

**YUANTA FUTURES CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
SEPTEMBER 30, 2021 AND 2020**

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

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

PWCR21000114

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

***Introduction***

We have reviewed the accompanying consolidated balance sheets of Yuanta Futures Co., Ltd and subsidiaries (the "Group") as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements 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 and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

***Scope of Review***

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



資誠

### *Conclusion*

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months periods then ended and its consolidated cash flows for the nine months periods then ended in accordance with Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lo, Chiao-Sen

Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

November 3, 2021

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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 independent auditors’ review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

ASSETS	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current assets</b>								
111100	Cash and cash equivalents	6(1) and 7	\$ 7,847,879	8	\$ 7,189,210	8	\$ 5,896,715	6
112000	Financial assets at fair value through profit or loss - current	6(2), 7 and 11	147,571	-	935,945	1	246,459	-
113200	Financial assets at fair value through other comprehensive income - current	6(5)	698,392	1	655,432	1	452,522	1
114070	Margin deposits	6(3) and 7	89,059,853	87	84,071,446	87	90,585,460	90
114100	Security lending deposits		-	-	169,187	-	129,051	-
114130	Accounts receivable		13,557	-	199,609	-	147,998	-
114140	Accounts receivable - related parties	7	3,339	-	3,569	-	9,706	-
114150	Prepayments	7	17,784	-	9,919	-	17,371	-
114170	Other receivables		14,255	-	20,324	-	22,610	-
114180	Other receivables - related parties	7	3,803	-	6,711	-	7,655	-
114300	Leverage margin contract trading client margin deposits	7	293,463	-	294,448	-	291,528	-
114600	Current income tax assets		5,592	-	341	-	341	-
119000	Other current assets		161	-	29,815	-	157,838	-
110000	<b>Subtotal current assets</b>		<u>98,105,649</u>	<u>96</u>	<u>93,585,956</u>	<u>97</u>	<u>97,965,254</u>	<u>97</u>
<b>Non-current assets</b>								
123200	Financial assets at fair value through other comprehensive income - non-current	6(5)	1,865,685	2	1,618,523	2	1,593,786	2
125000	Property and equipment	6(8)	596,434	1	618,532	1	601,174	1
125800	Right-of-use assets	6(9)	166,297	-	213,221	-	40,305	-
127000	Intangible assets	6(10)	40,694	-	42,169	-	41,599	-
128000	Deferred income tax assets	6(29)	34,120	-	43,647	-	35,062	-
129010	Operating guarantee deposits	6(6) and 7	145,368	-	145,516	-	145,637	-
129020	Clearing and settlement funds	6(7)	549,141	1	548,092	-	539,414	-
129030	Refundable deposits	7	39,645	-	44,148	-	44,378	-
129130	Prepayment for equipment		131,613	-	73,982	-	75,196	-
129990	Other non-current assets - Other		11,416	-	8,417	-	2,508	-
120000	<b>Subtotal non-current assets</b>		<u>3,580,413</u>	<u>4</u>	<u>3,356,247</u>	<u>3</u>	<u>3,119,059</u>	<u>3</u>
906001	<b>Total assets</b>		<u>\$ 101,686,062</u>	<u>100</u>	<u>\$ 96,942,203</u>	<u>100</u>	<u>\$ 101,084,313</u>	<u>100</u>

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**YUANTA FUTURES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

LIABILITIES AND EQUITY	Notes	September 30, 2021		December 31, 2020		September 30, 2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current liabilities</b>								
212000	Financial liabilities at fair value through profit or loss - current	6(2) and 11	\$ 6,451	-	\$ 220,993	-	\$ 144,734	-
214080	Futures traders' equity	6(3) and 7	88,788,384	88	83,763,813	87	90,310,933	90
214100	Leverage margin contract transaction traders' equity		248,363	-	243,573	-	246,356	-
214130	Accounts payable		138,693	-	157,911	-	170,114	-
214140	Accounts payable - related parties	7	20,805	-	23,586	-	23,420	-
214160	Collection for third parties		15,612	-	9,614	-	10,750	-
214170	Other payables		134,787	-	247,707	1	220,471	-
214180	Other payables - related parties	7	1,619	-	225	-	2,946	-
214600	Current income tax liabilities		4,936	-	93,913	-	45,970	-
216000	Lease liabilities - current	7	53,123	-	50,089	-	25,547	-
219000	Other current liabilities	6(11)	22,656	-	20,538	-	28,684	-
210000	<b>Subtotal current liabilities</b>		<u>89,435,429</u>	<u>88</u>	<u>84,831,962</u>	<u>88</u>	<u>91,229,925</u>	<u>90</u>
<b>Non-current liabilities</b>								
226000	Lease liabilities - non-current	7	127,736	-	169,772	-	14,818	-
229000	Other non-current liabilities		84,352	-	81,907	-	70,243	-
220000	<b>Subtotal non-current liabilities</b>		<u>212,088</u>	<u>-</u>	<u>251,679</u>	<u>-</u>	<u>85,061</u>	<u>-</u>
906003	<b>Total liabilities</b>		<u>89,647,517</u>	<u>88</u>	<u>85,083,641</u>	<u>88</u>	<u>91,314,986</u>	<u>90</u>
<b>Equity attributable to owners of the parent company</b>								
<b>Capital</b>								
301010	Common stock	6(14)	2,899,763	3	2,899,763	3	2,499,763	3
Additional paid-in capital								
302000	Capital surplus	6(15)	3,070,484	3	3,070,484	3	1,624,543	2
Retained earnings								
304010	Legal reserve	6(17)	1,132,477	1	1,021,010	1	1,021,010	1
304020	Special reserve	6(16)(17)	2,508,054	2	2,294,034	2	2,294,034	2
304040	Undistributed earnings	6(17)	990,543	1	1,295,828	1	1,072,236	1
Other equity								
305000	Other equity interest	6(18)	1,437,224	2	1,277,443	2	1,257,741	1
906004	<b>Total equity</b>		<u>12,038,545</u>	<u>12</u>	<u>11,858,562</u>	<u>12</u>	<u>9,769,327</u>	<u>10</u>
906002	<b>Total liabilities and equity</b>		<u>\$ 101,686,062</u>	<u>100</u>	<u>\$ 96,942,203</u>	<u>100</u>	<u>\$ 101,084,313</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)  
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2021		2020		2021		2020		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Revenues</b>										
401000	Brokerage	6(19) and 7	\$ 910,769	94	\$ 936,509	95	\$ 2,864,523	94	\$ 2,835,112	94
410000	Gains on trading of securities	6(2)(20)	22,431	2	10,812	1	104,938	4	22,823	1
421300	Dividend income	6(2) and 7	5,572	1	1,600	-	7,288	-	2,087	-
421500	Losses on valuation of trading securities	6(2)	( 28,111)	( 3)	( 11,120)	( 1)	( 11,322)	-	( 7,769)	-
421600	(Losses) gains on covering of borrowed securities and bonds with resale agreements-short sales	6(2)	( 159)	-	( 2,396)	-	( 49,017)	( 2)	1,485	-
421610	Valuation gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(2)	147	-	6,199	1	35,719	1	22,007	1
424200	Securities commission revenue	7	5,429	1	2,513	-	14,505	1	5,369	-
424300	Clearance fee from consignment	6(21) and 7	16,256	2	18,429	2	53,455	2	58,005	2
424400	Net gains on derivative financial instruments	6(2)(22)	27,520	3	20,990	2	12,663	-	72,125	2
424900	Futures advisory revenues	7	3,589	-	2,192	-	10,110	-	7,560	-
428000	Other operating revenues	7	667	-	( 2,291)	-	808	-	( 9,206)	-
400000	<b>Total revenues</b>		<u>964,110</u>	<u>100</u>	<u>983,437</u>	<u>100</u>	<u>3,043,670</u>	<u>100</u>	<u>3,009,598</u>	<u>100</u>
<b>Costs and expenses</b>										
501000	Brokerage fee	6(23)	( 196,598)	( 21)	( 198,149)	( 20)	( 605,778)	( 20)	( 570,601)	( 19)
502000	Dealer handling fee	6(23)	( 1,173)	-	( 1,070)	-	( 2,749)	-	( 5,665)	-
521200	Interest expense	7	( 2,647)	-	4,551	1	( 6,089)	-	( 24,256)	( 1)
425300	Expected credit impairment losses and reversal gains		1,510	-	1,763	-	3,307	-	( 35,703)	( 1)
524100	Futures commission	6(24) and 7	( 172,229)	( 18)	( 192,517)	( 20)	( 556,675)	( 18)	( 589,547)	( 20)
524300	Clearance fee	6(25)	( 145,596)	( 15)	( 148,617)	( 15)	( 449,224)	( 15)	( 431,795)	( 14)
528000	Other operating fee		( 770)	-	( 993)	-	( 1,960)	-	( 2,442)	-
531000	Employee benefit expense	6(27)	( 181,186)	( 19)	( 176,119)	( 18)	( 556,001)	( 18)	( 557,749)	( 18)
532000	Depreciation and amortization	6(26)	( 32,310)	( 3)	( 27,700)	( 3)	( 109,619)	( 4)	( 80,624)	( 3)
533000	Other operating expenses	6(26) and 7	( 113,114)	( 12)	( 108,962)	( 11)	( 364,598)	( 12)	( 351,077)	( 12)
500000	<b>Total costs and expenses</b>		<u>( 844,113)</u>	<u>( 88)</u>	<u>( 847,813)</u>	<u>( 86)</u>	<u>( 2,649,386)</u>	<u>( 87)</u>	<u>( 2,649,459)</u>	<u>( 88)</u>
	<b>Operating income</b>		119,997	12	135,624	14	394,284	13	360,139	12
602000	Other gains and losses	6(2)(28) and 7	221,513	23	208,301	21	491,132	16	715,487	24
902001	<b>Income before income tax</b>		341,510	35	343,925	35	885,416	29	1,075,626	36
701000	Income tax expense	6(29)	( 47,620)	( 5)	( 67,002)	( 7)	( 152,653)	( 5)	( 208,579)	( 7)
902005	<b>Net income</b>		<u>\$ 293,890</u>	<u>30</u>	<u>\$ 276,923</u>	<u>28</u>	<u>\$ 732,763</u>	<u>24</u>	<u>\$ 867,047</u>	<u>29</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)  
(UNAUDITED)

Items	Notes	Three months ended September 30		Three months ended September 30		Nine months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020	2021	2020	2021	2020
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income</b>									
<b>Items that will not be reclassified to profit or loss</b>									
805540	Unrealized gain on equity instrument investment measured at fair value through other comprehensive income	6(5)(18)							
		\$ 88,712	9	\$ 119,697	12	\$ 285,727	10	\$ 11,624	-
<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(18)							
		( 2,771)	-	( 12,463)	( 1)	( 26,573)	( 1)	( 26,124)	( 1)
805000	<b>Total other comprehensive income (loss) (net of tax)</b>								
		\$ 85,941	9	\$ 107,234	11	\$ 259,154	9	(\$ 14,500)	( 1)
902006	<b>Total comprehensive income</b>								
		\$ 379,831	39	\$ 384,157	39	\$ 991,917	33	\$ 852,547	28
Consolidated net income attributable to:									
	Owners of the parent								
		\$ 293,890	30	\$ 276,923	28	\$ 732,763	24	\$ 867,047	29
Consolidated comprehensive income attributable to:									
	Owners of the parent								
		\$ 379,831	39	\$ 384,157	39	\$ 991,917	33	\$ 852,547	28
Earnings per share (in New Taiwan Dollars)									
Basic and diluted earnings per share									
	6(30)								
		\$ 1.02		\$ 1.11		\$ 2.53		\$ 3.55	

