



## **2014 Annual Report**

1. Contact information of company spokesperson and deputy spokesperson

	Company Spokesperson	Company Deputy Spokesperson
Name/Title	Hong Rong-Ting / President	Hu Yi-Heng / Senior Assistant vice president
Tel	(02) 2173-6851	(02) 2173-6695
E-mail	DavidHong@yuanta.com	YihengHu@yuanta.com

2. Contact information of YSF

Company Name	Address	
	Website	Tel
Yuanta Securities Finance	12F , No.66 , Dunhua S. Rd., Sec. 1, Taipei Taiwan	
	<a href="http://www.yuantafinance.com.tw">http://www.yuantafinance.com.tw</a>	(02) 2173-6833

3. Contact information of stock transfer agent

Stock Transfer Agent	Stock-Related Services Dept., Yuanta Securities	Tel	(02) 2586-5859
Website	<a href="http://www.yuanta.com.tw/">http://www.yuanta.com.tw/</a>	Address	B1,No.210, Chengde Rd., Sec. 3, Taipei Taiwan

4. Contact information of credit rating agency

Credit Rating Agency	Address	Tel
Taiwan Ratings Corporation	49F, No. 7, Xinyi Rd., Sec. 5, Taipei, Taiwan (Taipei 101 Building)	(02) 8722-5800

5. Contact information of independent accountants

Name	Lin Sk, Kuo Ellen	Tel	(02) 2729-6666
CPA Firm	PricewaterhouseCoopers Taiwan	Address	27F, International Trade Building, No.333, Keelung Rd., Sec. 1, Taipei, Taiwan
Website	<a href="http://www.pwc.com/tw/">http://www.pwc.com/tw/</a>		

6. Name of foreign exchanges listed where company stock is and sources for searching the said foreign listed stock : None

# Contents

I. Letter to Shareholders.....	1
II. Company Profile	
1. Date of Establishment .....	3
2. Company Milestones .....	3
III. Corporate Governance Report	
1. Organization.....	4
2. Information on Directors, Supervisors, President, Vice Presidents and Managers.....	6
3. Remuneration to directors, supervisors, president and vice presidents .....	14
4. State of Corporate Governance .....	19
5. Information on Service Fees Charged by the Certified Public Accountants (CPAs) .....	37
6. Information on the Replacement of CPAs.....	37
7. 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 .....	37
8. Equity Change, Share Transfers and Pledges Made by Directors, Supervisors, Managers, or Major Shareholders in Recent Years up to the Publication of This Annual Report.....	38
9. Information on the top 10 shareholders being related parties.....	39
10. Ratio of Comprehensive Shareholdings to the Same Business Entity That is Directly or Indirectly Controlled by Directors, Supervisors, or Management.....	39
IV. Financing Status	
1. Corporate Capital and Shares holdings.....	40
2. Corporate Bonds Issuance.....	44
3. Preferred Shares Issuanc .....	44
4. Global Depository Receipts Issuance .....	44
5. Employees Stock Options Issuance .....	44
6. Mergers and Acquisitions (M&A) or Sales of Shares in Other Company for Issue of New Shares .....	44
7. Implementation of Capital Utilization Plans.....	44
V. Operational Highlights	
1. Business Activities .....	45
2. Market and Business Overviews.....	47
3. Employee Demographics .....	50
4. Environmental Protection Expenditure Information.....	50
5. Labor Relations .....	50
6. Major Contracts.....	52

## VI. Financial Statement

1. Summary of Five Years Condensed Balance Sheets and Income Statements.....	53
2. Five Years Financial Analysis .....	57
3. Supervisors' Audit Report .....	60
4. The Latest Consolidated Financial Statements Audited and Certified by the CPAs.....	62
5. Consolidated Financial Statements of the Company and its Subsidiaries Audited and Certified by the CPAs .....	60
6. Any Financing Problems Encountered by the Company or its Affiliates which might affect the Company Financial Status .....	60

## VII. Financial Status, Operating Results and Risk Management

1. Financial Status .....	62
2. Financial Performance .....	63
3. Cash Flow .....	63
4. Effects of Major Capital Expenditures in the Most Recent Fiscal Year on Financial Operations .....	64
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 .....	64
6. Risk Assessment .....	64
7. Other Significant Events .....	65

## VIII. Special Notes

1. Information on Affiliates.....	66
2. Private Placement of Securities in Recent Years as of the Publication Date of the Annual Report.....	69
3. Shares of the Company Held or Disposed of by Subsidiaries in Recent Years as of the Publication Date of the Annual Report .....	69
4. Other Required Supplementary Items.....	69

## 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.....	70
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## I. Letter to Shareholders

### 1. Business report for the 2014 fiscal year

#### A. Business plan and accomplishments.

Margin purchases and short sales of securities 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. In 2014, the structure of the securities financial remained unchanged. However, the government policies opened multiple the measures. As a result, the turnover of the stock exchange and margin purchases balance in 2014 increased significantly more than that in 2013. The margin purchases balance of the company increased more than that in 2013. The market share of the company in the professional securities firm agency market remained 75%. Our business accomplishments are as follows:

Unit: Hundred million NT\$

Average balance of margin purchases and re-financing	Average balance of short sales' and stocks re-financing (guarantee fund + margin)	Average balance of securities lending
119.06	19.87	7.23

#### B. Financial income and expenses / profitability analysis

The increase in the company's operating revenue by 7.45% in 2014 from 2013 was a result of the increase in its averaged margin purchases balance by NT\$1.033 billion in 2014 from 2013 and the increase rate was 9.50%. The increase in operating cost by 30.17% relatively was a result of the increase in the interest expenses and service charges for loans (short-term loan and promissory note) from 2013. The decrease in operating expenses by 16.24% was a result of the decrease in employee benefit expenses by about NT\$23 million in 2014 from 2013 and increase in operating gain by 10.44%. The decrease in non-operating revenue and expense by 6.86% was a result of the decrease in interest revenue and gains from disposition of financial assets in 2014 from 2013. The net profit after tax in 2014 increased by 3.72% from 2013. Please see the following table:

Year	Total assets (thousand dollars)	Total income (thousand dollars)	Net income (thousand dollars)	EPS(NT\$)
2013	19,251,668	834,119	391,740	0.70
2014	18,495,933	876,791	406,303	0.81

#### C. Research and development

The company is continuing to implement an information platform and in-depth cooperation program, strengthen securities trader information services, and engage in diversified business through a

franchise channel approach in conjunction with the group's diversified products, ensuring that Yuanta Securities Finance's agent services indirectly benefit.

## 2. Summary of business plan for the 2015 fiscal year

### A. Business plan

- (1) Stabilize current agency firms: It will rely on sales promotion activities and service packages supporting agents to strengthen the competitiveness of agents and consolidate its relationships.
- (2) Expand negotiable securities lending services: Responding to the growth of derivative markets and increase in strategic trading, it will take proprietary securities traders as its main customer base, and may even extend towards foreign investors.
- (3) Save operating cost and expenses, and enhance operating profit margin.
- (4) Boosting of securities-secured financing business: To look for new customers actively for the new business line approved.
- (5) Strictly manage credit risk: It will reinforce risk control and implementation of a quota mechanism, ensuring that risk control and sales growth develop in parallel.

### B. Expected 2015 Business Status of Operations

Unit: Hundred million NT\$

Average balance of margin purchases and re-financing	Average balance of short sales and stocks re-financing (guarantee fund + margin)	Average balance of securities lending
111.40	18.40	10.00

## 3. Future development strategies of the company

- A. With the changes in laws and regulations, we will develop other new businesses, and diversify current businesses.
- B. Because the role of securities financing company has been significant change in the market, we will strive for the opportunity of new business and deregulation.

## 4. Impact from external competitive environment, regulatory environment and overall operational environment

In 2014, the structure of the securities financial remained unchanged. However, the government policies opened multiple the measures to activate the stock exchange, e.g. two-way day trading of spot stock, lifting of the limit of margin trading and short sale, and cyclic use of the credit day trading limit. As a result, the turnover of the stock exchange and margin trading balance in 2014 increased significantly more than that in 2013. The number of agency run securities finance operations by themselves and merged by another securities company was slowdown. In 2014, there are one agency run securities finance operations by themselves, and one agencies merged by another securities company. All these developments will slight affect the company's market share.

## II. Company Profile

### 1. Date of establishment

Date founded: March 10, 1980

Date of incorporation: April 21, 1980

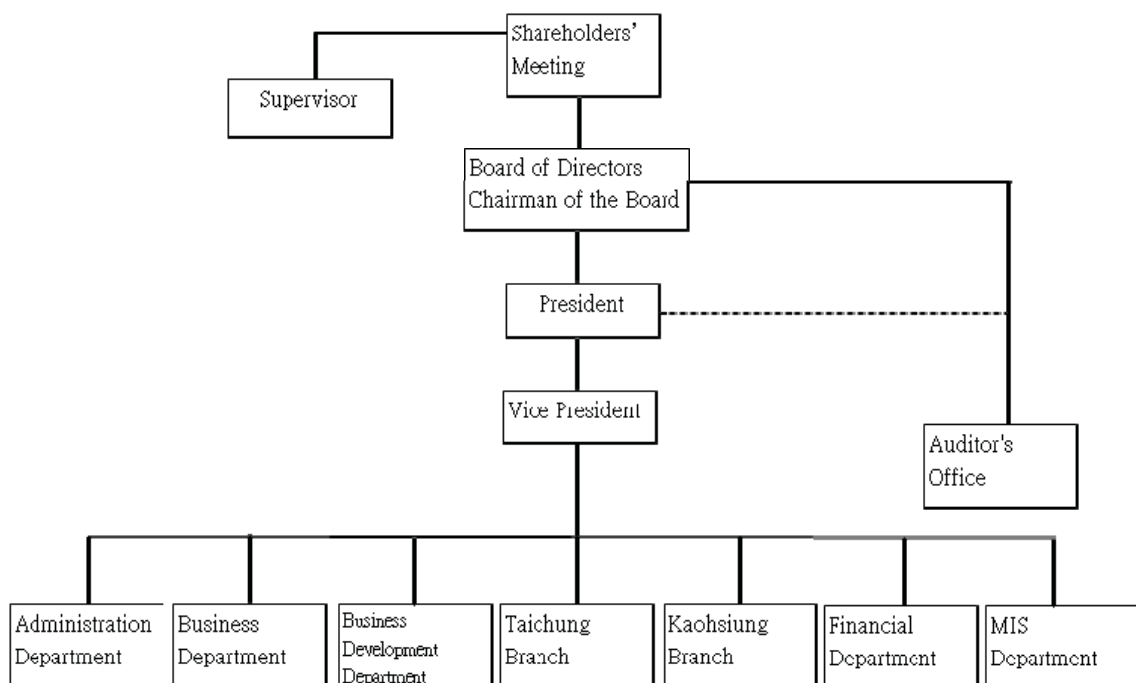
### 2. Company milestones

April 1980	The company granted permission by the Ministry of Finance and Securities and Futures Bureau to operate just the securities margin purchases and short sales 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</i> Finance Enterprises enabled the company to expand its business beyond securities margin purchases and short sales 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.
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
February 2010	Acquirement of margin purchases and short sales of securities from Entie Securities Finance.
September 2010	Acquirement of margin purchases and short sales of securities and refinancing business from Fubon Securities Finance.
October 2010	Transfer of partial margin purchases and short sales of securities and securities lending business to Yuanta Securities.
November 2010	Completed NT\$6 billion capital increase via statutory surplus and capital reserve
January 2011	Completed NT\$16.5 billion capital decrease.
June 2011	Completed NT\$3.8 billion capital increase via statutory surplus and capital reserve
November 2011	Completed NT\$3.8 billion capital decrease.
August 2013	Completed NT\$1 billion capital decrease.

### 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, business expansion, business of securities lending, legal matters, litigation, debt recovery, legal advisory service and information services of agency, etc.
- (3) Business Department: Credit transaction account processing, margin purchases and short sales of securities and securities refinancing, cash replenishment and underwriting securities financing, securities underwriter financing, securities settlement financing, securities lending financing , risk control management, etc.
- (4) Financial Department: Handles financial management, financial scheduling, accounting, "undertaking" government debentures trading, and management of reinvestment business.
- (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

January 31, 2015

Title	Nationality or Place of Registration	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions(note 3)	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Huang Ting-Hsien	2013.06.01	3	2014.06.18	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	M.A. in Administration, National Taiwan University Senior of Science and Technology Chairman and vice Chairman of Yuanta Securities Investment Consulting; President of Yuanta Securities Investment Trust; vice President of Yuanta Securities business department; President of Yongxin Securities.		—	—	—
Director	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Hong Rong-Ting	2013.06.01	3	2011.12.12	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	MBA from Oregon State University, Vice President, Assistant Vice President, Senior Manager , Assistant Manager and Chief of the Company	The Company's President.	—	—	—
Director	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Chuang Yu-De	2013.06.01	3	2001.05.22	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	Masters degree from National Taiwan Cheng Chi University, Chairman ,President and Vice President of the Company; Director of Yuanta Bank ,Chief and Deputy Chief of the Ministry of Finance's Finance Bureau	Executive Vice President and Chief Compliance Affairs Officer of Yuanta Financial Holdings; Executive Vice President of Yuanta Bank ; Director of Yuanta Foundation.	—	—	—

Title	Nationality or Place of Registration	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions(note 3)	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Yu Yao-ling	2013.06.01	3	2010.02.01	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 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	Executive Vice President of Yuanta Securities; Director of Yuanta Futures; Director of SYF Information; Director of SYF Information (Shanghai),	—	—	—
Director	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Peng Yi-cheng	2013.06.01	3	2014.09.01	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	M.A. in Administration Fu Jen Catholic University Senior Vice-president of Yuanta Securities; Business president of Polaris Securities; Assistant vice president of Bank of Overseas Chinese.	Senior Vice-president of Yuanta Securities.	—	—	—
Super-visor	Republic of China	Representative of Yuanta Financial Holdings Co. Ltd : Chang Tsai-Yu	2013.06.01	3	2005.06.30	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanta Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	MBA, National Cheng chi University, Executive Vice President of Yuanta Bank; Vice President of Yuanta Core Pacific Securities; Director of Core Pacific-Yamaichi International (Hong Kong) Co., Ltd.; Assistant Vice President of Strategic Planning Office, Tingkong Securities Co., Ltd.; Manager of Underwriting (and Bond Department) Yung Li Securities.	Senior Vice President of Yuanta Financial Holdings; Executive Vice President of Yuanta Bank; Director of Yuanta Life Insurance Agent; Supervisor of Yuanta Venture Capital; Supervisor of Yuanta I Venture Capital; Director of SYF Information (Samoa).	—	—	—

Title	Nationality or Place of Registration	Name	Date elected (taken office)	Term (years)	Date when first elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding under other's name		Education and selected past positions(note 3)	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Supervisor	Republic of China	Representative of Yuanfa Financial Holdings Co. Ltd : Liao Yueh-Jung	2013.06.01	3	2010.07.28	All Directors and Supervisors Represent Yuanfa Financial Holdings together and hold 600,000,000 shares	100%	All Directors and Supervisors Represent Yuanfa Financial Holdings together and hold 500,000,000 shares	100%	—	—	—	—	B.A from Tamkang University, Senior assistant vice president of Yuanfa Securities.	Vice president of Yuanfa Securities ; Director of Yuanfa Securities Holding (BV); Supervisor of Yuanfa Insurance Brokers.	—	—	—

Note:

1. Yuanfa Financial Holdings holds all company shares, and assigns all directors and supervisors; the 12th term of directors and supervisors started from 2013.06.01 and will end on 2016.05.31.
2. Yuanfa Financial Holdings appointed Mr. Huang Ting-hsien replaced Mr. Lee Ya-pin as director on 2014.06.18; and elected Mr. Huang Ting-hsien as Chairman on 2014.6.19; Mr. Peng Yi-cheng replaced Mr. Yu Kuang-hua as director on 2014.09.01.
3. Board of Directors elected Mr. Chuang Yu-De as Chairman on 2013.06.01, and resigned on 2014.06.19.
4. The number of shares held while elected is based on the Yuanfa Financial Holdings shares held on 2013.06.01.
5. The date elected is the date that the director or supervisor first takes office.

(1) Main institutional shareholders

8/26/2014

Institutional Shareholders	Main Shareholders of Institutional Shareholders
Yuanta Financial Holdings	Tsun Chueh Investment Co., Ltd. 3.88%
	Yuan Hung Investment Co., Ltd. 3.39%
	Yuan Hsiang Investment Co., Ltd. 2.86%
	Yu Yang Investment Co., Ltd. 2.79%
	Dedicated investment account managed by Mega International Commercial Bank on behalf of Mega Securities (HK) 2.77%
	Bank of Taiwan Co., Ltd. 2.33%
	Singapore Government's investment account held in custody by Citibank (Taiwan) 2.24%
	Lian Da Investment Co., Ltd. 2.18%
	Nan Shan Life Insurance Company, Ltd. 2.01%
	Cathay Life Insurance Co., Ltd. 1.92%

Note: Data relating to the top ten shareholders was based on the ex-right date by Yuanta Financial Holdings (2014.8.26).

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

1/31/2015

Institutional Shareholders	Main Shareholders of Institutional Shareholders
Tsun Chueh Investment Co., Ltd.	Teng Ta Investment Co. Ltd. 19.30%
	Lien Da Investment Co., Ltd. 19.49%
	Chiu Ta Investment Co., Ltd. 18.36%
	Lien Heng Investment Co., Ltd. 18.92%
	Hsing Tsai Investment Co., Ltd. 10.24%
	Ma Wei-Jian 8.27%
	Du Li-Chuang 4.69%
	Lin Yung Tsang 0.39%
	Ma Er Tai 0.34%
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
Dedicated investment account managed by Mega International Commercial Bank on behalf of Mega Securities (HK) Bank of Taiwan.	Not applicable
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings Co., Ltd. 100%
Singapore Government's investment account held in custody by Citibank (Taiwan)	Not applicable
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. 2.58%
	Du Li-Chuang 0.47%
Nan Shan Life Insurance Company, Ltd.	Dedicated investment account managed by First Bank on behalf of Ruen Chen Investment Holding Co., Ltd. 83.11%
	Ruen Chen Investment Holding Co., Ltd. 7.52%
	Ying Tsung Tu 3.25%
	Dedicated stock trust property account managed by Taishin International Bank on behalf of Nanshan Life Insurance 0.88%
	Ruen Hua Dyeing & Weaving Co., Ltd. 0.28%
	Ruen Tex Leasing Co., Ltd. 0.15%
	Chi Pin Investment 0.11%
	Kuo Wen Te 0.11%
	Pao Chih Investment 0.05%
	Pao Yi Investment 0.05%
	Pao Hui Investment 0.05%
	Pao Huang Investment 0.05%
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings 100%

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

Jan 31, 2015

Names	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	
Huang Ting-hsien			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Hong Rong-Ting			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chuang Yu-De			✓		✓	✓	✓				✓	✓	✓	✓	None
Yu Yao-ting			✓			✓	✓				✓	✓	✓	✓	None
Peng Yi-cheng			✓		✓	✓	✓	✓			✓	✓	✓	✓	None
Chang Tsai-Yu			✓			✓	✓	✓			✓	✓	✓	✓	None
Liao Yueh-Jung			✓			✓	✓	✓			✓	✓	✓	✓	None

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

01/31/2015

Title	Nationality or Place of Registration	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	Republic of China	Hong Rong-Ting	2014.06.18	—	—	—	—	—	—	MBA from Oregon State University, Vice President, Assistant Vice President, Senior Manager, Manager, Assistant Manager and Chief of the Company; Nan Ya Plastics Assistant Cost Executive	—	—	—	—
Senior Assistant vice president of Finance Department	Republic of China	Hu Yi-Heng	2012.01.01	—	—	—	—	—	—	Department of Financial and Economic Law in Fu Jen Catholic University, Senior Assistant vice president of Finance Department, Assistant Vice President, Manager and Assistant Manager of the Company; Senior Assistant vice president of Finance Department of Yuanta Securities Co., Ltd.	—	—	—	—
Assistant Vice-president of MIS Department	Republic of China	Chen Ying-Ling	2005.12.01	—	—	—	—	—	—	Department of Business in Providence University, Manager of MIS Department of Yuanta Core Pacific Securities; programmer of Union Insurance Company	—	—	—	—
Assistant Vice-president of Administration Department	Republic of China	Lin Tseng-Chun	2007.09.23	—	—	—	—	—	—	Department of Business Administration, National College of Business, Assistant Vice President of the Administration Department of Yuanta Securities; Senior Manager, Manager and Section Chief of the Company.	Assistant Vice-president of the Administration Department of Yuanta Financial Holdings	—	—	—



Title	Nationality or Place of Registration	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
Senior Manager of Business Development Department	Republic of China	Wang Chia-Hsiang	2014.08.01	—	—	—	—	—	—	MSc Finance Institute from Tamkang University, Manager, Assistant Manager of the Company; Business Department Manager, Assistant Manager of Entie Securities Finance.				
Manager of Business Department	Republic of China	Huang Shi-Chun	2010.05.01	—	—	—	—	—	—	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	—	—	—	—
Supervisor of Auditor's Office	Republic of China	Cheng Shu-Chin	2010.05.01							Master's degree, Fo Guang University; Assistant Manager of Yuanfa Securities; Manager of Fuhwa Securities; Manager of Shinong Securities.				
Senior assistant vice president of Taichung branch	Republic of China	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	Republic of China	Chen Chi-Ping	2006.11.01	—	—	—	—	—	—	National Cheng chi University Department of Public Administration, Senior Assistant Manager, Assistant Manager and Section Chief of the Company.	—	—	—	—

Note:

1. The Company is a subsidiary of Yuanfa Financial Holdings that holds 100% of the shares.
2. Former President Mr. Lee Ya-pin resigned on 2014.06.18, Vice President Mr. Hong Rong-Ting to be promoted President.
3. President Mr. Hong Rong-Ting didn't concurrent position at supervisor of business development department on 2014.08.01., replaced senior manager of business development department Mr. Wang Chia-Hsiang.

