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I. Letter to Shareholders

1. Business report for the 2009 fiscal year

A. Business plan and accomplishments.

Securities margin financing and securities loans are the company's core business. The company upholds positive, reliable and efficient concepts to continue serving agency and consolidated securities firms and establish partnerships with agency and consolidated securities firms and consolidate our leadership position in the securities financing market. As of the end of 2009, our market share had reached 18%. Our business accomplishments are as follows:

Unit: Hundred million NT\$

Average balance of security margin financing	Average balance of securities loans (guarantee fund + margin)	Average balance of re-financing	Average balance of securities margin re-financing (guarantee fund + margin)
434.03	110.62	6.16	1.97

B. Financial income and expenses / profitability analysis

Economic conditions have improved markedly since Global Financial Crisis bottomed out in Q2 2009.

The company's balance of security margin financing has improved since and has achieved the financial targets with the diligent works of our employees. Income declined 28.03% over 2008 and operating cost also declined by 47.40%, which helped boost operating income by 5.24%.

Non-operating income and profit increased by 196.88% while non-operating costs and losses declined by 10.22%. The 2009 net income improved by 71.39% compared to 2008. Net income for the fiscal year was NT\$1.814 billion with after tax EPS of NT\$ 1.10 as shown in the table below:

Year	Total assets (thousand dollars)	Total income (thousand dollars)	Net income (thousand dollars)	EPS(NT\$)
2008	47,236,960	4,943,433	1,058,226	0.84
2009	69,362,987	4,298,560	1,813,699	1.10

C. Research and development

After regulatory authorities permitted the use of security margin financing collaterals as a securities lending source in March 31, 2008, the company has leveraged its advantageous lending sources, made stock loans a major focus of the company's business development and identified foreign institutional investors and securities dealers as a source of potential clients to develop.



2. Summary of business plan for the 2009 fiscal year

A. Business plan

- (1) Maintain close relationship with existing agency securities firms: Use joint promotional activities and offer bundled service support to improve the competitiveness of agency security firms and solidify our business relations.
- (2) Promote information franchise plan and sign MOA: Assist agency securities firms to enhance business operation capabilities and thereby indirectly benefit the company's agency business.
- (3) Strict control of credit risk: Strengthen risk controls and quota system to ensure risks are under control while delivering business growth.
- (4) Adjust competing strategy appropriately: Acquire timely market information, increase market share for all branches, perform income and cost analysis, flexibly adjust competitive strategy and actively seek business from newly transformed consolidated security firms.
- (5) Expand securities lending business: Target foreign investors and securities dealers as a major source of clients. Gradually expand business alongside institutional department of Yuanta Security Company.

B. Expected 2010 Business Status of Operations

Unit: Hundred million NT\$

Average balance of security margin financing	Average balance of securities loans (guarantee fund+ margin)	Average balance of securities lending	Average balance of securities margin re-financing (guarantee fund+ margin)
576.71	106.36	3.00	0.14

3. Impact from external competitive environment, regulatory environment and overall operational environment

Due to the poor domestic economy condition stemming from the global financial crisis during the first half of 2009, the average balance of security margin financing, security loans and security lending are not high, but have steadily improved in the second half of the year. Despite the improvement, the company's business results were still impacted in 2009.

To increase the company's benefit from EOS (economics of scale) and the market share of security financing, the company acquired An-Tie Security Finance's Creditor Rights of margin financing and security loan operation. The company also took advantage over the change in agency security business domain, shield against vicious competition and moving towards healthy and sound business operation.

4. Future development strategies of the company

- A. Leverage the company's advantages in securities finance and the overall strengths of the group to boost annual market share and create maximum value for the company.
- B. Urge authorities to relax restrictions on related business in order to meet diverse demands for new financial product operations in a fast changing market.





II. Company Profile

1. Date of establishment

Date founded: March 10, 1980

Date of incorporation: April 21, 1980

2. Company milestones

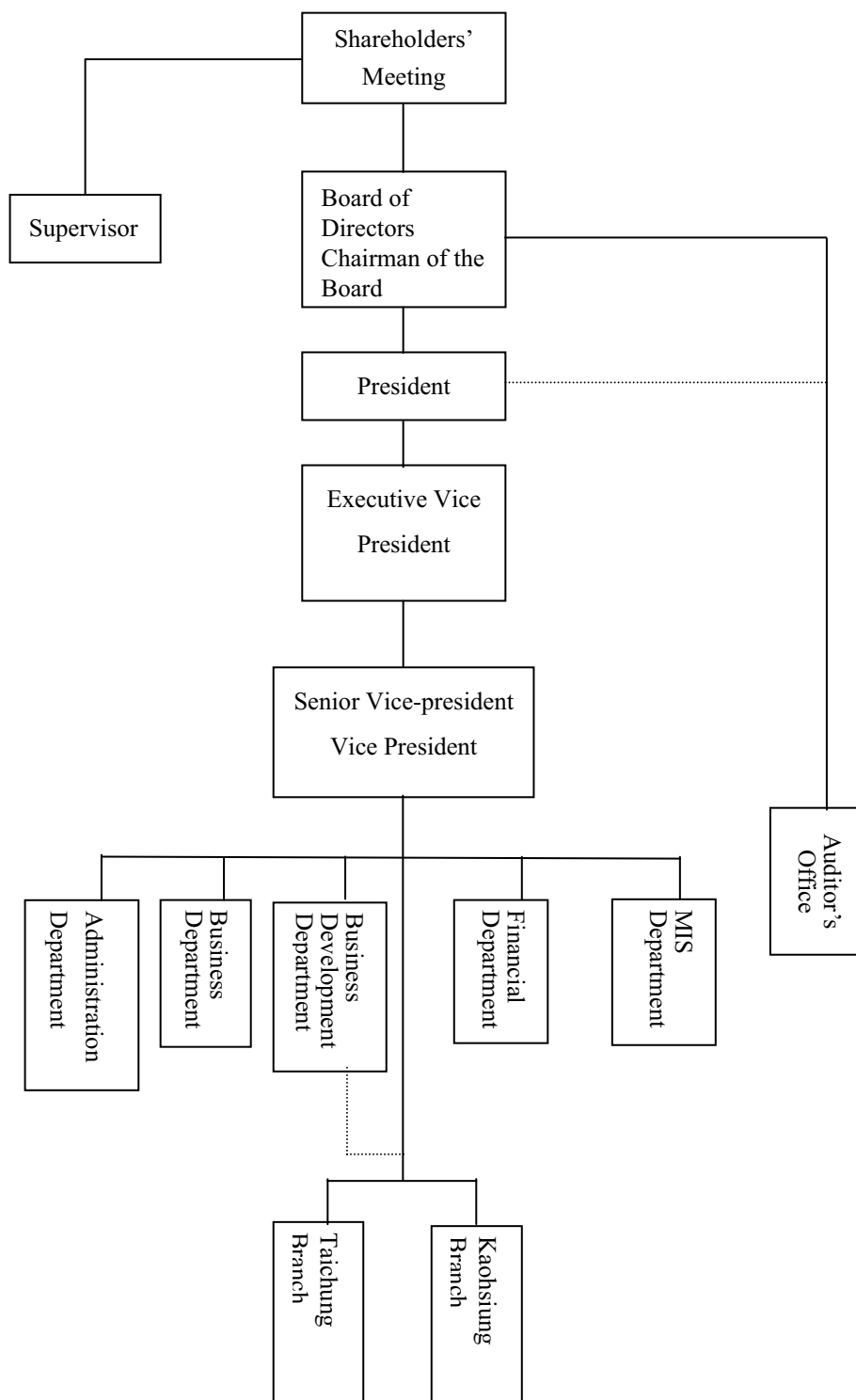
April 1980	The company granted permission by the Ministry of Finance and Securities and Futures Bureau to operate just the securities margin financing and security loans business. The founding vision of the company was to promote growth in the securities market, regulate the supply of money in the securities market and establish a comprehensive securities financing system.
September 1981	Operated stock depository business to provide safe and secure settlement in securities markets.
September 1990	1. Transferred stock depository business, staff, equipment and stock to the depository company. 2. Passage of the amendments to the Rules Governing <i>Securities Finance Enterprises</i> enabled the company to expand its business beyond securities margin financing to include refinancing business for securities margin financing firms.
July 1992	Taichung branch established
September 1993	Kaohsiung branch established
November 1994	Officially became a listed company, and shared the operating results with the public
February 2002	Co-transformed with Fuhwa Securities to establish Fuhwa Financial Holding Co., Ltd.
October 2002	Obtained securities firms permit from the regulatory authority and added government debenture trading business.
September 2006	Received permission from the regulatory authority to handle securities settlement financing business.
July 2007	Received permission from the regulatory authority to operate securities lending business.
September 2007	Name changed to Yuanta Securities Finance.
November 2007	Completed NT \$1 billion capital increase.
August 2008	Completed NT\$6 billion capital increase.
May 2009	Completed NT\$1.5 billion capital increase via capital reserve



III. Corporate Governance Report

1. Organizational system

A. Organization chart





B. Operating business of the various major departments

- (1) Administration Department: Handles board affairs, human resources, general affairs, cashiering, clerical duties, custodial, security protection, and share affairs, etc.
- (2) Business Development Department: Handles planning, analysis, estimation and evaluation of the company's overall business, management of reinvestment business, business expansion of credit transactions, legal matters, litigation, debt recovery, and legal advisory service, etc.
- (3) Business Department: Credit transaction account processing, securities firms and securities refinancing, risk control management, and claims cleaning and recovery.
- (4) Financial Department: Handles financial management, financial scheduling, accounting, and "undertaking" government debentures trading.
- (5) MIS Department: Handles the planning, design and implementation of the company's various business data processing affairs.
- (6) Auditor's Office: Audit all internal business divisions.
- (7) Branches: Operates and expands business in the company's respective business locations.



2. Information on directors, supervisors, president, vice president and managers

A. Information on directors and supervisors

March 31, 2010

Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholding		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree	
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name
Chairman	Representative of Yuanta Financial Holdings Co. Ltd : Chuang Yu-De	2007.06.29	3	2001.05.22	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	Director, Executive Vice President and Chief Secretary of Yuanta Financial Holdings; Liquidator of Fuhwa Securities; Director of Yuanta Commercial Bank; Director of Yuanta Foundation	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd : Lee Ya-pin	2007.06.29	3	2009.05.22	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	The Company's President; Director, Yuanta Venture Capital; Director, Yuanta I Venture Capital.	—	—	—





Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholding		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Representative of Yuanta Financial Holdings Co. Ltd : Yu Yao-ting	2007.06.29	3	2010.02.01	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	Ph.D., University of Texas at Austin (USA) School of Information, Senior Vice President for Yuanta Financial Holdings, Yuanta Core Pacific Securities and Yuanta Securities IT department. Chairman of Si-En IT Co Ltd	Senior Vice President for Yuanta Financial Holdings and Yuanta Securities IT department	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd : Liu Ming-Lang	2007.06.29	3	2006.07.10	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	B.A from Tamkang University, Vice President of the Settlement Department of Yuanta Core Pacific Securities	Vice President of Yuanta Financial Holdings, Board Secretary	—	—	—
Director	Representative of Yuanta Financial Holdings Co. Ltd : Yu Kuang-hua	2007.06.29	3	2009.04.16	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	China Junior College of Marine Technology, Marine Engineering Department Vice-president and Senior assistant vice president, Yuanta Securities Co., Ltd.	Vice-president, Yuanta Securities Co., Ltd.	—	—	—



Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholding		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree	
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name
Supervisor	Representative of Yuanta Financial Holdings Co. Ltd : Chang Tsai-Yu	2007.06.29	3	2005.06.30	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	CFO, Senior Vice President, Yuanta Financial Holdings; Senior Vice President, Yuanta Securities; Supervisor, Yuanta Securities Finance; Supervisor, Yuanta Venture Capital; Supervisor, Yuanta I Venture Capital; Liquidator, Director, Yuanta Financial Consulting Supervisor, Yuanta Life Insurance Agent; Director, Yuanta Securities Asia Financial Services; Director, Yuanta Securities Holding (BVI); Yuanta Asset Management Supervisor; Director of Yuanta Commercial Bank and Yuanta Securities (HK) Co. Ltd.	—	—	—





Title	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholding		Shareholding under other's name		Education and selected past positions	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Supervisor	Representative of Yuanta Financial Holdings Co. Ltd : Li A-Yen	2007.06.29	3	2008.01.15	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 800,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 1,650,000,000 shares	100%	—	—	—	—	Masters in Administration from Chia Yi University, School of Management; Special Assistant at Hwan Hwa Securities Finance, Senior Assistant President at Fuhwa Securities; Executive Assistant President at Yuanta Core Pacific Securities	Vice-president of Yuanta Financial Holdings; Supervisor of Yuanta Insurance Brokers	—	—	—

Note:

1. Yuanta Financial Holdings (formerly Fuhwa Financial Holding Co) holds all company shares, and assigns all directors and supervisors; the 10th term of directors and supervisors started from June 29th, 2007 and will end on June 28th, 2010.
2. Chairman Mr. Chang Lee-Chiou resigned on April 9th 2009 and Board of Directors elected Mr. Chuang Yu-De as Chairman on April 16th 2009.
3. Mr. Lin Tien-Fu resigned from Vice-Chairman Position on March 1st 2009 and resigned from director on April 15th 2009.
4. Director Mr. Ma Wei-Jian resigned on May 8th 2009; Yuanta Financial Holdings assigned Ms. Chen Chuang-Fen to replace the Director position. Subsequently, Director Ms. Chen Chuang-Fen resigned on September 15th 2009
5. Yuanta Financial Holdings appointed Mr. Hsu Chun-jung and Mr. Yu Kuang-hua as director on April 16th 2009; Mr. Lee Ya-pin replaced Mr. Hsu Chun-jung as director on May 22nd 2009
6. The number of shares held while elected is based on the Yuanta Financial Holdings shares held on June 29th, 2007.
7. The date elected is the date that the director or supervisor first takes office.



(1) Main institutional shareholders

08/19/2009

Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Yuanta Financial Holdings	Tsun Chueh Investment Co., Ltd.	4.27%
	Kuang Hwa Investment Co., Ltd.	3.59%
	Yuan Hung Investment Co., Ltd.	3.38%
	Yuan Hsiang Investment Co., Ltd.	3.19%
	Yu Yang Investment Co., Ltd.	2.69%
	Bank of Taiwan Co., Ltd.	2.61%
	J. P. Morgan Chase & Co. custodian trustee for Saudi Arabia Central Bank investment account	2.50%
	Land Bank of Taiwan Co., Ltd.	2.35%
	Lien Da Investment Co., Ltd.	1.85%
	Teng Ta Investment Co. Ltd.	1.55%

Note: Data for the company's top 10 major shareholders are as of Yuanta Financial Holdings' latest book. Close date (Aug 19, 2009).

(2) Major institutional shareholders whose main shareholders are judicial persons

3/31/2010

Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Tsun Chueh Investment Co., Ltd.	Teng Ta Investment Co. Ltd.	18.91%
	Lien Da Investment Co., Ltd.	18.11%
	Chiu Ta Investment Co., Ltd.	17.31%
	Lien Heng Investment Co., Ltd.	15.92%
	Hsing Tsai Investment Co., Ltd.	10.08%
	Ma Wei-Jian	8.27%
	Du Li-Chuang	4.69%
	Lin Yung- Tsang	3.23%
	Ma Er- Tai	1.68%
	Yang Hao	0.94%
Kuang Hwa Investment Co., Ltd.	Chong Yang Investment Co., Ltd	100%
Yuan Hung Investment Co., Ltd.	Mei Chia Li Investment	45.88%
	Lien Heng Investment Co., Ltd.	33.74%
	Teng Ta Investment Co. Ltd.	15.38%
	Du Li-Chuang	5.00%
Yuan Hsiang Investment Co., Ltd.	Lian Ta Investment Co., Ltd.	44.38%
	Lien Heng Investment Co., Ltd.	19.00%
	Teng Ta Investment Co. Ltd.	18.69%
	Chiu Ta Investment Co., Ltd.	9.96%
	Du Li-Chuang	5.01%
	Hsing Tsai Investment Co., Ltd.	2.96%
Yu Yang Investment Co., Ltd.	Tsun Chueh Investment Co., Ltd.	100%





Institutional Shareholders	Main Shareholders of Institutional Shareholders	
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd.	100%
J. P. Morgan Chase & Co. custodian trustee for Saudi Arabia Central Bank investment account	Not applicable	
Land Bank of Taiwan Co., Ltd.	Ministry of Finance	100%
Lian Da Investment Co., Ltd.	Chiao Hua International Investment Co., Ltd.	45.79%
	Lien Heng Investment Co., Ltd.	37.14%
	Chiu Ta Investment Co., Ltd.	14.02%
	Hsing Tsai Investment Co., Ltd.	2.57%
	Du Li-Chuang	0.47%
	Chen Hung- Lien	0.01%
Teng Ta Investment Co. Ltd.	Lien Heng Investment Co., Ltd.	53.58%
	Mai Kao Investment Co., Ltd.	45.86%
	Du Li-Chuang	0.55%
	Ma Yung- Ling	0.01%

Note: Disclosure of relevant information performed in accordance with the annual report preparation regulations for public companies; the baseline date is the publication date of the annual report.

(3) Information on independency of directors and supervisors and required professional knowledge

March 31, 2010

Conditions	Has at least five years of relevant work experience and the following professional qualifications			Compliance with independence criteria (Note)										Number of concurrent independent directorships held at listed companies
	Lecturer or higher ranking position at a public or private university / college in business, law, finance, accounting, or other subject relevant to work at the company	Holding a national examination certificate in a profession or expertise needed by the company; or judge, prosecutor, attorney or CPA credentials	Work experience in business, law, finance, accounting , or other area(s) needed by the company	1	2	3	4	5	6	7	8	9	10	
Names														
Chuang Yu-De			✓			✓	✓		✓	✓	✓	✓		
Lee Ya-pin			✓			✓	✓	✓	✓	✓	✓	✓		
Yu Yao-ting			✓		✓	✓	✓			✓	✓	✓		
Liu Ming-Lang			✓		✓	✓	✓	✓	✓	✓	✓	✓		
Yu Kuang-hua			✓		✓	✓	✓	✓		✓	✓	✓		
Chang Tsai-Yu			✓			✓	✓			✓	✓	✓		
Li A-Yen			✓			✓	✓	✓		✓	✓	✓		

Note: A “✓” is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:



- (1) Not an employee of the company or an affiliate.
- (2) Not a director or a supervisor of the company or an affiliate (this restriction does not apply, however, when the person is an independent director of the company, its parent company, or a subsidiary in which the company directly and indirectly holds more than 50% of voting shares).
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total outstanding shares, nor is one of the company's ten largest natural person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the fifth degree of kinship of a person listed in the three foregoing paragraphs.
- (5) Is not the director, supervisor, or employee of an institutional shareholder directly holding more than 5% of the company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest institutional shareholders in terms of shareholdings.
- (6) Is neither a director, supervisor, or manager, nor a shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the company
- (7) Is not a professional providing business, legal, financial, accounting, or consulting services to the company or an affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the foregoing, of a sole proprietorship, partnership, company, or organization providing such services to the company or an affiliate.
- (8) Is not the spouse or second degree relative of any other director
- (9) Is not a person of the conditions specified in any of the subparagraphs of Article 30 of the Company Act
- (10) Has not been elected as a representative for government units, institutions as prescribed in Article 27 of the Company Act.





B. Information on president, vice presidents and managers

03/31/2010

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Lee Ya-pin	2009.06.01	—	—	—	—	—	—	Master's degree, Soochow University Graduate School of Law Executive vice president, Yuanta Securities Co., Ltd.; Executive vice president, Senior vice-president, vice-president Yuanta Core Pacific Securities Co., Ltd.; Lecturer in Chung-Yuan Christian University Law department and Yuan-Ze University finance department; vice president, proprietary trading department, AVP Strategic planning office of Sampo Securities; Special Assistance and Manger department Manager of Jing-Huei Tong securities; Researcher in Securities and Futures Institute	The Company's President; Director, Yuanta Venture Capital; Director, Yuanta I Venture Capital.	—	—	—
Vice President	Liu Ming-Lang	2005.06.30	—	—	—	—	—	—	B.A from Tamkang University, Vice President of the Settlement Department of Yuanta Securities		—	—	—
Vice President	Lu Wen-ting	2009.11.01	—	—	—	—	—	—	Master's degree, Birmingham University, UK, Graduate School of Business Administration Vice president, Yuanta Core Pacific Securities Co., Ltd.	CHRO, Yuanta Financial Holdings Co., Ltd.			



03/31/2010

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Assistant Vice-president of Administration Department	Lin Tseng-Chun	2007.09.23							Department of Business Administration, National College of Business, Assistant Vice President of the Administration Department of Yuanta Securities, Company Department Manager and Senior Manager	Senior Assistant Manager of the Administration Department of Yuanta Financial Holdings			
Senior Assistant Vice president of Business Development Department	Hong Rong-Ting	2006.07.01							MBA from Oregon State University, Assistant Vice President, Senior Manager and Assistant Manager of the Company; Nan Ya Plastics Assistant Cost Executive				
Senior Assistant vice president of Finance Department	Lu Hui-Rong	2008.06.01							Graduate School of Finance National Taiwan University of Science and Technology	Special Committee Member, Yuanta Financial Holdings			
Assistant Vice-president of MIS Department	Chen Ying-Ling	2005.12.01							Senior Manager, Yuanta Securities; Executive Manager, Manager Yuanta Core Pacific Securities				
Supervisor of Auditor's Office	Huang Shi-Chun	2005.12.27							Department of Business in Providence University, Manager of MIS				
									Department of Yuanta Core Pacific Securities; programmer of Union Insurance Company				
									Accounting Department in Jinwen University of Science and Technology, Section Chief of the Company; Chief Editor and Researcher of the Research Department of Global Securities				





03/31/2010

Title	Name	Date of appointment	Shares held		Shares held by spouse, minor child		Shares held in another's name		Education and selected past positions	Concurrent position at other companies	Managers who are spouses or relatives within the second degree of kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Assistant vice president of Taichung branch	Liu Ying-Shi	2002.07.01	—	—	—	—	—	—	Industrial Management, Vanung University, Manager of the company's Taichung and Kaohsiung branch, Designer of the Taxation Center of Ministry of Finance	—	—	—	
Manager of Kaohsiung branch	Chen Chi-Ping	2006.11.01	—	—	—	—	—	—	National Chengchi University Department of Public Administration, Assistant Manager, Supervisor, and Section Chief of the Company	—	—	—	
Ex-President	Chuang Yu-De	2001.12.19	—	—	—	—	—	—	Masters degree from National Taiwan Cheng Chi University, President and Vice President of the Company; Chief and Deputy Chief of the Ministry of Finance's Finance Bureau	Director, Executive Vice President and Chief Secretary of Yuanta Financial Holdings; Liquidator of Fuhwa Securities; Director of Yuanta Commercial Bank; Director of Yuanta Foundation	—	—	
Ex-Assistant vice president of Business Department	Chen Mei-Zhi	2005.06.30	—	—	—	—	—	—	MBA from Eastern Michigan University; Yuanta Core Pacific Securities Settlement Department Manager	—	—	—	

Note: The Company is a subsidiary of Yuanta Financial Holdings that holds 100% of the shares.



