

**KGI SECURITIES CO. LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Six-Month Periods Ended June 30, 2020 and 2019**

**With Independent Auditors' Report**

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

**Independent Auditors' Report**

To KGI Securities Co. Ltd.

**Opinion**

We have audited the accompanying consolidated balance sheets of KGI Securities Co. Ltd. (the “Company”) and its subsidiaries as of June 30, 2020, December 31, 2019 and June 30, 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month and six-month periods ended June 30, 2020 and 2019, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2020, December 31, 2019 and June 30, 2019, and their consolidated financial performance and cash flows for the three-month and six-month periods ended June 30, 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of consolidated financial statements for the six-month period ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of Derivative Instruments

The Company and its subsidiaries invest in different types of derivative instrument assets and liabilities. As of June 30, 2020, the carrying amount of derivative instrument assets and liabilities measured at fair value is significant to the consolidated financial statement. Except for those classified as level 1, the fair value of other derivative instruments cannot be retrieved from active market. Management therefore used valuation technique to determine the fair value. Level 2 derivative instruments are valued using parameters that are available or observable from an active market. The inputs of level 3 are not based on observable inputs from an active market. Since different valuation techniques and assumptions may have significant effect on the estimates of fair value, we considered the valuation of derivative instruments as a key audit matter. Our audit procedures include, but not limited to, assessing and testing the design and execution of the internal control regarding to valuation, and reviewing management's verification on fair value and authorization process of valuation models. In addition, we used our firm's internal valuation expert to reevaluate derivative instruments on a sampling basis, and compared the outcomes with the one from management to see if the difference is within acceptable range. We also assessed the adequacy of disclosures for valuation of derivative instruments in Note V and Note XII.

## **Other Matter – Making Reference to the Audits of Component Auditors**

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT\$4,842,834 thousand and NT\$5,423,198 thousand, constituting 1.45% and 1.68% of consolidated total assets as of December 31, 2019 and June 30, 2019, respectively, income before income tax of NT\$8,547 thousand and NT\$28,284 thousand, constituting 0.60% and 0.97% of consolidated income before income tax for the three-month and six-month periods ended June 30, 2019, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standards No. 34 "Interim Financial Reporting" as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of consolidated financial statements for six-month period June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Others**

We have audited and expressed an unqualified opinion including the Other Matter paragraph on the parent company only financial statements of the Company as of and for the six-month periods ended June 30, 2020 and 2019.

Huang, Chien-Che  
Fuh, Wen-Fun  
Ernst & Young, Taiwan  
August 21, 2020

### Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in New Taiwan Thousand Dollars)

ASSETS	6/30/2020	12/31/2019	6/30/2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents (Note VI.1, VI.26 and VII)	\$12,543,057	\$16,650,427	\$10,442,114
Financial assets measured at fair value through profit or loss-current (Note VI.2, VI.19, VII and VIII)	61,252,423	81,817,301	61,855,425
Financial assets measured at fair value through other comprehensive income-current (Note VI.3, VI.26, VII and VIII)	28,845,044	20,981,470	19,126,569
Investment in bonds with reverse repurchase agreements (Note VI.5 and VI.26)	12,720,666	18,188,175	22,848,839
Securities margin loans receivable (Note VI.26 and VII)	24,590,159	24,155,864	20,742,132
Refinancing margin	129,376	1,717	-
Refinancing deposits receivable	104,518	1,431	-
Trading securities receivable (Note VI.26)	4,523,797	5,365,066	7,541,869
Customer margin accounts (Note VI.6, VI.26 and VII)	46,507,100	37,535,640	40,724,475
Futures commission merchant receivable (Note VI.7 and VI.26)	4,211	6,906	9,777
Stock borrowing collateral price	104,567	126,169	506,207
Security lending deposits	19,444,179	16,655,194	19,058,629
Notes receivable	331	3,350	1,478
Accounts receivable (Note VI.8, VI.26 and VII)	39,167,033	27,579,474	39,388,318
Prepayments	139,220	118,910	117,996
Other financial assets-current (Note VI.1 and VII)	5,395,145	3,126,037	1,958,997
Current tax assets	17,425	17,228	19,261
Non-current assets held for sale (Note IV and VI.9)	302,815	-	-
Other current assets (Note VI.26, VII and VIII)	32,035,703	37,507,177	32,059,106
<b>Total Current Assets</b>	<b>287,826,769</b>	<b>289,837,536</b>	<b>276,401,192</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets measured at fair value through profit or loss-non-current (Note VI.2)	2,852,976	3,091,790	2,979,377
Financial assets measured at fair value through other comprehensive income-non-current (Note VI.3 and VI.26)	7,725,176	8,058,407	8,386,153
Financial assets measured at amortized cost-non-current (Note VI.4 and VI.26)	-	-	796,411
Investments accounted for using the equity method (Note VI.10 and VIII)	15,681,033	16,385,894	15,198,657
Property and equipment (Note VI.11, VII and VIII)	5,399,842	5,617,126	5,653,008
Right-of-use assets (Note VI.12 and VII)	1,246,399	1,175,913	1,360,916
Investment property (Note VI.13, VII and VIII)	381,364	495,848	497,761
Intangible assets (Note VI.14)	7,492,049	7,618,349	7,914,226
Deferred tax assets	205,720	210,068	261,755
Other non-current assets (Note VI.15, VI.26 and VII)	2,799,475	2,621,531	3,143,567
<b>Total Non-Current Assets</b>	<b>43,784,034</b>	<b>45,274,926</b>	<b>46,191,831</b>
<b>TOTAL ASSETS</b>	<b>\$331,610,803</b>	<b>\$335,112,462</b>	<b>\$322,593,023</b>

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

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	6/30/2020	12/31/2019	6/30/2019
<b>CURRENT LIABILITIES</b>			
Short-term borrowings (Note VI.16 and VII)	\$18,480,762	\$18,789,210	\$15,085,373
Commercial papers payable (Note VI.17)	1,899,875	6,043,308	5,078,460
Financial liabilities measured at fair value through profit or loss-current (Note VI.18, VI.19 and VII)	16,000,817	16,096,307	13,602,494
Liabilities for bonds with repurchase agreements (Note VI.20)	71,828,581	77,387,490	75,686,106
Short sale margins	1,788,668	2,357,168	1,296,996
Payables for short sale collateral received	10,553,377	11,351,628	11,661,427
Guarantee deposit received from security lending	26,890,728	23,218,189	22,854,452
Futures customers' equity (Note VII)	45,677,383	36,405,424	38,741,221
Accounts payable (Note VI.21 and VII)	54,448,406	40,935,136	54,132,468
Amounts received in advance	301,275	226,789	152,667
Amounts collected for other parties	2,167,588	10,154,141	1,367,699
Other payables (Note VII)	3,038,371	3,259,011	2,318,641
Other financial liabilities-current	6,023,554	4,888,724	3,628,073
Current tax liabilities (Note VII)	996,458	900,858	874,577
Long-term liabilities-current portion (Note VI.22)	-	4,800,000	4,800,000
Lease liabilities-current (Note VI.12 and VII)	486,665	473,433	456,953
Other current liabilities	211,286	61,509	58,625
Total Current Liabilities	<u>260,793,794</u>	<u>257,348,325</u>	<u>251,796,232</u>
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable (Note VI.22)	4,200,000	4,200,000	-
Liabilities reserve-non-current (Note VI.24)	221,330	220,210	222,495
Lease liabilities-non-current (Note VI.12 and VII)	786,390	723,048	916,746
Deferred tax liabilities	1,230,776	1,153,916	1,141,937
Other non-current liabilities	741,766	753,722	729,033
Total Non-Current Liabilities	<u>7,180,262</u>	<u>7,050,896</u>	<u>3,010,211</u>
Total Liabilities	<u>267,974,056</u>	<u>264,399,221</u>	<u>254,806,443</u>
<b>EQUITY</b>			
Capital stock abstract (Note VI.25)			
Common stock	34,363,397	32,418,432	32,418,432
Capital reserve (Note VI.25)	8,648,575	8,648,567	8,648,397
Retained earnings (Note VI.25)			
Legal reserve	5,794,394	5,265,093	5,265,093
Special reserve	12,189,344	14,870,597	14,870,597
Unappropriated earnings	2,384,777	5,293,012	2,430,176
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation	(1,013,861)	(754,675)	(324,581)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	939,465	1,658,964	1,152,143
Equity attributable to owners of the parent company	<u>63,306,091</u>	<u>67,399,990</u>	<u>64,460,257</u>
Non-controlling interests (Note VI.25 and VI.30)	<u>330,656</u>	<u>3,313,251</u>	<u>3,326,323</u>
Total Equity	<u>63,636,747</u>	<u>70,713,241</u>	<u>67,786,580</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$331,610,803</u>	<u>\$335,112,462</u>	<u>\$322,593,023</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
KGI SECURITIES CO. LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three-Month and Six-Month Periods Ended June 30, 2020 and 2019  
(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Three-Month Ended June 30		For the Six-Month Periods Ended June 30	
	2020	2019	2020	2019
<b>REVENUES</b>				
Brokerage handling fee revenue (Note VI.26 and VII)	\$2,830,389	\$2,074,916	\$5,617,011	\$3,876,806
Revenue from borrowed securities	199,958	193,888	383,824	365,335
Revenue from underwriting business (Note VI.26)	87,278	126,323	299,087	195,816
Revenue from wealth management services-net	40,698	23,695	69,882	45,195
Gains/(losses) on disposal of trading securities-net (Note VI.26)	994,084	233,438	2,097,612	1,073,574
Revenue from providing agency service for stock affairs (Note VII)	59,485	46,337	99,174	83,653
Interest income (Note VI.26)	743,986	998,192	1,769,176	1,800,263
Dividend income (Note VI.3)	30,344	23,454	36,720	25,080
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.26)	(259,705)	(447,904)	(771,918)	628,921
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.26)	(62,545)	(45,368)	699,139	79,379
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchases agreements measured at fair value through profit or loss-net	(411,901)	8,771	(42,044)	(544,098)
Realised gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	333,753	243,585	580,165	265,974
Gains/(losses) on warrants issued-net (Note VI.19)	571,653	116,414	265,783	122,833
Gains/(losses) on derivative financial product-futures-net (Note VI.19)	1,816,789	321,240	(598,919)	150,972
Gains/(losses) on derivative financial product-GTSM-net (Note VI.19 and VII)	(1,166,677)	11,258	(1,086,150)	(274,228)
Expected credit impairment (losses) or gains on reversal (Note VI.26)	(9,132)	422	(13,407)	3,853
Other operating revenue (Note VI.26 and VII)	560,720	289,148	774,093	754,575
<b>Total Revenues</b>	<b>6,359,177</b>	<b>4,217,809</b>	<b>10,179,228</b>	<b>8,653,903</b>
<b>COSTS AND EXPENSES</b>				
Brokerage handling fee expenses	(367,291)	(265,888)	(733,554)	(505,507)
Dealing handling fee expenses	(10,156)	(18,591)	(22,842)	(25,487)
Refinancing handling fee expenses	(655)	(13)	(781)	(127)
Financial costs (Note VI.26 and VII)	(211,497)	(554,907)	(747,073)	(1,063,254)
Losses on trading of borrowed securities	(15,585)	(8,705)	(23,954)	(10,640)
Futures commission expenses	(29,247)	(22,587)	(65,975)	(54,286)
Settlement and clearing service expenditures	(92,653)	(66,697)	(200,377)	(127,212)
Other operating costs	(243,420)	(52,735)	(266,057)	(140,810)
Employee benefits expenses (Note VI.23, VI.26 and VII)	(2,297,452)	(1,802,226)	(4,290,032)	(3,580,881)
Depreciation and amortization (Note VI.26 and VII)	(265,503)	(266,858)	(525,085)	(528,796)
Other operating expenses (Note VI.26 and VII)	(1,011,248)	(922,640)	(1,924,616)	(1,779,010)
<b>Total Costs and Expenses</b>	<b>(4,544,707)</b>	<b>(3,981,847)</b>	<b>(8,800,346)</b>	<b>(7,816,010)</b>
<b>INCOME FROM OPERATIONS</b>	<b>1,814,470</b>	<b>235,962</b>	<b>1,378,882</b>	<b>837,893</b>
<b>NON-OPERATING INCOME OR COSTS</b>				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	309,807	428,275	460,130	721,604
Other income and costs (Note VI.13, VI.26 and VII)	478,080	762,231	887,308	1,345,803
<b>Total Non-Operating Income or Costs</b>	<b>787,887</b>	<b>1,190,506</b>	<b>1,347,438</b>	<b>2,067,407</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>2,602,357</b>	<b>1,426,468</b>	<b>2,726,320</b>	<b>2,905,300</b>
<b>INCOME TAX (EXPENSES)/BENEFITS (Note VI.28)</b>	<b>(272,152)</b>	<b>157,353</b>	<b>(324,700)</b>	<b>98,936</b>
<b>NET INCOME</b>	<b>2,330,205</b>	<b>1,583,821</b>	<b>2,401,620</b>	<b>3,004,236</b>
<b>OTHER COMPREHENSIVE INCOME (Note VI.27)</b>				
Not to be reclassified subsequently to profit or loss				
Unrealized valuation gains/(losses) from equity instrument investments measured at fair value through other comprehensive income	353,881	(183,644)	(46,184)	(44,109)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	535,654	(43,474)	48,439	251,452
To be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	(101,081)	179,245	(265,083)	267,796
Unrealized valuation gains/(losses) from debt instrument investments measured at fair value through other comprehensive income	571,519	220,967	(94,368)	629,430
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	3,082,328	1,326,458	(643,083)	3,560,695
<b>Total Other Comprehensive Income-Net of Tax</b>	<b>4,442,301</b>	<b>1,499,552</b>	<b>(1,000,279)</b>	<b>4,665,264</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$6,772,506</b>	<b>\$3,083,373</b>	<b>\$1,401,341</b>	<b>\$7,669,500</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the parent company	<u>\$2,334,757</u>	<u>\$1,577,686</u>	<u>\$2,405,820</u>	<u>\$2,985,770</u>
Non-controlling interests (Note VI.25 and VI.30)	<u>\$(4,552)</u>	<u>\$6,135</u>	<u>\$(4,200)</u>	<u>\$18,466</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the parent company	<u>\$6,776,762</u>	<u>\$3,077,199</u>	<u>\$1,405,660</u>	<u>\$7,650,960</u>
Non-controlling interests (Note VI.25 and VI.30)	<u>\$(4,256)</u>	<u>\$6,174</u>	<u>\$(4,319)</u>	<u>\$18,540</u>
<b>EARNINGS PER SHARE (Note VI.29)</b>				
Net income attributable to owners of the parent company	<u>\$0.68</u>	<u>\$0.46</u>	<u>\$0.70</u>	<u>\$0.87</u>

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



English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
For the Six-Month Periods Ended June 30, 2020 and 2019  
(Expressed in New Taiwan Thousand Dollars)

Items	Equity Attributed to Owners of the Parent Company									
	Retained Earnings					Other Equity				
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealised Gains/(Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
Balance, January 1, 2019	\$32,418,432	\$8,648,158	\$4,888,610	\$11,338,931	\$5,016,370	\$(588,187)	\$(3,303,578)	\$58,418,736	\$3,355,546	\$61,774,282
Appropriations and distribution of 2018 retained earnings:										
Legal reserve	-	-	376,483	-	(376,483)	-	-	-	-	-
Special reserve	-	-	-	3,531,666	(3,531,666)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,108,221)	-	-	(1,108,221)	-	(1,108,221)
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	(507,567)	-	7,074	(500,493)	-	(500,493)
Net income for the six-month period ended June 30, 2019	-	-	-	-	2,985,770	-	-	2,985,770	18,466	3,004,236
Other comprehensive income for the six-month period ended June 30, 2019	-	-	-	-	(850)	263,606	4,402,434	4,665,190	74	4,665,264
Total comprehensive income	-	-	-	-	2,984,920	263,606	4,402,434	7,650,960	18,540	7,669,500
Shared-based payment transaction	-	239	-	-	-	-	-	239	-	239
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(47,763)	(47,763)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(46,213)	-	46,213	-	-	-
Other	-	-	-	-	(964)	-	-	(964)	-	(964)
Balance, June 30, 2019	\$32,418,432	\$8,648,397	\$5,265,093	\$14,870,597	\$2,430,176	\$(324,581)	\$1,152,143	\$64,460,257	\$3,326,323	\$67,786,580
Balance, January 1, 2020	\$32,418,432	\$8,648,567	\$5,265,093	\$14,870,597	\$5,293,012	\$(754,675)	\$1,658,964	\$67,399,990	\$3,313,251	\$70,713,241
Appropriations and distribution of 2019 retained earnings:										
Legal reserve	-	-	529,301	-	(529,301)	-	-	-	-	-
Special reserve	-	-	-	1,210,512	(1,210,512)	-	-	-	-	-
Cash dividends	-	-	-	-	(5,500,000)	-	-	(5,500,000)	-	(5,500,000)
Stock dividends	1,944,965	-	-	-	(1,944,965)	-	-	-	-	-
Reversal of special reserve	-	-	-	(3,891,765)	3,891,765	-	-	-	-	-
Net income for the six-month period ended June 30, 2020	-	-	-	-	2,405,820	-	-	2,405,820	(4,200)	2,401,620
Other comprehensive income for the six-month period ended June 30, 2020	-	-	-	-	2,098	(259,186)	(743,072)	(1,000,160)	(119)	(1,000,279)
Total comprehensive income	-	-	-	-	2,407,918	(259,186)	(743,072)	1,405,660	(4,319)	1,401,341
Shared-based payment transaction	-	8	-	-	-	-	-	8	-	8
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,978,276)	(2,978,276)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(23,573)	-	23,573	-	-	-
Other	-	-	-	-	433	-	-	433	-	433
Balance, June 30, 2020	\$34,363,397	\$8,648,575	\$5,794,394	\$12,189,344	\$2,384,777	\$(1,013,861)	\$939,465	\$63,306,091	\$330,656	\$63,636,747

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six-Month Periods Ended June 30, 2020 and 2019  
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income tax	\$2,726,320	\$2,905,300
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	397,822	397,928
Amortization	127,263	130,868
Expected credit impairment (losses) or gains on reversal	13,407	(3,853)
Interest expense	747,073	1,063,254
Interest income	(2,327,789)	(2,488,708)
Dividend income	(93,071)	(96,242)
Share-based payment transactions	8	239
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(460,130)	(721,604)
(Gains)/losses on disposal of property and equipment	440	(35,144)
(Gains)/losses on disposal of investments accounted for using the equity method	-	(119,700)
Others	(204)	(22)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	20,564,878	(5,348,113)
Financial assets measured at fair value through other comprehensive income-current	(8,047,358)	(5,408,719)
Investment in bonds with reverse repurchase agreements	5,467,509	(3,400,001)
Securities margin loans receivable	(433,823)	437,686
Refinancing margin	(127,659)	-
Refinancing deposits receivable	(103,087)	-
Trading securities receivable	841,410	488,273
Customer margin accounts	(8,971,596)	(6,601,735)
Futures commission merchant receivable	(3,611)	2,841
Stock borrowing collateral price	21,602	651,375
Security lending deposits	(2,788,985)	(8,279,860)
Notes receivable	3,019	(310)
Accounts receivable	(11,932,881)	(14,601,111)
Prepayments	(20,310)	(10,755)
Other financial assets-current	(2,269,108)	1,428,930
Other current assets	5,744,434	772,585
Financial assets measured at fair value through profit or loss-non-current	238,738	(196,800)
Financial assets measured at fair value through other comprehensive income-non-current	130,665	(3,161,828)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	(95,490)	2,060,976
Liabilities for bonds with repurchase agreements	(5,558,909)	10,510,888
Short sale margins	(568,500)	(1,408,339)
Payables for short sale collateral received	(798,251)	(2,804,568)
Guarantee deposit received from security lending	3,672,539	5,035,992
Futures customers' equity	9,271,959	6,600,272
Accounts payable	13,691,311	13,815,776
Amounts received in advance	74,486	(3,572)
Amounts collected for other parties	(7,986,553)	(37,918)
Other payables	(190,046)	(297,928)
Other financial liabilities-current	1,134,830	1,394,354
Other current liabilities	149,777	(13,178)
Liabilities reserve-non-current	1,120	(4,573)
Other non-current liabilities	(11,956)	(33,188)
Cash provided by/(used in) operating activities	12,231,293	(7,380,232)
Interest received	2,702,540	2,472,572
Dividend received	15,722	5,914
Interest paid	(955,708)	(961,234)
Income tax received/(paid)	(148,088)	582,831
Net cash provided by/(used in) operating activities	13,845,759	(5,280,149)

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

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Six-Month Periods Ended June 30, 2020 and 2019  
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through other comprehensive income	\$89,925	\$306,676
Purchase of property and equipment	(95,646)	(106,086)
Disposal of property and equipment	401	70,386
Operation guarantee deposits	-	48,780
Clearing and settlement fund	(25,138)	(65,782)
Guarantee deposits	(131,002)	(148,563)
Purchase of intangible assets	(41,653)	(37,204)
Other non-current assets	36	6,397
Prepayments for purchase of equipment	(39,772)	(19,478)
Dividends received	228,283	261,152
Net cash provided by/(used in) investing activities	(14,566)	316,278
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	(308,448)	303,150
Commercial papers payable	(4,143,433)	2,620,708
Repayment of bonds	(4,800,000)	-
Lease principal paid	(261,176)	(249,793)
Cash dividends	(5,500,000)	(1,155,984)
Changes in non-controlling interests	(2,978,276)	-
Net cash provided by/(used in) financing activities	(17,991,333)	1,518,081
EFFECTS OF EXCHANGE RATE CHANGES	52,770	39,368
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(4,107,370)	(3,406,422)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	16,650,427	13,848,536
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$12,543,057	\$10,442,114

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

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Six-Month Periods Ended June 30, 2020 and 2019  
(Expressed in thousands of New Taiwan dollars unless otherwise stated)

I. **Organization and Operations**

KGI Securities Co. Ltd. (“the Company”) was established under the Company Law of the Republic of China (“ROC”) on September 14, 1988 to operate as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and commenced its operations since December 10, 1988.