### 3. Remuneration to directors, supervisors, president and vice presidents

#### (1) Remuneration to directors

Units: NT\$

Title	Name	Directors' remuneration						Remuneration to concurrent employees								Sum of A, B, C, D, E, F and G and that sum as percentage of net income after tax		Remuneration from investment in a non-subsidiary enterprise					
		Wages (A)		Severance and retirement payments (B)		Allocated from distribution of earnings (C)		Service expenses (D)		Sum of A, B, C and D as percentage of net income after tax		Wages, bonuses, and special allowance, etc. (E)		Severance and retirement payments (F)		Employee bonuses from distribution of earnings (G)			Number of employee stock options obtained and limited employer new shares obtained (H/I)				
		The company	Consolidated Subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated Subsidiaries	Cash bonuses	Stock bonuses	Cash bonuses	Stock bonuses		The company	Consolidated subsidiaries			
Chairman	Yuanta Financial Holdings statutory representative: Huang Ting-Hsien																						
Director	Yuanta Financial Holdings statutory representative: Chuang Yu-De																						
Director	Yuanta Financial Holdings statutory representative: Hong Rong-Ting																						
Director	Yuanta Financial Holdings statutory representative: Yu Yao-Ting	7,408,942	7,408,942	-	-	-	-	1,091,525	1,091,525	2.09%	2.09%	7,000,921	7,000,921	-	-	132,416	-	-	-	-	-	3.85%	3.85%
Director	Yuanta Financial Holdings statutory representative: Peng Yi-Cheng																						
Ex-Director	Yuanta Financial Holdings statutory representative: Lee Ya-pin																						
Ex-Director	Yuanta Financial Holdings statutory representative: Yu Kuang-hua																						

Note: Chairmen have been assigned a corporate Vehicle and a driver.

# 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	All enterprises invested by the Company I	The company	All enterprises invested by the company J
Below 2,000,000	Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng
2,000,000 (inclusive) - 5,000,000	Huang Ting-Hsien , Chuang Yu-De	Huang Ting-Hsien , Chuang Yu-De	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin
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	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng	Huang Ting-Hsien , Chuang Yu-De, Hong Rong-Ting , Lee Ya-pin, Yu Yao-Ting, Yu Kuang-hua, Peng Yi-Cheng

(2) Remuneration to supervisors

Units: NT\$

Title	Name	Supervisors' remuneration						Sum of A, B, C and that sum as percentage of net income after tax		Remuneration from investment in a non-subsidiary enterprise
		Wages (A)		Allocated from distribution of earnings (B)		business execution expenses (C)				
		The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	
Supervisor	Yuantai Financial Holdings statutory representative: Chang Tsai-Yu	—	—	—	—	430,000	430,000	0.11%	0.11%	None
Supervisor	Yuantai Financial Holdings statutory representative: Liao Yueh-Jung									

Range of remuneration

Breakdown of remuneration to supervisors Units: NT\$	Supervisors		
	Sum of foregoing three items (A+B+C)		
	The company	All companies in the consolidated statement (D)	
Below 2,000,000	Chang Tsai-Yu, Liao Yueh-Jung	Chang Tsai-Yu, Liao Yueh-Jung	
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	Chang Tsai-Yu, Liao Yueh-Jung	Chang Tsai-Yu, Liao Yueh-Jung	

(3) Remuneration to the president and vice presidents

Units: NT\$

Title	Name	Wages (A)		Severance and retirement payments (B)		Bonuses and special allowances (C)		Employee bonuses from distribution of earnings (D)				Sum of A, B, C, D and that sum as percentage of net income after tax %		Number of employee stock options obtained and limited employee new shares obtained		Remuneration from reinvested enterprise via subsidiary
		The company	Consolidated subsidiaries	The company	Consolidated Subsidiaries	The company	Consolidated subsidiaries	The company	Stock dividend amount	Cash dividends	Consolidated Subsidiaries	The company	Consolidated subsidiaries	The company	Consolidated subsidiaries	
President	Hong Rong-Ting	3,774,333	3,774,333	-	-	3,226,588	3,226,588	132,416	-	132,416	-	1.76%	1.76%	-	-	None
Former President	Lee Ya-Pin															

Note : President have been assigned a corporate Vehicle.

Range of remuneration

Breakdown of remuneration to president and vice presidents Units: NT\$	President and vice presidents	
	The company	All companies in the consolidated statement (E)
Below 2,000,000		
2,000,000 (inclusive) - 5,000,000	Hong Rong-Ting, Lee Ya-Pin	Hong Rong-Ting, Lee Ya-Pin
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	Hong Rong-Ting, Lee Ya-Pin	Hong Rong-Ting, Lee Ya-Pin

#### (4) Employee Bonus Allotment to Managers

1/31/2015

	Title	Name	Stock dividend amount	Cash dividend amount	Total	Percentage of total amount to net profits after tax (%)
Managers	President	Hong Rong-Ting	-	333,540	333,540	0.08%
	Senior assistant Vice president of Financial Department	Hu Yi-Heng				
	Assistant Vice president of Administration Department	Lin Tseng-Chun				
	Assistant Vice president of MIS department	Chen Ying-Ling				
	Senior Manager of Business development Department	Wang Chia-Hsiang				
	Manager of Business Department	Huang Shi-Chun				
	Supervisor of Auditor's Office	Cheng Shu-Chin				
	Senior Assistant vice president of Taichung branch	Liu Ying-Shi				
	Manager of Kaohsiung branch	Chen Chi-Ping				
	Former President	Lee Ya-pin				

\*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 4.56% in 2013; and around 3.95% in 2014.

- (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, is 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 2014 was NT\$406,303,000, which is about 103.72% the net profits after tax in 2013 (NT\$391,740,000). Due to the increase in net profits after tax, the total amount to directors, supervisors, presidents and vice presidents decreased. The percentage of total amount of remuneration to the net profits after tax decreased slightly.

#### 4. State of corporate governance

##### A. Operation of the Board of Directors

A total of 10 (A) board meetings were held in 2014; the attendance of Directors and Supervisors is listed below:

Title	Name	Actual Attendance (B)	Attendance by proxy	Actual attendance rate (%) [B/A] (note 2)	Remark
Chairman	Yuanta Financial Holdings representative: Huang Ting-Hsien	6	0	100	Appointed on Jun. 18, 2014; a total of 6 board meetings were held during active duty.
Director	Yuanta Financial Holdings representative: Chuang Yu-De	10	0	100	
Director	Yuanta Financial Holdings representative: Hong Rong-Ting	10	0	100	
Director	Yuanta Financial Holdings representative: Yu Yao-Ting	8	2	80	
Director	Yuanta Financial Holdings representative: Peng Yi-Cheng	3	0	100	Appointed on Sep. 1, 2014; a total of 3 board meetings were held during active duty.
Supervisor	Yuanta Financial Holdings representative: Chang Tsai-Yu	9	0	90	
Supervisor	Yuanta Financial Holdings representative: Liao Yueh-Jung	10	0	100	
Former Director	Yuanta Financial Holdings representative: Lee Ya-pin	4	0	100	Resigned on Jun. 18, 2014; a total of 4 board meetings were held during active duty
Former Director	Yuanta Financial Holdings representative: Yu Kuang-hua	6		86	Resigned on Sep. 1, 2014; a total of 7 board meetings were held during active duty
<p>Other required items :</p> <p>A. For resolution(s) passed pursuant to Article 14-3 of the Securities and Exchange Act or any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing, the minutes concerned shall clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all independent directors and the company's handling of the said opinions: None, The company does not have independent directors.</p> <p>B. In instances where a director rescued himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:</p> <p>(1) The 9th Meeting of the 12th Board of Directors on May 12, 2014. In order to execute our Company's policy to promote the "taken from community, feedback to society" spirit, fulfill enterprise obligation to complete and improve a good corporate image, the Company would like to contribute a sum of NT\$2,640,000 to the Yuanta Cultural and Educational Foundation. Resolution: a. Chairman Chuang Yu-De rescued himself from the resolution due to a potential conflict of interest. Lee Ya-pin was the chair person during the voting. b. Apart from the interested party, who rescued himself, the remaining directors present agreed to pass the motions.</p> <p>(2) The 12nd Meeting of the 12th Board of Directors on June 18, 2014. Since Mr. Lee Ya-pin, Former President of the Company will be transferred to work at our affiliated company, therefore, his president job title and the relevant positions should be dismissed. Vice President Mr. Hong Rong-Ting to be promoted President. Resolution: Director Hong Rong-Ting rescued himself from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.</p> <p>(3) The 12nd Meeting of the 12th Board of Directors on June 18, 2014. Due to the transfer of the Company's Chairman and president, recommend the Chairman's wages and bonuses was real multiples than president's pursuant to Article 17 of the Company's Articles of Incorporation. Resolution: Chairman Huang Ting-Hsien rescued himself from the resolution due to a potential conflict of interest. The resolution was approved by all of the other directors in attendance.</p> <p>(4) The 13rd Meeting of the 12th Board of Directors on July 30, 2014. For the business, 12 level Senior Manager Mr. Wang Chia-Hsiang to be promoted Supervisor of Business Development</p>					

Department and compliance affairs.

Resolution:

Director Hong Rong-Ting rescued 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 in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation: None.

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, 2014.

#### 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:

A total of 10 (A) board meetings were held in the most recent year (2014) 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	9	90	
Supervisor	Yuanta Financial Holdings representative: Liao Yueh-Jung	10	100	

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) According to Article §16 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", After the submission of the audit report and follow-up reports, the completed audit items are passed to the supervisors for checking and the audit supervisor review the internal control system deficiencies before the end of the following month.
- (3) Audit supervisors should review the deficiencies of internal control system and have a regular annual meeting with the person-in-charge (director, supervisor) and minutes are kept of the meeting.

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: None.

Note:

1. The attendance rate (%) is calculated by dividing the actual attendance by the total of number of meetings held during the period.
2. Baseline date: December 31, 2014.



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

Scope of assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
1. Whether the company has followed "Corporate Governance Best-Practice Principle for Financial Holding Companies" and discloses information?	V		The company has established corporate governance best practice principles in accordance with regulations. On the home page of the company's website, the "Corporate Governance" section discloses information related to the operations of corporate governance at the company.	There was no significant departure in this respect.
2. Equity structure and shareholders' rights of the company (1) Whether the company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure? (2) Whether the company controls the financial holding company's major shareholders and who are their ultimate owners? (3) Whether the company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	V  V V	V	(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) a. The company followed the Yuanta Financial Holdings has established a "Risk Management Department" being responsible for supervising and implementing risk management measures. Each subsidiary has an independent risk management unit in place, depending on their respective sizes and risk attributes, to monitor the various risks involved. b. The company has complied with Articles 44 and 45 of the Financial Holding Company Act, regarding credit and non-credit transactions with stakeholders. In order to ensure proper financial dealings with affiliates, while preventing inappropriate channeling of corporate interests and non-arms length transactions, asset disposals, or loans etc with related parties, the company has established a set of policies to govern financial dealings among affiliates and non-credit authorizations to stakeholders as means of control. (4) The company has promulgated "Regulations Governing Insiders for Securities Trading" to prohibit company insiders from trading securities directly or indirectly with information obtained from the occupation, and provide statement for insiders to sign. Meanwhile, the company has formulated procedures and priorities of the insider trading in the internal control system.	N/A.  There was no significant departure in this respect.  There was no significant departure in this respect.
(4) Whether the company stipulated internal regulations to prohibit company insiders from trading securities using information not disclosed to the market?	V			There was no significant departure in this respect.
3. Composition and responsibilities of board of directors : (1) Whether the board of directors formulated an appropriate policy on diversity for its composition and fully implemented its policy? (2)Whether the company, in addition to establishing the remuneration committee and audit committee pursuant to laws, is willing to establish any other functional committees voluntarily? (3) Whether the company stipulated rules and procedures for board of directors' performance assessments and periodically evaluated the performance each year?		V  V V	The company has not formed any functional committees, while Yuanta Financial Holdings, the sole shareholder of the company, has assigned the proper representatives to exercise the functional duties and power of directors and supervisors. The assignment would be reviewed annually to fulfill the duty of board of directors.	N/A.

Scope of assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
(4) Whether the company assesses the independence of the CPAs periodically?	V		(4) An evaluation of the independence of CPAs is submitted to the Board of Directors each year which approves their appointment.	There was no significant departure in this respect.
4. Whether the company established communication channel with stakeholders and designated a stakeholders section on its website to respond to important issues of the corporate social responsibility properly?	V		A database of interested parties has been established and a service mailbox is established on the company website. The communication channels are good.	There was no significant departure in this respect.
5. Whether the company entrusted a professional stock agency to handle businesses of the shareholder's meeting?	V		(1) Yuanta Financial Holdings is the sole shareholder of the company, according to the Company Act and the Financial Holding Company Act, the functional duties and power of the shareholder's meeting of such company shall be exercised by its board of directors. (2) The company has authorized Yuanta Securities Co., Ltd. to handle businesses in connection with stock affairs.	There was no significant departure in this respect.
6. Information Disclosure (1) Whether the company establishes a corporate website to disclose information concerning financial affairs and corporate governance?	V		(1) On the home page of the company's website, the "About Yuanta Securities Finance" section provide financial information; the "Corporate Governance" section discloses information related to the operations of corporate governance at the company; the home page of the company's website, the "Our Business" and "Business-related regulations" section provide business information.	There was no significant departure in this respect.
(2) Whether the company has undertaken other information disclosure channels (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, the broadcasting of investor conferences via the Company website and etc.)?	V		(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.	There was no significant departure in this respect.
7. Whether the company has other important information enabling a better understanding of the Company's corporate governance (including but not limited to employee rights and interests, employee care, investor relations, suppliers, stakeholders' rights and interests, continuing education of directors and supervisors, implementation of risk management policies and risk measurement criteria, implementation of customer policy, purchase of liability insurance by the Company for directors and supervisors and etc.)?	V		(1) Employee rights and interests: a. The company's human resources management mechanisms all comply with labor laws and regulations, and strive to realize employees' potential, enhance employees' on-the-job competitiveness and market value, and create a win-win situation for labor and management by safeguarding employees' legitimate rights and interests and encouraging a positive attitude toward corporate sustainability. b. Annual employee bonuses are reviewed and apportioned by the board of directors on the basis of the relative proportions specified in the articles of incorporation, and are distributed after approval by the shareholders meeting, allowing employees to share in the company's performance. (2) Employee care: This company cares about the physical and mental health and balance of its employees; it encourages employees to cultivate varied interests, and invests in employees through education and training, group insurance, employee shareholding trusts, and health check-ups, realizing care of employees and providing an outstanding working environment.	There was no significant departure in this respect.

Scope of assessment	Status		Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	
			<p>(3) Investor relations and stakeholders interests: In its "Corporate Governance Best-Practice Principles," the company has defined the contents of investor relations and stakeholders' interests. These principles are implemented in day to day business and focus on the following aspects:</p> <p>a. The company maintains open channels of communication with investors, and respects and protects their legal rights.</p> <p>b. Taking advantage of the convenience of the Internet, the company has established a website, which carries information on financial affairs and corporate governance for reference by shareholders and stakeholders.</p> <p>(4) suppliers : The company has adopted rules providing inquiries for interested party's transaction in the "Record of Price Negotiation", and required suppliers to provide ethical undertaking records where necessary to comply with the regulation of procurement.</p> <p>(5) Continuing education of directors' and supervisors' : See page 35.</p> <p>(6) Implementation of risk management policy and risk measurement criteria: The company followed the Yunta Financial Holdings, promote an appropriate risk management-oriented business model, achieve operational targets and increase shareholder value. The company has also set up risk management mechanisms for its subsidiaries based on their operational scale and risk level; within the management guidelines for various areas of business, it sets various quotas and limits to monitor risk situations. Risk reports and significant risk issues are periodically submitted to the top management in order to effectively control and manage risk.</p> <p>(7) Implementation of customer policy: The company followed the Yunta Financial Holdings has established "protects customer privacy based on Confidentiality Measures on Customer Information for Yunta Financial Holdings and Its Subsidiaries", The company has established " Personal Data Protection Policy " and "Personal Data Management Rules ". The company uses customer information in accordance with the foregoing measures and within the scope of the law so as to fulfill its obligations in maintaining the confidentiality of customer information and protect customer privacy.</p> <p>(8) Purchase of liability insurance by the company for directors and supervisors: Yunta Financial Holding has purchased liability insurance for all directors and supervisors.</p>

Scope of assessment	Status			Departures from the Corporate Governance Best-Practice Principles for Financial Holding Companies and Reasons
	Yes	No	Summary	
8. Whether the Company produces a corporate governance self-assessment report or commissions a professional organization to compile a corporate governance assessment report? (If any, please specify the opinion of the Board of Directors, the results of self-assessment or commissioned assessment, major deficiencies or suggestions, and status of the improvement thereof)		V	The Company did not commission any professional organization to compile an internal corporate governance assessment report .	N/A.

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

The Company has not yet established Remuneration Committee.

E. Implementation of social responsibility:

Scope of assessment	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
<p>1. Exercising Corporate Governance</p> <p>(1) Whether the Company has defined corporate social responsibility policies within the Company; the progress and effectiveness of such policies?</p> <p>(2) Whether the Company organizes any corporate social responsibility education and training program periodically?</p> <p>(3) Whether the Company establishes a dedicated unit (concurrently engaged in) to promote corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?</p> <p>(4) Whether the Company has defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?</p>	V	V	<p>(1) The company followed The Yuanfa Financial Holdings approved "Corporate Social Responsibility Best Practice Principles" and approved "Corporate Social Responsibility Policy and Management Rules" of the actual operational situation.</p> <p>(2) The company held regular corporate ethics courses as means of promoting regulatory awareness. Employees were tested to ensure their understand towards the relevant regulations, thereby ensuring compliance and in various business activities.</p> <p>(3) The Company didn't establishes a dedicated unit.</p> <p>(4) The company conducted a payroll scale on the basis of diverse positions, and formulated applicable regulations of reward and bonus. At the same time, the company has established regulations such as, the "Codes of Ethics Conduct", "Ethical Management Principles" and the "Guidelines for Employee Reward and Discipline" in accordance with the policy of social responsibility. Should an employee's conduct violate these norms, the violation will be reported and punished depending on the severity of the circumstances and be incorporated into the performance appraisal system.</p>	<p>There was no significant departure in this respect.</p> <p>There was no significant departure in this respect.</p> <p>N/A.</p> <p>There was no significant departure in this respect.</p>
<p>2. Fostering a Sustainable Environment</p> <p>(1) Whether the Company enhances to upgrade the efficient use of available resources, and the use of environmental-friendly materials?</p> <p>(2) Whether the Company establishes environmental policies suitable for the Company's industry characteristics?</p> <p>(3) Whether the Company is aware of how climate changes impact business operations, or conducts investigation on greenhouse gases, or defines some energy saving and</p>	V		<p>(1) The company's measures to raise resource utilization efficiency and its use of renewable materials are explained below:</p> <p>a. We recycle and reuse energy-intensive articles. This includes advocating and promoting the recycling and reuse of paper products, the use of recycled paper and resource recycling as well as execution status reporting.</p> <p>b. We properly dispose of waste. This includes advocating and promoting waste sorting and reduction, waste water treatment.</p> <p>c. We use low energy, green energy office supplies and machines. At the time of procurement whether the above mentioned type of products are available to raise usage of such products.</p> <p>(2) Regarding the establishment of environment management systems and dedicated units for environment management. The headquarter building's management committee functions as a dedicated environmental management unit to maintain the environment.</p> <p>(3) Including water conservation, energy conservation, carbon and greenhouse gas reduction, we have taken the following measures:</p> <p>a. We follow the regulations for air conditioning temperatures in office buildings,</p>	<p>There was no significant departure in this respect.</p> <p>There was no significant departure in this respect.</p> <p>There was no significant departure in this respect.</p>