C. Remuneration to directors, supervisors, president and vice presidents

(1) Remuneration to directors

Units: NT\$

T i t l e	Name	Directors' remuneration				Sum of A, B, C and D as percentage of net income after tax(Note11)				Remuneration to concurrent employees						Sum of A, B, C, D, E, F and G and that sum as percentage of net income after tax(Note11)	The consolidated subsidiaries (Note8)	Remuneration from investment in a non-sub subsidiary enterprise (Note12)		
		Wages (A) (Note2)		Severance and retirement payments (B)		Allocated from distribution of earnings (C)(Note3)		Service expenses (D)(Note4)		The company	Consolidated subsidiaries (Note8)	The company	Consolidated subsidiaries (Note8)	The company	Consolidated subsidiaries (Note8)				The company	Consolidated subsidiaries (Note8)
		The company	Consolidated Subsidiaries (Note8)	The company	Consolidated Subsidiaries (Note8)	The company	Consolidated Subsidiaries (Note8)	The company	Consolidated Subsidiaries (Note8)											
Chairman	Yuanta Financial Holdings statutory representative: Chuang Yu-De	14,330,842	14,330,842	392,169	392,169	-	-	1,251,467	1,251,467	0.88%	0.88%	13,614,398	13,614,398	567,578	567,578	-	-	1.69%	1.69%	無
Director	Yuanta Financial Holdings statutory representative: Lee Ya-pin																			
Director	Yuanta Financial Holdings statutory representative: Liu Ming-Lang																			
Director	Yuanta Financial Holdings statutory representative: Hsu Chun-jung																			



Range of remuneration

Breakdown of remuneration to company directors Units: NT\$	Directors			
	Sum of foregoing four items (A+B+C+D)		Sum of foregoing seven items (A+B+C+D+E+F+G)	
	The company (Note9)	All enterprises invested by the Company (Note10)	The company(Notes)	All enterprises invested by the company (Note 10J)
Below 2,000,000	Lee Ya-pin, Liu Ming-Lang, Chang Lee-Chiou, Hsu Chun-jung, Yu Kuang-hua, Ma Wei-Jian, Chen Chang-fen	Lee Ya-pin, Liu Ming-Lang, Chang Lee-Chiou, Hsu Chun-jung, Yu Kuang-hua, Ma Wei-Jian, Chen Chang-fen	Chang Lee-Chiou, Hsu Chun-jung, Yu Kuang-hua, Ma Wei-Jian, Chen Chang-fen	Chang Lee-Chiou, Hsu Chun-jung, Yu Kuang-hua, Ma Wei-Jian, Chen Chang-fen
2,000,000 (inclusive) - 5,000,000	Lin Tien-Fu	Lin Tien-Fu	Lin Tien-Fu	Lin Tien-Fu
5,000,000 (inclusive) - 10,000,000			Lee Ya-pin, Liu Ming-Lang	Lee Ya-pin, Liu Ming-Lang
10,000,000 (inclusive) - 15,000,000	Chuang Yu-De	Chuang Yu-De	Chuang Yu-De	Chuang Yu-De
15,000,000 (inclusive) - 30,000,000				
30,000,000 (inclusive) - 50,000,000				
50,000,000 (inclusive) - 100,000,000				
Over 100,000,000				
Total	9	9	9	9

Note 1: Indicate separately director's surname and first name (apply separation method in the case of institutional shareholder, clearly indicate shareholder and proxy representative's names) and apply aggregation method when disclosing each payment. If the director(s) is also serving concurrently as firm's president or vice-president(s), the above table and table (3-1) or (3-2) need to be filled.

Note 2: Remuneration allocated to director(s) over recent years (includes director salaries, differential pay, severance pay, bonuses, cash rewards etc.)

Note 3: Compensation allocated to director(s) from earnings over the recent years passed by the board meeting held prior to the shareholder's meeting need to be disclosed.

Note 4: Associated business execution expenses for director(s) over the recent years (including transportation expenses, special expenses, other allowances, accommodations, corporate vehicles etc.) If housing, vehicles, other form of transports or exclusive personal expenses is provided, asset characters and costs needs to be disclosed based on actual or fair value of the rental cost, fuel cost and other payments. If driver(s) is allocated, addition notes on driver's expenses need to be disclosed, but need not be accounted towards remuneration.

Note 5: All salaries, differential pay, severance pay, bonus, cash rewards, transport expense, special expenses, other allowances, and accommodation, corporate vehicles etc for director(s) serving concurrently as employees over the recent years (includes concurrent serving as president, vice-president(s), other managers and employees). If housing, vehicles, other form of transports or exclusive personal expenses is provided, asset characters and costs needs to be disclosed based on actual or fair value of the rental cost, fuel cost and other payments. If driver(s) is allocated, addition notes on driver's expenses needs to be disclosed, but need not be accounted towards remuneration.

Note 6: Director(s) serving concurrently as employee(s) (includes concurrent serving as president, vice-president(s), other managers and employees) who received employee bonuses allotment (includes stock and cash dividends) over the recent years are required to disclose proposed employee bonuses of the company's recent year earnings passed by the board meeting held prior to the shareholder's meeting need to be disclosed. If estimation cannot be determined, use past year allotment proportionate to the current year proposed allotments, additional table (1-3) need to be filled.





Notes 7: Number of exercised (excludes unexercised portion) employee stock options for director(s) serving concurrently as employee(s) prior to the annual report publication date (includes concurrent serving as president, vice-president(s), other managers and employees), above table and additional table (15) need to be filled.

Notes 8: Total remuneration payment to director(s) of all firms listed in the consolidated report (includes the company) need to be disclosed.

Notes 9: Total remuneration payments to each director of the company, name of director(s) need to be disclosed in "Range of Remuneration" table.

Notes 10: Total remuneration payments to each director for all firms listed in the consolidated report (includes the company), name of director(s) need to be disclosed in "Range of Remuneration" table.

Notes 11: Net income is of past year net income.

Notes 12: a. Clearly fill-out in this column whether director(s) receive remuneration of reinvested enterprises of the company subsidiary. ("Yes" or "No")

b. If "Yes", voluntary fill-out remuneration received is permitted and shall incorporate remuneration received in accordance to their concurrently position(s) in the reinvested enterprises of the company subsidiary into column I and J of "Range of Remuneration to directors" table for company director(s). Also, change the name of corresponding column to "Reinvested Enterprises"

c. Remuneration include compensation, employee bonuses and associated business execution expenses for director(s) of the company who is concurrently director(s), supervisor(s) or manager(s) for the reinvested enterprises of the company subsidiary.

*The concept of remuneration disclosure in this table is differ to the "Income Tax Law" and is used for disclosure purpose only and is not for income tax purpose.

*There were no actual severance and retirement payment made by the company during 2009. The amounts listed in the table are allocated severance and retirement expenses. Chairmen have been assigned a corporate Vehicle and a driver.

(2) Remuneration to supervisors

Title	Name	Supervisors' remuneration						Remuneration from investment in a non-subsiary enterprise (Note9)		
		Wages (A)(Note2)		Allocated from distribution of earnings (B) (Note3)		business execution expenses (C)(Note4)			Sum of A, B, C and that sum as percentage of net income after tax (Note8)	
		The company	Consolidated subsidiaries (Note 5)	The company	Consolidated subsidiaries (Note 5)	The company	Consolidated subsidiaries (Note 5)		The company	Consolidated subsidiaries (Note 5)
Supervisor	Yuanta Financial Holdings statutory representative: Li A-Yen	—	—	—	—	510,000	510,000	0.03%	0.03%	None
Supervisor	Yuanta Financial Holdings statutory representative: Chang Tsai-Yu	—	—	—	—	510,000	510,000	0.03%	0.03%	None

Units: NT\$



Range of remuneration

Breakdown of remuneration to supervisors Units: NT\$	Supervisors	
	The company (Note6)	Sum of foregoing three items (A+B+C) All companies in the consolidated statement (D) (Note7)
Below 2,000,000	Li A-Yen, Chang Tsai-Yu	Li A-Yen, Chang Tsai-Yu
2,000,000 (inclusive) - 5,000,000		
5,000,000 (inclusive) - 10,000,000		
10,000,000 (inclusive) - 15,000,000		
15,000,000 (inclusive) - 30,000,000		
30,000,000 (inclusive) - 50,000,000		
50,000,000 (inclusive) - 100,000,000		
Over 100,000,000		
Total	2	2

Note 1: Indicate separately supervisor's surname and first name (apply separation method in the case of institutional shareholder, clearly indicate shareholder and proxy representative's names) and apply aggregation method when disclosing each payment.

Note 2: Remuneration allocated to supervisor(s) over recent years (includes director salaries, differential pay, severance pay, bonuses, cash rewards etc.)

Note 3: Compensation allocated to supervisor(s) from earnings over the recent years passed by the board meeting held prior to the shareholder's meeting need to be disclosed.

Note 4: Associated business execution expenses for supervisor(s) over the recent years (including transportation expenses, special expenses, other allowances, accommodations, corporate vehicles etc.) If housing, vehicles, other form of transports or exclusive personal expenses is provided, asset characters and costs needs to be disclosed based on actual or fair value of the rental cost, fuel cost and other payments. If driver(s) is allocated, addition notes on driver's expenses need to be disclosed, but need not be accounted towards remuneration.

Notes 5: Total remuneration payment to supervisor(s) of the all the firm listed in the consolidated report (includes the company) need to be disclosed.

Notes 6: Total remuneration payments to each supervisor of the company, name of supervisor(s) need to be disclosed in "Range of Remuneration" table.

Notes 7: Total remuneration payments to each supervisor for all the firms listed in the consolidated report (includes the company), name of supervisor(s) need to be disclosed in "Range of Remuneration" table.

Notes 8: Net income is of past year net income.

Notes 9: a. Clearly fill-out in this column whether supervisor(s) receive remuneration of reinvested enterprises of the company subsidiary. ("Yes" or "No")

b. If "Yes", voluntary fill-out remuneration received is permitted and shall incorporate remuneration received in accordance to their concurrently position(s) in the reinvested enterprises of the company subsidiary into column D of "Range of Remuneration to directors" table for company supervisor(s). Also, change the name of corresponding column to "Reinvested Enterprises"

c. Remuneration include compensation, employee bonuses and associated business execution expenses for supervisor(s) of the company who is concurrently director(s), supervisor(s) or manager(s) for the reinvested enterprises of the company subsidiary.

*The concept of remuneration disclosure in this table is differ to the "Income Tax Law" and is used for disclosure purpose only and is not for income tax purpose.





(3) Remuneration to the president and vice presidents

Title	Name	Wages (A) (Note2)		Severance and retirement payments (B)		Bonuses and special allowances (C) (Note3)		Employee bonuses from distribution of earnings (D) (Note4)				Sum of A, B, C, D and that sum as percentage of net income after tax % (Note9)		Number of employee stock options obtained (Note5)		Remuneration on from reinvested enterprise via subsidiary (Note10)
		The company	Consolidated subsidiaries (Note6)	The company	Consolidated Subsidiaries (Note6)	The company	Consolidated subsidiaries (Note6)	The company	Consolidated Subsidiaries (Note5)	The company	Consolidated subsidiaries (Note6)	The company	Consolidated subsidiaries (Note6)			
President	Lee Ya-Pin															
Vice President	Liu Ming-Lang	6,402,717	6,402,717	527,953	527,953	7,984,507	7,984,507	595,320	-	595,320	-	0.86%	0.86%	-	-	None
Vice President	Lu Wen-ting															
Ex-President	Chuang Yu-De															

Range of remuneration

Breakdown of remuneration to president and vice presidents Units: NT\$	President and vice presidents	
	The company (Note 7)	All companies in the consolidated statement (Note 8) (E)
Below 2,000,000	Chuang Yu-De, Lu Wen-Ting	Chuang Yu-De, Lu Wen-Ting
2,000,000 (inclusive) - 5,000,000		
5,000,000 (inclusive) - 10,000,000	Lee Ya-Pin, Liu Ming-Lang	Lee Ya-Pin, Liu Ming-Lang
10,000,000 (inclusive) - 15,000,000		
15,000,000 (inclusive) - 30,000,000		
30,000,000 (inclusive) - 50,000,000		
50,000,000 (inclusive) - 100,000,000		
Over 100,000,000		
Total	4	4

Note 1: Indicate separately president and vice-president(s)' surname and first name and apply aggregation method when disclosing each payment. If the director(s) is also serving concurrently as firm's president or vice-president, the above table and table (1-1) or (1-2) need to be filled.

Note 2: Salaries, differential pay and severance pay allocated to president and vice-president(s) over recent years.

Note 3: All bonuses cash-rewards, transport expense, special expenses, other allowances, and accommodation, corporate vehicles etc for president and vice-president(s) serving concurrently as

employees over the recent years (includes concurrent serving as president, vice-president(s), other managers and employees). If housing, vehicles, other form of transports or exclusive personal expenses is provided, asset characters and costs needs to be disclosed based on actual or fair value of the rental cost, fuel cost and other payments. If driver(s) is allocated, addition notes on driver's expenses needs to be disclosed, but need not be accounted towards remuneration.

Note 4: Disclose employee bonuses allotment (includes stock and cash dividends), proposed president, vice-president(s) and employee bonuses of the company's past year earnings passed by the board meeting held prior to the shareholder's meeting need to be disclosed. If estimation cannot be determined, use past year allotment proportionate to the current year proposed allotments, additional table (1-3) need to be filled. Net income is of past year net income.

Notes 5: Number of exercised (excludes unexercised portion) employee stock options for president and vice-president(s) prior to the annual report publication date, above table and additional table (15) need to be filled.

Notes 6: Total remuneration payment to president and vice-president(s) of all firms listed in the consolidated report (includes the company) need to be disclosed.

Notes 7: Total remuneration payments to each president and vice-president of the company, name of president and vice-president(s) need to be disclosed in "Range of Remuneration" table.

Notes 8: Total remuneration payments to each president and vice-president for all firms listed in the consolidated report (includes the company), name of president and vice-president(s) need to be disclosed in "Range of Remuneration" table.

Notes 9: Net income is of past year net income.

Notes 10: a. Clearly fill-out in this column whether president and vice-president(s) receive remuneration of reinvested enterprises of the company subsidiary. ("Yes" or "No")

b. If "Yes", voluntary fill-out remuneration received is permitted and shall incorporate remuneration received in accordance to their concurrently position(s) in the reinvested enterprises of the company subsidiary into column D of "Range of Remuneration to directors" table for company president and vice-president(s). Also, change the name of corresponding column to "Reinvested Enterprises"

c. Remuneration include compensation, employee bonuses and associated business execution expenses for president and vice-president(s) of the company who is concurrently director(s), supervisor(s) or manager(s) for the reinvested enterprises of the company subsidiary.

*The concept of remuneration disclosure in this table is differ to the "Income Tax Law" and is used for disclosure purpose only and is not for income tax purpose.

*There were no actual severance and retirement payment made by the company in 2009. The amounts listed in the table are allocated severance and retirement expenses. Chairmen have been assigned a corporate Vehicle and a driver.





(4) Employee Bonus Allotment to Managers

	Title	Name	Stock dividend amount	Cash dividend amount	Total	Percentage of total amount to net profits after tax (%)
Management	President	Lee Ya-pin	0	1,280,306	1,280,306	0.07%
	Vice President	Liu Ming-Lang				
	Vice President	Lu Wen-Ting				
	Assistant Vice president of Administration Department	Lin Tseng-Chun				
	Senior assistant vice president of Business Development Department	Hong Rong-Ting				
	Senior assistant vice president of Financial Department	Lu Hui-Rong				
	Assistant vice president of MIS department	Chen Ying-Ling				
	Supervisor of Auditor's Office	Huang Shi Chun				
	Assistant vice president of Taichung branch	Liu Ying-Shi				
	Manager of Kaohsiung branch	Chen Chi-Ping				
	Ex-President	Chuang Yu-De				

Note1: Individual names and job titles requires disclosure and aggregation method is permitted for disclosing earnings.

Note 2: Employee bonus allotment to managers(s) from earnings over the recent years passed by the board meeting held prior to the shareholder's meeting need to be disclosed. If estimation cannot be determined, use past year allotment proportionate to the current year proposed allotments. Net income is of past year net income.

Note 3: Scope of application to manager(s), according to approved Securities and Futures Commission letter Tai-Tsai-Cheng No. 0920001301 of March 27,2003 are as follows:

- (1)President and equivalent
- (2)Vice-president and equivalent
- (3)Assistant Vice-president and equivalent
- (4)Head of Financial department
- (5)Head of Accounting department
- (6)Others who have managerial responsibility and are authorized to sign.

Note 4: Director(s), president and vice-president(s) serving concurrently as employee(s) who received employee bonuses allotment (includes stock and cash dividends), this table and additional table (1-2) need to be filled.

*The employee bonuses allotments are estimated value as it is not issued yet.

D. Analysis of Remuneration for Director(s), Supervisor(s), President and Vice-President(s) in the past two years

- (1) Ratio of total amount to the net profits after tax of remuneration to Director(s), Supervisor(s), President and Vice-President(s):

Ratio of total amount to the net profits after tax of remuneration to director(s), supervisor(s), President and Vice-President(s) was around 3.43% in 2008; and around 1.72% in 2009.



(2) The relationships between the policy, standard, and combination of remuneration, remuneration establishment procedure and operating performance:

The remuneration to directors, supervisors, presidents and vice presidents, in addition to referring to the standards of other financial institutions, is also in accordance with the regulations of Articles of Incorporation, and considers the company's operating performance and relevant reward bonus measures. The company's net profits after tax in 2009 was NT\$1,813,698,000, which is about 1.7139 times the net profits after tax in 2008 (NT\$1,058,226,000). Due to the increase in net profits after tax calculating base, the percentage of total amount to the net profits after tax of remuneration to directors, supervisors, presidents and vice presidents decreased correspondingly.





3. State of corporate governance

A. Operation of the Board of Directors

A total of 14 (A) board meetings were held in 2009; the attendance of Directors and Supervisors is listed below:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A]	Remark
Chairman	Yuanta Financial Holdings representative: Chuang Yu-De	14		100	
Director	Yuanta Financial Holdings representative: Lee Ya-pin	8		100	Appointed:05.22.2009
Director	Yuanta Financial Holdings representative: Liu Ming-Lang	14		100	
Director	Yuanta Financial Holdings representative: Yu Kuang-hua	8	2	80	Appointed:04.16.2009
Ex-Chairman	Yuanta Financial Holdings representative: Chang Lee-Chiou	4		100	Resigned:04.08.2009
Ex- Director	Yuanta Financial Holdings representative: Lin Tien-Fu	4		100	Resigned:04.15.2009
Ex- Director	Yuanta Financial Holdings representative: Ma Wei-Jian	5	1	83.3	. Resigned:05.07.2009
Ex- Director	Yuanta Financial Holdings representative: Chen Chang-fen	4		100	Appointed:05.08.2009 Resigned:09.15.2009
Ex- Director	Yuanta Financial Holdings representative: Hsu Chun-jung	2		100	Appointed:04.16.2009 Resigned:05.21.2009

Other required Items :

A. All items listed in the Securities and Exchange Act Article 14-3 and all written objections or qualified opinions from independent directors recorded in the minutes of the Board of Directors should be clearly stated, including the date, period, contents of resolution, opinions from individual directors, and the company regarding the objections/qualified opinions:

N/A, the company does not have independent directors.

B. When a director recused himself or herself from a resolution due to a conflict of interest, the minutes shall clearly state the director's name, content of the resolution, reason for recusal, and participation in voting:

(1) February 24, 2009 Tenth Term 22nd Board Meeting

1. The company proposed to invest in 26 related party equity include "Weichuan Foods"

Resolution:

a. Director Ma Wei-Jian recused himself from the resolution concerning stock investment due to a potential conflict of interest with "Wal-Sin Li-Hwa", "Win Bond", "Win Tek", "Chain Tek", "Hann Star Board", "Hann Star Display" and "Walton Advanced Engineering" etc.

b. Chairman Chang Lee-Chiou recused himself from the resolution concerning stock investment due to potential conflict of interest for being the Supervisor of Compal Comm, Lin Tien-Fu was the chair person during the voting.

c. The resolution was approved by all of the other directors in attendance except a. and b. related parties stated above.

2. The company proposed a NT\$3 million donation to the Yuanta Foundation with aim to enhance corporate image and promoting the "Community Caring and Consummation life" Corporate philosophy.

Resolution:

Vice chairman Lin Tian-Fu and director Chuang Yu-De recused themselves from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

(2) March 18, 2009 Tenth Term 23rd Board Meeting

The company proposed the signing of "Securities Lending Agency Agreement" to authorize the agency rights of securities Lending business and related rights with Yuanta Securities.

Resolution:

Vice chairman Lin Tian-Fu and director Ma Wei-Jian recused themselves from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

(3) March 26, 2009 Tenth Term 24th Board Meeting

1. The company proposed to invest in 26 related party equity include "Weichuan Foods"



Resolution:

- a. Director Ma Wei-Jian recused himself from the resolution concerning stock investment due to a potential conflict of interest with "Wal-Sin Li-Hwa", "Win Bond", "Win Tek", "Chain Tek", "Hann Star Board", "Hann Star Display" and "Walton Advanced Engineering" etc.
- b. Chairman Chang Lee-Chiou recused himself from the resolution concerning stock investment due to potential conflict of interest for being the Supervisor of Compal Comm, Lin Tien-Fu was the chair person during the voting.
- c. The resolution was approved by all of the other directors in attendance except a. and b. related parties stated above.

(4) April 16, 2009 Tenth Term 25th Board Meeting

Due to operational need, company proposed Vice-president Liu Ming-Lang to also serve concurrently as President.

Resolution:

Director Liu Ming-Lang recused himself from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

(5) April 28, 2009 Tenth Term 26th Board Meeting

1. The company proposed to invest in 27 related party equity include "Weichuan Foods"

Resolution:

Director Ma Wei-Jian recused himself from the resolution concerning stock investment due to a potential conflict of interest associated with "Wal-Sin Li-Hwa", "Win Bond", "Win Tek", "Chain Tek", "Hann Star Board", "Hann Star Display" and "Walton Advanced Engineering" etc. The resolution was approved by all of the other directors in attendance.

2. The company proposed to sale vehicles to Yuanta Securities to utilize the Group's resources,

Resolution:

Director Ma Wei-Jian, Hsu Chun-jung and Yu Kuang-hua recused themselves from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

3. The Company proposed to modify current rental rates and areas on office rented and office leased.

Resolution:

a. Director Ma Wei-Jian, Hsu Chun-jung and Yu Kuang-hua recused themselves from the resolution due to potential conflict of interest concerning office rented associated with Yuanta securities.

b. Director Ma Wei-Jian recused himself from the resolution due to potential conflict of interest for concerning office leased to Yuanta Commercial Bank.

(6) June 23, 2009 Tenth Term 28th Board Meeting

1. The company proposed to sale company asset Yang-De building's 4F, 4F-1 and 5 ground car parking spaces to Yuanta Securities and Insurance Business development Foundations to utilize asset efficiencies.

Resolution:

Director Chen Chang-fen and Yu Kuang-hua recused himself from the resolution due to a potential conflict of interest with Yuanta Securities. The resolution was approved by all of the other directors in attendance.

2. The company proposed to donate NT\$2 million to Yuanta Foundation base on the "Caring for Vulnerable Social Groups" corporate philosophy and to provide them more resources.