The Company acquired and merged Taishin Securities Co., Ltd. on December 19, 2009. Therefore, the Company assumed all assets, liabilities, rights and obligations of Taishin Securities Co., Ltd.

China Development Financial Holding Corporation (“CDFH”) announced the commencement of a tender offer for 1 share of the Company for NT\$5.5 in cash and 1.2 CDFH share on May 3, 2012. CDFH had acquired 81.73% shares of the Company through the public tender offer period, from May 7 to May 28, 2012. The Board of Directors set January 18, 2013 as the record date for stock conversion on December 17, 2012. The Company converted 1 share of the Company’s common stock to 1.2 shares of CDFH’s common stock and NT\$5.1 in cash, becoming 100% owned subsidiary of CDFH. Meanwhile, the Company’s stock trading via OTC was suspended.

The Company merged Grand Cathay Securities Corporation (“GCSC”) on June 22, 2013. Therefore, the Company assumed all assets, liabilities, rights and obligations of GCSC.

The Company set up the Offshore Securities Unit (“OSU”) on April 16, 2014 which was approved by the Board of Directors and the authorities.

The Company’s registered address is 3F, No. 698 and 3F, No. 700, Mingshui Road, Taipei City. As of June 30, 2020, the Company had 74 branches including headquarter.

II. **Date and Procedures of Authorization of Financial Statements for Issue**

The consolidated financial statements of the Company and subsidiaries were authorized for issue in accordance with a resolution of the Board of Directors on August 21, 2020.

III. **Newly Issued or Revised Standards and Interpretations**

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company and subsidiaries applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2020. The first-time adoption has no material effect on the Company and subsidiaries.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Standards or interpretations issued, revised or amended, by IASB which are not endorsed by FSC, and not yet adopted by the company and subsidiaries as at the end of the reporting period are listed below.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date issued by IASB</u>
IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	January 1, 2023
Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

The potential impact of the standards or interpretations on the Company and subsidiaries’ consolidated financial statements are summarized as below:

- (1) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments address the inconsistency between the requirements in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

- (2) Classification of Liabilities as Current or Non-current – Amendments to IAS 1

These are the amendments to IAS 1 “Presentation of Financial Statements” and the amended paragraphs related to the classification of liabilities as current or non-current.

- (3) Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements

A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments updated IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. The amendments also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities. Besides, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Conceptual Framework.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments clarify what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.

Amendment to IFRS 9 “Financial Instruments”

The amendment clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to Illustrative Examples Accompanying IFRS 16 “Leases”

The amendment to Illustrative Example 13 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

Amendment to IAS 41

The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company and subsidiaries’ financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company and subsidiaries are still currently determining the potential impact of the standards and interpretations, it is not practicable to estimate their impact on the Company and subsidiaries at this point in time.

**IV. Summary of Significant Accounting Policies**

Apart from the items mentioned below, the same accounting polices have been applied in the Company and subsidiaries’ consolidated financial statements for the year ended December 31, 2019.

**1. Statement of Compliance**

The consolidated financial statements of the Company and subsidiaries for the six-month periods ended June 30, 2020 and 2019 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and became effective by FSC of the ROC.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. General Description of Reporting Entities**

The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/20	12/31/19	6/30/19
KGI Securities Co. Ltd.	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00	100.00
"	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting	100.00	100.00	100.00
"	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00	100.00
"	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00	100.00
"	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	100.00	100.00	100.00
"	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61	99.61
"	Global Corporation (Note 1 and Note 2)	Investment consulting, Management consulting	22.07	22.07	21.99
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00	100.00
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00	100.00
"	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment consulting	100.00	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00	100.00
KGI International Holdings Limited	KGI Limited	Investments holdings	100.00	100.00	100.00
"	Supersonic Services Inc.	Investments holdings	-	100.00	100.00
"	KGI International Limited	Investments holdings	100.00	100.00	100.00
"	Bauhinia 88 Ltd.	Investments holdings	-	100.00	100.00
"	KGI Korea Limited	Investments holdings	100.00	100.00	100.00
KGI Limited	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00	100.00
"	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00
"	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00
"	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00
"	KGI Hong Kong Limited	Management consulting services	100.00	100.00	100.00
"	KGI Asia Limited	Securities investment services	100.00	100.00	100.00
"	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/20	12/31/19	6/30/19
KGI Limited	KGI Asset Management Limited	Asset management	100.00	100.00	100.00
"	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00	100.00
"	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	-	100.00	100.00
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	-	100.00	100.00
"	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00
"	KGI Finance Limited	Investment and financing services	100.00	100.00	100.00
"	PT KGI Sekuritas Indonesia	Securities investment services	99.00	99.00	99.00
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	100.00

Note 1: The Company acquired over half voting rights of Global Corporation's Board of Directors and the chairman is assigned by the Company. According to IFRS, it can be determined that the Company have control over Global Corporation.

Note 2: The former Global Securities Finance Corporation held the special shareholder's meeting on November 29, 2019 to resolve termination of being securities finance enterprises, ceasing its status as a public company and changed its name to Global Corporation. It was approved by the authorities on December 13, 2019 and the change of company registration was completed on December 25, 2019. The shareholder's meeting on June 5, 2020 resolved to start liquidation on July 1, 2020.

(1) The detail information of the scope of subsidiaries:

- A. TG Holborn (HK) Limited was dissolved on June 26, 2019.
- B. Supersonic Services Inc. was dissolved on May 25, 2020.
- C. KGI Alliance Corporation was dissolved on June 10, 2020.
- D. Bauhinia 88 Ltd. was dissolved on June 30, 2020.

(2) The name of each subsidiary not included in the consolidated financial statements, percentage of ownership, and the reason for its exclusion from the consolidated financial statements: not applicable.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**3. Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction that is highly probable within one year from the date of classification and the asset or disposal group is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

**4. Post-employment benefits**

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations, significant curtailments, settlements, or other significant one-off events after the end of the prior financial year.

**5. Income taxes**

The income tax expense for the mid-term period is accrued and disclosed at the tax rate applicable to the expected total income for the current year, means that using estimated annual tax rate with the pre-tax benefit for the mid-term period. The estimate of the annual tax rate only includes current income tax expense, the deferred income tax is measured in accordance with IAS 12 “Income Tax” and in consistent with the annual financial report. When tax rate changes, the impact on deferred income tax is recognized in profit or loss, other comprehensive income, or directly in equity.

**V. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company and subsidiaries’ consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources for estimating uncertainty at the reporting date that would have a significant risk for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below:

**1. The Fair Value of Financial Instruments**

Where the fair value of financial assets and liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example: the discounted cash flows model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note XII.5.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. Goodwill**

The Company and subsidiaries evaluate whether the goodwill impairs annually. Adopting appropriate discount rate to estimate the CGU's recoverable value of goodwill, and execute the impaired evaluation tests for goodwill.

**3. Income Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

**VI. Contents of Significant Accounts**

**1. Cash and Cash Equivalents**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Cash on hand	\$3,325	\$3,071	\$3,259
Cash in banks	9,231,904	13,757,919	8,597,301
Cash equivalents			
Short-term commercial papers and bonds	1,670,520	2,046,283	1,050,610
Futures excess margin	1,637,308	843,154	790,944
Total	<u>\$12,543,057</u>	<u>\$16,650,427</u>	<u>\$10,442,114</u>

(1) Interest rates of the above short-term commercial papers and bonds are as follows:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Interest rates	0.22%-0.32%	0.42%-0.56%	0.42%-0.65%

(2) As of June 30, 2020, December 31, 2019 and June 30, 2019, the certificate of deposits over three months from the original due date were classified as other financial assets-current, the amount of which were 5,395,145 thousand dollars, 3,126,037 thousand dollars and 1,958,997 thousand dollars, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Please refer to Note VI.26 for information related to impairment of cash and cash equivalents and Note XII for details on credit risk.

(4) No pledged was made for the cash and cash equivalents mentioned above.

**2. Financial Assets Measured at Fair Value through Profit or Loss**

	6/30/20	12/31/19	6/30/19
<u>Current</u>			
Mandatorily measured at FVTPL			
Lent securities	\$401,674	\$1,291,917	\$978,846
Open-ended funds, monetary market instruments and other securities	1,443,979	1,895,759	1,815,599
Trading securities-dealing-net	40,044,246	54,826,843	45,379,472
Trading securities-underwriting-net	852,783	1,319,131	984,124
Trading securities-hedging-net	14,754,102	18,331,316	8,595,143
Long options	17,837	13,675	51,262
Futures trading margins-proprietary funds	823,320	907,767	1,025,192
Derivative instrument assets	2,768,718	3,206,002	2,853,510
Others	145,764	24,891	172,277
Total	<u>\$61,252,423</u>	<u>\$81,817,301</u>	<u>\$61,855,425</u>
<u>Non-current</u>			
Mandatorily measured at FVTPL			
Others	<u>\$2,852,976</u>	<u>\$3,091,790</u>	<u>\$2,979,377</u>

Financial assets measured at fair value through profit or loss-current are as follows:

(1) Lent securities

	6/30/20	12/31/19	6/30/19
Listed/OTC company stock	\$434,236	\$1,114,099	\$1,395,204
Valuation adjustments	(32,562)	177,818	(416,358)
Market value	<u>\$401,674</u>	<u>\$1,291,917</u>	<u>\$978,846</u>

(2) Open-ended funds, monetary market instruments and other securities

	6/30/20	12/31/19	6/30/19
Funds	\$575,000	\$575,000	\$475,000
Others	863,996	1,317,125	1,338,415
Subtotal	1,438,996	1,892,125	1,813,415
Valuation adjustments	4,983	3,634	2,184
Market value	<u>\$1,443,979</u>	<u>\$1,895,759</u>	<u>\$1,815,599</u>

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(3) Trading securities-dealing-net

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Listed/OTC/ESM company stock	\$3,024,888	\$5,016,470	\$3,387,995
Index fund	2,330,253	2,619,485	1,516,104
Domestic bonds	13,657,486	18,721,044	15,246,423
Foreign securities	21,418,414	28,307,889	25,104,611
Others	9,399	49,653	29,778
Subtotal	<u>40,440,440</u>	<u>54,714,541</u>	<u>45,284,911</u>
Valuation adjustments	(396,194)	112,302	94,561
Market value	<u>\$40,044,246</u>	<u>\$54,826,843</u>	<u>\$45,379,472</u>

(4) Trading securities-underwriting-net

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Listed/OTC/ESM company stock	\$218,200	\$278,259	\$543,890
Domestic bonds	586,925	934,124	402,047
Subtotal	<u>805,125</u>	<u>1,212,383</u>	<u>945,937</u>
Valuation adjustments	47,658	106,748	38,187
Market value	<u>\$852,783</u>	<u>\$1,319,131</u>	<u>\$984,124</u>

(5) Trading securities-hedging-net

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Listed/OTC/ESM company stock	\$1,768,796	\$3,696,692	\$2,379,496
Domestic bonds	3,846,881	3,602,547	-
Beneficiary certificate	5,590,719	5,347,171	2,487,710
Foreign securities	3,154,941	5,288,056	3,646,162
Others	232,186	227,921	153,359
Subtotal	<u>14,593,523</u>	<u>18,162,387</u>	<u>8,666,727</u>
Valuation adjustments	160,579	168,929	(71,584)
Market value	<u>\$14,754,102</u>	<u>\$18,331,316</u>	<u>\$8,595,143</u>

(6) Long options

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Index options	\$38,060	\$14,331	\$46,987
Stock options	93	369	7,910
Subtotal	<u>38,153</u>	<u>14,700</u>	<u>54,897</u>
Open interest	(20,316)	(1,025)	(3,635)
Market value	<u>\$17,837</u>	<u>\$13,675</u>	<u>\$51,262</u>

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(7) Futures trading margins-proprietary funds

	6/30/20	12/31/19	6/30/19
Account balance	\$779,945	\$1,132,436	\$1,030,395
Open interest	43,375	(224,669)	(5,203)
Account value	<u>\$823,320</u>	<u>\$907,767</u>	<u>\$1,025,192</u>

(8) Please refer to Note VI.19 for details of derivative instrument assets.

(9) Others

	6/30/20	12/31/19	6/30/19
Listed/OTC/ESM company stock	\$135,124	\$21,966	\$171,752
Domestic bonds	8,955	8,956	-
Non-listed/OTC/ESM company stock	6,405	-	-
Subtotal	150,484	30,922	171,752
Valuation adjustments	(4,720)	(6,031)	525
Market value	<u>\$145,764</u>	<u>\$24,891</u>	<u>\$172,277</u>

Financial assets measured at fair value through profit or loss-non-current are as follows:

	6/30/20	12/31/19	6/30/19
Listed/OTC/ESM company stock	\$227,045	\$311,936	\$315,423
Foreign securities	30,089	31,163	31,178
Non-listed/OTC/ESM company stock	1,463,090	988,990	1,021,467
Subtotal	1,720,224	1,332,089	1,368,068
Valuation adjustments	1,132,752	1,759,701	1,611,309
Market value	<u>\$2,852,976</u>	<u>\$3,091,790</u>	<u>\$2,979,377</u>

Please refer to Note VIII for details on financial assets measured at fair value through profit or loss pledged as collaterals.

**3. Financial Assets Measured at Fair Value through Other Comprehensive Income**

	6/30/20	12/31/19	6/30/19
<u>Current</u>			
Debt instrument investments-current			
Government bonds	\$-	\$-	\$768,865
Foreign securities	27,204,010	19,204,326	16,308,588
Subtotal	27,204,010	19,204,326	17,077,453
Equity instrument investments-current			
Listed/OTC company stock	1,641,034	1,777,144	2,049,116
Total	<u>\$28,845,044</u>	<u>\$20,981,470</u>	<u>\$19,126,569</u>

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	6/30/20	12/31/19	6/30/19
<u>Non-current</u>			
Debt instrument investments-non-current			
Foreign securities	\$7,652,717	\$7,984,889	\$8,384,130
Equity instrument investments-non-current			
Non-listed/OTC company stock	2,016	2,016	2,023
Foreign securities	70,443	71,502	-
Subtotal	72,459	73,518	2,023
Total	\$7,725,176	\$8,058,407	\$8,386,153

- (1) Please refer to Note VI.26 for details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note XII for details on credit risk.
- (2) The Company entered into a trust agreement with CTBC bank in September 2018. All the CDFH (the parent company) shares the Company held were entrusted to CTBC bank. CTBC bank will dispose of the shares pursuant to the terms and conditions of the trust agreement.
- (3) According to requests from the authorities, all the stocks of CDFH should be sold before expiry date. For the six-month periods ended June 30, 2020 and 2019, the Company sold 9,175 thousand shares and 30,521 thousand shares of stocks of CDFH (recognized in financial assets measured at fair value through other comprehensive income-equity instruments), respectively. Upon derecognition, the fair value of that sold shares was 89,925 thousand dollars and 306,676 thousand dollars respectively. The Company transferred the cumulative disposal loss of 27,882 thousand dollars and 85,119 thousand dollars from other equity to retained earnings, respectively.
- (4) The Company and subsidiaries' dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month and six-month periods ended June 30, 2020 and 2019 are as follow:

	For the three-month periods		For the six-month periods	
	ended June 30	ended June 30	ended June 30	ended June 30
	2020	2019	2020	2019
Related to investments held at the end of the reporting period	\$-	\$-	\$-	\$-
Related to investments derecognized during the period	-	-	-	-
Dividends recognized during the period	\$-	\$-	\$-	\$-

- (5) Please refer to Note VIII for details on financial assets measured at fair value through other comprehensive income pledged as collaterals.

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**4. Financial Assets Measured at Amortized Cost**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
<u>Non-Current</u>			
Bank Debentures	\$-	\$-	\$700,000
Government bonds	-	-	99,815
Subtotal	-	-	799,815
Less: loss allowance	-	-	(3,404)
Total	<u>\$-</u>	<u>\$-</u>	<u>\$796,411</u>

(1) Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

(2) No pledged was made for financial assets measured at amortized cost mentioned above.

**5. Investment in Bonds with Reverse Repurchase Agreements**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Government bonds	\$7,361,425	\$6,532,924	\$8,191,101
Corporate bonds	2,932,296	7,266,229	8,002,976
Bank Debentures	2,426,945	4,389,022	6,654,762
Total	<u>\$12,720,666</u>	<u>\$18,188,175</u>	<u>\$22,848,839</u>
Resold amount as specified in respective agreements plus accrued interest	<u>\$12,725,962</u>	<u>\$18,221,682</u>	<u>\$22,877,466</u>
Resold date as specified in respective agreements	7/2/20-8/12/20	1/2/20-3/18/20	7/1/19-8/6/19

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

**6. Customer Margin Accounts**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Cash in banks	\$20,477,973	\$14,968,977	\$16,023,484
Marking to market from the clearing house	3,641,665	2,909,770	2,313,538
Marking to market from the other futures brokers	2,552,507	2,080,182	4,118,542
Securities	73	8,653	18
Foreign customer margin accounts	19,834,882	17,568,058	18,268,893
Total	<u>\$46,507,100</u>	<u>\$37,535,640</u>	<u>\$40,724,475</u>

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

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**7. Futures Commission Merchant Receivable**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Futures commission merchant receivable	\$170,993	\$167,493	\$170,212
Less: loss allowance	(166,782)	(160,587)	(160,435)
Net amount	<u>\$4,211</u>	<u>\$6,906</u>	<u>\$9,777</u>

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

**8. Accounts Receivable**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Exchange clearing receivable	\$6,709,850	\$3,045,497	\$5,822,038
Accounts receivable for settlement	31,247,519	22,931,948	31,473,770
Interest receivable	649,670	1,015,573	938,851
Others	561,968	588,017	1,155,481
Subtotal	39,169,007	27,581,035	39,390,140
Less: loss allowance	(1,974)	(1,561)	(1,822)
Total	<u>\$39,167,033</u>	<u>\$27,579,474</u>	<u>\$39,388,318</u>

(1) Aging analysis of accounts receivable are as follows:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Non-past due	\$38,839,465	\$27,409,245	\$39,142,832
Past due			
Less than 30 days	323,843	166,678	235,797
30 to 60 days	1,553	569	4,103
61 to 120 days	2,712	2,764	4,172
More than 121 days	1,434	1,779	3,236
Total	<u>\$39,169,007</u>	<u>\$27,581,035</u>	<u>\$39,390,140</u>

(2) Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

**9. Non-current Assets Held for Sale**

The Company's subsidiary, Global Corporation held the shareholders' meeting to decided the case of public tender for its land and buliding on June 5, 2020. The Company transferred these assets to non-current assets held for sale. The fair value of the non-current assets held for sale was 302,815 thousand dollars as of June 30, 2020.