Scope of assessment	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
carbon/greenhouse gas reduction strategies?			<p>and planted trees extensively around the building and the pavement.</p> <p>b. The corporate headquarter building already complies with a number of green building regulations</p> <p>c. In order to realize water conservation, energy conservation, carbon and greenhouse gas reduction, we regularly report the outcome of conservation measures for water, electricity and other items of energy consumption.</p> <p>d. Smoking is completely prohibited inside our offices. Smokers must use designated outdoor places. In order to meet regulations we regularly carry out disinfection, rodent and insect control.</p>	
3. Preserving Public Welfare	V		<p>(1) Based on labor laws and regulations we have established work rules and related personnel management guidelines to prohibit discrimination toward job seekers or employees in terms of race, belief, religion, political party, native place, place of birth, gender, sex orientation, age and marriage, in order to establish an employment equality environment and protect employee rights. Meanwhile, we also called a labor and employer meeting periodically to facilitate communication between both parties and harmonize the relationship between laborers and employer.</p> <p>(2) The company has established reporting systems and channels, employees can utilize these methods by communicating with their department manager or proposing through the employee-management meetings, and based on applicable regulations, the "Personnel Committee" would review the case if reward and punishment. In addition, the company has formulated regulations for workplace sexual harassment preventions, complaints and disciplinary actions to protect interested party's right and privacy.</p> <p>(3) Regarding the provision of safe and healthy work environments for our employees, and the organization of regular training on safety and health, we have taken the following measures:</p> <p>a. Strict entrance guard and security check measures to fully protect the safety of our employees at work and in everyday life.</p> <p>b. Regular safety inspections of drinking water, carbon dioxide and illumination.</p> <p>c. Regular public safety reports and inspections.</p> <p>d. Regular disinfection and sanitation of the environment.</p> <p>e. Confirming that office surveillance systems at all business locations function normally.</p> <p>f. Delivering a smoke-free work environment, providing a comfortable, healthy and fresh workspace.</p> <p>g. Regular occupational safety and firefighting trainings and drills as required by law.</p> <p>Moreover, based on Article 16 of the "Regulations for Labor Safety and Health Education and Training" by the Council of Labor Affairs, Executive Yuan, the company has established the following regulation: "The employer shall have new recruits receive necessary safety and health education and trainings</p>	Except the sub-paragraph (9), there was no departure in this respect. For the relevant departures, please see the Remarks.
(1) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human right conventions?	V			
(2) Whether the Company establishes any employee complaining mechanism and channel, and takes care of the complaint adequately?	V			
(3) Whether the Company provides the existence of a safe and healthy work environment; regular safety and health training to company employees?	V			

Scope of assessment	Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	
(4) Whether the Company establishes the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	V		<p>applicable to their new posts." In order to protect the health and safety of all workers, we hired a business supervisor holding a certificate of labor safety to hold "educational trainings for new recruits on occupational health and safety". The educational trainings cover the following topics: An outline of laws and regulations relating to occupational health and safety, occupational health and safety concepts as well as safety and health work rules, emergency response management, basic knowledge and drills about firefighting and emergency rescue, as well as health and safety knowhow related to work operations.</p> <p>(4) a. The company calls a labor and employer meeting periodically to establish a communication platform between laborers and employer to upgrade employees' participation and identification in the company's policies so as to form a positive interactive model and to create a win-win situation.</p> <p>b. The various regulations and systems and benefit information for employees are posted in the intranet to help employees understand their own interests and rights. Meanwhile, a dedicated unit posts important daily news of the Financial Holding on the intranet for employees' easy access so as to understand updated industrial developments and the company's important messages.</p> <p>c. Material changes in the Company's operation will also be published via email from time to time, so that employees will have access to timely.</p> <p>(5) The company has followed the corporate to set up a multi-track development system, which includes management posts, professional posts, and business posts. And through those diverse development paths and training systems, the company has provided opportunities like in-service training, employee training, job rotating, project assigning, and digital learning to encourage employees to develop multiple skills, meet their self-fulfillments and achieve their ideal goals of pursuing excellent. In addition, by making maximum using of the company's subsidiaries, the corporate encourages employees to apply position transferring or arranges rotation between subsidiaries for operational needs to promote talent flow and diverse development.</p> <p>(6) a. In order to fulfill our responsibility to keep customer information confidential the corporate has set up the "Yuantia Financial Holding Co. Ltd. and Subsidiaries Customer Information Confidentiality Measures", "Statement of Customers' Privacy Protection" and posted their content on the corporate website. The Company has set up the Personal Data Protection Policy and Personal Data Management Rules to follow.</p> <p>b. The company uses the following avenues and procedures to handle customer complaints:</p> <p>(i) TEL: 02-2173-6896</p> <p>(ii) E-mail: auditcomm.sf@yuanta.com</p> <p>(iii) If a customer complaint is received, the relevant unit will be immediately</p>
(5) Whether the Company establishes some effective career development training plan for employees?	V		
(6) Whether the Company establishes the related consumer protection policies and complaining procedures toward the R&D, procurement, production, operation and service procedures?	V		

Scope of assessment	Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" and reasons
	Yes	No	Summary	
(7) Whether the Company markets and labels products and services in accordance with the related laws and international practices?	V		notified to handle the complaint. The Company will take Moderately measure respond to the customer.	
(8) Whether the Company has assessed the supplier's record about environmental protection and society before trading with the supplier?	V		(7) The company has established the "Regulation Governing Advertisements, Business Solicitation and Marketing Campaigns" to conduct business marketing and labeling. (8)The Company followed The Yuanfa Financial Holdings is dedicated to procuring products from green product suppliers. In order to protect the Earth, suppliers work hard to develop various green products. The Company will procure their products as the priority, subject to need. The Company followed The Yuanfa Financial Holdings asks suppliers to comply with the integrity and ethical principles with the Company. For tangible product suppliers to enter into a procurement contract with the Company, as of June 2013, the Company will ensure they understand the Company's integrity and ethical principles and corporate social responsibility strategies and approaches in accordance with "Ethical Management and Guidelines for Conduct". The Company will also ask them to submit a written undertaking of integrity and ethical proof showing no record of corruption and bribery, in order to comply with the integrity and ethical principles and maintain corporate social responsibility.	
(9) Whether the contract between the Company and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract?		V	(9)The contract between the Company and its main supplier does not expressly state that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract at any time. Notwithstanding, the Company will include such provision into the contract, if necessary.	
4. Enhancing Information Disclosure (1) Whether the Company discloses relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?	V		Relevant information is posted on the corporate website.	There was no significant departure in this respect.
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please describe any discrepancy between the principles and their implementation: None.				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: For further details please view our corporate website.				
7. If the Company's Corporate Social Responsibility Reports have met the assurance standards of relevant certification institutions, they shall be stated below: None.				



## F. Fulfillment of ethical management

Scope of assessment	Status			Discrepancy between the Company's principles and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Summary	
1.Enactment of ethical management policy and program (1) Whether the Company expressly states the ethical policy and its fulfillment by the board of directors and the management in its Articles of Incorporation and public documents?	V		(1) The company followed The Yuanfa Financial Holdings approved "Ethical Management Principles" and "Procedures for Ethical Management and Guidelines for Conduct". The Yuanfa Financial Holdings has assembled a dedicated team to supervise this matter and report regularly to the board of directors. Based on clean, transparent and responsible management, the company will continue to promote a policy based on integrity. We will establish good corporate governance and risk management mechanisms to create a sustainable business environment.	There was no significant departure in this respect.
(2) Whether the Company defines the policy against unethical conduct, and expressly states the SOP, guidelines and reward and disciplinary & complaining systems for misconduct, and also implements the policy precisely?	V		(2) a. "YFH Ethical Management Principles" and "YFH Procedures for Ethical Management and Guidelines for Conduct", outlines a list of dishonest behaviors and conflicting interests, and prohibits any bribery, illegitimate political contributions, and improper donations, sponsorships, gifts, treatments, or benefits. Regular trainings are organized, and proper reporting systems and disciplinary policies have also been created. b. Any unethical conduct of the Company's staff, the Company will render discipline pursuant to relevant laws or the Company's regulations after verifying the same, and claim damages through legal action, if necessary, to maintain the Company's goodwill and interest. The disciplined employee who disagrees with the discipline may apply for reconsideration under the complaint system. Upon verification of the case, the relevant unit will be delegated to review the internal control system and SOP and propose the corrective action to prevent the same from occurring again and fulfill the management philosophy of ethical business.	
(3) Whether the Company takes any prevention measures against the operating activities involving high unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM GTSM-Listed Companies" or within other operating areas?	V		(3)The company has already undertaken measures against bribery and illegal political donation with respect to operating activities with higher risk of unethical conduct. The Company's procurement projects all comply with the "Guidelines for Conduct".	
2.Implementation of ethical business (1) Whether the Company assesses a trading counterpart's ethical management record, and expressly state the ethical management clause in the contract to be signed with the trading counterpart?	V		(1) The company followed The Yuanfa Financial Holdings' has already drawn up the "Checklist for Singing of Procurement Contracts" to help the assessment when negotiating concluding contract with external procurement supplier involving the buyout of ownership of products. Further, when concluding the procurement contract, the company takes into consideration the supplier's compliance with the ethical business clause and Article 20 of the YFH Procedures for Ethical Management and Guidelines for Conduct.	There was no significant departure in this respect.

Scope of assessment	Status			Discrepancy between the Company's principles and the "Ethical Corporate Management Best Practice Principles" for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Summary	
(2) Whether the Company establishes a dedicated unit (concurrently engaged in) to promote corporate ethical management, and reports the execution thereof to the Board of Directors?	V		(2) a. The company followed The Yuanta Financial Holdings designate to form the unit dedicated to amending, of reported matters with respect to the YFH Procedures for Ethical. Periodic reports are submitted to the board of directors. b. The company has submitted the report on the overview of corporate governance and ethical business 2014 to 20th meeting of the 12th board of directors on Feb. 25, 2015.	
(3) Whether the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfill the same precisely?	V		(3) a. The company followed "YFH Ethical Management Principles", "YFH Procedures for Ethical Management and Guidelines for Conduct" and "Yuanta Securities Finance of Ethical Conduct" ("Code of Ethical Conduct") that where the company's director and manager, or their spouses, direct blood relatives, relatives within the third degree of kinship and the entities in which they are hired participate in the company's business transactions, due to their position and powers, the director and manager shall state the same voluntarily and deal with or avoid the situation in a timely manner. The company has established a well-founded management mechanism for execution in the internal and external business activities, in order to upgrade the effect of the Company's ethical business. b. The avoidance of conflict of interest, disclosure of business secrets, non-inside trading and non-disclosure agreement with respect to the Company's staff (including directors and supervisors) shall comply with relevant requirements.	
(4) Whether the Company has fulfilled the ethical management by establishing effective accounting system and internal control system, and had internal audit unit to conduct periodic audit, or appointed an external auditor to conduct the audit?	V		(4) a. Under the "YFH Ethical Management Principles", the Company has linked the other relevant internal control regulations intensively to help various departments comply with the internal control and SOPs, and to prevent any staff's mis conduct, e.g. Code of Ethical Conduct, Board of Directors Procedure Rules, and Guidelines Governing Donations to the Public. Meanwhile, When any of the Company's staff is involved in unethical conduct, the Audit Dept. will be delegated to conduct audit, and the dedicated unit shall report the unethical conduct, response action and follow-up correction to the board of directors. Where any others engage in unethical conduct toward the Company and involve illegal activities, the Audit Dept. will also report the audit report to Legal Dept., and Legal Dept. will help the Company notify the judicial and prosecuting authorities. b. The Company's accounting system was established in accordance with IFRSs. Unless otherwise provided in laws, the Company's related accounting affairs are all processed in accordance with the Company's accounting system. The quarterly financial statement would be audited (certified) by PricewaterhouseCoopers Certified Public Accountants. The operating result would also be reported to the Board of Directors periodically. The Company will accept the internal audit, and audit by Financial Examination Bureau and	

Scope of assessment	Status			Discrepancy between the Company's principles and the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Summary	
(5) Whether the Company organizes internal/external education training program for ethical management periodically?	V		the external auditor, in order to ensure that design and execution of the Company's accounting system still works. (5) The Company organizes the "Anti-bribery and Anti-corruption and Enterprise Ethical Education" training program on a yearly basis. All employees have to take part in the program and pass the test, to ensure that employees have correct knowledge and basic judgment of relevant laws and ethical conduct, and that the corporate ethical management policy may be fulfilled.	
3. Status of the Company's complaint system. (1) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	V		(1) YFH has set up an exclusive area on the Internet and intranet to encourage employees, investors and other interested parties to submit any suggestions helpful for business development or any doubts about extraordinary circumstances. The Company assigns dedicated personnel to deal with the same and provide feedback in a timely manner. (2) The complaints accepted by the Company will be treated as confidential and special cases. The certified documents provided by the informant or complainant shall be maintained with care. All of the team members shall also be obligated to keep the same confidential. If some misconduct is found upon investigation on the complaints, the Company will protect the complainant's interest and right, and will punish the offender or pursue their legal liability. If any suggestion is adopted upon thorough evaluation, the Company will extend commendation, praise or appreciation to the concerned party in a timely manner.	There was no significant departure in this respect.
(2) Whether the Company has defined the standard operating procedure and non-disclosure mechanism toward the investigation on the complaints as accepted?	V		(3) Upon receipt of any complaint, unless in order to meet the need for investigation or audit, the complainant's identity and the case shall be kept confidential before the complainant grants his/her consent, so that the complainant may be saved from any harassment or revenge.	
(3) Whether the Company has adopted any measures to prevent the complainants from being abused after filing complaints?	V		(1) YFH has disclosed its "Ethical Management Principles" and "Guideline for Conduct" in the "CSR" area of its website and on the Market Observation Post System. The effect of implementation thereof was also stated in the Company's annual report and CSR report disclosed on said websites.	There was no significant departure in this respect.
4. Enhancing Information Disclosure (1) Whether the Company has disclosed the Ethical Management Principles and effect of implementation thereof on its website and Market Observation Post System?	V			
5. If the Company has established ethical management principles based on "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None.				
6. Other information material to the understanding of ethical business operation: (e.g. discussion and amendment to the ethical business best practice principles defined by the Company) When procuring products and before signing the contract, the Company will ask the supplier to issue a written undertaking for ethical business and will search whether the trading counterpart has any unethical business record, such as bribery or illegal political donations, and include the ethical business clauses and relevant matters into the contract.				

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

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

I. Implementation of internal controls:

(1) Declaration on Internal Control Statement: See page 34.

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

Schedule : Continuing education of directors' and supervisors'

Data baseline date: 1/31/2015

Title	Name	Course duration		Organizing agency	Course name	Course Hours
		From	To			
Chairman	Huang Ting-Hsien	7/10/2014	7/10/2014	Taiwan Securities Association	Introduction of the latest taxation laws and regulations to be concerned by enterprises	3
Director	Hong Rong-Ting	7/10/2014	7/10/2014	Taiwan Securities Association	Introduction of the latest taxation laws and regulations to be concerned by enterprises	3
Director	Chuang Yu-De	4/11/2014	4/11/2014	Taiwan Securities Association	Analysis on issues and disputes over the most recent amendments to Company Law	3
Director	Chuang Yu-De	10/21/2014	10/23/2014	Taiwan Academy of Banking and Finance	Workshop for trust management	18
Director	Yu Yao-Ting	9/18/2014	9/18/2014	Securities and Futures Institute	Symposium for ethical management and corporate social responsibility of TWSE/GTSM companies	3
Director	Peng Yi-Cheng	11/18/2014	11/19/2014	Securities and Futures Institute	Workshop for Director and Supervisor(include independent) - Taipei	12
Supervisor	Chang Tsai-Yu	7/10/2014	7/10/2014	Taiwan Securities Association	Introduction of the latest taxation laws and regulations to be concerned by enterprises	3
Supervisor	Liao Yueh-Jung	5/7/2014	5/7/2014	Accounting Research and Development Foundation of the R.O.C.	The latest amendment issues in tax laws and regulations under the policy of adoption of IFRS in Taiwan.	3
Supervisor	Liao Yueh-Jung	5/7/2014	5/7/2014	Accounting Research and Development Foundation of the R.O.C.	The company has complied with the speaking-communication policy to strengthen its legal compliance and the study of corporate governance practices.	3
Supervisor	Liao Yueh-Jung	5/8/2014	5/8/2014	Accounting Research and Development Foundation of the R.O.C.	The study for the comparison and investigation practices of legal responsibility about economic crime in Cross-Strait.	3
Supervisor	Liao Yueh-Jung	5/13/2014	5/13/2014	Accounting Research and Development Foundation of the R.O.C.	The study of company's dividends distribution strategy, financial impact assessment and practice issue.	3

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

Date: February 25, 2015

The declarations of the self-inspection result of the company's internal control system between Jan. 1, 2014, to Dec. 31, 2014, 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 February 25, 2015; none of the 5 attending directors had negative opinions.

Yuanta Securities Finance Co., Ltd  
Chairman: Huang Ting-Hsien  
President: Hong Rong-Ting

J. 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: No.

K. 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. The 8th Meeting of the 12th Board of Directors on February 26, 2014.
  - (1) Approved the Company's 2014 business plan.
  - (2) Approved the Company's 2014 financial plan.
  - (3) Approved the Company's 2013 internal control system declaration.
  - (4) Approved the motions for evaluation of the CPA's independence in accordance with the company's Corporate Governance Rules, and the certification of the Company's financial and taxation statements 2014 by PricewaterhouseCoopers Certified Public Accountants.
2. The 9th Meeting of the 12th Board of Directors on March 12, 2014.
  - (1) Approved the Company's 2013 business report.
  - (2) Approved the Company's 2013 financial report.
  - (3) Approved the Company's 2013 earnings distribution plan.
3. The 10th Meeting of the 12th Board of Directors on April 23, 2014.
  - (1) Approved the Company's 2013 business report and financial report.
  - (2) Approved the Company's 2013 earnings distribution plan.
  - (3) Approved the amendments to the Company's "Capital Management Rules".
  - (4) Approved partial amendments to the Company's "articles of association".
  - (5) Approved partial amendments to the Company's "Regulations Governing the Acquisition and Disposal of Assets".
  - (6) Approved the amendments to the Company's Article 4 of "Personal Information Protection Policy" and Article 15 of "Personal Information Management Rules".
4. The 12nd Meeting of the 12th Board of Directors on June 18, 2014.
  - (1) Ratify amendments to the bond proprietary business of the Company's "Internal control system" and "Internal audit implementation rules".
  - (2) Approved for the business of "transacting the open positions of the sale-first-buy-later day trading" as a lending auction /negotiated lending agency.
  - (3) Approved amendments to the Company's "Internal control system" and "Internal audit implementation rules".

- (4) Approved Mr. Chuang Yu-De resigned Chairman on June 19, 2014, and elected Chairman pursuant to Article 17 of the Company's Articles of Incorporation.
5. The 13rd Meeting of the 12th Board of Directors on July 30, 2014.  
Approved partial amendments to the Company's "Internal control system" and "Internal audit implementation rules".
6. The 14th Meeting of the 12th Board of Directors on August 25, 2014.  
(1) Approved the Company's 2014 financial update plan.  
(2) Approved the Company second quarter of 2014 financial report.
7. The 17th Meeting of the 12th Board of Directors on December 24, 2014.  
(1) Approved the amendments to the Company's "accounting system" .  
(2) Approved partial amendments article 5 of the "Yuanta Securities Finance and the Financial Holding Corporate Act, article 45, Authorized Operation Measures".  
(3) Approved the amendments to the Company's "Directions of anti-money laundering".  
(4) Approved the Company signed the "Securities Investment Consulting Appointment contract" with the Yuanta Securities Investment Consulting.
- L. 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: No.
- M. Resignation of any individual associated with the financial statements in recent years as of publication of this annual report:

Title	Name	Date of Appointment	Date of Dismissal	Cause of Resignation or Dismissal
Chairman	Chuang Yu-De	2009.04.16	2014.06.19	Resigned
Chairman	Huang Ting-Hsien	2014.06.19		
President	Lee Ya-pin	2009.06.01	2014.06.18	Resigned
President	Hong Rong-Ting	2014.06.18		



**5. 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	Sk Lin	Ellen Kuo	Jan. 01,2014 - Dec. 31,2014	

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.