Resolution:

a. Chairman Chuang Yu-De recused himself from the resolution due to potential conflict of interest concerning for being the Chairman of Yuanta Foundation.

b. Except other reclosed parties due to potential conflict of interests. The resolution was approved by all of the other directors in attendance.

(7) November 02, 2009 Tenth Term 33th Board Meeting

The company proposed to modify the floor usage and rental spaces to complement Financial holding's departmental changes

Resolution:

Director Yu Kuang-hua recused himself from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.

C. Measures undertaken during the current year and past year to strengthen the functions of the Board of Directors:

The Company has established corporate governance rules including corporate governance best practice guidelines, board of directors' procedures, duties of directors, continuing education rules for directors and supervisors, self examination list when directors and supervisors take office to strengthen board functions. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors and conducts reviews at appropriate time based on actual operating conditions.

Note: 1. The attendance rate (%) for Director(s) and Supervisor(s) is calculated by dividing the actual attendance by the total of number of meetings held during the period.

2. Baseline date: December 31, 2009.





B. Operations of the Audit Committee and Supervisor(s) Attendance of Board Meetings:

- (1) The company does not have an audit committee.
- (2) Supervisor attendance of board meetings:

Fourteen (A) board meetings were held in the most recent year (2009) and the attendance records of the supervisor(s) are listed below:

Title	Name	Actual Attendance (B)	Attendance rate (%) (B / A) (note)	Remark
Supervisor	Yuanta Financial Holdings representative: Chang Tsai-Yu	14	100	
Supervisor	Yuanta Financial Holdings representative: Li A-Yen	12	85.7	
Other required items: A. Supervisor composition and duties: 1. Communication between supervisors, company employees and shareholders: In order to establish solid supervisory functions for the board of directors and supervisors, a suggestion and complaint mailbox has been set up on the website for use in receiving and handling major deficiencies, fraud and corruption cases and accepting suggesting and complains that can assist with Company business management and development in order to promote smooth communication between the board of directors and employees, investors and interested parties. 2. Communication between supervisors, internal audit supervisors and CPAs (for example communication items, methods and results regarding company finances and sales conditions): (1) CPAs report and communicate the audit status of the financial report to the supervisors once each quarter. (2) The audit supervisor reports and communicates to the supervisors once every six months. B. If the supervisor states an opinion at a board meeting, record the date, term, resolution contents, director resolution results and how the opinion stated by the supervisor is handled by the board: N/A				

The attendance rate (%) is calculated by dividing the actual attendance by the total of number of meetings held during the period.

C. Status of corporate governance, non-compliance with the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies and related reasons

Item(s)	Implementation Status	Non-Compliance with Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies with Explanations
I. Shareholding structure and Shareholder rights, A. Handling shareholder suggestions or disputes B. The company has a roster of its major shareholders and the list of the ultimate owners of these major shareholders C. Risk management mechanism and firewall between the company and its affiliates	1. Yuanta Financial Holdings is the sole shareholder of the company; therefore, the company doesn't have this problem. 2. Yuanta Financial Holdings is the sole shareholder of the company. The only major shareholder with control over the company is Yuanta Financial Holdings. 3. Internal auditing and internal control systems have been put in place and their operation is done in accordance with internal control system and relevant regulations.	None.
II. Composition and duties of the board of directors A. Commissioning independent directors B. Regular evaluation of the independence of CPAs	1. The company has five directors. No independent directors have yet been placed. All perform their duties in accordance with the Company Act. 2. An evaluation of the independence of CPAs is submitted to the Board of Directors each year which approves their appointment.	No independent directors
III. Communication channels with interested parties	A database of interested parties has been established and a service mailbox is established on the company website. The communication channels are good.	None.
IV. Information disclosure A. Company website disclosing	1. The company has set up a website to provide business	



Item(s)	Implementation Status	Non-Compliance with <i>Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies with Explanations</i>
information on the company's finances, business and corporate governance status B. Other forms of information disclosure (such as English Website, appointment of specific personnel to collect and disclose information, establishing a spokesperson system, posting investor conference proceedings on the company website.)	related information and personnel have been assigned to maintain the site. 2. The company has appointed a spokesperson and an acting spokesperson. Information such as monthly revenue is posted on the Market Observation Post System and annual reports and financial reports are made available on the company's website.	
V. Establishment and operation of functional committees such as a nomination or remuneration committees	No functional committees such as audit, nomination or remuneration committees have been formed.	No functional committees such as audit, nomination or remuneration committees have been formed.
<p>VI. Please state the company's corporate governance and any non-compliance with "Corporate Governance Best-Practice Principle for Financial Holding Companies" and the reasons for non-compliance: The company has established corporate governance best practice principles in accordance with regulations. There is no significant non-compliance with corporate governance best practice principles during their practice.</p>		
<p>VII. Other information to facilitate better understanding of the company's enforcement of corporate governance (such as directors' and supervisors' continuing education and training, attendance of directors and supervisors at the board meetings, risk management policies and risk measurement standards, consumer or customer protection policies, directors' avoidance of conflicts of interest, the company's purchase of liability insurance for directors and supervisors):</p> <p>1. Directors' and supervisors' continuing education and training: Continuing education courses are arranged regularly for directors and supervisors for them to attend. Director and Supervisor Continuing Education Guidelines were established in November 2007.</p> <p>2. Attendance of directors and supervisors at the board meetings: Company directors enthusiastically attend board meetings and participate in discussions. For those directors who are not able to attend the board meeting, they can have another director act as his/her proxy, and at the same time invite supervisors to attend and express their opinions appropriately.</p> <p>3. Directors' recusal for potential conflicts of interest: Directors recuse themselves from all resolutions where there may be a conflict of interest, and do not participate in discussion or voting of such resolutions. (See board of directors' operation information).</p> <p>4. Purchase of liability insurance for directors and supervisors: Yuanta Financial Holding has purchased liability insurance for all directors and supervisors.</p>		
<p>VIII. If the company has a corporate governance self-evaluation or has authorized any professional organization to conduct such None</p>		

D. Establishment, Responsibility and Operation Status of Remuneration Committee:

The Company has not yet established Remuneration Committee.

E. Fulfillment of social responsibilities:

The Company donates a certain sum each year to the Yuanta Foundation for charitable activities.

The Company also donated NT\$35 million for 88 flood disaster relief.

F. Methods for inquiring about the Company's Corporate Governance Best Practice Principles and related rules and regulations: Posted on the Company's website.

G. Other important information that will facilitate understanding of Company corporate governance and working: None

H. Implementation of internal controls:

(1) Declaration on Internal Control Statement: See page 29.

(2) Appointment of CPAs to review internal control system: None





Yuanta Securities Finance Co., Ltd
Declaration on Internal Control System

Date: March 2, 2010

The declarations of the self-inspection result of the company's internal control system between Jan. 1, 2009, to Dec. 31, 2009, are listed below:

1. The internal control system establishment, implementation and maintenance are the duty of the board and managers. The system has been established to ensure the achievement of operating efficiency (including profit, performance and safeguarding asset security), reliability of financial reports and the observance of relevant regulations, etc. objectives.
2. The internal control system has its inherent limitations. No matter how well designed it is, the effective internal control system is only able to provide reasonable guarantees for the three above mentioned objectives; moreover, due to the changes of environment and situations, the effectiveness of the internal control system may change as well. The company's internal control system has a self-monitoring mechanism, therefore, when the mistakes are identified, the company will immediately take corrective actions.
3. The company uses the *Securities and Futures Market Internal Control System Guidelines* (SFMICS Guidelines) to regulate the judgmental items for the effectiveness of the internal control system. The judgmental items that *SFMICS Guidelines* use have divided the internal control system into five elements according to the management control process, which are: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Supervision. Each element also includes various items. (Please refer to the regulation of *SFMICS Guidelines*.)
4. The company has used the above mentioned internal control system judgmental items to inspect the effectiveness of the internal control system design and implementation.
5. Based on the inspection results, the design and implementation of the company's internal control system is effective. (The internal control system includes the monitoring and management of the subsidiaries.)
6. This declaration will be included in the annual report and the prospectus for perusal by the public. Any false statement or concealment in the said documents will be a violation against *Articles 20, 32, 171, and 174 of the Securities Exchange Act*.
7. This declaration was approved by the board on Mar. 2, 2010; none of the 5 attending directors had negative opinions.

Yuanta Securities Finance Co., Ltd

Chairman: Chuang Yu-De

President: Lee Ya-Pin



- I. Legal penalties imposed by regulatory authorities on the company or its employees for violations of internal control regulations, and major flaws and revisions of said regulations in the past year and as of publication of this annual report:

By Letter Chin-Kuan-Cheng-Chi-Er-Tzu No. 09800161671 of April 13, 2009, the Financial Supervisory Commission, Executive Yuan (FSCEY) ordered the suspension of Chang Lee-Chiou for a period of One Year from April 17, 2009 to April 16, 2010, for violations relating to the share purchase of Yuanta Securities and assists the dealing of securitized debts issues for Yuanta Funds. Though, Chang Lee-Chiou has already resigned on April 9, 2009.

A petition was filed by Chang Lee-Chiou against the suspension, FSCEY by letter Chin-Kuan-Cheng-Chi No. 0980060494 of January 5, 2010 informed the company the decision of suspension is countermanded by letter Tai-Su-Chi No. 0980095938 of November 02, 2009.

- J. Major resolutions of the shareholders' meetings and board meetings in the most recent fiscal year or in the current fiscal year before the date of publication of the annual report:

(After the company became a 100% shareholding subsidiary of Yuanta Financial Holding Co., Ltd on Feb. 04, 2002, the board of directors exercises the powers of the shareholders' meeting).

1. 21st Board Meeting, 10th Term, January 21, 2009

Approved the appointment of PricewaterhouseCoopers Taiwan CPA Wang Jia-Yu and Huang Jing-Tze to audit the 2009 financial statements and CPA Wang Jia-Yu for 2009 filing of the business income tax

2. 22nd Board Meeting, 10th Term, February 24, 2009

- (1) Approved the Company's 2008 business report.
- (2) Approved the Company's 2008 financial report audited by CPA.
- (3) Approved the Company's 2008 earnings distribution plan
- (4) Approved the new share issue through capital increase via capital reserves
- (5) Approved the 2008 internal control system declaration
- (6) Approved the amendment to parts of the Company's Articles of Incorporation

3. 23rd Board Meeting, 10th Term, March 18, 2009

- (1) Acknowledgement of the Company's 2008 business report and financial statement
- (2) Acknowledgement of the Company's 2008 earnings distribution plan.
- (3) Approved the new share issue through capital increase via capital reserves
- (4) Approved the amendment to parts of the Company's Articles of Incorporation

4. 25th Board Meeting, 10th Term, April 16, 2009

- (1) Elected the appointment of Chuang Yu-De as the Company's 10th term Chairman.
- (2) Approved the amendment of Vice-president Liu Ming-Lang to serve concurrently as





- president.
5. 26th Board Meeting, 10th Term, April 28, 2009
Approved the baseline date May 05, 2009 for stock dividends and new stock issues via capital increase
 6. 27th Board Meeting, 10th Term, May 25, 2009
Approved the appointment of Lee Ya-Pin as the company President
 7. 30th Board Meeting, 10th Term, August 25, 2009
Approved the CPA certified financial report for the first half of 2009
 8. 31st Board Meeting, 10th Term, September 25, 2009
Approved and authorized the dealing of An-Tie security Finance operation rights and price offer within NT\$15 Million by Chairman.
 9. 32nd Board Meeting, 10th Term, October 12, 2009
Approved the takeover of An-Tie Security Finance's creditor's right of margin financing and security loans operation and signed "Contract of business operation transfer"
 10. 33rd Board Meeting, 10th Term, November 02, 2009
 - (1) Approved the takeover of An-Tie Security Finance's Creditor Rights of margin financing and security loans operation and signed "Business Operation Transfer Agreements".
 - (2) Approved the amendment to parts of the Company's Articles of Incorporation.
 11. 34th Board Meeting, 10th Term, December 22, 2009
Approved the takeover baseline date and authorized the dealing by the Chairman, due to the needs in takeover of An-Tie Security Finance's creditor's right of margin financing and security loans operation.
 12. 35th Board Meeting, 10th Term, March 02, 2010
 - (1) Approved the Company's 2009 business report.
 - (2) Approved appointment of PricewaterhouseCoopers Taiwan, CPAs Hsiao Chin-Mu and Huang Jing-Tze Wang Jia-Yu to audit the financial statements for 2010, and CPA Hsiao Chin-Mu for the filing of the business income tax for 2010.
 - (3) Approved the Company's 2009 financial report to be audited by CPA.
 - (4) Approved the Company's 2009 earnings distribution plan
 - (5) Approved the 2009 internal control system declaration
 - (6) Approved the abolishment of "Director(s) and Supervisor(s) election procedure"
 13. 36th Board Meeting, 10th Term, March 30, 2010
 - (1) Approved the Company's 2009 business report and financial report.
 - (2) Approved the Company's 2009 earnings distribution plan.



- K. Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the board of directors in recent years and up to the date of this annual report's publication: None
- L. Resignation of any individual associated with the financial statements in recent years as of publication of this annual report: None

4. Information on Service Fees Charged by the Certified Public Accountants (CPAs):

Range of Service fees by CPAs

Name of accounting firm	Name of CPAs		Audit period	Remark
PricewaterhouseCoopers Taiwan	Hsiao Chin-Mu	Huang Jing-Tze	Jan. 01,2009- Dec. 31,2009	

Note: if changes of accounting firms or CPAs occurred in the current fiscal year, separate itemized listing and reasons are required.

Units : thousand NT\$

Range		Fees Item	Audit fees	Non-Audit expenses	Total
1	Less than 2000		✓	✓	-
2	2,000 (inclusive) ~4,000		-	-	✓
3	4,000 (inclusive) ~6,000		-	-	-
4	6,000 (inclusive) ~8,000		-	-	-
5	8,000 (inclusive) ~10,000		-	-	-
6	10,000 (inclusive) and above		-	-	-

- A. Instances where the ratio of non-audit related expenses made up more than one quarter of audit fees: None
- B. Instances where a change in the accounting firm results in reduction of the auditing fees in comparison to the year prior to the change: None
- C. Instances where auditing fees decreased more than 15% over the previous year: None

5. Information on the replacement of CPAs: none

6. Chairman, President, or Managers in Charge of Finance or Accounting Affairs, Who Were Employed by the CPA Firm or its Affiliates over the Past One Year: None.





7. Equity Change, Share Transfers and Pledges Made by Directors, Supervisor(s), Manager(s), or Major Shareholder(s) in Recent Years up to the Publication of This Annual Report:

A. Change in equity

Title	Name	2009		Ending Mar. 31, 2010	
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged
Chairman	Yuanta Financial Holdings Representative: Chuang Yu-De				
Director	Yuanta Financial Holdings Representative: Lee Ya-Pin				
Director	Yuanta Financial Holdings Representative: Yu Yao-ting				
Director	Yuanta Financial Holdings Representative: Liu Ming-Lang				
Director	Yuanta Financial Holdings Representative: Yu Kuang-hua	150,000,000	-	-	-
Supervisor	Yuanta Financial Holdings Representative: Chang Tsai-Yu				
Supervisor	Yuanta Financial Holdings Representative: Li A-Yen				
Chairman	Chang Lee-Chiou (Resigned 04.08.2009)				
Director(s)	Lin Tien-Fu (Resigned 04.15.2009)				
	Ma Wei-Jian (Resigned 05.07.2009)				
	Chen Chuang-Fen (Appointed 05.08.2009)				
	(Resigned 09.15.2009)				
	Hsu, Chun-Jung (Appointed 04.16.2009)				
	(Resigned 05.21.2009)				
Major Shareholder	Yuanta Financial Holdings	150,000,000	-	-	-
President	Lee Ya-Pin				
Vice President(s)	Liu Ming-Lang				
Senior Assistant Vice-President	Lu Wen-ting				
Senior Assistant Vice President	Hong Rong-Ting				
Vice President	Lu Hui-Rong				
Assistant Vice President	Chen Ying-Ling				
President	Lin Tseng-Chun				
	Liu Ying-Shi				
	Chen Chi-Ping				
	Chen Mei-Zhi (Resigned 03.15.2010)	-	-	-	-

Note: Yuanta Financial Holding Co., Ltd holds all shares of the company.

B. Information on transfer of shares: N/A

C. Information on equity pledged: N/A



8. Information on the top 10 shareholders being related parties

Baseline date: March 31, 2010

Name	Shareholding Under Own Name		Spouse and Minor Shareholding		Shares Held Under Other's Names		Disclosure of information on related parties as defined in Statements of Financial Accounting Standards No. 6, or spousal relationship or relations within second degree of kinship among top ten shareholders, including their names and relationship		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Yuanta Financial Holdings Representative: Chuang Yu-De	1,650,000,000	100 %	—	—	—	—	—	—	—
Lee Ya-Pin	—	—	—	—	—	—	—	—	—
Yu Yao-ting	—	—	—	—	—	—	—	—	—
Liu Ming-Lang	—	—	—	—	—	—	—	—	—
Yu Kuang-hua	—	—	—	—	—	—	—	—	—
Chang Tsai-Yu	—	—	—	—	—	—	—	—	—
Li A-Yen	—	—	—	—	—	—	—	—	—

9. Ratio of Comprehensive Shareholdings to the Same Business Entity That is Directly or Indirectly Controlled by Directors, Supervisors, or Management:

March 31, 2010 Unit: Shares; %

Business entity invested (Note)	Company's investment		Investment directly or indirectly controlled by director(s), supervisor(s) or manager(s)		Total investment	
	Shares	%	Shares	%	Shares	%
TDCC	53,540,218	17.96	—	—	53,540,218	17.96
TAIFEX	12,523,379	5.00	—	—	12,523,379	5.00

Note: Long-term investment of the company





IV. Financing Status

1. Corporate Capital and shareholdings

A. Sources of capital

March 31, 2010

Date	Issue Price (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Issue Price (thousand shares)	Amount (thousand NT\$)	Issue Price (thousand shares)	Amount (thousand NT\$)	Source of capital	Capital increase by assets other than cash	Other
July, 2001	10	1,470,000	14,700,000	1,470,000	14,700,000	Capital increase via capital reserve \$700,000	None	Note 1
July, 2002	10	1,220,000	12,200,000	1,220,000	12,200,000	Capital reduction \$2,500,000	None	Note 2
April, 2005	10	800,000	8,000,000	800,000	8,000,000	Capital reduction \$4,200,000	None	Note 3
Nov. 2007	10	900,000	9,000,000	900,000	9,000,000	Capital increase (private placement) \$1,000,000	None	Note 4
Aug. 2008	10	1,500,000	15,000,000	1,500,000	15,000,000	Capital increase (private placement) \$6,000,000	None	Note 5
May, 2009	10	1,650,000	16,500,000	1,650,000	16,500,000	Capital increase via capital reserve \$1,500,000	None	Note 6

Note 1: Approved on July 13, 2001 by Securities and Futures Commission letter Tai-Tsai-Cheng (4) no. 145372.

Note 2: Approved on July 19, 2002 by Securities and Futures Commission letter Tai-Tsai-Cheng-Si-Tzu No. 0910140309.

Note 3: Approved on April 8, 2005 by Financial Supervisory Commission letter Jin-Guan-Cheng-Si-Tzu No. 0940111322.

Note 4: Approved on October 19, 2007 by Financial Supervisory Commission letter Jin-Guan-Cheng-Liu-Tzu No. 09600441890.

Note 5: Approved on July 29, 2008 by Financial Supervisory Commission letter Jin-Guan-Cheng-Liu-Tzu No. 09700260910.

Note 6: Approved on April 01, 2009 by Financial Supervisory Commission letter Jin-Guan-Cheng-Si-Tzu No. 0980012602.

Data as of: March 31, 2010 / Unit: shares

Category of shares	Authorized capital			Remarks
	Outstanding shares (note)	Unissued shares	Total	
Common shares	1,650,000,000	—	1,650,000,000	

Note: Unlisted company shares.

B. Shareholder structure

March 31, 2010/ Unit: shares

Shareholders type	Governmental institutions	Financial institutions	Other institutions	Individuals	Foreign institutions and natural persons	Total
No. of shareholders	0	1	0	0	0	1
Shares held	0	1,650,000,000	0	0	0	1,650,000,000
Shareholding ratio	0	100%	0	0	0	100%

Note: Yuanta Financial Holding Co., Ltd. holds all of the Company's shares



C. Distribution profile and shareholder ownership

(1) Common shares

Face value per share: 10 dollars

March 31, 2010

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1 to 1,000,000	0	0	0
1,000,001 and above	1	1,650,000,000	100%
Total	1	1,650,000,000	100%

Note: Yuanta Financial Holding Co., Ltd. holds all of the Company's shares

(2) Preferred shares: None

D. Major shareholders

Baseline date: March 31, 2010

Shares	Shares held	Shareholding ratio (%)
Major shareholders		
Yuanta Financial Holding Co., Ltd.	1,650,000,000 shares	100%

Note: Yuanta Financial Holding Co., Ltd. holds all of the Company's shares

E. Market price per share, net value, earnings, dividends and related information for the past two years

Items		Years			
		2009	2008	Year-March.31.2010(Note3)	
Market price per share (Note1)	Highest	—	—	—	
	Lowest	—	—	—	
	Average	—	—	—	
Net value per share	Before distribution (NT\$)	19.52	20.34	18.86	
	After distribution (NT\$)	18.57	20.04	(Note2)	
Earnings per share	Weighted average Number of shares	1,650,000,000	1,258,688,525	1,650,000,000	
	Earnings per share (NT\$)	Before Adjustment	1.10	0.92	0.28
		After Adjustment	1.10	0.84	0.28
Dividends per share	Cash dividend (NT\$)		0.95	0.30	(Note2)
	Stock dividend	From retained earnings	—	—	—
		From Capital Reserve	—	1.00	—
Outstanding dividend accumulated		—	—	—	
Return analysis	Price / earnings (P/E) ratio (Note4)		—	—	—
	Price / dividend (P/D) ratio (Note5)		—	—	—
	Cash dividend yield (note 6)		—	—	—

Note 1: Due to the merger of Yuanta Securities Co., Ltd. (original name Fuhwa Securities Co., Ltd) into Yuanta Financial Holding Co., Ltd. (Original name: Fuhwa Financial Holding Co., Ltd.), trading of the Company's shares ceased on January 23, 2002 and the Company was delisted on February 04, 2002.

Note 2: Not applicable to fiscal year 2010

Note 3: Year-March.31.2010 data was self-compiled and are unaudited by CPAs.

Note 4: Price / earnings (P/E) ratio = Average market price over that year / Adjusted EPS

Note 5: Price / dividend (P/D) ratio = Average market price over that year / Cash dividend per share

Note 6: Cash dividend yield = Cash dividend per share / average closing price over that year





F. Dividend policy and implementation status

(1) Company dividend policy

The company has adopted a balanced dividend policy to uphold shareholder rights and achieve long-term business sustainability goals. The total proposed dividend by the board of directors in principle may be 80% to 100% of net earnings for the year following payment taxes, amendment of losses, allocation of legal reserve, director(s) and supervisor(s) remuneration and employee bonuses. The cash portion of the dividend shall make up 50% to 100% and stock portion of the dividend shall comprise 50% or less of the total dividend distributed.