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**10. Investments accounted for using the Equity Method**

Investee	6/30/20		12/31/19	
	Amount	Percentage	Amount	Percentage
<u>Investments in associates</u>				
KGI Securities (Thailand) Public Company Limited				
Company Limited	\$2,164,071	34.97	\$2,600,839	34.97
CDIB Bioscience Ventures I, Inc.	1,927	1.20	1,927	1.20
China Life Insurance Co., Ltd.	13,515,035	8.66	13,783,128	8.66
Total	<u>\$15,681,033</u>		<u>\$16,385,894</u>	

Investee	6/30/19	
	Amount	Percentage
<u>Investments in associates</u>		
KGI Securities (Thailand) Public Company Limited		
Company Limited	\$2,460,373	34.97
CDIB Bioscience Ventures I, Inc.	2,029	1.20
China Life Insurance Co., Ltd.	12,736,255	8.66
Total	<u>\$15,198,657</u>	

(1) Information on associates significant to the Company

A. Name of associate: KGI Securities (Thailand) Public Company Limited

Nature of activities: the associate engages in securities related businesses

Principal place of business: Thailand

Fair value from quoted market price: KGI Securities (Thailand) Public Company Limited is listed on the Stock Exchange of Thailand. Its fair value is categorized as level 1 within the fair value hierarchy. The fair values of the Company's investment accounted for using the equity method are 2,316,285 thousand dollars, 3,137,969 thousand dollars and 3,341,576 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

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Financial information on associate significant to the Company is as follows:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Current assets	\$12,333,067	\$10,462,940	\$17,174,161
Non-current assets	1,206,125	938,972	979,722
Current liabilities	(7,977,714)	(4,877,301)	(12,097,660)
Non-current liabilities	(504,397)	(235,221)	(206,091)
Non-controlling interests	(3,683)	(3,911)	(3,285)
Attributed to controlling interests	<u>\$5,053,398</u>	<u>\$6,285,479</u>	<u>\$5,846,847</u>
Ownership percentage	34.97%	34.97%	34.97%
Proportion of ownership	\$1,767,173	\$2,198,032	\$2,044,642
Goodwill	396,898	402,807	415,731
Carrying amount	<u>\$2,164,071</u>	<u>\$2,600,839</u>	<u>\$2,460,373</u>

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$640,768</u>	<u>\$778,676</u>	<u>\$501,347</u>	<u>\$1,637,646</u>
Profit or loss from continuing operations	\$184,459	\$193,832	\$(296,084)	\$497,318
Other comprehensive income	(12,563)	(5,519)	8,528	(9,652)
Total comprehensive income	<u>\$171,896</u>	<u>\$188,313</u>	<u>\$(287,556)</u>	<u>\$487,666</u>
Dividends received from associate	<u>\$227,007</u>	<u>\$258,896</u>	<u>\$227,007</u>	<u>\$258,896</u>

B. Name of associate: China Life Insurance Co., Ltd.

Nature of activities: the associate engages in insurance related businesses

Principal place of business: Taiwan

Fair value from quoted market price: China Life Insurance Company Limited is listed on the Stock Exchange of Taiwan. Its fair value is categorized as level 1. The fair value of the Company's investment accounted for using the equity method are 8,422,031 thousand dollars, 9,890,092 thousand dollars and 9,600,343 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

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Financial information on associate significant to the company is as follows:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Total assets	\$2,068,876,211	\$2,000,237,920	\$1,896,755,084
Total liabilities	<u>(1,928,707,441)</u>	<u>(1,857,568,359)</u>	<u>(1,766,820,215)</u>
Attributed to controlling interests	<u>\$140,168,770</u>	<u>\$142,669,561</u>	<u>\$129,934,869</u>
Ownership percentage	8.66%	8.66%	8.66%
Proportion of ownership	\$12,131,887	\$12,348,336	\$11,246,123
Net stock equity difference	1,383,148	1,434,792	1,490,132
Carrying amount	<u>\$13,515,035</u>	<u>\$13,783,128</u>	<u>\$12,736,255</u>

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Operating revenue	<u>\$78,197,043</u>	<u>\$84,621,355</u>	<u>\$149,058,506</u>	<u>\$176,989,711</u>
Profit or loss from continuing operations	\$3,544,541	\$4,644,062	\$8,003,399	\$7,449,627
Other comprehensive income	41,376,755	14,274,037	(7,831,040)	39,975,627
Total comprehensive income	<u>\$44,921,296</u>	<u>\$18,918,099</u>	<u>\$172,359</u>	<u>\$47,425,254</u>
Dividends received from associate	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

- (2) The Company's investments in CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 1,927 thousand dollars, 1,927 thousand dollars and 2,029 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively, and the proportionate aggregate financial information of investments is as follows:

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit or loss from continuing operations	\$-	\$-	\$-	\$-
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

- (3) Since the shares of CDIB Bioscience Venture I, Inc held by the Company and affiliate company, CDIB Capital Group, is over 20%, the investment is measured under the equity method.
- (4) Since the shares of China Life Insurance Company held by the Company and parent company, China Development Financial Holding Corp., is over 20%, the investment is measured under the equity method.
- (5) Please refer to Note VIII for investments accounted for using the equity method pledged as collaterals.

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**11. Property and Equipment**

(1) Changes in property and equipment are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<u>Cost</u>					
January 1, 2020	\$3,871,501	\$2,033,633	\$2,352,607	\$374,121	\$8,631,862
Additions	-	-	82,208	13,438	95,646
Disposals	-	-	(183,990)	(17,688)	(201,678)
Transfers	(138,506)	(92,670)	11,717	-	(219,459)
Exchange differences	-	-	(25,432)	(4,042)	(29,474)
June 30, 2020	<u>\$3,732,995</u>	<u>\$1,940,963</u>	<u>\$2,237,110</u>	<u>\$365,829</u>	<u>\$8,276,897</u>
January 1, 2019	\$3,926,002	\$2,076,559	\$2,503,261	\$401,988	\$8,907,810
Additions	-	-	93,994	12,092	106,086
Disposals	(21,621)	(17,362)	(161,942)	(49,617)	(250,542)
Transfers	-	-	11,071	3,195	14,266
Exchange differences	-	-	12,991	3,109	16,100
June 30, 2019	<u>\$3,904,381</u>	<u>\$2,059,197</u>	<u>\$2,459,375</u>	<u>\$370,767</u>	<u>\$8,793,720</u>
<u>Depreciation and Impairment</u>					
January 1, 2020	\$-	\$835,871	\$1,875,842	\$303,023	\$3,014,736
Depreciation	-	18,951	96,289	14,961	130,201
Disposals	-	-	(183,218)	(17,619)	(200,837)
Transfers	-	(42,763)	(2,502)	-	(45,265)
Exchange differences	-	-	(18,253)	(3,527)	(21,780)
June 30, 2020	<u>\$-</u>	<u>\$812,059</u>	<u>\$1,768,158</u>	<u>\$296,838</u>	<u>\$2,877,055</u>
January 1, 2019	\$-	\$816,878	\$2,049,603	\$344,832	\$3,211,313
Depreciation	-	19,169	99,406	13,934	132,509
Disposals	-	(4,805)	(161,140)	(49,355)	(215,300)
Transfers	-	-	-	-	-
Exchange differences	-	-	9,498	2,692	12,190
June 30, 2019	<u>\$-</u>	<u>\$831,242</u>	<u>\$1,997,367</u>	<u>\$312,103</u>	<u>\$3,140,712</u>
<u>Net carrying amount as of</u>					
June 30, 2020	<u>\$3,732,995</u>	<u>\$1,128,904</u>	<u>\$468,952</u>	<u>\$68,991</u>	<u>\$5,399,842</u>
December 31, 2019	<u>\$3,871,501</u>	<u>\$1,197,762</u>	<u>\$476,765</u>	<u>\$71,098</u>	<u>\$5,617,126</u>
June 30, 2019	<u>\$3,904,381</u>	<u>\$1,227,955</u>	<u>\$462,008</u>	<u>\$58,664</u>	<u>\$5,653,008</u>

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- (2) The above items of property and equipment are depreciated on a straight line basis over their estimated useful lives; the estimated useful lives of buildings are 55 years, while the others are 2 to 10 years.
- (3) Please refer to Note VIII for property and equipment pledged as collaterals.

**12. Lease**

The Company and subsidiaries lease various properties, including real estate such as buildings, transportation equipment and other equipment. The lease terms range from 1 to 6 years. The Company and subsidiaries' leases effect on the financial position, financial performance and cash flows are as follows:

- (1) Amounts recognized in the balance sheets

A. The carrying amount of right-of-use assets

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Buildings	\$1,233,226	\$1,162,035	\$1,349,100
Transportation equipment	12,846	13,728	11,762
Other equipment	327	150	54
Total	<u>\$1,246,399</u>	<u>\$1,175,913</u>	<u>\$1,360,916</u>

During the six-month periods ended June 30, 2020 and 2019, the Company and subsidiaries' additions to right-of-use assets amounting to 348,591 thousand dollars and 68,025 thousand dollars respectively.

B. Lease liabilities

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Lease liabilities			
Current	\$486,665	\$473,433	\$456,953
Non-current	786,390	723,048	916,746
Total	<u>\$1,273,055</u>	<u>\$1,196,481</u>	<u>\$1,373,699</u>

Please refer to Note VI.26 for the interest on lease liabilities recognized during the three-month and six-month periods ended June 30, 2020 and 2019 and refer to Note XII.3 for the maturity analysis for lease liabilities as of June 30, 2020, December 31, 2019 and June 30, 2019.

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(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Buildings	\$131,859	\$128,707	\$259,989	\$257,204
Transportation equipment	2,710	3,170	5,568	6,235
Other equipment	71	26	143	67
<b>Total</b>	<b>\$134,640</b>	<b>\$131,903</b>	<b>\$265,700</b>	<b>\$263,506</b>

(3) Income and costs relating to leasing activities

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
The expenses relating to short-term leases	\$2,877	\$5,128	\$6,603	\$10,563
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	\$472	\$4,407	\$900	\$4,768

(4) Cash outflow relating to leasing activities

During the six-month periods ended June 30, 2020 and 2019, the Company and subsidiaries' total cash outflows for leases amounting to 281,731 thousand dollars and 281,569 thousand dollars, respectively.

**13. Investment Property**

(1) Changes in investment property are as follows

	Land	Buildings	Total
<u>Cost</u>			
January 1, 2020	\$379,446	\$191,713	\$571,159
Transfers	(87,454)	(43,212)	(130,666)
June 30, 2020	\$291,992	\$148,501	\$440,493
January 1, 2019	\$379,446	\$191,713	\$571,159
Transfers	-	-	-
June 30, 2019	\$379,446	\$191,713	\$571,159

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Depreciation and Impairment</u>			
January 1, 2020	\$-	\$75,311	\$75,311
Depreciation	-	1,921	1,921
Transfers	-	(18,103)	(18,103)
June 30, 2020	<u>\$-</u>	<u>\$59,129</u>	<u>\$59,129</u>
January 1, 2019	\$-	\$71,485	\$71,485
Depreciation	-	1,913	1,913
Transfers	-	-	-
June 30, 2019	<u>\$-</u>	<u>\$73,398</u>	<u>\$73,398</u>
<u>Net carrying amount as of</u>			
June 30, 2020	<u>\$291,992</u>	<u>\$89,372</u>	<u>\$381,364</u>
December 31, 2019	<u>\$379,446</u>	<u>\$116,402</u>	<u>\$495,848</u>
June 30, 2019	<u>\$379,446</u>	<u>\$118,315</u>	<u>\$497,761</u>

(2) Leases relating to investment property

The Company and subsidiaries' investment properties include owned investment properties. The Company and subsidiaries have entered into commercial property leases on its owned investment properties with lease terms of between 1 and 3 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

A. Lease income for operating leases are as follows:

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
<u>Rental income from the lease of investment property</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	<u>\$7,439</u>	<u>\$7,334</u>	<u>\$14,789</u>	<u>\$14,661</u>

B. The undiscounted lease payments to be received and total amounts for the remaining June 30, 2020, December 31, 2019 and June 30, 2019 are as follows:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Not later than one year	\$14,325	\$25,876	\$14,673
Later than one year but not later than two years	3,608	9,548	13,149
More than two years but less than three years	-	-	7,988
Total	<u>\$17,933</u>	<u>\$35,424</u>	<u>\$35,810</u>

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- (3) The investment properties are not measured at fair value but at cost. Its fair value is categorized as level 3 and it is only used for disclosure. The fair value of investment property held by the Company and subsidiaries is 867,465 thousand dollars, 980,348 thousand dollars and 980,348 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. The management refers independent appraisal report and adopts the market valuation model to evaluate the fair value.
- (4) The investment properties are depreciated on a straight-line basis over estimated 55 years useful life.
- (5) Please refer to Note VIII for investment property pledged as collaterals.

**14. Intangible Assets**

- (1) Changes in intangible assets are as follows:

	Goodwill	Software	Other intangible assets	Total
January 1, 2020	\$6,596,705	\$141,356	\$880,288	\$7,618,349
Additions	-	41,653	-	41,653
Amortizations	-	(32,756)	(94,507)	(127,263)
Exchange differences	(40,690)	-	-	(40,690)
June 30, 2020	<u>\$6,556,015</u>	<u>\$150,253</u>	<u>\$785,781</u>	<u>\$7,492,049</u>
January 1, 2019	\$6,774,975	\$140,915	\$1,069,304	\$7,985,194
Additions	-	37,204	-	37,204
Amortizations	-	(35,981)	(94,508)	(130,489)
Exchange differences	22,317	-	-	22,317
June 30, 2019	<u>\$6,797,292</u>	<u>\$142,138</u>	<u>\$974,796</u>	<u>\$7,914,226</u>

- (2) The amortized lives for software and other intangible assets of the Company and subsidiaries are between 3 and 15 years.

**15. Other Non-Current Assets**

	6/30/20	12/31/19	6/30/19
Operation guarantee deposits	\$1,176,900	\$1,176,900	\$1,376,900
Clearing and settlement fund	637,146	612,008	621,258
Guarantee deposits	703,199	572,197	894,795
Others	282,230	260,426	250,614
Total	<u>\$2,799,475</u>	<u>\$2,621,531</u>	<u>\$3,143,567</u>

Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.



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**16. Short-Term Borrowings**

	6/30/20	12/31/19	6/30/19
Interbank loans	\$1,453,340	\$1,595,618	\$1,864,320
Credit loans	11,202,172	12,933,046	9,719,908
Secured loans	5,825,250	4,260,546	3,501,145
Total	<u>\$18,480,762</u>	<u>\$18,789,210</u>	<u>\$15,085,373</u>
Interest rate	0.25%-7.25%	1.00%-5.95%	0.85%-8.30%

Please refer to Note VIII for collaterals for the above short-term borrowings.

**17. Commercial Papers Payable**

	6/30/20	12/31/19	6/30/19
Commercial papers payable	\$1,900,000	\$6,044,085	\$5,081,269
Less: discount	(125)	(777)	(2,809)
Net amount	<u>\$1,899,875</u>	<u>\$6,043,308</u>	<u>\$5,078,460</u>
Interest rate	0.408%-0.414%	0.669%-1.780%	0.520%-2.530%

**18. Financial Liabilities Measured at Fair Value Through Profit or Loss**

	6/30/20	12/31/19	6/30/19
Financial liabilities held for trading			
Investment in bonds with reverse repurchase agreements - short sale	\$225,433	\$156,947	\$958,619
Warrants liabilities	14,897,838	18,359,407	12,828,781
Warrants redeemed	(14,244,616)	(17,784,403)	(12,330,099)
Settlement coverage bonds payable of short sale	149,332	-	348,374
Short options	15,283	13,858	39,876
Liabilities for securities and bonds borrowed	3,817,245	2,535,693	3,689,590
Derivative instruments liabilities	5,878,231	6,297,339	4,172,152
Financial liabilities designated at fair value through profit or loss	5,262,071	6,517,466	3,895,201
Total	<u>\$16,000,817</u>	<u>\$16,096,307</u>	<u>\$13,602,494</u>

(1) Investment in bonds with reverse repurchase agreements-short sale

	6/30/20	12/31/19	6/30/19
Foreign securities	<u>\$225,433</u>	<u>\$156,947</u>	<u>\$958,619</u>

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(2) Warrants liabilities and warrants redeemed

A. Details on liabilities for warrants issued and warrants redeemed are as follows:

	6/30/20	12/31/19	6/30/19
Warrants liabilities	\$ 14,454,958	\$24,191,363	\$18,638,314
Gains/(losses) on value change	442,880	(5,831,956)	(5,809,533)
Market value	14,897,838	18,359,407	12,828,781
Warrants redeemed	13,330,865	21,234,863	16,196,654
Gains/(losses) on value change	913,751	(3,450,460)	(3,866,555)
Market value	14,244,616	17,784,403	12,330,099
Net value	\$653,222	\$575,004	\$498,682

B. All warrants issued by the Company are American and European options. The Company can settle the warrants with either cash or the underlying stock.

(3) Settlement coverage bonds payable of short sale

	6/30/20	12/31/19	6/30/19
Government bonds	\$149,332	\$-	\$348,374

(4) Short options

	6/30/20	12/31/19	6/30/19
Index options	\$21,807	\$18,853	\$35,209
Stock options	33	216	5,718
Subtotal	21,840	19,069	40,927
Open interest	(6,557)	(5,211)	(1,051)
Market value	\$15,283	\$13,858	\$39,876

(5) Liabilities for securities and bonds borrowed

	6/30/20	12/31/19	6/30/19
Listed/OTC company stock	\$1,472,927	\$249,615	\$605,572
Index funds	1,864,799	1,913,497	1,554,084
Foreign securities	394,761	281,182	1,504,616
Subtotal	3,732,487	2,444,294	3,664,272
Valuation adjustments	84,758	91,399	25,318
Market value	\$3,817,245	\$2,535,693	\$3,689,590

(6) Please refer to Note VI.19 for details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

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**19. Derivative Instruments**

(1) Nominal amounts

Financial Instruments	6/30/20	12/31/19	6/30/19
Options and futures contract	\$24,728,282	\$31,585,002	\$25,025,522
Foreign futures and options	2,754,503	777,350	11,374,841
Interest rate swap (IRS)	136,211,914	143,752,023	263,993,300
Convertible bond asset swap (CBAS)- interest	24,231,130	24,786,026	11,859,500
CBAS-long option	24,198,030	22,664,030	22,539,998
CBAS-short option	31,445,749	30,531,686	25,458,410
Structured notes	13,353,709	13,104,718	8,350,004
Equity derivative instruments	4,988	34,023	67,843
Credit derivative instruments	2,045,088	2,509,323	2,358,394
Exchange rate derivative instruments	29,192,023	36,496,757	53,355,948
<b>Total</b>	<b>\$288,165,416</b>	<b>\$306,240,938</b>	<b>\$424,383,760</b>

(2) Derivative instruments assets/liabilities

Financial Instruments	6/30/20	12/31/19	6/30/19
<b>Derivative instrument assets</b>			
Contract value			
IRS	\$806,555	\$540,624	\$702,662
CBAS-interest	155,945	101,120	78,040
Long options			
CBAS	1,642,886	2,362,396	1,636,605
Structured notes	824	346	4,579
Equity derivative instruments	-	-	3,403
Credit derivatives instruments	4,763	7,627	6,816
Exchange rate derivative instruments	97,164	187,523	288,245
Foreign futures and options	60,581	6,366	133,160
<b>Total</b>	<b>\$2,768,718</b>	<b>\$3,206,002</b>	<b>\$2,853,510</b>
<b>Derivative instrument liabilities</b>			
Contract value			
IRS	\$956,226	\$570,690	\$747,263
CBAS-interest	219,528	455,697	562,916
Short options			
CBAS	1,767,707	2,444,908	1,715,750
Structured notes	2,644,735	2,458,874	764,076
Equity derivative instruments	1,985	10,068	29,450
Credit derivative instruments	19,581	42,725	33,750
Exchange rate derivative instruments	218,781	308,293	211,403
Foreign futures and options	49,688	6,084	107,544
<b>Total</b>	<b>\$5,878,231</b>	<b>\$6,297,339</b>	<b>\$4,172,152</b>
<b>Financial liabilities designated at fair value through profit or loss</b>			
Structured notes	\$4,703,290	\$5,715,467	\$3,890,684
Others	558,781	801,999	4,517
<b>Total</b>	<b>\$5,262,071</b>	<b>\$6,517,466</b>	<b>\$3,895,201</b>

Please refer to Note VI.2 and Note VI.18 for details on financial assets or liabilities of option and futures contracts.