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	Equity attributable to owners of the parent								
		Capital surplus			Retained earnings			Other equity interest		Total equity
		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 and loss on equity instrument investment measured at fair value through other comprehensive income	
<u>For the nine months ended September 30, 2020</u>										
Balance, January 1, 2020		\$ 2,322,763	\$ 894,643	\$ 46,333	\$ 907,430	\$ 2,074,901	\$ 1,313,798	(\$ 21,375 )	\$ 1,317,644	\$ 8,856,137
Net income for the period		-	-	-	-	-	867,047	-	-	867,047
Other comprehensive income (loss) for the period	6(5)(18)	-	-	-	-	-	-	( 26,124 )	11,624	( 14,500 )
Total comprehensive income (loss)		-	-	-	-	-	867,047	( 26,124 )	11,624	852,547
Appropriations of 2019 earnings:										
Legal reserve		-	-	-	113,580	-	( 113,580 )	-	-	-
Special reserve		-	-	-	-	219,133	( 219,133 )	-	-	-
Cash dividends		-	-	-	-	-	( 799,924 )	-	-	( 799,924 )
Issuance of shares		177,000	670,328	-	-	-	-	-	-	847,328
Share-based payments	6(13)	-	13,239	-	-	-	-	-	-	13,239
Disposal of equity instrument investment measured at fair value through other comprehensive income	6(5)(18)	-	-	-	-	-	24,028	-	( 24,028 )	-
Balance, September 30, 2020		\$ 2,499,763	\$ 1,578,210	\$ 46,333	\$ 1,021,010	\$ 2,294,034	\$ 1,072,236	(\$ 47,499 )	\$ 1,305,240	\$ 9,769,327
<u>For the nine months ended September 30, 2021</u>										
Balance, January 1, 2021		\$ 2,899,763	\$ 3,024,151	\$ 46,333	\$ 1,021,010	\$ 2,294,034	\$ 1,295,828	(\$ 64,985 )	\$ 1,342,428	\$ 11,858,562
Net income for the period		-	-	-	-	-	732,763	-	-	732,763
Other comprehensive income (loss) for the period	6(5)(18)	-	-	-	-	-	-	( 26,573 )	285,727	259,154
Total comprehensive income (loss)		-	-	-	-	-	732,763	( 26,573 )	285,727	991,917
Appropriations of 2020 earnings:										
Legal reserve		-	-	-	111,467	-	( 111,467 )	-	-	-
Special reserve		-	-	-	-	214,020	( 214,020 )	-	-	-
Cash dividends		-	-	-	-	-	( 811,934 )	-	-	( 811,934 )
Disposal of equity instrument investment measured at fair value through other comprehensive income	6(5)(18)	-	-	-	-	-	99,373	-	( 99,373 )	-
Balance, September 30, 2021		\$ 2,899,763	\$ 3,024,151	\$ 46,333	\$ 1,132,477	\$ 2,508,054	\$ 990,543	(\$ 91,558 )	\$ 1,528,782	\$ 12,038,545

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)  
(UNAUDITED)

	Notes	For the nine months ended September 30	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 885,416	\$ 1,075,626
Adjustments			
Income and expenses having no effect on cash flows			
Depreciation	6(8)(9)(26)	101,401	71,113
Amortization	6(10)(26)	8,218	9,511
Interest income	6(28)	( 276,196 )	( 594,873 )
Interest expense		6,089	24,256
Dividend income	6(28)	( 159,649 )	( 89,508 )
Expected credit impairment losses and reversal gains		( 3,307 )	35,703
Losses on disposal of property and equipment	6(9)	76	259
Share-based payments	6(13)	-	13,239
Gain on lease modification		( 502 )	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss – current		788,544	69,661
Margin deposits		( 5,047,681 )	( 25,929,148 )
Futures trading margin receivable		3,307	( 35,703 )
Security lending deposits		169,187	( 83,207 )
Accounts receivable		186,052	( 92,003 )
Accounts receivable – related parties		230	( 7,329 )
Prepayments		( 8,038 )	( 10,203 )
Other receivables		( 1,862 )	173
Other receivables – related parties		2	( 1,257 )
Leverage margin contract trading client margin deposits		985	( 33,278 )
Other current assets		29,160	( 157,820 )
Other non-current assets – Other		( 2,999 )	( 422 )
Changes in operating liabilities			
Financial liabilities at fair value through profit or loss – current		( 214,537 )	72,651
Futures traders' equity		5,071,564	25,825,439
Leverage margin contract transaction traders' equity		4,790	21,171
Accounts payable		( 19,218 )	65,500
Accounts payable - related parties		( 2,781 )	8,915
Collection for third parties		5,998	4,428
Other payables		( 113,728 )	( 35,524 )
Other payables-related parties		1,429	1,754
Other current liabilities		2,141	13,124
Other non-current liabilities		2,445	436
Cash inflow generated from operations		1,416,536	242,684
Interest received		286,446	608,980
Interest paid		( 5,173 )	( 20,491 )
Dividends received		160,149	89,920
Income tax paid		( 237,354 )	( 245,060 )
Net cash flows from operating activities		1,620,604	676,033
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through other comprehensive income		( 1,141,609 )	( 708,247 )
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(5)	1,137,214	773,549
Acquisition of property and equipment	6(8)	( 26,946 )	( 29,646 )
Proceeds from disposal of property and equipment	6(8)	-	210
Increase in intangible assets	6(10)	( 6,203 )	( 1,723 )
Increase in clearing and settlement funds		( 1,049 )	( 3,728 )
Decrease (increase) in refundable deposits		4,403	( 6,000 )
Increase in prepayment for equipment		( 62,695 )	( 35,663 )
Net cash flows used in investing activities		( 96,885 )	( 11,248 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of principal portion of lease liabilities		( 39,739 )	( 26,674 )
Payment of cash dividends	6(17)	( 811,934 )	( 799,924 )
Proceeds from issuance of shares	6(14)	-	847,328
Net cash (used in) flows from financing activities		( 851,673 )	( 20,730 )
Effect of change in foreign exchange rates		( 13,377 )	( 13,745 )
Net increase in cash and cash equivalents		658,669	671,770
Cash and cash equivalents at beginning of period		7,189,210	5,224,945
Cash and cash equivalents at end of period		\$ 7,847,879	\$ 5,896,715

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

YUANTA FUTURES CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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

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 September 30, 2021, the Company had 4 branches.

(3) As of September 30, 2021 and 2020, the Group had 443 and 445 employees, respectively.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on November 3, 2021.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

#### (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 2022 are as follows:

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

The above standards and interpretations have no significant impact to the 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:

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

The above standards and interpretations have no significant impact to the 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, and the International Accounting Standard 34, “Interim financial reporting” as endorsed by the FSC.

(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 the consolidated financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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 (%)			Note
			September 30, 2021	December 31, 2020	September 30, 2020	
The Company	Yuanta Futures (Hong Kong) Co., Ltd.	Financial services	100	100	100	
The Company	SYF Information Co., Ltd.	Information technology services	100	100	100	
SYF Information Co., Ltd.	SYF Information (Shanghai) Limited	Information technology services	100	100	100	Note

Note: On June 30, 2021, the Board of Directors of the Company approved to liquidate SYF Information (Shanghai) Limited. The liquidation had been approved by the Competent Authority on July 12, 2021, and is expected to be completed in 2022.

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

(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

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.

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

(19) 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.

(20) 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 recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of intangible assets with an indefinite useful life shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(21) 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.

(22) 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. 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.

(23) Derecognition of financial liabilities

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For defined contribution plans, the 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. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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.

(25) Employee share-based payment

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

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated 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.

- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(27) Dividends

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

(28) Revenue recognition

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

(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, the effect of Covid-19 and other factors. There is no significant change during the period. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

The impairment assessment of the 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 21(6) for more information.

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

The fair value of unlisted stocks held by the 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 21(3) for the financial instruments fair value information.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Petty cash	\$ 102	\$ 104	\$ 105
Cash in bank			
Checking deposits	16	16	50
Demand deposits	663,372	171,690	247,945
Time deposits	<u>6,501,753</u>	<u>5,745,763</u>	<u>4,939,666</u>
Subtotal	7,165,243	5,917,573	5,187,766
Excess futures margin deposits	370,071	616,667	505,429
Excess margin in foreign exchange margin trading	87,734	53,817	44,052
Commercial paper (expiring within three months)	<u>224,831</u>	<u>601,153</u>	<u>159,468</u>
	<u>\$ 7,847,879</u>	<u>\$ 7,189,210</u>	<u>\$ 5,896,715</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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	\$ 98,792	\$ 168,510	\$ 52,003
Beneficiary certificates	-	666,762	96,578
Futures contracts - non-hedging	23,365	72,347	58,135
Options contracts - non-hedging	5,311	4,166	7,591
Leverage margin contract transactions - non-hedging	<u>21,827</u>	<u>13,537</u>	<u>34,122</u>
	149,295	925,322	248,429
Valuation adjustment	( <u>1,724</u> )	<u>10,623</u>	( <u>1,970</u> )
	<u>\$ 147,571</u>	<u>\$ 935,945</u>	<u>\$ 246,459</u>

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Financial liabilities held for trading			
Options - non-hedging	\$ 6,451	\$ 13,653	\$ 6,250
Security borrowing payable - non-hedging	<u>-</u>	<u>171,614</u>	<u>144,218</u>
	6,451	185,267	150,468
Valuation adjustment	<u>-</u>	<u>35,726</u>	( <u>5,734</u> )
	<u>\$ 6,451</u>	<u>\$ 220,993</u>	<u>\$ 144,734</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 three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets and liabilities at fair value through profit or loss		
Listed stocks	\$ 1,038	(\$ 209)
Beneficiary certificates	( 1,454)	11,526
Borrowed securities	( 12)	3,803
Futures contracts - non-hedging	18,006	39,374
Options contracts - non-hedging	1,435	( 26,645)
Leverage margin contract transactions	<u>8,079</u>	<u>8,261</u>
Total	<u>\$ 27,092</u>	<u>\$ 36,110</u>



	For the nine months ended September 30,	
	2021	2020
Financial assets and liabilities at fair value through profit or loss		
Listed stocks	\$ 105,628	\$ 15,724
Beneficiary certificates	24	1,027
Borrowed securities	( 13,298)	23,492
Futures contracts - non-hedging	( 11,707)	( 198,772)
Options contracts - non-hedging	3,222	246,227
Leverage margin contract transactions	21,148	24,670
Total	<u>\$ 105,017</u>	<u>\$ 112,368</u>

For the three months and nine months ended September 30, 2021 and 2020, the above mentioned amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are recognised in gains on trading of securities, dividend income, losses on valuation of trading securities, (losses) gains on covering of borrowed securities and bonds with resale agreements-short sales, valuation gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss, net gain on derivative instruments and other gains and losses.