Regarding the aforementioned principle, the company will decide the most appropriate policy for the distribution of stock dividends depending on actual profitability and capital conditions accordingly. The board will prepare a proposal for such distribution plan and submit it to the shareholders' meeting for approval and execution.

(2) Implementation status

Distribution of 2009 net earnings was approved on March 30, 2010 at the 10th term 36th Board meeting (acting as proxy for the AGM). Shareholders were allocated cash dividends totaling NT\$1,559,998,750 or NT\$0.95 per share.

G. Impact on company financial results and EPS due to the issuance of bonus shares as proposed in the shareholders' meeting:

None

H. Employee Bonuses and remuneration to director(s) and supervisor(s)

(1) The range of Employee bonuses and remuneration to director(s) and supervisor(s) as set forth in the Company's Articles of Incorporation.

Following the Company's Articles of Incorporation, if annual earnings surplus exists after tax payment, amendment of losses from previous years shall take place than allocation of 30% for legal reserve. Of the remaining amount, 0.1% - 0.5% shall be appropriated as bonuses to employees. The remaining amount is combined with undistributed earnings from previous years and a distribution proposal by the Board of Directors is submitted to the Shareholders Meeting for approval.

(2) Employee Bonuses approved by the board of directors:

(b) Distribution of 2009 net earnings was approved on March 30, 2010 at the 10th term 36th Board meeting (acting as proxy for the AGM). Employees were allocated cash rewards totaling NT\$3,119,997.

(b) Proposed stock bonus to employees and its percentage of total capital increase from earnings:
No stock bonus was allocated to employees.

(c) Earnings per share after proposed allocation of bonus to employees and remuneration to director(s) and supervisor(s): Aim for NT\$1.10 EPS after proposed allocation.



- (3) Information regarding the allocation of earnings from the previous year for bonuses to employees and compensation to directors and supervisors:

There was no discrepancy between the employee bonuses and compensation to directors and supervisors and the amount allocated from the Company's 2008 earnings as passed by the board of directors (acting as proxy for the AGM) and the actual amount paid out. Cash bonuses paid to employees amounted to NT\$900,701 and compensation to directors and supervisors was NT\$2,251,753.

- I. Information on Company's share repurchase: None





2. Corporate bonds Issuance:

Type of corporate bonds issued	First issue of unsecured corporate bonds for 2007
Date of issue	May 30, 2007
Face value	NT\$ 1 million
Place of issue and transaction	
Issue price	Fully issued as per par value
Total amount	NT\$ 7.5 billion, in accordance with the different issuing condition, it is divided into type A bonds and type B bonds; the total amount of type A is NT\$2.5 billion and type B is NT\$ 5 billion.
Interest rates	Type A: The face interest rate is 2.05%; simple interest will be calculated once a year from the date of issue. Type B: The face interest rate is 2.13%; simple interest will be calculated once a year from the date of issue.
Duration	Type A: 3 year term, date of maturity: May 30, 2010 Type B: 5 year term, date of maturity: May 30, 2012
Institution of guarantee	N/A
Trustee	China Trust Commercial Bank
Underwriters	
Certifying lawyer	Modern Law Firm Guo Hwei-Ji lawyer
Certifying CPAs	KPMG Certified Public Accountant Taiwan, CPA Guan Chun-Xiu, Lin Xiu-Yu
Method of reimbursement	Type A: The principal will be refunded one time upon maturity. Type B: 50% and 50% of the capital will be refunded respectively after completion of the 4th and 5th years from the date of issue.
Principal not yet reimbursed	NT\$ 7.5 billion
Conditions for redemption or early reimbursement	N/A
Restrictions	N/A
Name of credit rating institution, date and results of credit rating	Name: Taiwan Ratings Date: April 23, 2007 Rating: twAA-
Attachment of other rights	Amount of conversion (by exchange or subscription) into common shares, GDR, or any other securities
	Method of issue conversion (by exchange or subscription)
Methods of issue conversion, exchange or subscription; impacts on the conditions of issue against the possible dilution of equity and the current shareholders' equity	N/A
Custodian for the objects exchanged	N/A

3. Preferred Shares Issuance: None

4. Global depository receipts (GDRs) issuance: None

5. Employee stock options issuance: None

6. Mergers and acquisitions (M&A) or sales of shares in other company for issue of new shares: None



7. Implementation of Capital Utilization Plans

A. Plan

The purpose of the corporate bond issuance by the Company is to replenish operating capital. The capital increase via cash is to replenish operating capital, strengthen the Company's financial structure and improve capital adequacy for business operation working capital requirements.

B. Implementation

The Company's NT\$ 7.5 billion in corporate bond issue approved by regulatory authorities on May 11, 2007 was exercised in full. A private placement of 100 million common shares for capital increase via cash at a face value per share of NT\$10 and an issue price of NT\$20 per share which was approved by authorities on October 19, 2007 have raised total of NT\$2.0 billion in funds for the Company.

Share issuance payment was fully received and fully utilized on November 1, 2007. Another private placement of 600 million common shares for capital increase via cash at a face value of NT\$ 10 per share and an issue price of NT\$20 per share which was approved by authorities on July 29, 2008 raised a total of NT\$12 billion in funds for the Company. Share issuance payment was received and fully utilized on August 5, 2008.





V. Operational Highlights

1. Business Activities

A. Business scope

(1) Main business operations

- a. Security margin financing and security loans.
- b. Refinancing to securities firms.
- c. Cash replenishment and underwriting securities financing.
- d. Securities underwriter financing.
- e. Securities settlement financing.
- f. Securities lending.
- g. Other relevant business approved by the authorities.

(2) Revenue summary

Unit: thousand NT\$

Items	2007		2008		2009	
	Revenue	(%)	Revenue	(%)	Revenue	(%)
Securities margin financing & security loans	4,843,435	98.85	4,554,193	98.70	3,060,957	92.18
Refinancing	38,256	0.78	2,964	0.07	23,627	0.71
Debentures trading	18,008	0.37	-	-	-	-
Securities lending	-	-	56,902	1.23	236,115	7.11
Total	4,899,699	100.00	4,614,059	100.00	3,320,699	100.00

(3) New financial products under development

Due to the diverse securities financial products, the company will coordinate with the regulatory authorities in fostering internationalization and liberalization and to seek for the acceptance of using "margin financing collaterals" as collateral with TWSE securities lending center in order to increase lending channels and usage.

B. Overview of business performance

(1) Securities margin financing and security loans business

Securities margin financing and security loans are the core business of the company and have maintained the leadership position with the market share of over 19%. The company has worked to shield against vicious competition and moving towards healthy and sound business operation and acquired creditor's rights of En Ties Securities Finance.

(2) Refinancing business

The counterparts in the refinancing business are security firms and are not ordinary investors. The demand for refinancing in 2009 was low. With respect to securities loans refinancing, set up financing to support consolidated security firms when there is a short sell or insufficient stock for



cash repayment. Non-refinancing source of securities are provided by consolidated security firms to investors for use with short selling, hence the stock refinancing balance is low.

(3) Securities settlement financing

The counterparts for margin financing have expanded to include foreign retail and institutional investors, margin financing balance is capped at NT\$1.0 billion. Due to the unfamiliarity with this service and low willingness to engage in margin financing, there is no balance yet for this business.

(4) Securities lending

Economic conditions have improved significantly since Global Financial Crisis bottomed out in Q2 2009. The company's balance of securities lending made new high with December's average balance reached 60% of total balance of security firms and security financing firms.

(5) Cash replenishment and underwriting subscription loans

The demands for this type of financing have been weak due to the lack of willingness in subscriptions have resulted in no balance yet for this business.

C. Technology and R&D

The permitted use of security margin financing collaterals as a security source for security lending business was approved on March 31 2008. The company utilized group's resources and leveraged the company's advantageous security to actively expand foreign institutional investors and domestic proprietary dealers to further diversify the company's business.

D. Long-term and short-term business development plans

In order to respond to rapid changes in internal and external economic conditions and the fast-moving financial environment and utilize our competitive advantage in the securities financing market, the company future business development and operation development plans will focus on the following:

(1) Raise market share for the year and maximize company performance:

Build agency business through promotional strategies such as leveraging the company's strength in securities financing, information franchise plan and MOU signings in order to increase our market share of the securities finance markets and maximize the performance of all parties.

(2) Promotion of securities lending business:

(a) Obtain the right to use "margin securities collaterals" as collateral with the TWSE securities lending center will help utilize the company's securities collaterals lending channel and increase securities usage rate. The company will target foreign institutional investors to actively expand Yuanta Securities Finance's business in overseas markets





- (b) In order to meet the demands of foreign institutional investors, continue to lobby for the loosening of the 5% security lending position limit for institutional investors.
- (3) Increase funding source and fund raising limit:
- Actively try to obtain the rights of using “margin financing collaterals” as the guarantee for refinancing business from the financial institutions, which can effectively leverage the use of company’s margin financing collaterals, and to increase the company’s fund raising channels and limits.

2. Market and business Overviews

A. Market analysis

(1) Supply, demand conditions, and growth potentials

After securities firms were granted permission to engage in stock market security financing business in 1990, the investor population and number of people opening margin loans accounts increased significantly due to the increase of credit agency institutions. The scale of market transactions and margin loans transactions also expanded rapidly. As of 2009, there are 33 consolidated securities firms and 3 security finance firms engaged in the security financing business. Looking at domestic securities market, the total stock market turnover in 2009 was NT\$ 29.6804 trillion with over 1,887 billion shares traded. At the end of 2009, the market securities margin financing balance was NT\$ 258.2 billion, the security loans balance was 788.42 million shares, and the company’s year-end market share of security loans was 18.65% and the market share of security loans was 19.71%. In 2009, the OTC annual stock turnover was NT\$ 5.2389 trillion, and the total volume was 168.7 billion shares. At the end of 2009, the OTC securities margin financing balance was NT\$ 57.887 billion and the security loans balance was 181.62 million shares. The company’s year-end security margin financing market share was 17.94% and market share of security loans was 22.42%.

(2) Competitive niches

- (a) Utilize financial holding synergy: Synergies may be created between the company’s businesses and the various subsidiaries in the financial holding group. As the blueprint for the financial holding company takes shape, strategies of overall resources may be put to use, service functions can put to full effect. By expanding overall marketing channels across businesses, the company can stay on top of the pulse of the time and seize financial opportunities.
- (b) Reduce operating cost: Operation costs may be reduced by streamlining of personnel and distribution of costs throughout the group.
- (c) Strictly control credit risks: Implementation of effective and strict risk controls can raise credit



quality and prevent bad debts.

(d) Develop outstanding reputation and professional level of service: The Company was the first domestic securities finance company in Taiwan's securities market. Through the experience accumulated in financial practices and marketing networks, the company can provide safe and reliable services for the investors credit transactions. Our sincerity can win the trust of customer and forever safeguard the long-term interests of customers.

(3) Advantages and disadvantages for future development and response measures

(a) Advantages

(i) Provide adequate supply of securities to meet security loans and securities lending demand: There is great demand in the market for securities source (especially for corporate arbitrage and hedging). The company can fully utilize their plentiful source of securities to meet the market demand from institutional investors and retail investors and further improve business performance.

(ii) Diversified business service: People are paying more attention to financial planning. The company can greatly enhance its competitiveness through offering a diverse range of services and leveraging the combined resources of the group. .

(b) Disadvantages

(i) Trend for agency securities companies to set up independent security financing businesses by themselves:

As market skewed towards the needs of economy of scale, many agency securities companies have been acquired or established their own independent security financing business which has led to decline in the agency business. As of the end of 2009, consolidated securities firms' share of the security finance business reached 77.08%.

(ii) Fierce competition between securities finance companies: The fierce competition between security finance companies not only reduces interest spreads but also increases management and business promotion costs.

(c) Response strategies

(i) Consolidated security firms: Consolidated security firms with smaller scale are restricted by their small equity value and lack of security sources resulting in difficulties to expand their credit transaction volumes. The company can leverage its current advantage to assist them to turn into agency securities firms. This can reduce their risk and also increase their business volume and earnings.

(ii) Agency securities firms: Not following the price cutting competition with other securities finance firms, instead the company provides professional service, information, substantial supply of securities, outstanding risk control, and stable operations to make Yuanta Securities Finance the only choice for agency securities firms.





B. Business Overviews

(1) Security Margin financing business

Unit: Million NT\$

Years		2008		2009	
		Amount	%	Amount	%
Investors' securities margin financing	TWSE market	52,498	82.97%	36,721	83.42%
	OTC market	10,777	17.03%	6,681	15.18%
Securities firms securities margin refinancing	TWSE market	3	0.00%	616	1.40%
	OTC market	0	-	0	-
Total		63,278	100%	44,018	100%

The amounts listed above are annualized averages.

(2) Security loans business

Unit: thousand shares

Years		2008		2009	
		Amount	%	Amount	%
Investors' Security loans	TWSE market	83,288	79.97%	147,748	83.75%
	OTC market	18,325	17.60%	24,025	13.62%
Securities firms securities loans	TWSE market	1,918	1.84%	3,677	2.08%
	OTC market	617	0.59%	977	0.55%
Total		104,148	100%	176,427	100.00%

The amounts listed above are annualized averages

3. Employee demographics

March, 2010

Year		2008	2009	2010 (note)
Number of employees	Sales personnel	52	52	50
	Administrative personnel	16	15	15
	Total	68	67	65
Average age		42.96	43.88	44.48
Average years of service		12.04	12.95	13.50
Educational level	Ph. D.	0.00%	0.00%	0.00%
	Masters	16.18%	17.91%	16.92%
	College/University	77.94%	71.61%	78.46%
	Senior high school	4.41%	2.99%	3.08%
	Below senior high school	1.47%	1.49%	1.54%

Note: This information is annualized data up to the date of this annual report's publication (end of March 2010).



4. Environmental Protection Expenditure Information: None

5. Labor Relations:

A. Employee welfare measures and implementation, labor agreements and safeguarding of employee interests

(1) Retirement plans and pension funds

Following the establishment of the company in 1980, pension and severance measures were adopted and approved at the fifth board meeting of the first term to fully safeguard employees' interests. The employee pension fund management committee, formally established in March 1981, is made up of nine members who are in charge of managing the pension funds, retirement, severance, death or resignation matters in accordance with regulations. On March 1, 1998, the company revised their retirement and severance regulations in line with the Labor Standards Law. A "Pension Fund Supervision Committee" was formed and contributions to the pension fund were set at a monthly rate of 8% of salaries and wages paid. This fund has been reported to the competent authority "The Taipei City Bureau of Labor". The original employee pension fund management committee is in charge of the management and use of the chairman and management pension funds which is disbursed at the same rate as regular employees. On July 1st, 2005, with the pass of Labor Pension Act, new pension system went into effect. Under the new system, the company is obligated to contribute no less than 6% of monthly paid salaries into pension accounts with the Labor Insurance Bureau which established a more comprehensive and diverse corporate pension system.

(2) Employee welfare measures

The Employee Welfare Committee was formed when the company was first founded. An employee welfare fund was also established in accordance with regulations and corporate capital. Each month, 0.15% of the operating revenue of the company is allocated to the employee welfare fund. This fund is placed under the independent custody of the Employee Welfare Committee. Assistance is also provided to employees to set up beneficial clubs and encourage long-term saving. An employee stock holding association was established in Nov. 2000, which purchases the company's stocks in regular fixed amounts and protects employee welfares after employee retirement or departure from the company.

(3) Harmonious labor relations

As a financial service enterprise, the company revised personnel and work rules to conform to the Labor Standard Law and meet business operation and management requirements on March 1, 1998. Regular "Labor-management" meetings are held not only to safeguard employee rights





or overall company interests, but also to include employee-friendly management concepts in each employee welfare program as well as foster communication of opinions, promoting safe and secure lifestyles and ensure harmonious interpersonal relations. Relations between management and labor have been good since the company was founded. There have been no major losses incurred from labor disputes. In 2005, there was one lawsuit concerning severance pay that resulted from a dispute between the company and one employee, Mao Hao-Hsing. The company paid the difference based on the court ruling which settled the case.



6. Major Contracts

Type of contract	Involved parties	Duration of contract	Summary	Restrictive terms
Security contract	The company and SECOM Co., Ltd	Five years (60 months) starting from the contract signing date	Supply automatic fire prevention and theft alarm system for the company's operation hall, offices, vaults and storage rooms.	Normal legal principles
Real estate lease contract	The company and the lessee	One year and 8 months to 3 years starting from the contract signing date; Minimum of one year and 8 months or maximum of 3 years.	Lessee may not sublet to others during the term of the lease; real estate may only be used as offices, storages and other relevant lease rights and responsibilities.	Normal legal principles
Real estate rental contract	The company and the lessee	Around one year to 5 years starting from the contract signing date; Minimum of one year or maximum of 5 years.	Lessee may not sublet to others during the term of the lease; real estate may only be used as offices, storages and other relevant lease rights and responsibilities.	Normal legal principles
Real estate purchase and sales agreement	Yuanta Securities and Insurance Business development Foundations	July 06, 2009	Sale company asset "Yang-De" building's 4F, 4F-1 and 5 ground car parking spaces	Latter of handover date August 17, 2009 or within 7 days of property transfer registration date
Loan contract	Sign the contract in company name with 21 financial institutions included Changhwa Bank and Mega International Commercial Bank	One year starting from the contract signing date	Lending deal items	N/A
Securities margin financing and securities loans contract	The company and the securities margin financing and securities loans investor.	Three years starting from the contract signing date.	Regulation of the subject, security, interest rates, rates, liquidity, and default processing of securities margin financing and securities loans in accordance with relevant regulations and business operating measures approved by authorities.	Follow the new principle when the laws and regulations are change.





Type of contract	Involved parties	Duration of contract	Summary	Restrictive terms
Securities margin financing and securities loans business agency contract	The company and the appointed securities firms who organizes the company's securities margin financing and securities loans business.	As stipulated in individual contracts	In accordance with the relevant regulations and the business operating measures, approved by authorities, to regulate the appointed agency content, remuneration and default processing of the securities margin financing and securities loans business.	Follow the new principle when the laws and regulations change.
Refinancing contract	The company and the independent securities firms	No time limit	In accordance with the relevant regulations and the business operating measures, approved by authorities, to regulate the re-financing limit, refinancing methods, security, interest rates, rates, liquidity, and default processing.	Follow the new Principle when the laws and regulations change.
Cash replenishment and underwriting margin financing contract	The company and the investor	Three years starting from the contract signing date.	In accordance with the relevant regulations and the business operating measures, approved by authorities, to regulate the margin financing limit, refinancing methods, security, interest rates, rates, liquidity, and default processing.	Follow the new principle when the laws and regulations change.
Securities settlement financing contract	The company and the investor who applies for securities settlement financing.	No time limit	In accordance with the relevant regulations and the business operating measures, approved by authorities, to regulate the guarantee range, maintenance rate, liquidity, and default processing of margin financing.	Follow the new principle when the laws and regulations change.
Securities lending contract	The company and the investor who applies for securities lending.	No time limit	In accordance with the relevant regulations and the business operating measures, approved by authorities, to regulate the loan duration, expense, guarantee type percentage, maintenance rate, and default processing.	Follow the new principle when the laws and regulations change.
Securities lending business agency contract	The company and the appointed securities firms who acts as an agent for the company's securities lending business.	As stipulated in individual contracts.	In accordance with the relevant regulations and the business operating measures, approved by authorities to regulate securities lending business appointment guidelines, agent authorization, appointment compensation and handling of breach of contracts.	Follow the new principle when the laws and regulations change.



Type of contract	Involved parties	Duration of contract	Summary	Restrictive terms
Transfer of Business operation rights contract	An-Tie Security Finance Co Ltd.	From October 12, 2009 until the baseline date of February 01, 2010	The company acquired An-Tie Security Finance's Client Rights of margin financing and security loans operations	<p>The contract is deemed infirmative upon the occurrence of any following conditions and transferor shall refund all fund receipts back to the transferee and vice-versa for the operation rights. In the event of damages and inability to restore original conditions, compensation will be made based on agreed purchasing values:</p> <ol style="list-style-type: none"> 1. "Rights of operation" is not approved by the competent regulator(s). 2. Either party cannot fulfill or execute the contract due to: <ol style="list-style-type: none"> a. Major events or majeure incidents. b. Other incidents cannot be attributed to either party





VI. Financial Statement

1. Summary of Five Years Condensed Balance Sheets and Income Statements

A. Condensed balance sheet

Unit: thousand NT\$

Years Items		Five years Financial Information Summary (Note1)					Year-March.31.2010 (Note2)
		2005	2006	2007	2008	2009	
Current assets		34,836,751	40,173,631	89,592,809	42,381,324	67,083,158	68,025,830
Funds and investment		7,571,027	8,175,662	5,745,310	4,018,983	1,364,861	2,516,039
Fixed assets		999,339	994,489	216,885	217,193	89,267	82,752
Intangible assets		—	21,267	16,673	7,731	2,451	1,767
Other financial assets		1,538,713	576,613	515,886	611,729	823,250	999,294
Total assets		44,945,830	49,941,662	96,087,563	47,236,960	69,362,987	71,625,682
Current liabilities	Before distribution	29,507,263	33,676,474	69,834,785	9,102,134	32,036,384	35,390,651
	After distribution	29,759,368	34,441,182	70,711,855	9,552,485	33,596,383	—
Long-term liabilities		—	16,367	7,512,762	7,506,688	5,005,857	5,010,674
Other liabilities		141,685	111,603	114,548	111,922	113,717	110,615
Total liabilities	Before distribution	29,648,948	33,804,444	77,462,095	16,720,744	37,155,958	40,511,940
	After distribution	29,901,053	34,569,152	78,339,165	17,171,095	38,715,957	—
Common stock		8,000,000	8,000,000	9,000,000	15,000,000	16,500,000	16,500,000
Capital reserve		25,693	25,693	1,025,693	7,025,693	5,525,693	5,525,962
Retained earnings	Before distribution	7,271,189	8,111,525	8,599,777	8,780,933	10,144,281	9,041,489
	After distribution	7,019,084	7,346,817	7,722,707	8,330,582	8,584,282	—
Unrealized gain (loss) on Securities		—	—	(2)	(290,410)	37,055	46,291
Cumulative translation adjustments		—	—	—	—	—	—
Net loss not recognized as pension cost		—	—	—	—	—	—
Total shareholder equity	Before distribution	15,296,882	16,137,218	18,625,468	30,516,216	32,207,029	31,113,742
	After distribution	15,044,777	15,372,510	17,748,398	30,065,865	30,647,030	—

Note 1: Financial information for the past five years was audited and certified by CPAs

Note 2: Year-March.31.2010 data was self-compiled and are unaudited by CPAs.