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(3) Presentation of derivative instruments on the financial statements

A. The details of net gains/(losses) on liabilities for warrants issued are as follows:

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2020	2019	2020	2019
Warrants liabilities:				
Gains on value change	\$11,404,719	\$15,984,359	\$28,932,319	\$25,146,017
Gains on exercising warrants before maturity	97,649	(1,962)	67,271	525
Warrants redeemed:				
Losses on resale of warrants	222,183	(1,887,334)	(2,260,271)	(2,834,579)
Losses on value change	(11,089,749)	(13,937,293)	(26,342,662)	(22,101,024)
Expense for warrant	(63,149)	(41,356)	(130,874)	(88,106)
Gains/(losses) on warrants issued	<u>\$571,653</u>	<u>\$116,414</u>	<u>\$265,783</u>	<u>\$122,833</u>

B. The details of net gains/(losses) on derivative instruments-futures are as follows:

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2020	2019	2020	2019
Futures contracts	\$142,315	\$346,105	\$(546,474)	\$138,980
Options	1,674,474	(24,865)	(52,445)	11,992
Total	<u>\$1,816,789</u>	<u>\$321,240</u>	<u>\$(598,919)</u>	<u>\$150,972</u>

C. The details of net gains/(losses) on derivative instruments-GTSM are as follows:

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2020	2019	2020	2019
IRS	\$(24,883)	\$(90,826)	\$(134,259)	\$(98,433)
CBAS	63,926	70,065	(362,059)	220,467
Options	(251,788)	(54,906)	381,573	(329,696)
Structured notes	(814,570)	(35,554)	(843,626)	(144,843)
Equity derivative instruments	(7,322)	23,987	4,131	19,893
Credit derivative instruments	(113,953)	(18,704)	(77,280)	(51,319)
Exchange rate derivative instruments	(18,087)	117,196	(54,630)	109,703
Total	<u>\$(1,166,677)</u>	<u>\$11,258</u>	<u>\$(1,086,150)</u>	<u>\$(274,228)</u>

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D. The details of futures and options transaction contract of the Company and subsidiaries are as follows:

6/30/20

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	124	\$254,944	\$255,465	
Futures Contracts	Foreign Futures	Long	3,835	2,066,741	2,095,233	
Futures Contracts	Foreign Futures	Short	527	1,480,177	1,486,036	
Futures Contracts	Finance Sector Index Futures	Long	81	101,269	100,975	
Futures Contracts	Finance Sector Index Futures	Short	37	45,064	45,214	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	120	141,535	140,916	
Futures Contracts	Mini-TaiEx Futures	Long	605	337,291	340,379	
Futures Contracts	Mini-TaiEx Futures	Short	3,879	2,202,452	2,208,716	
Futures Contracts	Stock Futures	Long	1,339	714,451	731,071	
Futures Contracts	Stock Futures	Short	2,956	1,081,676	1,113,469	
Futures Contracts	MSCI Taiwan Index Futures	Long	1,689	2,164,947	2,167,643	
Futures Contracts	MSCI Taiwan Index Futures	Short	40	50,753	50,908	
Futures Contracts	Yuanta Futures ETF	Short	24	21,465	21,504	
Futures Contracts	TaiEx Futures	Long	2,975	6,405,899	6,711,691	
Futures Contracts	TaiEx Futures	Short	3,403	7,433,100	7,701,348	
Futures Contracts	HK-HSI Futures	Long	18	83,469	83,514	
Futures Contracts	Mini-HK-HSI Futures Index	Short	90	83,056	83,514	
Options Contracts	Index Options-Call	Long	11,327	11,749	6,860	
Options Contracts	Index Options-Put	Long	3,240	26,311	10,891	
Options Contracts	Index Options-Call	Short	11,485	(11,973)	10,533	
Options Contracts	Index Options-Put	Short	1,888	(9,834)	4,720	
Options Contracts	Stock Options-Call	Long	26	55	66	
Options Contracts	Stock Options-Put	Long	47	38	20	
Options Contracts	Stock Options-Call	Short	12	(33)	30	

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12/31/19

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Brent Oil Futures	Long	2	\$786	\$795	
Futures Contracts	Brent Oil Futures	Short	57	22,779	23,473	
Futures Contracts	Elec-Sector Index Futures	Short	137	290,328	288,933	
Futures Contracts	Foreign Futures	Long	2,225	1,635,142	1,646,991	
Futures Contracts	Foreign Futures	Short	925	2,052,208	2,060,537	
Futures Contracts	Finance Sector Index Futures	Short	51	69,462	69,278	
Futures Contracts	Gold Futures	Short	25	11,362	11,515	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	41	51,252	51,574	
Futures Contracts	TPEX 200 Index	Long	31	9,610	9,635	
Futures Contracts	Mini-TaiEx Futures	Long	1,276	751,223	763,851	
Futures Contracts	Mini-TaiEx Futures	Short	1,474	883,646	882,264	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	4	2,403	2,400	
Futures Contracts	USD/CNT FX Futures	Long	30	18,183	18,074	
Futures Contracts	USD/CNT FX Futures	Short	102	62,484	61,809	
Futures Contracts	USA S&P 500 Futures	Long	1	650	645	
Futures Contracts	USA S&P 500 Futures	Short	31	20,152	20,008	
Futures Contracts	Stock Futures	Long	1,464	615,868	674,141	
Futures Contracts	Stock Futures	Short	8,366	3,215,894	3,530,978	
Futures Contracts	TWD/Gold Futures	Long	25	13,636	13,794	
Futures Contracts	MSCI Taiwan Index Futures	Long	2,494	3,475,319	3,451,336	
Futures Contracts	TOPIX Futures	Long	13	4,456	4,426	
Futures Contracts	TOPIX Futures	Short	7	2,429	2,384	
Futures Contracts	TaiEx Futures	Long	2,931	7,046,492	7,024,475	
Futures Contracts	TaiEx Futures	Short	4,601	11,071,492	11,029,920	
Futures Contracts	Taiwan 50 Index futures	Long	20	18,949	18,740	
Futures Contracts	HK-HSI Futures	Short	18	98,522	98,363	
Futures Contracts	Mini-HK-HSI Futures Index	Long	90	98,732	98,363	
Futures Contracts	Dow Jones Futures	Long	1	573	569	
Futures Contracts	Dow Jones Futures	Short	1	574	569	
Futures Contracts	Nasdaq-100 Index	Long	14	6,186	6,133	
Futures Contracts	Nasdaq-100 Index	Short	1	440	438	
Options Contracts	Index Options-Call	Long	12,627	7,610	4,559	
Options Contracts	Index Options-Put	Long	1,932	6,722	8,898	
Options Contracts	Index Options-Call	Short	12,320	(9,821)	5,541	
Options Contracts	Index Options-Put	Short	3,249	(9,032)	8,125	
Options Contracts	Stock Options-Call	Long	68	291	179	
Options Contracts	Stock Options-Put	Long	92	78	39	
Options Contracts	Stock Options-Call	Short	79	(176)	155	
Options Contracts	Stock Options-Put	Short	16	(40)	37	

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6/30/19

Item	Type of trading	Open interest position		Contract Amount/ Premium Paid (received)	Fair Value	Note
		Long/ Short	Lots			
Futures Contracts	Brent Oil Futures	Long	22	\$9,024	\$9,035	
Futures Contracts	Brent Oil Futures	Short	20	8,221	8,056	
Futures Contracts	GreTai Futures	Long	34	18,501	18,544	
Futures Contracts	GreTai Futures	Short	2	1,077	1,085	
Futures Contracts	Elec-Sector Index Futures	Long	196	323,819	330,118	
Futures Contracts	Finance Sector Index Futures	Long	8	10,158	10,162	
Futures Contracts	Finance Sector Index Futures	Short	400	510,496	514,640	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	113	143,846	144,071	
Futures Contracts	Gold Futures	Long	3	1,218	1,333	
Futures Contracts	Gold Futures	Short	13	5,749	5,732	
Futures Contracts	TWD/Gold Futures	Short	67	35,562	35,565	
Futures Contracts	TaiEx Futures	Long	3,295	6,785,035	6,927,810	
Futures Contracts	TaiEx Futures	Short	4,382	9,157,050	9,220,631	
Futures Contracts	Mini-TaiEx Futures	Long	412	214,564	214,176	
Futures Contracts	Mini-TaiEx Futures	Short	1,346	711,126	709,317	
Futures Contracts	Weekly-Mature Mini-TaiEx Futures	Long	5	2,654	2,671	
Futures Contracts	Stock Futures	Long	1,625	544,555	557,631	
Futures Contracts	Stock Futures	Short	9,922	2,360,910	2,425,313	
Futures Contracts	Foreign Futures	Long	3,245	1,527,168	1,509,696	
Futures Contracts	Foreign Futures	Short	1,324	1,854,959	1,875,966	
Futures Contracts	USD/CNH FX Futures	Long	85	265,559	264,923	
Futures Contracts	USD/CNT FX Futures	Long	56	34,985	35,009	
Futures Contracts	USA S&P 500 Futures	Long	115	67,322	67,438	
Futures Contracts	USA S&P 500 Futures	Short	13	7,611	7,623	
Futures Contracts	TOPIX Futures	Long	88	27,237	27,298	
Futures Contracts	TOPIX Futures	Short	26	8,045	8,061	
Futures Contracts	Taiwan 50 Index futures	Long	29	22,868	22,913	
Futures Contracts	Taiwan 50 Index futures	Short	5	3,898	3,901	
Futures Contracts	Yuanta Futures ETF	Long	186	148,786	150,660	
Futures Contracts	Dow Jones Futures	Long	213	113,298	113,209	
Futures Contracts	Dow Jones Futures	Short	4	2,125	2,124	
Futures Contracts	HK-HSI Futures	Long	2	11,316	11,345	
Futures Contracts	HK-HSI Futures	Short	62	351,972	351,695	
Futures Contracts	Mini-HK-HSI Futures Index	Long	70	79,392	79,415	
Futures Contracts	Mini-HK-HSI Futures Index	Short	10	11,368	11,345	
Futures Contracts	Indian Nifty Index Futures	Short	4	2,271	2,389	
Futures Contracts	MSCI Taiwan Index Futures	Long	1,135	1,363,273	1,362,971	
Futures Contracts	HSCEI Index Futures	Long	120	255,001	258,740	
Options Contracts	Index Options-Call	Long	2,602	25,830	24,879	
Options Contracts	Index Options-Put	Long	3,776	21,157	16,619	
Options Contracts	Index Options-Call	Short	16,276	(23,007)	23,668	
Options Contracts	Index Options-Put	Short	15,358	(12,202)	11,522	
Options Contracts	Stock Options-Call	Long	869	4,956	8,311	
Options Contracts	Stock Options-Put	Long	737	2,954	1,453	
Options Contracts	Stock Options-Call	Short	926	(3,033)	3,151	
Options Contracts	Stock Options-Put	Short	707	(2,685)	1,535	

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E. Credit risk valuation adjustment

The Company and subsidiaries' credit risk valuation adjustments could be mainly divided into two parts: Credit Value Adjustments, "CVA", and Debit Value Adjustments, "DVA", which are adjustments on credit risk valuation of derivative instruments traded at OTC. The purpose for the adjustments are to reflect the possibility of an opponent (CVA) or the Company and subsidiaries' (DVA) delay in payment and failure of receiving full amount of transactions' market value.

The Company and subsidiaries take an opponent's Probability of Default, "PD" (given the Company and subsidiaries do not default) and Loss Given Default, "LGD" into account, then calculate CVA with the opponent's Exposure at Default, "EAD". Contrarily, the Company and subsidiaries take their PD (given the opponent do not default) and LGD into account, calculate DVA with their EAD.

To take credit risk valuation adjustment into consideration for fair value of financial instruments and to reflect separately credit risk of the opponent and of the Company and subsidiaries, the Company and subsidiaries refer to Standard & Poor's, "S&P", historical probability of default for PD; base LGD on past experiences, scholars' suggestions, and foreign financial institutions' experiences; and adopt evaluated market price of derivative instruments as EAD.

**20. Liabilities for Bonds with Repurchase Agreements**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Government bonds	\$12,477,475	\$15,048,976	\$14,461,446
Bank Debentures	19,169,105	27,128,259	27,737,945
Convertible bonds	514,015	513,373	354,303
Corporate bonds	39,667,986	34,696,882	33,132,412
Total	<u>\$71,828,581</u>	<u>\$77,387,490</u>	<u>\$75,686,106</u>
Repurchased amount as specified in respective agreements plus accrued interest	<u>\$71,849,447</u>	<u>\$77,526,773</u>	<u>\$75,875,018</u>
Repurchased date as specified in respective agreements	7/1/20-9/21/20	1/2/20-3/18/20	7/1/19-9/23/19

**21. Accounts Payable**

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Exchange clearing payable	\$5,755,163	\$4,354,972	\$8,871,414
Accounts payable for settlement	48,276,326	36,045,392	43,376,522
Others	416,917	534,772	1,884,532
Total	<u>\$54,448,406</u>	<u>\$40,935,136</u>	<u>\$54,132,468</u>



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**22. Bonds Payable**

	6/30/20	12/31/19	6/30/19
104-1 Unsecured Corporation Bonds Payable	\$-	\$4,800,000	\$4,800,000
108-1 Unsecured Corporation Bonds Payable	4,200,000	4,200,000	-
Subtotal	4,200,000	9,000,000	4,800,000
Less: due within one year	-	(4,800,000)	(4,800,000)
Net amount	<u>\$4,200,000</u>	<u>\$4,200,000</u>	<u>\$-</u>

(1) The Company had issued 104-1 unsecured corporate bonds (hereinafter called “the Bonds-104-1”) amounted to 7,000,000 thousand dollars on June 8, 2015. The Bonds-104-1 were issued in two types: Bonds A were issued with three year maturities, amounted to 2,200,000 thousand dollars; Bonds B were issued with five year maturities, amounted to 4,800,000 thousand dollars, both at par value of 10,000 thousand dollars per bond. Other terms are listed below:

- A. Term to Maturity: Bonds A were issued on June 8, 2015 and will be redeemed on June 8, 2018; Bonds B were issued on June 8, 2015 and will be redeemed on June 8, 2020.
- B. Coupon rate: the coupon rate of Bonds A is 1.20% annually; of Bonds B is 1.42% annually.
- C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
- D. The Bonds-104-1 were issued without collaterals.
- E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

(2) The Company had issued 108-1 unsecured corporate bonds (hereinafter called “the Bonds-108-1”) amounted to 4,200,000 thousand dollars on November 22, 2019. The Bonds-108-1 were issued in three types: Bonds A were issued with three year maturities, amounted to 300,000 thousand dollars; Bonds B were issued with five year maturities, amounted to 2,600,000 thousand dollars; Bonds C were issued with seven year maturities, amounted to 1,300,000 thousand dollars, all of them at par value of 10,000 thousand dollars per bond. Other terms are listed below:

- A. Term to Maturity: Bonds A were issued on November 22, 2019 and will be redeemed on November 22, 2022; Bonds B were issued on November 22, 2019 and will be redeemed on November 22, 2024; Bonds C were issued on November 22, 2019 and will be redeemed on November 22, 2026.
- B. Coupon rate: the coupon rate of Bonds A is 0.73% annually; of Bonds B is 0.78% annually; of Bonds C is 0.83% annually.
- C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
- D. The Bonds-108-1 were issued without collaterals.
- E. Interest payment method: The interest are paid annually and calculated on coupon rate by using simple interest method.

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**23. Post-Employment Benefits**

- (1) Description of employment pension:

Defined contribution plan

The Company and domestic subsidiaries established the employee retirement method that is defined contribution plan in accordance with The Labor Pension Act of the R.O.C. and the percentage of contribution burden by the Company and domestic subsidiaries are not less than 6% of employee's monthly wages and Salaries. The Company and domestic subsidiaries contributes monthly an amount equal to 6% of employee's wages and salaries to the employee's individual pension fund accounts at the Bureau of Labor Insurance.

Foreign subsidiaries make contribution to the business related to pension management in compliance with local regulation.

Defined benefit plan

The Company and domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. In addition, the Company and subsidiaries will assess the balance in pension fund at the end of the year; if the balance is not enough to pay the pension in the following year, the difference will be contributed before March in the next year.

Pension fund deposited in the Bank of Taiwan is utilized by Ministry of Labor in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The investment strategy of the fund is to be managed by the Ministry itself or outsourcing, actively or passively in the medium or long term. Considering market, credit, liquidity risk, the Ministry of Labor set controlling plan and the limit for fund risk, allowing it to achieve its expected return without taking too much risk. Every year, the minimum return resolved to be allocated should not be lower than the return resulting from the interest of certificate deposits for two years. If it is not enough, it should be made up by National Treasury with the approval of authority.

The defined benefit plan for the company's subsidiary, PT KGI Sekuritas Indonesia, is performed in accordance with local regulation in Indonesia.

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- (2) The total expense recognized in the comprehensive income statement according to proportion stipulated in the plan are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Defined contribution plan	\$53,994	\$54,425	\$108,431	\$107,169
Defined benefit plan	3,690	3,655	8,066	8,715
<b>Total</b>	<b>\$57,684</b>	<b>\$58,080</b>	<b>\$116,497</b>	<b>\$115,884</b>

**24. Provision**

	6/30/20	12/31/19	6/30/19
Litigation provision	\$130,727	\$130,727	\$130,727
Decommissioning liabilities	90,603	89,483	91,768
<b>Total</b>	<b>\$221,330</b>	<b>\$220,210</b>	<b>\$222,495</b>

**25. Equity**

- (1) Common stock

	6/30/20	12/31/19	6/30/19
Authorized shares (thousand shares)	4,600,000	4,600,000	4,600,000
Authorized capital	\$46,000,000	\$46,000,000	\$46,000,000

The Company has issued 3,436,340 thousand, 3,241,843 thousand and 3,241,843 thousand common shares as of June 30, 2020, December 31, 2019 and June 30, 2019. The Company's issued capital was 34,363,397 thousand dollars, 32,418,432 thousand dollars and 32,418,432 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, each at a par value of NT\$10.

The Company's Board of Directors acting on behalf of shareholders decided the case of capital increase of 1,944,965 thousand dollars from distributable earnings of 2019 by issuing 194,497 thousand common shares, at par value of NT\$10 on April 23, 2020. The case of capital increase was approved by the authorities and the record date was June 1, 2020.

- (2) Capital reserve

	6/30/20	12/31/19	6/30/19
Additional paid-in capital	\$2,603,148	\$2,603,148	\$2,603,148
Treasury share transactions	364,435	364,435	364,435
Surplus from business combination	5,665,969	5,665,969	5,665,969
Employee share options	14,766	14,758	14,588
Employee share options expired	257	257	257
<b>Total</b>	<b>\$8,648,575</b>	<b>\$8,648,567</b>	<b>\$8,648,397</b>

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Capital reserve from excess over par value of stocks issued (including additional paid-in capital, treasury share transactions, and surplus from business combination) and donations received can be used to make up the company's deficiencies. Under the circumstances without deficiencies, capital reserve can be used to distribute to shareholders by cash or be capitalized. Nevertheless, the amount of capital reserve that can be capitalized is limited to prescribed percentage of issued capital.

(3) Distribution of earnings and dividend policy

A. The Articles of Incorporation of earnings distribution are as following:

For the operation and benefits of shareholders, the Company adopted surplus dividend policy in compliance with related regulations. The Company distributes cash dividends, and these cash dividends should not less than 10% of all dividends.

The Company should pay applicable income tax, offset accumulated losses, set aside legal reserve, and appropriate or reverse special reserve under relevant regulations before distribution of current net income. Appropriation of the remains along with the beginning balance of undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders.

B. The Company held the annual meeting of shareholders (represented by the board of directors) on April 23, 2020 and May 24, 2019 respectively and resolved the distribution of annual net income for 2019 and 2018 as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2019	2018	2019	2018
Legal reserve	\$529,301	\$376,483	-	-
Special reserve	(2,681,253)	3,531,666	-	-
Cash dividends	5,500,000	1,108,221	1.697	0.342
Stock dividends	1,944,965	-	0.600	-
Total	<u>\$5,293,013</u>	<u>\$5,016,370</u>		

C. According to the Rule No. 1010028514 issued by FSC on June 29, 2012, when the Company distributes earnings, it must set aside (from current profit or loss and undistributed earnings from the preceding period) special reserves equal in amounts to other net deductions from shareholders equity arising during that same year. Any other net deductions from shareholders equity items accumulated from the preceding year must not be distributed; instead, an equivalent amount must be set aside from undistributed earnings to special reserves. Thereafter, when other shareholders equity deductions are shifted back, the company may distribute earnings in an amount equal to the amount shifted back.

D. As required by the Company Act, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals its paid-in capital. Except for covering accumulated deficit, 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 balance of the reserve exceeds 25% of the Company's paid-in capital.