#### B. Futures

The Group entered into futures contracts to earn the spread. As of September 30, 2021, December 31, 2020 and September 30, 2020, margin deposits for the futures contract was \$393,436, \$689,014 and \$563,564, respectively, with excess margin of \$370,071, \$616,667 and \$505,429, respectively, recognised 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Margin deposits by customers:			
Cash in banks	\$ 64,255,807	\$ 62,340,791	\$ 65,417,893
Clearing house	15,864,478	12,311,265	12,289,380
Other futures commission merchants	<u>8,939,568</u>	<u>9,419,390</u>	<u>12,878,187</u>
Total	89,059,853	84,071,446	90,585,460
Gain: Others	-	-	2,089
Less: Fees and interest revenue			
pending for transfer	( 158,735)	( 194,402)	( 202,163)
Futures exchange tax			
pending for transfer	( 10,995)	( 6,702)	( 6,620)
Temporary receipts	( 4,911)	( 7,623)	( 6,502)
Others	<u>( 96,828)</u>	<u>( 98,906)</u>	<u>( 61,331)</u>
Futures traders’ equity	<u>\$ 88,788,384</u>	<u>\$ 83,763,813</u>	<u>\$ 90,310,933</u>

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

B. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the margin deposits held by the Group was \$89,059,853, \$84,071,446 and \$90,585,460, respectively.

(4) Futures trading margin receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Futures trading margin receivable	\$ 117,594	\$ 120,901	\$ 122,112
Less: Allowance for uncollectible accounts (	117,594)	( 120,901)	( 122,112)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Up to 30 days	\$ -	\$ -	\$ -
31-90 days	-	-	-
91-180 days	-	-	25,416
Over 181 days	117,594	120,901	96,696
	<u>\$ 117,594</u>	<u>\$ 120,901</u>	<u>\$ 122,112</u>

The above ageing analysis was based on posting date.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current items:			
Equity instrument			
Listed stocks	\$ 709,392	\$ 605,624	\$ 415,165
Valuation adjustment	( 11,000)	49,808	37,357
Total	<u>\$ 698,392</u>	<u>\$ 655,432</u>	<u>\$ 452,522</u>
Non-current items:			
Equity instrument			
Listed stocks	\$ 104,771	\$ 104,771	\$ 104,770
Valuation adjustment	2,941	( 1,075)	( 7,396)
Subtotal	<u>107,712</u>	<u>103,696</u>	<u>97,374</u>
Non-Listed stocks	221,132	221,132	221,132
Valuation adjustment	1,536,841	1,293,695	1,275,280
Subtotal	<u>1,757,973</u>	<u>1,514,827</u>	<u>1,496,412</u>
Total	<u>\$ 1,865,685</u>	<u>\$ 1,618,523</u>	<u>\$ 1,593,786</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 \$2,564,077, \$2,273,955 and \$2,046,308 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- B. For the three months and nine months ended September 30, 2021 and 2020, to avoid systemic risks due to market interference and uncertainties, the Group sold amounting to \$487,082, \$555,590, \$1,137,214 and \$773,549, respectively, of listed stocks at fair value and resulted in cumulative gains (losses) on disposal were (\$28,850), \$56,216, \$99,373 and \$24,028, respectively.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>88,712</u>	\$ <u>119,697</u>
Cumulative losses (gains) reclassified to retained earnings due to derecognition	\$ <u>28,850</u>	(\$ <u>56,216</u> )
Dividend income recognised in profit or loss		
Held at end of period	\$ 93,197	\$ 6,071
Derecognised during the period	<u>28,841</u>	<u>19,547</u>
	<u>\$ 122,038</u>	<u>\$ 25,618</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	\$ <u>285,727</u>	\$ <u>11,624</u>
Cumulative gains reclassified to retained earnings due to derecognition	(\$ <u>99,373</u> )	(\$ <u>24,028</u> )
Dividend income recognised in profit or loss		
Held at end of period	\$ 113,579	\$ 66,248
Derecognised during the period	<u>38,133</u>	<u>19,547</u>
	<u>\$ 151,712</u>	<u>\$ 85,795</u>

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

(6) 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 at September 30, 2021, December 31, 2020 and September 30, 2020 was 0.77%, 0.77%~1.035% and 0.77%~1.035%, respectively.

As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the operating guarantee deposits held by the Group was \$145,368, \$145,516 and \$145,637, respectively.

(7) Clearing and settlement funds

As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the clearing and settlement funds held by the Group was \$549,141, \$548,092 and \$539,414, respectively.

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(8) Property and equipment

	2021				
	Land	Buildings	Equipment	Leasehold improvements	Total
At January 1,					
Cost	\$ 410,992	\$ 71,577	\$ 256,505	\$ 28,155	\$ 767,229
Accumulated depreciation	-	( 12,213)	( 117,790)	( 18,694)	( 148,697)
	<u>\$ 410,992</u>	<u>\$ 59,364</u>	<u>\$ 138,715</u>	<u>\$ 9,461</u>	<u>\$ 618,532</u>
Opening net book amount at January 1,	\$ 410,992	\$ 59,364	\$ 138,715	\$ 9,461	\$ 618,532
Additions	-	-	25,110	1,836	26,946
Reclassifications	-	-	1,500	3,023	4,523
Disposals (cost)	-	-	( 55,294)	( 1,092)	( 56,386)
Disposals (accumulated depreciation)	-	-	55,294	1,016	56,310
Depreciation expense	-	( 2,556)	( 45,874)	( 4,802)	( 53,232)
Net exchange differences	-	-	( 91)	( 168)	( 259)
Closing net book amount at September 30,	<u>\$ 410,992</u>	<u>\$ 56,808</u>	<u>\$ 119,360</u>	<u>\$ 9,274</u>	<u>\$ 596,434</u>
At September 30,					
Cost	\$ 410,992	\$ 71,577	\$ 227,405	\$ 31,424	\$ 741,398
Accumulated depreciation	-	( 14,769)	( 108,045)	( 22,150)	( 144,964)
	<u>\$ 410,992</u>	<u>\$ 56,808</u>	<u>\$ 119,360</u>	<u>\$ 9,274</u>	<u>\$ 596,434</u>
	2020				
	Land	Buildings	Equipment	Leasehold improvements	Total
At January 1,					
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>
Opening net book amount at January 1,	\$ 410,992	\$ 62,773	\$ 107,711	\$ 16,264	\$ 597,740
Additions	-	-	29,646	-	29,646
Reclassifications	-	-	18,630	-	18,630
Disposals (cost)	-	-	( 14,201)	( 2,189)	( 16,390)
Disposals (accumulated depreciation)	-	-	13,732	2,189	15,921
Depreciation expense	-	( 2,557)	( 36,582)	( 4,864)	( 44,003)
Net exchange differences	-	-	( 132)	( 238)	( 370)
Closing net book amount at September 30,	<u>\$ 410,992</u>	<u>\$ 60,216</u>	<u>\$ 118,804</u>	<u>\$ 11,162</u>	<u>\$ 601,174</u>
At September 30,					
Cost	\$ 410,992	\$ 71,577	\$ 234,515	\$ 28,915	\$ 745,999
Accumulated depreciation	-	( 11,361)	( 115,711)	( 17,753)	( 144,825)
	<u>\$ 410,992</u>	<u>\$ 60,216</u>	<u>\$ 118,804</u>	<u>\$ 11,162</u>	<u>\$ 601,174</u>

(9) Leasing arrangements — lessee

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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Buildings	\$ 166,297	\$ 213,221	\$ 40,305
	<u>For the three months ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	\$ 12,715	\$ 8,657	
	<u>For the nine months ended September 30,</u>		
	<u>2021</u>	<u>2020</u>	
	<u>Depreciation charge</u>	<u>Depreciation charge</u>	
Buildings	\$ 48,169	\$ 27,110	

C. For the nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$6,038 and \$0, respectively.

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

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 312	\$ 207
Expense on short-term lease contracts	22	414
Gain on lease modification	12	-
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,181	\$ 934
Expense on short-term lease contracts	220	1,198
Gain on lease modification	502	-

E. For the nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases was \$41,140 and \$28,806, respectively.

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.

(10) Intangible assets

	2021		
	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1,			
Cost	\$ 24,125	\$ 45,707	\$ 69,832
Accumulated amortisation	-	( 27,663)	( 27,663)
	<u>\$ 24,125</u>	<u>\$ 18,044</u>	<u>\$ 42,169</u>
Opening net book amount at January 1,	\$ 24,125	\$ 18,044	\$ 42,169
Additions	-	6,203	6,203
Reclassifications	-	541	541
Disposals (cost)	-	( 10,166)	( 10,166)
Disposals (accumulated amortisation)	-	10,166	10,166
Amortisation expense	-	( 8,218)	( 8,218)
Net exchange differences	-	( 1)	( 1)
Closing net book amount at September 30,	<u>\$ 24,125</u>	<u>\$ 16,569</u>	<u>\$ 40,694</u>
At September 30,			
Cost	\$ 24,125	\$ 42,278	\$ 66,403
Accumulated amortisation	-	( 25,709)	( 25,709)
	<u>\$ 24,125</u>	<u>\$ 16,569</u>	<u>\$ 40,694</u>
	2020		
	Membership in a foreign Futures		
	Exchange	Others	Total
At January 1,			
Cost	\$ 24,125	\$ 45,814	\$ 69,939
Accumulated amortisation	-	( 28,890)	( 28,890)
	<u>\$ 24,125</u>	<u>\$ 16,924</u>	<u>\$ 41,049</u>
Opening net book amount at January 1,	\$ 24,125	\$ 16,924	\$ 41,049
Additions	-	1,723	1,723
Reclassifications	-	8,340	8,340
Disposals (cost)	-	( 2,414)	( 2,414)
Disposals (accumulated amortisation)	-	2,414	2,414
Amortisation expense	-	( 9,511)	( 9,511)
Net exchange differences	-	( 2)	( 2)
Closing net book amount at September 30,	<u>\$ 24,125</u>	<u>\$ 17,474</u>	<u>\$ 41,599</u>
At September 30,			
Cost	\$ 24,125	\$ 53,456	\$ 77,581
Accumulated amortisation	-	( 35,982)	( 35,982)
	<u>\$ 24,125</u>	<u>\$ 17,474</u>	<u>\$ 41,599</u>

(11) Other current liabilities

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Temporary receipts	\$ 22,656	\$ 20,538	\$ 28,684

(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) For the aforementioned pension plan, the Company and its domestic subsidiaries have recognised pension costs of \$56, \$106, \$166 and \$318 for the three months and nine months ended September 30, 2021 and 2020, respectively.
- (C) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2022 amount to \$746.

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 three months and nine months ended September 30, 2021 and 2020 were \$4,692, \$4,672, \$13,850 and \$12,794, respectively.

C. The pension plans for the consolidated foreign subsidiaries are as follows:

- (A) The pension plan for Yuanta Futures (Hong Kong) Co., Ltd. and SYF Information (Shanghai) Limited are in compliance with related regulations enacted by respective local governments.



(B) For the three months and nine months ended September 30, 2021 and 2020, the foreign subsidiaries recognised \$339, \$325, \$1,057 and \$1,026 of pension expense under aforementioned regulations.

(13) Share-based payment

A. For the nine months ended September 30, 2021 and 2020, the Group's share-based payment arrangements were as follows:

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

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

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

Amount in NTD

Type of arrangement	Grant date	Stock price	Exercise price	Exercise volatility (Note 1)	Expected option life (Note 2)	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption	February 12, 2020	\$ 55.80	\$ 48.00	10.43%	38 days	N/A	0.46%	\$ 7.82
Cash capital increase reserved for employee preemption	October 8, 2020	\$ 54.10	\$ 45.50	14.20%	20 days	N/A	0.06%	\$ 8.60

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

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

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

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Equity-settled	<u>\$ -</u>	<u>\$ -</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Equity-settled	<u>\$ -</u>	<u>\$ 13,239</u>

(14) Share capital

A. As of September 30, 2021, the Company's authorized capital was \$3,500,000 consisting of 350,000 thousand shares, and paid-in capital was \$2,899,763 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

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

	<u>2021</u>	<u>2020</u>
At January 1	289,976	232,276
Cash capital increase	<u>-</u>	<u>17,700</u>
At September 30	<u>289,976</u>	<u>249,976</u>

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

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

(15) 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.

