>		<u>65,427,752</u>	<u>88</u>	<u>65,071,304</u>	<u>89</u>
<b>Equity attributable to owners of the parent company</b>						
<b>Capital</b>						
301010	Common stock	6(13)	2,322,763	3	2,322,763	3
<b>Additional paid-in capital</b>						
302000	Capital surplus	6(14)	940,976	1	940,976	1
<b>Retained earnings</b>						
304010	Legal reserve	6(16)	907,430	1	807,426	1
304020	Special reserve	6(15)(16)	2,074,901	3	1,875,370	3
304040	Undistributed earnings	6(16)	1,313,798	2	1,093,522	1
<b>Other equity</b>						
305000	Other equity interest	6(17)	1,296,269	2	1,180,493	2
906004	<b>Total equity</b>		<u>8,856,137</u>	<u>12</u>	<u>8,220,550</u>	<u>11</u>
906002	<b>Total liabilities and equity</b>		<u>\$ 74,283,889</u>	<u>100</u>	<u>\$ 73,291,854</u>	<u>100</u>

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



**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2019		2018		
		AMOUNT	%	AMOUNT	%	
<b>Revenues</b>						
401000	Brokerage	6(18) and 7	\$ 2,737,896	94	\$ 3,439,375	95
410000	Gain (loss) on trading of securities	6(2)(19)	9,646	-	(16,277)	-
421300	Dividend income	6(2) and 7	4,768	-	1,491	-
421500	Gain (loss) on valuation of trading securities	6(2)	8,272	-	(571)	-
421600	Losses (gains) on covering of borrowed securities and bonds with resale agreements-short sales	6(2)	(12,813)	-	15,679	1
421610	Valuation losses on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(2)	(16,273)	-	(381)	-
424200	Securities commission revenue	7	3,419	-	4,743	-
424300	Clearance fee from consignation	6(20) and 7	67,101	2	83,717	2
424400	Net gain on derivative financial instruments	6(2)(21)	95,757	3	84,151	2
424900	Futures advisory revenues		11,766	1	14,259	-
425100	Losses arising from derecognition of financial assets measured at amortised cost	6(6)	(8)	-	-	-
428000	Other operating revenues	7	8,794	-	12,110	-
400000	<b>Total revenues</b>		<u>2,918,325</u>	<u>100</u>	<u>3,638,296</u>	<u>100</u>
<b>Costs and expenses</b>						
501000	Brokerage fee	6(22)	(485,615)	(17)	(620,625)	(17)
502000	Dealer handling fee	6(22)	(4,725)	-	(6,692)	-
521200	Interest expense	7	(81,451)	(3)	(52,617)	(2)
425300	Expected credit impairment reversal gains and (losses)		2,780	-	(89,113)	(3)
524100	Futures commission	6(23) and 7	(632,586)	(22)	(775,740)	(21)
524300	Clearance fee	6(24)	(380,488)	(13)	(488,057)	(14)
528000	Other operating fee		(1,204)	-	(3,382)	-
531000	Employee benefit expense	6(26)	(679,184)	(23)	(625,300)	(17)
532000	Depreciation and amortization	6(25)	(89,016)	(3)	(49,985)	(1)
533000	Other operating expenses	6(25) and 7	(423,749)	(14)	(511,000)	(14)
500000	<b>Total costs and expenses</b>		<u>(2,775,238)</u>	<u>(95)</u>	<u>(3,222,511)</u>	<u>(89)</u>
<b>Operating income</b>			143,087	5	415,785	11
602000	Other gains and losses	6(2)(27) and 7	1,266,925	43	829,797	23
902001	<b>Income before income tax</b>		1,410,012	48	1,245,582	34
701000	Income tax expense	6(28)	(274,213)	(9)	(245,537)	(7)
902005	<b>Net income</b>		<u>\$ 1,135,799</u>	<u>39</u>	<u>\$ 1,000,045</u>	<u>27</u>

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**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
805510	Remeasurement of defined benefit obligations	6(12)		\$ 4,511	- (\$ 16,482) ( 1)
805540	Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	6(5)(17)		166,209	6 205,687 6
805599	Income tax related to components of items not to be reclassified	6(28)		( 902)	- 3,272 -
<b>Items that may be reclassified to profit or loss subsequently</b>					
805610	Translation gain and loss on the financial statements of foreign operating entities	6(17)		( 19,657)	( 1) 25,454 1
805000	<b>Total other comprehensive income (net of tax)</b>			<u>\$ 150,161</u>	<u>5</u> <u>\$ 217,931</u> <u>6</u>
902006	<b>Total comprehensive income</b>			<u>\$ 1,285,960</u>	<u>44</u> <u>\$ 1,217,976</u> <u>33</u>
<b>Consolidated net income attributable to:</b>					
	Owners of the parent			<u>\$ 1,135,799</u>	<u>39</u> <u>\$ 1,000,045</u> <u>27</u>
<b>Consolidated comprehensive income attributable to:</b>					
	Owners of the parent			<u>\$ 1,286,960</u>	<u>44</u> <u>\$ 1,217,976</u> <u>33</u>
<b>Earnings per share (in New Taiwan Dollars)</b>					
	<b>Basic and diluted earnings per share</b>	6(29)		<u>\$ 4.89</u>	<u>\$ 4.31</u>

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent									Total equity
		Capital surplus			Retained earnings			Other equity interest			
		Common stock	Paid-in capital in excess of par value	Paid-in capital from business merger	Legal reserve	Special reserve	Undistributed earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealized gain on equity instrument measured at fair value through other comprehensive income	Unrealized gain on available-for-sale financial assets	
<b>For the year ended December 31, 2018</b>											
		\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 720,097	\$ 1,696,347	\$ 875,462	(\$ 27,276)	\$ -	\$ 939,216	\$ 7,467,585
		-	-	-	-	-	( 317 )	104	938,971	( 939,216 )	( 458 )
	6(17)	<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>	<u>7,467,127</u>
		-	-	-	-	-	1,000,045	-	-	-	1,000,045
	6(5)(17)	-	-	-	-	-	( 13,210 )	25,454	205,687	-	217,931
		-	-	-	-	-	<u>986,835</u>	<u>25,454</u>	<u>205,687</u>	<u>-</u>	<u>1,217,976</u>
Appropriations of 2017 earnings:											
	6(16)	-	-	-	87,329	-	( 87,329 )	-	-	-	-
		-	-	-	-	179,023	( 179,023 )	-	-	-	-
		-	-	-	-	-	( 464,553 )	-	-	-	( 464,553 )
	6(5)(17)	-	-	-	-	-	( 37,553 )	-	37,553	-	-
		<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>	<u>8,220,550</u>
<b>For the year ended December 31, 2019</b>											
		\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 807,426	\$ 1,875,370	\$ 1,093,522	(\$ 1,718)	\$ 1,182,211	\$ -	\$ 8,220,550
		-	-	-	-	-	1,135,799	-	-	-	1,135,799
	6(5)(17)	-	-	-	-	-	3,609	( 19,657 )	166,209	-	150,161
		-	-	-	-	-	<u>1,139,408</u>	<u>( 19,657 )</u>	<u>166,209</u>	<u>-</u>	<u>1,285,960</u>
Appropriations of 2018 earnings:											
	6(16)	-	-	-	100,004	-	( 100,004 )	-	-	-	-
		-	-	-	-	199,531	( 199,531 )	-	-	-	-
		-	-	-	-	-	( 650,373 )	-	-	-	( 650,373 )
	6(5)(17)	-	-	-	-	-	30,776	-	( 30,776 )	-	-
		<u>2,322,763</u>	<u>894,643</u>	<u>46,333</u>	<u>907,430</u>	<u>2,074,901</u>	<u>1,313,798</u>	<u>( 21,375 )</u>	<u>1,317,644</u>	<u>-</u>	<u>8,856,137</u>

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31	
		2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,410,012	\$ 1,245,582
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(9)(10)(25)	78,971	42,827
Amortization	6(11)(25)	10,045	7,158
Interest income	6(27)	( 1,088,639 )	( 699,311 )
Interest expense		81,451	52,617
Dividends income		( 119,144 )	( 74,347 )
Expected credit impairment reversal gains and (losses)		( 2,780 )	( 89,113 )
Gain on disposal of property and equipment	6(9)	( 92 )	-
Loss on disposal of financial assets at amortised cost		8	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		( 71,619 )	( 98,002 )
Margin deposits		( 167,800 )	( 14,897,752 )
Futures trading margin receivable		3,749	90,158
Security lending deposits		( 45,844 )	6,130
Accounts receivable		( 53,035 )	8,481
Accounts receivable - related parties		1,656	795
Prepayments		( 1,013 )	1,536
Other receivables		( 1,084 )	57
Other receivables - related parties		73	( 145 )
Leverage margin contract trading client margin deposits		( 131,400 )	( 81,478 )
Other current assets		5	( 10 )
Other non-current assets - Other		( 1,655 )	( 431 )
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss - current		52,010	12,640
Futures traders' equity		192,692	14,900,098
Leverage margin contract transaction traders' equity		121,450	58,922
Accounts payable		( 19,580 )	( 4,216 )
Accounts payable - related parties		( 4,289 )	( 5,661 )
Collection for third parties		( 857 )	1,450
Other payables		41,633	1,595
Other payables-related parties		385	182
Other financial liabilities - current		-	( 500 )
Other current liabilities		( 8,464 )	839
Other non-current liabilities		( 13,395 )	( 3,324 )
Cash inflow generated from operations		263,450	474,687
Interest received		1,089,162	680,580
Interest paid		( 76,686 )	( 52,447 )
Dividends received		118,644	74,347
Income tax paid		( 349,558 )	( 161,615 )
Net cash flows from operating activities		<u>1,045,012</u>	<u>1,015,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through other comprehensive income		( 1,529,345 )	( 216,766 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	1,155,112	326,715
Acquisition of financial assets at amortised cost		( 31,298 )	-
Proceeds from disposal of financial assets at amortised cost		31,133	-
Proceeds from repayments of financial assets at amortised cost		92,102	-
Acquisition of property and equipment	6(9)	( 29,789 )	( 31,727 )
Proceeds from disposal of property and equipment	6(9)	382	-
Increase in intangible assets	6(11)	( 1,748 )	( 2,639 )
Decrease in operating guarantee deposits		87	1,282
Increase in clearing and settlement funds		( 42,898 )	( 50,219 )
Increase in refundable deposits		( 164 )	( 15,500 )
Increase in prepayment for equipment		( 59,520 )	( 69,355 )
Net cash flows used in investing activities		( 415,946 )	( 58,209 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of principal portion of lease liabilities		( 26,449 )	-
Payment of cash dividends	6(16)	( 650,373 )	( 464,553 )
Net cash flows used in financing activities		( 676,822 )	( 464,553 )
Effect of change in foreign exchange rates		( 18,861 )	22,209
Net (decrease) increase in cash and cash equivalents		( 66,617 )	514,999
Cash and cash equivalents at beginning of year		5,291,562	4,776,563
Cash and cash equivalents at end of year		<u>\$ 5,224,945</u>	<u>\$ 5,291,562</u>