**6. Information on the replacement of CPAs: None.**

**7. 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.**

**8. 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	2014		Ending Jan. 31, 2015	
		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: Huang Ting-Hsien(Appointed of Director on Jun. 18, 2014; Appointed of Chairman on Jun. 19, 2014) Lee Ya-Pin ( Resigned of Director on Jun.18, 2014)				
Director	Yuanta Financial Holdings Representative: Chuang Yu-De (Resigned of Chairman on Jun. 19, 2014)				
Director	Yuanta Financial Holdings Representative: Hong Rong-Ting				
Director	Yuanta Financial Holdings Representative: Yu Yao-ting	-	-	-	-
Director	Yuanta Financial Holdings Representative: Peng Yi-Cheng (Appointed on Sep. 01, 2014) Yu Kuang-hua (Resigned on Sep. 01, 2014)				
Supervisor	Yuanta Financial Holdings Representative: Chang Tsai-Yu				
Supervisor	Yuanta Financial Holdings Representative: Liao Yueh-Jung				
Major Shareholder	Yuanta Financial Holdings				
President	Hong Rong-Ting				
Senior assistant vice President	Hu Yi-Heng				
Senior assistant vice President	Liu Ying-Shi				
Assistant Vice President	Chen Ying-Ling				
Assistant Vice President and Secretary of the Board	Lin Tseng-Chun				
Senior Manager	Wang Chia-Hsiang(Appointed on Aug. 01, 2014)				
Manager	Chen Chi-Ping				
Manager	Huang Shi- Chun				
Assistant Manager	Cheng Shu-Chin				
Former President	Lee Ya-Pin				

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

B. Information on transfer of shares: None.

C. Information on equity pledged: None.

## 9. Information on the top 10 shareholders being related parties :

Baseline date: Jan. 31, 2015

Name	Shareholding Under Own Name		Spouse and Minor Shareholding		Shares Held Under Other's Names		Disclosure of information on related parties, 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: Rong Jou Wang	500,000,000	100 %	—	—	—	—	—	—	—

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

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

Jan. 31, 2015 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	60,244,488	17.96	—	—	60,244,488	17.96
TAIFEX	14,492,090	5.00	—	—	14,492,090	5.00

Note: Long-term investment of the company

## IV. Financing Status

### 1. Corporate Capital and shareholdings

#### A. Sources of capital

Jan. 31, 2015

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 \$700,000,000	None	Note 1
July, 2002	10	1,220,000	12,200,000	1,220,000	12,200,000	Capital reduction \$2,500,000,000	None	Note 2
April, 2005	10	800,000	8,000,000	800,000	8,000,000	Capital reduction \$4,200,000,000	None	Note 3
Nov. 2007	10	900,000	9,000,000	900,000	9,000,000	Capital increase (private placement) \$1,000,000,000	None	Note 4
Aug. 2008	10	1,500,000	15,000,000	1,500,000	15,000,000	Capital increase (private placement) \$6,000,000,000	None	Note 5
May, 2009	10	1,650,000	16,500,000	1,650,000	16,500,000	Capital increase via capital reserve \$1,500,000,000	None	Note 6
Nov. 2010	10	2,250,000	22,500,000	2,250,000	22,500,000	Capital increase via statutory surplus and capital reserve \$6,000,000,000	None	Note 7
Jan. 2011	10	2,250,000	22,500,000	600,000	6,000,000	Capital reduction \$16,500,000,000	None	Note 8
June, 2011	10	2,250,000	22,500,000	980,000	9,800,000	Capital increase via statutory surplus and capital reserve \$3,800,000,000	None	Note 9
Nov. 2011	10	2,250,000	22,500,000	600,000	6,000,000	Capital reduction \$3,800,000,000	None	Note 10
Aug. 2013	10	2,250,000	22,500,000	500,000	5,000,000	Capital reduction \$1,000,000,000	None	Note 11

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

Note 2: Approved on July 19, 2002 by Securities and Futures Commission letter Tai-Tsai-Cheng-4-Tzu No. 0910140309.

Note 3: Approved on April 8, 2005 by Financial Supervisory Commission letter Jin-Guan-Cheng-4-Tzu No. 0940111322.

Note 4: Approved on October 19, 2007 by Financial Supervisory Commission letter Jin-Guan-Yin-6-Tzu No. 09600441890.

Note 5: Approved on July 29, 2008 by Financial Supervisory Commission letter Jin-Guan-Yin-6-Tzu No. 09700260910.

Note 6: Approved on April 01, 2009 by Financial Supervisory Commission letter Jin-Guan-Cheng-4-Tzu No. 0980012602.

Note 7: Approved on November 05, 2010 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 0990060491.

Note 8: Approved on January 10, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 0990073675.

Note 9: Approved on May 11, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No. 1000019441.

Note 10: Approved on October 12, 2011 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No.1000048613.

Note 11: Approved on August 06, 2013 by Financial Supervisory Commission letter Jin-Guan-Tor-Tzu No.1020030434.

Data as of: Jan. 31, 2015 / Unit: shares

Category of shares	Authorized capital			Remarks
	Outstanding shares (note)	Unissued shares	Total	
Common shares	500,000,000	1,750,000,000	2,250,000,000	

Note: Unlisted company shares.

## B. Shareholder structure

Jan. 31, 2015/ Unit: shares

Shareholders type Number	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	500,000,000	0	0	0	500,000,000
Shareholding ratio	0	100%	0	0	0	100%

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

## C. Distribution profile and shareholder ownership

### (1) Common shares

Face value per share: 10 dollars

Jan. 31, 2015/ Unit: shares

Shareholding category	Number of shareholders	Shares held	Shareholding ratio (%)
1,000,001 and above	1	500,000,000	100%

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

### (2) Preferred shares: None

## D. Major shareholders

Baseline date: Jan. 31, 2015/ Unit: shares

Major shareholders	Shares held	Shareholding ratio (%)
Yuanta Financial Holdings Co., Ltd.	500,000,000	100%

Note: Yuanta Financial Holdings 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		2013	2014	Year-Jan.31.2015 (Note 2)
Market price per share (Note1)	Highest	—	—	—
	Lowest	—	—	—
	Average	—	—	—
Net value per share	Before distribution (NT\$)	27.87	24.16	24.34
	After distribution (NT\$)	27.28	Note 3	Note 4
Earnings per share	Weighted average Number of shares	561,369,863	500,000,000	500,000,000
	Earnings per share (NT\$)	0.70	0.81	0.22
Dividends per share	Cash dividend (NT\$)(Note5)	0.59	0.59	Note 4
	Stock dividend	From retained earnings	—	—
		From Capital Reserve	—	—
	Outstanding dividend accumulated		—	—
Return analysis	Price / earnings (P/E) ratio (Note6)		—	—
	Price / dividend (P/D) ratio (Note7)		—	—
	Cash dividend yield (note 8)		—	—

Note 1: Due to the merger of Yuanta Securities Co., Ltd. into Yuanta Financial Holdings Co., Ltd. trading of the Company's shares ceased on January 23, 2002 and the Company was delisted on February 04, 2002.

Note 2: Year-January 31, 2015 data was self-compiled and are unaudited by CPAs.

Note 3: To be passed by the board of directors (acting as proxy for the AGM)

Note 4: The earnings for the fiscal Year 2015 have not yet been allocated.

Note 5: The cash dividend per share in the fiscal year of 2013 and 2014 was calculated based on the paid-in capital of total 500,000,000 shares.

Note 6: Price / earnings (P/E) ratio = Average market price over that year / Adjusted EPS

Note 7: Price / dividend (P/D) ratio = Average market price over that year / Cash dividend per share

Note 8: 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 :

Shareholders were allocated cash dividends NT\$0.59 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, 0.01% - 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) The accounting treatment of the discrepancy for the current period, if any, between the actual distributed amount and the estimated figure (for estimating the amount of employee bonuses and director/supervisor compensation, and calculating the number of shares to be distributed as stock bonuses) :

The basis for estimating the amount of employee bonuses is deducted allocation of legal reserve from annual net income, and multiplied by percentage in accordance with the Articles of Incorporation and related regulations. The estimates of employee bonuses are recognized as current period's operating expenses. In case of the difference in employee bonuses between the resolution of shareholders' meeting and the estimation, the estimation difference will be regarded as the profit and loss for the next year.

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

(a) There was no discrepancy between the employee bonuses and the amount allocated from the Company's 2014 earnings as passed by the board of directors (acting as proxy for the AGM) and the financial report. Employees were allocated cash rewards totaling NT\$636,352.

(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\$0.81 EPS after proposed allocation.

(4) 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 the amount allocated from the Company's 2013 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\$687,990.

I. Information on Company's share repurchase: None

**2. Corporate bonds Issuance: None.**

**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: None.**



## V. Operational Highlights

### 1. Business Activities

#### A. Business scope

##### (1) Main business services

- a. Margin purchases and short sales of securities.
- 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 \ Years	2012		2013		2014	
	Revenue	(%)	Revenue	(%)	Revenue	(%)
Margin trading and short sale	924,758	95.69	665,744	95.40	728,725	97.18
Refinancing	12,165	1.26	11,007	1.58	,8,547	1.14
Securities lending	29,470	3.05	21,074	3.02	12,568	1.68
Total	966,393	100.00	697,825	100.00	749,840	100.00

##### (3) New financial products and services in development

To satisfy investors' short-term financing needs and activate the securities market, the company will seek approval from securities financial companies' authorities to engage in the securities-secured financing business. The competent authority approved it; the Company will activate the business as of 2015.

#### B. Industry overview

##### (1) Margin trading and short sale

In 2014, the structure of the securities financial remained unchanged. However, the government policies opened multiple the measures to activate the stock exchange, e.g. two-way day trading of spot stock, lifting of the limit of margin trading and short sale, and cyclic use of the credit day trading limit. As a result, the turnover of the stock exchange and margin trading balance in 2014 increased significantly more than that in 2013. The margin trading balance of the Company increased more than that in 2013. The market share of the Company in the professional securities firm agency market remained 75%. Margin trading and short sale services are currently still the Company's core business areas. It will continue to serve agents with a vigorous, reliable, and efficient attitude, and establish collaboration partnerships with agents, achieving a win-win outcome.

## (2) Refinancing business

Refinancing services are chiefly aimed at securities traders, and not ordinary investors. Due to the relaxed funds market in recent years, securities traders have increased their capital, which has sharply reduced the need for refinancing from securities finance companies. As for stock loans to brokers, this accommodation provides stocks to securities traders so that they can make financed sales or repay shares, and is not a source of financing shares for short sale by securities trader investors. As a consequence, its balance of stock loans to brokers has always remained low. Refinancing business accounts for less than 1.2% of the Company's overall business.

## (3) Securities lending

In 2014, The Company still worked hard to develop the securities lending service. This service now accounts for 2% of the Company's revenues.

## C. Technology and R&D

The Company is continuing to implement an information platform and in-depth cooperation program, strengthen securities trader information services, and engage in diversified business through a franchise channel approach in conjunction with the group's diversified products, ensuring that The Company's agent services indirectly benefit.

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

Responding to fast-changing domestic and foreign economic and financial trends, and attempting to secure a competitive advantage in the securities finance market, The Company's long-term and short-term business plans will focus on the following:

### a. Short-term plans:

- (1) Raise margin trading balance and short sale market share, achieve maximum benefit for this company: Take advantage of its nearly 75% share of agents to embark on diversified operations including information and channel franchises, while blocking price-cutting competition by rivals. This will boost The Company's share of the margin trading and short sale balance, and maximize performance of value-added services.
- (2) Expand negotiable securities lending services: Responding to the emergence of financial derivatives trading has given rise to new arbitrage and hedging needs. In addition to establishing "customer relationships with proprietary securities" traders, we may also engage new foreign institutional investors. We will also be looking for new sources of securities to lend, apart from using the collateral from investors' financed share purchases.
- (3) Boosting of securities-secured financing business: To satisfy investors' financing needs, the Company will work hard to boost the securities-secured financing business to look for potential customers and bring about the new opportunity of new business line for the Company.

b. Long-term plans :

- (1) Strive for lifting of laws and regulations: The Company will work hard to apply with the competent authority for lifting of the relevant laws and regulations positively.
- (2) Reduce operating expenses ratio: Saving operating expenses to make such expenses stay less than 28% of the operating revenue.

## 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 trading transactions also expanded rapidly. As of 2014, there are 35 consolidated securities firms and 2 security finance firms engaged in the security financing business. Looking at domestic securities market, the total stock market turnover in 2014 was NT\$ 21.8985 trillion with over 566.9 billion shares traded. At the end of 2014, the market securities margin trading balance was NT\$ 203.9 billion, the security short sale balance was 553.40 million shares, and the Company's year-end market share of margin trading was 4.56% and the market share of short sale was 2.89%. In 2014, the OTC annual stock turnover was NT\$6.3558 trillion, and the total volume was 122.3 billion shares. At the end of 2014, the OTC securities margin trading balance was NT\$ 65.8 billion and the short sale balance was 160.76 million shares. The Company's year-end security margin trading market share was 4.00% and market share of short sale was 2.96%.

(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 margin trading and short sale 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) More sufficient stocks source than other securities finance companies: the company has 75% market share, and owns more sufficient stocks source compared with other security finance companies and is in a position to offer more stocks for agency dealers, and investors to short sale.

(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 2014, consolidated securities firms' share of the security finance business reached 94.11%.

(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, adequate source 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 trading business

Unit: Million NT\$

Items \ Years		2013		2014	
		Amount	%	Amount	%
Investors' securities margin trading	TWSE market	9,104	83.73%	9,427	79.18%
	OTC market	1,769	16.27%	2,478	20.81%
Securities firms securities margin refinancing	TWSE market	0	-	0.86	0.01%
	OTC market	0	-	0.29	0.00%
Total		10,873	100.00%	11,906	100%

The amounts listed above are annualized averages.

### (2) Security Short sale business

Items \ Years		2013		2014	
		thousand shares	%	thousand shares	%
Investors' Security Short sale	TWSE market	14,739	64.50%	13,637	64.21%
	OTC market	3,202	14.01%	3,590	16.91%
Securities firms securities Short sale	TWSE market	4,371	19.13%	3,421	16.11%
	OTC market	540	2.36%	588	2.77%
Total		22,852	100.00%	21,236	100.00%

The amounts listed above are annualized averages

C. Usage and manufacturing processes for the company's main products : N/A

D. Supply situation for the company's major raw materials : N/A

E. A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years : None.

F. An indication of the production volume for the 2 most recent fiscal years : N/A

G. An indication of the volume of units sold for the 2 most recent fiscal years : N/A

### 3. Employee demographics

Jan.31, 2015

Year		2013	2014	2015 (note)
Number of employees	Sales personnel	36	35	35
	Administrative personnel	12	8	8
	Total	48	43	43
Average age		48.60	48.80	48.89
Average years of service		15.42	15.08	15.16
Educational level	Ph. D.	0.00%	0.00%	0.00%
	Masters	22.92%	23.26%	23.26%
	College/University	70.83%	69.77%	69.77%
	Senior high school	4.17%	6.97%	6.97%
	Below senior high school	2.08%	0.00%	0.00%

Note: This information is annualized data up to the date of this annual report's publication (end of Jan. 2015). The number of employees listed in this Table to be understood excluding the short term part-time student workers.

### 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 1, 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, 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

Contract type	Counterparty	Contract beginning and ending date	Chief contents	Restrictive terms
House lease agreement (lease)	Between the company (lessor) and the other party (Lessee)	Three years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office. The relevant rights and obligations for the lease.	General legal principles.
House lease agreement (lessee)	Between the company (lessee) and the other party (lessor)	3-5 years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet, lend, assign, or make available to others, the premises. The premises can only be used as office. The relevant rights and obligations for the lease.	General legal principles.
Parking lot lease agreement (lease)	Between the company (lessor) and the other party (lessee)	Three years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet or assign the premises. The premises cannot be used for any purposes other than legal ones.	General legal principles.
Parking lot lease agreement (lessee)	Between the company (Lessee) and the other party (lessor)	Ten years as of the date of lease referred to in the agreement.	In the duration of the lease, Lessee shall not sublet or assign the premises. The premises cannot be used for any purposes other than legal ones.	General legal principles.



## VI. Financial Statement

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

Condensed balance sheet

Unit: thousand NT\$

Items \ Years		Five years Financial Information Summary ( Note1 )		
		2012	2013	2014
Current assets		14,905,937	14,305,173	13,536,555
Property, plant and equipment		65,976	56,780	47,197
Intangible assets		6,172	6,707	5,685
Other assets		4,554,546	4,883,008	4,906,496
Total assets		19,532,631	19,251,668	18,495,933
Current liabilities	Before distribution	4,530,210	5,227,797	6,343,243
	After distribution	4,908,202	5,524,100	Note 2
Non-Current liabilities		104,736	87,741	74,730
Total liabilities	Before distribution	4,634,946	5,315,538	6,417,973
	After distribution	5,012,938	5,611,841	Note 2
Total equity attributable to the owner of parent company		14,897,685	13,936,130	12,077,960
Common stock		6,000,000	5,000,000	5,000,000
Capital reserve		3,328,301	3,328,301	928,301
Retained earnings	Before distribution	2,299,928	2,310,806	2,430,750
	After distribution	1,921,936	2,014,503	Note 2
Other equities		3,269,456	3,297,023	3,718,909
Treasury stock		—	—	—
Uncontrolled equity		—	—	—
Total shareholder equity	Before distribution	14,897,685	13,936,130	12,077,960
	After distribution	14,519,693	13,639,827	Note 2

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs

Note 2: The 2014 earnings distribution had not yet been approved by the board of directors (acting as proxy for the AGM) up to the publication date of this annual report.

# Condensed income statements

Unit: thousand NT\$

Items	Years	Five years Financial Information Summary ( Note )		
		2012	2013	2014
Operating income		966,393	697,825	749,840
Operating gross profit		655,798	519,352	517,530
Operating profits (loss)		405,454	309,248	341,539
Non-operating income and expenses		96,603	136,294	126,951
Net income before tax		502,057	445,542	468,490
Continuing departments net income before tax		502,057	445,542	468,490
Non operating departments losses		—	—	—
Net profit (net loss) – current period		425,625	391,740	406,303
Other consolidated income (net after tax) – current period		395,474	24,697	431,830
Total consolidated income – current period		821,099	416,437	838,133
Net profit attributable to the owner of parent		425,625	391,740	406,303
Net profit attributable to uncontrolled equity		—	—	—
Net profit from total consolidated income attributable to the owner of parent		821,099	416,437	838,133
Total consolidated income attributable to uncontrolled equity		—	—	—
EPS(NT\$)		0.71	0.70	0.81

Note: Financial information for the years of above-mentioned was audited and certified by CPAs

Condensed balance sheet -- Financial Accounting Standards in the R.O.C.

Unit: thousand NT\$

Years Items		Five years Financial Information Summary ( Note )		
		2010	2011	2012
Current assets		41,579,263	18,125,086	14,905,937
Funds and investment		1,669,407	1,169,239	918,534
Fixed assets		70,598	83,090	65,976
Intangible assets		2,356	3,104	6,172
Other assets		684,971	359,483	349,048
Total assets		44,006,595	19,740,002	16,245,667
Current liabilities	Before distribution	8,802,459	8,085,022	4,530,160
	After distribution	10,102,287	8,522,488	4,908,152
Long-term liabilities		2,504,654	3,378	433
Other liabilities		112,916	115,151	111,800
Total liabilities	Before distribution	11,420,029	8,203,551	4,642,393
	After distribution	12,719,857	8,641,017	5,020,385
Common stock		22,500,000	6,000,000	6,000,000
Capital reserve		3,926,006	3,328,301	3,328,301
Retained earnings	Before distribution	6,041,179	2,305,793	2,289,316
	After distribution	4,741,351	1,868,327	1,911,324
Unrealized gain (loss) on Securities		119,381	(97,643)	(14,343)
Cumulative translation adjustments		—	—	—
Net loss not recognized as pension cost		—	—	—
Total shareholder equity	Before distribution	32,586,566	11,536,451	11,603,274
	After distribution	31,286,738	11,098,985	11,225,282

Note: Financial information for the years of above-mentioned followed Financial Accounting Standards in the R.O.C. was audited and certified by CPAs.

Condensed income statements-- Financial Accounting Standards in the R.O.C.

Unit: thousand NT\$

Items \ Years	Five years Financial Information Summary ( Note )		
	2010	2011	2012
Operating income	3,883,429	1,456,180	966,393
Operating gross profit	2,223,099	959,329	655,798
Operating profit ( loss)	1,833,614	669,072	405,157
Non-operating income	837,048	250,780	173,246
Non-operating expenses	479,802	21,645	81,032
Gain (loss) from continuous operating departments before Tax	2,190,860	898,207	497,371
Gain (loss) from continuous operating departments	1,856,897	764,442	420,989
Non operating departments losses	—	—	—
Extraordinary gain (loss)	—	—	—
Cumulative impact of changes in accounting principles	—	—	—
Total profit (Loss)	1,856,897	764,442	420,989
E P S ( N T \$ )	Before retrospective adjustment	0.83	0.75
	After retrospective adjustment	0.51	0.75

Note: Financial information for the years of above-mentioned followed Financial Accounting Standards in the R.O.C. was audited and certified by CPAs.

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

Year	CPA Firm	CPAs	Opinion
2010	PricewaterhouseCoopers Taiwan	Hsiao Chin-Mu, Huang Chin-Tze	Modified unqualified opinion
2011	PricewaterhouseCoopers Taiwan	Lin Sk, Huang Chin-Tze (Note 1)	Unqualified opinion
2012	PricewaterhouseCoopers Taiwan	Lin Sk, Kuo Ellen (Note 2)	Unqualified opinion
2013	PricewaterhouseCoopers Taiwan	Lin Sk, Kuo Ellen	Unqualified opinion
2014	PricewaterhouseCoopers Taiwan	Lin Sk, Kuo Ellen	Unqualified opinion

Note 1: Due to the internal operating adjustment, the CPAs assigned to audit the company's financial statements were changed from PricewaterhouseCoopers Taiwan Hsiao Chin-Mu and Huang Jing-Tze to PricewaterhouseCoopers Taiwan Lin Sk and Huang Jing-Tze from 2011.

Note 2: Due to the internal rotation, the CPAs assigned to audit the company's financial statements were changed from PricewaterhouseCoopers Taiwan Lin Sk and Huang Jing-Tze to PricewaterhouseCoopers Taiwan Lin Sk and Kuo Allen from 2012.