(16) Special reserve

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Legal capital reserve	\$ 2,508,054	\$ 2,294,034	\$ 2,294,034

- A. According to the “Rules Governing the Administration of Securities Firms”, 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least 50% of its paid-in capital and only half of such special reserve may be 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. In accordance with other laws and regulations, the Group shall set aside a special reserve for the debit balance on other equity items at the balance sheet date. For the amount of net deductions on other equity items in the current period, a corresponding special reserve shall be set aside from the current after-tax net income plus items added to the current year's undistributed earnings other than current after-tax net income. If the special reserve is insufficient, supplemental special reserve should be set aside from the undistributed earnings from the previous period. When the Company subsequently makes any reversal of the debit balance on other equity items, it may distribute earnings on the reversed portion of special reserve.
- 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. And the special reserve, within the balance of special reserve set aside in the previous years, could be reversed at the same amount for the aforementioned expenditures.
- E. In line with aforementioned regulations, the appropriation of 2019 earnings as resolved by the shareholders on May 27, 2020, the Group reversed special reserve in the amount of (\$8,027).

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

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

Note : According to 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.

(18) Other equity items

	Unrealised gains (losses) on valuation	Currency translation differences	Total
At January 1, 2021	\$ 1,342,428	(\$ 64,985)	\$ 1,277,443
Financial assets at fair value through other comprehensive income			
-Revaluation	285,727	-	285,727
-Revaluation transferred to retained earnings	( 99,373)	-	( 99,373)
Currency translation differences			
-Exchange differences	-	( 26,573)	( 26,573)
At September 30, 2021	<u>\$ 1,528,782</u>	<u>(\$ 91,558)</u>	<u>\$ 1,437,224</u>

	Unrealised gains (losses) on valuation	Currency translation differences	Total
At January 1, 2020	\$ 1,317,644	(\$ 21,375)	\$ 1,296,269
Financial assets at fair value through other comprehensive income			
-Revaluation	11,624	-	11,624
-Revaluation transferred to retained earnings	( 24,028)	-	( 24,028)
Currency translation differences			
-Exchange differences	-	( 26,124)	( 26,124)
At September 30, 2020	<u>\$ 1,305,240</u>	<u>(\$ 47,499)</u>	<u>\$ 1,257,741</u>

(19) Brokerage

	For the three months ended September 30,	
	2021	2020
Dealers' commissions	<u>\$ 910,769</u>	<u>\$ 936,509</u>
	For the nine months ended September 30,	
	2021	2020
Dealers' commissions	<u>\$ 2,864,523</u>	<u>\$ 2,835,112</u>

(20) Net gain on trading of securities

	For the three months ended September 30,	
	2021	2020
Revenue from sale of securities - dealing	\$ 2,363,983	\$ 295,306
Cost from sale of securities - dealing	( 2,341,552)	( 284,494)
Total	<u>\$ 22,431</u>	<u>\$ 10,812</u>
	For the nine months ended September 30,	
	2021	2020
Revenue from sale of securities - dealing	\$ 5,177,979	\$ 730,467
Cost from sale of securities - dealing	( 5,073,041)	( 707,644)
Total	<u>\$ 104,938</u>	<u>\$ 22,823</u>

(21) Clearance fee from consignment

	For the three months ended September 30,	
	2021	2020
Clearance fee from consignment - non-related parties	\$ 9,626	\$ 8,723
Clearance fee from consignment - related parties	6,630	9,706
Total	<u>\$ 16,256</u>	<u>\$ 18,429</u>
	For the nine months ended September 30,	
	2021	2020
Clearance fee from consignment - non-related parties	\$ 30,466	\$ 29,552
Clearance fee from consignment - related parties	22,989	28,453
Total	<u>\$ 53,455</u>	<u>\$ 58,005</u>

(22) Net gain on derivative financial instruments

	For the three months ended September 30,	
	2021	2020
Non-hedging		
Gains (losses) from futures contract interests		
Futures contract gains	\$ 92,218	\$ 124,794
Futures contract losses	( 74,212)	( 85,420)
	<u>\$ 18,006</u>	<u>\$ 39,374</u>
Gains (losses) from options trading		
Gains from options trading	\$ 16,137	\$ 57,335
Losses from options trading	( 14,702)	( 83,980)
	<u>\$ 1,435</u>	<u>(\$ 26,645)</u>
Gains (losses) from exchange rate derivatives trading		
Gains from exchange rate derivatives trading	\$ 46,195	\$ 65,925
Losses from exchange rate derivatives trading	( 38,186)	( 57,587)
	<u>\$ 8,009</u>	<u>\$ 8,338</u>
Gains (losses) from equity derivatives trading		
Gains from equity derivatives trading	\$ 120	\$ 112
Losses from equity derivatives trading	( 50)	( 189)
	<u>\$ 70</u>	<u>(\$ 77)</u>
Non-hedging		
Gains from derivative financial instruments	\$ 154,670	\$ 248,166
Losses from derivative financial instruments	( 127,150)	( 227,176)
	<u>\$ 27,520</u>	<u>\$ 20,990</u>

	For the nine months ended September 30,	
	2021	2020
Non-hedging		
Gains (losses) from futures contract interests		
Futures contract gains	\$ 354,466	\$ 412,277
Futures contract losses	( 366,173)	( 611,049)
	<u>(\$ 11,707)</u>	<u>(\$ 198,772)</u>
Gains (losses) from options trading		
Gains from options trading	\$ 462,284	\$ 460,884
Losses from options trading	( 459,062)	( 214,657)
	<u>\$ 3,222</u>	<u>\$ 246,227</u>
Gains (losses) from exchange rate derivatives trading		
Gains from exchange rate derivatives trading	\$ 114,060	\$ 273,700
Losses from exchange rate derivatives trading	( 93,200)	( 248,796)
	<u>\$ 20,860</u>	<u>\$ 24,904</u>
Gains (losses) from equity derivatives trading		
Gains from equity derivatives trading	\$ 587	\$ 743
Losses from equity derivatives trading	( 299)	( 977)
	<u>\$ 288</u>	<u>(\$ 234)</u>
Non-hedging		
Gains from derivative financial instruments	\$ 931,397	\$ 1,147,604
Losses from derivative financial instruments	( 918,734)	( 1,075,479)
	<u>\$ 12,663</u>	<u>\$ 72,125</u>

(23) Service charge

	For the three months ended September 30,	
	2021	2020
Service charge - brokerage	\$ 196,598	\$ 198,149
Service charge - dealing	1,173	1,070
Total	<u>\$ 197,771</u>	<u>\$ 199,219</u>
	For the nine months ended September 30,	
	2021	2020
Service charge - brokerage	\$ 605,778	\$ 570,601
Service charge - dealing	2,749	5,665
Total	<u>\$ 608,527</u>	<u>\$ 576,266</u>

(24) Futures commission

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Entrusted futures transaction	\$ 83,853	\$ 106,250
Futures auxiliary business	88,376	86,267
Total	<u>\$ 172,229</u>	<u>\$ 192,517</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Entrusted futures transaction	\$ 269,226	\$ 320,521
Futures auxiliary business	287,449	269,026
Total	<u>\$ 556,675</u>	<u>\$ 589,547</u>

(25) Clearance fee

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Clearance fee - brokerage	\$ 144,896	\$ 147,877
Clearance fee - dealing	700	740
Total	<u>\$ 145,596</u>	<u>\$ 148,617</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Clearance fee - brokerage	\$ 447,555	\$ 428,019
Clearance fee - dealing	1,669	3,776
Total	<u>\$ 449,224</u>	<u>\$ 431,795</u>

(Blank)



(26) Operating expenses

	For the three months ended September 30,	
	2021	2020
Employee benefit expense	\$ 181,186	\$ 176,119
Depreciation expense	29,658	24,333
Amortisation expense	2,652	3,367
Postage and telephone costs	26,179	24,339
Tax expenses	30,244	25,510
Computer information expenses	28,688	26,827
Donation	20	4,999
Institutional membership fees	1,373	2,449
Operating lease payments	22	414
Repair charge	6,365	7,584
Service expenses	5,876	3,748
Other expenses	14,347	13,093
Total	<u>\$ 326,610</u>	<u>\$ 312,782</u>
	For the nine months ended September 30,	
	2021	2020
Employee benefit expense	\$ 556,001	\$ 557,749
Depreciation expense	101,401	71,113
Amortisation expense	8,218	9,511
Postage and telephone costs	75,342	74,871
Tax expenses	92,199	81,571
Computer information expenses	82,814	82,271
Donation	10,475	9,552
Institutional membership fees	30,900	31,618
Operating lease payments	220	1,198
Repair charge	18,794	20,083
Service expenses	14,050	10,220
Other expenses	39,804	39,693
Total	<u>\$ 1,030,218</u>	<u>\$ 989,450</u>

(27) Employee benefit expense

	For the three months ended September 30,	
	2021	2020
Wages and salaries	\$ 157,358	\$ 156,275
Labor and health insurance fees	10,089	9,325
Pension costs	5,087	5,103
Post-employment benefits	3,961	288
Other personnel expenses	4,691	5,128
Total	<u>\$ 181,186</u>	<u>\$ 176,119</u>
	For the nine months ended September 30,	
	2021	2020
Wages and salaries	\$ 483,551	\$ 501,194
Labor and health insurance fees	29,963	26,350
Pension costs	15,073	14,138
Post-employment benefits	11,945	1,161
Other personnel expenses	15,469	14,906
Total	<u>\$ 556,001</u>	<u>\$ 557,749</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. For the three months and nine months ended September 30, 2021 and 2020, employees' compensation was accrued at \$900, \$900, \$2,700 and \$2,700, respectively, and the aforementioned amounts were recognised in salary expenses.
- B. Employees' compensation of 2020 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2020 financial statements.
- C. Information about employees' compensation of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(28) Other gains and losses

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 81,550	\$ 162,429
(Losses) gains on disposal of investments	( 2,150)	9,078
Losses on disposal of property and equipment	( 76)	-
Dividend income	122,035	25,617
Net currency exchange gains (losses)	1,450	( 2,328)
Gains (losses) on financial assets at fair value through profit or loss	1,844	( 2,108)
Gains on lease modification	12	-
Others	16,848	15,613
Total	<u>\$ 221,513</u>	<u>\$ 208,301</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Interest income	\$ 276,196	\$ 594,873
Gains (losses) on disposal of investments	5,109	( 4,751)
Losses on disposal of property and equipment	( 76)	( 259)
Dividend income	152,361	87,421
Net currency exchange losses	( 4,688)	( 11,645)
Losses on financial assets at fair value through profit or loss	( 996)	( 321)
Gains on lease modification	502	-
Others	62,724	50,169
Total	<u>\$ 491,132</u>	<u>\$ 715,487</u>

(Blank)

(29) Income tax

A. Income tax expense

Components of income tax expense:

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 46,920	\$ 66,757
Prior year income tax over estimation	( 1)	-
Total current tax	<u>46,919</u>	<u>66,757</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>701</u>	<u>245</u>
Total deferred tax	<u>701</u>	<u>245</u>
Income tax expense	<u>\$ 47,620</u>	<u>\$ 67,002</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax on profits for the period	\$ 142,384	\$ 220,112
Tax on undistributed surplus earnings	-	1,877
Prior year income tax under (over) estimation	<u>742</u>	<u>( 3,422)</u>
Total current tax	<u>143,126</u>	<u>218,567</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>9,527</u>	<u>( 9,988)</u>
Total deferred tax	<u>9,527</u>	<u>( 9,988)</u>
Income tax expense	<u>\$ 152,653</u>	<u>\$ 208,579</u>

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

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

(30) Earnings per share

<u>For the three months ended September 30, 2021</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	\$ 293,890	289,976	\$ 1.02
<u>For the three months ended September 30, 2020</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	\$ 276,923	249,976	\$ 1.11
<u>For the nine months ended September 30, 2021</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	\$ 732,763	289,976	\$ 2.53
<u>For the nine months ended September 30, 2020</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	\$ 867,047	244,550	\$ 3.55

**7. RELATED PARTY TRANSACTIONS****(1) Parent and ultimate controlling party**

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

(2) The names and relationship of related parties

Names	Relationship with the Group
Yuanta Financial Holdings	The parent company of the Company
Yuanta Bank	The same group of enterprises
Yuanta Securities Co., Ltd.	The same group of enterprises
Yuanta Life Insurance Co., Ltd.	The same group of enterprises
Yuanta Securities Investment Trust	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
Yuanta Securities (Vietnam) 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	Related parties in substance
Yuanta Polaries Research	Related parties in substance
Taiwan Securities Association	A director of Yuanta Group acting as its key management (Note) 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.
Other	

Note: Taiwan Securities Association is a non-related party since January 1, 2021.