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

Yuanta Futures Co., Ltd.'s (the "Company") and its subsidiaries' (collectively referred herein as the "Group") profile is described below:

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

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

- (2) The Group is primarily engaged in onshore and offshore futures brokerage business, futures dealing, futures consulting, futures business management, securities dealing, leverage transaction merchant, and a variety of futures related businesses approved by the competent authority. On August 14, 2017, with permission from the competent authority, the Group ceased engaging in futures business management. As of December 31, 2019, the Company had 4 branches.
- (3) As of December 31, 2019 and 2018, the Group had 411 and 398 employees, respectively.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 19, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize a 'right-of-use asset' and a 'lease liability' (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' both by \$57,259 on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
  - (A) The accounting for operating leases whose period will end before December 31, 2019 are treated as short-term leases and accordingly, rent expense of \$10,518 was recognised for the year ended December 31, 2019.
  - (B) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
  - (C) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range from 0.78% to 0.92%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$	68,695
Add: Lease payable recognised under finance lease by applying IAS 17 as at December 31, 2018		-
Less: Short-term leases	(	10,518)
Add: Lease contracts previously identified as service agreements		-
Less: Contracts reassessed as service agreements	(	464)
Add/Less: Adjustments as a result of a different treatment of extension and termination options		-
Add/Less: Adjustments relating to changes in the index or rate affecting variable lease payments		-
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		57,713
Incremental borrowing interest rate at the date of initial application		0.78~0.92%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	\$	<u>57,259</u>

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2021
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2022

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

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

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Financial assets at fair value through other comprehensive income.
- (C) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

##### (3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (A) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the



entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			
			December 31, 2019	Note	December 31, 2018	Note
The Company	Yuanta Futures (Hong Kong) Limited	Financial services	100		100	Note 1
The Company	SYF Information Limited	Information technology services	100		100	
SYF Information Limited	SYF Information (Samoa) Limited	Investment holding	100	Note 2	100	
SYF Information (Samoa) Limited	SYF Information (Shanghai) Limited	Information technology services	100		100	

Note 1: The Company increased the capital by \$537,972 in cash in 2018.

Note 2: On September 25, 2019, to streamline organizational structure, the Board of Directors of the Company approved to liquidate SYF Information (Samoa) Limited. The liquidation has been approved by the competent authority on October 25, 2019, and is expected to complete in 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

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

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

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

#### B. Translation of foreign operations

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

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

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

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

#### (5) Classification of current and non-current items

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

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

(B) Assets held mainly for trading purposes;

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

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

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

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

(B) Liabilities arising mainly from trading activities;

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

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

affect its classification.

(6) Cash and cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(A) The objective of the Group's business model is achieved by collecting contractual cash flows.

(B) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(10) Margin deposits

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

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

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

(12) Leverage margin contract trading client margin deposits

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

(13) Leverage margin contract transaction traders' equity

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

(14) Accounts receivable

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

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

(15) Impairment of financial assets

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

(16) Derecognition of financial assets

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

(17) Property and equipment

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

(18) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (A) Fixed payments, less any lease incentives receivable; and
  - (B) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
  - (A) The amount of the initial measurement of lease liability;
  - (B) Any lease payments made at or before the commencement date; and

(C) Any initial direct costs incurred by the lessee.

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

(19) Leased assets/ leases (lessee)

Effective 2018

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(20) Intangible assets

A. Membership in a foreign Futures Exchange

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

B. Computer software

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

(21) Impairment of non-financial assets

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

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

(22) Derivative financial instruments and non-hedging activities

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

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

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair

value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(A) Hybrid (combined) contracts; or

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

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

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

(24) Derecognition of financial liabilities

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

(25) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

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

(B) Defined benefit plans

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

b. Remeasurements arising on defined benefit plans are recognised in other comprehensive

income in the period in which they arise and are recorded as retained earnings.

(C) Termination benefits

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

(D) Employees' and directors' and supervisors' remuneration

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

(26) Income tax

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



- D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each consolidated balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Dividends

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

(28) Revenue recognition

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

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker, who is responsible for

allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of the consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

The impairment assessment of the Group's futures trading margin receivable is based on subjective judgements, including whether there has been significant increase in credit risk since initial recognition and loss rates calculated from historical data. Therefore, the Group periodically examines the appropriateness of its estimates. Please refer to Note 20(6) for more information.

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

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined by the market approach. The approach is taken with assumptions relating to the determination of comparable companies and employing those companies' latest price to earnings ratio multiples as basis of pricing estimation along with discounts of marketability consideration. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 20(3) for the financial instruments fair value information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Petty cash	\$ 107	\$ 109
Cash in bank		
Checking deposits	17	36
Demand deposits	287,437	200,336
Time deposits	4,037,984	4,455,415
Subtotal	4,325,545	4,655,896
Excess futures margin deposits	432,060	290,131
Excess margin in foreign exchange margin trading	65,035	16,514
Commercial paper (expiring within three months)	402,305	329,021
	<u>\$ 5,224,945</u>	<u>\$ 5,291,562</u>

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

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 66,624	\$ 13,575
Beneficiary certificates	135,360	20,000
Open-End fund	53,985	46,445
Futures contracts - non-hedging	24,783	132,268
Options contracts - non-hedging	11,765	25,103
Leverage margin contract transactions - non-hedging	17,218	8,145
	<u>309,735</u>	<u>245,536</u>
Valuation adjustment	6,559	( 861)
	<u>\$ 316,294</u>	<u>\$ 244,675</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial liabilities held for trading		
Options - non-hedging	\$ 5,156	\$ 20,089
Security borrowing payable - non-hedging	66,943	-
	<u>\$ 72,099</u>	<u>\$ 20,089</u>

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 22,019	(\$ 15,357)
Beneficiary certificates	7,369	( 9,917)
Open-End fund	1,173	( 2,210)
Non-hedging derivatives	281,197	161,013
Total	<u>\$ 311,758</u>	<u>\$ 133,529</u>

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial liabilities held for trading		
Options - non-hedging	(\$ 184,154)	(\$ 76,966)
Security borrowing payable - non-hedging	( 29,086)	15,298
Leverage margin contract transactions		
- non-hedging	( 1,286)	104
Total	<u>(\$ 214,526)</u>	<u>(\$ 61,564)</u>

For the years ended December 31, 2019 and 2018, the above mentioned amounts recognized in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are recognized in gain (loss) on trading of securities, dividend income, gain (loss) on valuation of trading securities, losses (gains) on covering of borrowed securities and bonds with resale agreements-short sales, valuation losses on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss, net gain on derivative instruments and other gains and losses.

#### B. Futures

The Group entered into futures contracts to earn the spread. As of December 31, 2019 and 2018, margin deposits for the contract was \$456,843 and \$422,399, respectively, with excess margin of \$432,060 and \$290,131, respectively, recognized in “cash and cash equivalents”.

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

#### (3) Margin deposits /Futures traders’ equity

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Margin deposits by customers:		
Cash in banks	\$ 48,031,093	\$ 46,847,577
Clearing house	7,582,545	7,494,673
Other futures commission merchants	9,094,778	10,198,366
Total	<u>64,708,416</u>	<u>64,540,616</u>
Gain: Others	-	1
Less: Fees and interest revenue		
pending for transfer	( 145,940)	( 176,480)
Futures exchange tax		
pending for transfer	( 3,789)	( 4,392)
Temporary receipts	( 3,619)	( 6,785)
Others	( 29,617)	( 20,201)
Futures traders’ equity	<u>\$ 64,525,451</u>	<u>\$ 64,332,759</u>

A. The Group has no expected credit loss on margin deposits.

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the margin deposits held by the Group was \$64,708,416 and \$64,540,616, respectively.

(4) Futures trading margin receivable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Futures trading margin receivable	\$ 86,409	\$ 90,158
Less: Allowance for uncollectible accounts	( 86,409)	( 89,136)
	<u>\$ -</u>	<u>\$ 1,022</u>

A. Information relating to credit risk of futures trading margin receivable is provided in Note 20(6).

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Up to 30 days	\$ -	\$ -
31-90 days	-	3,348
91-180 days	364	-
Over 181 days	86,045	86,810
	<u>\$ 86,409</u>	<u>\$ 90,158</u>

The above ageing analysis was based on posting date.

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Current items:		
Equity instrument		
Listed stocks	\$ 561,209	\$ 156,200
Valuation adjustment	20,238	( 675)
Total	<u>\$ 581,447</u>	<u>\$ 155,525</u>
Non-current items:		
Equity instrument		
Non-Listed stocks	\$ 221,132	\$ 221,132
Valuation adjustment	1,297,407	1,182,887
Total	<u>\$ 1,518,539</u>	<u>\$ 1,404,019</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments and earning steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$2,099,986 and \$1,559,544 as at December 31, 2019 and 2018, respectively.

B. For the years ended December 31, 2019 and 2018, to avoid systemic risks due to market interference and uncertainties, the Group sold \$1,155,112 and \$326,850, respectively, of listed stocks at fair value and resulted in cumulative gains (losses) on disposal of \$30,776 and (\$37,553), respectively.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the years ended December 31,	
	2019	2018
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ 166,209	\$ 205,687
Cumulative gains (loss) reclassified to retained earnings due to derecognition	(\$ 30,776)	\$ 37,553
Dividend income recognised in profit or loss		
Held at end of period	\$ 63,012	\$ 60,921
Derecognized during the period	49,029	10,359
	<u>\$ 112,041</u>	<u>\$ 71,280</u>

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

(6) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Non-current items:		
Financial bonds	\$ -	\$ 92,386
Less: Accumulated impairment	-	( 53)
Total	<u>\$ -</u>	<u>\$ 92,333</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	For the years ended December 31,	
	2019	2018
Interest income	\$ 2,342	\$ 2,865
Reversal of impairment loss	53	23
Loss on disposal	( 8)	-
	<u>\$ 2,387</u>	<u>\$ 2,888</u>

B. For the year ended December 31, 2019, the Group sold those financial bonds which were interfered by market uncertainties with losses on disposal amounting to \$8. For the year ended December 31, 2018, no financial assets at amortised cost were sold by the Group.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$0 and \$92,333, respectively.