## 2. Five Years Financial Analysis

### Financial Analysis

Items (Note2) \ Years (Note1)		Five years Financial Analysis		
		2012	2013	2014
Financial Structure%	Debt-asset ratio	23.73	27.61	34.70
	Ratio of long-term capital to property, plant and equipment	22,739.21	24,698.61	25,748.86
Solvency %	Current ratio	329	274	213
	Quick ratio	327	274	210
	Interest coverage ratio	—	—	—
Operating Ability	Receivables turnover rate (times)	—	—	—
	Average collection days for receivables	—	—	—
	Inventory turnover rate (times)	—	—	—
	Payables turnover rate (times)	—	—	—
	Average days for sale	—	—	—
	Property, plant and equipment turnover rate (times)	12.97	11.37	14.42
	Total asset turnover ratio (times)	0.05	0.04	0.04
Profitability	Return on assets (%)	2.01	2.02	2.15
	Return on equity (%)	2.89	2.72	3.12
	Ratio of income before tax to paid-in capital (%)	8.37	8.91	9.37
	Profit margin before tax (%)	44.04	56.14	54.19
	EPS (NT\$)	0.71	0.70	0.81
Cash Flow	Cash flow ratio (%)	73.84	36.07	Note 3
	Cash flow adequacy ratio (%)	1,387.82	433.63	451.33
	Cash flow reinvestment ratio (%)	19.68	10.93	Note 3
Leveraging	Operating leverage	2.33	2.21	2.15
	Financial leverage (Note 4)	—	—	—

The reason for changes in financial ratio within two years:

1. The increase of debt-asset ratio during 2014 was due to NT\$2.4 billion cash dividend through capital reserves to increase deal with the commercial paper compared to 2013.
2. The decrease of solvency during 2014 was due to NT\$2.4 billion cash dividend through capital reserves to increase current liabilities compared to 2013.
3. The increase of property, plant and equipment turnover rate (times) during 2014 was due to increase of operating income and property, plant and equipment decreased compared to 2013.

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs.

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

Note 3: This ratio was not calculated due to the net operating cash flow minus cash dividend being negative in the statement of cash flows.

Note 4: Not applicable to the company

## Calculation methods

### 1. Financial Structure

- (1) Debt-asset ratio =  $\text{Total liabilities} / \text{Total assets}$
- (2) Ratio of long-term capital to property, plant and equipment =  $(\text{total equity} + \text{non-current liabilities}) / \text{net worth of property, plant and equipment}$

### 2. Solvency

- (1) Current ratio =  $\text{Current assets} / \text{Current liabilities}$
- (2) Quick ratio =  $(\text{Current assets} - \text{inventory} - \text{prepaid expenses}) / \text{Current liabilities}$
- (3) Interest coverage ratio =  $\text{EBIT} / \text{Current interest expenses}$

### 3. Operating ability

- (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate =  $\text{net sales} / \text{average receivables (including accounts receivable and notes receivable arising from business operations) for each period}$
- (2) Average collection days for receivables =  $365 / \text{receivables turn over rate}$
- (3) Inventory turnover ratio =  $\text{cost of sales} / \text{Average inventory}$
- (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate =  $\text{cost of sale} / \text{average payables (including accounts payable and notes payable arising from business operations) for each period}$
- (5) Average days of sale =  $365 / \text{inventory turnover rate}$
- (6) Property, plant and equipment turnover rate =  $\text{net sales} / \text{average net worth of property, plant and equipment}$
- (7) Total asset turnover rate =  $\text{net sales} / \text{average total assets}$

### 4. Profitability

- (1) Return on assets =  $[\text{net income} + \text{interest expenses (1- tax rate)}] / \text{average total assets}$
- (2) Return on equity =  $\text{net income} / \text{average total equity}$
- (3) Profit margin before tax =  $\text{net income} / \text{net sales}$
- (4) Earnings per share =  $(\text{profit and loss attributable to owners of the parent} - \text{dividends on preferred shares}) / \text{weighted average number of issued shares}$

### 5. Cash flow

- (1) Cash flow ratio =  $\text{Net cash flow from operating activities} / \text{current liabilities}$
- (2) Net cash flow adequacy ratio =  $\text{Net cash flow from operating activities for the most recent five years} / (\text{capital expenditures} + \text{inventory increase} + \text{cash dividend})$
- (3) Cash flow reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{cash dividend}) / (\text{gross property, plant and equipment value} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})$

### 6. Leverage

- (1) Operating leverage =  $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$
- (2) Financial leverage =  $\text{operating income} / (\text{operating income} - \text{interest expenses})$

# Financial Analysis -- Financial Accounting Standards in the R.O.C.

Items (Note2 )		Years (Note1)		Five years Financial Analysis		
				2010	2011	2012
Financial Structure%	Debt-asset ratio			25.95	41.56	28.58
	Ratio of long-term capital to fixed assets			49,705.69	13,888.35	17,587.77
Solvency %	Current ratio			472	224	329
	Quick ratio			472	220	327
	Interest coverage ratio			—	—	—
Operating Ability	Receivables turnover rate (times)			—	—	—
	Average collection days for receivables			—	—	—
	Inventory turnover rate (times)			—	—	—
	Payables turnover rate (times)			—	—	—
	Average days for sale			—	—	—
	Fixed assets turnover Ratio (times)			55.01	17.53	14.65
	Total asset turnover Ratio (times)			0.09	0.07	0.06
Profitability	Return on assets (%)			3.28	2.40	2.34
	Return on equity (%)			5.73	3.47	3.64
	Ratio to paid-in capital (%)	Operating income		8.15	11.15	6.75
		Income before tax		9.74	14.97	8.29
	Profit margin before tax (%)			47.82	52.50	43.56
	EPS (NT\$)			0.51	0.75	0.70
Cash Flow	Cash flow ratio (%)			Note 3	160.01	73.74
	Cash flow adequacy ratio (%)			1,220.22	1,226.10	1,387.73
	Cash flow reinvestment ratio (%)			Note 3	99.01	24.56
Leveraging	Operating leverage			2.07	2.13	2.33
	Financial leverage (Note 4)			—	—	—

Note 1: Financial information for the years of above-mentioned was audited and certified by CPAs.

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

Note 3: This ratio was not calculated due to the net operating cash flow minus cash dividend being negative in the statement of cash flows.

Note 4: Not applicable to the company

#### Calculation methods

##### 1. Financial structure

(1) Debt-asset ratio = total liabilities / total assets

(2) Ratio of long-term capital to fixed assets = (net shareholders' equity + long-term liabilities) / net worth of fixed assets

##### 2. Solvency

(1) Current ratio = current assets / current liabilities

(2) Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities

(3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

##### 3. Operating ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period

(2) Average collection days for receivables = 365 / receivables turn over rate

(3) Inventory turnover rate = cost of sales / average inventory

(4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period

(5) Average days of sale = 365 / inventory turnover rate

(6) Fixed assets turnover rate = net sales / average net worth of fixed assets

(7) Total asset turnover rate = net sales / average total assets

##### 4. Profitability

(1) Return on assets = [net income + interest expenses (1- tax rate)] / average total assets

(2) Return on shareholders' equity = net income / average shareholder's equity

(3) Profit margin before tax = net income / net sales

(4) Earnings per share = (net profit after tax – dividends on preferred shares) / weighted average number of issued shares.

##### 5. Cash Flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)

(3) Cash flow reinvestment ratio = (Net cash flow from operating activities – cash dividend) / gross fixed assets value + long-term investment + other assets + working capital)

##### 6. Leveraging:

(1) Operating leverage = (net operating revenue – variable operating costs and expenses) / operating income

(2) Financial leverage = operating income / (operating income – interest expenses)

### **3. Supervisors' Audit Report over recent years (see Page 61)**

### **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: None.**

### **6. Any financial problems encountered by the company and its affiliates which might affect the financial conditions of the company: None.**



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

The Board of Directors has submitted the 2014 Business Report, Financial Statements, and Earnings Distribution Statements. The Financial Statements had been audited and certified by the CPAs, Lin Sk and Kuo Ellen 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 2015 Shareholder's Meeting

Yuanta Securities Finance Co., Ltd

Supervisor: Chang Tsai-Yu

Supervisor: Liao Yueh-Jung

March 25, 2015

## VII. Financial Status, Operating Results and Risk Management

### 1. Financial status

Unit: thousand NT\$

Items \ Years	2014	2013	Difference	
			Amount	%
Current Assets	13,536,555	14,305,173	(768,618)	(5)
Property, plant and equipment	47,197	56,780	(9,583)	(17)
Intangible assets	5,685	6,707	(1,022)	(15)
Other assets	4,906,496	4,883,008	23,488	-
Total assets	18,495,933	19,251,668	(755,735)	(4)
Current liabilities	6,343,243	5,227,797	1,115,446	21
Non-Current liabilities	74,730	87,741	(13,011)	(15)
Total liabilities	6,417,973	5,315,538	1,102,435	21
Common stock	5,000,000	5,000,000	0	-
Capital reserve	928,301	3,328,301	(2,400,000)	(72)
Retained earnings	2,430,750	2,310,806	119,944	5
Other equity	3,718,909	3,297,023	421,886	13
Total equity	12,077,960	13,936,130	(1,858,170)	(13)

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

A. Description of changes in current liabilities :

The increase in current liabilities during 2014 was due to increase in the 2014 deal with the commercial paper compared to 2013.

B. Description of changes in capital reserve :

The decrease in capital reserve during 2014 was due to NT\$2.4 billion cash dividend through capital reserves in the 2014 compared to 2013.

## 2. Financial Performance

Unit: thousand NT\$

Items \ Years	2014	2013	Increase (decrease)	Change(%)
Operating income	749,840	697,825	52,015	7
Operating gross profit	517,530	519,352	(1,822)	-
Operating profit ( loss)	341,539	309,248	32,291	10
Non-operating income and expenses	126,951	136,294	(9,343)	(7)
Net income before Tax	468,490	445,542	22,948	5
Continuing departments net income before tax	468,490	445,542	22,948	5
Net profit (net loss) – current period	406,303	391,740	14,563	4
Other consolidated income (net after tax) – current period	431,830	24,697	407,133	1,649
Total consolidated income – current period	838,133	416,437	421,696	101
Net profit attributable to the owner of parent	406,303	391,740	14,563	4
Net profit from total consolidated income attributable to the owner of parent	838,133	416,437	421,696	101

## 3. Cash flow

### A. Liquidity analysis for the past two years

Items \ Years	2014	2013	Change (%)
Current ratio (%)	-	36.07	-
Cash flow adequacy Ratio (%)	451.33	433.63	4.08
Cash flow reinvestment Ratio (%)	-	10.93	-

Description of items with significant changes:

This current ratio and cash flow reinvestment ratio were not calculated due to the net operating cash flow minus cash dividend being negative in the statement of cash flows in the 2014.

## B. Analysis of cash flows in the future year

Unit: thousand NT\$

Initial cash balance	Net cash flow from operating activities for the year	Cash outflow for the year	Cash balance	Corrective measures against insufficient cash position	
				Investment plans	Financing plans
185,349	1,063,654	(1,204,634)	44,369	—	—

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

(a) Operating activities: NT\$1,063,654,000.

(b) Investment activities: (NT\$9,469,000).

(c) Financing activities: (NT\$1,195,165,000).

(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: None.

## 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. Stock dividends from the Company's reinvestment enterprises in 2014: Taiwan Depository & Clearing Corporation 1,469,377 shares, Taiwan Futures Exchange 284,158 shares.
- C. Cash dividends from the Company's reinvestment enterprises in 2014: Taiwan Depository & Clearing Corporation NT\$73,469,000, Taiwan Futures Exchange NT\$25,574,000 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 margin trading and short sale businesses, and the main profit is from security margin trading interest rate spreads. 2014's spread is fairly to 2013's spread, 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: None.

- C. Future R&D plans and planned investment of R&D funds: None.
- D. The impact of change in major policies and laws in Taiwan and abroad upon the financial standing of the company and the measures: None.
- E. The impact of technological change and industry changes upon the financial standing of the company and the countermeasures: None.
- F. The impact of change in corporate image upon the corporate risk management and the countermeasures: None.
- G. Expected benefit(s) and possible risk(s) for M&A activities: None.
- H. Expected profit and possible risks of plant expansion: None.
- I. Purchase and sales risks: None.
- 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%: None.
- K. The impact of change in management and its potential risks: None.
- L. Litigation and non-litigation matters: None.
- M. Other major risks: None.

**7. Other significant events: None.**

## 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.	That company has acquired 100% of the company shares.	500,000,000	100.00%	0	Director (Chairman) Director (President) Director Director Director Supervisor Supervisor	Huang Ting-Hsien Hong Rong-Ting Yu Yao-ting Chuang Yu-De Peng Yi-Cheng Chang Tsai-Yu Liao Yueh-Jung

Note: The baseline date for above information is Jan. 31, 2015.

#### B. Information on business transaction(s)

- (1) Purchase and Sales transaction: None.
- (2) Property transaction: None.
- (3) Capital financing: None.
- (4) Assets leasing: None.
- (5) Other important transactions: The company submitted a consolidated income tax return report with Yuanta Financial Holdings and its Subsidiaries in 2014, and therefore the total balance of income tax to Yuanta Financial Holdings was NT\$ 55,362,978.

#### C. Endorsement and guarantees: None.

#### D. Other matters having significant impact on financial and business operations: None.

**Yuanta Securities Finance  
Independent Auditor's Review on Affiliation Report**

Tzu Hui Tzong Zi No. 14006843

To: Yuanta Securities Finance

You declare that the Affiliation Report for 2014 was prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and that there are no significant inconsistencies between the information given above and the supplementary information disclosed in the financial statements for the above period.

We have compared the Affiliation Report prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with the note to your financial statements 2014, and found that there should be no significant inconsistencies in said declaration.

PricewaterhouseCoopers

Lin SK

CPA:

Kuo Ellen

Approval Letters from the Financial  
Supervisory Commission, R.O.C. (formerly  
named) of the Ministry of Finance Securities  
and Futures Bureau:

Jin-Guan-Zheng-6-Zi No. 0960072936

Approval Letters from the Financial  
Supervisory Commission, R.O.C. (formerly  
named) of the Ministry of Finance:

Jin-Guan-Zheng-Shen-Zi No.1000035997

March 25, 2015

## **Yuanta Securities Finance' Declaration on Affiliation Report**

It is hereby declared that the Affiliation Report for 2014 (from January 1, 2014 to December 31, 2014) 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: Huang Ting-hsien

Date: March 25, 2015



2. **Private Placement of Securities in recent years as of the publication date of the annual report: None.**
3. **Shares of the Company held or disposed of by subsidiaries in recent years as of the publication date of the annual report: None.**
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, 2014 AND 2013**

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



資誠

## REPORT OF INDEPENDENT ACCOUNTANTS

PWCR14000469

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, 2014 and 2013, and the related statements of comprehensive income, of changes in 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 "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards 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, 2014 and 2013, 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 Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

*PricewaterhouseCoopers - Taiwan*

March 25, 2015

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.

資誠聯合會計師事務所 PricewaterhouseCoopers, Taiwan  
11012 臺北市信義區基隆路一段333號27樓 / 27F, 333, Keelung Road, Sec. 1, Xinyi Dist., Taipei City 11012, Taiwan  
T: +886 (2) 2729 6666, F: + 886 (2) 2757 6371, [www.pwc.com/tw](http://www.pwc.com/tw)

YUANTA SECURITIES FINANCE CO., LTD.  
BALANCE SHEETS  
(Expressed in thousands of New Taiwan dollars)

ASSETS	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1) and 7(2)	\$ 185,349	1	\$ 1,875,431	10
Financial assets at fair value through profit or loss - current	6(2) and 7(2)	608,202	3	714,501	4
Available-for-sale financial assets - current	6(3)	247,472	1	277,564	1
Held-to-maturity financial assets - current	6(4) and 8	200,614	1	-	-
Margin loans receivable - net	6(5)	11,982,654	65	10,972,030	57
Other receivables	7(2)	285,555	2	438,938	2
Current income tax assets	7(2)	26,709	-	26,709	-
Total current assets		13,536,555	73	14,305,173	74
Non-current assets					
Available-for-sale financial assets - non-current	6(3)	4,333,916	23	3,960,379	21
Held-to-maturity financial assets - non-current	6(4) and 8	108,105	1	310,732	2
Property and equipment - net	6(6)	47,197	-	56,780	-
Investment property - net	6(7) and 7(2)	207,016	1	209,494	1
Intangible assets		5,685	-	6,707	-
Deferred income tax assets		126,481	1	129,103	1
Other non-current assets	7(2) and 8	130,978	1	273,300	1
Total non-current assets		4,959,378	27	4,946,495	26
Total Assets		\$ 18,495,933	100	\$ 19,251,668	100

(Continued)

**YUANTA SECURITIES FINANCE CO., LTD.**  
**BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2014		December 31, 2013	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term notes and bills payable	6(8)	\$ 2,495,377	13	\$ 180,974	1
Short sale proceeds payable	6(5) and 7(2)	1,215,516	7	1,806,377	9
Other payables		219,952	1	405,121	2
Other payables - related parties	7(2)	6,232	-	15,743	-
Current income tax liabilities	7(2)	86,853	1	61,317	-
Deposits-in of securities finance guarantee	6(5) and 7(2)	1,094,734	6	1,469,842	8
Deposits-in of securities borrowing and lending	6(5) and 7(2)	1,224,175	7	1,288,092	7
Other current liabilities		404	-	331	-
<b>Total current liabilities</b>		<u>6,343,243</u>	<u>35</u>	<u>5,227,797</u>	<u>27</u>
<b>Non current liabilities</b>					
Non-current provisions	6(9)	67,511	-	82,093	1
Other non current liabilities	7(2)	7,219	-	5,648	-
<b>Total non current liabilities</b>		<u>74,730</u>	<u>-</u>	<u>87,741</u>	<u>1</u>
<b>Total liabilities</b>		<u>6,417,973</u>	<u>35</u>	<u>5,315,538</u>	<u>28</u>
<b>Equity</b>					
<b>Capital stock</b>	6(10)				
Common stock		5,000,000	27	5,000,000	26
<b>Capital reserve</b>	6(11)				
Capital reserve - additional paid-in capital		926,271	5	3,326,271	17
Capital reserve - others		2,030	-	2,030	-
<b>Retained earnings</b>	6(12)				
Legal reserve		2,014,503	11	1,896,981	10
Special reserve		-	-	14,343	-
Unappropriated retained earnings		416,247	2	399,482	2
<b>Other equity interest</b>	6(3)(13)	<u>3,718,909</u>	<u>20</u>	<u>3,297,023</u>	<u>17</u>
<b>Total equity</b>		<u>12,077,960</u>	<u>65</u>	<u>13,936,130</u>	<u>72</u>
<b>Commitments</b>	9				
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 18,495,933</u>	<u>100</u>	<u>\$ 19,251,668</u>	<u>100</u>

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

**YUANTA SECURITIES FINANCE CO., LTD.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

	Notes	For the years ended December 31			
		2014		2013	
		AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>					
Interest revenue		\$ 694,325	93	\$ 630,462	90
Other operating revenue	7(2)	55,515	7	67,363	10
<b>Total operating revenue</b>		749,840	100	697,825	100
<b>Operating costs</b>					
Interest expense		( 30,870)	( 4)	( 9,302)	( 2)
Other operating costs		( 201,440)	( 27)	( 169,171)	( 24)
<b>Total operating costs</b>		( 232,310)	( 31)	( 178,473)	( 26)
<b>Gross profit</b>		517,530	69	519,352	74
Operating expenses	6(14)(15)(18) and 7(2)	( 175,991)	( 24)	( 210,104)	( 30)
<b>Operating income</b>		341,539	45	309,248	44
<b>Non-operating income and expenses</b>					
Interest income	6(4) and 7(2)	10,629	1	18,958	3
Rent income	6(7)(18) and 7(2)	9,242	1	7,647	1
Dividend income		103,169	14	101,435	15
Gains on sale of investments	6(2)(3) and 7(2)	535	-	7,176	1
Other gains and losses	6(2)(7)	3,376	1	1,078	-
<b>Total non-operating income and expenses</b>		126,951	17	136,294	20
<b>Income before income tax</b>		468,490	62	445,542	64
Income tax expense	6(16)	( 62,187)	( 8)	( 53,802)	( 8)
<b>Net income</b>		406,303	54	391,740	56
<b>Other comprehensive income</b>					
Unrealised gain on valuation of available-for-sale financial assets	6(13)	421,886	56	27,567	4
Actuarial (loss) gain on defined benefit plan		11,981	2	( 3,458)	-
Income tax relating to the components of other comprehensive income		( 2,037)	-	588	-
<b>Total other comprehensive income (net of tax)</b>		431,830	58	24,697	4
<b>Total comprehensive income</b>		\$ 838,133	112	\$ 416,437	60
<b>Earnings per share</b>					
<b>Basic and diluted earnings per share</b>	6(17)	\$ 0.81		\$ 0.70	

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

**YUANTA SECURITIES FINANCE CO., LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent				
		Retained Earnings			Other Equity	
		Common stock	Capital reserve	Legal Reserve	Special Reserve	Unappropriated Retained Earnings
Notes						Unrealized gain on available-for-sale financial assets
						Total equity
<b>Year 2013</b>						
	Balance as of January 1, 2013	\$ 6,000,000	\$ 3,328,301	\$ 1,770,684	\$ 97,643	\$ 431,601
	Appropriation and distribution of 2012 earnings (Note 1)					\$ 3,269,456
	Legal reserve	-	-	126,297	-	( 126,297 )
	Special reserve	-	-	-	( 83,300 )	83,300
	Cash dividends	-	-	-	-	( 377,992 )
	Capital reduction	( 1,000,000 )	-	-	-	-
	Net income for 2013	-	-	-	-	391,740
	Other comprehensive income for 2013	-	-	-	-	( 2,870 )
	Total comprehensive income for 2013	-	-	-	-	27,567
	Balance as of December 31, 2013	\$ 5,000,000	\$ 3,328,301	\$ 1,896,981	\$ 14,343	\$ 388,870
	<b>Year 2014</b>					
	Balance as of January 1, 2014	\$ 5,000,000	\$ 3,328,301	\$ 1,896,981	\$ 14,343	\$ 399,482
	Appropriation and distribution of 2013 earnings (Note 2)					\$ 3,297,023
	Legal reserve	-	-	117,522	-	( 117,522 )
	Special reserve	-	-	-	( 14,343 )	14,343
	Cash dividends	-	-	-	-	( 296,303 )
	Cash distribution	-	( 2,400,000 )	-	-	-
6(11)	Net income for 2014	-	-	-	-	406,303
	Other comprehensive income for 2014	-	-	-	-	9,944
	Total comprehensive income for 2014	-	-	-	-	416,247
	Balance as of December 31, 2014	\$ 5,000,000	\$ 928,301	\$ 2,014,503	\$ -	\$ 416,247
						\$ 3,718,909

Note 1: Employees' bonus of \$702 for the year ended December 31, 2012 have been eliminated in the statement of comprehensive income.