B. Condensed income statements

Unit: thousand NT\$

Items	Years	Five years Financial Information Summary (Note1)					Year-March.31.2010 (Note2)
		2005	2006	2007	2008	2009	
Operating income		1,887,099	2,186,503	4,899,699	4,614,059	3,320,699	1,090,487
Operating expenses		1,372,688	1,440,381	1,734,177	1,806,578	1,844,063	633,336
Operating profits		292,727	1,128,292	1,289,763	1,375,983	1,448,024	534,358
Non-operating income		267,877	254,151	500,285	329,374	977,861	36,510
Non-operating expenses		111,195	48,973	209,495	272,640	244,776	2,988
Gain (loss) from continuous operating departments before Tax		449,409	1,333,470	1,580,553	1,432,717	2,181,109	567,880
Gain (loss) from continuous operating departments		360,150	1,028,013	1,252,960	1,058,226	1,813,699	457,208
Non operating departments losses		—	—	—	—	—	—
Extraordinary gain (loss)		—	—	—	—	—	—
Cumulative impact of changes in accounting principles		—	64,428	—	—	—	—
Total profit (Loss)		360,150	1,092,441	1,252,960	1,058,226	1,813,699	457,208
EPS(NT\$)	Before retrospective adjustment	0.39	1.37	1.53	0.92	1.10	0.28
	After retrospective adjustment	0.35	1.25	1.39	0.84	1.10	0.28

Note 1: Financial information for the past five years was audited and certified by CPAs

Note 2: Year-March.31.2010 data was self-compiled and are unaudited by CPAs

C. Names of the CPAs and audited opinions for the past five years

Year	CPA Firm	CPAs	Opinion
2005	KPMG Certified Public Accountant Taiwan	Guan Chun-Xiu, Lin Xiu-Yu	Unqualified opinion
2006	KPMG Certified Public Accountant Taiwan	Guan Chun-Xiu, Lin Xiu-Yu	Modified unqualified opinion (note 1)
2007	PricewaterhouseCoopers Taiwan	Wang Chia-Yu, Huang Chin-Tze (Note 2)	Modified unqualified opinion (note 3)
2008	PricewaterhouseCoopers Taiwan	Hsiao Chin-Mu, Huang Chin-Tze (Note 4)	Unqualified opinion
2009	PricewaterhouseCoopers Taiwan (note 5)	Hsiao Chin-Mu, Huang Chin-Tze	Unqualified opinion

Note 1: Effective from Jan. 1, 2006, the company adopted SFAS No.34 "Accounting for Financial Instruments" so the CPAs submitted modified unqualified opinions audit report.

Note 2: Effective from 2007 semi-annual report, the CPAs assigned to audit the company's financial statements were changed from KPMG Certified Public Accountant Taiwan, CPA Guan Chun-Xiu and Lin Xiu-Yu to PricewaterhouseCoopers Taiwan, CPA Wang Jia-Yu and Huang Jing-Tze.

Note 3: The Company's 2007 financial statement was audited by PricewaterhouseCoopers Taiwan, CPA Wang Jia-Yu and Huang Jing-Tze, and the 2006 ones were audited by KPMG Certified Public Accountant Taiwan, CPA Guan Chun-Xiu and Lin Xiu-Yu. The CPAs submitted modified unqualified opinions in order to emphasis that the company has signed a "Transferring of Margin Financing and Security Loan's Creditor Rights" contract with Yuanta Core Pacific Securities.

Note 4: Effective from 2008 semi-annual report, the CPAs assigned to audit the company's financial statements were changed from PricewaterhouseCoopers Taiwan Wang Jia-Yu and Huang Jing-Tze to PricewaterhouseCoopers Taiwan Hsiao Chin-Mu and Huang Jing-Tze as result of an internal reassignment.

Note 5: The PricewaterhouseCoopers Taiwan was renamed from Dec. 25, 2009.





2. Five Years Financial Analysis

Years (Note1) Items (Note2)		Five years Financial Analysis					Year-March.31.2010 (Note2)	
		2005	2006	2007	2008	2009		
Capital Structure Ratios%	Liabilities to Assets Ratio (%)	65.97	67.68	80.62	35.40	53.57	56.56	
	Long-term capital to fixed assets Ratio (%)	1,530.70	1,624.31	12,051.65	17,506.51	41,687.17	43,653.86	
Liquidity Analysis Ratios%	Current ratio	118	117	128	466	209	192	
	Quick ratio	117	117	127	461	206	192	
	Interest coverage ratio	—	—	—	—	—	—	
Activity Analysis Ratios	Accounts Receivable Turnover (times)	—	—	—	—	—	—	
	Average Cash Cycle in days	—	—	—	—	—	—	
	Inventory turnover ratio (times)	—	—	—	—	—	—	
	Payable turnover ratio (times)	—	—	—	—	—	—	
	Average period of sales	—	—	—	—	—	—	
	Fixed assets turnover Ratio (times)	1.89	2.20	22.59	21.24	37.20	13.18	
	Total asset turnover Ratio (times)	0.04	0.04	0.05	0.10	0.05	0.02	
Profitability Analysis%	Return on assets (%)	0.73	2.30	1.72	1.48	3.11	0.65	
	Return on equity (%)	2.02	6.95	7.21	4.31	5.78	1.44	
	To Capital Ratio	Operating profit	3.66	14.10	14.33	9.17	8.78	3.24
		Profits before tax	5.62	16.67	17.56	9.55	13.22	3.44
	Net profit margin (%)	19.08	49.96	25.57	22.93	54.62	41.93	
	EPS (NT\$)	0.35	1.25	1.39	0.84	1.10	0.28	
Cash Flow Analysis Ratios	Cash flow ratio (%)	25.46	Note 4	Note 4	539.50	Note 4	—	
	Cash flow adequacy ratio (%)	367.61	414.26	256.16	1,375.66	1,560.07	—	
	Cash flow reinvestment (%)	40.51	Note 4	Note 4	126.22	Note 4	—	
Leverage Analysis Ratios	Operating leverage	4.55	1.24	3.72	3.28	2.24	2.00	
	Financial leverage (Note 5)	—	—	—	—	—	—	

The reason for changes in financial ratio within two years:

- 1.The ratio of liabilities to assets of 2009 was higher than 2008's. The main reason was the guarantee fund and margin for stocks loans and stock lending in 2009 was higher than 2008's.
- 2.Due to the recategorization of operational assets to lease and idle property, the ratio of long-term capital to fixed assets of 2009 was higher than 2008's.
- 3.Each ratio of debt-paying ability of 2009 was lower than 2008's. The main reason was the guarantee fund and margin for stocks loans and stock lending in 2009 was higher than 2008's.
- 4.The ratio of fixed assets turnover of 2009 was higher than 2008's. The main reason was the recategorization of operational assets to lease and idle property. The fixed assets decreased in 2009.



5. Due to the margin loans in 2009 was higher than 2008's, the ratio of total assets turnover of 2009 was lower than 2008's.
6. The ratio of return on assets of 2009 was higher than 2008's. The reason was the net profit of 2009 was higher than 2008's.
7. The ratio of return on equity of 2009 was higher than 2008's. The reason was the net profit of 2009 was higher than 2008's.
8. The ratio of return on assets of 2009 was higher than 2008's. The reason was the non operating revenue of 2009 was higher than 2008's.
9. The net profit margin of 2009 was higher than 2008's. The reason was the net profit of 2009 was higher than 2008's.

Note 1: The financial data for the past five years has been audited and certified by CPAs.

Note 2: Calculation methods for the financial analysis are listed below:

Note 3: Year-March.31.2010 data was self-compiled and are unaudited by CPAs

Note 4: This ratio was not calculated due to the net operating cash flow minus cash dividend being negative in the statement of cash flows.

Note 5: Not applicable to the company

Calculation methods

1. Capital structure ratios

(1) Liability to Asset ratio = Total liabilities / Total assets

(2) Long-term capital to fixed assets = (Total equity + Long-term liabilities) / Net fixed assets

2. Liquidity analysis ratios

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets - inventory - prepaid expenses) / Current liabilities

(3) Interest coverage ratio = EBIT / Current interest expenses

3. Activity analysis ratios

(1) Accounts receivable turnover (including account receivable and note receivable resulting from operations) = Net sales / Average accounts receivable balance for each period (including account receivable and note receivable resulting from operations)

(2) Average cash cycle (days) = 365 / Accounts receivable turnover

(3) Inventory turnover ratio = COGS / Average inventory

(4) Payable turnover ratio (including account payable and note payable resulting from operations) = COGS / Average accounts payable balance for each period (including account payable and note payable resulting from operations)

(5) Average period of sales (days) = 365 / Inventory turnover

(6) Fixed asset turnover ratio = Net sales / Net fixed assets

(7) Total asset turnover ratio = Net sales / Total assets

4. Profitability analysis ratios

(1) Return on assets = [Net profit (loss) + interest expense × (1 - tax rate)] / average total assets

(2) Return on equity = Net profit (loss) / average total equity

(3) Net margin = Net profit (loss) / net sales

(4) EPS = (Net profit - dividend on preferred stock) / Weighted average outstanding shares

5. Cash flow analysis ratios

(1) Cash flow ratio = Net cash flow from operations / Current liabilities

(2) Cash flow adequacy ratio = Net cash from operations over the past five years / (Capital expenses + change in inventory + cash dividends) over the past five years

(3) Cash flow reinvestment ratio = (Net cash flow from operations - cash dividends) / (Gross fixed assets + long term investments + other assets + operating capital).

6. Leverage analysis ratios

(1) Operating leverage = (Net operating revenues - variable operating costs and expenses) / Operating profits

(2) Financial leverage = Operating profit / (Operating profit - interest expense)





3. **Supervisors' Audit Report over recent years (see Page 56)**
4. **The latest consolidated financial statements audited and certified by the CPAs (See enclosed financial report).**
5. **Consolidated financial statements of the company and its subsidiaries audited and certified by the CPAs: N/A**
6. **Any financial problems encountered by the company and its affiliates which might affect the financial conditions of the company: N/A.**



Yuanta Securities Finance Co., Ltd Supervisor's Examination Report

The Board of Directors has submitted the 2009 Business Report, Financial Statements, and Earnings Distribution Statements. The Financial Statements had been audited and certified by the CPAs, Mr. Hsiao Chin-Mu and Mr. Huang Jing-Tze, of PricewaterhouseCoopers and an audit report has been issued.

The supervisors have reviewed and audited the above-mentioned documents issued, composed and presented by the Board of Directors. It is concluded that the said documents are presented fairly; therefore, a supervisor's report is hereby issued in accordance with Article 219 of the Company Act.

Yuanta Securities Finance Co., Ltd 2010 Shareholder's Meeting

Yuanta Securities Finance Co., Ltd

Supervisor: Li A-Yen

Supervisor: Chang Tsai-Yu

March 02, 2010





VII. Financial Status, Operating Results and Risk Management

1. Financial status

Unit: thousand NT\$

Items	Years		Difference	
	2009	2008	Amount	%
Current Assets	67,083,158	42,381,324	24,701,834	58
Funds and investment	1,364,861	4,018,983	(2,654,122)	(66)
Fixed assets	89,267	217,193	(127,926)	(59)
Intangible assets	2,451	7,731	(5,280)	(68)
Other assets	823,250	611,729	211,521	35
Total assets	69,362,987	47,236,960	22,126,027	47
Current liabilities	32,036,384	9,102,134	22,934,250	252
Long-term liabilities	5,005,857	7,506,688	(2,500,831)	(33)
Other liabilities	113,717	111,922	1,795	2
Total liabilities	37,155,958	16,720,744	20,435,214	122
Common stock	16,500,000	15,000,000	1,500,000	10
Capital reserve	5,525,693	7,025,693	(1,500,000)	(21)
Retained earnings	10,144,281	8,780,933	1,363,348	16
Unrealized profit (loss) on securities	37,055	(290,410)	327,465	113
Total shareholders' equity	32,207,029	30,516,216	1,690,813	6

Description of items with significant changes in the past two years:

A. Analysis of changes in current assets:

The increase in current assets during 2009 was due to an increase in securities margin financing transactions during 2009 which caused a large increase in margin securities financing notes receivable.

B. Analysis of changes in funds and investments:

The decrease in funds and investments during 2009 was due to the ongoing expiration of margin financing assets during 2009.

C. Analysis of changes in fixed assets:

The decrease in fixed assets during 2009 was due to the reclassification of real estate's owned as lease assets and idle assets.

D. Analysis of changes in intangibles assets:

The decrease in intangible assets during 2009 was due to the ongoing expiration of computer software's durability during 2009.

E. Analysis of changes in other Assets:

The increase in other assets during 2009 was due to the increase in deposit cash collaterals and auction lending collaterals from the operation of security lending business.

F. Analysis of changes in current liabilities:

The increase of current liabilities during 2009 was due to the increase in security loans collaterals, securities lending collaterals and significant increase in security loans charges during 2009.

G. Analysis of changes in long-term liabilities:

The decrease of long-term liabilities during 2009 was due to the reclassification of NT\$2.5 billion corporate debts to current liability because the maturity date is now less than 1 year.

H. Analysis of changes in capital reserves:

The increase in the capital reserves during 2009 was due to new stock issues of 150 million shares



through capital increase via capital reserves.

I. Analysis of changes in the unrealized gain (loss) on securities:

The increase in the unrealized gain (loss) on securities during 2009 was due to positive available for sale securities appraisal.

2. Operating results

Unit: thousand NT\$

Items \ Years	2009	2008	Increase (decrease)	% change
Operating income	\$3,320,699	\$4,614,059	(1,293,360)	(28)
Operating costs	1,476,636	2,807,481	(1,330,845)	(47)
Operating gross profit	1,844,063	1,806,578	37,485	2
Operating expenses	396,039	430,595	(34,556)	(8)
Operating profit	1,448,024	1,375,983	72,041	5
Non-operating income and profits	977,861	329,374	648,487	197
Non-operating expenses and loss	244,776	272,640	(27,864)	(10)
Pre-tax profit from continuing operation	2,181,109	1,432,717	748,392	52
Less: income tax expenses	367,410	374,491	(7,081)	(2)
Current net profits	<u>\$ 1,813,699</u>	<u>\$ 1,058,226</u>	<u>755,473</u>	<u>71</u>

Description of items with significant changes in the past two years:

A. Analysis of changes in operating income:

The decrease in the operating income during 2009 was due to the decrease in security margin financing balance and resulted in the reduction of interest income.

B. Analysis of changes in operating costs:

The decrease in security margin financing balance during 2009 caused decrease in lending balance and reduction in related interest income and fee charges. Also, the reduction in security margin financing interest income during first half of 2009 resulted in the fall in agency security firms' fee payout. All resulted in reduction in operating costs compare to 2008.

C. Analysis of changes in non-operating expenses and loss:

The increase in the non-operating expense and loss in 2009 was due to the increase in booking of investment profit.

3. Liquidity analysis

A. Liquidity analysis for the past two years

Items \ Years	2009	2008	Change (%)
Current ratio (%)	-	539.50	-
Cash flow adequacy Ratio (%)	1,560.07	1,375.66	13.41
Cash flow reinvestment Ratio (%)	-	126.22	-

Analysis of changes in these ratios:

There was a net cash outflow from business activities in 2009 so it was not entered into 2009 cash flow ratio and ratio of cash reinvestment calculations.





B. Analysis of cash flows in the future year

Unit: thousand NT\$

Initial cash balance	Annual operating net cash flows	Net cash inflow	Amount of cash surplus (shortfall)	Countermeasures for cash shortfall	
				Investment plan	Financial plan
617,893	(13,193,783)	12,989,183	413,293	—	—

(1) Analysis of current year's cash flows:

(a) Operating activities: (NT\$13,193,783,000).

(b) Investment activities: (NT\$1,303,257,000).

(c) Financing activities: NT\$14,292,440,000.

(2) Liquidity analysis and countermeasures against cash insufficiency: N/A.

4. Effects of Major Capital Expenditures in the Most Recent Fiscal Year on Financial Operations: N/A

5. Major Cause(s) for Gain/Loss due to Investment Policies in the Past Years and Improvement Plan(s) thereof and Investment Plan(s) for the Coming Year:

- A. Continue to make relevant reinvestments in line with the investment strategy of the parent Financial Holding Company and within the investment limits under the legal framework.
- B. Cash dividends from the Company's reinvestment enterprises in 2009: Taiwan Futures Exchange 786,379 shares.
- C. Cash dividends from the Company's reinvestment enterprises in 2009: Taiwan Depository & Clearing Corporation NT\$80,310,000, Taiwan Futures Exchange NT\$11,737,000 are major sources of company earnings.

6. Risk assessment

- A. The impact of changes in recent year interest rate, exchange rate and inflation conditions on company income and the future countermeasures:

(1) Interest rate: The Company's main business is credit transaction businesses, and the main profit is from security margin financing interest rate spreads. Over the past two years, the spread only fell slightly, and remained stable, so changes in interest rates do not have a significant impact on the company's income.

(2) Exchange rate: The Company's main income is in NT dollars; therefore, exchange rates do not have a significant impact on the company's income.

(3) Inflation: No significant impact on the company's income.



- B. Transactions of high risk, high leverage investments, loans to others, endorsements and derivatives trading: N/A.
- C. Future R&D plans and planned investment of R&D funds: N/A
- D. The impact of change in major policies and laws in Taiwan and abroad upon the financial standing of the company and the measures: N/A
- E. The impact of technological change and industry changes upon the financial standing of the company and the countermeasures: N/A
- F. The impact of change in corporate image upon the corporate risk management and the countermeasures: N/A
- G. Expected benefit(s) and possible risk(s) for M&A activities: N/A
- H. Expected profit and possible risks of plant expansion: N/A
- I. Purchase and sales risks: N/A
- J. The impact upon and potential risks for the company due to a significant transfer and the impact upon and potential risks for the company due to a significant transfer and change in shareholding of the directors and supervisors or major shareholders holding over 10%: N/A
- K. The impact of change in management and its potential risks: N/A
- L. Litigation and non-litigation matters:
 Whilst serving as the President of Yuanta Core Pacific Securities (hereinafter YCPS), the ex-chairman Mr. Chang Lee-Chiou of the company was sued for breach of trust by the Taipei District Court's Prosecutors' Office in April 2009 and is currently under court hearing due to his handling of YCPS trading of structured bonds and purchase of Yuanta Funds equity transactions in 2005. Since, Mr. Chang Lee-Chiou already resigned from the company chairman and director position; hence the future court ruling will not have significant impact on the company's business operation or shareholder rights.
- M. Other major risks: None

7. Other significant events: N/A





VIII. Special Notes

1. Information on affiliates

A. Relationship between the controlling company and its affiliate companies

Units: Shares; %

Name of controlling company	Reasons for control	Shareholding and pledge by the controlling company			Information on directors, supervisors and management assigned by the controlling company	
		Number of shares held	Shareholding percentage	Number of pledged shares	Title	Name
Yuanta Financial Holdings Co., Ltd.	According to Article 369-2, Item 1 of the Company Law, more than half of the total Yuanta Securities Finance's Company shares (100%) are held by them.	1,650,000,000	100.00%	0	Director (Chairman) Director (President) Director Director Director Supervisor Supervisor	Chuang Yu-De Lee Ya-pin Yu Yao-ting Liu Ming-Lang Yu Kuang-hua Chang Tsai-Yu Li A-Yen
Tsun Chueh Investment Co., Ltd.	According to Article 369-2, Item 2 of the Company Law, the company is empowered to administrate personnel, financial and business management activities.	—	—	—	—	—

Note: The baseline date for above information is March 31, 2010.

B. Information on business transaction(s)

- (1) Agency business: N/A.
- (2) Property transaction: N/A.
- (3) Capital financing: N/A.
- (4) Assets leasing: N/A.
- (5) Other important transactions: N/A

C. Endorsement and guarantees: N/A

D. Other matters having significant impact on financial and business operations: N/A



Yuanta Securities Finance' Declaration on Affiliation Report

It is hereby declared that the Affiliation Report for 2009 (from January 1, 2009 to December 31, 2009) is prepared and submitted pursuant to the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.” At the same time, there is no significant inconsistency between the information above and the supplementary information disclosed in the financial statements for the above period.

Company Name: Yuanta Securities Finance Co., Ltd

Chairman: Chuang Yu-De

Date: March 31, 2010





Independent Auditor's Review on Affiliation Report

Tze.Hui.Tsung.No. 090007363

To: Yuanta Securities Finance

The 2009 Affiliation Report of Yuanta Securities Finance is reviewed by PwC in accordance with the Letter of Securities & Futures Commission of Financial Supervisory Commission, Executive Yuan dated November 30, 1999 under reference Tai.Tsai.Cheng (6) No. 04448. It reviewed whether the 2009 affiliation report was prepared in accordance with the "Guidelines for Compilation of the Consolidated Operating Report of Affiliated Enterprises and Consolidated Financial Statements and the Affiliation Report" and whether there is a significant nonconformity between the aforementioned information disclosed and then audited by PwC.

Based on my review, the composition of the affiliation party report is in compliance with the "Guidelines for Compilation of the Consolidated Operating Report of Affiliated Enterprises and Consolidated Financial Statements and the Affiliation Report" and there are no significant nonconformities identified between the information disclosed in the aforementioned affiliation report and that in the said supplementary financial statements.

PricewaterhouseCoopers

Hsiao Chin-Mu

CPA:

Huang Jing-Tze

SEC approved certification no.

(81) Tai.Tsai.Cheng (6) No. 33095

(78) Tai.Tsai.Cheng (1) No. 28496

March 31, 2010



2. Private Placement of Securities in recent years as of the publication date of the annual report:

Information on securities private placement

Item	2008: First private placement Date of issue: September 12, 2008					2007: First private placement Date of issue: November 30, 2007				
Private placement securities type	Common Stock					Common Stock				
Date and number of approval from the shareholder meeting	Approved on June 24, 2008, 600 million common shares were issued with a par value per share is NT\$10. The issuing price per share is NT\$20. Total amount of funds raised was \$12 billion.					Approved on September 26, 2007, 100 million common shares were issued with a par value per share is NT\$10. The issuing price per share is NT\$20. Total amount of funds raised was \$2 billion.				
The basis and reasonability of price determination	In accordance with the Article 140 of the Company Law, the net value per share was around NT\$20.69 based on calculations from of the Company's December 2007 balance sheet. An issue price per share of NT\$ 20 for this capital increase for cash should be a reasonable price.					In accordance with the Article 140 of the Company Law Article 140 and Article 2 of the Guidelines for Public Subscription and Private Placement of Securities, the net value per share was around NT\$19.77 based on calculations from of the Company's 2007 first half balance sheet. An issue price per share of NT\$ 20 for this capital increase for cash should be a reasonable price.				
Special people's selecting method	Yuanta Financial Holdings holds 100% of the company shares.					Yuanta Financial Holdings holds 100% of the company shares.				
Necessity of private placement	Needed to meet requirements for business operation turnover and strengthen the Company's financial structure.					Needed to replenish operating capital, strengthen the Company's financial structure and improve capital adequacy rate to meet business operation requirements.				
Date of payment	August 05, 2008					November 01, 2007				
Fund raising counterpart information	Private placement counterpart	Qualifications	Subscription amount	Relationship	Participation in company operation	Private placement counterpart	Qualifications	Subscription amount	Relationship	Participation in company operation
	Yuanta Financial Holdings	Conforms to Paragraph 1-1, Article 43-6 of the SEL	Entire amount	Sole shareholder	Has 100% shareholding of the Company. The Company's directors and supervisors are appointed by them.	Yuanta Financial Holdings	Conforms to Paragraph 1-1, Article 43-6 of the SEL	Entire amount	Sole shareholder	Has 100% shareholding of the Company. The Company's directors and supervisors are appointed by them.
The actual subscription (or conversion) price	NT\$20					NT\$ 20				
The difference of the actual subscription (or conversion) price and referral price	N/A					N/A				
Effect of private placement on shareholder's equity	Increase the company's profit and increase the shareholders remuneration.					Increase the company's profit and increase the shareholders remuneration. °				
Private placement fund utilization and plan implementation progress	After approval by letter Jin-Guan-Ying (6) No. 09700260910 dated July 29, 2008, the funds were raised and completed used by August 05, 2008.					After approval by letter Jin-Guan-Ying (6) No.09600441890 dated October 19, 2007, the funds were raised and completely used by November 01, 2007.				
Effectiveness of private placement	Meet requirements for business operation turnover and strengthen the Company's financial structure.					Replenish operating capital and increase company profit.				