D. The Group has no financial assets at amortised cost pledged to others.

E. Information relating to credit risk is provided in Note 20(6).

(7) Operating guarantee deposits

The Company's annual interest rates on operating guarantee deposits that were provided as time deposits maturing within one-year with Yuanta Bank as of December 31, 2019 and 2018 were both 1.035%. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the operating guarantee deposits held by the Group was \$145,799 and \$145,886, respectively.

(8) Clearing and settlement funds

As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the clearing and settlement funds held by the Group was \$535,686 and \$492,788, respectively.

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(9) Property and equipment

	2019				
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1,					
Cost	\$ 410,992	\$ 71,577	\$ 189,186	\$ 48,592	\$ 720,347
Accumulated depreciation	-	( 5,397)	( 76,607)	( 25,400)	( 107,404)
	<u>\$ 410,992</u>	<u>\$ 66,180</u>	<u>\$ 112,579</u>	<u>\$ 23,192</u>	<u>\$ 612,943</u>
Opening net book amount at January 1,	\$ 410,992	\$ 66,180	\$ 112,579	\$ 23,192	\$ 612,943
Additions	-	-	29,340	449	29,789
Reclassifications	-	-	7,801	-	7,801
Disposals (cost)	-	-	( 25,164)	( 17,104)	( 42,268)
Disposals (accumulated depreciation)	-	-	24,874	17,104	41,978
Depreciation expense	-	( 3,407)	( 41,648)	( 7,239)	( 52,294)
Net exchange differences	-	-	( 71)	( 138)	( 209)
Closing net book amount at December 31,	<u>\$ 410,992</u>	<u>\$ 62,773</u>	<u>\$ 107,711</u>	<u>\$ 16,264</u>	<u>\$ 597,740</u>
At December 31,					
Cost	\$ 410,992	\$ 71,577	\$ 200,872	\$ 31,645	\$ 715,086
Accumulated depreciation	-	( 8,804)	( 93,161)	( 15,381)	( 117,346)
	<u>\$ 410,992</u>	<u>\$ 62,773</u>	<u>\$ 107,711</u>	<u>\$ 16,264</u>	<u>\$ 597,740</u>
	2018				
	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
At January 1,					
Cost	\$ 410,992	\$ 71,577	\$ 141,915	\$ 40,939	\$ 665,423
Accumulated depreciation	-	( 1,988)	( 67,651)	( 18,942)	( 88,581)
	<u>\$ 410,992</u>	<u>\$ 69,589</u>	<u>\$ 74,264</u>	<u>\$ 21,997</u>	<u>\$ 576,842</u>
Opening net book amount at January 1,	\$ 410,992	\$ 69,589	\$ 74,264	\$ 21,997	\$ 576,842
Additions	-	-	22,665	9,062	31,727
Reclassifications	-	-	46,624	-	46,624
Disposals (cost)	-	-	( 22,264)	( 1,935)	( 24,199)
Disposals (accumulated depreciation)	-	-	22,264	1,935	24,199
Depreciation expense	-	( 3,409)	( 31,146)	( 8,272)	( 42,827)
Net exchange differences	-	-	172	405	577
Closing net book amount at December 31,	<u>\$ 410,992</u>	<u>\$ 66,180</u>	<u>\$ 112,579</u>	<u>\$ 23,192</u>	<u>\$ 612,943</u>
At December 31,					
Cost	\$ 410,992	\$ 71,577	\$ 189,186	\$ 48,592	\$ 720,347
Accumulated depreciation	-	( 5,397)	( 76,607)	( 25,400)	( 107,404)
	<u>\$ 410,992</u>	<u>\$ 66,180</u>	<u>\$ 112,579</u>	<u>\$ 23,192</u>	<u>\$ 612,943</u>



(10) Leasing arrangements — lessee

Effective 2019

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

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

	<u>December 31, 2019</u>	<u>For the year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 67,790</u>	<u>\$ 26,677</u>

C. For the year ended December 31, 2019, the additions to right-of-use assets was \$37,334.

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

	<u>For the year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 426
Expense on short-term lease contracts	11,437

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$38,312.

F. Extension and termination options

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

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(12) Pension

A. Defined benefit plan

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 83,729	\$ 96,157
Fair value of plan assets	( 23,142)	( 21,375)
Net defined benefit liability	<u>\$ 60,587</u>	<u>\$ 74,782</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 96,157	(\$ 21,375)	\$ 74,782
Interest expense (income)	<u>1,058</u>	<u>( 235)</u>	<u>823</u>
	<u>97,215</u>	<u>( 21,610)</u>	<u>75,605</u>
Remeasurements:			
Return on plan assets	-	( 771)	( 771)
Change in financial assumptions	3,804	-	3,804
Experience adjustments	<u>( 7,544)</u>	<u>-</u>	<u>( 7,544)</u>
	<u>( 3,740)</u>	<u>( 771)</u>	<u>( 4,511)</u>
Pension fund contribution	-	( 761)	( 761)
Paid pension	<u>( 9,746)</u>	<u>-</u>	<u>( 9,746)</u>
Balance at December 31	<u>\$ 83,729</u>	<u>( \$ 23,142)</u>	<u>\$ 60,587</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 83,951	(\$ 21,542)	\$ 62,409
Interest expense (income)	1,091	( 280)	811
	<u>85,042</u>	<u>( 21,822)</u>	<u>63,220</u>
Remeasurements:			
Return on plan assets	-	( 582)	( 582)
Change in financial assumptions	2,393	-	2,393
Experience adjustments	14,671	-	14,671
	<u>17,064</u>	<u>( 582)</u>	<u>16,482</u>
Pension fund contribution	-	( 809)	( 809)
Paid pension	( 5,949)	1,838	( 4,111)
Balance at December 31	<u>\$ 96,157</u>	<u>( \$ 21,375)</u>	<u>\$ 74,782</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	<u>For the years ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Discount rate	<u>0.70%</u>	<u>1.10%</u>
Future salary increases	<u>3.00%</u>	<u>3.00%</u>

For the years ended December 31, 2019 and 2018, assumptions regarding future mortality rate were estimated in accordance with Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ <u>2,405</u> )	\$ <u>2,502</u>	\$ <u>2,408</u>	(\$ <u>1,983</u> )
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ <u>2,979</u> )	\$ <u>3,103</u>	\$ <u>2,441</u>	(\$ <u>2,360</u> )

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

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

(G) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$744.

(H) As of December 31, 2019, the weighted average duration of the retirement plan is 12 years.

#### B. Defined contribution plan

(A) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2019 and 2018, were \$17,476 and \$17,915, respectively.

C. The Company reclassified net defined benefit liabilities as well as resignation and pension liabilities from provision - non-current to other non-current liabilities based on their natures. The affected amounts was \$80,998 on December 31, 2018.

(13) Share capital

As of December 31, 2019, the Company's authorized capital was \$2,500,000, and the paid-in capital was \$2,322,763 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

On November 17, 2019, to increase the working capital, the Board of Directors of the Company resolved to raise additional cash by issuing common shares amounting to 17,700 thousand shares with a par value of \$10 (in dollars). The subscription target date for the capital increase is set on February 19, 2020, and the subscription price was \$48 (in dollars) per share. This cash capital increase has been approved by Financial Supervisory Committee on January 16, 2020.

(14) Capital surplus

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

(15) Special reserve

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Legal capital reserve	\$ 2,066,874	\$ 1,866,865
Special reserve-Fintech	8,027	8,505
	<u>\$ 2,074,901</u>	<u>\$ 1,875,370</u>

- A. According to the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be capitalized.
- B. The Company transferred provision on bad debt loss that had been set aside but not reversed to special reserve on initial application of IFRSs in accordance with Gin-Gwen-Zheng-Qi Letter No. 1010032090, dated July 10, 2012. Except for offsetting operating losses or special reserve exceeding 50% of the Company's paid-in capital after transferring, the Company could transfer half of special reserve as share capital.
- C. According to Gin-Gwen-Zheng-Qi Letter No. 1010048029, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of equity. For the cumulative decrease in equity of the prior period, the equal amount of special reserve set aside based on the undistributed earnings should not be distributed. If there is any reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.
- D. According to Gin-Gwen-Zheng-Quan Letter No. 10500278285 dated August 5, 2016, for earnings from fiscal years 2016 to 2018, futures commission merchants shall set aside special

reserve from earnings after tax in the range between 0.5% to 1%. Also, starting fiscal year 2017, the expenditure of staff education training, staff transfer or resettlement arising from the development of financial technology could be reversed at the same amount within the above mentioned range. However, according to Gin-Gwen-Zheng-Quan Letter No. 1080321644 dated July 10, 2019, futures commission merchants are no longer required to set aside special reserve starting from fiscal year 2019. Additionally the special reserve, within the balance of special reserve set aside in the previous years, may be reversed at the same amount for the aforementioned expenditures.

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% and 20% of the remaining amount shall be set aside as legal reserve and special reserve. The remainder, if any, to be retained or to be appropriated shall be resolved by the stockholders at the stockholders' meeting.
- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriation of 2018 and 2017 earnings had been resolved by the stockholders at the stockholders' meeting. Details are summarized below:

	2018		2017	
	Amount	Dividends per Share (in dollars)	Amount	Dividends per Share (in dollars)
Legal reserve	\$ 100,004		\$ 87,329	
Special reserve	200,009		174,657	
Special reserve-Fintech	5,000		4,366	
Reversal of special reserve (	5,478)		-	
Cash dividends	650,373	\$ 2.80	464,553	\$ 2.00

- E. On March 19, 2020, the Board of Directors resolved the distribution of profits for 2019 as follows:

	2019	
	Amount	Dividends per Share (in dollars)
Legal reserve	\$ 113,580	
Special reserve	227,160	
Reversal of special reserve	( 8,027)	
Cash dividends	799,924	\$ 3.20

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

F. For information relating to employees' remuneration, please refer to Note 6(26).

(17) Other equity items

	Unrealised gain (losses) on valuation	Currency translation differences	Total
At January 1, 2019	\$ 1,182,211	(\$ 1,718)	\$ 1,180,493
Financial assets at fair value through other comprehensive income			
-revaluation	166,209	-	166,209
-revaluation transferred to retained earnings	( 30,776)	-	( 30,776)
Currency translation differences			
-Exchange differences	-	( 19,657)	( 19,657)
At December 31, 2019	<u>\$ 1,317,644</u>	<u>(\$ 21,375)</u>	<u>\$ 1,296,269</u>
	Unrealised gain (losses) on valuation	Currency translation differences	Total
At January 1, 2018, after adjustments	\$ 938,971	(\$ 27,172)	\$ 911,799
Financial assets at fair value through other comprehensive income			
-revaluation	205,687	-	205,687
-revaluation transferred to retained earnings	37,553	-	37,553
Currency translation differences			
-Exchange differences	-	25,454	25,454
At December 31, 2018	<u>\$ 1,182,211</u>	<u>(\$ 1,718)</u>	<u>\$ 1,180,493</u>