Note 2: Employees' bonus of \$688 for the year ended December 31, 2013 have been eliminated in the statement of comprehensive income.

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



**YUANTA SECURITIES FINANCE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in thousands of New Taiwan dollars)

		For the years ended December 31	
	Notes	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax for the year		\$ 468,490	\$ 445,542
Adjustments to reconcile income before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Interest revenue		( 704,954 )	( 649,420 )
Depreciation (including investment property)	6(6)(14)	13,285	17,400
Amortization of intangible assets	6(14)	2,160	2,410
Recovery of allowance for doubtful accounts		( 636 )	( 359 )
Interest expense		30,870	9,302
Dividend income		( 103,169 )	( 101,435 )
Gain on disposal of property and equipment		( 747 )	( 217 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss-current	6(2)	106,299	( 81,295 )
Available-for-sale financial assets - current	6(3)	78,441	299,102
Margin loans receivable	6(5)	( 1,009,988 )	686,138
Other receivables		182,894	( 16,963 )
Net changes in liabilities relating to operating activities			
Short sale proceeds payable	6(5)	( 590,861 )	363,877
Deposits-in of securities finance guarantee		( 375,108 )	316,829
Other payables		( 191,735 )	( 16,864 )
Deposits-in of securities borrowing and lending		( 63,917 )	( 119,546 )
Employee benefit liabilities reserve		( 2,601 )	( 21,064 )
Other non-current liabilities		600	700
Cash (used in) generated from operations		( 2,160,677 )	1,134,137
Interest received		677,456	743,222
Cash paid for interest		( 34,412 )	( 6,593 )
Dividend received		103,169	101,435
Income tax paid		( 36,066 )	( 86,454 )
Net cash (used in) provided by operating activities		( 1,450,530 )	1,885,747
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in held-to-maturity financial assets		-	241,375
Acquisition of property and equipment	6(6)	( 8,527 )	( 9,024 )
Proceeds from disposal of property and equipment		8,630	776
Increase in computer software cost		( 1,138 )	( 206 )
Decrease (increase) in refundable deposits		142,322	( 260,495 )
Net cash provided by (used in) investing activities		141,287	( 27,574 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in short-term notes and bills payable	6(8)	2,315,000	181,000
Decrease in deposits-in		932	86
Decrease in lease payables		( 468 )	( 3,447 )
Payment of cash dividends		( 296,303 )	( 377,992 )
Capital reduction by cash		-	( 1,000,000 )
Cash distribution	6(11)	( 2,400,000 )	-
Net cash used in financing activities		( 380,839 )	( 1,200,353 )
(Decrease) increase in cash and cash equivalents		( 1,690,082 )	657,820
Cash and cash equivalents at beginning of year		1,875,431	1,217,611
Cash and cash equivalents at end of year	6(1)	\$ 185,349	\$ 1,875,431

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

YUANTA SECURITIES FINANCE CO., LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

(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, 2014 and 2013, the Company had 43 and 48 employees, respectively.
- (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) Yuanta Financial Holding Co., Ltd. holds 100% equity interest in the Company. Yuanta Financial Holding Co., Ltd. is the Company's ultimate parent company.

2. The date of authorization for issuance of the financial statements and procedures for authorization

These financial statements were authorized for issuance by the Board of Directors on March 25, 2015.

3. Application of new standards, amendments and interpretations

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

None.

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

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, the Company shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the “Rules for the Preparation of Financial Reports by Insurance Institutions” effective January 1, 2015 (collectively referred herein as the “2013 version of IFRSs”) in preparing the financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures — Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures — Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, 'Joint arrangements'	January 1, 2013
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), 'Employee benefits'	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009—2011	January 1, 2013

Based on the Company's assessment, the adoption of the 2013 version of IFRSs has no significant impact on the financial statements of the Company, except the following:

A. IAS 19 (revised), 'Employee benefits'

The revised standard requires net interest expense or income, calculated by applying the discount rate to the net defined benefit liability (asset), replaces the finance charge and expected return on plan assets. Based on the Company's assessment, the adoption of the standard has no impact on its financial statements, and the Company will disclose additional information about defined benefit plans accordingly.

B. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be

reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C. Disclosures - Transfers of financial assets (amendment to IFRS 7)

The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date. Based on the Company's assessment, the adoption of the amendment will require the Company to include qualitative and quantitative disclosures for all transferred financial assets.

D. Disclosures – Offsetting financial assets and financial liabilities (amendment to IFRS 7)

The standard now urges requirements in accordance with IAS 32, 'Financial Instruments: Presentation': financial assets and liabilities shall be offset and the net amount presented in the statement of financial position when the Company currently has a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. In order to enable financial reporting users to assess the impact or potential impact of net settlement of financial instruments to companies' finance, financial instruments that qualify the definition to offset shall be presented in a tabular format of net amount of financial assets and financial liabilities for quantitative disclosure of total amount.

E. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. The standard also requires disclosures about fair value measurements. Based on the Company's assessment, the adoption of the standard has no significant impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the financial statements will be disclosed when the assessment is complete.

#### 4. Summary of significant accounting policies

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

##### (1) Compliance statement

These financial statements are prepared by the Company in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

##### (2) Basis of preparation

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

- (A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (B) Available-for-sale financial assets measured at fair value.

(C) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognised actuarial gains and present value of defined benefit obligation.

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

**(3) Foreign currency translation**

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

Foreign currency transactions and balances

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

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

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

D. Foreign exchange gains and losses that relate to securities lending, cash and cash equivalents are presented in the statement of comprehensive income within 'other gains and losses'.

**(4) Classification of current and non-current items**

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

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

(B) Assets held mainly for trading purposes;

- (C) Assets that are expected to be realised within twelve months from the balance sheet date.
- (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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 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;
  - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- (5) Cash and cash equivalents

Cash equivalents refer to short-term highly liquid investments that meet both the following criteria:

  - A. Readily convertible to known amount of cash.
  - B. Subject to an insignificant risk of changes in value.

(6) Financial assets and liabilities

In accordance with IFRSs as endorsed by the FSC, all the financial assets and liabilities are recognized in the balance sheet and are properly classified.

A. Financial assets

All financial assets held by the Company are classified into the following four categories: “loans and receivables”, “financial assets at fair value through profit and loss”, “held-to-maturity financial assets” and “available-for-sale financial assets”.

(A) Regular way purchase or sale

Financial assets held by the Company are all accounted for using trade date accounting.

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

- a. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.
- b. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(C) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable

payments that are not quoted in an active market. Loans and receivables include margin loans receivable, accounts receivable, other receivables, etc. Those loans and receivables are measured at the basis of fair value plus transaction cost and measured using effective interest rate method, subsequently. Interest accruing on such financial assets are recognized as 'interest revenue'. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(D) Available-for-sale financial assets

- a. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- b. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. The cumulative valuation gain or loss is recognized as gain and loss in the period when it is derecognized from the financial assets.

(E) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

B. Determination of fair value

Fair value and hierarchy information on financial instruments are provided in Note 12(2).

(7) Impairment of financial assets

- A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
  - (A) Significant financial difficulty of the issuer or debtor;
  - (B) A breach of contract, such as a default or delinquency in interest or principal payments;
  - (C) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;



- (D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
  - (E) The disappearance of an active market for that financial asset because of financial difficulties;
  - (F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
  - (G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or
  - (H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
- (A) Financial assets measured at amortised cost
 

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.
  - (B) Available-for-sale financial assets
 

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset

through the use of an impairment allowance account.

**(8) Offsetting financial instruments**

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when the following conditions are met:

- A. There is a legally enforceable right to offset the recognized amounts; and
- B. There is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**(9) Margin loans, short sale stock loans and securities borrowed**

- A. According to the “Rules Governing Securities Finance Enterprises” (RGSFE), margin loans primarily represent pecuniary financing to investors or refinancing to securities firms. The margin loans are accounted for “Margin loans receivable” as incurred and 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 is not included in the balance sheets.
- B. According to Article 10 of the RGSFE, when providing margin loans to principals, the Company shall obtain the margin pursuant to the ratio prescribed by the competent authority.
- C. Short sale stock loans represent securities financing affected by lending securities in custody that are received from margin loans, guarantee effects or borrowed securities, to investors. 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 a regulated amount equal to a certain percentage of the proceeds from short sale stock financing or equivalent collateral as guarantee with the Yuanta Company. The proceeds are accounted for as “deposits - in”. The Company deals with these securities at par value under the memorandum account “Guarantee deposits”. The proceeds from sale of securities lent, 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 the Explanatory Letter Tai-Tsai-Jen (4) No. 03452 of the SEC in 1999, when the securities financed by borrowers terminate trading, are delisted from the stock market, or are the securities of the borrowers’ credit accounts which are unable to be disposed of, these margin loans will be recorded as “Other receivables” or “Overdue receivables” according to the results of negotiation or collection. When the maintenance of secured accounts is less than the regulatory standard and the borrower does not pay a portion of the remaining loans after offsetting the proceeds from disposal of securities, the related margin loans shall be recorded as overdue receivables.
- E. Securities borrowed represent securities borrowed from one broker/dealer to another, who must eventually return the same security as repayment. When the securities are lent to investors, the

Company records the par value of the securities borrowed under the memorandum account “securities borrowed”. The borrower needs to deposit an amount equal to a certain percentage of the proceeds from securities borrowed or equivalent collateral as guarantee with the Company. The proceeds are accounted for as “Refundable deposits for securities lending”. The Company deals with securities at par value under the memorandum account “Refundable collaterals”. 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, a lender needs to deposit an amount equal to a certain percentage of the proceeds from securities lent or equivalent collateral as guarantee with the Company. The proceeds are accounted for as “Deposits-in”. The Company deals with these securities at par value under the memorandum account “Collaterals received”.

(10) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised. Property and equipment apply cost model and are depreciated using the straight-line method based on the estimated economic useful lives of the assets, except for leasehold improvements which are amortized based on useful lives or the terms of the contract. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

Land is not depreciated. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets. Useful life is as follows:

Buildings	55 years
Computer equipment	4 years
Transportation equipment	5 years
Other equipment	6 years
Leasehold improvements	6 years
Leasehold assets	4 years

- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. 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 the statement of comprehensive income within ‘other gains and losses’.

(11) Investment property

Investment property of the Company is the property held either to earn long-term rental income or for capital appreciation or for both. An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

The fair value of investment property is disclosed in the financial statements at each balance sheet date. Each year, the appraisal of fair value is conducted by external appraisal contractor, and managing segments of the Company review the characteristics, location and status of the investment property to determine its fair value accordingly. However, the fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

(12) Lease

Pursuant to IAS 17 and IFRIC 4 as endorsed by the FSC, lease contracts can be divided into operating lease and finance lease.

The lease contracts of the Company includes operating leases and finance leases.

A. Operating lease

Payments that the Company receives or charges under the operating lease are recognized as gain and loss on a straight-line basis during the contract term, which are recognized under “operating expenses” and “rental income”, respectively. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

B. Finance lease

When the Company is the lessee, the lower of fair value of lease assets or the lowest present value of the lease payment is capitalized. Rental payment is amortized to finance leasing liabilities and the interest expense is recognized. Interest expense is calculated based on the beginning balance of finance leasing liabilities of each period using the leasing embedded interest rate or incremental borrowing interest rate and recognized as gains and losses. Finance leasing liabilities are recognized under “other current liabilities” and “other non-current liabilities”. Property and equipment acquired through finance leasing contract are measured by cost model.

(13) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the

higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(15) Revenue recognition

The Company's revenues are recognized as incurred, which mainly include:

- A. Financing interest income: financing interest income refers to interest income received from providing financing service, which is recognized on an accrual basis during the financing periods.
- B. Service fee income on margin trading: service fee income on margin trading refers to service fee charged for processing margin trading, which is recognized on an accrual basis during the margin trading periods.
- C. Income on securities lending: income on securities lending refers to income and service fee income the lender receives from the borrower for securities lending, which is recognized on an accrual basis during the securities lending periods.

(16) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(A) Defined contribution plans

For the defined contribution plans, the Company has no legal or constructive obligation to make additional contributions after a fixed amount was contributed to the independent and public pension fund accounts. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets,

together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using market yields at the balance sheet date on high-quality corporate bonds with a currency and term consistent with the currency and term of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rate of government bonds (at the balance sheet date) instead.

- b. Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise.

C. Employees' bonus

Employees' bonus are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates.

(17) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the

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

- F. In accordance with Article 49 of the Financial Holding Company Act and Income Tax Act, the Company selected the parent company, Yuanta Financial Holding Co., Ltd., as the taxpayer to file the tax returns for the profit-seeking enterprise income tax and the additional 10% tax payment levied on undistributed earnings. When filing the tax return, the Company shall first compute its income tax on an individual filing basis pursuant to the IAS No. 12, “Income Taxes”. However, for the appropriation received for the tax returns, current deferred income tax assets (liabilities) or current income tax liabilities (current income tax assets) shall be adjusted on a reasonable, systematic, and consistent basis.

(18) Dividends

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

(19) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical accounting judgement, estimates and key sources of assumption uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

(1) Critical judgements in applying the Company’s accounting policies

Financial assets—impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset—equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(2) Critical accounting estimates and assumptions

A. Financial assets—fair value measurement of unlisted stocks without active market

Financial instruments with no active market or quoted price use valuation technique to determine

the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible while management needs to estimate the fluctuation and correlation specifically in relation to the credit risks (risks of its own and counterparties and others).

B. Realizability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Assessment of the realizability of deferred income tax assets involves critical accounting judgements and estimates of the management. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

C. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Company must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. Details of significant accounts

(1) Cash and cash equivalents

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash on hand and petty cash	\$ 550	\$ 550
Checking accounts	5,290	4,671
Demand deposits		
- NTD	38,529	22,182
- USD	130,994	165,553
Subtotal	<u>175,363</u>	<u>192,956</u>
Cash equivalents		
-Repurchase agreement	9,986	1,682,475
Total	<u>\$ 185,349</u>	<u>\$ 1,875,431</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

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



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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<u>Equity instruments</u>		
Beneficiary certificates	\$ 600,000	\$ 710,000
Adjustment of beneficiary certificates	8,202	4,501
Total	<u>\$ 608,202</u>	<u>\$ 714,501</u>

A. For the years ended December 31, 2014 and 2013, net gain (loss) on related financial assets were as follows:

	<u>2014</u>	<u>2013</u>
Realized gain on disposal:		
Beneficiary certificates	<u>\$ 654</u>	<u>\$ 1,192</u>
Unrealized loss on disposal:		
Beneficiary certificates	<u>\$ 3,701</u>	<u>\$ 2,310</u>

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

(3) Available-for-sale financial assets

<u>Item</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current:		
Listed stocks	\$ 183,763	\$ 245,174
Beneficiary securities	<u>407,541</u>	<u>424,571</u>
Subtotal	591,304	669,745
Valuation adjustments	50,323	1,974
Accumulated impairment	<u>( 394,155)</u>	<u>( 394,155)</u>
	<u>\$ 247,472</u>	<u>\$ 277,564</u>
Non - current:		
Unlisted stocks	\$ 665,330	\$ 665,330
Valuation adjustments	<u>3,668,586</u>	<u>3,295,049</u>
	<u>\$ 4,333,916</u>	<u>\$ 3,960,379</u>

Pursuant to IAS 39, 'Financial Instruments: Recognition and Measurement', financial instruments classified as 'available-for-sale financial assets' should be measured at fair value. As above mentioned unlisted stocks do not have a quoted market price in an active market, their fair values shall be measured in accordance with the Company's regulations governing valuation of unlisted equity securities.

For the years ended December 31, 2014 and 2013, net gain (loss) on disposal of related financial assets were as follows:

	<u>2014</u>	<u>2013</u>
Realized (loss) gain on disposal:		
Listed stocks	<u>(\$ 119)</u>	<u>\$ 5,984</u>

(4) Held-to-maturity financial assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Current items:		
Government bonds	<u>\$ 200,614</u>	<u>\$ -</u>
Non-current items:		
Government bonds	<u>\$ 108,105</u>	<u>\$ 310,732</u>

- A. As of December 31, 2014 and 2013, the effective interest rates of the bonds held by the Company was 1.13%~1.56%.
- B. The Company recognized interest income of \$3,862 and \$5,525 in profit or loss for amortized cost for the years ended December 31, 2014 and 2013, respectively.
- C. According to the RGSFE, a securities finance company should deposit an amount of cash, government bonds, financial bonds 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 8 for details.

(5) Margin loans, short sale stock loans and securities borrowed

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Margin loans receivable	\$ 11,983,098	\$ 10,972,930
Less: allowance for doubtful accounts	( 444)	( 900)
	<u>\$ 11,982,654</u>	<u>\$ 10,972,030</u>
Shorts sale proceeds payable	<u>\$ 1,215,516</u>	<u>\$ 1,806,377</u>

- A. The percentages of margin loans for listed stocks were 60% (TSE) and 60% (OTC) in 2014 and 60% (TSE) and 50% (OTC) in 2013, respectively. Interest rates for pecuniary financing to securities firms and investors were 6.25% per annum in 2014 and 2013, respectively.
- B. As of December 31, 2014 and 2013, the stipulated percentage of deposits from the proceeds of short sale stock financing (recognized as ‘deposits-in of securities finance guarantee’) was 90%. The annual interest rates on the short sale proceeds payable and deposits-in in 2014 and 2013 were both 0.2%.
- C. As of December 31, 2014 and 2013, the stipulated percentage of deposits from securities lending business (shown in “deposits-in of securities borrowing and lending”) was 140%. The annual interest rate on the interest payable for such deposits in 2014 and 2013 was both 0.2%.
- D. 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, 2014 and 2013, there were no other non-current assets-overdue receivables.