(3) Significant related party transactions and balances

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

	September 30, 2021		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary			
Yuanta Bank	\$ 1,131,729	\$ 140,000	\$ 15,373,097
	December 31, 2020		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary			
Yuanta Bank	\$ 1,338,901	\$ 140,000	\$ 12,347,144
	September 30, 2020		
	<u>Bank deposits</u>	<u>Operating guarantee deposits</u>	<u>Customer margin deposits</u>
Fellow subsidiary			
Yuanta Bank	\$ 1,357,225	\$ 140,000	\$ 11,453,903

B. Leverage margin contract trading client margin deposits

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Bank	<u>\$ 222,482</u>	<u>\$ 257,218</u>	<u>\$ 291,528</u>

C. Accounts receivable - related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Securities Co., Ltd.	\$ 3,339	\$ 3,569	\$ 3,938
Yuanta Securities (Hong Kong) Co., Ltd.	-	-	5,768
	<u>\$ 3,339</u>	<u>\$ 3,569</u>	<u>\$ 9,706</u>

D. Prepayments

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Life Insurance Co., Ltd.	\$ -	\$ 1,351	\$ 1,930

E. Other receivables - related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Bank	\$ 3,688	\$ 6,544	\$ 6,409
Yuanta Securities (Hong Kong) Co., Ltd.	40	166	64
Yuanta Securities Korea Co., Ltd.	75	1	1,182
	<u>\$ 3,803</u>	<u>\$ 6,711</u>	<u>\$ 7,655</u>

F. Leasing arrangements — lessee

- a. The Group leases buildings from Yuanta Bank, Yuanta Securities Co., Ltd. and Yuanta Life Insurance Co., Ltd. with a lease term from 2 months to 5 years and rents are paid monthly.
- b. Acquisition of right-of-use assets

	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Bank	\$ 1,949	\$ -
Yuanta Securities Co., Ltd.	4,089	-
	<u>\$ 6,038</u>	<u>\$ -</u>

c. Rental expense

	For the three months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ -	\$ 16
Yuanta Securities Co., Ltd.	-	-
	<u>\$ -</u>	<u>\$ 16</u>
	For the nine months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 16	\$ 21
Yuanta Securities Co., Ltd.	39	244
	<u>\$ 55</u>	<u>\$ 265</u>

d. Lease liabilities

(a) Outstanding balance

	September 30, 2021	December 31, 2020	September 30, 2020
Fellow subsidiary			
Yuanta Bank	\$ 4,527	\$ 891	\$ 1,321
Yuanta Securities Co., Ltd.	-	5,636	10,775
Yuanta Life Insurance Co., Ltd.	163,041	188,902	-
	<u>\$ 167,568</u>	<u>\$ 195,429</u>	<u>\$ 12,096</u>

(b) Interest expense

	For the three months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 7	\$ 3
Yuanta Securities Co., Ltd.	-	27
Yuanta Life Insurance Co., Ltd.	258	-
	<u>\$ 265</u>	<u>\$ 30</u>
	For the nine months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 16	\$ 12
Yuanta Securities Co., Ltd.	8	114
Yuanta Life Insurance Co., Ltd.	839	-
	<u>\$ 863</u>	<u>\$ 126</u>



### G. Refundable deposits

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Bank	\$ 10,304	\$ 10,199	\$ 10,199
Yuanta Securities Co., Ltd.	-	5,154	5,154
Yuanta Life Insurance Co., Ltd.	6,740	6,991	6,991
A director of Yuanta Group acting as its key management			
Taiwan Securities Association	-	300	300
	<u>\$ 17,044</u>	<u>\$ 22,644</u>	<u>\$ 22,644</u>

### H. Futures traders' equity

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Bank	\$ 27,941	\$ -	\$ -
Yuanta Securities Co., Ltd.	8,161,457	7,280,656	7,642,811
Yuanta Securities (Hong Kong) Co., Ltd.	126,160	91,086	107,193
Yuanta Securities Korea Co., Ltd.	193,609	200,709	156,634
Funds managed by fellow subsidiary			
Funds managed by Yuanta Securities Investment Trust	30,130,827	28,223,681	34,943,006
Other related parties	74,839	73,478	63,222
	<u>\$ 38,714,833</u>	<u>\$ 35,869,610</u>	<u>\$ 42,912,866</u>

### I. Accounts payable - related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Fellow subsidiary			
Yuanta Securities Co., Ltd.	\$ 20,805	\$ 23,586	\$ 23,420

### J. Other payables - related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Parent Company			
Yuanta Financial Holdings	\$ 474	\$ 30	\$ 408
Fellow subsidiary			
Yuanta Securities Co., Ltd.	81	186	163
Yuanta Life Insurance Co., Ltd	1,024	-	2,316
Other related parties	40	9	59
	<u>\$ 1,619</u>	<u>\$ 225</u>	<u>\$ 2,946</u>

## K. Brokerage

	For the three months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 97	\$ -
Yuanta Securities Co., Ltd.	22,697	26,765
Yuanta Securities (Hong Kong) Co., Ltd.	2,452	802
Yuanta Securities Korea Co., Ltd.	502	1,154
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	36,362	31,048
Other related parties	2,093	1,274
	<u>\$ 64,203</u>	<u>\$ 61,043</u>
	For the nine months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 332	\$ 23
Yuanta Securities Co., Ltd.	68,472	82,766
Yuanta Securities (Hong Kong) Co., Ltd.	6,039	3,075
Yuanta Securities Korea Co., Ltd.	1,741	3,089
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	102,244	115,018
Other related parties	6,144	4,881
	<u>\$ 184,972</u>	<u>\$ 208,852</u>

## L. Dividend income

	For the three months ended September 30,	
	2021	2020
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>
	For the nine months ended September 30,	
	2021	2020
Funds managed by fellow subsidiary		
Funds managed by Yuanta Securities		
Investment Trust	\$ -	\$ 873
	<u>\$ -</u>	<u>\$ 873</u>

M. Securities commissions revenue

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 5,429</u>	<u>\$ 2,513</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 14,505</u>	<u>\$ 5,369</u>

N. Clearance fee from consignment

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 6,630</u>	<u>\$ 9,706</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	<u>\$ 22,989</u>	<u>\$ 28,453</u>

O. Futures advisory revenue

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd	<u>\$ -</u>	<u>\$ 60</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd	<u>\$ 45</u>	<u>\$ 68</u>

P. Other operating revenue- Co-marketing revenue

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Bank	\$ -	\$ 1
Yuanta Securities Investment Trust	-	-
	<u>\$ -</u>	<u>\$ 1</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Bank	\$ -	\$ 1
Yuanta Securities Investment Trust	1	1
	<u>\$ 1</u>	<u>\$ 2</u>

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

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 74,847	\$ 70,472
Yuanta Securities (Vietnam) Co., Ltd.	-	1
	<u>\$ 74,847</u>	<u>\$ 70,473</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Co., Ltd.	\$ 242,934	\$ 221,774
Yuanta Securities (Vietnam) Co., Ltd.	-	1
	<u>\$ 242,934</u>	<u>\$ 221,775</u>

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

R. Service fees

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Investment Consulting	\$ 900	\$ 900
Yuanta Securities Co., Ltd	518	432
	<u>\$ 1,418</u>	<u>\$ 1,332</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Securities Investment Consulting	\$ 2,700	\$ 2,700
Yuanta Securities Co., Ltd	1,439	1,252
	<u>\$ 4,139</u>	<u>\$ 3,952</u>

S. Interest income

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Bank	\$ 21,790	\$ 29,098
Yuanta Securities Co., Ltd	-	14
Yuanta Life Insurance Co., Ltd.	13	-
Yuanta Securities (Hong Kong) Co., Ltd.	7	-
	<u>\$ 21,810</u>	<u>\$ 29,112</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiary		
Yuanta Bank	\$ 67,960	\$ 99,683
Yuanta Securities Co., Ltd	19	41
Yuanta Life Insurance Co., Ltd.	40	-
Yuanta Securities (Hong Kong) Co., Ltd.	7	-
A director of Yuanta Group acting as its key management		
Taiwan Securities Association	-	3
	<u>\$ 68,026</u>	<u>\$ 99,727</u>

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

T. Interest expense

	For the three months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 1	\$ 1
Yuanta Securities (Hong Kong) Co., Ltd.	-	1
Yuanta Securities Co., Ltd.	252	213
Yuanta Securities Korea Co., Ltd.	1	2
Yuanta Life Insurance Co., Ltd.	13	-
Funds managed by fellow subsidiary		
Funds managed by Yuanta		
Securities Investment Trust	736	17
	<u>\$ 1,003</u>	<u>\$ 234</u>

	For the nine months ended September 30,	
	2021	2020
Fellow subsidiary		
Yuanta Bank	\$ 3	\$ 3
Yuanta Securities (Hong Kong) Co., Ltd.	-	55
Yuanta Securities Co., Ltd.	701	1,319
Yuanta Securities Korea Co., Ltd.	4	73
Yuanta Life Insurance Co., Ltd.	40	-
Funds managed by fellow subsidiary		
Funds managed by Yuanta		
Securities Investment Trust	1,275	9,783
	<u>\$ 2,023</u>	<u>\$ 11,233</u>

U. Donation expenditure

	For the three months ended September 30,	
	2021	2020
Yuanta Cultural & Education Foundation	\$ -	\$ -
Yuanta Polaris Research	-	-
	<u>\$ -</u>	<u>\$ -</u>
	For the nine months ended September 30,	
	2021	2020
Yuanta Cultural & Education Foundation	\$ 4,000	\$ 2,750
Yuanta Polaris Research	1,050	1,190
	<u>\$ 5,050</u>	<u>\$ 3,940</u>

V. Property transactions

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Acquisition of financial assets			
Funds managed by fellow subsidiary			
Funds managed by Yuanta			
Securities Investment Trust	\$ -	\$ 1,349	\$ 30,061

The gains (losses) on disposal of funds managed by fellow subsidiary were \$146, \$11,705, \$6,927 and (\$2,200) for the three months and nine months ended September 30, 2021 and 2020, respectively.