(18) Brokerage

	For the years ended December 31,	
	2019	2018
Dealers' commissions	<u>\$ 2,737,896</u>	<u>\$ 3,439,375</u>



(19) Net gain (loss) on trading of securities

	For the years ended December 31,	
	2019	2018
Revenue from sale of securities - dealing	\$ 706,661	\$ 703,967
Cost from sale of securities - dealing	( 697,015)	( 720,244)
Total	<u>\$ 9,646</u>	<u>(\$ 16,277)</u>

(20) Clearance fee from consignment

	For the years ended December 31,	
	2019	2018
Clearance fee from consignment - non-related parties	\$ 37,976	\$ 43,099
Clearance fee from consignment - related parties	29,125	40,618
Total	<u>\$ 67,101</u>	<u>\$ 83,717</u>

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(21) Net gain on derivative financial instruments

	For the years ended December 31,	
	2019	2018
Non-hedging		
Gain (loss) from futures contract interests		
Futures contract gains	\$ 1,227,822	\$ 425,313
Futures contract losses	( 1,240,821)	( 366,305)
	<u>(\$ 12,999)</u>	<u>\$ 59,008</u>
Gain (loss) from options trading		
Gain from options trading	\$ 280,457	\$ 78,481
Loss from options trading	( 181,500)	( 76,966)
	<u>\$ 98,957</u>	<u>\$ 1,515</u>
Gain (loss) from exchange rate derivatives trading		
Gain from exchange rate derivatives trading	\$ 106,190	\$ 96,324
Loss from exchange rate derivatives trading	( 95,105)	( 72,802)
	<u>\$ 11,085</u>	<u>\$ 23,522</u>
Gain (loss) from structured products trading		
Gain from structured products trading	\$ -	\$ 56
Loss from structured products trading	-	( 54)
	<u>\$ -</u>	<u>\$ 2</u>
Gain (loss) from equity derivatives trading		
Gain from equity derivatives trading	\$ 431	\$ 121
Loss from equity derivatives trading	( 1,717)	( 17)
	<u>(\$ 1,286)</u>	<u>\$ 104</u>
Non-hedging		
Gains from derivative financial instruments	\$ 1,614,900	\$ 600,295
Losses from derivative financial instruments	( 1,519,143)	( 516,144)
	<u>\$ 95,757</u>	<u>\$ 84,151</u>

(22) Service charge

	For the years ended December 31,	
	2019	2018
Service charge - brokerage	\$ 485,615	\$ 620,625
Service charge - dealing	4,725	6,692
Total	<u>\$ 490,340</u>	<u>\$ 627,317</u>

(23) Futures commissions

	For the years ended December 31,	
	2019	2018
Entrusted futures transaction	\$ 412,176	\$ 467,175
Futures auxiliary business	220,410	308,565
Total	<u>\$ 632,586</u>	<u>\$ 775,740</u>

(24) Clearance fee

	For the years ended December 31,	
	2019	2018
Clearance fee - brokerage	\$ 377,340	\$ 484,258
Clearance fee - dealing	3,148	3,799
Total	<u>\$ 380,488</u>	<u>\$ 488,057</u>

(25) Operating expenses

	For the years ended December 31,	
	2019	2018
Employee benefit expense	\$ 679,184	\$ 625,300
Depreciation expense	78,971	42,827
Amortisation expense	10,045	7,158
Postage and telephone costs	91,353	90,638
Tax expenses	83,738	91,394
Computer information expenses	99,630	108,771
Donation	7,631	11,441
Institutional membership fees	30,421	31,136
Operating lease payments	11,437	40,872
Repair charge	21,640	34,667
Advertising costs	10,546	7,617
Service expenses	14,345	13,263
Other expenses	53,008	81,201
Total	<u>\$ 1,191,949</u>	<u>\$ 1,186,285</u>

(26) Employee benefit expense

	For the years ended December 31,	
	2019	2018
Wages and salaries	\$ 608,479	\$ 554,391
Labor and health insurance fees	32,110	31,579
Pension costs	18,299	18,726
Post-employment benefits	1,589	1,701
Other personnel expenses	18,707	18,903
Total	<u>\$ 679,184</u>	<u>\$ 625,300</u>

- A. In accordance with the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 0.01%~5.00%, of the total distributed amount.
- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$3,676 and \$3,425, respectively, and the aforementioned amounts were recognised in salary expenses. For the year ended December 31, 2019, the employees' compensation were estimated and accrued based on 0.01% ~ 5.00% of distributable profit of current year as of the end of reporting period.
- C. Employees' compensation of 2018 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.
- D. Information about employees' compensation of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Other gains and losses

	For the years ended December 31,	
	2019	2018
Interest income	\$ 1,088,639	\$ 699,311
Gain (loss) on disposal of investments	5,762 (	12,764)
Dividend income	114,376	72,856
Net currency exchange (loss) gain	( 22,510)	17,115
Losses on financial assets at fair value through profit or loss	( 222) (	939)
Others	80,880	54,218
Total	<u>\$ 1,266,925</u>	<u>\$ 829,797</u>

(Blank)

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 278,231	\$ 247,318
Tax on undistributed surplus earnings	-	14,302
Adjustments in respect of prior years	( 2,037)	( 9,463)
Total current tax	<u>276,194</u>	<u>252,157</u>
Deferred tax:		
Origination and reversal of temporary differences	( 1,981)	( 4,131)
Impact of change in tax rate	-	( 2,489)
Total deferred tax	( 1,981)	( 6,620)
Income tax expense	<u>\$ 274,213</u>	<u>\$ 245,537</u>

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

	For the years ended December 31,	
	2019	2018
Remeasurement of defined benefit obligations	\$ 902	(\$ 3,297)
Impact of change in tax rate	-	25
	<u>\$ 902</u>	<u>(\$ 3,272)</u>

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 282,002	\$ 249,116
Tax exempted income by tax regulation	( 5,752)	( 5,929)
Tax on undistributed surplus earnings	-	14,302
Adjustments in respect of prior years	( 2,037)	( 9,463)
Impact of change in tax rate	-	( 2,489)
Income tax expense	<u>\$ 274,213</u>	<u>\$ 245,537</u>

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

	For the year ended December 31, 2019			
	January 1	Recognised	Recognised	December 31
		in profit or loss	in other	
Temporary differences:				
— Deferred income tax assets:				
Accrued pension liabilities	\$ 5,627	(\$ 1,937)	(\$ 902)	\$ 2,788
Unrealised exchange loss	1,252	( 322)	-	930
Expected credit losses	17,633	( 351)	-	17,282
Others	2,242	1,832	-	4,074
Subtotal	26,754	( 778)	( 902)	25,074
— Deferred income tax liabilities:				
Unrealised exchange gain	( 2,759)	2,759	-	-
Total	<u>\$23,995</u>	<u>\$ 1,981</u>	<u>(\$ 902)</u>	<u>\$ 25,074</u>
	For the year ended December 31, 2018			
	January 1	Recognised	Recognised	December 31
		in profit or loss	in other	
Temporary differences:				
— Deferred income tax assets:				
Accrued pension liabilities	\$ 10,610	(\$ 8,255)	\$ 3,272	\$ 5,627
Unrealised exchange loss	1,136	116	-	1,252
Expected credit losses	-	17,633	-	17,633
Others	2,624	( 382)	-	2,242
Subtotal	14,370	9,112	3,272	26,754
— Deferred income tax liabilities:				
Unrealised exchange gain	( 267)	( 2,492)	-	( 2,759)
Total	<u>\$14,103</u>	<u>\$ 6,620</u>	<u>\$ 3,272</u>	<u>\$ 23,995</u>

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

For the 2017 income tax returns, the Company disagreed with the assessments on the securities, futures trading income and undistributed surplus earnings. Therefore, the Company availed of administrative remedy by applying for a review of the administrative action with the Tax Authority.

The Company's subsidiary, SYF Information Limited's income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(29) Earnings per share

	<u>For the year ended December 31, 2019</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per Share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,135,799</u>	<u>232,276</u>	<u>\$ 4.89</u>

  

	<u>For the year ended December 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per Share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,000,045</u>	<u>232,276</u>	<u>\$ 4.31</u>

(30) Operating leases

Effective 2018

The Group leases its office and certain equipment under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years. The Group recognized rental expenses of \$40,872 for the year ended December 31, 2018. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Less than one year	<u>\$ 36,099</u>
Later than one year but no later than five years	<u>32,596</u>
	<u>\$ 68,695</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's parent and ultimate controlling party is Yuanta Financial Holding Co., Ltd., which owns 68.65% of the Company's shares.