3. Shares of the Company held or disposed of by subsidiaries in recent years as of the publication date of the annual report: N/A.

4. Other supplemental items: None





IX. Significant Issues which might Affect Shareholders' Equity or Prices of the Shares Pursuant to Item 2, Paragraph 2, Article 36 of the Securities Exchange Act

None



YUANTA SECURITIES FINANCE CO., LTD.
FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2009 AND 2008

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.





Report of Independent Accountants

PWCR09000331

To the Board of Directors and Shareholders of Yuanta Securities Finance Co., Ltd.

We have audited the accompanying balance sheets of Yuanta Securities Finance Co., Ltd. as of December 31, 2009 and 2008, and the related statements of income, of changes in shareholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yuanta Securities Finance Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Firms", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

February 12, 2010

The accompanying 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 financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.



YUANTA SECURITIES FINANCE CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
<u>Current Assets</u>								
Cash and cash equivalents (Notes 4(1) and 5)	\$ 617,893	1	\$ 3,683,768	8	-	-	29,830	-
Financial assets at fair value through profit or loss - current (Notes 3, 4 (2), and 5)	2,425,423	3	6,391,366	14	8,554,447	12	3,952,282	8
Available-for-sale financial assets - current (Notes 3 and 4 (3))	1,214,615	2	2,265,292	5	495,209	1	388,869	1
Held-to-maturity financial assets - current (Notes 4 (4), 5 and 6)	1,236,842	2	1,511,222	3	660,019	1	494,710	1
Margin loans (Note 4 (7))	60,799,474	88	27,847,878	59	7,145,254	10	3,303,399	7
Other receivables (Note 5)	788,911	1	681,674	1	2,500,000	4	-	-
Prepayments	-	-	124	-	6,981	-	14,851	-
	67,083,158	97	42,381,324	90	12,674,474	18	918,193	2
					32,036,384	46	9,102,134	19
<u>Fund and investments</u>								
Held-to-maturity financial assets - non-current (Notes 4 (4) and 6)	699,531	1	3,053,653	7	-	-	-	-
Financial assets carried at cost - non-current (Note 4 (5))	665,330	1	665,330	1	5,000,000	8	7,500,000	16
Bond investments in non-active market - non-current (Notes 4 (6) and 6)	-	-	300,000	1	5,857	-	6,688	-
	1,364,861	2	4,018,983	9	5,005,857	8	7,506,688	16
<u>Fixed Assets (Note 5)</u>								
<u>Cost:</u>								
Land	13,620	-	85,186	-	110,363	-	107,875	-
Buildings	9,710	-	75,608	-	3,354	-	4,047	-
Computer equipment	47,571	-	48,602	-	113,717	-	111,922	-
Transportation equipment	23,378	-	22,053	-	37,155,958	54	16,720,744	35
Office equipment	16,135	-	16,785	-	-	-	-	-
Leasehold assets	29,134	-	48,568	-	-	-	-	-
Leasehold improvements	22,825	-	9,040	-	-	-	-	-
Less: Accumulated depreciation	162,373	-	305,842	-	16,500,000	24	15,000,000	32
Prepayment for equipment	(75,126)	-	98,871)	-	5,523,663	8	7,023,663	15
	2,020	-	10,222	-	2,030	-	2,030	-
	89,267	-	217,193	-	8,040,172	11	7,722,705	16
<u>Intangible Asset</u>								
Computer software costs	2,451	-	7,731	-	290,410	-	2	-
<u>Other Assets</u>								
Rental assets (Note 5)	463,438	1	435,393	1	1,813,699	3	1,058,226	2
Idle assets (Note 4 (8))	17,351	-	-	-	37,055	-	(290,410)	-
Deposits-out (Note 4 (7))	267,733	-	133,893	-	-	-	-	-
Deferred income tax assets - non-current (Note 4 (16))	74,728	-	42,443	-	32,207,029	46	30,516,216	65
	823,250	1	611,729	1	-	-	-	-
TOTAL ASSETS	\$ 69,362,987	100	\$ 47,236,960	100	\$ 69,362,987	100	\$ 47,236,960	100
LIABILITIES AND SHAREHOLDERS' EQUITY								
<u>Current Liabilities</u>								
Short-term borrowings (Note 4 (9))	-	-	-	-	-	-	-	-
Accounts payable (Note 4 (7))	-	-	-	-	8,554,447	12	3,952,282	8
Other payables - related parties (Notes 4 (16) and 5)	-	-	-	-	495,209	1	388,869	1
Other payables	-	-	-	-	660,019	1	494,710	1
Other financial liabilities - current (Note 4 (7))	-	-	-	-	7,145,254	10	3,303,399	7
Long-term liabilities - current portion (Note 4 (10))	-	-	-	-	2,500,000	4	-	-
Lease payable - current (Note 5)	-	-	-	-	6,981	-	14,851	-
Deposits-in of securities borrowing & lending (Notes 4 (7) and 5)	-	-	-	-	12,674,474	18	918,193	2
	-	-	-	-	32,036,384	46	9,102,134	19
<u>Long-term Liabilities</u>								
Bonds payable (Note 4 (10))	5,000,000	8	7,500,000	16	-	-	-	-
Lease payable - non-current (Note 5)	5,857	-	6,688	-	-	-	-	-
	5,005,857	8	7,506,688	16	-	-	-	-
<u>Other Liabilities</u>								
Accrued pension liabilities (Note 4 (11))	110,363	-	107,875	-	-	-	-	-
Deposits-in	3,354	-	4,047	-	-	-	-	-
	113,717	-	111,922	-	-	-	-	-
Total liabilities	37,155,958	54	16,720,744	35	37,155,958	54	16,720,744	35
<u>SHAREHOLDERS' EQUITY</u>								
Capital stock (Note 4 (12))	16,500,000	24	15,000,000	32	-	-	-	-
Common stock	-	-	-	-	-	-	-	-
Capital reserve (Note 4 (13))	-	-	-	-	-	-	-	-
Additional paid-in capital	5,523,663	8	7,023,663	15	-	-	-	-
Others	2,030	-	2,030	-	-	-	-	-
Retained earnings (Note 4 (14))	-	-	-	-	-	-	-	-
Legal reserve	8,040,172	11	7,722,705	16	-	-	-	-
Special reserve	-	-	-	-	290,410	-	2	-
Unappropriated earnings	1,813,699	3	1,058,226	2	-	-	-	-
Unrealized gain (loss) on financial instruments (Note 4 (3))	-	-	-	-	-	-	-	-
Total Shareholders' Equity	37,055	-	(290,410)	-	37,055	-	(290,410)	-
<u>Commitments and Contingent Liabilities (Note 7)</u>								
Subsequent Event (Note 9)	-	-	-	-	-	-	-	-
<u>Other Disclosure Items (Note 11)</u>								
	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 69,362,987	100	\$ 47,236,960	100	\$ 69,362,987	100	\$ 47,236,960	100

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





YUANTA SECURITIES FINANCE CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2009		2008	
	Amount	%	Amount	%
Operating revenues				
Interest revenue	\$ 2,558,634	77	\$ 4,196,383	91
Other operating revenue	762,065	23	417,676	9
	<u>3,320,699</u>	<u>100</u>	<u>4,614,059</u>	<u>100</u>
Operating cost				
Interest expense	(180,033)	(5)	(1,117,997)	(24)
Other operating costs (Note 5)	(1,296,603)	(39)	(1,689,484)	(37)
	<u>(1,476,636)</u>	<u>(44)</u>	<u>(2,807,481)</u>	<u>(61)</u>
Gross profit	1,844,063	56	1,806,578	39
Operating expenses (Notes 3, 4 (18) and 5)	(396,039)	(12)	(430,595)	(9)
Operating income	<u>1,448,024</u>	<u>44</u>	<u>1,375,983</u>	<u>30</u>
Non-operating revenue and income				
Interest income (Note 5)	74,496	2	122,176	3
Gain on valuation of financial assets (Note 4 (2))	30,385	1	-	-
Dividend income	106,517	3	112,487	2
Gain on disposal of fixed assets (Note 5)	108,540	3	-	-
Gain on disposal of investments (Notes 4 (2) and (3))	641,892	19	34,945	1
Rental income (Note 5)	14,340	1	26,582	-
Other income	1,691	-	33,184	1
	<u>977,861</u>	<u>29</u>	<u>329,374</u>	<u>7</u>
Non-operating expenses and losses				
Loss on valuation of financial assets (Note 4 (2))	-	-	(254,921)	(6)
Loss on disposal of fixed assets	-	-	(11,626)	-
Impairment loss (Notes 4 (3) and (8))	(238,866)	(7)	-	-
Miscellaneous expense	(5,910)	-	(6,093)	-
	<u>(244,776)</u>	<u>(7)</u>	<u>(272,640)</u>	<u>(6)</u>
Income before income tax	2,181,109	66	1,432,717	31
Income tax expense (Note 4 (16))	(367,410)	(11)	(374,491)	(8)
Net income	<u>\$ 1,813,699</u>	<u>55</u>	<u>\$ 1,058,226</u>	<u>23</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic earnings per share (expressed in New Taiwan dollars) (Note 4(17))				
Net income	<u>\$ 1.32</u>	<u>\$ 1.10</u>	<u>\$ 1.14</u>	<u>\$ 0.84</u>

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



YUANTA SECURITIES FINANCE CO., LTD.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Capital reserve			Retained Earnings			Unappropriated Earnings	Unrealized Gain (Loss) on Market Value Decline of Long-term Equity Investments	Total
	Common Stock	Additional Paid-in Capital	Others	Legal Reserve	Special Reserve	Earnings			
Balance as of January 1, 2008	\$ 9,000,000	\$ 1,023,663	\$ 2,030	\$ 7,346,817	\$ -	\$ 1,252,960	(2)	\$ 18,625,468	
Appropriation of 2007 earnings	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	375,888	-	(375,888)	-	-	
Special reserve	-	-	-	-	2	(2)	-	-	
Bonus to employees	-	-	-	-	-	(1,754)	-	(1,754)	
Remuneration to directors and supervisors	-	-	-	-	-	(6,140)	-	(6,140)	
Cash dividends	-	-	-	-	-	(869,176)	-	(869,176)	
Capital infusion by cash	6,000,000	6,000,000	-	-	-	-	-	12,000,000	
Unrealized loss on financial instruments	-	-	-	-	-	-	(290,408)	(290,408)	
Net income for 2008	-	-	-	-	-	1,058,226	-	1,058,226	
Balance as of December 31, 2008	\$ 15,000,000	\$ 7,023,663	\$ 2,030	\$ 7,722,705	\$ 2	\$ 1,058,226	(290,410)	\$ 30,516,216	
Balance as of January 1, 2009	\$ 15,000,000	\$ 7,023,663	\$ 2,030	\$ 7,722,705	\$ 2	\$ 1,058,226	(290,410)	\$ 30,516,216	
Appropriation of 2008 earnings	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	317,467	-	(317,467)	-	-	
Special reserve	-	-	-	-	290,408	(290,408)	-	-	
Cash dividends	-	-	-	-	-	(450,351)	-	(450,351)	
Capital infusion by additional paid-in capital	1,500,000	1,500,000	-	-	-	-	-	-	
Unrealized gain on financial instruments	-	-	-	-	-	-	327,465	327,465	
Net income for 2008	-	-	-	-	-	1,813,699	-	1,813,699	
Balance as of December 31, 2008	\$ 16,500,000	\$ 5,523,663	\$ 2,030	\$ 8,040,172	\$ 290,410	\$ 1,813,699	\$ 37,055	\$ 32,207,029	

Note: Employees' bonus of \$901 and directors' and supervisors' remuneration of \$2,251 for the year ended December 31, 2008 have been eliminated in the statement of income.

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





YUANTA SECURITIES FINANCE CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009	2008
<u>Cash flows from operating activities:</u>		
Net income	\$ 1,813,699	\$ 1,058,226
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision for doubtful accounts	-	20,000
Depreciation (including rental assets)	32,044	32,090
Amortization of bonds discount	15,450	21,623
Amortization of intangible assets	6,405	8,942
Loss (gain) on valuation of financial assets	(30,385)	254,921
Proceeds from disposal of financial assets carried at cost	-	(14,958)
Impairment loss of fixed assets	29,973	-
Impairment loss of valuation of financial assets	208,893	-
Loss on disposal of fixed assets	(108,540)	11,626
Changes in Assets / Liabilities:		
Financial assets at fair value through profit or loss - current	3,996,328	(5,750,925)
Margin loans	(32,951,596)	53,964,148
Other receivables	(107,237)	883,942
Prepayments	124	2,496
Deferred income tax assets- non-current	(32,285)	19,964
Short sale proceeds payable	4,602,165	(1,149,375)
Other payables	271,649	(127,830)
Stock deposits	3,841,855	(891,945)
Deposits-in of securities borrowing & lending	11,756,281	918,193
Advance collections	-	(157,730)
Accrued pension liabilities	2,488	2,173
Net cash provided by (used in) operating activities	(6,652,689)	49,105,581
<u>Cash flows from investing activities:</u>		
Decrease in held-to-maturity financial assets - non-current	2,612,600	2,811,200
Proceeds from acquisition of available-for-sale financial assets	1,169,701	(1,125,164)
Acquisition of financial assets carried at cost	-	(395,816)
Proceeds from disposal of financial assets carried at cost	-	562,099
Decrease in investments in bonds without active markets	300,000	-
Acquisition of fixed assets and non-operating assets	(18,755)	(39,735)
Proceeds from disposal of fixed assets	147,808	772,953
Increase in computer software costs	(1,125)	-
Increase in deposits-out	(133,840)	(120,399)
Proceeds from the transfer of the rights of claim on margin loans and short sales	-	(13,923,470)
Net cash provided by (used in) investing activities	4,076,389	(11,458,332)
<u>Cash flows from financing activities:</u>		
Decrease in short-term loans	-	(15,922,000)
Decrease in short-term borrowings	(29,830)	(29,480,224)
Decrease in lease payables	(8,701)	(4,345)
Decrease in deposits-in	(693)	(4,799)
Payment of cash dividends	(450,351)	(869,176)
Payment of bonus to employees	-	(1,754)
Payment of remuneration to directors and supervisors	-	(6,140)
Capital infusion by cash	-	12,000,000
Net cash used in financing activities	(489,575)	(34,288,438)
Net (decrease) increase in cash and cash equivalents	(3,065,875)	3,358,811
Cash and cash equivalents at beginning of year	3,683,768	324,957
Cash and cash equivalents at end of year	\$ 617,893	\$ 3,683,768
<u>Supplemental disclosure of cash flow information:</u>		
Cash payment for interest	\$ 179,465	\$ 1,136,676
Cash payment for income tax	\$ 370,692	\$ 238,118

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



YUANTA SECURITIES FINANCE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- 1) Subsequent to approval from the government of the Republic of China (ROC), Yuanta Securities Finance Co., Ltd. (the Company), formerly Fuhwa Securities Finance Co., Ltd., was established on January 17, 1980, and commenced operations on April 21, 1980. The Company listed its stock on the Taiwan Stock Exchange (TSE) on November 25, 1994. According to the Financial Holding Company Act, the Company and Yuanta Securities Co., Ltd, made an application to establish Yuanta Financial Holding Co., Ltd. (Yuanta Financial Holding) as the listed company on the TSE through share exchanges on February 4, 2002. The Company's stock was unlisted on the same day. As of December 31, 2009, the Company had 67 employees.
- 2) The Company is primarily engaged in providing pecuniary and securities financing facilities for the trading of listed securities, refinancing to securities firms, financing of cash capital increase and underwriting and subscription, offering loans to securities firms for dealing with underwriting, financing of securities settlement, borrowing or lending securities, and other businesses as approved by the authorities.
- 3) The Company's parent company is Yuanta Financial Holding Co., Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Rules Governing the Preparation of Financial Reports by Securities Firms", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China. The Company's significant accounting policies are described below:





1) Foreign currency transactions

- A. The Company maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the transaction dates.
- B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are, in nature, deemed long-term are accounted for as a reduction of stockholders' equity.
- C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

2) Classification of current and non-current assets and liabilities

- 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 realized or consumed, or are intended to be sold within the normal operating cycle;
 - b) Assets held mainly for trading purposes;
 - c) Assets that are expected to be realized within twelve months from the balance sheet date; and
 - d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off 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 arising from operating activities that are expected to be paid off within the normal operating cycle;
 - b) Liabilities arising mainly from trading activities;
 - c) Liabilities that are to be paid off within twelve months from the balance sheet date; and



d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

3) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks and other short-term highly-liquid investments which are readily convertible to a known amount of cash and subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

4) Financial assets and financial liabilities at fair value through profit or loss

A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting while bond transactions are accounted for using settlement date accounting at fair value.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of delisted (TSE and OTC) stocks and emerging stocks are based on the cost at the balance sheet date when the Company has no ability to exercise significant influence.

5) Available-for-sale financial assets

A. Equity securities and beneficiary certificates are accounted for using trade date accounting while debt securities are accounted for using settlement date accounting at fair value.

B. The financial assets are remeasured and stated at fair value or fundamental value derived from a model evaluation and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds and beneficiary certificates is determined based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of delisted (TSE and OTC) stocks and emerging stocks is based on the cost at the balance sheet date when the Company has no ability to exercise significant influence.

C. If there is any objective evidence that the financial asset is impaired, a loss is recognized. Subsequent recovery of fair value is recognized in equity. Recovery of fair value of debt instruments is recognized in current operations.





6) Held-to-maturity financial assets

- A. Held-to-maturity financial assets are accounted for using settlement date accounting, and are stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. These financial assets are carried at amortized cost.
- C. If there is any objective evidence that the financial asset is impaired, a loss is recognized. Subsequent recovery of fair value is recognized in equity. Recovery of fair value of debt instruments is recognized in current operations.

7) Financial assets carried at cost

- A. Financial assets carried at cost are accounted for using trade date accounting, and are stated initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is an indication of impairment, impairment loss should be recognized, and this recognized amount is non-reversible.

8) Bond investments in a non-active market

- A. Bond investments in a non-active market are those that do not have public quotes in an active market and are recorded at amortized cost.
- B. If there is objective evidence that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount of the financial asset that exceeds the amortized cost that would have been determined if no impairment loss had been recognized.

9) Pecuniary, securities financing and securities borrowing & lending

- A. According to the Rules Governing Securities Finance Enterprises (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. Such loans are secured by the securities purchased by the investors, and the Company records these securities at par value under the memorandum accounts "securities held for collateral" and "liability for holding collateral securities", and are not included in the balance sheets.
- B. According to Article 10 of the RGSFE, margin loan investors must pay a certain percentage of the related stock market price themselves.
- C. Short sale stock loans represent securities financing effected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities. When the securities are lent to investors, the Company



records the par value of the securities lent under the memorandum account "short sale stock loans". Additionally, according to Article 10 of the RGSFE, the investors need to deposit an amount equal to a certain percentage of the proceeds from short sale stock financing as collateral with the Company. The proceeds are accounted for as "stock deposits". The Company deals with these securities at par value under the memorandum account "guarantee effects". The proceeds from sale of securities loaned, less any dealer's commission, financing commission and securities exchange tax, are held by the Company as collateral and recorded under "short sale proceeds payable".

- D. In accordance with SFC Ruling (88) Tai Tsai Cheng (4) No. 03452, when the securities financed by borrowers cease trading, or are unlisted from the stock market, or are securities of the borrowers' credit accounts which are unable to be disposed of, the margin loans resulting from the securities financing will be recorded as "other receivables" or "overdue receivables" according to the result of negotiation or collection. Due to the insufficient margin percentage as collateral for a fall in stock price, the uncovered balance of the margin loan after disposing of the respective stocks was recorded as "overdue receivables".
- E. "Stock short sales" means investor borrowing stocks from a lender who owns the stocks, with the promise that the investor will return them later to the lender with same kind and same quantity of stocks. When stocks are borrowed, the Company records the par value of the borrowed stocks under the memo account "Borrowed Stocks". If the Company pays guarantee deposits for borrowing, it records "Refundable guarantee deposits"; or if it provides collaterals with value equal to the stocks borrowed, it records the par value of the collaterals under the memo account "Refundable collaterals". When stocks are lent, the Company records the par value of the lent stocks under the memo account "Stock short sales". If the Company receives guarantee deposits for lending, it records "Guarantee deposits received"; or if it receives collaterals with value equal to the stocks lent, it records the par value of the collaterals under the memo account "Collaterals received".

10) Allowance for doubtful accounts

Allowance for doubtful accounts is based on the margin loans and pecuniary transactions, considering the value of collateral, past experience in collections and the collectibility of margin loans.

11) Non-current assets held for sale

For non-current assets to be sold (disposal group) within one year, they are measured at the lower of carrying value or net fair value and reclassified to "Current assets". Depreciation on those assets is no longer provided.





12) Fixed assets and rental assets

- A. Fixed and rental assets are stated at cost. Interest incurred required to complete and prepare the asset for its intended use is capitalized.
- B. Depreciation is provided using the straight-line method based on the estimated economic useful lives of the assets plus one year as residual value. Fully depreciated assets still in use are depreciated based on the residual value over the re-estimated useful lives. The estimated useful lives of major fixed assets range from 3 to 7 years, except for buildings which is 5~55 years.
- C. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed when incurred.
- D. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.
- E. Fixed assets which are not used for operations are recorded as idle assets or leased assets based on the lower of net realizable value or book value, and any loss is recorded as non-operating expense.

13) Intangible assets

Intangible assets consist of computer software costs which are stated at cost and amortized over the estimated useful life of 3~5 years using the straight-line method.

14) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

15) Bonds payable

- A. The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as “interest expense”.
- B. Significant differences between redemption and the book value are recognized as extraordinary gain or loss.

16) Reserve for securities trading losses

According to the Article 11 of Rules Governing Securities Firms (RGSF), 10% of the monthly excess of securities trading gains over losses must be provided as a reserve until the accumulated balance of such provision reaches \$200,000. Such reserve can only be used to offset the loss from trading securities.



17) Pension plan

Under the defined benefit pension plan, net periodic pension costs are recognized in accordance with the actuarial calculations. Net periodic pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net periodic pension costs are recognized as incurred.

18) Income tax

- A. Provision for income tax includes deferred income tax resulting from temporary differences, investment tax credits and loss carryforward. Valuation allowance on deferred tax assets is provided to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior years' income tax liabilities is included in current year's income tax.
- B. Investment tax credits resulting from expenditures for the acquisition of machinery or technology, research and development, employees' trainings, and equity investments are recognized in the year the related expenditures are incurred.
- C. The additional 10% income tax on undistributed earnings of the Company is recognized as tax expense in the year the stockholders approve a resolution to retain the earnings.
- D. According to Article 49 of the Financial Holding Company Act and Income Tax Act, the Company elects its parent company, Yuanta Financial Holding Co., Ltd., as the taxpayer to file the consolidated profit-seeking enterprise income tax returns. In addition to the consolidated income tax returns, the Company has to compute its income tax on an individual filing basis pursuant to the SFAS No.22, "Accounting for Income Taxes", and records the tax receipts and tax payments arising from the consolidated income tax returns in the current period's deferred income tax assets (liabilities), income tax payable (income tax refundable) and other receivables (payables) - affiliates of the Company's financial statements.