For the nine months ended September 30, 2020, the Company acquired transportation equipment from Yuanta Securities Co., Ltd. The acquisition price of the transportation equipment was \$590 and classified as equipment.

(4) Key management compensation

	<u>For the three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 57,470	\$ 59,547
Post-employment benefits	1,185	1,481
Other long-term benefits	480	496
	<u>\$ 59,135</u>	<u>\$ 61,524</u>
	<u>For the nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 175,060	\$ 171,416
Post-employment benefits	3,572	4,090
Other long-term benefits	1,439	1,407
	<u>\$ 180,071</u>	<u>\$ 176,913</u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2021, the amount for the contracts of capital expenditures signed by the Group is \$236,085. Based on the contracts, the amount that had been paid is \$141,431 and the amount that was not yet paid is \$94,654.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

## 11. DERIVATIVE INSTRUMENT TRANSACTIONS

The Group had derivative financial instrument trading as follows:

September 30, 2021						
<u>Open Interest</u>						
<u>Item</u>	<u>Object of transaction</u>	<u>Buyer /Seller</u>	<u>Number of contract(s) (lot)</u>	<u>Margin paid (received)</u>	<u>Fair value</u>	<u>Remarks</u>
Futures contracts (Domestic)	TX	Buyer	10	\$ 33,003	\$ 33,811	
	MTX	Buyer	54	45,688	45,681	
	MTX	Seller	20	( 16,855)	( 16,939)	
	Stock Futures	Buyer	250	82,564	81,062	
	Stock Futures	Seller	1,887	( 179,311)	( 177,348)	
	TF	Seller	11	( 17,576)	( 17,450)	
	TE	Buyer	2	6,601	6,326	
	Gold Futures	Buyer	30	14,534	14,471	
Futures contracts (Overseas)	Energy Futures	Buyer	1	2,551	2,566	
	Energy Futures	Seller	2	( 4,156)	( 4,179)	
	Metal Futures	Buyer	2	971	979	
	Metal Futures	Seller	1	( 4,942)	( 4,893)	
	Index Futures	Buyer	12	24,637	24,363	
	Index Futures	Seller	1	( 744)	( 734)	
Option contracts (Domestic)	Foreign Exchange	Buyer	15	41,936	42,001	
	TXO	Buy call	587	2,905	2,336	
	TXO	Buy put	301	2,797	2,975	
	TXO	Sell call	614	( 4,781)	( 3,964)	
	TXO	Sell put	285	( 2,543)	( 2,487)	

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



December 31, 2020

Item	Object of transaction	Open Interest			Fair value	Remarks
		Buyer /Seller	Number of contract(s) (lot)	Margin paid (received)		
Futures contracts (Domestic)	TX	Buyer	33	\$ 95,894	\$ 96,875	
	TX	Seller	6	( 17,374)	( 17,614)	
	MTX	Buyer	252	183,531	185,025	
	MTX	Seller	29	( 21,205)	( 21,308)	
	Stock Futures	Buyer	1,828	248,998	275,474	
	Stock Futures	Seller	1,664	( 111,447)	( 117,929)	
	TE	Buyer	4	11,457	11,477	
	TF	Seller	4	( 4,994)	( 5,114)	
	Index Futures	Seller	30	( 28,215)	( 28,815)	
Futures contracts (Overseas)	Grain Futures	Buyer	1	469	494	
	Energy Futures	Buyer	5	8,118	8,129	
	Index Futures	Buyer	28	66,885	67,438	
	Index Futures	Seller	9	( 19,520)	( 19,509)	
	Foreign Exchange	Buyer	9	25,778	25,709	
	Foreign Exchange	Seller	9	( 25,776)	( 25,684)	
	Metal Futures	Buyer	16	17,855	18,369	
	Metal Futures	Seller	9	( 29,071)	( 32,535)	
Option contracts (Domestic)	TXO	Buy call	60	949	1,411	
	TXO	Buy put	396	2,493	1,588	
	TXO	Sell call	372	( 6,995)	( 8,687)	
	TXO	Sell put	62	( 196)	( 116)	
	Stock Options	Buy call	66	300	569	
	Stock Options	Buy put	132	667	301	
	Stock Options	Sell call	272	( 2,928)	( 4,174)	
	Stock Options	Sell put	20	( 82)	( 44)	
	TEO	Sell call	20	( 205)	( 311)	
Option contracts (Overseas)	TFO	Buy call	20	173	297	
	TGO	Sell call	4	( 232)	( 321)	

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

September 30, 2020

Open Interest						
Item	Object of transaction	Buyer /Seller	Number of contract(s) (lot)	Margin paid (received)	Fair value	Remarks
Futures contracts (Domestic)	TX	Buyer	14	\$ 34,786	\$ 34,888	
	TX	Seller	48	( 120,957)	( 119,661)	
	MTX	Buyer	79	49,013	49,179	
	MTX	Seller	40	( 24,711)	( 24,952)	
	Stock Futures	Buyer	1,223	155,381	154,706	
	Stock Futures	Seller	493	( 49,646)	( 49,884)	
	TF	Buyer	1	1,170	1,189	
	TF	Seller	1	( 1,175)	( 1,193)	
Futures contracts (Overseas)	TX	Buyer	31	78,890	77,334	
	Foreign Exchange	Buyer	1	2,913	2,914	
	Stock Futures	Buyer	46	35,455	34,646	
	TF	Buyer	3	3,635	3,580	
	Metal Futures	Buyer	27	77,613	77,863	
	Index Futures	Buyer	32	46,575	46,492	
	Energy Futures	Buyer	3	4,229	4,261	
	Metal Futures	Seller	50	( 220,692)	( 213,153)	
	Index Futures	Seller	123	( 139,541)	( 137,568)	
	Grain Futures	Seller	1	( 424)	( 440)	
Option contracts (Domestic)	TXO	Buy call	249	4,930	4,039	
	TXO	Buy put	207	2,973	3,274	
	TXO	Sell call	201	( 1,765)	( 2,238)	
	TXO	Sell put	321	( 4,481)	( 3,487)	
	TGO	Buy call	1	3	4	
	TGO	Buy put	2	16	22	
	TGO	Sell call	2	( 7)	( 10)	
	TGO	Sell put	2	( 32)	( 47)	
	Stock Options	Buy call	83	378	156	
	Stock Options	Buy put	14	87	88	
	Stock Options	Sell call	27	( 103)	( 50)	
Stock Options	Sell put	38	( 250)	( 186)		
Option contracts (Overseas)	TXO	Buy put	6	7	8	
	TGO	Sell call	3	( 213)	( 232)	

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

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

According to Regulations Governing Futures Commission Merchants

Article	Calculation formula	September 30, 2021		September 30, 2020		Standard	Enforcement (Note 3)
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Equity}}{\text{(Total liabilities – Future traders’ equity)}}$	$\frac{12,038,545}{842,740}$	14.29	$\frac{9,769,327}{965,139}$	10.12	$\geq 1$	Satisfied
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{94,826,970}{87,287,971}$	1.09	$\frac{95,506,714}{89,965,008}$	1.06	$\geq 1$	Satisfied
22	$\frac{\text{Equity}}{\text{Minimum paid – in capital (Note 1)}}$	$\frac{12,038,545}{1,060,000}$	1135.71%	$\frac{9,769,327}{1,060,000}$	921.63%	$\geq 60\%$ $\geq 40\%$ (Note 2)	Satisfied
22	$\frac{\text{Adjusted net capital}}{\text{Total margin deposit required for futures traders, not yet off-set}}$	$\frac{9,013,665}{17,436,525}$	51.69%	$\frac{7,019,435}{16,975,062}$	41.35%	$\geq 20\%$ $\geq 15\%$	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 21 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 nine months ended September 30, 2021				
	Brokerage segment	Dealing segment	Other operating segment	Total
Segment revenue	\$ 2,939,726	\$ 103,951	(\$ 7)	\$ 3,043,670
Segment profit	\$ 1,009,166	(\$ 2,155)	(\$ 121,595)	\$ 885,416

  

For the nine months ended September 30, 2020				
	Brokerage segment	Dealing segment	Other operating segment	Total
Segment revenue	\$ 2,888,666	\$ 120,863	\$ 69	\$ 3,009,598
Segment profit	\$ 1,148,544	\$ 33,133	(\$ 106,051)	\$ 1,075,626

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.

## 15. SUBSEQUENT EVENTS

On September 29, 2021, the Board of Directors approved the issuance of unsecured subordinated common corporate bonds at the maximum amount of NT\$3 billion for the purpose of the Company's capital increase, enhancement of its adjusted net capital and strengthening of its capital structure. The unsecured subordinated common corporate bonds will be issued in lump sum or in several tranches depending on market conditions. On October 8, 2021, the Company submitted its proposal to the competent authority for approval and the related procedure is still ongoing.

## 16. RELATED INFORMATION OF SIGNIFICANT TRANSACTIONS

- (1) Financing activities to any company or person: None.
- (2) Endorsements and guarantees provided: None.
- (3) Acquisition of real estate properties exceeding \$300 million or 20% of the Company's paid-in capital: None.
- (4) Disposal of real estate properties exceeding \$300 million or 20% of the Companies' paid-in capital: None.
- (5) Handling fee discounts on transactions with related parties in excess of NT\$5,000,000 : None.
- (6) Accounts receivable from related parties reaching \$100 million or over 20% of paid-in capital balance: None.
- (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) Co., Ltd.	1	Cash	16,872	No significant difference from general customers.	0.02%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Margin deposit	502,762	No significant difference from general customers.	0.49%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Futures traders' equity	222,348	No significant difference from general customers.	0.22%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Other payables	27	No significant difference from general customers.	0.00%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Brokerage	587	No significant difference from general customers.	0.02%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Futures commission	5,547	No significant difference from general customers.	0.18%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Interest income	156	No significant difference from general customers.	0.01%
0	Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	1	Interest expense	1	No significant difference from general customers.	0.00%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Cash	19,213	No significant difference from general customers.	0.02%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Margin deposit	203,135	No significant difference from general customers.	0.20%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Other receivable	27	No significant difference from general customers.	0.00%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Futures traders' equity	519,634	No significant difference from general customers.	0.51%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Brokerage	5,547	No significant difference from general customers.	0.18%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Futures commission	587	No significant difference from general customers.	0.02%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Interest income	1	No significant difference from general customers.	0.00%
1	Yuanta Futures (Hong Kong) Co., Ltd.	Yuanta Futures Co., Ltd.	2	Interest expense	156	No significant difference from general customers.	0.01%

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 September 30, 2021			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 September 30, 2021	Balance as at December 31, 2020	Number of shares (in thousands)	Ownership (%)	Book value					
Yuanta Futures Co., Ltd.	Yuanta Futures (Hong Kong) Co., Ltd.	Hong Kong	2010.12.2	Gin-Gwen-Zheng-Qi Letter No. 0990055943	Financial Services	1,033,971	1,033,971	34,000	100.00%	871,045	\$ 89,901	(\$ 29,081)	(\$ 29,081)	-	Subsidiaries
Yuanta Futures Co., Ltd.	SYF Information Co., Ltd.	Taiwan	2012.11.9	Gin-Gwen-Zheng-Qi Letter No. 1010035210	Information Technology Services	350,000	350,000	35,000	100.00%	286,908	-	6,506	6,506	-	Subsidiaries

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

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

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

None.