(2) The names and relationship of related parties

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

(3) Significant related party transactions and balances

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

	December 31, 2019		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary			
Yuanta Bank	\$ 1,563,503	\$ 140,000	\$ 9,428,093
	December 31, 2018		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary			
Yuanta Bank	\$ 1,995,376	\$ 140,000	\$ 14,675,660

B. Leverage margin contract trading client margin deposits

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Bank	\$ 258,250	\$ 126,850



C. Accounts receivable - related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 2,377	\$ 3,566
Yuanta Bank	-	467
	<u>\$ 2,377</u>	<u>\$ 4,033</u>

D. Other receivables - related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Bank	\$ 12,297	\$ 14,946
Yuanta Securities (Hong Kong) Co., Ltd.	63	189
Yuanta Securities Korea Co., Ltd.	52	-
	<u>\$ 12,412</u>	<u>\$ 15,135</u>

E. Leasing arrangements — lessee

a. The Group leases buildings from Yuanta Bank and Yuanta Securities Co., Ltd. with a lease term of 3 years and rents are paid monthly.

b. Lease liabilities

(a) Outstanding balance:

	<u>December 31, 2019</u>
Fellow subsidiary	
Yuanta Bank	\$ 2,606
Yuanta Securities Co., Ltd.	26,125
	<u>\$ 28,731</u>

(b) Interest expense

	<u>For the year ended December 31, 2019</u>
Fellow subsidiary	
Yuanta Bank	\$ 29
Yuanta Securities Co., Ltd.	305
	<u>\$ 334</u>

F. Refundable deposits

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Bank	\$ 10,188	\$ 10,188
Yuanta Securities Co., Ltd.	5,155	5,155
The directors are the key management		
Taiwan Securities Association	300	300
	<u>\$ 15,643</u>	<u>\$ 15,643</u>

G. Futures traders' equity

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Bank	\$ -	\$ 5,991
Yuanta Securities Co., Ltd.	3,464,477	2,994,353
Yuanta Securities (Hong Kong) Co., Ltd.	294,013	419,049
Yuanta Securities Korea Co., Ltd.	203,846	149,755
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities Investment Trust	24,237,500	22,878,227
President and significant shareholder of financial holding company and subsidiaries	20,732	874,886
Other related parties	32,856	33,518
	<u>\$ 28,253,424</u>	<u>\$ 27,355,779</u>

H. Accounts payable - related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 14,505	\$ 18,768
Other related parties	199	225
	<u>\$ 14,704</u>	<u>\$ 18,993</u>

I. Other payables - related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Parent Company		
Yuanta Financial Holdings	\$ 979	\$ 636
Fellow subsidiary		
Yuanta Securities Co., Ltd.	262	277
President and significant shareholder of financial holding company and subsidiaries	40	10
The directors are the key management		
Taiwan Securities Association	15	-
	<u>\$ 1,296</u>	<u>\$ 923</u>

J. Brokerage

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary		
Yuanta Bank	\$ 22	\$ 305
Yuanta Securities Co., Ltd.	116,881	101,286
Yuanta Securities (Hong Kong) Co., Ltd.	2,467	4,304
Yuanta Securities Korea Co., Ltd.	4,563	1,412
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities Investment Trust	193,864	206,995
President and significant shareholder of financial holding company and subsidiaries	2,947	3,385
Other related parties	2,763	2,584
	<u>\$ 323,507</u>	<u>\$ 320,271</u>

K. Dividend income

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities Investment Trust	\$ 1,125	\$ -

L. Clearance fee from consignment

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 29,125	\$ 40,618

M. Securities commissions revenue

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 3,419	\$ 4,743

N. Other operating revenues - Co-marketing revenue

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Bank	\$ -	\$ 1
Yuanta Securities Investment Trust	1	25
Yuanta Securities Co., Ltd	105	30
	\$ 106	\$ 56

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

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 180,726	\$ 254,622
Yuanta Securities (Hong Kong) Co., Ltd.	6	44
Yuanta Securities Korea Co., Ltd.	-	381
Other related parties	2,100	2,921
	\$ 182,832	\$ 257,968

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

P. Service fees

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Securities Investment Consulting	\$ 3,672	\$ 3,672
Yuanta Securities Co., Ltd	1,558	1,577
	\$ 5,230	\$ 5,249

Q. Interest income

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Bank	\$ 154,733	\$ 156,500
Yuanta Securities Co., Ltd	54	58
The directors are the key management		
Taiwan Securities Association	3	-
	<u>\$ 154,790</u>	<u>\$ 156,558</u>

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

R. Interest expense

	For the years ended December 31,	
	2019	2018
Fellow subsidiary		
Yuanta Bank	\$ 15	\$ 20
Yuanta Securities (Hong Kong) Co., Ltd.	498	589
Yuanta Securities Co., Ltd.	2,913	2,822
Yuanta Securities Korea Co., Ltd.	374	271
Funds managed by fellow subsidiary		
Funds managed by Yuanta		
Securities Investment Trust	36,911	21,781
	<u>\$ 40,711</u>	<u>\$ 25,483</u>

S. Rental expense

	For the year ended December 31, 2018
Fellow subsidiary	
Yuanta Bank	\$ 1,733
Yuanta Securities Co., Ltd.	20,647
	<u>\$ 22,380</u>

T. Donation expenditure

	For the years ended December 31,	
	2019	2018
Yuanta Cultural & Education Foundation	\$ 3,100	\$ 6,000
Polaris Research	1,380	2,300
	<u>\$ 4,480</u>	<u>\$ 8,300</u>

U. Property transactions

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Acquisition of financial assets		
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities Investment Trust	\$ <u>132,205</u>	\$ <u>19,710</u>

The gains (losses) on disposal of beneficiary certificates were \$8,358 and (\$5,599) for the years ended December 31, 2019 and 2018, respectively.

(4) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 225,661	\$ 185,173
Post-employment benefits	4,997	4,765
Other long-term benefits	1,778	1,685
	\$ <u>232,436</u>	\$ <u>191,623</u>

8. PLEGGED ASSETS

None.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

For information on operating lease agreements, please refer to Note 6(30) for details.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

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## 11. DERIVATIVE INSTRUMENT TRANSACTIONS

The Group had derivative financial instrument trading as follows:

December 31, 2019						
Item	Object of transaction	Buyer /Seller	Open Interest		Fair value	Remarks
			Number of contract(s) (lot)	Margin paid (received)		
Futures contracts (Domestic)	TX	Buyer	2	\$ 4,724	\$ 4,798	
	TX	Seller	78	( 187,763)	( 187,106)	
	MTX	Buyer	174	104,870	104,381	
	MTX	Seller	31	( 18,673)	( 18,591)	
	Stock Futures	Buyer	354	110,528	117,632	
	Stock Futures	Seller	338	( 61,304)	( 61,832)	
	Metal Futures	Buyer	1	536	552	
	TF	Buyer	3	4,099	4,075	
Futures contracts (Overseas)	Index Futures	Buyer	59	81,425	81,295	
Option contracts (Domestic)	TXO	Buy call	683	5,502	9,558	
	TXO	Buy put	829	3,255	2,028	
	TXO	Sell call	537	( 2,441)	( 2,351)	
	TXO	Sell put	630	( 4,133)	( 1,865)	
	TGO	Buy call	13	31	27	
	TGO	Sell call	10	( 24)	( 33)	
	TGO	Sell put	2	( 14)	( 12)	
	Stock options	Buy put	3	11	6	
	TFO	Buy call	20	19	10	
	TFO	Buy put	40	65	36	
	TFO	Sell call	20	( 10)	( 3)	
	TEO	Sell put	10	( 63)	( 70)	
	Option contracts (Overseas)	Futures options	Buy call	76	80	84
Futures options		Buy put	3	20	16	
Futures options		Sell put	266	( 330)	( 270)	
Futures options		Sell call	123	( 492)	( 552)	

December 31, 2018

Item	Object of transaction	Open Interest		Margin paid (received)	Fair value	Remarks
		Buyer /Seller	Number of contract(s) (lot)			
Futures contracts (Domestic)	TX	Buyer	273	\$ 516,096	\$ 517,139	
	TX	Seller	13	( 25,040)	( 25,139)	
	MTX	Buyer	449	216,660	217,069	
	MTX	Seller	945	( 445,247)	( 446,125)	
	Stock Futures	Buyer	48	2,077	2,079	
	Stock Futures	Seller	59	( 3,520)	( 3,472)	
	TF	Buyer	1	1,164	1,179	
	TE	Buyer	6	8,973	9,234	
	GFT	Seller	1	( 491)	( 494)	
Futures contracts (Overseas)	Index Futures	Buyer	18	19,676	19,870	
	Index Futures	Seller	2	( 1,394)	( 1,485)	
	Grain Futures	Buyer	334	39,265	39,305	
Option contracts (Domestic)	TFO	Buy put	4	11	5	
	TFO	Sell call	4	( 36)	( 42)	
	TGO	Buy call	1	5	6	
	TGO	Sell call	1	( 3)	( 6)	
	TEO	Buy put	24	142	52	
	TEO	Sell call	24	( 319)	( 472)	
	TXO	Buy call	1,268	7,795	7,875	
	TXO	Buy put	1,941	23,956	12,930	
	TXO	Sell call	1,782	( 11,806)	( 11,855)	
Option contracts (Overseas)	Futures options	Buy put	439	2,503	4,235	
	Futures options	Sell call	336	( 926)	( 756)	



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

According to Regulations Governing Futures Commission Merchants

Article	Calculation formula	December 31, 2019		December 31, 2018		Standard	Enforcement (Note 3)
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Equity}}{\text{(Total liabilities – Future traders' equity)}}$	$\frac{8,856,137}{853,239}$	10.38	$\frac{8,220,550}{724,465}$	11.35	$\geq 1$	Satisfied
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{68,897,983}{64,215,319}$	1.07	$\frac{68,078,674}{63,805,024}$	1.07	$\geq 1$	Satisfied
22	$\frac{\text{Equity}}{\text{Minimum paid – in capital (Note 1)}}$	$\frac{8,856,137}{1,060,000}$	835.48%	$\frac{8,220,550}{1,060,000}$	775.52%	$\geq 60\%$ $\geq 40\%$ (Note 2)	Satisfied
22	$\frac{\text{Adjusted net capital}}{\text{Total margin deposit required for futures traders, not yet off-set}}$	$\frac{5,815,160}{12,143,740}$	47.89%	$\frac{5,842,395}{12,500,230}$	46.74%	$\geq 20\%$ $\geq 15\%$	Satisfied

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

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

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

### 13. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER

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

Futures trading has a characteristic of low margin. Therefore, the risks of futures trading include: when the futures market trend is unfavorable for customers, futures firms may demand to collect additional trading margin deposits from customers to keep certain margin level. If the customers fail to pay margin deposits in a period prescribed, futures firms have the right to offset the contract amount of the customers by the additional margin deposits demanded. Further, futures firms may incur losses when futures market prices fluctuate drastically and the customers are unable to settle futures contracts.
- (3) See Note 20 for significant financial risk information on futures dealer business.

### 14. SEGMENT INFORMATION

#### (1) General information – type of product and service of reporting segments' income source

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker, i.e. Board of Directors, that are used to make strategic decisions. The Chief Operating Decision-Maker considers the source of income, and the Group's operating segments are divided into broker and dealer. The primary source of income by each segment is as follows:

Broker: Consigned and entrusted to futures trading and financial instruments trading approved by relevant regulations in the R.O.C.

Dealer: Used capital funds to engage in trading stocks, futures, options, and other derivatives financial instruments approved by relevant regulations in the R.O.C.

#### (2) Measurement of segment information

##### A. Information on segment profit (loss); measurement of assets and liabilities

Measurement of profit (loss), assets and liabilities of the Group are consistent with Note 4 – Summary of significant accounting policies. Measurement of profit (loss) performance is based on income before tax.

In order to establish a fair and reasonable performance evaluation, the Group would offset the income and expense incurred internally from each segment for external financial reporting purposes.