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(4) Non-controlling interests

	For the six-month periods ended June 30	
	2020	2019
Beginning balance	\$3,313,251	\$3,355,546
Profit attributable to non-controlling interests	(4,200)	18,466
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(119)	74
Reduction of cash capital from subsidiaries	(2,961,375)	-
Cash dividend issued from subsidiaries	(16,901)	(47,763)
Ending balance	\$330,656	\$3,326,323

**26. The Detail of Comprehensive Net Income**

(1) Brokerage handling fee revenue

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Brokerage handling fee revenue	\$1,815,905	\$1,284,014	\$3,516,027	\$2,404,698
Foreign brokerage fee	761,670	682,088	1,573,326	1,281,257
Handling revenue of short sale	9,431	9,352	17,720	18,355
Handling fee revenue of securities borrowed	16,481	16,640	32,306	28,480
Foreign sub-brokerage revenue	226,902	82,822	477,632	144,016
Total	\$2,830,389	\$2,074,916	\$5,617,011	\$3,876,806

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Revenue from underwriting of securities	\$47,587	\$44,860	\$172,423	\$78,976
Revenue from underwriting proceeding fee	6,109	49,242	23,358	55,588
Revenue from underwriting and counseling	5,950	5,812	11,200	12,427
Others	27,632	26,409	92,106	48,825
Total	\$87,278	\$126,323	\$299,087	\$195,816

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(3) Gains/(losses) on disposal of trading securities-net

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Dealing	\$(364,646)	\$221,856	\$1,189,711	\$911,976
Underwriting	59,936	16,307	77,560	57,392
Hedging	1,298,794	(4,725)	830,341	104,206
Total	\$994,084	\$233,438	\$2,097,612	\$1,073,574

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Margin loans	\$327,774	\$361,763	\$682,175	\$697,234
Bonds	357,486	570,165	938,834	978,573
Others	58,726	66,264	148,167	124,456
Total	\$743,986	\$998,192	\$1,769,176	\$1,800,263

(5) Gains/(losses) on trading securities measured at fair value through profit and loss-net

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Dealing	\$116,642	\$(346,719)	\$(1,315)	\$394,091
Underwriting	25,506	(10,829)	(59,091)	20,734
Hedging	(401,861)	(108,081)	(711,521)	214,164
Settlement coverage bonds payable of short sale	8	17,725	9	(68)
Total	\$(259,705)	\$(447,904)	\$(771,918)	\$628,921

(6) Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Gains	\$37,523	\$69,692	\$825,586	\$256,879
Losses	(100,068)	(115,060)	(126,447)	(177,500)
Total	\$(62,545)	\$(45,368)	\$699,139	\$79,379

(7) Please refer to Note VI.19 for details of gains and losses on derivative instruments.

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(8) Expected credit (losses)/gains on reversal

A. Details of expected credit (losses)/gains on reversal are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Financial assets measured at FVOCI	\$ (3,561)	\$ (1,012)	\$ (1,945)	\$ (4,140)
Financial assets measured at amortized cost				
Receivables (Note 1)	(5,642)	(343)	(6,110)	(310)
Others (Note 2)	71	1,777	(5,352)	8,303
Total	<u>\$ (9,132)</u>	<u>\$ 422</u>	<u>\$ (13,407)</u>	<u>\$ 3,853</u>

Note 1: Receivables include securities margin loans receivable, trading securities receivable, futures commission merchant receivable and accounts receivable.

Note 2: Others include cash and cash equivalents, customer margin accounts, financial assets measured at amortized cost, investment in bonds with reverse repurchase agreements, other current assets and other non-current assets.

B. The Company and subsidiaries' total carrying amount and impairment loss as of June 30, 2020, December 31, 2019 and June 30, 2019 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

The carrying amount of financial assets measured at fair value through other comprehensive income-debt instrument investments are 34,547,452 thousand dollars, 26,859,655 thousand dollars and 24,757,412 thousand dollars, respectively. The accumulated impairment loss recognized are 12,896 thousand dollars, 10,992 thousand dollars and 9,631 thousand dollars, respectively.

(b) Receivables and others

As of June 30, 2020:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	\$12,543,163	\$(106)	\$12,543,057
Investment in bonds with reverse repurchase agreements	12,720,666	(0)	12,720,666
Securities margin loans receivable	24,591,570	(1,411)	24,590,159
Trading securities receivable	4,524,175	(378)	4,523,797
Customer margin accounts	46,508,183	(1,083)	46,507,100
Futures commission merchant receivable	170,993	(166,782)	4,211
Accounts receivable	39,169,007	(1,974)	39,167,033
Other current assets	32,043,334	(7,631)	32,035,703
Other non-current assets	4,530,776	(1,731,301)	2,799,475
Total	<u>\$176,801,867</u>	<u>\$(1,910,666)</u>	<u>\$174,891,201</u>

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As of December 31, 2019:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	\$16,650,481	\$(54)	\$16,650,427
Investment in bonds with reverse repurchase agreements	18,188,175	(0)	18,188,175
Securities margin loans receivable	24,157,751	(1,887)	24,155,864
Trading securities receivable	5,365,585	(519)	5,365,066
Customer margin accounts	37,536,624	(984)	37,535,640
Futures commission merchant receivable	167,493	(160,587)	6,906
Accounts receivable	27,581,035	(1,561)	27,579,474
Other current assets	37,511,895	(4,718)	37,507,177
Other non-current assets	4,374,460	(1,752,929)	2,621,531
<b>Total</b>	<b>\$171,533,499</b>	<b>\$(1,923,239)</b>	<b>\$169,610,260</b>

As of June 30, 2019:

Item	Carrying amount	Impairment loss	Total
Cash and cash equivalents	\$10,442,675	\$(561)	\$10,442,114
Investment in bonds with reverse repurchase agreements	22,848,839	(0)	22,848,839
Securities margin loans receivable	20,743,822	(1,690)	20,742,132
Trading securities receivable	7,542,882	(1,013)	7,541,869
Customer margin accounts	40,725,545	(1,070)	40,724,475
Futures commission merchant receivable	170,212	(160,435)	9,777
Accounts receivable	39,390,140	(1,822)	39,388,318
Other current assets	32,068,324	(9,218)	32,059,106
Financial assets measured at amortized cost-non-current	799,815	(3,404)	796,411
Other non-current assets	4,937,876	(1,794,309)	3,143,567
<b>Total</b>	<b>\$179,670,130</b>	<b>\$(1,973,522)</b>	<b>\$177,696,608</b>



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C. The Company and subsidiaries' movements of accumulated impairment for the six-month periods ended June 30, 2020 and 2019 are as follows:

(a) Financial assets measured at fair value through other comprehensive income

Item	12-month expected credit losses
Balance as of January 1, 2020	\$ (10,992)
(Increase)/ decrease	(1,945)
Exchange differences	41
Balance as of June 30, 2020	\$ (12,896)
Balance as of January 1, 2019	\$ (5,447)
(Increase)/ decrease	(4,140)
Exchange differences	(44)
Balance as of June 30, 2019	\$ (9,631)

Due to the increasing in financial assets measured at fair value through other comprehensive income-debt instrument investments during the six-month periods ended of June 30, 2020 and 2019, the related 12-month expected credit losses increase.

(b) Receivables and others

Item	12-month expected credit losses	Lifetime expected credit losses (collective assessment)	Lifetime expected credit losses (credit impaired financial assets)	Lifetime expected credit losses (simplified approach)	Total
Balance as of January 1, 2020	\$ (5,263)	\$ (402)	\$ (1,914,235)	\$ (3,339)	\$ (1,923,239)
(Increase)/decrease	(3,109)	120	(8,574)	101	(11,462)
Financial assets derecognized in the current period	-	-	1,750	-	1,750
Exchange differences	140	4	22,140	1	22,285
Balance as of June 30, 2020	\$ (8,232)	\$ (278)	\$ (1,898,919)	\$ (3,237)	\$ (1,910,666)
Balance as of January 1, 2019	\$ (15,875)	\$ (217)	\$ (1,975,004)	\$ (3,580)	\$ (1,994,676)
(Increase)/decrease	2,745	88	5,596	(436)	7,993
Financial assets derecognized in the current period	-	-	18,859	-	18,859
Bad loans write-offs	-	-	6,808	-	6,808
Exchange differences	(132)	(3)	(12,371)	-	(12,506)
Balance as of June 30, 2019	\$ (13,262)	\$ (132)	\$ (1,956,112)	\$ (4,016)	\$ (1,973,522)

There were no significant changes in the carrying amounts of abovementioned receivables and others.

D. Please refer to Note XII.2 for details on measurement of expected credit losses.

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(9) Other operating income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Commission income	\$82,942	\$179,551	\$153,788	\$290,555
Investment trust and fund management income	200,392	134,053	405,382	246,979
Exchange gain/(loss)	(11,809)	(29,482)	58,750	37,809
Others	289,195	5,026	156,173	179,232
<b>Total</b>	<b>\$560,720</b>	<b>\$289,148</b>	<b>\$774,093</b>	<b>\$754,575</b>

(10) Financial cost

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Bonds	\$82,841	\$367,431	\$406,704	\$693,759
Bank borrowing	80,008	105,774	193,015	205,356
Corporate bonds	20,933	16,981	46,150	33,788
Lease liabilities	6,687	8,207	13,191	16,850
Securities leading refundable deposits	13,920	24,839	64,041	54,388
Others	7,108	31,675	23,972	59,113
<b>Total</b>	<b>\$211,497</b>	<b>\$554,907</b>	<b>\$747,073</b>	<b>\$1,063,254</b>

(11) Employee benefits expenses, depreciation and amortization

Item	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
<b>Employee benefit expenses</b>				
Salary expenses	\$2,126,051	\$1,639,181	\$3,935,855	\$3,230,623
Insurance expenses	72,330	75,383	165,035	170,552
Pension expenses	57,684	58,080	116,497	115,884
Others	41,387	29,582	72,645	63,822
<b>Total</b>	<b>\$2,297,452</b>	<b>\$1,802,226</b>	<b>\$4,290,032</b>	<b>\$3,580,881</b>
<b>Depreciations and amortizations</b>				
Depreciations	\$199,556	\$199,037	\$397,822	\$397,928
Amortizations	65,947	67,821	127,263	130,868
<b>Total</b>	<b>\$265,503</b>	<b>\$266,858</b>	<b>\$525,085</b>	<b>\$528,796</b>

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- A. Due to the specialty of industry of the Company and subsidiaries, the employee benefit expenses and the depreciation and amortization expenses were classified as operating expenses.
- B. The Company appropriates at least 0.1% of income before tax and before distributing earnings to employees as employees' bonus income. The employees' compensation of 17,437 thousand dollars, 8,628 thousand dollars, 17,461 thousand dollars and 18,344 thousand dollars were recognized under salary expenses based on the profit for the three-month and six-month periods ended June 30, 2020 and 2019.
- C. The resolution were passed at the Board of Directors meetings held on March 26, 2020 and March 22, 2019 to distribute 37,500 thousand dollars and 29,000 thousand dollars in cash as employee's compensation of 2019 and 2018, respectively, which were no significant difference from the estimated expenses recognized in 2019 and 2018.
- D. The related information about employees' bonus from the earnings distribution plan adopted by the Company's Board of Directors' meeting can be inquired at Market Observation Post System.

(12) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Postage and telephone expenses	\$69,100	\$65,244	\$131,732	\$126,779
Tax	177,624	158,734	352,733	319,093
Computer information expenses	116,427	119,741	225,105	237,612
Professional fee	60,407	54,665	118,425	109,793
Securities borrowed expenses	127,997	100,907	247,056	192,629
Handling fee	94,561	105,187	192,325	176,086
Maintenance and repairs	67,651	55,424	119,575	113,343
Operation expense	132,578	61,924	133,246	121,439
Other expenses	164,903	200,814	404,419	382,236
Total	<u>\$1,011,248</u>	<u>\$922,640</u>	<u>\$1,924,616</u>	<u>\$1,779,010</u>

(13) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Interest income	\$258,727	\$367,000	\$558,613	\$688,445
Gains/(losses) from disposal of investment	20,966	108,327	14,019	131,935
Non-operating financial assets measured at FVTPL	9,348	66,770	(27,713)	154,377
Dividend income	54,960	70,106	56,351	71,162
Management service income	105,070	90,466	215,229	177,720
Others	29,009	59,562	70,809	122,164
Total	<u>\$478,080</u>	<u>\$762,231</u>	<u>\$887,308</u>	<u>\$1,345,803</u>

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**27. Components of Other Comprehensive Income**

For the three-month period ended June 30, 2020

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$353,881	\$-	\$353,881	\$-	\$353,881
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	535,654	-	535,654	-	535,654
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(101,081)	-	(101,081)	-	(101,081)
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	905,272	(333,753)	571,519	-	571,519
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	3,082,328	-	3,082,328	-	3,082,328
<b>Total</b>	<b>\$4,776,054</b>	<b>\$(333,753)</b>	<b>\$4,442,301</b>	<b>\$-</b>	<b>\$4,442,301</b>

For the three-month period ended June 30, 2019

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$(183,644)	\$-	\$(183,644)	\$-	\$(183,644)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(43,474)	-	(43,474)	-	(43,474)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	179,245	-	179,245	-	179,245
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	464,552	(243,585)	220,967	-	220,967
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,326,458	-	1,326,458	-	1,326,458
<b>Total</b>	<b>\$1,743,137</b>	<b>\$(243,585)</b>	<b>\$1,499,552</b>	<b>\$-</b>	<b>\$1,499,552</b>

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For the six-month period ended June 30, 2020

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument					
investments measured at FVOCI	\$(46,184)	\$-	\$(46,184)	\$-	\$(46,184)
Share of other comprehensive income of associates and joint					
ventures accounted for using the equity method	48,439	-	48,439	-	48,439
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial					
statements of a foreign operation	(265,083)	-	(265,083)	-	(265,083)
Unrealized valuation gains/(losses) from debt instrument					
investments measured at FVOCI	485,797	(580,165)	(94,368)	-	(94,368)
Share of other comprehensive income of associates and joint					
ventures accounted for using the equity method	(643,083)	-	(643,083)	-	(643,083)
<b>Total</b>	<b>\$(420,114)</b>	<b>\$(580,165)</b>	<b>\$(1,000,279)</b>	<b>\$-</b>	<b>\$(1,000,279)</b>

For the six-month period ended June 30, 2019

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument					
investments measured at FVOCI	\$(44,109)	\$-	\$(44,109)	\$-	\$(44,109)
Share of other comprehensive income of associates and joint					
ventures accounted for using the equity method	251,452	-	251,452	-	251,452
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial					
statements of a foreign operation	267,796	-	267,796	-	267,796
Unrealized valuation gains/(losses) from debt instrument					
investments measured at FVOCI	895,404	(265,974)	629,430	-	629,430
Share of other comprehensive income of associates and joint					
ventures accounted for using the equity method	3,560,695	-	3,560,695	-	3,560,695
<b>Total</b>	<b>\$4,931,238</b>	<b>\$(265,974)</b>	<b>\$4,665,264</b>	<b>\$-</b>	<b>\$4,665,264</b>

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**28. Income Tax**

(1) The major components of income tax expense (benefit) are as follows:

Income tax expense (benefit) recognized in profit or loss

	<u>For the three-month periods ended June 30</u>		<u>For the six-month periods ended June 30</u>	
	2020	2019	2020	2019
Current income tax expense (benefit)				
Current period	\$151,043	\$110,883	\$271,043	\$135,013
Adjustments of prior periods	(27,549)	(204,452)	(27,551)	(204,452)
Deferred income tax expense (benefit)				
Current period	148,658	(63,784)	81,208	(29,497)
Income tax expense (benefit)	<u>\$272,152</u>	<u>\$(157,353)</u>	<u>\$324,700</u>	<u>\$(98,936)</u>

(2) Income tax return assessed

The income tax returns assessed of the Company and subsidiaries for the years through June 30, 2020 are as follows:

	<u>Assessment information</u>
The Company	Assessed through 2014
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2017
KGI Insurance Brokers Co. Ltd.	Assessed through 2018
KGI Venture Capital Co. Ltd.	Assessed through 2018
KGI Securities Investment Trust Co. Ltd.	Assessed through 2017
KGI Futures	Assessed through 2017
Global Corporation	Assessed through 2018
KGI Information Technology Co. Ltd.	Assessed through 2018

**29. Earnings Per Share**

Basic earnings per share (“EPS”) amounts are calculated by dividing net income for the year attributable to common stock holders of the Company by the weighted average number of shares outstanding during the year.

	<u>For the three-month periods ended June 30</u>		<u>For the six-month periods ended June 30</u>	
	2020	2019	2020	2019
Basic EPS				
Attributable to the Company	<u>\$2,334,757</u>	<u>\$1,577,686</u>	<u>\$2,405,820</u>	<u>\$2,985,770</u>
Weighted average number of shares outstanding	<u>3,436,339,736 shares</u>	<u>3,436,339,736 shares</u>	<u>3,436,339,736 shares</u>	<u>3,436,339,736 shares</u>
Basic EPS (NT\$)	<u>\$0.68</u>	<u>\$0.46</u>	<u>\$0.70</u>	<u>\$0.87</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

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**30. Subsidiaries with significant non-controlling interests**

The non-controlling interests of the Company are 330,656 thousand dollars, 3,313,251 thousand dollars and 3,326,323 thousand dollars as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. Proportions held by non-controlling interests are as follows:

Subsidiary Company	Country	6/30/20	12/31/19	6/30/19
KGI Futures	Taiwan	0.39%	0.39%	0.39%
Global Corporation	Taiwan	77.93%	77.93%	78.01%
KGI Indonesia	Indonesia	1.00%	1.00%	1.00%

Information of subsidiaries that has material non-controlling interests is provided below:

Subsidiary Company	6/30/20	12/31/19	6/30/19
Global Corporation	\$312,980	\$3,296,820	\$3,310,656

Financial information of subsidiaries that have material non-controlling interests are provided below:

(1) Summarized information of comprehensive income for Global Corporation

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Revenue	\$-	\$31,648	\$-	\$74,594
Net profit from continuing operations	\$(6,644)	\$6,720	\$(7,305)	\$21,718
Other comprehensive income	-	-	-	-
Comprehensive income	\$(6,644)	\$6,720	\$(7,305)	\$21,718
Net profit allocated to non-controlling interests	\$(5,178)	\$5,242	\$(5,693)	\$16,942
Dividends paid to non-controlling interests	\$16,772	\$-	\$16,772	\$-

(2) Summarized information of financial position for Global Corporation

	6/30/20	12/31/19	6/30/19
Current assets	\$360,154	\$3,887,489	\$3,790,430
Non-current assets	42,807	347,498	1,632,768
Current liabilities	568	3,768	1,178,551
Non-current liabilities	780	780	780

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(3) Summarized cash flow information for Global Corporation

	For the six-month periods ended June 30	
	2020	2019
Operating activities	\$ (10,857)	\$ 1,418,853
Investing activities	5,017	(174,881)
Financing activities	(3,821,522)	(1,409,586)
Net increase/(decrease) in cash and cash equivalents	<u><u>\$(3,827,362)</u></u>	<u><u>\$(165,614)</u></u>

The above summarized financial information is based on amounts before offsetting transactions between companies.

**VII. Significant Related Parties Transaction**

The following is summary of transactions between the Company and subsidiaries and related parties during the financial reporting periods:

1. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
China Development Financial Holding Corp. (CDFH)	The parent company
KGI Securities (Thailand Public) Company Limited (KGITH)	The associate
KGI Bank Co., Ltd. (KGI Bank)	Other related party
China Life Insurance Co., Ltd. (China life)	Other related party
CDIB Capital Group (CDIB Capital)	Other related party
CDIB Capital Healthcare Ventures Limited	Other related party
CDIB Venture Capital Corp.	Other related party
CDIB Capital Management Inc.	Other related party
China Development Asset Management Corp.	Other related party
CDIB Capital International Corp. (CDIB Capital International)	Other related party
CDIB Partners Investment Holding Corp.	Other related party
CDIB Capital Investment I Ltd.	Other related party
CDIB Capital Investment II Ltd.	Other related party
CDIB & Partners Investment Holding Pte. Ltd.	Other related party
CDC Finance & Leasing Corp.	Other related party
KGI Charity Foundation	Other related party
Fund managed by KGI Securities Investment Trust Co. Ltd. (KGI Investment Trust Fund)	Other related party
Bank of Taiwan Co., Ltd. (Bank of Taiwan)	Other related party (Note 1)
XingWen Investment Ltd. (XingWen Investment)	Other related party (Note 2)
JingHuei Investment Ltd. (JingHuei Investment)	Other related party
Others	Other related parties

Note 1: Bank of Taiwan was not related from June 14, 2019.

Note 2: XingWen Investment was not related from June 14, 2019.