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

### (1) Basic information:

Name of investee in Mainland China	Main business activities	Issued capital	Investment method (Note 1)	Beginning balance of foreign investment from Taiwan	Investment movement within this period		Ending balance of foreign investment from Taiwan	Net income (loss) of the investee	Percentage of direct or indirect investment holding (%)	Gain (loss) recognized during the period (Notes 2) (2.C)	Book value as of September 30, 2021	Accumulated gain returned at end of period
					Invested amount	Returned amount						
SYF Information (Shanghai) Limited	Research & development and production of computer software, etc.	\$ 157,209	(3)	\$ 157,209	\$ -	\$ -	\$ 157,209	\$ 514	100	\$ 514	\$ 113,570	-

Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
\$ 157,209	\$ 174,000	\$ 7,223,127

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) Through a subsidiary to invest in a company in Mainland China.

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

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

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

- (2) Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas: None.
- (3) On June 30, 2021, the Board of Directors of the Company approved to liquidate SYF Information (Shanghai) Limited. The liquidation had been approved by the Competent Authority on July 12, 2021, and is expected to be completed in 2022.



## 20. MAJOR SHAREHOLDERS INFORMATION

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

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

## 21. FINANCIAL RISK MANAGEMENT

### (1) Capital management

The 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) and 6(22).

### (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).

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

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 receivables – related parties, leverage margin contract trading client margin deposits, other current assets, operating guarantee deposits, clearing and settlement funds, refundable deposits, futures traders' equity, leverage margin contract transaction traders' equity, accounts payable, accounts payable – related parties, other payables, other payables – related parties and other current liabilities are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities as at September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

September 30, 2021	<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	\$ 97,068	\$ -	\$ -	\$ 97,068
Futures	23,365	-	-	23,365
Options	5,311	-	-	5,311
Derivatives Assets - Leverage margin contract transaction	-	21,827	-	21,827
Financial assets at fair value through other comprehensive income				
Equity securities	<u>806,104</u>	<u>-</u>	<u>1,757,973</u>	<u>2,564,077</u>
Total	<u>\$ 931,848</u>	<u>\$ 21,827</u>	<u>\$ 1,757,973</u>	<u>\$ 2,711,648</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	<u>\$ 6,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,451</u>

(Blank)

December 31, 2020	<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	\$ 178,080	\$ -	\$ -	\$ 178,080
Beneficiary certificates	667,815	-	-	667,815
Futures	72,347	-	-	72,347
Options	4,166	-	-	4,166
Derivatives Assets - Leverage margin contract transaction	-	13,537	-	13,537
Financial assets at fair value through other comprehensive income				
Equity securities	<u>759,128</u>	<u>-</u>	<u>1,514,827</u>	<u>2,273,955</u>
Total	<u>\$ 1,681,536</u>	<u>\$ 13,537</u>	<u>\$ 1,514,827</u>	<u>\$ 3,209,900</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	\$ 13,653	\$ -	\$ -	\$ 13,653
Security borrowing payable - non-hedging	<u>207,340</u>	<u>-</u>	<u>-</u>	<u>207,340</u>
Total	<u>\$ 220,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,993</u>

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September 30, 2020	<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	\$ 51,951	\$ -	\$ -	\$ 51,951
Beneficiary certificates	94,660	-	-	94,660
Futures	58,135	-	-	58,135
Options	7,591	-	-	7,591
Derivatives Assets - Leverage margin contract transaction	-	34,122	-	34,122
Financial assets at fair value through other comprehensive income				
Equity securities	<u>549,896</u>	<u>-</u>	<u>1,496,412</u>	<u>2,046,308</u>
Total	<u>\$ 762,233</u>	<u>\$ 34,122</u>	<u>\$ 1,496,412</u>	<u>\$ 2,292,767</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Options	\$ 6,250	\$ -	\$ -	\$ 6,250
Security borrowing payable - non-hedging	<u>138,484</u>	<u>-</u>	<u>-</u>	<u>138,484</u>
Total	<u>\$ 144,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,734</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 nine months ended September 30, 2021 and 2020, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the nine months ended September 30, 2021 and 2020.

	<u>Equity securities</u>
January 1, 2021	\$ 1,514,827
Gains and losses recognised in other comprehensive income (Note)	243,146
September 30, 2021	<u>\$ 1,757,973</u>
	<u>Equity securities</u>
January 1, 2020	\$ 1,518,539
Gains and losses recognised in other comprehensive income (Note)	( 22,127)
September 30, 2020	<u>\$ 1,496,412</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</u>	<u>Valuation</u>	<u>Significant</u>	<u>Range</u>	<u>Relationship of</u>
	<u>September 30, 2021</u>	<u>technique</u>	<u>unobservable input</u>	<u>(weighted average)</u>	<u>inputs to fair value</u>
Non-derivative equity					
Non-listed stocks	\$ 1,757,973	Market multiplier approach	Discount of marketability	40%	The higher the discount of marketability, the lower the fair value
	<u>Fair value at</u>	<u>Valuation</u>	<u>Significant</u>	<u>Range</u>	<u>Relationship of</u>
	<u>December 31, 2020</u>	<u>technique</u>	<u>unobservable input</u>	<u>(weighted average)</u>	<u>inputs to fair value</u>
Non-derivative equity					
Non-listed stocks	\$ 1,514,827	Market multiplier approach	Discount of marketability	40%	The higher the discount of marketability, the lower the fair value
	<u>Fair value at</u>	<u>Valuation</u>	<u>Significant</u>	<u>Range</u>	<u>Relationship of</u>
	<u>September 30, 2020</u>	<u>technique</u>	<u>unobservable input</u>	<u>(weighted average)</u>	<u>inputs to fair value</u>
Non-derivative equity					
Non-listed stocks	\$ 1,496,412	Market multiplier approach	Discount of marketability	40%	The higher the discount of marketability, the lower the fair value

- H. The valuation process for fair values classified at Level 3 is the responsibility of the risk management department, which verifies the financial instrument's fair value. The result of the evaluation is then reviewed and approved by the risk management department of the 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 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%:

		September 30, 2021	
		Recognised in other comprehensive income	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	\$	5,860	(\$ 5,860)
		December 31, 2020	
		Recognised in other comprehensive income	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	\$	5,050	(\$ 5,050)
		September 30, 2020	
		Recognised in other comprehensive income	
		Favourable change	Unfavourable change
Financial assets			
Equity instrument	\$	4,988	(\$ 4,988)

#### (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.

##### 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 reviews 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 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 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 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 uses 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.

#### F. The impact of COVID-19

According to Gin-Gwen-Zhang-Quan Letter No. 1090362692 and IASB, the Group has conducted an assessment of COVID-19 related implications regarding impairment and valuation of financial instruments and disclosures. The scope of assessment entailed (1) the Group's ability to continue as a going concern, (2) impairment of non-financial instruments, (3) financing risk,



(4) the risk assessment and ongoing monitoring of bond investment and its expected credit loss. The COVID-19 pandemic had no significant impact on the Group based on its assessment. However, the Group will keep track of the development of the COVID-19 pandemic, as well as assess the significant impact on the Group's financial condition and financial performance and manage it accordingly.<sup>3</sup>

(5) Market risk

The Group's financial assets include bank deposits, 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, 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, and established various control mechanisms based on the characteristics of financial instrument risks, such as position limits, profit and loss limits, and special authorization. The 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 ~ September 30, 2021

Amount in thousands of NTD

Type of Trading	Equity	Commodity	Foreign		Total
			Exchange Rate	Interest Rate	
September 30, 2021	\$ 996	\$ 122	\$ 216	\$ -	\$ 796
Average	2,964	317	437	-	2,990
Lowest	283	1	212	-	461
Highest	23,814	1,391	739	-	23,743

Period: January 1 ~ September 30, 2020

Amount in thousands of NTD

Type of Trading	Equity	Commodity	Foreign		Total
			Exchange Rate	Interest Rate	
September 30, 2020	\$ 2,055	\$ 515	\$ 701	\$ -	\$ 2,356
Average	4,174	279	397	-	4,042
Lowest	551	8	270	-	590
Highest	49,719	1,501	1,676	-	48,760

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

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

To ensure that 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, OTC derivative trade, repurchase agreement/reverse repurchase agreement of bonds (bills), deposits for securities borrowing and lending trade, margins for futures trade, other refundable deposits<sup>1</sup> and receivables<sup>2</sup>.

(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 September 30, 2021, the highest was Taiwan with 90.08%, the second was Asia (excluding Taiwan) with 5.48% and the third was Europe with 4.21%. Compared to the same period last year, the proportion of investments in Europe and America has decreased slightly during the current period.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Taiwan	\$ 88,403,228	\$ 82,881,680	\$ 83,902,355
Asia (excluding Taiwan)	5,377,424	4,628,726	5,565,274
Europe	4,131,336	5,818,573	7,444,069
America	224,915	240,517	1,128,850
Other	1,497	1,530	1,564
Total	<u>\$ 98,138,400</u>	<u>\$ 93,571,026</u>	<u>\$ 98,042,112</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

<sup>1</sup> Other refundable deposits include operating guarantee deposits, clearing and settlement funds and refundable deposits.

<sup>2</sup> Receivables include accounts receivable, other receivables and brokerage trading receivables.

other industry sectors representing less than 1%. Credit risk is concentrated in financial institutions because the Group's equity capital and margins received from customers were both deposited with financial institutions, and counterparties of derivative trade and short-term notes 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Privately owned businesses	\$ -	\$ 467,734	\$ -
Financial institutions	97,993,019	92,958,566	97,892,634
Public enterprises	7,007	4	4
Other	138,374	144,722	149,474
Total	<u>\$ 98,138,400</u>	<u>\$ 93,571,026</u>	<u>\$ 98,042,112</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 September 30, 2021, the credit quality levels of the Group's financial assets were classified as follows: Excellent is 97.39%, standard is 2.17%. The result of credit quality level classification did not change significantly compared to the same period last year. The proportion of financial assets classified as excellent had increased while assets classified as standard had decreased.

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Excellent	\$ 95,574,980	\$ 91,198,652	\$ 94,959,327
Standard	2,131,212	2,227,158	2,923,215
Below standard	432,208	145,216	159,570
Total	<u>\$ 98,138,400</u>	<u>\$ 93,571,026</u>	<u>\$ 98,042,112</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:

September 30, 2021				
Lifetime				
Significant increase in				
	12 months	credit risk	Credit impaired	
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
Expected loss rate	0%	99.66%	100%	
Total book value	\$ -	\$ -	\$ 117,594	\$ 117,594
Loss allowance	\$ -	\$ -	(\$ 117,594)	(\$ 117,594)
Maximum exposure amount	\$ -	\$ -	\$ -	\$ -

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

September 30, 2020				
Lifetime				
Significant increase in				
	12 months	credit risk	Credit impaired	
	Without past due or within 30 days	More than 30 days	More than 90 days	Total
Expected loss rate	0%	99.29%	100%	
Total book value	\$ -	\$ -	\$ 122,112	\$ 122,112
Loss allowance	\$ -	\$ -	(\$ 122,112)	(\$ 122,112)
Maximum exposure amount	\$ -	\$ -	\$ -	\$ -

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

	For the nine months ended September 30, 2021				
	12 months Without past due or within 30 days	Lifetime			
		Significant increase in credit risk		Credit impaired More than 90 days	Total
		More than 30 days	More than 30 days		
January 1, 2021	\$ -	\$ -	(\$ 120,901)	(\$ 120,901)	
Reversal of impairment loss	-	-	3,307	3,307	
September 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 117,594)</u>	<u>(\$ 117,594)</u>	

  

	For the nine months ended September 30, 2020				
	12 months Without past due or within 30 days	Lifetime			
		Significant increase in credit risk		Credit impaired More than 90 days	Total
		More than 30 days	More than 30 days		
January 1, 2020	\$ -	\$ -	(\$ 86,409)	(\$ 86,409)	
Provision for impairment	-	-	( 39,020)	( 39,020)	
Reversal of impairment loss	-	-	3,317	3,317	
September 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 122,112)</u>	<u>(\$ 122,112)</u>	

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).