Income and expense are classified directly to the segment where they belong to. For expense incurred indirectly, it will consider its classification based on the usage purpose by proportionally dividing into each segment when a reasonable rate can be assigned. Otherwise, it will be classified as "Other operating segment" when a reasonable rate cannot be assigned.

## B. Identifying factors for reportable segments

The measurement of segment performance will be evaluated periodically to ensure that it achieves the goals of the Group. The results of its evaluation will be used as the framework for resource allocation.

### (3) Information on segment profit (loss)

For the year ended December 31, 2019				
	<u>Brokerage segment</u>	<u>Dealing segment</u>	<u>Other operating segment</u>	<u>Total</u>
Segment revenue	\$ 2,827,075	\$ 91,259	(\$ 9)	\$ 2,918,325
Segment profit	\$ 1,566,937	(\$ 11,211)	(\$ 145,714)	\$ 1,410,012

  

For the year ended December 31, 2018				
	<u>Brokerage segment</u>	<u>Dealing segment</u>	<u>Other operating segment</u>	<u>Total</u>
Segment revenue	\$ 3,549,028	\$ 89,612	(\$ 344)	\$ 3,638,296
Segment profit	\$ 1,387,995	(\$ 21,807)	(\$ 120,606)	\$ 1,245,582

Note : The Group's Chief Operating Decision-Maker does not use segment assets and liabilities as a basis for decision making, therefore, the Group does not have to disclose the assets and liabilities of the operating segments.

### (4) Information on products and services

The Group's reportable segments are based on different products and services with disclosure of general information about types of products and services of the reportable segments' income sources.

### (5) Geographical information

There is no requirement for additional disclosure because no income from single foreign country is material to the Group's revenue.

### (6) Major customer information

There is no requirement for additional disclosure because no single customer accounted for 10% or more of the Group's operating revenues for the current period.

## 15. SUBSEQUENT EVENTS

The Company will raise cash through the issuance of common shares in 2020, please refer to Note 6(13) for details.

## 16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

(1) Financing activities to any company or person: None.

(2) Endorsements and guarantees provided: None.

(3) Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.

- (4) Disposal of real estate properties exceeding \$300 million or 20% of the Companies' paid-in capital: None.
- (5) Handling fee discounts on transactions with related parties in excess of NT\$5,000,000 :  
None.
- (6) Accounts receivable from related parties reaching \$100 million or over 20% of paid-in capital balance: None.

(Blank)

(7) Other: Significant transactions between parent company and subsidiaries:

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			Percentage (%) of total consolidated revenues or assets
				Account	Amount	Conditions	
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Cash	15,114	No significant difference from general customers.	0.02%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Margin deposit	526,911	No significant difference from general customers.	0.71%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Futures traders' equity	107,970	No significant difference from general customers.	0.15%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Brokerage	491	No significant difference from general customers.	0.02%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Futures commission	10,595	No significant difference from general customers.	0.36%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Interest income	1,083	No significant difference from general customers.	0.04%
0	Yuanta Futures CO., LTD.	Yuanta Futures (Hong Kong) Limited	1	Interest expense	92	No significant difference from general customers.	0.00%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Cash	26,664	No significant difference from general customers.	0.04%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Margin deposit	81,306	No significant difference from general customers.	0.11%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Futures traders' equity	542,025	No significant difference from general customers.	0.73%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Brokerage	10,595	No significant difference from general customers.	0.36%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Futures commission	491	No significant difference from general customers.	0.02%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Interest income	92	No significant difference from general customers.	0.00%
1	Yuanta Futures (Hong Kong) Limited	Yuanta Futures CO., LTD.	2	Interest expense	1,083	No significant difference from general customers.	0.04%

Note 1: The numbers in the No. column represent as follows:

1. 0 for the parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: There are three types of relationships with the counterparties and they are labeled as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

17. INFORMATION ON INVESTEEES (NOT INCLUDING INVESTEEES IN MAINLAND CHINA)

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

Investor	Investee	Location	Set up date	FSC Approved Number	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Operating revenue of the investee	Net income (loss) of the investee	Investment income (loss) recognized by the company	Cash dividend for the current period	Note
						Balance as at December 31, 2019	Balance as at December 31, 2018	Number of shares (in thousands)	Ownership (%)	Book value					
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	Hong Kong	2010.12.2	Gin-Gwen-Zheng-Qi Letter No. 0990055943	Financial Services	1,033,971	1,033,971	34,000	100.00%	988,723	\$182,034	\$ 15,460	\$ 15,460	-	Subsidiaries
Yuanta Futures Co., Ltd.	SYF Information Co., Ltd.	Taiwan	2012.10.16	Gin-Gwen-Zheng-Qi Letter No. 1010035210	Information Technology Services	350,000	350,000	35,000	100.00%	286,541	-	( 1,039)	( 1,039)	-	Subsidiaries
SYF Information Co., Ltd.	SYF Information (Samoa) Limited	Samoa	2012.11.15	Gin-Gwen-Zheng-Qi Letter No. 1010035210	Investment Holdings	184,857	184,857	5,800	100.00%	145,028	-	( 1,256)	( 1,256)	-	Sub-subsidiaries

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

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

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

None.

## 19. DISCLOSURE OF INFORMATION ON INDIRECT INVESTMENT IN MAINLAND CHINA

### (1) Basic information:

Name of investee in Mainland China	Main business activities	Issued capital	Investment method (Note 1)	Beginning balance of foreign investment from Taiwan	Investment movement within this period		Ending balance of foreign investment from Taiwan	Net income of investee	Percentage of direct or indirect investment holding (%)	Gain (loss) recognized during the period (Notes 2) (2.C)	Book value as of December 31, 2019	Accumulated gain returned to Taiwan at end of period
					Invested amount	Returned amount						
SYF Information (Shanghai) Limited	Research & development and production of computer software, etc.	\$ 157,209	(2) SYF Information (Samoa) Limited	\$ 157,209	\$ -	\$ -	\$ 157,209	(\$ 1,868)	100	(\$ 1,868)	\$ 119,381	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 157,209	\$ 174,000	\$ 5,313,682

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

- (1) Direct investment in entities of Mainland China.
- (2) Reinvest in entities of Mainland China through indirect investment in the third place.
- (3) Others.

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

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

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

- (2) Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.

## 20. FINANCIAL RISK MANAGEMENT

### (1) Capital management

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

### (2) Financial instruments

The methods of reporting derivative financial instruments on financial statements: please refer to the Notes 6(1), 6(2), 6(21).

### (3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair value of the Group's investment in off-the-run financial bonds is included in Level 2.

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

B. Financial instruments not measured at fair value

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

(B) The fair value of financial assets at amortised cost - financial bonds is determined by using valuation techniques and categorized within Level 2 in the fair value hierarchy. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As of December 31, 2019 and 2018, the carrying amounts and fair values of financial assets at amortised cost - financial bonds were \$0 and \$92,333; \$0 and \$92,853, respectively.



(C) The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at December 31, 2019 and 2018 is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 74,289	\$ -	\$ -	\$ 74,289
Beneficiary certificates	133,747	-	-	133,747
Open-End Fund and Money Market Instruments				
	54,492	-	-	54,492
Futures	24,783	-	-	24,783
Options	11,765	-	-	11,765
Derivatives Assets - Leverage margin contract transaction				
	-	17,218	-	17,218
Financial assets at fair value through other comprehensive income				
Equity securities	<u>581,447</u>	<u>-</u>	<u>1,518,539</u>	<u>2,099,986</u>
Total	<u>\$ 880,523</u>	<u>\$ 17,218</u>	<u>\$ 1,518,539</u>	<u>\$ 2,416,280</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	\$ 5,156	\$ -	\$ -	\$ 5,156
Security borrowing payable - non-hedging	<u>66,943</u>	<u>-</u>	<u>-</u>	<u>66,943</u>
Total	<u>\$ 72,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,099</u>

(Blank)

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Listed stocks	\$ 13,004	\$ -	\$ -	\$ 13,004
Beneficiary certificates	19,710	-	-	19,710
Open-End Fund and Money Market Instruments				
	46,445	-	-	46,445
Futures	132,268	-	-	132,268
Options	25,103	-	-	25,103
Derivatives Assets - Leverage margin contract transaction				
	-	8,145	-	8,145
Financial assets at fair value through other comprehensive income				
Equity securities	<u>155,525</u>	<u>-</u>	<u>1,404,019</u>	<u>1,559,544</u>
Total	<u>\$ 392,055</u>	<u>\$ 8,145</u>	<u>\$ 1,404,019</u>	<u>\$ 1,804,219</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 20,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,089</u>

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

- (A) The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss, or financial assets at fair value through other comprehensive income.
- (B) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (C) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
- (D) Specific valuation techniques used to value financial instruments include:
  - a. Quoted market prices or dealer quotes for similar instruments.
  - b. Other techniques, such as discounted cash flow analysis, are used to determine fair value

for the remaining financial instruments.

E. For the years ended December 31, 2019 and 2018, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the years ended December 31, 2019 and 2018.

	<u>Equity securities</u>
January 1, 2019	\$ 1,404,019
Gains and losses recognised in other comprehensive income (Note)	<u>114,520</u>
December 31, 2019	<u>\$ 1,518,539</u>
	<u>Equity securities</u>
January 1, 2018	\$ 1,183,345
Gains and losses recognised in other comprehensive income (Note)	<u>220,674</u>
December 31, 2018	<u>\$ 1,404,019</u>

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

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

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant Unobservable input</u>	<u>Range (weighted average)</u>
Non-derivative equity				
Non-listed stocks	\$ 1,518,539	Market approach	Price to earnings ratio multiple Discount of marketability	28.36 40%
	<u>Fair value at December 31, 2018</u>	<u>Valuation technique</u>	<u>Significant Unobservable input</u>	<u>Range (weighted average)</u>
Non-derivative equity				
Non-listed stocks	\$ 1,404,019	Market approach	Price to earnings ratio multiple Discount of marketability	26.53 40%

H. The valuation process for fair values classified at Level 3 is the responsibility of the risk management department, which verifies the financial instrument's fair value. The result of the evaluation is then reviewed and approved by the risk management department of the Group's parent company. The risk management department evaluates the independence, reliability, consistency, and representativeness of the information source, and periodically verifies the valuation model and calibrates the valuation parameters, ensuring the valuation process and valuation results are in accordance with IFRS's requirements.

I. Use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial instruments categorized within Level 3 if the valuation input of financial instrument classified in Level 3 moves upward or downward by 1%:

		December 31, 2019	
		Recognised in other comprehensive income	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	\$	5,062	(\$ 5,062)
		December 31, 2018	
		Recognised in other comprehensive income	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	\$	4,680	(\$ 4,680)

#### (4) System of risk management

##### A. Objectives of risk management

The Group controls any potential losses that might incur in operations within its tolerable limits by increasing completeness of risk management mechanism, establishing efficient risk management measures, models and systems, and monitoring the changes of whole risks strictly. The Group also puts efforts in allocating its capital more efficiently to raise the risk adjusted return on capital.