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2. Significant transactions with related-parties

(1) Operating revenue and cost:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
<u>A. Brokerage handling fee revenue</u>				
Other related parties				
China Life	\$12,022	\$22,846	\$29,171	\$40,186
CDIB & Partners Investment Holding Pte. Ltd.	3,429	95	6,309	95
Others	3,538	5,433	7,864	8,167
Total	<u>\$18,989</u>	<u>\$28,374</u>	<u>\$43,344</u>	<u>\$48,448</u>
<u>B. Revenue from providing agency service for stock affairs</u>				
Parent company				
CDFH	\$6,158	\$4,196	\$9,624	\$7,590
Other related parties				
China Life	968	1,037	1,750	1,659
Others	66	65	128	127
Total	<u>\$7,192</u>	<u>\$5,298</u>	<u>\$11,502</u>	<u>\$9,376</u>
<u>C. Revenue from underwriting business</u>				
Parent company				
CDFH	\$3,100	\$-	\$3,100	\$-
Other related parties				
CDIB Capital International	-	7,500	-	7,500
KGI Bank	-	1,550	250	1,550
Others	-	600	-	600
Total	<u>\$3,100</u>	<u>\$9,650</u>	<u>\$3,350</u>	<u>\$9,650</u>
<u>D. Gains/(losses) on derivative financial product-GTSM-net</u>				
Other related parties				
KGI Bank	\$13,817	\$4,153	\$(13,985)	\$16,538
Others	(15,307)	-	(22,793)	-
Total	<u>\$(1,490)</u>	<u>\$4,153</u>	<u>\$(36,778)</u>	<u>\$16,538</u>

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	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
<u>E. Other operating revenue</u>				
Parent company				
CDFH	\$1,875	\$1,785	\$3,750	\$3,571
Other related parties				
KGI Bank	7,837	554	8,063	561
China Life	49,299	138,539	62,050	239,027
Total	<u>\$59,011</u>	<u>\$140,878</u>	<u>\$73,863</u>	<u>\$243,159</u>
<u>F. Financial costs</u>				
Other related parties				
KGI Bank	\$190	\$2,475	\$1,142	\$6,730
Bank of Taiwan	-	1,459	-	3,926
Others	22	18	30	40
Total	<u>\$212</u>	<u>\$3,952</u>	<u>\$1,172</u>	<u>\$10,696</u>

The above transactions were under general trading condition.

- (2) Due from banks (recognized as cash and cash equivalents, other current financial assets and other current assets):

	6/30/20	12/31/19	6/30/19
Other related parties			
KGI Bank	<u>\$2,165,236</u>	<u>\$2,483,216</u>	<u>\$335,500</u>

- (3) Financial assets/liabilities measured at fair value through profit or loss-current:

	6/30/20	12/31/19	6/30/19
<u>A. Open-ended funds and monetary market instruments</u>			
Other related parties			
KGI Investment Trust Fund	<u>\$378,041</u>	<u>\$578,634</u>	<u>\$477,184</u>

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	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
	Notional	Notional	Notional
	Amount	Amount	Amount
<b>B. <u>Outstanding derivative instruments</u></b>			
a. FX Swap			
Other related parties			
KGI Bank	<u>\$65,091</u>	<u>\$620,424</u>	<u>\$-</u>
b. IRS			
Other related parties			
KGI Bank	<u>\$-</u>	<u>\$-</u>	<u>\$372,864</u>
c. CBAS-interest			
Other related parties			
KGI Bank	<u>\$88,600</u>	<u>\$190,000</u>	<u>\$180,000</u>
d. CBAS-long option			
Other related parties			
KGI Bank	<u>\$88,600</u>	<u>\$190,000</u>	<u>\$180,000</u>
e. Structure notes liabilities			
Other related parties			
Others	<u>\$30,133</u>	<u>\$30,133</u>	<u>\$-</u>
	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
<b>C. <u>Trading Securities</u></b>			
Other related parties			
KGI Investment Trust Fund	<u>\$1,768,974</u>	<u>\$1,089,190</u>	<u>\$24,573</u>

- (4) Financial assets measured at fair value through other comprehensive income-current-equity instruments:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
<b><u>Stocks</u></b>			
Parent company			
CDFH	<u>\$1,641,034</u>	<u>\$1,777,144</u>	<u>\$2,049,116</u>

Please refer to Note VI.3 for information of sale of CDFH stock for the six-month periods ended June 30, 2020 and 2019.

- (5) Securities margin loans receivable:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
Others	<u>\$23,604</u>	<u>\$28,999</u>	<u>\$21,352</u>

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(6) Customer margin accounts:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Associates	\$10,017	\$920	\$-
Other related parties			
KGI Bank	517,579	208,032	918,057
Total	<u>\$527,596</u>	<u>\$208,952</u>	<u>\$918,057</u>

(7) Account receivables:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Parent company			
CDFH	\$3,063	\$-	\$1,185
Associates			
KGI TH	-	8,750	35,172
Other related parties			
JingHuei Investment	-	-	380,542
China Life	11,205	13,681	30,556
KGI Investment Trust Fund	3,656	8,960	936
Others	6,213	3,001	10,776
Total	<u>\$24,137</u>	<u>\$34,392</u>	<u>\$459,167</u>

(8) Other receivables (recognized as other current assets):

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Associates			
KGI TH	\$7,816	\$2,668	\$2,012
Other related parties			
KGI Bank	9,015	8,443	8,003
China Life	232,123	357	356
Total	<u>\$248,954</u>	<u>\$11,468</u>	<u>\$10,371</u>

(9) Temporary payments (recognized as other current assets):

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Parent company			
CDFH	\$2,211	\$-	\$2,946
Other related parties			
KGI Investment Trust Fund	-	140,000	-
Others	3	-	3
Total	<u>\$2,214</u>	<u>\$140,000</u>	<u>\$2,949</u>

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(10) Other restricted assets (recognized as other current assets):

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
KGI Bank	<u>\$1,998,898</u>	<u>\$9,775,316</u>	<u>\$1,202,053</u>

(11) Short-term borrowings:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
KGI Bank	<u>\$-</u>	<u>\$903,180</u>	<u>\$-</u>

(12) Futures customers' equity:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
KGI Bank	\$344,185	\$182,705	\$78,895
KGI Investment Trust Fund	5,786	6,801	9,160
Other	2,519	-	-
Total	<u>\$352,490</u>	<u>\$189,506</u>	<u>\$88,055</u>

(13) Accounts payable:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Associates	\$779	\$-	\$844
Other related parties			
China Life	-	644,738	64,169
CDIB Capital	9,184	28,326	14,711
CDIB & Partners Investment Holding Pte. Ltd.	159,570	628	4,291
CDIB Capital Investment I Ltd.	891	905	28,270
Others	120,965	103,017	22,230
Total	<u>\$291,389</u>	<u>\$777,614</u>	<u>\$134,515</u>

(14) Other accounts payable:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
China Life	\$18,390	\$23,456	\$25,288
Others	252	1,929	404
Total	<u>\$18,642</u>	<u>\$25,385</u>	<u>\$25,692</u>

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(15) Current income tax liabilities:

Detail of income tax refundable/payable resulting from the consolidated income tax return:

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Due to CDFH (the parent company)	<u>\$814,582</u>	<u>\$737,608</u>	<u>\$668,212</u>

(16) Bonds transactions with related parties are as follows:

Purchase and sale of bonds

	For the six-month period	
	June 30, 2020	
	<u>Purchase of bonds</u>	<u>Sale of bonds</u>
Other related parties		
KGI Bank	\$101,400	\$300,000
China Life	-	1,400,000
Total	<u>\$101,400</u>	<u>\$1,700,000</u>
	For the year six-month period	
	June 30, 2019	
	<u>Purchase of bonds</u>	<u>Sale of bonds</u>
Other related parties		
KGI Bank	\$702,331	\$386,477
China Life	389,978	12,850,991
Bank of Taiwan	49,636	739,213
Total	<u>\$1,141,945</u>	<u>\$13,976,681</u>

(17) Significant leases with related parties are as follows:

Right-of-use asset

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
China Life	<u>\$15,604</u>	<u>\$3,586</u>	<u>\$2,491</u>

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Lease liabilities

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Current			
Other related parties			
China Life	\$3,824	\$1,944	\$2,500
Non-Current			
Other related parties			
China Life	11,795	1,652	-
Total	<u>\$15,619</u>	<u>\$3,596</u>	<u>\$2,500</u>

Rental income (recognized as other income and costs)

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties				
KGI Bank	\$3,266	\$3,235	\$6,501	\$6,469
Others	85	85	170	170
Total	<u>\$3,351</u>	<u>\$3,320</u>	<u>\$6,671</u>	<u>\$6,639</u>

The above lease prices were determined by market and received monthly.

Refundable deposits (recognized as other non-current assets)

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Other related parties			
China Life	<u>\$955</u>	<u>\$934</u>	<u>\$915</u>

Depreciation and amortization

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Other related parties				
China Life	\$946	\$931	\$1,896	\$1,863
Bank of Taiwan	-	369	-	823
Total	<u>\$946</u>	<u>\$1,300</u>	<u>\$1,896</u>	<u>\$2,686</u>

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(18) Employee benefit expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Other related parties				
China Life	\$6,850	\$5,157	\$13,157	\$9,888
Bank of Taiwan	-	96	-	114
Total	\$6,850	\$5,253	\$13,157	\$10,002

(19) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Associates	\$28	\$-	\$28	\$-
Other related parties				
China Life	48,971	45,061	107,168	92,052
KGI Charity Foundation	30,000	10,000	30,000	10,000
Others	3,344	2,113	5,007	3,544
Total	\$82,343	\$57,174	\$142,203	\$105,596

(20) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Associates				
KGI TH	\$159	\$11,761	\$12,421	\$13,383
Other related parties				
KGI Bank	32,219	25,637	61,201	52,548
Others	9	29	18	50
Total	\$32,387	\$37,427	\$73,640	\$65,981

(21) Information about key management personnel compensation

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Short-term employee benefit	\$48,206	\$61,904	\$121,994	\$119,171
Post-employment benefits	412	860	1,154	1,747
Share-based payment transaction	-	110	-	221
Total	\$48,618	\$62,874	\$123,148	\$121,139



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(22) The following assets serve as guarantee for short-term loan to KGI Bank (other related parties):

	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Property and equipment and investment property	<u>\$267,946</u>	<u>\$268,981</u>	<u>\$270,015</u>

**VIII. Assets Pledged**

The following assets have been pledged to financial institutions to serve as guarantees for loans or financial instruments:

<u>Description of the Assets</u>	<u>6/30/20</u>	<u>12/31/19</u>	<u>6/30/19</u>
Financial assets measured at FVTPL- current			
Trading securities-dealing	\$501,257	\$450,653	\$250,837
Open-ended funds, monetary market instruments and other securities	242,282	241,718	241,075
Financial assets measured at FVOCI-current			
Foreign securities	846,485	891,533	-
Other current assets- restricted	1,295,367	1,554,519	1,385,188
Investment accounted for using the equity method	3,095,730	3,157,680	2,917,845
Property and equipment	4,338,353	4,354,567	4,405,179
Investment property	353,070	354,515	355,960
Total	<u>\$10,672,544</u>	<u>\$11,005,185</u>	<u>\$9,556,084</u>

**IX. Significant Contingent Liabilities and Unrecognized Commitments**

1. One of the executive vice president of the merged entities, Jen-Hsin Securities Co., Ltd., claimed the ownership of stocks of Jen-Hsin Securities Co., Ltd. while certain clients of Jen-Hsin Securities Co., Ltd. also claimed ownership of the same lot of securities. The executive vice president declined to surrender the shares; hence, Jen-Hsin Securities Co., Ltd. petitioned a motion with the Taipei District Court on November 6, 2002 in order to repossess such shares. Because Jen-Hsin Securities Co., Ltd. has been merged into the Company, such case is taken over by the Company as a result. Also, in July, 2004, the certain clients has requested to the Court for the repossession of such shares from the Company, the Company can pay cash of 90,379 thousand dollars and assumed interest in lieu. During the process of litigation, the certain client change his claim to require the Company as first class debtor to pay 90,379 thousand dollars and assumed interest and executive vice president as secondary debtor to pay 2,000 thousand stocks of Jen-Hsin Securities Co., Ltd. and 73,946 thousand dollars and assumed interest because the confirm of original judgment and the Company is unable to retrieve the stocks. On May 21, 2019, the case was remanded by the Supreme Court back to the High Court with the decision. It was decided that the Company has been given the right to retrieve the stocks from the former executive vice president and the right to bring a claim against the former executive vice president on the embezzlement of client's properties. The 90,379 thousand dollars claimed by the certain clients are to be paid by the Company. Other cases brought by the certain clients are dismissed. The Company has appealed to the Supreme Court. This case is currently being processed by the Supreme Court.

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2. Securities and Futures Investors Protection Center sued the Company and claimed that due to the fact that the Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, the Company must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds. Against the article 20 and 32 of Securities and Exchange Act and the article 184 and 185 of Civil Code. The plaintiffs sued the Company and Taiwan Kolin Co., Ltd. with jointly liability amounted to 133,308 thousand dollars plus 5% interest. The lawsuit is currently proceeded by the Taipei District Court.
3. For the need of securities borrowing margin, the Company requested the bank guarantees for 2,980,000 thousand dollars.
4. The case of loan recovery between Global Treasure Investments Limited and Minda Consultancy Limited:

According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) lent Minda Consultancy Limited (Minda) HKD 10,000 thousand dollars. However, Minda reneged on the contract and GT appealed to the Court against Minda for returning HKD 9,192 thousand dollars and additional interests. This case is currently in the process of Hong Kong court.

5. The contention about pledged stocks between Digital Imaging Solution Global Ltd., Minda Consultancy Limited, KGI Limited, and Global Treasure Investments Limited:

The plaintiffs, Digital Imaging Solution Global Ltd. (Digital) and Minda Consultancy Limited (“Minda”) claimed that Global Treasure Investments Limited (GT) broke the pledged contract since GT and its fund manager including KGI Limited disposed 2,000 thousand shares of eCyberChina without the agreement of Digital and Minda based on the pledged stock derived from the loan, HKD 10,000 thousand dollars, between Minda and indirectly obtained the pledged stock 35,000 thousand shares of eCyberChina. Digital and Minda appealed to the Court and claimed HKD 119,130 thousand dollars and relevant expenses and interests against GT in November 2007. In February 2008, the plaintiffs also sued KGI Limited but the Hong Kong Court rejected the case on July 21, 2008. The plaintiffs appealed to the Court of Appeal and the Court of Appeal rejected Digital’s appeal in December 2008. This case of Minda’s part is currently proceeded by Court of Appeal.

**X. Significant Disaster Losses**

None.

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**XI. Significant Subsequent Events**

The case of liquidation of Global Corporation has been resolved by shareholders meeting on June 5, 2020 to decide the liquidation commencement from July 1, 2020. The Company lost control of Global Corporation from the date of commencement of liquidation.

**XII. Others**

1. Financial risk management objectives and policies

(1) Financial risk management objectives

The Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of the Company and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, the Company uses risk appetite as a base according to venture capital allocation. While setting risk appetite, the Company takes the amount of circulating capital, finance and operational goal into consideration.

(2) Risk management organization

The organization structure of risk management includes the Board of Directors, risk management department, business departments and other related departments in charge, which is built to monitor, plan and execute risk management. The Company's business departments and back offices should comply with risk management regulations and report all anomalies and effects to Risk Management Committee ("RMC") and Investment Review Committee ("IRC") in time. The function and responsibility of risk management organizations are as follows:

The Board of Directors is the principal decision making unit for risk management. It undertakes ultimate responsibility for risk management and monitors the overall execution of the risk management system.

The primary function and responsibility of committees are as follows: RMC carries out decisions made by the Board of Directors; examines the Company and each department's risk budgets, risk-based limits, and related management mechanism; considers risk management policies; and reviews risk reports submitted by each department to determine or adjust strategies accordingly. IRC examines securities underwriting, underwriting counseling cases, and general long-term investment cases. Merchandise Review Committee ("MRC") establishes merchandise evaluation mechanism and reviews financial instruments before the Company makes transactions.

The Company's business departments engage in formulating risk management mechanism, perform daily risk management and submit reports, and conduct internal control procedures in compliance with legal and risk management regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Risk management department ensures risk management policies approved by the Board of Directors are executed; develops various risk management standards and guidelines, and measures and monitors daily risks in compliance with them; produces and submits risk management reports periodically (by day, week, or month) to key management; and constructs or assists in constructing risk management information system.

Legal affair department is responsible for providing legal consultations, drafting contracts, reviewing and preserving major contracts and monitoring litigation cases.

Legal compliance department is responsible for conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible for making sure that all operations and management guidelines are up-to-date as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department handles all the requests and needs for funds from all departments and maintains loan commitments with financial institutions to lower capital cost and to manage capital liquidity risk.

Internal audit department inspects periodically how risk management guidelines are implemented in the Company and how business departments are operating and provide suggestions when necessary. It reports deficiencies or anomalies to the Board of Directors and follow up improvements.

Financial department, settlement department, information department, and other related departments should comply with risk management regulations, understand the risks originated from their activities, and take necessary risk management mechanism into account when establishing operation guidelines, and manage their delegated field, evaluation, price affirmation, profit or loss statement preparation, transaction process and confirmation, settlement activity, account affirmation, asset management, information security, and information maintenance.

(3) Risk management system

The content of the Company's structure of risk management system covers major risks faced by the Company which includes market risk, credit risk, liquidity risk, operating risk and legal risk.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for the advice, constructs policies according to the parent company's regulations, then submits the proposal to RMC for approval.

(4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. And the evaluation and the measurement of important risk are as follows:

A. Market risk

The Company restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restrains risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

The Company implemented the MSCI Risk Manager, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce control of risk appetite.

To establish estimation effectiveness of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to understand the risk tolerance level of the Company.

B. Credit risk

The Company sets proper credit limits by considering the Company's net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. The Company would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

To properly manage the Company's credit risk, the risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the whole company, single level, or single firm, etc. Also, set Pre-settlement Risk (PSR) limits and different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine the Company's credit risk exposure and the use of various credit risk limitation amount.

C. Liquidity risk

The liquidity risk could be divided into two categories: market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of the Company and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

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The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, according to the anticipation of the future cash need as well as the fund transferring ability of the Company to establish the fund-flow simulation analysis mechanism. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

D. Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

Each unit is responsible to examine and control its own business operating risk. In addition to the compliance of law and regulation, the internal audit department would implement control by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

(5) Risk hedge and mitigation strategy

The Company has set up hedge instruments and hedge operating mechanisms in all operations based on the Company's capital scale and risk tolerance. Such measures include: risk acceptance, risk averse, risk transfer and risk control. Reasonable risk avoidance mechanisms effectively limit the company's risk as approval. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

2. Analyses of credit Risk

(1) Source of credit risk

The credit risks that the Company and subsidiaries are exposed to during financial transactions include issuer's credit risk and counterparties' credit risk, etc.

A. Issuer's credit risk refers to the risk of financial loss that the Company and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).

B. Counterparties' credit risk refers to the risk of financial loss that the Company and subsidiaries face when counterparty in derivative financial instrument transaction does not complete a transaction or fulfill a payment obligation on the appointed date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Credit risk management

The credit risk management of the Company and subsidiaries' investments, fixed-income securities and other financial assets and counterparties are managed by each business unit subject to the internal control procedures and relevant specifications. As most of the investments and counterparties reach an good external credit rating, credit risk is extremely low.

(3) Definition of default and credit impairment of financial assets

A. The Company and subsidiaries define default of financial assets, the same as impairment of financial assets. If there are any evidences indicating issuers or counterparties are not able to fulfill contractual obligations or they have financial difficulty, such as:

- I. Issuers and counterparties have bankrupted or it is becoming probable that they will enter bankruptcy or other financial reorganisation;
- II. A breach of contract of the issuers and counterparties' other financial instruments has occurred;
- III. The disappearance of an active market for that financial asset because of financial difficulties; or
- IV. The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

B. The above mentioned definition of default and credit impairment apply to all the financial assets held by the Company and subsidiaries, which is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument.

C. When financial assets don't meet definition of default and impairment after assesment, they will not be recognized in credit-impaired financial assets any longer.

D. The Company and subsidiaries shall directly reduce the gross carrying amount of a financial asset when they have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

(4) Description of credit risk on each financial asset

A. Cash and cash equivalents and other financial assets:

The Company and subsidiaries mainly puts bank deposit and cash in the banks with good credit and deposits specific amount of cash as collateral in the customers' margin account designated by the future corporations. The Company and subsidiaries regularly assesses finance, operating activities and credit risk situation of each financial institution and future corporation, which serves as the management of credit risk. Considering the result of assessment, the credit risk is under control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. Financial assets measured at fair value through profit or loss-current

The above mentioned financial assets include debentures, convertible bonds and CB Asset Swap. The debentures held by the Company were issued by large-scale listed corporations or financial institutions; the convertible bonds held by the Company were issued by domestic listed corporations and parts of them are backed by bank guarantees. As the Company transfers the credit risk through issuing CB Asset Swap and Credit Linked Note in order to reduce issuers' exposure to credit risk, the issuers' credit risk is under control.

C. Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

The above mentioned financial assets is mainly long-term bonds. The Company keeps a close eye on credit grade of each investment and issuer' (or credit rating agency) financial situation in order to minimize the credit risk.

D. Investment in bonds with reverse repurchase agreements

The counterparties with whom the Company and subsidiaries do bond investments under resale agreement are mainly the financial institutions and corporations with good credit; The factor that counterparties' securities are held by the Company and subsidiaries as collateral effectively reduces counterparties' exposure to credit risk.

E. Receivables

Receivables include securities margin loans receivable, trading securities receivable, futures trading margin receivable and accounts receivable. The main credit risk is Securities margin loans receivable and trading securities receivable. The Company and subsidiaries closely monitor market fluctuations and customers' credibility, and take measures to minimize the credit risk according to the regulations.

F. Customer margin accounts

As the specific accounts of customer margin are opened in the banks with good credit and financial institutions and corporations with investment grade, there is no significant credit risk.

G. Stock borrowing collateral price and security lending deposits

When the Company borrow securities, the Company should deposit margin in the specific financial institutions. The factor that securities are held by us reduces counterparties' amount of exposure to credit risk.



H. Financial assets measured at amortized cost

As of June 30, 2019, the subsidiaries hold subordinated debentures without collaterals of Sunny Bank, HuaTai Bank and BanXin Bank and assess the credibility of each financial institutions regularly, which serve as the management of credit risk.

I. Other non-current assets

Other non-current assets include operation guarantee deposits, clearing and settlement fund and guarantee deposits. The Company and subsidiaries assess counterparty based on the materiality of the amounts deposited. As there are many counterparties and the amount of that is not significant, the credit risk is effectively decentralized. Therefore, the credit risk is extremely low.

(5) Measurement of expected credit losses

A. Consideration of the forward-looking information

The Company and subsidiaries consider the forward-looking information to decide if there is a significant increase in credit risk and to measure expected credit losses.

The probability of default used for measuring impairment on debt instrument investments, excluding ones measured at fair value through profit or loss, is based on probability of default information including forward-looking macroeconomic information published regularly by international credit rating institutions.

Apart from debt instrument investments, analyses on financial instruments are performed using historical data. Economic factors relevant to expected credit loss of each portfolio have been identified with reference to optimal estimations published by authorities or academic institutions. Optimal estimations are reevaluated and corrected on every financial statement date.

B. Receivables and others

The Company and domestic subsidiaries

The Company and domestic subsidiaries measure the loss allowance by lifetime expected credit loss under IFRS 9. The lifetime expected credit loss is based on the historical experience, current information and forward-looking information and calculated by regression model. Considering the Company and subsidiaries' historical experience, since no significant difference exists among different client groups, grouping analysis is not conducted.

The foreign subsidiaries

As the credit loss of financial assets recognized initially is not significantly increased, they are measured by 12-month expected credit loss. Otherwise, they are measured by lifetime expected credit loss. The measurement is based on customers' past record of default, credibility, current information and prospective information. Since no significant difference exists among different client groups, grouping analysis is not conducted.

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C. Debt instrument investments (excluding ones measured at fair value through profit or loss)

The above mentioned instruments are at low credit risk upon acquisition, and an assessment is made at each reporting date as to whether the credit risk has substantially increased in order to determine the method of measuring the loss allowance and the loss ratio.

In order to measure expected credit loss, The Company and subsidiaries calculated both 12-month and lifetime expected credit losses by considering the 12-month and lifetime probability of default, loss given default multiplied by exposure at default which is measured using amortized cost of financial assets, and taking into account the effect of time value of money.

The probability of default is the probability of breaching a contract by issuer or counterparty; the loss given default is the loss ratio when they breach a contract. Both of them are based on the information on probability of default and loss given default published regularly by international credit rating institutions.

The impairment assessment method for the aforementioned debt instrument investments and related indicators are described as follows:

Credit risk rating	Indicator	Measurement method for expected credit loss
Low credit risk	Debt instrument with credit grade BBB- or higher/ Counterparties with good credit	12-month expected credit losses
Credit risk significantly increased	Credit grade: BB+~C (Note)	Lifetime expected credit losses
Credit-impaired/default	Credit grade: D or lower/evidence of impairment	Lifetime expected credit losses

Note: the Company and subsidiaries consider all reasonable and supportable information including forward-looking information that indicates credit risk significantly increases since initial recognition. The main indicators include:

- (a) External credit rating, past due information, the credit spread, other market information related to the borrower and significant increases in credit risk on other financial instruments of the same borrower, etc.
  - (b) Low credit risk: if financial assets have low credit risk on the reporting date, we assume there is no significant increase in credit risk since initial recognition.
- (6) The assessment technique or significant assumption used to evaluate the expected credit loss by the Company and subsidiaries don't change for the six-month periods ended June 30, 2020 and 2019.

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3. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/20

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$5,687,664	\$6,855,393	\$-	\$-	\$-	\$12,543,057
Financial assets measured at FVTPL-current	45,096,617	5,171,640	2,009,035	8,962,187	18,931	61,258,410
Financial assets measured at FVOCI-current	13,103,529	15,369,156	372,359	-	-	28,845,044
Investment in bonds with reverse repurchase agreements	-	12,725,962	-	-	-	12,725,962
Receivables	48,962,340	3,570,298	15,986,721	66	-	68,519,425
Customer margin accounts	46,507,100	-	-	-	-	46,507,100
Stock borrowing collateral price and security lending deposits	682,753	15,145,906	3,720,087	-	-	19,548,746
Other financial assets-current	-	-	5,395,145	-	-	5,395,145
Current tax assets	-	-	4,500	12,925	-	17,425
Other current assets	30,108,056	1,090,037	837,610	-	-	32,035,703
Financial assets measured at FVTPL-non-current	-	-	-	519,950	2,333,026	2,852,976
Financial assets measured at FVOCI-non-current	-	-	-	-	7,725,176	7,725,176
Investments accounted for using the equity method	-	-	-	-	15,681,033	15,681,033
Others non-current assets	-	-	-	10,320	2,723,209	2,733,529
<b>Total</b>	<b>\$190,148,059</b>	<b>\$59,928,392</b>	<b>\$28,325,457</b>	<b>\$9,505,448</b>	<b>\$28,481,375</b>	<b>\$316,388,731</b>
Percentage	60.10%	18.94%	8.95%	3.01%	9.00%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/20

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$18,480,762	\$-	\$-	\$-	\$18,480,762
Commercial papers payable	-	1,899,875	-	-	-	1,899,875
Financial liabilities measured at FVTPL-current	5,144,898	1,062,296	1,951,378	6,497,429	1,523,566	16,179,567
Liabilities for bonds with repurchase agreements	-	71,849,447	-	-	-	71,849,447
Payables	61,576,761	1,654,734	3,558,956	-	-	66,790,451
Guarantee deposit received from security lending	-	8,356,780	18,533,948	-	-	26,890,728
Futures customers' equity	45,677,383	-	-	-	-	45,677,383
Amounts collected for others/ Other payable/ Other current liabilities	534,969	1,275,386	3,606,809	38	43	5,417,245
Other financial liabilities-current	-	6,022,473	36	1,318	1,271	6,025,098
Lease liabilities-current	-	136,308	372,682	-	-	508,990
Current tax liabilities	-	-	170,872	-	825,586	996,458
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	24,753	196,577	221,330
Lease liabilities-non-current	-	-	-	812,155	-	812,155
Other non-current liabilities	-	780	20	638,664	102,302	741,766
<b>Total</b>	<b>\$112,934,011</b>	<b>\$110,738,841</b>	<b>\$28,194,701</b>	<b>\$10,874,357</b>	<b>\$3,949,345</b>	<b>\$266,691,255</b>
Percentage	42.35%	41.52%	10.57%	4.08%	1.48%	100.00%

Statement of capital liquidation gap

6/30/20

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$190,148,059	\$59,928,392	\$28,325,457	\$9,505,448	\$28,481,375	\$316,388,731
Cash outflow	112,934,011	110,738,841	28,194,701	10,874,357	3,949,345	266,691,255
<b>Amount of cash flow gap</b>	<b>\$77,214,048</b>	<b>\$(50,810,449)</b>	<b>\$130,756</b>	<b>\$(1,368,909)</b>	<b>\$24,532,030</b>	<b>\$49,697,476</b>

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Statement of cash flow analysis for financial assets

12/31/19

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$5,696,868	\$10,953,559	\$-	\$-	\$-	\$16,650,427
Financial assets measured at FVTPL-current	63,269,847	5,028,733	3,976,634	9,531,757	20,357	81,827,328
Financial assets measured at FVOCI-current	17,490,965	2,763,329	727,176	-	-	20,981,470
Investment in bonds with reverse repurchase agreements	-	18,221,682	-	-	-	18,221,682
Receivables	36,369,508	2,953,477	17,790,823	-	-	57,113,808
Customer margin accounts	37,535,640	-	-	-	-	37,535,640
Stock borrowing collateral price and security lending deposits	1,023,538	10,110,005	5,647,820	-	-	16,781,363
Other financial assets-current	-	-	3,126,037	-	-	3,126,037
Current tax assets	-	-	12,683	4,259	286	17,228
Other current assets	35,613,718	509,440	1,384,019	-	-	37,507,177
Financial assets measured at FVTPL-non-current	-	-	-	716,206	2,375,584	3,091,790
Financial assets measured at FVOCI-non-current	-	-	-	-	8,058,407	8,058,407
Investments accounted for using the equity method	-	-	-	-	16,385,894	16,385,894
Others non-current assets	-	-	-	329	2,578,969	2,579,298
<b>Total</b>	<b>\$197,000,084</b>	<b>\$50,540,225</b>	<b>\$32,665,192</b>	<b>\$10,252,551</b>	<b>\$29,419,497</b>	<b>\$319,877,549</b>
Percentage	61.59%	15.80%	10.21%	3.20%	9.20%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/19

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$18,789,210	\$-	\$-	\$-	\$18,789,210
Commercial papers payable	-	6,043,308	-	-	-	6,043,308
Financial liabilities measured at FVTPL-current	3,882,975	1,334,940	4,227,440	5,771,703	1,057,325	16,274,383
Liabilities for bonds with repurchase agreements	-	77,526,773	-	-	-	77,526,773
Payables	48,220,935	2,258,885	4,164,112	-	-	54,643,932
Guarantee deposit received from security lending	-	8,145,992	15,072,197	-	-	23,218,189
Futures customers' equity	36,405,424	-	-	-	-	36,405,424
Amounts collected for others/ Other payable/ Other current liabilities	565,630	1,241,103	11,667,891	37	-	13,474,661
Other financial liabilities-current	-	4,888,051	187	1,457	860	4,890,555
Lease liabilities-current	-	130,877	361,339	-	-	492,216
Current tax liabilities	-	-	160,908	-	739,950	900,858
Long-term liabilities-current portion	-	-	4,800,000	-	-	4,800,000
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	24,753	195,457	220,210
Lease liabilities-non-current	-	-	-	752,538	-	752,538
Other non-current liabilities	-	-	609	685,100	68,013	753,722
<b>Total</b>	<b>\$89,074,964</b>	<b>\$120,359,139</b>	<b>\$40,454,683</b>	<b>\$10,135,588</b>	<b>\$3,361,605</b>	<b>\$263,385,979</b>
Percentage	33.82%	45.70%	15.36%	3.85%	1.27%	100.00%

Statement of capital liquidation gap

12/31/19

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$197,000,084	\$50,540,225	\$32,665,192	\$10,252,551	\$29,419,497	\$319,877,549
Cash outflow	89,074,964	120,359,139	40,454,683	10,135,588	3,361,605	263,385,979
Amount of cash flow gap	\$107,925,120	\$(69,818,914)	\$(7,789,491)	\$116,963	\$26,057,892	\$56,491,570

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Statement of cash flow analysis for financial assets

6/30/19

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$7,274,590	\$3,167,524	\$-	\$-	\$-	\$10,442,114
Financial assets measured at FVTPL-current	47,205,400	1,604,702	1,272,976	11,740,868	45,111	61,869,057
Financial assets measured at FVOCI-current	15,803,295	3,311,771	11,503	-	-	19,126,569
Investment in bonds with reverse repurchase agreements	-	22,877,466	-	-	-	22,877,466
Receivables	46,764,516	3,514,530	16,493,240	911,288	-	67,683,574
Customer margin accounts	40,724,475	-	-	-	-	40,724,475
Stock borrowing collateral price and security lending deposits	1,174,816	2,100,311	16,289,709	-	-	19,564,836
Other financial assets-current	-	-	1,958,997	-	-	1,958,997
Current tax assets	-	3,734	12,948	2,371	208	19,261
Other current assets	30,472,638	462,272	1,124,196	-	-	32,059,106
Financial assets measured at FVTPL-non-current	-	-	-	628,570	2,350,807	2,979,377
Financial assets measured at FVOCI-non-current	-	-	-	-	8,386,153	8,386,153
Financial assets measured at amortized cost-non-current	-	-	-	448,484	347,927	796,411
Investments accounted for using the equity method	-	-	-	-	15,198,657	15,198,657
Others non-current assets	200,000	-	-	250,033	2,657,199	3,107,232
<b>Total</b>	<b>\$189,619,730</b>	<b>\$37,042,310</b>	<b>\$37,163,569</b>	<b>\$13,981,614</b>	<b>\$28,986,062</b>	<b>\$306,793,285</b>
Percentage	61.81%	12.07%	12.11%	4.56%	9.45%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/19

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$15,085,373	\$-	\$-	\$-	\$15,085,373
Commercial papers payable	-	5,078,460	-	-	-	5,078,460
Financial liabilities measured at FVTPL-current	3,856,553	2,328,342	1,103,497	6,320,720	44,718	13,653,830
Liabilities for bonds with repurchase agreements	-	75,875,018	-	-	-	75,875,018
Payables	63,039,503	1,331,995	2,653,432	65,961	-	67,090,891
Guarantee deposit received from security lending	-	3,947,243	18,907,209	-	-	22,854,452
Futures customers' equity	38,741,221	-	-	-	-	38,741,221
Amounts collected for others/ Other payable/ Other current liabilities	376,061	1,060,263	2,308,606	35	-	3,744,965
Other financial liabilities-current	-	3,629,090	-	829	-	3,629,919
Lease liabilities-current	-	133,846	376,141	-	-	509,987
Current tax liabilities	-	24,974	107,400	-	742,203	874,577
Long-term liabilities-current portion	-	-	4,800,000	-	-	4,800,000
Liabilities reserve-non-current	-	-	-	24,475	198,020	222,495
Lease liabilities-non-current	-	-	-	926,877	-	926,877
Other non-current liabilities	-	-	-	641,332	87,701	729,033
<b>Total</b>	<b>\$106,013,338</b>	<b>\$108,494,604</b>	<b>\$30,256,285</b>	<b>\$7,980,229</b>	<b>\$1,072,642</b>	<b>\$253,817,098</b>
Percentage	41.77%	42.75%	11.92%	3.14%	0.42%	100.00%

Statement of capital liquidation gap

6/30/19

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$189,619,730	\$37,042,310	\$37,163,569	\$13,981,614	\$28,986,062	\$306,793,285
Cash outflow	106,013,338	108,494,604	30,256,285	7,980,229	1,072,642	253,817,098
Amount of cash flow gap	\$83,606,392	\$(71,452,294)	\$6,907,284	\$6,001,385	\$27,913,420	\$52,976,187

The Company has established statement of capital liquidation gap to estimate the financial assets and liabilities in future cash flows which can affect the Company and subsidiaries when it comes to fund dispatching. The cash flow gap statements as of June 30, 2020, December 31, 2019 and June 30, 2019 show that the sums from deducting cash outflow from cash inflow are 49,697,476 thousand dollars, 56,491,570 thousand dollars and 52,976,187 thousand dollars, respectively, all indicating sufficient fund liquidity.

Although an analysis of funds gap shows that part of periods of the cash outflow exceeded cash inflow. Net cash inflow calculated from net spot financial assets are sufficient to cover the other periods of net cash outflows, an indicator of sufficient fund liquidity.

(2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by the Company takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

The Company also offers suggestions over a secure amount of reserve fund and reports it to the President. The department reviews the standard amount of reserve capital and will take the following action if available capitals (including cash, short-term investment and available financing credit) are below 120% of the safe reserve amount:

- A. Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.
- B. Fund-dispatching department will hold a meeting with relevant departments to formulating emergency measures, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to the Company.

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4. Market risk analysis

Market risk is the risk of potential economic value reduction for securities or financial contracts that the Company and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities, exchange rates and commodity risk.

The Company utilizes risk factor sensitivity and value at risk to measure and contain market risks. The Company also holds regular stress test to help the management understand the estimated influence on the income of investment portfolio under potential extreme events or circumstances.

(1) Risk factor sensitivity

Using product identification and analysis procedure held by the Company, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. The Company and subsidiaries monitor the following risk factor sensitivities:

- A. Interest rate risk sensitivity: measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.
- B. Equity securities risk sensitivity: measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities, which could be divided into two types by distribution of financial instrument:
  - (a) Equity delta: measured by the change of present value of stock with the price of the underlying assets linked to the equity securities. (As the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
  - (b) Debt delta: measured by the change of present value of bond with the price of the underlying assets linked to the debt securities. (As the potential loss amount given that the beneficiary certificates and funds, included preferred stocks and bond ETF drop 1%).
- C. Exchange rate risk sensitivity: measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (As the potential loss amount given that the foreign currencies depreciate 1% against NTD).
- D. Commodity risk sensitivity: measured by the change of the fair value of related commodities with the fair value of other kinds of commodities (As the potential loss amount given that the fair value decrease 1%).

The risk sensitivities in the investment portfolio held by the Company and subsidiaries are as follows:

Comparisons of risk sensitive factors

Risk sensitivity	6/30/20	12/31/19	6/30/19
Interest rate risk	\$6,323	\$6,516	\$12,832
Equity securities risk			
Equity delta	2,593,876	4,417,188	2,868,757
Debt delta	1,627,961	2,608,475	1,494,289
Exchange rate risk	4,786,960	4,587,344	4,624,592
Commodity risk sensitivity	(118,828)	2,694	19,112

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(2) Risk value

Risk value (“VAR”) is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. The Company and subsidiaries use parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading days might see the loss of the positions exceeding the value at risk estimated the day before. The Company and subsidiaries continue to conduct back testing daily to ensure the reliability of the estimations made by the risk value model.

The comparison of risk value in the investment portfolio held by the Company and subsidiaries are as follows:

Risk type	For the six-month period ended June 30, 2020			6/30/20
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$214,729	\$63,266	\$454,385	\$138,145
Interest rate	158,520	82,914	217,925	137,051
Exchange rate	32,604	20,613	47,457	31,415
Commodity	26,608	564	144,496	7,897

Risk type	For the six-month period ended June 30, 2019			6/30/19
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$107,249	\$73,809	\$178,371	\$106,192
Interest rate	102,211	68,035	163,461	97,788
Exchange rate	21,125	6,918	38,106	29,401
Commodity	8,348	729	21,959	16,637

(3) Stress test

Stress test is one of the risk management tools. It mainly measures the effects on profit/loss of extreme changes in market risk factors in an investment portfolio, helping a company’s Board of Directors and management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are historic and hypothetical scenario analysis. The test results are reported to Risk Management Committee and Board of Directors periodically.



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5. Fair Value of Financial Instruments

(1) Types of financial instruments

Financial instruments	6/30/20	12/31/19	6/30/19
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss:			
Mandatorily Measured at fair value through profit or loss	\$64,105,399	\$84,909,091	\$64,834,802
Financial assets measured at fair value through other comprehensive income	36,570,220	29,039,877	27,512,722
Financial assets measured at amortized cost (Note 1)	200,000,046	189,478,855	199,182,325
Total	<u>\$300,675,665</u>	<u>\$303,427,823</u>	<u>\$291,529,849</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	\$248,538,753	\$245,071,165	\$238,124,491
Financial liabilities measured at fair value through profit or loss:			
Held for trading	10,738,746	9,578,841	9,707,293
Designated initially at fair value through profit or loss	5,262,071	6,517,466	3,895,201
Total	<u>\$264,539,570</u>	<u>\$261,167,472</u>	<u>\$251,726,985</u>

Note 1: Financial assets measured at amortized cost include cash and cash equivalents excluding cash on hand, investment in bonds with reverse repurchase agreements, notes receivable, accounts receivable, securities margin loans receivable, refinancing margin, refinancing deposits receivable, trading securities receivable, customer margin accounts, futures commission merchant receivable, stock borrowing collateral price, security lending deposits, other financial assets-current, other current assets, financial assets measured at amortized cost-non-current and other non-current assets are reclassified in financial assets measured at amortized cost.