(6) Property and equipment

At January 1, 2014

Cost	\$ 50,700	\$ 40,339	\$ 18,976	\$ 25,723	\$ 8,399	\$ 18,066	\$ 7,005	\$ 315	\$ 169,523
Accumulated depreciation and Impairment	( 31,886)	( 23,957)	( 13,932)	( 16,757)	( 7,283)	( 14,111)	( 4,817)	-	( 112,743)
	<u>\$ 18,814</u>	<u>\$ 16,382</u>	<u>\$ 5,044</u>	<u>\$ 8,966</u>	<u>\$ 1,116</u>	<u>\$ 3,955</u>	<u>\$ 2,188</u>	<u>\$ 315</u>	<u>\$ 56,780</u>
2014									
Opening net book amount	\$ 18,814	\$ 16,382	\$ 5,044	\$ 8,966	\$ 1,116	\$ 3,955	\$ 2,188	\$ 315	\$ 56,780
Additions	-	-	1,445	4,500	-	2,582	580	-	9,107
Disposals- cost	-	-	-	( 19,355)	-	-	-	-	( 19,355)
- Accumulated depreciation	-	-	-	11,472	-	-	-	-	11,472
Depreciation	-	( 474)	( 4,974)	( 1,000)	( 946)	( 3,060)	( 353)	-	( 10,807)
Transfers - cost	-	-	6,078	-	-	-	( 6,078)	-	-
- Accumulated depreciation	-	-	( 4,558)	-	-	-	4,558	-	-
Closing net book amount	<u>\$ 18,814</u>	<u>\$ 15,908</u>	<u>\$ 3,035</u>	<u>\$ 4,583</u>	<u>\$ 170</u>	<u>\$ 3,477</u>	<u>\$ 895</u>	<u>\$ 315</u>	<u>\$ 47,197</u>

At December 31, 2014

Cost	\$ 50,700	\$ 40,339	\$ 26,499	\$ 10,868	\$ 8,399	\$ 20,648	\$ 1,507	\$ 315	\$ 159,275
Accumulated depreciation and Impairment	( 31,886)	( 24,431)	( 23,464)	( 6,285)	( 8,229)	( 17,171)	( 612)	-	( 112,078)
	<u>\$ 18,814</u>	<u>\$ 15,908</u>	<u>\$ 3,035</u>	<u>\$ 4,583</u>	<u>\$ 170</u>	<u>\$ 3,477</u>	<u>\$ 895</u>	<u>\$ 315</u>	<u>\$ 47,197</u>

At January 1, 2013

Cost  
Accumulated depreciation and  
Impairment

2013

Opening net book amount

Additions

Disposals- cost

- Accumulated depreciation

Depreciation

Transfers - cost

- Accumulated depreciation

Closing net book amount

At December 31, 2013

Cost  
Accumulated depreciation and  
Impairment

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Leasehold assets	Others	Total
\$	50,700	\$ 40,339	\$ 20,398	\$ 23,297	\$ 8,399	\$ 17,979	\$ 13,580	\$ 2,235	\$ 176,927
(	31,886)	( 23,483)	( 12,965)	( 18,426)	( 5,883)	( 11,114)	( 7,194)	-	( 110,951)
\$	18,814	\$ 16,856	\$ 7,433	\$ 4,871	\$ 2,516	\$ 6,865	\$ 6,386	\$ 2,235	\$ 65,976
\$	18,814	\$ 16,856	\$ 7,433	\$ 4,871	\$ 2,516	\$ 6,865	\$ 6,386	\$ 2,235	\$ 65,976
	-	-	273	7,420	-	87	171	1,073	9,024
	-	-	( 8,695)	( 4,994)	-	-	-	-	( 13,689)
	-	-	8,695	4,435	-	-	-	-	13,130
	-	( 474)	( 4,699)	( 2,766)	( 1,400)	( 2,997)	( 2,586)	-	( 14,922)
	-	-	7,000	-	-	-	( 6,746)	( 2,993)	( 2,739)
	-	-	( 4,963)	-	-	-	4,963	-	-
\$	18,814	\$ 16,382	\$ 5,044	\$ 8,966	\$ 1,116	\$ 3,955	\$ 2,188	\$ 315	\$ 56,780

At December 31, 2013

Cost  
Accumulated depreciation and  
Impairment

\$	50,700	\$ 40,339	\$ 18,976	\$ 25,723	\$ 8,399	\$ 18,066	\$ 7,005	\$ 315	\$ 169,523
(	31,886)	( 23,957)	( 13,932)	( 16,757)	( 7,283)	( 14,111)	( 4,817)	-	( 112,743)
\$	18,814	\$ 16,382	\$ 5,044	\$ 8,966	\$ 1,116	\$ 3,955	\$ 2,188	\$ 315	\$ 56,780

(7) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2014			
Cost	\$ 251,899	\$ 217,313	\$ 469,212
Accumulated depreciation and impairment	( 127,885)	( 131,833)	( 259,718)
Total	<u>\$ 124,014</u>	<u>\$ 85,480</u>	<u>\$ 209,494</u>
<u>2014</u>			
At January 1	\$ 124,014	\$ 85,480	\$ 209,494
Depreciation expense	-	( 2,478)	( 2,478)
At December 31	<u>\$ 124,014</u>	<u>\$ 83,002</u>	<u>\$ 207,016</u>
At December 31, 2014			
Cost	\$ 251,899	\$ 217,313	\$ 469,212
Accumulated depreciation and impairment	( 127,885)	( 134,311)	( 262,196)
Total	<u>\$ 124,014</u>	<u>\$ 83,002</u>	<u>\$ 207,016</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
At January 1, 2013			
Cost	\$ 251,899	\$ 217,313	\$ 469,212
Accumulated depreciation and impairment	( 127,885)	( 129,355)	( 257,240)
Total	<u>\$ 124,014</u>	<u>\$ 87,958</u>	<u>\$ 211,972</u>
<u>2013</u>			
At January 1	\$ 124,014	\$ 87,958	\$ 211,972
Depreciation expense	-	( 2,478)	( 2,478)
At December 31	<u>\$ 124,014</u>	<u>\$ 85,480</u>	<u>\$ 209,494</u>
At December 31, 2013			
Cost	\$ 251,899	\$ 217,313	\$ 469,212
Accumulated depreciation and impairment	( 127,885)	( 131,833)	( 259,718)
Total	<u>\$ 124,014</u>	<u>\$ 85,480</u>	<u>\$ 209,494</u>

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	<u>2014</u>	<u>2013</u>
Rental income from the lease of the investment property	<u>\$ 9,242</u>	<u>\$ 7,647</u>
Direct operating expenses arising from the investment property that generated rental income in the period	<u>\$ 3,129</u>	<u>\$ 3,411</u>

B. The Company has selected to measure investment property using the cost model. The fair value of the investment property as at December 31, 2014 and 2013 was \$235,574 and \$251,368, respectively, which was valued by independent valuers. Valuations were made using the

comparison approach and income approach based on market data.

(8) Short-term notes and bills payable

	December 31, 2014	December 31, 2013
Commercial paper payable	\$ 2,496,000	\$ 181,000
Less: Discount on commercial paper payable	( 623)	( 26)
Total	<u>\$ 2,495,377</u>	<u>\$ 180,974</u>

A. The annual interest rate of commercial paper payable for the years ended December 31, 2014 and 2013 was 0.82%~1.00% and 0.76%, respectively.

B. Pursuant to Article 56 of Regulations Governing Securities Finance Enterprises, the Company's total amount of issued commercial paper shall not exceed six times the net worth of the Company.

(9) Pension

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.

(A) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2014	December 31, 2013
Present value of funded obligations	\$ 91,217	\$ 109,802
Fair value of plan assets	( 23,706)	( 27,709)
Net liability in the balance sheet	<u>\$ 67,511</u>	<u>\$ 82,093</u>

(B) Changes in present value of defined benefit obligations are as follows:

	2014	2013
Present value of defined benefit obligations as at January 1	\$ 109,802	\$ 125,286
Current service cost	3,559	4,194
Interest cost	1,976	1,879
Actuarial profit and loss	( 11,968)	3,434
Benefits paid	( 8,553)	( 3,213)
Settlement	( 3,599)	( 21,778)
Present value of defined benefit obligations as at December 31	<u>\$ 91,217</u>	<u>\$ 109,802</u>

(C) Changes in fair value of plan assets are as follows:

	2014	2013
Fair value of plan assets at January 1	\$ 27,709	\$ 25,586
Expected return on plan assets	499	384
Actuarial profit and loss	13 (	23)
Employer contributions	4,038	4,975
Benefits paid	( 8,553)	( 3,213)
Fair value of plan assets at December 31	<u>\$ 23,706</u>	<u>\$ 27,709</u>

(D) Amounts of expense recognized in comprehensive income statements are as follows:

	2014	2013
Current service cost	\$ 3,559	\$ 4,194
Interest cost	1,976	1,879
Expected return on plan assets	( 499)	( 384)
Current pension cost	<u>\$ 5,036</u>	<u>\$ 5,689</u>

(E) Actuarial profit and loss recognized in other comprehensive income are as follows:

	2014	2013
Recognition for current period	\$ 11,981	(\$ 3,458)
Accumulated amount	<u>\$ 37,598</u>	<u>\$ 25,617</u>

(F) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Labor Retirement Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government.

Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

Actual return on plan assets for the years ended December 31, 2014 and 2013 were \$512 and \$360, respectively.

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

	2014	2013
Discount rate	1.80%	1.80%
Future salary increases	2.50%	2.50%
Expected return on plan assets	1.80%	1.80%

Assumptions regarding future mortality experience for 2014 and 2013 are set based on the Taiwan Standard Ordinary Experience Mortality Table (2011).

(H) Historical information of experience adjustments was as follows:

	2014	2013	2012
Present value of defined benefit obligation	\$ 91,217	\$ 109,802	\$ 125,286
Fair value of plan assets	( 23,706)	( 27,709)	( 25,586)
Surplus in the plan	\$ 67,511	\$ 82,093	\$ 99,700
Experience adjustments on plan liabilities	(\$ 11,968)	\$ 6,591	(\$ 32,751)
Experience adjustments on plan assets	\$ 13	(\$ 23)	(\$ 136)

(I) Expected contributions to the defined benefit pension plans of the Company within one year from December 31, 2014 amounts to \$3,497.

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

(B) Under the defined contribution plan, the Company recognized pension expense of \$1,702 and \$1,979 for the years ended December 31, 2014 and 2013, respectively.

(10) Common stock (Par value per share is expressed in New Taiwan Dollars)

A. As of December 31, 2014 and 2013, the Company's authorized capital was \$22,500,000 with a par value of \$10 (in dollars) per share; the common stocks and outstanding common stocks issued were 500,000 thousand shares (including 233,333 thousand shares through private placement), respectively.

B. The Board of Directors at their meeting on June 26, 2013 adopted a resolution to process capital reduction of 100,000 thousand shares on behalf of the stockholders. The capital reduction was approved by the competent authority on August 6, 2013 with the effective date set on August 13, 2013.



(11) Capital reserve

- A. Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. On February 26, 2014, the Board of Directors resolved that total dividends for the distribution of capital reserve was \$2.4 billion (cash dividend of \$4.8 (in dollars) per share) with the effective date set on March 20, 2014.

(12) 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. The bonus distributed to the employees and remuneration paid to the directors and supervisors should account for 0% and 0.01%~5%, respectively, of the total distributed amount.
- B. Effective from January 1, 1994, the Company sets aside 30% of net income after tax as legal reserve following the instructions of Ministry of Finance. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The Board of Directors (acting on behalf of the stockholders) of the Company on April 23 2014, and April 23, 2013 resolved to appropriate 2013 and 2012 earnings. The details are as follows:

	2013		2012	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 117,522		\$ 126,297	
(Reversal of) special reserve	( 14,343)		( 83,300)	
Cash dividends	296,303	\$ 0.59	377,992	\$ 0.63

E. The appropriation of the Company's 2014 earnings as proposed by the Board of Directors on March 25, 2015 is as follows:

	2014	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 121,891	
Cash dividends	294,356	\$ 0.59

As of March 25, 2015, aforesaid earnings distribution for 2014 has not yet been approved by the Company's shareholders.

F. For the years ended December 31, 2014 and 2013, employees' bonus was accrued at \$636 and \$688, respectively. Employees' bonus of 2013 as resolved by the stockholders were in agreement with those amounts recognised in the 2013 financial statements.

Information on the appropriation of the Company's appropriation of earnings and employees' bonus as resolved by the Board of Directors (acting on behalf of stockholders) will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(13) Other equity items

	2014	2013
Unrealised gain on valuation of available-for-sale financial assets		
At January 1	\$ 3,297,023	\$ 3,269,456
Revaluation in the period	421,886	27,567
At December 31	<u>\$ 3,718,909</u>	<u>\$ 3,297,023</u>

(14) Expenses by nature

	2014	2013
Employee benefits expense	\$ 87,446	\$ 110,119
Property and equipment depreciation	10,807	14,922
Intangible assets amortisation	2,160	2,410
Rental expenses	12,819	19,670
Taxes	17,151	16,286
Professional fees	8,721	10,696
Others expense	36,887	36,001
Operating expenses	<u>\$ 175,991</u>	<u>\$ 210,104</u>

(15) Employee benefits expense

	2014	2013
Salaries	\$ 71,498	\$ 92,308
Employees' bonus	636	688
Labor and health insurance fees	4,498	4,956
Pension expense	6,738	7,668
Others expense	4,076	4,499
	<u>\$ 87,446</u>	<u>\$ 110,119</u>

(16) Income tax

A. Income tax expense

(A) Components of income tax expense:

	2014	2013
Current tax:		
Current tax on profits for the period	\$ 65,035	\$ 63,252
Adjustments in respect of prior years	( 3,433)	( 3,944)
Total current tax	<u>61,602</u>	<u>59,308</u>
Deferred tax:		
Origination and reversal of temporary differences	585	( 5,506)
Total deferred tax	<u>585</u>	<u>( 5,506)</u>
Income tax expense	<u>\$ 62,187</u>	<u>\$ 53,802</u>

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

	2014	2013
Actuarial gains/losses on defined benefit obligations	<u>\$ 2,037</u>	<u>(\$ 588)</u>

B. Reconciliation between income tax expense and accounting profit

	2014	2013
Tax calculated based on profit before tax and statutory tax rate	\$ 79,643	\$ 75,742
Effects from items disallowed by tax regulation	654	859
Adjusted effects on income tax exemption and others	( 14,677)	( 18,855)
Prior year income tax over estimation	( 3,433)	( 3,944)
Income tax expense	<u>\$ 62,187</u>	<u>\$ 53,802</u>

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

Year ended December 31, 2014				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Book-tax difference of pension	\$ 27,800	(\$ 3,581)	(\$ 2,037)	\$ 22,182
Book-tax difference of financial assets	23,045	2,895	-	25,940
Impairment	77,615	-	-	77,615
Others	643	101	-	744
Total	<u>\$ 129,103</u>	<u>(\$ 585)</u>	<u>(\$ 2,037)</u>	<u>\$ 126,481</u>
Year ended December 31, 2013				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets:				
Book-tax difference of pension	\$ 27,212	\$ -	\$ 588	\$ 27,800
Book-tax difference of financial assets	17,656	5,389	-	23,045
Impairment	77,615	-	-	77,615
Others	526	117	-	643
Total	<u>\$ 129,103</u>	<u>\$ 5,506</u>	<u>\$ 588</u>	<u>\$ 129,103</u>

D. As of December 31, 2014, the Company's income tax returns through 2008 have been assessed by the Tax Authority.

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

F. As of December 31, 2014 and 2013, the balances of the Company's imputation tax credit account was \$24,385 and \$23,634, respectively. The creditable tax rate was 6.14% for 2013 and is estimated to be 5.86% for 2014.

G. The Tax Authority has assessed the Company an additional income tax of \$30,614 (2004~2007). The Company did not agree with the Tax Authority's ruling and is considering filing an administrative remedy. However, based on conservatism, such additional tax payable has been accrued by the Company.

(17) Earnings per share

	2014		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	\$ 406,303	500,000	\$ 0.81
	2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Profit attributable to ordinary shareholders of the parent	\$ 391,740	561,370	\$ 0.70

(18) Operating lease

A. The Company leases office building to others under non-cancellable operating lease agreements. Rental income from these leases amounting to \$9,242 and \$7,647 were recognized for the years ended December 31, 2014 and 2013, respectively. The leases of office building to others are based on a series of lease agreements which have terms expiring between 2010 and 2018. The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	December 31, 2014	December 31, 2013
Less than 1 year	\$ 9,514	\$ 7,547
1 ~5 years	11,269	8,667
Total	\$ 20,783	\$ 16,214

B. The Company has leases in offices and parking spaces under non-cancellable operating lease agreements. The lease terms are expiring between 3 and 10 years, and all these lease agreements are renewable at the end of the lease period. The Company recognized rental expenses of \$11,946 and \$18,827 for these leases for the years ended December 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2014	December 31, 2013
Less than 1 year	\$ 11,813	\$ 11,813
1 ~5 years	9,329	20,040
Later than 5 years	66	92
Total	<u>\$ 21,208</u>	<u>\$ 31,945</u>

## 7. Related party transactions

### (1) Parent and ultimate controlling party

The Company is controlled by Yuanta Financial Holding Co., Ltd., which owns 100% of the Company's shares. The ultimate parent of the Company is Yuanta Financial Holding Co., Ltd.

### (2) Significant transactions and balances with related parties

#### A. Securities lending

	2014	2013
Associates	<u>\$ 831</u>	<u>\$ 3,344</u>

Revenues from securities borrowing received from the related parties are valued and paid as agreed by both parties. Terms and conditions of relevant transactions are similar to those of transactions with other counterparties.

#### B. Securities financing

	2014	2013
Associates	<u>\$ 670</u>	<u>\$ 862</u>

Revenues from securities lending received from the related parties are valued and paid as agreed by both parties. Terms and conditions of relevant transactions are similar to those of transactions with other counterparties.

#### C. Operating cost/expense

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

	2014	2013
Associates	<u>\$ 5,960</u>	<u>\$ 6,370</u>

(B) Donations:

	2014	2013
Related party in substance		
Yuanta Cultural & Education Foundation	\$ 2,640	\$ 3,500
Polaris Research Institute	2,300	2,500
	<u>\$ 4,940</u>	<u>\$ 6,000</u>

(C) The Company leases offices from Yuanta Securities commencing from June 2008. The leases will expire in November 2016. 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 \$10,747

and \$17,627 had been paid for years 2014 and 2013, respectively. Future lease payments required under these leases are shown below:

<u>Period</u>	<u>2014</u>
2015	\$ 10,711
2016 (January ~ November)	9,223
Total	<u>\$ 19,934</u>

D. Rent revenue

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

	<u>2014</u>	<u>2013</u>
Associates	<u>\$ 8,168</u>	<u>\$ 6,644</u>

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.

E. Other receivables

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 420</u>	<u>\$ 338</u>

F. Current income tax assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The parent company	<u>\$ 26,709</u>	<u>\$ 26,709</u>

G. Other non-current assets -refundable deposits

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 2,678</u>	<u>\$ -</u>

H. Other payables

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	\$ 6,231	\$ 15,379
The parent company	1	364
Total	<u>\$ 6,232</u>	<u>\$ 15,743</u>

I. Short sale proceeds payable

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 13,065</u>	<u>\$ 9,541</u>

J. Current income tax liabilities

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
The parent company	<u>\$ 55,363</u>	<u>\$ 25,297</u>

K. Deposits-in of securities finance guarantee

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 15,130</u>	<u>\$ 1,798</u>

L. Deposits-in of securities borrowing and lending

The following sets out guarantee deposits received because of the securities financing transactions between the Company and associates:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 96,740</u>	<u>\$ 110,391</u>

M. Other non-current liabilities deposits-in

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Associates	<u>\$ 2,619</u>	<u>\$ 1,686</u>

N. Property transactions

(A)Open-end mutual funds and money market instruments:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Funds managed by associates	<u>\$ -</u>	<u>\$ 100,006</u>

Gains on disposal of funds managed by associates for the years ended December 31, 2014 and 2013 were \$43 and \$1,089, respectively.

(B)The Company sold transportation equipment to associates with total selling price of \$6,830 and resulted in losses on disposal of \$1,003. As of December31, 2014, the Company received full payment.

O. Others

Bank deposits and interest income

Details of deposits of the Company from associates are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Bank deposits		
-Recognized in cash and cash equivalents	\$ 1,893	\$ 7,978
-Recognized in refundable deposits	100,000	100,000
Total	<u>\$ 101,893</u>	<u>\$ 107,978</u>
Interest income	<u>\$ 1,365</u>	<u>\$ 1,345</u>



(3) Key management compensation

	2014	2013
Salaries and other short-term employee benefits	\$ 29,986	\$ 33,915
Post-employment benefits	3,163	3,298
Total	<u>\$ 33,149</u>	<u>\$ 37,213</u>

A. Key management includes: officers at all levels (including the directors and supervisors) under the stakeholder database according to Articles 44 and 45 of the Financial Holding Company Act.

B. Salaries and short-term employee benefits include salaries (including various allowances), unused compensated absences, festival bonuses, other bonuses, employees' bonus, transportation allowance, and attendance fee.

C. Post-employment benefits include pension under old plan, pension under new plan, and termination and pension benefits for the president and vice-president.

8. Pledged assets

Assets	Book value		Purpose of pledge
	December 31, 2014	December 31, 2013	
Held-to-maturity financial assets			
- Government bonds	\$ 10,125	\$ 10,148	Operating guarantee deposits for
- Government bonds	40,500	40,594	Stock borrowings
- Government bonds	258,094	259,990	Securities financing deposit in Central Bank of the Republic of China (Taiwan)
Other non-current assets			
Refundable deposits	100,000	100,000	Stock borrowings

9. Significant contingent liabilities and unrecognized contract commitments

(1) As of December 31, 2014 and 2013, the stocks entrusted to the custody of the Company by clients both amounted to 7,483,000 shares. The market value of these entrusted stocks was approximately \$77,395, and \$77,812, respectively.

(2) As of December 31, 2014, the Company has leases in offices and parking spaces under non-cancellable operating lease agreements. The future rents payable under non-cancellable operating leases are provided in Note 6 (18).

10. Significant losses from disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Capital management

A. Objective of capital management

The Company's objectives when managing capital are to meet the capital requirement for the business plan and acceptance of various risks, to maintain an optimal capital structure to reduce the cost of capital, and to provide returns for shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and return capital to shareholders.

B. Procedures of capital management

The Board of Directors has the ultimate approval right in the Company's capital management. The responsive unit should effectively identify, measure, monitor and control relevant risks to assess the minimum capital requirements in accordance with regulations of the competent authority and the Company's regulations or procedures governing various risks and legal and compliance risk. The Company's self-owned capital adequacy ratio is regularly calculated as net of qualifying self-owned capital divided by the equivalent amount of operating risk.

(2) Hierarchy of fair value estimation of financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, margin loans receivable, other receivables, refundable deposits, overdue receivables, short-term loans, short-term notes and bills payable, short sale proceeds payable, other payables, deposits-in of securities finance guarantee, deposits-in of securities borrowing and lending, lease payables, and deposits-in) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(2)4.