19) Earnings per share

- A. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.





B. The Company adopted the amended R.O.C. SFAS No. 24 “Earnings per share”, which requires the calculation of earnings per share by disclosing basic and diluted earnings per share if there are potential common stocks.

20) Share-based payment — employee compensation plan

In accordance with the “Regulations Governing The Transfer Of The Company’s Shares Which Were Bought Back By The Company To Employees” as prescribed by the Company’s parent company - Yuanta Financial Holding Co., Ltd, all regular employees of the Company are entitled to parent company stock options. For treasury stocks of parent company reissued to employees as compensation, compensation cost is recognized using the fair value method, in accordance with EITF96-266, “Accounting for Transfer Of Enterprise’s Treasury Stocks To Employees”, dated October 12, 2007, as prescribed by the R.O.C. Accounting Research and Development Foundation. The cost of the services received during the vesting period is measured based on the option pricing model at the grant date, and is amortized as payroll expenses during that period.

21) Employees’ bonus and directors’ and supervisors’ remuneration

Effective January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, “Accounting for Employees’ Bonus and Directors’ and Supervisors’ Remuneration”, the costs of employees’ bonus and directors’ and supervisors’ remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal obligation or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees’ bonus and directors’ and supervisors’ remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual meeting subsequently, the difference shall be recognized as gain or loss in the year of distribution. The Company calculates the number of shares of employees’ stock bonus based on the net asset value in the latest audited financial statements.

22) Revenues and expenses

Revenue is recognized when it is realized or realizable and it is earned. Cost associated with revenue is recognized as incurred and expense is recognized as incurred on an accrual basis.

23) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.



24) Settlement date accounting

When settlement date accounting is used, any change in the fair value of the asset during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial assets and financial liabilities at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial assets, the change in fair value is recognized directly in equity.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Employees' bonus and directors' and supervisors' remuneration / Share-based payment

Effective January 1, 2008, the Company adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment" and EITF96-052 of the R.O.C. Accounting Research and Development Foundation, dated March 16, 2007, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration". As a result of the adoption of R.O.C. SFAS No. 39 and EITF96-052, net income decreased by \$2,364 and earnings per share decreased by \$0.002 for the year ended December 31, 2008.

2) Reclassification of financial assets

The Company had properly reclassified certain financial instruments from "Financial assets at fair value through profit or loss" to "Available-for-sale financial assets" on September 30, 2008 in accordance with paragraph 104 of R.O.C. SFAS No. 34, "Accounting for Financial Instruments". As a result of this change in accounting principle, net income increase by \$194,180 thousand for the year ended December 31, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	December 31,	
	2009	2008
Petty Cash	\$ 560	\$ 560
Demand Deposits	21,988	12,834
Savings Deposits	36,767	35,635
	59,315	49,029
Cash equivalents - Repurchase agreement	558,578	3,634,739
	<u>\$ 617,893</u>	<u>\$ 3,683,768</u>





2) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31,	
	2009	2008
Financial assets held for trading:		
<u>Equity instruments</u>		
Beneficiary certificates	\$ 2,400,070	\$ 6,387,848
Adjustment of listed stocks	25,353	(5,032)
	<u>2,425,423</u>	<u>6,382,816</u>
Designated financial assets at fair value through profit or loss - Convertible bonds	-	8,144
Adjustment	-	406
	-	<u>8,550</u>
Total	<u>\$ 2,425,423</u>	<u>\$ 6,391,366</u>

A. Due to the global financial crisis in 2008, the Company reclassified certain listed stocks from “Financial assets at fair value through profit or loss” to “Available-for-sale financial assets” on September 30, in accordance with paragraph 104 of R.O.C. SFAS No. 34, "Accounting for Financial Instruments", please refer to Note 4(3) for additional disclosures.

B. For the years ended December 31, 2009 and 2008, net gain (loss) on related financial assets were as follows:

	For the years ended December 31,	
	2009	2008
Realized (loss) gain on disposal:		
Beneficiary certificates	\$ 53,116	(\$ 19,714)
Convertible bonds	871	-
Equity instruments	-	19,867
Total	<u>\$ 53,987</u>	<u>\$ 153</u>

	For the years ended December 31,	
	2009	2008
Unrealized (loss) gain on disposal:		
Beneficiary certificates	\$ 30,385	(\$ 35,553)
Convertible bonds	-	406
Equity instruments	-	(219,774)
Total	<u>\$ 30,385</u>	<u>(\$ 254,921)</u>



3) AVAILABLE-FOR-SALE FINANCIAL ASSETS – CURRENT

	For the years ended December 31,	
	2009	2008
Listed stocks	\$ 903,352	\$ 1,858,039
Beneficiary securities	483,101	498,115
Corporate bonds	-	199,548
	1,386,453	2,555,702
Adjustments	37,055 (290,410)
Accumulated impairment loss	(208,893)	-
Total	<u>\$ 1,214,615</u>	<u>\$ 2,265,292</u>

A. As of December 31, 2008, effective annual interest rates of corporate bonds were 1.9%.

B. Due to the global financial crisis in 2008, the Company reclassified certain listed stocks amounting to \$667,122 from “Financial assets at fair value through profit or loss” to “Available-for-sale financial assets” on September 30, 2008 in accordance with paragraph 104 of R.O.C. SFAS No. 34, "Accounting for Financial Instruments". The relevant information is set forth below:

(1) As of December 31, 2009, all of the above reclassified assets had been disposed of. As of December 31, 2008, the fair value of the above reclassified assets which had not yet been disposed of is as follows:

	December 31, 2008
Listed (TSE and OTC) stocks	<u>\$ 472,942</u>

(2) Information on change in fair value of the reclassified assets for the years ended December 31, 2009 and 2008 is as follows:

	December 31,	
	2009	2008
	Recognized in gain or loss	Recognized in stockholders' equity
Listed (TSE and OTC) stocks	<u>(\$ 36,407)</u>	<u>(\$ 207,393)</u>
		<u>(\$ 194,180)</u>





C. For the years ended December 31, 2009 and 2008, net gain (loss) on related financial assets were as follows:

	<u>For the years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Realized (loss) gain on disposal:		
Listed (TSE and OTC) stocks	\$ <u>587,905</u>	\$ <u>19,833</u>

4) HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Current items:		
Financial debentures	\$ 1,210,706	\$ 1,511,222
Government bonds	26,136	-
	<u>\$ 1,236,842</u>	<u>\$ 1,511,222</u>
Noncurrent items:		
Financial debentures	\$ -	\$ 2,326,726
Government bonds	699,531	726,927
	<u>\$ 699,531</u>	<u>\$ 3,053,653</u>

A. In 2009 and 2008, the effective interest rates of the bonds held by the Company are between 1.891%~7.60% and 0.26%~6.60%, respectively.

B. According to the RGSFE, a securities finance company should deposit an amount of cash, government bonds, financial debenture or bank guaranteed corporate bond in the Central Bank of China (CBC) which is equal to or exceeds 5% of its capital. For the amounts of securities financing deposits, please refer to Note 6.

5) FINANCIAL ASSETS CARRIED AT COST – NONCURRENT

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Unlisted stocks	\$ <u>665,330</u>	\$ <u>655,330</u>

A. These financial assets were recorded at cost as there is no public quote in an active market and their fair values are not reliably measurable.

B. Please refer to Note 5. (2) G for information on sales (purchases) of financial assets carried at cost to (from) related parties for the year ended December 31, 2008.



6) BOND INVESTMENT IN NON-ACTIVE MARKET – NONCURRENT

	December 31,	
	2009	2008
Financial debentures	\$ -	\$ 300,000

In 2008, the effective interest rate of the bonds held by the Company is 4.15%.

7) MARGIN LOANS, SHORT SALE STOCK LOANS AND SECURITIES BORROWING & LENDING

	December 31,	
	2009	2008
Margin loans	\$ 60,943,876	\$ 27,980,106
Less : allowance for doubtful accounts	(144,402)	(132,228)
	<u>\$ 60,799,474</u>	<u>\$ 27,847,878</u>
Accounts payable	<u>\$ 8,554,447</u>	<u>\$ 3,952,282</u>

- A. The percentages of margin loans for listed stocks were 60% (TSE) and 50% (OTC) in 2009 and 2008, respectively. Interest rates for pecuniary financing to securities firms and investors ranged from 5.975%~6.65% and 6.65% to 6.9% per annum in 2009 and 2008, respectively.
- B. The stipulated percentage of deposits from the proceeds of short sale stock financing was 90% in both 2009 and 2008. The interest rates on the short sale proceeds payable and stock deposits were 0.1%~0.5% and 0.5% per annum in 2009 and 2008, respectively.
- C. The stipulated percentage of deposits from securities lending business (shown in “Deposits from securities lending business”) was 140% in both 2009 and 2008. The interest rate on the interest payable for such deposits was 0.1%~0.5% and 0.5% per annum in 2009 and 2008, respectively.
- D. As of December 31, 2009 and 2008, guarantee deposits paid by the Company for it borrowing securities from others (recorded as “Refundable guarantee deposits”) was \$163,051 and \$107,990, respectively.
- E. Due to the insufficient margin percentage for collateral from a decrease in stock price, the uncovered balance of the margin loans by disposing of the respective stocks was recorded as overdue receivables. As of December 31, 2009 and 2008, the overdue receivables of pecuniary and securities financing transactions were as follows:





	December 31,	
	2009	2008
Overdue receivables	\$ 18,751	\$ 31,975
Less: allowance for bad debts	(18,751)	(31,975)
	<u>\$ -</u>	<u>\$ -</u>

- F. The memorandum accounts for pecuniary and securities financing transactions are summarized as follows:

Memorandum Account	December 31,	
	2009	2008
Securities held for collateral	\$ 33,505,060	\$ 32,420,862
Short sale stock loans	3,856,050	2,307,360
Guarantee effects	252,890	-
	<u>\$ 37,614,000</u>	<u>\$ 34,728,222</u>
Liabilities for holding collateral securities	\$ 36,438,383	\$ 27,917,038
Guarantee effects	1,070,647	6,782,334
Securities borrowed	104,970	28,850
	<u>\$ 37,614,000</u>	<u>\$ 34,728,222</u>

- G. The approximate market values of the aforementioned memorandum accounts were as follow:

Memorandum Account	December 31,	
	2009	2008
Securities held for collateral	\$ 96,995,553	\$ 42,175,734
Short sale stock loans	20,438,200	5,401,557
Guarantee effects	693,577	-
	<u>\$ 118,127,330</u>	<u>\$ 47,577,291</u>
Liabilities for holding collateral securities	\$ 113,945,077	\$ 39,980,911
Guarantee effects	3,647,184	7,526,394
Securities borrowed	535,069	69,986
	<u>\$ 118,127,330</u>	<u>\$ 47,577,291</u>



8) IMPAIRMENT OF NON-FINANCIAL ASSETS

Changes in accumulated impairment for the year ended December 31, 2009 are as follows:

Non-financial asset impairment

Details are set forth below:

	<u>For the year ended December 31, 2009</u>		
	<u>Beginning of year</u>	<u>Additions</u>	<u>End of year</u>
Land	\$ -	\$ 27,936	\$ 27,936
Buildings	-	2,037	2,037
Total	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 29,973</u>

	<u>For the year ended December 31, 2008</u>		
	<u>Beginning Balance</u>	<u>Transfers (Note)</u>	<u>Ending Balance</u>
Non-current assets held for sale	\$ 83,600	(\$ 83,600)	\$ -

Note: Transfers were due to the sale of the real estate assets.

9) SHORT-TERM BORROWINGS

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
<u>Commerical paper</u>		
Face value	\$ -	\$ 30,000
Less: Discount	-	(170)
	<u>\$ -</u>	<u>\$ 29,830</u>

A. The interest rates on commercial paper in 2009 is 2.65% per annum.

B. According to Article 56 of the RGSFE, the balance of commercial paper issued cannot exceed six times the Company's net equity.

10) BONDS PAYABLE

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Bonds payable	\$ 7,500,000	\$ 7,500,000
Less: current portion	(2,500,000)	-
Total	<u>\$ 5,000,000</u>	<u>\$ 7,500,000</u>





The Company issued domestic unsecured ordinary corporate bonds on May 30, 2007. The significant terms of the bonds are summarized as follows:

- A. Total issue amount: Two types of bonds, A and B, totaling \$7,500,000, with different issue periods.
- B. Issuance price: At par value of \$1,000 per bond.
- C. Interest rate: The annual interest rates on A-type and B-type bonds are fixed at 2.05% and 2.13%, respectively.
- D. Repayment of bonds: The principal of A-type bonds will be repaid in lump sum at maturity; 50% and 50% repayments of B-type bonds principal will be made in the fourth and fifth years after the issuance date.
- E. Life of bonds: Time limit for issuance of A-type bonds is three years, and time limit for issuance of B-type bonds is five years.
- F. Payment of interests: Payments of interests are made annually after issuance of bonds based on the designated interest rates and simple interest calculation. Interests are accrued for each \$1,000,000 of bonds and are rounded off.

11) PENSION PLAN

A. The Company has a defined benefit pension plan in accordance with the Labor Standard Law (the "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. The Company provides benefits based on an employees' length of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year of service thereafter, with a maximum of 61 units. The Company contributes monthly an amount equal to 8% of employees' monthly base salaries and wages to an independent fund with the Bank of Taiwan, the trustee.

The following sets forth the pension information based on the actuarial report:

1. Actuarial assumptions for 2009 and 2008: discount rate of 2.25% and 2.75%, expected return rate on plan assets of 2.25% and 1.50% and rate of compensation both increase by 2.5%. Under the actuarial method, unrealized transition asset is amortized over 15 years.



2. The reconciliation of the plan funded status:

	December 31,	
	2009	2008
Benefit obligation		
Vested benefit obligation	(\$ 97,357)	(\$ 89,863)
Non-vested benefit obligation	(3,101)	(2,700)
Accumulated benefit obligation	(100,458)	(92,563)
Additional benefit based on future salaries	(31,774)	(31,220)
Projected benefit obligation	(132,232)	(123,783)
Fair value of plan assets	16,311	14,292
Funded status	(115,921)	(109,491)
Unrecognized pension loss	5,558	1,616
Accrued pension liabilities	(\$ 110,363)	(\$ 107,875)
Vested benefit	<u>\$ 126,239</u>	<u>\$ 125,818</u>

3. The net periodic pension cost is as follows:

	December 31,	
	2009	2008
Service cost	\$ 4,637	\$ 5,077
Interest cost	3,404	3,737
Actual return on plan assets	(215)	(494)
Net amortization	-	(326)
Net periodic pension cost	<u>\$ 7,826</u>	<u>\$ 7,994</u>

B. Effective July 1, 2005, the Company established the defined contribution plan for employees with R.O.C nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount not less than 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. The total pension expenses amounted to \$1,955 and \$1,922 under the New Plan for the years ended December 31, 2009 and 2008, respectively.

12) COMMON STOCK (Par value per share is expressed in New Taiwan Dollars)

A. In accordance with the resolution adopted by the Board of Directors (in behalf of the stockholders) on June 24, 2008, the Company decided to raise additional cash through private placement with the effective date set on August 5, 2008. The maximum number of shares to be issued through the private placement is 600,000 thousand at a subscription price of \$20 (in dollars) per share (par value of \$10 (in dollars) per share). As of December 31, 2008, the amount of capital





raised through the private placement had been registered. The common shares raised through the private placement cannot be offered publicly until three years after they have been issued.

- B. The Board of Directors (acting on behalf of the stockholders) of the Company on March 18, 2009 resolved to capitalize capital reserve of \$1,500,000, including stock dividend of 70,000 thousand shares for private placement stocks. The stock capital increase has been approved by the competent authorities and has been registered.
- C. As of December 31, 2009 and 2008, the Company's authorized capital was \$16,500,000 and \$15,000,000, respectively. The Company's outstanding common stocks were 1,650,000 thousand shares, including 770,000 thousand and 1,500,000 thousand shares, including 700,000 thousand which were raised through the private placement as of December 31, 2009 and 2008, respectively, with a par value of \$10 (dollars) per share.

13) CAPITAL RESERVE

Under the revised Company Law, up to 10% of the total amount of capital reserve may be used to cover accumulated deficit except for the paid-in capital in excess of par from the issuance of common stock and treasury stock which may be used to increase capital provided the amount to be capitalized does not exceed 10% of the balance.

14) 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 year's operating losses and then 30% of the remaining amount shall be set aside as legal reserve, and special reserve shall be set aside according to relevant regulations. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders. Initially, bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 0.1%~0.5% and 0.5%~1, respectively, of the total distributed amount. Subsequently, the Board of Directors (acting on behalf of the stockholders) of the Company on November 2, 2009 resolved to cancel the appropriation of directors' and supervisors' remuneration; and the appropriation rate of employees' bonus remains from 0.1% to 0.5%.
- B. Beginning in 1994, the Company retained 30% of its annual net income as legal reserve as per Ministry of Finance regulations. This reserve can only be used to offset any accumulated deficit or be transferred to share capital. The reserve cannot be used to distribute cash dividends.



- C. Pursuant to the Jin-Guan-Zheng (1) Letter No. 0950000507, effective January 1, 2007 of the Financial Supervisory Commission, Executive Yuan, in relation to the appropriation of the preceding year's earnings, a public company shall set aside an amount of special reserve which is equal to the amount of "Unrealized loss on financial instruments" under the stockholders' equity.
- D. The details of the employees' bonus and remunerations to the Board of Directors are as follows:

	2008		2007	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 317,468		\$ 375,888	
Special reserve	290,407		2	
Cash dividends	450,351	\$ 0.30	869,176	\$ 0.97
Directors' and supervisors' remuneration	-		6,140	
Employees' cash bonus	-		1,754	

No resolution for the allocation of the 2009 earnings has been adopted by the Board of Directors as of the reporting date; the resolution, when adopted by the Board of Directors and shareholders will be available on the website of the "Market Observation Post System" of the Taiwan Stock Exchange Corporation.

- E. The estimated amount of employees' bonus for 2009 was \$3,120. The estimated amount of employees' bonus and directors' and supervisors' remuneration for 2008 were \$2,251 and \$901, respectively. This was based on a certain percentage (as prescribed by the Company's Articles of Incorporation) of net income in this year after taking into account the legal reserve and other factors. Information on the appropriation of the Company's employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of Taiwan Stock Exchange. The actual distribution of employees' bonus and directors' and supervisors' remuneration of 2008 were \$2,251 and \$901 as resolved by the stockholders were in agreement with those amounts recognized in the 2008 financial statements.





15) SHARE-BASED PAYMENT - EMPLOYEE COMPENSATION PLAN

A. As of December 31, 2009, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Contract period	Vesting conditions (in years)	Actual resignation rate in the current period	Estimated future resignation rate
Treasury stock transferred to employees	2009	56,000	2009.1.21~2010.3.31	Vesting service period: 1.189	0%	0%
"	2009	61,000	2009.1.21~2011.3.31	Vesting service period: 2.189	0%	0%

B. Details of the employee stock options are set forth below:

	December 31, 2009	
	No. of shares (shares)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of year	-	\$ -
Options granted	117,000	11.89
Options outstanding at end of year	117,000	11.89
Options exercisable at end of year	-	-

C. As of December 31, 2009, the range of exercise price of stock options outstanding was \$11.89 (in dollars), and the weighted-average remaining vesting period was 1.189 years and 2.189 years, respectively.

D. For the stock options granted on or after January 1, 2009 with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Type of arrangement	Grant date	Stock Price (in dollars)	Exercise Price (in dollars)	Expected price volatility	Expected vesting period (in years)	Expected dividend yield rate	Risk-free interest rate	Fair value per unit (in dollars)
Treasury stock transferred to employees	2009	\$ 12.2	\$ 11.89	59.83%	1.189	5.33%	0.74%	\$ 2.8061
"	2009	12.2	11.89	53.70%	2.189	5.33%	1.07%	3.1048



16) INCOME TAX

A. Income tax expense and payable are reconciled as follows:

	December 31,	
	2009	2008
Consolidated income tax payable	\$ 351,453	\$ 335,630
Prepaid income tax	33,255	5,219
Net effect of deferred tax assets	(40,774)	19,964
Tax effect of amendments of the tax laws	8,489	-
(Over) under provision of prior year's income tax	12,360	(276)
Tax on separately taxed income	2,627	13,954
Income tax expense - current	367,410	374,491
Retention tax (10%) on unappropriated earnings	-	-
Income tax expense	<u>\$ 367,410</u>	<u>\$ 374,491</u>

B. The temporary tax differences of deferred tax assets are as follows:

Temporary differences	December 31,			
	2009		2008	
	Amount	Tax effect	Amount	Tax effect
Non-current:				
- Deferred pension cost	\$ 167,924	\$ 33,585	\$ 167,924	\$ 41,981
- Impairment loss	210,930	42,288	-	-
- Others	1,848	369	1,848	462
		76,242		42,443
Valuation allowance	(1,514)			-
	<u>\$ 74,728</u>			<u>\$ 42,443</u>

C. Imputation tax system

	December 31,	
	2009	2008
Balance of imputation credit account	<u>\$ 43,389</u>	<u>\$ 84,995</u>
	2009	2008
Estimated rate of imputation credit account	<u>2.39%</u>	<u>8.21%</u>
	(Estimated)	(Actual)

D. Unappropriated earnings recorded in the financial statements were accrued after 1998.

E. As of December 31, 2009, the Company's income tax returns through 2005 have been assessed by the Tax Authority.





F. The Tax Authority has assessed the Company an additional income tax of \$16,255. The Company did not agree with the Tax Authority's ruling and is considering filing an administrative remedy. However, based on conservatism principle, such additional tax payable has been accrued by the Company.

17) EARNINGS PER SHARE

The Company has a straight-forward capital structure. The earnings per share for 2009 and 2008 was calculated based on the weighted-average outstanding common stock of 1,650,000 thousand and 1,258,688 thousand shares, respectively.

18) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The following is a summary of personnel, depreciation and amortization expenses:

Nature/ Function	For the years ended December 31,	
	2009	2008
Personnel Expenses		
Salaries	\$ 126,010	\$ 122,373
Insurance	4,443	4,627
Pension	9,781	9,916
Others	11,695	14,032
Depreciation (Note)	27,052	27,499
Amortization	6,405	8,942

Note: Depreciation on rental assets for the years ended December 31, 2009 and 2008 was \$4,992 and \$4,591, respectively, and was recorded as non-operating expense.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Yuanta Financial Holdings Co., Ltd.	Parent Company
Yuanta Securities Co., Ltd. (Yuanta Securities)	Affiliated company controlled by the Parent Company
Yuanta Commercial Bank (Y.C.B.)	Affiliated company controlled by the Parent Company
Yuanta Futures Co., Ltd.	Affiliated company controlled by the Parent Company
Fuhwa Securities Investment Trust Co., Ltd. (F.H.S.I.T. Co.)	Affiliated company controlled by the Parent Company
Yuanta Lease Co., Ltd. (Yuanta Lease)	Affiliated company controlled by the Parent Company



<u>Names of related parties</u>	<u>Relationship with the Company</u>
Yuanta Securities Investment Trust Co., Ltd.	Affiliated company controlled by the Parent Company
Yuanta International Personal Insurance Agency Co., Ltd. (Y.I.P.I.A. Co.)	Affiliated company controlled by the Parent Company
Yuanta Venture Capital Co. Ltd.	Affiliated company controlled by the Parent Company
Yuanta International Asset Management Company Ltd.	Affiliated company controlled by the Parent Company
Yuanta Securities (Hong Kong) Company Limited	Affiliated company controlled by the Parent Company
Yuanta Cultural & Educational Foundation	Related party (the chairman of the Foundation who was originally the chairman of Parent Company and resigned this post in May 2009)
Fund of F.H.S.I.T. Co. (Note)	Fund managed by the affiliated company
Fund of Y.S.I.T. Co.	Fund managed by the affiliated company

Note: F.H.S.I.T Co. merged with Manulife Group in October 2008 with the former being the dissolved company. As a result, the funds of F.H.S.I.T Co., were totally transferred to Manulife Group.