##### B. Risk management system

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

##### C. Organizational structure of risk management

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

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

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

- a. **The Board of Directors:** The Board of Directors has ultimate responsibility for risk management on all businesses and operations in the Group; it shall be fully aware of every risk exposure to the Group, and then determines tolerable limit for every risk, allocates resources effectively, and authorizes relevant departments to execute risk measures for the achievement of effective risk management. The Board of Directors hears risk management and other related reporting by Risk Management Department, Auditing Office and Finance Department regularly to evaluate the impact of every risk and the impact on capital allocation, and determines responding strategies.
- b. **Audit Committee:** Audit Committee directs the execution of the risk management system under the commission of the Board of Directors; its main duties include review of the Group's risk scopes and risk toleration capability, of the Risk Management Policy and relevant principles, and of annual authorized acceptable limit of risk of each kind, as well as directing the execution of the risk management system.
- c. **Risk Management Department:** this department, an independent department under the Board of Directors, is responsible for market risk, liquidity risk and credit risk management, and controls operational risk with Auditing Office together; its main duties include daily risk monitoring and assessments of risk management affairs. Risk Management Department exercises its authority independently from business units and trading activities, and holds accountability to the Board of Directors directly. By employing the risk management information system, Risk Management Department monitors trading conditions in the futures market during the trading time every day and performs analyses after the closing of trading time; it also checks the use status of risk limits authorized to each business unit, and assesses risk exposures and extent of risk concentration, and submits risk management reports regularly.
- d. **Auditing Office:** Auditing Office, an independent department under the Board of Directors, is responsible for legislation and internal control system compliance management, operational risk management and supervision of operational risk management procedures. In accordance with the internal control rules of regulatory authorities, and adjusted operational risk management procedures appropriately in line with the amendments to the regulations of regulatory authorities, Taiwan Futures Exchange and Chinese National Futures Association or for the changes in the Group's business.
- e. **Legal Compliance Department:** this department is responsible for review of legal compliance for the Group's businesses, operations, trading and transaction contracts/documents and offering legal options on those aspects and pushing the execution of legal compliance within the Group together with Auditing Office.
- f. **Each business unit:** Each business unit is liable for the first-line risk management. The directors of each business unit are in charge of the whole risk management on businesses and trading activities of the unit, including analyzing and controlling risk exposures, drawing up responding plans and taking measures against risk when necessary, and also conveying related information to Risk Management Department to ensure the risk control mechanism and procedures are all effectively executed, and comply with the legislation and the Group's Risk Management Policy and regulations.

#### D. Procedures of risk management

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

Group can be effectively controlled.

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

#### E. Hedging and risk diminishing strategies

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

#### (5) Market risk

The Group's financial assets include bank deposits, government bonds, treasury bonds, bank debentures, negotiable certificates of deposit, commercial papers or other short-term notes and bills authorized by Ministry of Finance, domestic listed stocks, securities investment trust funds, offshore funds authorized by competent authorities to be raised and sold in ROC, futures trust funds, futures trading listed in Article 5 of Futures Trading Act, hedging trading of bond options and other financial instruments authorized by competent authorities. The fair value of these financial assets would be changed by the fluctuations of market prices or interest rates.

To manage market risk, the Group has established the Rules of Financial Instruments Investment Risk Management, including Rules of Dealer Trading Risk Management and Rules of Medium and Long-term Securities Investment Risk Management, and established various control mechanisms based on the characteristics of financial instrument risks, such as position limits, stop-loss amounts and exception management. The Group also conducts market risk quantitative management by employing VaR model in the measurement and control of market risk of each position.

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

<Table>VaR of Trading of Different Types

Period: January 1 ~ December 31, 2019

Amount in thousands of NTD

Type of Trading	Equity	Commodity	Foreign		Total
			Exchange Rate	Interest Rate	
December 31, 2019	\$ 1,613	\$ 19	\$ 308	\$ -	\$ 1,492
Average	8,868	1,418	1,676	-	9,581
Lowest	767	-	307	-	760
Highest	28,244	5,028	8,441	-	27,654

Period: January 1 ~ December 31, 2018

Amount in thousands of NTD

Type of Trading	Equity	Commodity	Foreign		Total
			Exchange Rate	Interest Rate	
December 31, 2018	\$ 475	\$ -	\$ 624	\$ -	\$ 820
Average	2,791	397	703	53	2,929
Lowest	430	-	-	-	735
Highest	15,549	1,393	1,718	1,472	15,751

Note 1 : Trading included futures dealer trading and securities dealer trading but excluded medium and long-term securities investments.

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

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

(6) Credit risk

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

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

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

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

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

(A) Analysis of concentration of credit risk

a. Geographic location:

Percentages of credit risk exposure amounts of the Group's financial assets by geographic area were as follows (see the table below): As of December 31, 2019, the highest was Taiwan with 86.44%, the second was Asia (excluding Taiwan) with 6.63% and the third was Europe with 4.39%. Compared to the same period last year, the proportion of investments in Asia has decreased slightly in this period.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Taiwan	\$ 61,515,791	\$ 58,992,570
Asia (not including Taiwan)	4,717,801	9,666,739
Europe	3,125,186	2,247,302
America	1,807,520	83,632
Other	1,611	-
Total	<u>\$ 71,167,909</u>	<u>\$ 70,990,243</u>

b. Industry:

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Privately owned businesses	\$ -	\$ 19,710
Financial institutions	71,061,489	70,873,237
Public enterprises	4	4
Other	106,416	97,292
Total	<u>\$ 71,167,909</u>	<u>\$ 70,990,243</u>

(B) Analysis of credit risk levels

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

(a) Excellent: The underlying position or an entity is capable of fulfilling its financial commitment even if facing significant uncertain factors or exposed to an adverse



condition.

- (b) Standard: The underlying position or an entity's capacity to fulfill the contractual obligation is at an acceptable level, and any adverse movement toward operation, finance or economy could further weaken its capacity to fulfil financial commitment.
  - (c) Below standard: The underlying position or an entity's capacity to fulfill the contractual obligation is weak, and the fulfillment of the contractual commitment depends on the advantageous movement in operating environment and financial status.
  - (d) Other: This level shows that the counterparty or the underlying asset does not fulfill contractual obligations, or for other reasons fails to (or not) be applied with the internal credit risk ratings.
- b. As of December 31, 2019, the credit quality levels of the Group's financial assets were classified as follows: Excellent is 93.85%, standard is 6.01%. The result of credit quality level classification did not change significantly in this period compared to the corresponding period of last year with financial assets with standard credit quality increasing in proportion slightly.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Excellent	\$ 66,793,869	\$ 69,384,754
Standard	4,276,467	1,505,049
Below standard	<u>97,573</u>	<u>100,440</u>
Total	<u>\$ 71,167,909</u>	<u>\$ 70,990,243</u>

- C. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- (A) The Group determines that there has been a significant increase in credit risk on a receivable (futures trading margin receivable and other receivables) if it is either past due over 30 days or in violation of the terms of the agreement.
  - (B) Refundable deposits that have not been returned and the number of days past the refund date is more than 30, excluding deposits not returned due to specific conditions set in the contract.
  - (C) At the balance sheet date, a debt instrument is considered to have significant increase in credit risk if the credit rating of the credit reference subject is non-investment grade and any of the following conditions apply:
    - a. The credit rating of the credit reference subject has dropped by more than one scale since initial recognition.
    - b. The implicit credit spread of the debt instrument has increased by a certain number of basis points since initial recognition.
  - (D) The definition of a financial asset in default
    - a. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
    - b. A debt instrument investment is considered in default if any of the following conditions apply:
      - (a) Bond was credit-impaired at the time of purchase.

- (b) At the financial reporting date, the bond is rated as “in default.”
- (c) Interest or principal payments have not been made in accordance with the issuance terms.
- (d) Due to credit condition of the issuer, the issuance terms were changed so that interest payments were delayed or not made at all.
- (e) The issuer or guarantor has ceased operations, applied for reorganization, filed for bankruptcy, dissolved, or sold assets that have a significant impact on the company’s ability to continue as a going concern.

(E) Write off policy

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

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

a. Futures trading margin receivable

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

- (a) The total carrying amount, allowance for losses, and maximum exposure of “futures trading margin receivable” of the Group are as follows:

	December 31, 2019			
	Lifetime			Total
	12 months	Significant increase in credit risk	Credit impaired	
	Without past due or within 30 days	More than 30 days	More than 90 days	
Expected loss rate	0%	97.84%	100%	
Total book value	\$ -	\$ -	\$ 86,409	\$ 86,409
Loss allowance	\$ -	\$ -	(\$ 86,409)	(\$ 86,409)
Maximum exposure amount	\$ -	\$ -	\$ -	\$ -

	December 31, 2018				
	12 months Without past due or within 30 days	Lifetime			Total
		More than 30 days	More than 90 days	Credit impaired	
Expected loss rate	0%	69.47%	100%		
Total book value	\$ -	\$ 3,348	\$ 86,810	\$ 90,158	
Loss allowance	\$ -	(\$ 2,326)	(\$ 86,810)	(\$ 89,136)	
Maximum exposure amount	\$ -	\$ 1,022	\$ -	\$ 1,022	

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

	For the year ended December 31, 2019				
	12 months Without past due or within 30 days	Lifetime			Total
		More than 30 days	More than 90 days	Credit impaired	
January 1, 2019	\$ -	(\$ 2,326)	(\$ 86,810)	(\$ 89,136)	
Provision for impairment	-	-	( 1,829)	( 1,829)	
Reversal of impairment loss	-	1,018	2,230	3,248	
Write off	-	1,308	-	1,308	
December 31, 2019	\$ -	\$ -	(\$ 86,409)	(\$ 86,409)	

	For the year ended December 31, 2018				
	12 months Without past due or within 30 days	Lifetime			Total
		More than 30 days	More than 90 days	Credit impaired	
January 1, 2018	\$ -	\$ -	(\$ 241)	(\$ 241)	
Provision for impairment	-	( 2,326)	( 86,810)	( 89,136)	
Write off	-	-	241	241	
December 31, 2018	\$ -	(\$ 2,326)	(\$ 86,810)	(\$ 89,136)	

b. Bond investments

The expected credit loss (ECL) model is primarily based on the following three parameters: probability of default (PD), loss given default (LGD), and exposure at default (EAD).