	December 31, 2014	
	Book value	Fair value
Financial assets		
Held-to-maturity financial assets - current		
Government bonds	\$ 308,719	\$ 310,015
	December 31, 2013	
	Book value	Fair value
Financial assets		
Held-to-maturity financial assets - current		
Government bonds	\$ 310,732	\$ 312,341

B. The assumptions and methods used to estimate the financial instruments not measured by fair value are as follows:

(A) For short-term instruments, the fair values were determined based on their carrying values since the impact of discount rates is insignificant. This valuation method can be applied to such asset accounts as cash and cash equivalents, margin loans receivable, other receivables, overdue receivables, short term borrowings, short sale proceeds payable, other payables, deposits-in of securities finance guarantee, deposits-in of securities borrowing and lending, lease payable, and deposits-in.

(B) The fair values of refundable deposits at the balance sheet date were valued at book value since the impact of discount rates is insignificant.

C. Financial instruments measured at fair value

Fair value is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable, willing parties in an arm's length transaction.

Financial instruments are initially recognized by fair value, which is transaction price in most cases. Subsequent recognitions are measured by fair value except that certain financial instruments are recognized by amortized cost. In the subsequent measurements, the best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, valuation techniques will be adopted to measure the fair value of financial instruments. If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value.

The fair values by classification and nature are as follows:

(A) NTD Central Government Bond: the yield rates across different contract length bulletined by Over-The-Counter (hereinafter OTC) are used.

(B) NTD government bonds, corporate bonds, financial bonds and beneficiary securities: the yield rates across different contract length bulletined by OTC are adopted.

(C) Listed stocks and ETF : the closing price on the date that the stock or ETF being listed in TSE or OTC for the first-time or the prior transaction price is adopted.

(D) Domestic funds: the net fund values announced by the investment trust company are adopted.

(E) Unlisted stocks: Under the situation of sufficient information, the Company first uses the market method to determine the fair value of unlisted stocks, then the income method. Only when the market method and income method can not appropriately assess the fair value of the unlisted stocks, the replacement cost method be used.

D. Fair value information of financial instruments

(A) Definition for the hierarchy classification of financial instruments measured at fair value

a. Level 1

That is the quoted prices in active markets for identical assets or liabilities. An active

market has to satisfy all the following conditions: the products traded in the market share a common nature; the willing buying and selling parties can be readily found in the market; and the prices are observable for public. The fair value of the investments of the Company, such as listed stocks investment, beneficiary certificates, popular Taiwan government bonds is deemed as Level 1.

b. Level 2

Inputs, other than quoted prices in active markets, are those observable price, either directly (that is, as prices) or indirectly (that is, derived from prices) in active market.

c. Level 3

The inputs used to measure fair value at this level are not based on available data from the markets. The Company's investments in equity instruments without active market and securitization beneficiary securities belong to this category.

(B) Fair value information of financial instruments

December 31, 2014				
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 608,202	\$ 608,202	\$ -	\$ -
Available-for-sale financial assets				
Stock investments	4,491,167	157,251	-	4,333,916
Others	90,221	-	-	90,221
Total	<u>\$ 5,189,590</u>	<u>\$ 765,453</u>	<u>\$ -</u>	<u>\$ 4,424,137</u>
December 31, 2013				
	Total	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 714,501	\$ 714,501	\$ -	\$ -
Available-for-sale financial assets				
Stock investments	4,184,466	224,087	-	3,960,379
Others	53,477	-	-	53,477
Total	<u>\$ 4,952,444</u>	<u>\$ 938,588</u>	<u>\$ -</u>	<u>\$ 4,013,856</u>

(C) Movements of financial instruments classified into Level 3 of fair value are as follows:

2014

Items	Gain and loss on valuation		Addition		Reduction	
	Beginning balance	Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Transferred from Level 3
Available-for-sale financial assets						Ending balance
Unlisted stocks	\$ 3,960,379	\$ -	\$ 373,537	\$ -	\$ -	\$ -
Others	53,477	-	53,774	-	( 17,030)	-
Total	\$ 4,013,856	\$ -	\$ 427,311	\$ -	\$ ( 17,030)	\$ -

\$ 4,333,916

90,221

\$ 4,424,137

2013

Items	Gain and loss on valuation		Addition		Reduction	
	Beginning balance	Gain and loss	Other comprehensive income	Purchased or issued	Transferred to Level 3	Transferred from Level 3
Available-for-sale financial assets						Ending balance
Unlisted stocks	\$ 3,953,518	\$ -	\$ 6,861	\$ -	\$ -	\$ -
Others	79,535	-	5,641	-	( 31,699)	-
Total	\$ 4,033,053	\$ -	\$ 12,502	\$ -	\$ ( 31,699)	\$ -

\$ 3,960,379

53,477

\$ 4,013,856

Above valuation gains and losses are recognized in gain and loss in the period. As of 2014 and 2013, the gains on liabilities were \$427,311 and \$12,502, respectively.

(D) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value

The fair value measurement that the Company made onto the financial instruments is deemed reasonable; however, different valuation model or input could result in different result. Specifically, if the valuation input of financial instrument classified in Level 3 moves upward or downward by 7%, and securitization beneficiary securities moves upward or downward by 1%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

		Change in fair value recognized in current profit and loss	
		Favorable movements	Unfavorable movements
<u>December 31, 2014</u>			
Available-for-sale financial assets			
Unlisted stocks	\$	303,374	(\$ 303,374)
Others		<u>902</u>	<u>( 902)</u>
Total	\$	<u>304,276</u>	<u>(\$ 304,276)</u>
		Change in fair value recognized in current profit and loss	
		Favorable movements	Unfavorable movements
<u>December 31, 2013</u>			
Available-for-sale financial assets			
Unlisted stocks	\$	277,226	(\$ 277,226)
Others		<u>535</u>	<u>( 535)</u>
Total	\$	<u>277,761</u>	<u>(\$ 277,761)</u>

Favorable and unfavorable movements of the Company refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the non-observable inputs to different extent.

If the fair value of a financial instrument is affected by one or more inputs, above table only illustrates the effect as a result of one single unobservable input, and the correlation and variance of input are not put into consideration.

### (3) Management for financial risk

#### A. Risk management policy and structural organization

The organization structure of the Company's risk management includes: The Board of Directors, senior management, risk management personnel, legal and compliance dedicated

segment and other business segments. For the purpose of controlling risk from margin purchase and short sale, the Company established ‘business safety group’ which is responsible for control over listed securities financing and refinancing to securities firms and related business. Dedicated personnel is also arranged to handle implementation of risk control for the trading positions on investments.

The Company is mainly engaged in credit trading and mostly exposed to credit risk. To control the customer risk, other than the compliance with regulations governing the margin sale and short sale business from SEC and the decreased ratio or allocated securities for warning of abnormal individual stock as defined by OTC, the Company also sets up risk management structure such as quota allocation, pre-warning indicators and process standards, and credit diversification standards armed with specific associate being responsible for related risk control. In addition, the comprehensively computerized risk information system can help assist with enhancing the pre-warning function of margin sale and short sale credit so that being aware of market movement in an early stage may be achieved. With respect to investment transactions, the Company sets up control mechanism for each instrument and regularly monitors the status of risk exposure.

**B. Methods for risks measurement and controlling and exposure quantitative information**

**(A) Market risk**

**a. Source and definition of market risk and the management principle**

The financial assets held by the Company includes domestic listed stocks, unlisted stocks, open ended funds, beneficiary securities, government bonds, financial debentures, and other instruments that have been approved by the competent authority. Except for investment in unlisted stocks, the values of the financial assets held are subject to changes in market rates and stock prices. To manage market risk, the Company has defined the various portfolio investment risk management rules against its own funded investment, including stock and fund positions. The Company has also defined the control mechanism according to the nature of the product risk such as position limits, stop loss limits, market liquidity limits and exceptional management to certainly measure and monitor market risks of various positions.

**b. Market risk assessment**

**(a) Foreign exchange risk management**

The Company holds insignificant foreign currency and non-monetary financial assets and liabilities in foreign currency. Therefore, no significant impact affected by fluctuations in the foreign exchange rate is expected.

**(b) Price risk management**

The Company is exposed to equity securities price risk because of investments in equity instruments held by the Company are classified on the balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in

equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company's investments in equity securities comprise domestic listed and unlisted stocks. If the prices of these equity securities had increased/decreased by 7% and the prices of securitization beneficiary securities had increased/decreased by 1% with all other variables held constant, stockholders' equity as of December 31, 2014 and 2013 would have increased/decreased by \$315,284 and \$293,447 respectively, as a result of gains/losses on equity securities classified as available-for-sale.

(c) Interest rate risk management

The Company's interest rate risk mainly arises from held-to-maturity financial assets-bond investments, short-term loans, short-term notes and bills payable, and corporate bonds. Variable-rate financial assets/liabilities expose the Company to cash flow interest rate risk. Risk from financial liabilities is partially offset by cash and cash equivalents held at variable rates. Fixed-rate financial assets/liabilities expose the Company to fair value interest rate risk.

Income before taxes for the years ended December 31, 2014 and 2013 would have been \$2,828 and \$172 lower/higher, respectively, if the global market yield curves for the years ended December 31, 2014 and 2013 all changed by 10 basis points.

(B) Credit risk

a. Source and definition of credit risk and the management principle

Since the main business of the Company is margin trading and securities lending, its major business risk is credit risk. To control customers' risk, the Company complies with the rules and regulations of the Taiwan Stock Exchange Corporation and the GreTai Securities Market that require lower trading percentages or a lower number of allocated stocks in the event of abnormal price fluctuation for individual shares. The Company has also established internal operational standard that uses allocation methods for the limits of margin purchases and short sales, early warning and handling principles as well as credit risk dispersion criteria in order to mitigate credit risks.

Besides, potential credit risk of financial instruments held by the Company mainly arises from default by the clients or counterparties of financial instruments on the contract obligations, which then results in financial loss to the Company. Counterparties, issuers, or guarantee institutions of invested financial instruments are all financial institutions with excellent credit quality, so the possibility of default by counterparties on the contracts is extremely low. Moreover, different investment limits are set in advance based on credit ratings of counterparties, issuers, or guarantee institutions in order to control the Company's exposure to the risk of each financial institution. The Company assesses credit status of counterparties, issuers, or guarantee institutions before conducting any transaction, so the probability of credit risk is remote.



b. The maximum exposure to credit risk

The maximum exposure to credit risk of the Company's financial assets is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash and cash equivalents	\$ 185,349	\$ 1,875,431
Financial assets at fair value through profit or loss - current	608,202	704,918
Available-for-sale financial assets - current	484,376	447,632
Margin loans receivables	11,983,098	10,972,930
Other receivables	285,555	438,938
Held-to-maturity financial assets	308,719	310,732
Other non-current assets		
-Refundable deposits	130,978	273,300
Total	<u>\$ 13,986,277</u>	<u>\$ 15,023,881</u>

c. Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The Company does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry and location are shown as follows:

(a) Industry:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Government-owned businesses	\$ 242	\$ 193
Privately owned businesses	1,512,721	1,538,978
Individually	11,799,269	10,846,234
Financial institutions	363,518	2,325,936
Governmental institutions	310,527	312,540
Total	<u>\$ 13,986,277</u>	<u>\$ 15,023,881</u>

(b) Geographical location:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Taiwan	\$ 13,501,525	\$ 14,576,080
Asia (not including Taiwan)	-	169
Europe	484,752	447,632
Total	<u>\$ 13,986,277</u>	<u>\$ 15,023,881</u>

As to the sources of the Company's credit risk, geographic concentration, primarily in Taiwan, accounts for up to 96% in its entirety. Industrial concentration accounts for about 84% in its entirety as the nature of industry is determined individually.

d. Analysis on credit quality and overdue impairment of financial assets held by the Company

For certain financial assets held by the Company such as cash and cash equivalents, financial assets at fair value through profit or loss, held-to-maturity financial assets, and refundable deposits, as the counterparties of these assets all have excellent credit ratings, credit risk is deemed to be minimal based on the Company's judgement.

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

- (a) Excellent: The underlying position or an entity is capable of fulfilling its financial commitment even if facing significant uncertain factors or exposed to an adverse condition.
- (b) Standard: the underlying position or an entity's capacity to fulfill the contractual obligation is weak, and any adverse movement toward operation, finance or economy could further weaken its capacity to fulfill financial commitment.
- (c) Below standard: the underlying position or an entity's capacity to fulfill the contractual obligation is weak, and the fulfillment of the contractual commitment depends on the advantageous movement in operating environment and financial status.
- (d) Impaired: the underlying position or an entity has incurred an objective evidence of impairment at the reporting date.

	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)		Impaired amount (C)	Total (A)+(B)+(C)	Recognized losses(D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Standard	Below standard	Subtotal (A)						
December 31, 2014										
Cash and cash equivalents	\$ 185,349	\$ -	\$ -	\$ 185,349	\$ -	\$ -	\$ -	\$ 185,349	\$ -	\$ 185,349
Financial assets at fair value through profit or loss	608,202	-	-	608,202	-	-	-	608,202	-	608,202
Available-for-sale financial assets - current	-	-	-	-	-	-	484,376	484,376	394,155	90,221
Margin loans receivables	11,547,689	435,409	-	11,983,098	-	-	-	11,983,098	444	11,982,654
Other receivables	274,872	10,307	376	285,555	-	-	-	285,555	-	285,555
Held-to-maturity financial assets	308,719	-	-	308,719	-	-	-	308,719	-	308,719
Refundable deposits	130,978	-	-	130,978	-	-	-	130,978	-	130,978
	Positions that are neither past due nor impaired				Positions that are past due but not impaired(B)		Impaired amount (C)	Total (A)+(B)+(C)	Recognized losses(D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Standard	Below standard	Subtotal (A)						
December 31, 2013										
Cash and cash equivalents	\$ 1,875,431	\$ -	\$ -	\$ 1,875,431	\$ -	\$ -	\$ -	\$ 1,875,431	\$ -	\$ 1,875,431
Financial assets at fair value through profit or loss	704,918	-	-	704,918	-	-	-	704,918	-	704,918
Available-for-sale financial assets - current	-	-	-	-	-	-	447,632	447,632	394,155	53,477
Margin loans receivables	10,970,280	2,650	-	10,972,930	-	-	-	10,972,930	900	10,972,030
Other receivables	438,877	61	-	438,938	-	-	-	438,938	-	438,938
Held-to-maturity financial assets	310,732	-	-	310,732	-	-	-	310,732	-	310,732
Refundable deposits	273,300	-	-	273,300	-	-	-	273,300	-	273,300

- e. The credit quality information of financial instruments that are neither past due nor impaired is as follows:

The credit quality of margin loans receivable and other receivables that were neither past due nor impaired was provided in Note 12, and Note (3)2.(2)D based on the Company's Credit Quality Control Policy.

- f. Analysis of financial assets that were impaired is as follows:

Based on the Company's assessment, asset securitization beneficiary securities recognized as available-for-sale financial assets were impaired due to a decrease in issuer credit rating. As of December 31, 2014 and 2013, the Company has set aside accumulated impairment amounting to \$394,155.

#### (C) Liquidity risk

- a. Source and definition of liquidity risk and the management principle

Fund liquidity risk happens when the fund supply cannot be sufficiently obtained in an expected period of time leading to a failure of fulfilling the capital need as maturity comes due.

According to different business natures, the Company has defined the capital liquidity indicator for its capital liquidity management, and set the precautionary indicators for the Company's liquidity ratio, credit limit and funding gap. In addition to prior assessment on possible fund gaps of each time period and effective control over liquidity risks of overall capital, pre-established capital transferring plan is also ready in case of systematic risk event and abnormal capital liquidity to sufficiently respond to the liquidity risk of the whole company. In order to ensure that current assets are of realizability, marketability and safety, the Company defined the funding utilization risk control regulations to ensure that the bank deposit, bond and RP/RS attain the specific rates under the internal rating system, and risk control staff shall control the overview of position and liquidity periodically.

- b. Risk assessment

- (a) The following is the maturity analysis on financial liabilities. The Company's working capital is sufficient for future capital demand, therefore there is no liquidity risk regarding inability to raise fund for meeting contractual obligations.
- (b) Except for unlisted stocks, the Company's investments in financial assets all have an active market. These financial assets are expected to be sold easily and immediately at a price approximate to their fair values. Therefore, no significant liquidity risk is expected.

(c) Maturity analysis on non-derivative financial liabilities

December 31, 2014	0-30 days	31-90 days	91-180 days	year	Over 1 year	Total
Short-term notes and bills payable	2,495,377	-	-	-	-	2,495,377
Short sale proceeds payable	-	-	1,215,516	-	-	1,215,516
Other payables	193,106	4,501	21,309	636	400	219,952
Other payables- related parties	497	-	5,735	-	-	6,232
Deposits-in of securities finance guarantee	-	-	1,094,734	-	-	1,094,734
Deposits-in of securities borrowing and lending	-	-	1,224,175	-	-	1,224,175
Lease payable (recognized in other current liabilities and other non current liabilities)	42	85	129	148	298	702
Deposits-in (recognized in other non current liabilities)	-	-	-	-	2,822	2,822
Total	<u>\$ 2,689,022</u>	<u>\$ 4,586</u>	<u>\$ 3,561,598</u>	<u>\$ 784</u>	<u>\$ 3,520</u>	<u>\$ 6,259,510</u>
December 31, 2013	0-30 days	31-90 days	91-180 days	year	Over 1 year	Total
Short-term notes and bills payable	\$ 180,974	\$ -	\$ -	\$ -	\$ -	\$ 180,974
Short sale proceeds payable	-	-	1,806,377	-	-	1,806,377
Other payables	51,418	3,280	27,072	688	322,663	405,121
Other payables- related parties	820	-	14,923	-	-	15,743
Deposits-in of securities finance guarantee	-	-	1,469,842	-	-	1,469,842
Deposits-in of securities borrowing and lending	-	-	1,288,092	-	-	1,288,092
Lease payable (recognized in other current liabilities and other non current liabilities)	44	51	78	158	259	590
Deposits-in (recognized in other non current liabilities)	-	-	-	-	1,890	1,890
Total	<u>\$ 233,256</u>	<u>\$ 3,331</u>	<u>\$ 4,606,384</u>	<u>\$ 846</u>	<u>\$ 324,812</u>	<u>\$ 5,168,629</u>

### 13. 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: None.

C. Information regarding securities held as of December 31, 2014:

As of December 31, 2014						
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership
The Company	Beneficiary certificates:				Fair value	Note
	Shin Kong Chi-Li Money-market Fund	-	Financial assets at fair value through profit or loss - current	39,925	\$ 608,202	\$ 608,202
	Financial assets at fair value through profit or loss - current				\$ 608,202	\$ 608,202
	Beneficiary securities:					
	952 Polaris C	-	Available-for-sale financial assets - current	-	\$ 90,221	\$ 90,221
	Listed stocks:					
	Formosa Plastics	-	Available-for-sale financial assets - current	1,658	\$ 119,850	\$ 119,850
	CSC	-	"	1,422	37,401	37,401
	Subtotal				157,251	157,251
	Total available-for-sale financial assets - current				\$ 247,472	\$ 247,472
	Unlisted stocks:					
	Taiwan Depository & Clearing Co., Ltd.	-	Available-for-sale financial assets - non-current	60,244	\$ 3,518,881	\$ 3,518,881
	Taiwan Futures Exchange Co., Ltd.	-	"	14,492	815,035	815,035
	Total available-for-sale financial assets - non current				\$ 4,333,916	\$ 4,333,916
	Government Bonds - current					
	A94107	-	Held-to-maturity financial assets - current	-	\$ 200,614	\$ 201,568
	Total held-to-maturity financial assets - current				\$ 200,614	\$ 201,568

As of December 31, 2014						
Name of company which holds securities	Category and name of securities (or name of issuer of securities)	Relationship between issuer of securities and the company	Account	Number of shares (In thousands)	Book value	Percentage of ownership
The Company	Government Bonds - non-current					
	A99105	-	Held-to-maturity financial assets - non-current	-	\$ 50,625	N/A
	A90108	-	"	-	57,480	"
	Total held-to-maturity financial assets - non-current				\$ 108,105	
					\$ 108,447	

D. Disposals of real estate exceeding NT\$300 million or 20 percent of contributed capital : None.

E. Information on the acquisition of the real estate for which the purchase amount exceeded NT\$300 million or 20% of paid-in capital: None.

F. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 20% of paid in capital: None

G. Information regarding related party purchases and / or sales for which the amount exceeded of NT\$100 million or 20% paid-in capital: Not applicable.

H. Information reagrding 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.

14. Segment information

(1) General information

The Company operates business only in a single industry. The Chief Operating Decision-Maker(CODM), which allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Measurement of segment information

The CODM assesses the performance of the operating segments based on the profit before tax.

(3) Information on segment profit (loss), assets and liabilities

The Company operates business only in a single industry. The segment information provided to the CODM for the reportable segments for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Segment revenue from external customers	\$ 749,840	\$ 697,825
Segment profit before tax	468,490	445,542
Segment profit assets	18,495,933	19,251,668

(4) Reconciliation for segment profit (loss), assets and liabilities

The Company operates business only in a single industry. The business operation activities are mainly domestic. Therefore, reconciliation is not required.

(5) Information on product

Main revenue of the Company are from margin loans, short sale stock loans and securities borrowed services. Details of revenue balance is as follows:

	2014	2013
Financing interest income	\$ 694,325	\$ 630,462
Service fee income on margin trading	42,947	46,289
Income on securities lending	12,568	21,074
Total	\$ 749,840	\$ 697,825

(6) Geographical information

None.

(7) Major customer information

None.