2) Significant related party transactions and balances

A. Commission expense

	<u>For the years ended December 31,</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Yuanta Securities	<u>\$ 993,782</u>	<u>77</u>	<u>\$ 1,345,654</u>	<u>80</u>

There was no significant difference between transactions with Yuanta Securities and those with other parties.

B. Operating expense

(1) Extension compensation costs generated from acquisitions of margin loans and short sales business (please refer to Note 5 (2) F (4)) from related parties are as follows: (shown in "Operating costs"): (There was no transaction in 2009)

	<u>2008</u>
Yuanta Securities	<u>\$ 314,854</u>





(2) Details of fees on services rendered by related parties are set forth below:

	2009	2008
Yuanta Securities Investment Trust	\$ 8,820	\$ 8,820

(3) Donations:

	2009	2008
Yuanta Cultural & Educational Foundation	\$ 5,000	\$ 17,000

(4) The Company leases offices from Yuanta Securities commencing from June 2008. The leases will expire in June 2011. The rentals were determined by reference to the rental rates of the near-by offices and contracted by the related parties. Future lease payments required under the rents are payable according to the terms of the lease contracts. Rents of \$23,179 and \$12,144 had been paid for years 2009 and 2008, respectively. Future lease payments required under these leases are shown below:

Period	Amount
2010	\$ 22,511
2011	10,318
	\$ 32,829

C. Rent revenue

The Company rented office and parking premises to its related parties as follows:

	2009	2008
Yuanta Securities	\$ 4,359	\$ 8,381
Yuanta Commercial Bank	6,820	12,907
Others	581	1,177
	\$ 11,760	\$ 22,465

Rent is based on the rental rates of near-by offices and agreed to by the related parties. Rents are payable according to the terms of lease contracts.



D. Other receivables

	Type	December,31	
		2009	2008
Yuanta Financial Holdings Co., Ltd.	Income tax refundable	\$ 17,695	\$ 17,695
Yuanta Securities	Securities borrowing & Lending	1,137	-
Yuanta Securities (Hong Kong)	Securities borrowing & Lending	174	-
		<u>\$ 19,006</u>	<u>\$ 17,695</u>

E. Other payables

	Type	December,31	
		2009	2008
Yuanta Securities	Commission	\$ 109,387	\$ 52,188
	Securities borrowing & lending	32,045	-
Yuanta Securities	Others	16	16
		<u>141,448</u>	<u>52,204</u>
Yuanta Financial Holdings Co., Ltd.	Income tax payable	351,453	335,630
	Others	1,566	300
		<u>353,019</u>	<u>335,930</u>
Others		742	735
Total		<u>\$ 495,209</u>	<u>\$ 388,869</u>

F. The following sets out guarantee deposits received because of the securities financing transactions between the Company and the related parties:

	December 31,	
	2009	2008
Yuanta Securities	\$ 145,198	\$ 578
Yuanta Securities (Hong Kong)	154,791	-
	<u>\$ 299,989</u>	<u>\$ 578</u>

G. Property transactions

(1) Open-end mutual funds beneficiary certificates and money market instruments:





Related Parties	December 31,	
	2009	2008
	Cost	Cost
Fund of F.H.S.I.T. Co.	\$ -	\$ 14,159
Fund of Y.S.I.T. Co.	1,000,076	270,098
	<u>\$ 1,000,076</u>	<u>\$ 284,257</u>

- (2) As of December 31, 2008, the details of the Company's investment in subordinate financial debentures issued by Yuanta Commercial Bank were as follows: (2009: None)

	For the year ended December 31, 2008			
	Maximum balance	Ending balance	Range	Interest Income
91 Fuhwa 1E	\$ 966,000	\$ -	1.30%	\$ 1,173

As of December 31, 2008, the above transactions resulted in no interest receivable.

- (3) The Company signed a contract with Yuanta Lease Co., Ltd. for the three-year capital lease of computer systems and equipments. As of December 31, 2009 and 2008, future lease payments required under these capital leases were \$1,203 and \$12,763 (including current portion of \$1,203 and \$11,560), respectively, and recorded under lease payable.
- (4) In June 2007, the Company entered into an agreement with Yuanta Core Pacific Securities Co., Ltd. relating to the transfer of the right of claim on margin loans and short sales totaling \$35,923,470. Yuanta Core Pacific Securities Co., Ltd. transferred the right of claim on margin loans and short sales to the Company, with the effective date set on July 1, 2007. All debts, tax duties, disputes with customers and compensation payable which occurred prior to the transfer effective date belong to Yuanta Core Pacific Securities Co., Ltd. and those which occurred after the transfer effective date belong to the Company. The total amount of the creditor's right of claim on margin loans and short sales of securities is \$36,160,570 by installments in accordance with the agreement. Afterwards, the Company signed a supplementary contract with Yuanta Core Pacific Securities Co., Ltd. in October 2007 for changing total payment amount to \$36,500,570 due to the merger of Yuanta Securities Co., Ltd. and Yuanta Core Pacific Securities Co., Ltd. in September 2007. As of December 31, 2008, the payable for acquiring the creditor's right of claim on margin loans has been paid.



- (5) In November 2008, the Company purchased 11,904,000 shares of Taiwan Depository & Clearing Corporation in the amount of \$395,816 from Yuanta Securities based on experts' appraisal report. As of December 31, 2008, the Company had paid the total amount.
- (6) In November 2008, the Company entered into an agreement with Yuanta International Asset Management Company Ltd. in relation to the sales of its bad claim of \$21,154 to Yuanta International Asset Management Company Ltd.. As of December 31, 2008, the total contract amount had been received.
- (7) In December 2008, the Company sold the shares of nine companies, which were recognized as financial assets carried at cost, to Yuanta Venture Capital Co. Ltd. in the amount of \$563,790 based on experts' appraisal report. The disposal gain was \$14,959. As of December 31, 2008, the total contract amount had been received.
- (8) On July 6, 2009, the Company entered into an agreement with Yuanta Securities to sell part of real estate (recorded as "Assets leased to others") to Yuanta Securities in the amount of \$68,379. Gain on disposal of such property was \$48,177. The title to the property had been transferred to Yuanta Securities. The total price has been received by the Company.

G. Bank deposits and interest income

The details of the Company's deposits in Yuanta Commercial Bank and the related interest income were as follows:

	2009	2008
Ending balance of bank deposits	\$ 14,635	\$ 7,459
Interest income	\$ 10	\$ 39

H. Compensation of key management

The following sets forth the salaries/rewards information of key management, such as directors, supervisors, general manager, vice general manager, etc.:

	2009	2008
Salaries	\$ 11,201	\$ 14,749
Bonus	17,517	16,889
Operating expense	1,880	1,647
Earnings	570	2,400
	\$ 31,168	\$ 35,685

- a) Salaries include regular wages, special responsibility allowances, pensions, severance pay, etc.





- b) Bonuses include various bonuses and rewards.
- c) Service execution fees include travel allowances, special expenditures, various allowances, dorms & vehicles offering, etc.
- d) Earnings distribution means directors' and supervisors' remuneration and employees' bonus accrued in current year.
- e) The relevant information above was posted in the Company's annual report.

6. PLEDGED ASSETS

The book values of assets pledged or restricted for use are as follows:

Assets	December 31,		Purpose
	2009	2008	
Held-to-maturity financial assets			
- Government bonds and Financial bonds	\$ 910,706	\$ 3,840,899	Credit lines of short-term secured loans
- Government bonds	10,519	50,669	Provisional seizure
- Government bonds	-	18,387	Petition to the National Tax Administration
- Government bonds	9,883	9,389	Operating guarantee deposits for trading
- Government bonds	157,249	167,256	Stock borrowings
- Government bonds and Financial bonds	823,892	748,856	Securities financing deposit in CBC
Bond investments in non-active markets	-	300,000	Credit lines of short-term secured loans

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

- 1) As of December 31, 2009 and 2008, the stocks entrusted to the custody of the Company by clients totaled 7,491,000 and 7,493,000 shares, with a market value of approximately \$78,835 and \$76,182, respectively.
- 2) For information on future lease payments required due to the Company leasing offices from related parties by operating leases as of December 31, 2009, please refer to Note 5 (2).

8. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

9. SIGNIFICANT SUBSEQUENT EVENTS

On October 12, 2009, the Company signed a contract with Entie Securities Finance Co. for the purchase of operating rights of margin loans and short sales in the amount of \$2,521,873. Such transactions have been approved by the Financial Supervisory Commission, Executive Yuan on January 18, 2010. The effective date of the operating rights transfer was set on February 1, 2010. All of the debts, tax



obligations, disagreements with clients, and compensation caused by lawsuits before the effective date are the responsibility of Entie Securities Finance Co. those after the effective date are the responsibility of the Company.

10. OTHER EVENTS

1) Information of derivative financial instruments

No derivative transactions were entered into by the Company for the years ended December 31, 2009 and 2008.

2) The fair value of the non-derivative financial instruments

	December 31, 2009		
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
<u>Non-derivative financial instruments</u>			
Assets:			
Financial assets with fair value equal to book value	\$ 62,206,278	\$ 62,206,278	\$ -
Financial assets at fair value through profit or loss - current	2,425,423	2,425,423	-
Available-for-sale financial assets - current	1,214,615	1,214,615	-
Held-to-maturity financial assets - non-current	1,936,373	-	1,969,675
Deposits-out	267,733	267,733	-
December 31, 2009			
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Liabilities:			
Financial liabilities with fair value equal to book value	29,287,373	29,287,373	-
Bonds payable	7,500,000	-	7,646,746





	December 31, 2008		
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
<u>Non-derivative financial instruments</u>			
Assets:			
Financial assets with fair value equal to book value	\$ 32,213,320	\$ 32,213,320	\$ -
Financial assets at fair value through profit or loss - current	6,391,366	6,391,366	-
Available-for-sale financial assets - current	2,265,292	2,265,292	-
Held-to-maturity financial assets - non-current	4,564,875	-	4,545,758
Bonds investments in non-active markets -non current	300,000	-	382,010
Deposits-out	133,893	133,893	-
December 31, 2008			
	Book value	Fair value	
		Quotations in an active market	Estimated using a valuation method
Liabilities:			
Financial liabilities with fair value equal to book value	8,877,412	8,877,412	-
Bonds payable	7,500,000	-	7,470,534

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- A) For short-term instruments, the fair values were determined based on their carrying values because of their short maturities. This valuation method can be applied to such asset accounts as cash and cash equivalents, margin loans, other receivables, overdue receivables (excluding income tax payable), short-term borrowings, stock deposits, short sale proceeds payable, other payables, stock deposits, deposits-in of securities borrowing & lending, lease payable, and accrued pension liabilities.
- B) Financial assets at fair value through profit or loss – current: the market values of listed stocks are determined by the closing price on the balance sheet date. The fair values of beneficiary certificates are determined by the net asset values on the balance sheet date. The market prices of convertible bonds are determined by the nearest trading day. The market prices of government bonds are determined by the value on the balance sheet date.
- C) Available-for-sale financial assets—current are the beneficiary securities of financial asset securitization. The fair value is provided by the securities firm.



- D) For held-to-maturity financial assets, the fair value was based on active quoted market price. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique.
- E) Bond investment in a non-active market are the long-term investments in financial debenture valued by the value on the nearest trading day. If without quoted market price, its fair value is estimated by using pricing model with a face value \$100 of bonds as parameter.
- F) The fair values of Deposits-out at the balance sheet date were valued at book value since the impact of discount rates is insignificant.
- G) The fair value of corporate bonds is based on the present value of expected cash flow amount. The discount rate is the average interest rate of banking loans. The discount rate was replaced by the market interest rate of corporate bonds with the same credit rating for 2009.
- 3) Information of financial risk
- A) Market risk
- The financial assets held by the Company includes stocks, open-ended funds, convertible bonds, government bonds and financial debentures. Excluding unlisted stocks and bond investments in non-active markets, the values of the assets are affected by changes in market rates or prices. In order to manage market risk, the Company transacts with those securities investment trust companies with good reputations.
- B) Credit risk
- a) The Company engages in pecuniary financing facilities for trading of listed securities. To reduce the credit risk, the Company follows the rules established by Taiwan Stock Exchange Corp. and GreTai Securities Market and sets its own internal policies and procedures.
- b) Credit risk occurs when the counterparty of financial instrument transaction defaults. Transaction counterparties are limited to high-credit-quality financial institutions; therefore, the possibility of default by counterparties is remote. The Company has policies that limit the amount of credit exposure to any financial institution based on their credit rating; accordingly, there is no significant credit risk. The maximum loss to the Company is the total contract amount of financial assets motioned above which have positive fair value at the balance sheet date.





C) Liquidity risk

- a) The Company has enough operating capital to fulfill all contractual obligations. Thus, there is no significant liquidity risk.
- b) The financial assets held by the Company are all transacted in the active market, excluding unlisted stocks, bond investments in non-active market, and held-to-maturity financial assets. Thus, these financial assets can be sold at the prices close to their fair value quickly. Therefore, the liquidity risk is not significant.
- c) Due to uncertain transaction terms and different types of financial instruments, the maturity or interest rate of financial assets and financial liabilities usually cannot fully match with each other. If the gap increases, it will likely result to a gain or loss. However, the Company has policies in place to minimize the potential gaps.

D) Cash flow risk arising from interest rate change

The short-term liabilities borrowed by the Company are priced at fair market value. The rate of the short-term liabilities will be affected by a change in market rate.

E) The structure and policy of risk management

In order to manager the risk faced by the Company, internal rules for the day-to-day operations are set, the information system is computerized and a weekly meeting is held by the team members of the risk management. In order to have reliable information, the Company set up a risk management center with other subsidiaries of the group.



11. OTHER DISCLOSURE ITEMS

1) Information about significant transactions

- A. Lending to others: Since the Company engages in providing pecuniary and securities financing facilities for the trading of listed securities, and refinancing to securities firms and other businesses, no disclosure is required.
- B. Endorsements and guarantees for others: None.
- C. Information regarding securities held as of December 31, 2009:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Company	Account name	Ending Balance			
				Thousands of Shares	Book value	Percentage of ownership	Market value
Beneficiary Certificates:							
The Company	SinoPac Fund	-	Financial assets at fair value through profit or loss - current	994	\$ 24,928	N/A	\$ 24,928
	Jih Sun High Tech Fund	-	"	2,123	23,141	"	23,141
	FSITC China Century Fund	-	"	3,000	29,490	"	29,490
	PCA Global Green Solutions Fund	-	"	3,000	30,480	"	30,480
	ShinKong Great China Fund	-	"	597	10,907	"	10,907
	Shin Kong China Growth Fund	-	"	3,000	39,270	"	39,270
	Shin Kong Emerging Market New Stars Fund	-	"	3,000	30,480	"	30,480
	Truswell Eastern Key Fund	-	"	3,311	30,397	"	30,397
	TLAM Taiwan Trend Fund	-	"	442	5,788	"	5,788
	Fuh Hwa Bond Fund	-	"	43,451	600,291	"	600,291
	Jih Sun Bond Fund	-	"	42,515	600,175	"	600,175
	Yuanta Wan Tai Bond Fund	The management company was an affiliated company controlled by the same company as the Company	"	69,116	1,000,076	"	1,000,076
					2,425,423		2,425,423
Beneficiary Securities:							
	952 Polaris-C	-	Available for sale financial assets - current	-	249,277	N/A	249,277
Listed Stocks:							
	ACC	-	Available for sale financial assets - current	3,357	116,152	N/A	116,152
	FPC	-	"	168	11,306	"	11,306
	CSC	-	"	2,250	74,250	"	74,250
	Tung Ho Steel	-	"	2,446	84,754	"	84,754
	FH	-	"	2,297	124,268	"	124,268
	DELTA	-	"	535	53,500	"	53,500
	SYNNEX	-	"	156	10,812	"	10,812
	CATCHER	-	"	213	19,021	"	19,021
	EMC	-	"	6,228	111,170	"	111,170
	Fubon Financial	-	"	452	17,764	"	17,764
	CATHAY HOLDINGS	-	"	366	21,850	"	21,850
	LARGAN	-	"	21	8,841	"	8,841
	Far EasTone	-	"	4,183	159,581	"	159,581





Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Company	Account name	Ending Balance			
				Thousands of Shares	Book value	Percentage of ownership	Market value
The Company	PTI	-	"	485	52,623	N/A	52,623
	CTCI	-	"	1,914	62,779	"	62,779
	St.Shine	-	"	145	27,627	"	27,627
	Dynapack	-	"	80	9,040	"	9,040
					965,338		965,338
					1,214,615		1,214,615
	Financial Debentures - current:						
	92 Taipei Bank 2C04	-	Held-to-maturity financial assets - current	-	300,000	N/A	300,000
	92 Fubon 1A13	-	"	-	200,000	"	200,000
	92 First Commercial Bank 4A	-	"	-	290,706	"	290,706
	92 Nordic Investment Bank 3F	-	"	-	300,000	"	300,000
	92 Nordic Investment Bank 3H	-	"	-	120,000	"	120,000
					1,210,706		1,210,706
	Government Bonds:						
	A85305	-	Held-to-maturity financial assets - current	-	16,097	N/A	16,750
	A85306	-	"	-	10,039	"	10,493
					26,136		27,243
					1,236,842		1,237,949
	Government Bonds:						
	A92102	-	Held-to-maturity financial assets - non-current	-	101,661	"	107,284
	A95105	-	"	-	3,005	"	3,078
	A96101	-	"	-	197,798	"	205,683
	A96105	-	"	-	197,411	"	206,461
	A97101	-	"	-	199,656	"	209,220
					699,531		731,726
	Stocks :						
	Taiwan Depository & Clearing Co., Ltd.	-	Financial assets carried at cost - non-current	53,540	565,330	17.96	\$ -
	Taiwan Futures Exchange Co., Ltd.	-	"	12,523	100,000	5.00	\$ -
					665,330		\$ -



D. Disposals of real estate exceeding NT\$100,000 or 20 percent of contributed capital:

The Company	Acquiring / selling company name	Beneficiary Certificates: Type and name of marketable security	Financial statement account	Counter-party	Nature of relationship	Beginning balance		Acquisition		Disposal		Ending balance	
						Thousands of Shares / Par value	Amount	Thousands of Shares / Par value	Amount	Thousands of Shares / Par value	Amount	Thousands of Shares / Par value	Amount
		Yuantai Wan Tai Bond Fund	Financial assets at fair value through profit or loss - current	-	The management company was an affiliated company control by the same company as the company	17,340	\$ 250,000	69,116	\$ 1,000,000	17,340	\$ 250,562	562	\$ 1,000,000
		Capital Income Fund	"	-		32,541	500,000	32,471	500,000	65,012	1,001,129	1,129	-
		PCA Bond Fund	"	-		-	-	9,744	100,000	9,744	106,215	6,215	-
		Prudential Bond Fund	"	-		26,527	400,000	6,623	100,000	33,150	500,910	910	-
		Phoenix Bond Fund	"	-		64,453	1,000,000	32,111	500,000	96,564	1,502,211	2,211	-
		ING Taiwan Bond Fund	"	-		64,280	1,000,000	-	-	64,280	1,001,498	1,498	-
		PCA Well Pool Fund	"	-		61,872	800,000	46,227	600,000	108,099	1,402,058	2,058	-
		NITC Bond	"	-		2,946	500,000	-	-	2,946	501,270	1,270	-
		Shin Kong Chi-Shin Fund	"	-		33,843	500,000	-	-	33,843	500,555	555	-
		NITC Taiwan Bond	"	-		30,945	450,000	-	-	30,945	451,071	1,071	-
		Shin Kong Chi-Li Fund	"	-		5,829	100,000	-	-	5,829	100,061	61	-
		Cathay Bond Fund	"	-		67,325	800,000	-	-	67,325	804,842	4,842	-
		Fuh Hwa Bond Fund	"	-		-	-	43,451	600,000	-	-	-	600,000
		Jih Sun Bond Fund	"	-		-	-	42,515	600,000	-	-	-	600,000
		Listed Stocks:											
		HANNSTAR	Available for sale financial assets-current	-		19,250	99,051	28,000	194,405	47,250	336,623	43,167	-
		EMC	"	-		611	9,089	11,018	188,209	5,401	93,315	19,065	123,048
		CSC	"	-		79,837	843,427	-	-	79,837	1,208,768	365,341	-
		MTK	"	-		599	150,806	67	30,833	666	186,508	181,639	-
		ACER	"	-		2,627	127,594	-	-	2,627	139,462	127,594	-
		CFHC	"	-		8,123	119,961	206	3,603	8,329	137,097	13,533	-
		Far EastOne	"	-		5,670	202,581	1,420	50,493	2,907	110,697	103,314	149,760
		ACC	"	-		-	-	3,357	116,416	-	-	-	116,416
		FFC	"	-		-	-	2,297	120,589	-	-	-	120,589





E. Information on the acquisition of the real estate for which the purchase amount exceeded NT\$100 million or 20% of paid-in capital: None.

F. Information on the disposal of the real estate for which the sale amount exceeded NT\$100 million or 20% of paid-in capital:

Acquiring / selling company name	Type and name of account	Date of disposal	Date of acquisition	Book value	Amount	Status of collection of proceeds	Gain (loss) on disposal	Counter-party	Nature of relationship	Reason for disposal	Basis or reference used in setting the price	Other commitments
The Company	Land and Buildings-4F, No.1, Nanhai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) and 3F, No.5, Sec. 1, Nanchang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) including parking space.	2009.07.06 (contract date)	1986.2.1 and 1988.10.17	\$16,062	\$68,379	received	\$48,177	Yuanta Securities Co., Ltd	The management company was an affiliated company controlled by the same company as the Company	To strengthen assets utilized efficiency	Appraisal report issued by Sinyi Real Estate Appraisers Firm	
"	Land and Buildings-4F-1, No.1, Nanhai Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) and 4.6F, No.5, Sec. 1, Nanchang Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.) including parking space.	"	1986.2.1 and 1988.8.24	21,238	87,079	"	60,501	TAIWAN INSURANCE INSTITUTE	none	"	"	

G. Information regarding related-party purchases and / or sales for which the amount exceeded of NT\$100 million or 20% paid-in capital: None.

H. Information regarding receivables from related parties for which the amount exceeded NT\$100 million or 20% of paid-in capital: None.

I. Information regarding trading in derivative financial instruments: None.

2) Information on investees

Not applicable.

3) Disclosure of investments in Mainland China

Not applicable.

SEGMENT FINANCIAL INFORMATION

Not applicable.