(a) Probability of default: Calculated using the default rate tables published by external

credit rating agencies and incorporating forward-looking information.

- (b) Loss given default: Calculated based on the guarantees and the priority of claims of the debt instrument, and the average recovery rates published by external credit rating agencies.
- (c) Exposure at default: total carrying amount (including interest receivable). The carrying amount is measured at amortized cost before any adjustments to the allowance for losses.
- (d) The expected credit loss of the investments in debt instrument at amortized cost of the Group, within 12 months, as of December 31, 2019 and 2018, are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>12 months</u>	<u>12 months</u>
Expected loss rate	-	0.037%~0.068%
Total book value	\$ -	\$ 92,871
Loss allowance	-	( 53)
Maximum exposure amount	<u>\$ -</u>	<u>\$ 92,818</u>

- (e) The Group has no life time expected credit loss of the investments in debt instrument at amortized cost as of December 31, 2019 and 2018.
- (f) Forward-looking information considerations

One of the quantitative indicators used in the assessment of significant increase in credit risk on debt instruments measured at amortized cost is the change in external credit ratings published by international credit rating agencies. The measure of expected credit loss is based on external credit ratings, the probability of default and loss given default information published by external credit rating agencies. These credit ratings incorporate forward-looking information, which is considered to be appropriate by the Group in estimating the expected credit losses.

D. Movements in loss allowance for financial assets at amortised cost (including interest receivables) within 12 months are as follows:

	<u>2019</u>
	<u>12 months</u>
At January 1,	(\$ 53)
Reversal of impairment	53
December 31,	<u>\$ -</u>
	<u>2018</u>
	<u>12 months</u>
At January 1, IAS 39	\$ -
Adjustments under new standards	( 76)
At January 1, IFRS 9	( 76)
Reversal of impairment	23
December 31,	<u>(\$ 53)</u>

E. For investments in debt instruments at amortised cost, the credit rating levels within 12 months are presented as below:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>12 months</u>	<u>12 months</u>
Financial assets at amortised cost		
Group 1	<u>\$ -</u>	<u>\$ 92,333</u>

Group 1: Credit rating level over BBB+.

(7) Liquidity risk analysis

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

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

Cash flow analysis of financial liabilities on December 31, 2019

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit and loss -current	\$ 72,099	\$ -	\$ -	\$ -	\$ -	\$ 72,099
214080	Futures traders' equity	64,525,451	-	-	-	-	64,525,451
214100	Leverage margin contract transaction traders' equity	225,185	-	-	-	-	225,185
214130	Accounts payable	1,858	102,557	-	-	-	104,415
214140	Accounts payable-related parties	-	14,704	-	-	-	14,704
214170	Other payables	-	48,536	201,687	1,899	197	252,319
214180	Other payables-related parties	-	1,296	-	-	-	1,296
216000	Lease liabilities - current	-	5,854	30,235	-	-	36,089
219000	Other current liabilities	-	11,001	4,717	-	-	15,718
226000	Lease liabilities - non-current	-	-	-	31,884	-	31,884
	Total	<u>\$ 64,824,593</u>	<u>\$ 183,948</u>	<u>\$ 236,639</u>	<u>\$ 33,783</u>	<u>\$ 197</u>	<u>\$ 65,279,160</u>
	Percentage (%) of overall	99.30%	0.28%	0.37%	0.05%	0.00%	100.00%

Cash flow analysis of financial liabilities on December 31, 2018

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit and loss -current	\$ 20,089	\$ -	\$ -	\$ -	\$ -	\$ 20,089
214080	Futures traders' equity	64,332,759	-	-	-	-	64,332,759
214100	Leverage margin contract transaction traders' equity	103,735	-	-	-	-	103,735
214130	Accounts payable	198	123,797	-	-	-	123,995
214140	Accounts payable-related parties	-	18,993	-	-	-	18,993
214170	Other payables	-	49,747	154,066	1,899	197	205,909
214180	Other payables-related parties	-	923	-	-	-	923
219000	Other current liabilities	-	17,396	6,786	-	-	24,182
	Total	<u>\$ 64,456,781</u>	<u>\$ 210,856</u>	<u>\$ 160,852</u>	<u>\$ 1,899</u>	<u>\$ 197</u>	<u>\$ 64,830,585</u>
	Percentage (%) of overall	99.42%	0.33%	0.25%	0.00%	0.00%	100.00%

The analysis of cash flow gap on December 31, 2019

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,186,961	\$ 2,367,422	\$ 1,670,562	\$ -	\$ -	\$ 5,224,945
112000	Financial assets at fair value through profit or loss-current	316,294	-	-	-	-	316,294
113200	Financial assets at fair value through other comprehensive income-current	581,447	-	-	-	-	581,447
114070	Margin deposits	64,708,416	-	-	-	-	64,708,416
114100	Security lending deposits	45,844	-	-	-	-	45,844
114130	Accounts receivable	-	55,995	-	-	-	55,995
114140	Accounts receivable-related parties	-	2,377	-	-	-	2,377
114170	Other receivables	-	31,441	-	-	-	31,441
114180	Other receivables-related parties	-	12,412	-	-	-	12,412
114300	Leverage margin contract trading						
	Client margin deposits	258,250	-	-	-	-	258,250
119990	Other current assets	-	18	-	-	-	18
123200	Financial assets at fair value through other comprehensive income-non-current	-	-	-	-	1,518,539	1,518,539
129010	Operating guarantee deposits	-	-	-	-	145,799	145,799
129020	Clearing and settlement funds	-	-	-	-	535,686	535,686
129030	Refundable deposits	-	-	-	38,487	-	38,487
	Subtotal	<u>\$ 67,097,212</u>	<u>\$ 2,469,665</u>	<u>\$ 1,670,562</u>	<u>\$ 38,487</u>	<u>\$ 2,200,024</u>	<u>\$ 73,475,950</u>
	Cash inflow	<u>\$ 67,097,212</u>	<u>\$ 2,469,665</u>	<u>\$ 1,670,562</u>	<u>\$ 38,487</u>	<u>\$ 2,200,024</u>	<u>\$ 73,475,950</u>
	Cash outflow	<u>64,824,593</u>	<u>183,948</u>	<u>236,639</u>	<u>33,783</u>	<u>197</u>	<u>65,279,160</u>
	The amount of capital gap	<u>\$ 2,272,619</u>	<u>\$ 2,285,717</u>	<u>\$ 1,433,923</u>	<u>\$ 4,704</u>	<u>\$ 2,199,827</u>	<u>\$ 8,196,790</u>



The analysis of cash flow gap on December 31, 2018

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 836,147	\$ 504,220	\$ 3,951,195	\$ -	\$ -	\$ 5,291,562
112000	Financial assets at fair value through profit or loss-current	244,675	-	-	-	-	244,675
113200	Financial assets at fair value through other comprehensive income-current	155,525	-	-	-	-	155,525
114070	Margin deposits	64,540,616	-	-	-	-	64,540,616
114100	Security lending deposits	-	-	-	-	-	-
114130	Accounts receivable	-	2,960	-	-	-	2,960
114140	Accounts receivable-related parties	-	4,033	-	-	-	4,033
114170	Other receivables	-	27,919	-	-	-	27,919
114180	Other receivables-related parties	-	15,135	-	-	-	15,135
114300	Leverage margin contract trading						
	Client margin deposits	126,850	-	-	-	-	126,850
119990	Other current assets	-	23	-	-	-	23
123200	Financial assets at fair value through other comprehensive income-non-current	-	-	-	-	1,404,019	1,404,019
123300	Financial assets at amortised cost-non-current	-	-	92,333	-	-	92,333
129010	Operating guarantee deposits	-	-	-	-	145,886	145,886
129020	Clearing and settlement funds	-	-	-	-	492,788	492,788
129030	Refundable deposits	-	-	-	38,323	-	38,323
	Subtotal	<u>\$ 65,903,813</u>	<u>\$ 554,290</u>	<u>\$ 4,043,528</u>	<u>\$ 38,323</u>	<u>\$ 2,042,693</u>	<u>\$ 72,582,647</u>
	Cash inflow	\$ 65,903,813	\$ 554,290	\$ 4,043,528	\$ 38,323	\$ 2,042,693	\$ 72,582,647
	Cash outflow	64,456,781	210,856	160,852	1,899	197	64,830,585
	The amount of capital gap	<u>\$ 1,447,032</u>	<u>\$ 343,434</u>	<u>\$ 3,882,676</u>	<u>\$ 36,424</u>	<u>\$ 2,042,496</u>	<u>\$ 7,752,062</u>

(8) Currency risk

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

(Foreign currency:

functional currency)	December 31, 2019		December 31, 2018	
	Foreign currency (in thousands)	Exchange rate	Foreign currency (in thousands)	Exchange rate
<u>Financial instrument</u>				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD/NTD	\$ 1,080,059	29.9800	\$ 989,522	30.7150
JPY/NTD	450,194	0.2760	781,010	0.2782
HKD/NTD	118,124	3.8490	74,009	3.9210
EUR/NTD	14,979	33.5900	10,930	35.2000
GBP/NTD	6,926	39.3600	6,280	38.8800
AUD/NTD	5,346	21.0050	10,764	21.6650
SGD/NTD	555	22.2800	61	22.4800
CNY/NTD	99,350	4.3050	121,054	4.4720
USD/HKD	75,003	7.7874	73,775	7.8321
CNY/HKD	30,047	1.1183	22,568	1.1405
EUR/HKD	746	8.7266	480	8.9740
JPY/HKD	36,090	0.0717	17,249	0.0709
NTD/HKD	51,468	0.2587	-	-
USD/ CNY	2,104	6.9879	2,353	6.6812
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD/NTD	1,042,784	29.9800	981,589	30.7150
JPY/NTD	445,428	0.2760	744,834	0.2782
HKD/NTD	114,290	3.8490	65,586	3.9210
EUR/NTD	14,961	33.5900	10,821	35.2000
GBP/NTD	6,914	39.3600	6,255	38.8800
AUD/NTD	5,341	21.0050	10,719	21.6650
SGD/NTD	554	22.2800	61	22.4800
CNY/NTD	99,457	4.3050	120,399	4.4720
USD/HKD	47,572	7.7874	47,361	7.8321
CNY/HKD	12,359	1.1183	17,662	1.1405
EUR/HKD	410	8.7266	373	8.9740
JPY/HKD	30,445	0.0717	17,041	0.0709
NTD/HKD	50,716	0.2587	60,587	0.2548

B. The total exchange gains and losses, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to (\$22,510) and \$17,115, respectively.

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