- Probability of default: Calculated using the default rate tables published by external credit rating agencies and incorporating forward-looking information.
- 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.
- Exposure at default: total carrying amount (including interest receivable). The carrying amount is measured at amortised cost before any adjustments to the allowance for losses.
- Forward-looking information considerations

One of the quantitative indicators used in the assessment of significant increase in credit risk on debt instruments measured at amortised 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.

(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.

(Blank)

B. The information about the maturity of the Group's financial liabilities is shown below. The Group's working capital is sufficient 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 September 30, 2021

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit or loss - current	\$ 6,451	\$ -	\$ -	\$ -	\$ -	\$ 6,451
214080	Futures traders' equity	88,788,384	-	-	-	-	88,788,384
214100	Leverage margin contract transaction traders' equity	248,363	-	-	-	-	248,363
214130	Accounts payable	2,348	136,345	-	-	-	138,693
214140	Accounts payable - related parties	-	20,805	-	-	-	20,805
214170	Other payables	-	43,214	89,437	1,939	197	134,787
214180	Other payables - related parties	-	1,619	-	-	-	1,619
216000	Lease liabilities - current	-	13,321	39,802	-	-	53,123
219000	Other current liabilities	-	16,978	5,678	-	-	22,656
226000	Lease liabilities - non-current	-	-	-	127,736	-	127,736
	Total	<u>\$ 89,045,546</u>	<u>\$ 232,282</u>	<u>\$ 134,917</u>	<u>\$ 129,675</u>	<u>\$ 197</u>	<u>\$ 89,542,617</u>
	Percentage (%) of overall	99.45%	0.26%	0.15%	0.14%	0.00%	100.00%



Cash flow analysis of financial liabilities on December 31, 2020

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit or loss - current	\$ 220,993	\$ -	\$ -	\$ -	\$ -	\$ 220,993
214080	Futures traders' equity	83,763,813	-	-	-	-	83,763,813
214100	Leverage margin contract transaction traders' equity	243,573	-	-	-	-	243,573
214130	Accounts payable	1,632	156,279	-	-	-	157,911
214140	Accounts payable - related parties	-	23,586	-	-	-	23,586
214170	Other payables	-	226,663	13,042	7,805	197	247,707
214180	Other payables - related parties	-	225	-	-	-	225
216000	Lease liabilities - current	-	8,713	41,376	-	-	50,089
219000	Other current liabilities	-	11,960	8,578	-	-	20,538
226000	Lease liabilities - non-current	-	-	-	169,772	-	169,772
	Total	<u>\$ 84,230,011</u>	<u>\$ 427,426</u>	<u>\$ 62,996</u>	<u>\$ 177,577</u>	<u>\$ 197</u>	<u>\$ 84,898,207</u>
	Percentage (%) of overall	99.21%	0.51%	0.07%	0.21%	0.00%	100.00%

Cash flow analysis of financial liabilities on September 30, 2020

Accounts	Financial liabilities	Payment period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
212000	Financial liabilities at fair value through profit or loss - current	\$ 144,734	\$ -	\$ -	\$ -	\$ -	\$ 144,734
214080	Futures traders' equity	90,310,933	-	-	-	-	90,310,933
214100	Leverage margin contract transaction traders' equity	246,356	-	-	-	-	246,356
214130	Accounts payable	10,004	160,110	-	-	-	170,114
214140	Accounts payable - related parties	-	23,420	-	-	-	23,420
214170	Other payables	-	48,836	169,500	1,938	197	220,471
214180	Other payables - related parties	-	2,946	-	-	-	2,946
216000	Lease liabilities - current	-	8,912	16,635	-	-	25,547
219000	Other current liabilities	-	16,024	12,660	-	-	28,684
226000	Lease liabilities - non-current	-	-	-	14,818	-	14,818
	Total	<u>\$ 90,712,027</u>	<u>\$ 260,248</u>	<u>\$ 198,795</u>	<u>\$ 16,756</u>	<u>\$ 197</u>	<u>\$ 91,188,023</u>
	Percentage (%) of overall	99.48%	0.28%	0.22%	0.02%	0.00%	100.00%

The analysis of cash flow gap on September 30, 2021

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,346,126	\$ 2,194,109	\$ 4,307,644	\$ -	\$ -	\$ 7,847,879
112000	Financial assets at fair value through profit or loss - current	147,571	-	-	-	-	147,571
113200	Financial assets at fair value through other comprehensive income - current	698,392	-	-	-	-	698,392
114070	Margin deposits	89,059,853	-	-	-	-	89,059,853
114080	Futures trading margin receivable	117,594	-	-	-	-	117,594
114130	Accounts receivable	-	13,557	-	-	-	13,557
114140	Accounts receivable - related parties	-	3,339	-	-	-	3,339
114170	Other receivables	-	13,036	1,219	-	-	14,255
114180	Other receivables - related parties	-	3,589	214	-	-	3,803
114300	Leverage margin contract trading client margin deposits	293,463	-	-	-	-	293,463
119990	Other current assets	-	2	159	-	-	161
123200	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	1,865,685	1,865,685
129010	Operating guarantee deposits	-	-	-	-	145,368	145,368
129020	Clearing and settlement funds	-	-	-	-	549,141	549,141
129030	Refundable deposits	-	-	-	39,645	-	39,645
	Subtotal	<u>\$ 91,662,999</u>	<u>\$ 2,227,632</u>	<u>\$ 4,309,236</u>	<u>\$ 39,645</u>	<u>\$ 2,560,194</u>	<u>\$ 100,799,706</u>
	Cash inflow	\$ 91,662,999	\$ 2,227,632	\$ 4,309,236	\$ 39,645	\$ 2,560,194	\$ 100,799,706
	Cash outflow	89,045,546	232,282	134,917	129,675	197	89,542,617
	The amount of capital gap	<u>\$ 2,617,453</u>	<u>\$ 1,995,350</u>	<u>\$ 4,174,319</u>	<u>(\$ 90,030)</u>	<u>\$ 2,559,997</u>	<u>\$ 11,257,089</u>

The analysis of cash flow gap on December 31, 2020

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 1,431,616	\$ 1,523,811	\$ 4,233,783	\$ -	\$ -	\$ 7,189,210
112000	Financial assets at fair value through profit or loss - current	935,945	-	-	-	-	935,945
113200	Financial assets at fair value through other comprehensive income - current	655,432	-	-	-	-	655,432
114070	Margin deposits	84,071,446	-	-	-	-	84,071,446
114080	Futures trading margin receivable	120,901	-	-	-	-	120,901
114100	Security lending deposits	169,187	-	-	-	-	169,187
114130	Accounts receivable	-	199,609	-	-	-	199,609
114140	Accounts receivable - related parties	-	3,569	-	-	-	3,569
114170	Other receivables	417	19,718	189	-	-	20,324
114180	Other receivables - related parties	431	3,922	2,358	-	-	6,711
114300	Leverage margin contract trading client margin deposits	294,448	-	-	-	-	294,448
119990	Other current assets	-	29,683	132	-	-	29,815
123200	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	1,618,523	1,618,523
129010	Operating guarantee deposits	-	-	-	-	145,516	145,516
129020	Clearing and settlement funds	-	-	-	-	548,092	548,092
129030	Refundable deposits	-	244	4,911	38,993	-	44,148
	Subtotal	<u>\$ 87,679,823</u>	<u>\$ 1,780,556</u>	<u>\$ 4,241,373</u>	<u>\$ 38,993</u>	<u>\$ 2,312,131</u>	<u>\$ 96,052,876</u>
	Cash inflow	\$ 87,679,823	\$ 1,780,556	\$ 4,241,373	\$ 38,993	\$ 2,312,131	\$ 96,052,876
	Cash outflow	84,230,011	427,426	62,996	177,577	197	84,898,207
	The amount of capital gap	<u>\$ 3,449,812</u>	<u>\$ 1,353,130</u>	<u>\$ 4,178,377</u>	<u>(\$ 138,584)</u>	<u>\$ 2,311,934</u>	<u>\$ 11,154,669</u>

The analysis of cash flow gap on September 30, 2020

Accounts	Financial assets	Receipt period					Total
		Prevailing Period	Less than 3 months	3 ~12 months	1~5 years	Over 5 years	
111100	Cash and cash equivalents	\$ 945,515	\$ 1,541,518	\$ 3,409,682	\$ -	\$ -	\$ 5,896,715
112000	Financial assets at fair value through profit or loss - current	246,459	-	-	-	-	246,459
113200	Financial assets at fair value through other comprehensive income - current	452,522	-	-	-	-	452,522
114070	Margin deposits	90,585,460	-	-	-	-	90,585,460
114080	Futures trading margin receivable	122,112	-	-	-	-	122,112
114100	Security lending deposits	129,051	-	-	-	-	129,051
114130	Accounts receivable	-	147,998	-	-	-	147,998
114140	Accounts receivable - related parties	5,768	3,938	-	-	-	9,706
114170	Other receivables	443	21,485	682	-	-	22,610
114180	Other receivables - related parties	2,156	3,832	1,667	-	-	7,655
114300	Leverage margin contract trading client margin deposits	291,528	-	-	-	-	291,528
119990	Other current assets	-	157,749	89	-	-	157,838
123200	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	1,593,786	1,593,786
129010	Operating guarantee deposits	-	-	-	-	145,637	145,637
129020	Clearing and settlement funds	-	-	-	-	539,414	539,414
129030	Refundable deposits	-	-	158	44,220	-	44,378
	Subtotal	<u>\$ 92,781,014</u>	<u>\$ 1,876,520</u>	<u>\$ 3,412,278</u>	<u>\$ 44,220</u>	<u>\$ 2,278,837</u>	<u>\$ 100,392,869</u>
	Cash inflow	\$ 92,781,014	\$ 1,876,520	\$ 3,412,278	\$ 44,220	\$ 2,278,837	\$ 100,392,869
	Cash outflow	90,712,027	260,248	198,795	16,756	197	91,188,023
	The amount of capital gap	<u>\$ 2,068,987</u>	<u>\$ 1,616,272</u>	<u>\$ 3,213,483</u>	<u>\$ 27,464</u>	<u>\$ 2,278,640</u>	<u>\$ 9,204,846</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)	<u>September 30, 2021</u>		<u>December 31, 2020</u>		<u>September 30, 2020</u>	
	Foreign currency (in thousands)	Exchange rate	Foreign currency (in thousands)	Exchange rate	Foreign currency (in thousands)	Exchange rate
<u>Financial instruments</u>						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD/NTD	\$ 1,092,160	27.8500	\$ 1,223,264	28.4800	\$ 1,307,215	29.1000
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD/NTD	1,084,263	27.8500	1,213,331	28.4800	1,297,864	29.1000

B. The total exchange gains and losses, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2021 and 2020 amounted to \$1,450, (\$2,328), (\$4,688) and (\$11,645), respectively.

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