Note 2: Financial liabilities measured at amortized cost include short-term borrowings, commercial papers payable, liabilities for bonds with repurchase agreements, short sale margins, payables for short sale collateral received, guarantee deposit received from security lending, futures customers' equity, accounts payable, amount collected for other parties, other payable, other financial liabilities-current, other current liabilities, lease liabilities including current and non current, bonds payable including one due within one year and guarantee deposits received.

(2) Valuation techniques and assumptions in estimating fair value

The Company and subsidiaries adopt the following methods and assumptions in estimating the fair value of financial instruments:

- A. Financial assets and financial liabilities measured at amortized cost of a short-term financial instrument is measured by its book value on the balance sheet. Short-term financial instruments usually expire soon and therefore it is reasonable to use their book value to estimate their fair value.
- B. Financial assets measured at amortized cost: If an active market has public quote, then the market price will be the fair value; if there is no open quote available in active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the financial assets.
- C. For financial assets and liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income, their market prices should be their fair values when there are standard conditions and open quotes available in an active market; if there is no open quote available in active market, then the fair value can be determined through self-evaluation, using evaluation methods, model assumption and metrics similar to the ones used by market participants towards the financial assets. Discounted cash flow method is used to evaluate financial liability products when there is no quote available from an active market. The discount rate equals the return rate of the financial liability products with identical terms and characteristics in the market, including the debtor's credit record, interest frequency and the contract's remaining duration, etc.
- D. Transactions of derivatives are evaluated using evaluation models while non-option derivatives are evaluated using discounted cash flow method. Options are evaluated using Black-Scholes Model. The market metrics used in such evaluations come from market price information in the centralized market and independent and trustworthy financial information institutions such as stock exchange, futures exchange, GreTai Securities Market, Reuters and Bloomberg. Prices are based on the market average price calculated from closing price, final settlement price and the quoted prices in active markets that is collected regularly.
- E. Due to the uncertain duration, fair values of the guaranteed deposits of other non-current assets and liabilities are measured by its book value.
- F. Fair value of bonds payable is measured by the discounted predicted cash flows. The discounted rate is based on the similar terms (similar due date).

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(3) Financial assets measured at amortized cost

Excluding the following items, the book value of the Company and subsidiaries' financial instruments measured at amortized cost is the reasonable approximation of their fair value. The fair value of the other financial assets and liabilities measured at amortized cost is as follows:

	6/30/20		12/31/19		6/30/19	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>						
Financial assets measured at amortized cost	\$-	\$-	\$-	\$-	\$796,411	\$803,153
Guarantee deposits	-	-	-	-	99,723	100,185
<u>Financial liabilities</u>						
Long-term liabilities-current portion	-	-	4,800,000	4,816,584	4,800,000	4,832,525
Bonds payable	4,200,000	4,216,782	4,200,000	4,162,632	-	-

(4) Hierarchy of financial instruments at fair value

A. Definitions of fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date. An active market is a market in which the instruments traded bears similar nature, and in which participants willing to enter into a transaction can be found at all times and price information can be accessed.

Level 2: inputs other than quoted prices included within level 1 that are observable, either directly or indirectly, from an active market. For example:

- (a) quoted price for similar financial instruments in active markets, that is, the fair value of the instrument is deduced from the recent trading price of similar financial instruments. Similar financial instruments are identified by their nature and specific terms. The fair value should be adjusted by considering factors include: time lag between latest transaction of similar financial instrument and the present transaction, difference in dealing terms, prices involving related-party transactions, relevancy between observable price for similar financial instrument and price of the financial instrument in question.

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- (b) quoted prices for identical or similar financial instruments in inactive markets.
- (c) fair value measured with pricing model, using factors based on information accessible from an active market.
- (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: inputs that are not based on observable inputs from an active market.

For assets and liabilities measured at fair value on a recurring basis, the Company re-evaluates their classification at every end of the reporting period to determine the amount of any transfer between different levels of the fair value hierarchy.

B. Hierarchy of financial instruments measured at fair value

The Company and subsidiaries do not have any financial assets measured at fair value on a non-recurring basis. Assets and liabilities measured at fair value on a recurring basis, presented by fair value hierarchy are as follows:

6/30/20

Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Stocks	\$6,942,300	\$43	\$2,365,378	\$9,307,721
Bonds	15,782,583	25,788,996	-	41,571,579
Others	8,752,228	863,996	-	9,616,224
Financial assets measured at FVOCI				
Stocks	1,641,034	70,443	2,016	1,713,493
Bonds	26,938,475	7,918,252	-	34,856,727
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	2,089,068	43	-	2,089,111
Bonds	-	932,624	-	932,624
Others	1,728,134	-	-	1,728,134
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL	841,157	2,767,894	824	3,609,875
Liabilities				
Financial liabilities measured at FVTPL	669,427	7,945,279	2,636,242	11,250,948

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Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Stocks	\$11,863,343	\$-	\$2,403,670	\$14,267,013
Bonds	23,673,423	32,595,422	-	56,268,845
Others	8,826,499	1,419,290	-	10,245,789
Financial assets measured at FVOCI				
Stocks	1,777,144	71,502	2,016	1,850,662
Bonds	18,601,571	8,587,644	-	27,189,215
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	620,308	-	-	620,308
Bonds	156,947	800,688	-	957,635
Others	1,915,385	-	-	1,915,385
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL	921,442	3,205,656	346	4,127,444
Liabilities				
Financial liabilities measured at FVTPL	590,173	9,547,069	2,465,737	12,602,979

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Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Stocks	\$8,112,474	\$-	\$2,492,379	\$10,604,853
Bonds	18,631,380	17,259,126	-	35,890,506
Others	4,656,102	9,753,377	-	14,409,479
Financial assets measured at FVOCI				
Stocks	2,049,116	-	2,023	2,051,139
Bonds	17,193,081	8,268,502	-	25,461,583
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	760,251	-	-	760,251
Bonds	1,306,993	1,342,123	-	2,649,116
Others	1,587,216	-	-	1,587,216
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL	1,076,454	2,853,473	37	3,929,964
Liabilities				
Financial liabilities measured at FVTPL	543,075	7,266,117	796,719	8,605,911

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Note 1: The classification of the chart above is consistent with the one of the balanced sheet.

Note 2: While using valuation model to measure the fair value, if the inputs include observable market data and unobservable parameters, the Company and subsidiaries should determine if the inputs will have material effect on the measurement of fair value. If the unobservable inputs have material effect on the measurement, the fair value should be classified as level 3.

A. Transfers between Level 1 and Level 2 during the period

There are not transfers between Level 1 and Level 2 for the six-month periods ended of June 30, 2020 and June 30, 2019.

B. Reconciliation for level 3 fair value measured at recurring basis

The beginning balances and ending balances of financial assets and liabilities measured on a recurring basis at level 3 of fair value hierarchy are reconciled as follows:

a. Reconciliation for fair value assets measurements in Level 3 of the fair value hierarchy changes

For the six-month period ended June 30, 2020

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
<b>Financial Assets</b>								
<u>Derivative instruments</u>								
Financial assets measured at FVTPL-current	\$346	\$14,996	\$-	\$25,154	\$-	\$(39,672)	\$-	\$824
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL-non-current	2,403,670	(39,356)	-	1,064	-	-	-	2,365,378
Financial assets measured at FVOCI-non-current	2,016	-	-	-	-	-	-	2,016

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For the six-month period ended June 30, 2019

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
<b>Financial Assets</b>								
<u>Derivative instruments</u>								
Financial assets measured at FVTPL-current	\$20,313	\$(6,727)	\$-	\$6,005	\$-	\$(19,554)	\$-	\$37
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL-non-current	2,268,207	156,168	-	96,524	-	(2,520)	(26,000)	2,492,379
Financial assets measured at FVOCI	2,049	-	(26)	-	-	-	-	2,023

b. Reconciliation for fair value liabilities measurements in Level 3 of the fair value hierarchy changes.

For the six-month period ended June 30, 2020

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
<b>Financial Liabilities</b>								
<u>Derivative instruments</u>								
Financial liabilities measured at FVTPL-current	\$2,465,737	\$(160,762)	\$-	\$800,110	\$-	\$(468,843)	\$-	\$2,636,242

For the six-month period ended June 30, 2019

Financial instruments measured at fair value	Beginning balances (A)	Amounts recognized (B)		Increase (C)		Decrease (D)		Ending Balances (E)=(A)+(B)+(C)+(D)
		in profit or loss	in OCI	Acquisition	Transfer to Level 3	Disposal	Transfer out of Level 3	
<b>Financial Liabilities</b>								
<u>Derivative instruments</u>								
Financial liabilities measured at FVTPL-current	\$625,437	\$91,126	\$-	\$197,680	\$-	\$(117,524)	\$-	\$796,719

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- c. Total gains or losses from financial assets and liabilities still held by the Company and subsidiaries for the three-month and six-month periods ended June 30, 2020 and 2019 are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Total gains or losses				
Recognized in profit or loss	\$ (334,408)	\$ 47,785	\$ (92,186)	\$ 44,882
Recognized in other comprehensive income	-	-	-	(26)

- d. There are no significant changes in the Company and subsidiaries' valuation models or in levels of the fair value hierarchy between current and prior periods ended June 30, 2020 and June 30, 2019.

C. Significant unobservable input information of level 3 fair value measured on recurring basis

The following table presents the Company and subsidiaries' primary level 3 financial instruments measured on a recurring basis, the quantitative information of significant unobservable inputs, used to measure fair value, and the sensitivity analysis for variation of those inputs.

6/30/20

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL-equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-equity instrument	Market approach	Discount for lack of liquidity	23%~26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVOCI-equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	44.98%-62.87%	Depending on contract terms.
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.00%-15.71%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	22.05%-22.05%	Depending on contract terms.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.



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	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL-equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-equity instrument	Market approach	Discount for lack of liquidity	23%~26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVOCI-equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	17.09%-45.71%	Depending on contract terms.
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.07%-17.16%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	15.12%-45.34%	Depending on contract terms.
Credit Default Swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.

6/30/19

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL-equity instrument	Note	Not applicable	Not applicable	Not applicable
Financial assets measured at FVTPL-equity instrument	Market approach	Discount for lack of liquidity	23%~26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVOCI-equity instrument	Note	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	19.13%-23.22%	Depending on contract terms.
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	1.96%-14.00%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	16.32%-60.71%	Depending on contract terms.
Credit default swaps	ISDA Standard Upfront Model	Recovery Rate	0.4	According to ISDA CDS Standard Model, recovery rate is set depending on the type of the underlying debt.

Note: Fair value is from third-party quotations, purchasing price or measured by asset method.

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The Company adopts equally weighted moving average historical volatility when applying Martingale Pricing Technique. Original contract is taken into account while determining reasonable days to sample: with expiration period less than 6 months, the sampled days will be 20~180 days; with expiration period between 6 months to 12 months, the sampled days will be 20~360 days; with expiration period longer than 12 months, the sampled days will be 20 days unto original expiration days.

The recovery rate adopted by the company in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the recovery rate is set to be 0.25. The company set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

The Company and subsidiaries adopt in discreet the valuation models and inputs, the fair value measurements should be reasonable. The effect of possible changes of valuation inputs on the current profit or loss is shown below:

6/30/20

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Depreciation ratio	-1% / +1%	\$93	\$93
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	\$273	\$247
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$0	\$0
Equity derivative instruments – short option	Historical volatility	-25% / +25%	\$(0)	\$(0)

12/31/19

	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Depreciation ratio	-1% / +1%	\$104	\$104
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	\$249	\$193
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$0	\$0
Equity derivative instruments – short option	Historical volatility	-25% / +25%	\$15	\$17

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	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Depreciation ratio	-1% / +1%	\$499	\$499
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Derivatives				
Structured notes- options	Historical volatility	+25% / -25%	\$47	\$22
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	\$0	\$0
Equity derivative instruments – short option	Historical volatility	-25% / +25%	\$69	\$70

Evaluation process for level 3 fair value measurements

When fair value for a financial instrument is not accessible or does not have any active market, the Company and subsidiaries follows its “Asset valuation operation procedures”. The risk management department evaluates whether the fair value is reasonable, and the accounting department recognizes the instrument according to their conclusion.

- (5) The fair value hierarchy of assets not measured in, but required to disclose fair value

6/30/20

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$10,738,316	\$-	\$-	\$10,738,316
Investment properties	-	-	867,465	867,465
<u>Financial liabilities:</u>				
Bonds payable	4,216,782	-	-	4,216,782

12/31/19

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$13,028,061	\$-	\$-	\$13,028,061
Investment properties	-	-	980,348	980,348
<u>Financial liabilities:</u>				
Long-term liabilities-current portion	4,816,584	-	-	4,816,584
Bonds payable	4,162,632	-	-	4,162,632

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	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>				
Financial assets measured at amortized cost – non current	\$-	\$803,153	\$-	\$803,153
Guarantee deposits	-	100,185	-	100,185
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	12,941,919	-	-	12,941,919
Investment properties	-	-	980,348	980,348
<u>Financial liabilities:</u>				
Bonds payable	4,832,525	-	-	4,832,525

A. Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.10 and VI.13 for the fair value hierarchy of Investments accounted for using the Equity Method and investment properties mentioned above.

B. The methods of valuation of financial assets and liabilities refer to Note XII.5(2).

6. Transfer of financial assets

(1) Transferred financial assets that are not derecognized in their entirety

In the Company and subsidiaries' daily operational transactions, most transferred financial assets that are not derecognized in their entirety are either liabilities for bonds with attached repurchase agreements to serve as pledge for opposing party, or lent securities based on securities lending agreements. Such transactions are pledged margin loans in their nature, securities are transferred to opponents when transactions occur. Therefore, cash flows from the securities are also transferred, the Company and subsidiaries recognize only the liabilities arising from the responsibilities of repurchasing those bonds at fixed or market price in the future. In the effective period of mentioned transactions, the Company and subsidiaries are not allowed to use, sell, or pledge those transferred financial assets, but still retain their interest rate risk, credit risk, and market risk, so they are not derecognized in their entirety.

Information on financial assets and related financial liabilities that are not derecognized in their entirety:

	6/30/20				
Financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	\$60,899,433	\$57,134,130	\$60,899,433	\$57,134,130	\$3,765,303
Securities borrowing transactions	401,674	562,344	401,674	562,344	(160,670)

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12/31/19					
Financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	\$67,060,739	\$64,889,744	\$67,060,739	\$64,889,744	\$2,170,995
Securities borrowing transactions	1,291,917	1,808,684	1,291,917	1,808,684	(516,767)

6/30/19					
Financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Fair value of net position
Financial assets measured at fair value through profit or loss					
Collateralized transactions	\$66,266,662	\$63,681,039	\$66,266,662	\$63,681,039	\$2,585,623
Securities borrowing transactions	978,846	1,370,385	978,846	1,370,385	(391,539)

(2) Transferred financial assets that are derecognized in their entirety

The Company engages in asset swap transactions through trading convertible bonds, acquired through underwriting or dealing, sells them to opponent, and receives consideration. Within contract period, the Company swaps with opponent agreed interest return for interest and interest premium derived from the convertible bond. Also, the Company has the right to repurchase the convertible bond at any time before maturity date. The Company does not retain control on transferred asset because the transaction opponent can sell the financial asset to a third party, and there is no need to impose any restriction on the third party when such transfer occurs. The Company only retains the option to buy the trade object. The maximum exposure to loss is the book value of the asset.

The following table analyzes information of transferred financial assets that are derecognized in their entirety and related financial liabilities:

Period	Type of continuing involvement	Cash outflow of repurchasing transferred (derecognized) financial assets	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement		Maximum exposure to loss
			Financial asset measured at fair value through profit or loss	Asset	Liability	
6/30/20	Long call option	\$12,183,000	\$883,810	\$883,810	\$-	\$883,810
12/31/19	Long call option	\$11,705,100	\$1,115,752	\$1,115,752	\$-	\$1,115,752
6/30/19	Long call option	\$11,807,100	\$966,909	\$966,909	\$-	\$966,909

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The following table discloses a maturity analysis of the undiscounted cash outflows of repurchasing transferred (derecognized) financial assets. Information on cash flow is based on circumstances of each financial reporting date.

Period	Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
6/30/20	Long call option	\$-	\$529,300	\$4,632,900	\$7,020,800	\$-	\$12,183,000
12/31/19	Long call option	\$-	\$318,000	\$4,362,400	\$7,024,700	\$-	\$11,705,100
6/30/19	Long call option	\$-	\$163,000	\$3,954,900	\$7,689,200	\$-	\$11,807,100

For the type of continuing involvement “long call option”, the following table discloses the gain or loss recognized at the date of transfer of the assets, and income and expenses recognized, both in the reporting period and cumulatively, from the Company’s continuing involvement in the derecognized financial assets.

Period	Type of continuing involvement	Gain or loss recognized at the date of transfer	Income and expenses recognized in the reporting period	Income and expenses recognized cumulatively
6/30/20	Long call option	\$(1,243)	\$(173,399)	\$(174,642)
12/31/19	Long call option	\$2,970	\$(54,734)	\$(51,764)
6/30/19	Long call option	\$2,244	\$(165,501)	\$(163,256)

7. Offsetting financial assets and financial liabilities

The disclosure requirements in IFRS 7 for offsetting financial assets and financial liabilities do not apply to the Company and subsidiaries’ transactions on derivative instrument assets and derivative instrument liabilities. The Company and subsidiaries are allowed to offset the mentioned instruments only in the event of default and insolvency or bankruptcy.

The Company and subsidiaries enter with opponent into collateralized liabilities for bonds with repurchase agreements, in which the Company and subsidiaries provide securities as collaterals. The Company and subsidiaries also enter with opponent into collateralized bond investments under resell agreements, in which the Company and subsidiaries receive securities as collaterals (that are not recognized in statement of financial position). Only in the event of default and insolvency or bankruptcy are these transactions allowed to set off, they do not meet the offsetting criterion in international accounting standards. Hence, the related liabilities for bonds with repurchase agreements and investments in bonds with reverse repurchase agreements are reported separately in the statement of financial position.

The following tables disclose information on offsetting of financial assets and financial liabilities mentioned above:

6/30/20						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	\$2,768,718	\$-	\$2,768,718	\$-	\$488,151	\$2,280,567
Resell agreement	12,720,666	-	12,720,666	12,720,666	-	-
Total	\$15,489,384	\$-	\$15,489,384	\$12,720,666	\$488,151	\$2,280,567

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6/30/20						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral in pledge	
Derivative	\$5,878,231	\$-	\$5,878,231	\$-	\$958,292	\$4,919,939
Repurchase agreement	71,828,581	-	71,828,581	71,828,581	-	-
Total	\$77,706,812	\$-	\$77,706,812	\$71,828,581	\$958,292	\$4,919,939

12/31/19						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	\$3,206,002	\$-	\$3,206,002	\$-	\$462,937	\$2,743,065
Resell agreement	18,188,175	-	18,188,175	18,188,175	-	-
Total	\$21,394,177	\$-	\$21,394,177	\$18,188,175	\$462,937	\$2,743,065

12/31/19						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral in pledge	
Derivative	\$6,297,339	\$-	\$6,297,339	\$-	\$1,579,943	\$4,717,396
Repurchase agreement	77,387,490	-	77,387,490	77,387,490	-	-
Total	\$83,684,829	\$-	\$83,684,829	\$77,387,490	\$1,579,943	\$4,717,396

6/30/19						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities set off in the statement of financial position (b)	Net amounts of financial assets presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative	\$2,853,510	\$-	\$2,853,510	\$-	\$511,812	\$2,341,698
Resell agreement	22,848,839	-	22,848,839	22,848,839	-	-
Total	\$25,702,349	\$-	\$25,702,349	\$22,848,839	\$511,812	\$2,341,698

6/30/19						
Financial liabilities subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets set off in the statement of financial position (b)	Net amounts of financial liabilities presented in the statement of financial position (c)=(a)-(b)	Related amounts not set off in the statement of financial position(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral in pledge	
Derivative	\$4,172,152	\$-	\$4,172,152	\$-	\$1,102,055	\$3,070,097
Repurchase agreement	75,686,106	-	75,686,106	75,686,106	-	-
Total	\$79,858,258	\$-	\$79,858,258	\$75,686,106	\$1,102,055	\$3,070,097

Note: Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

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8. Capital management

The main objective of the Company and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the corporation's operation and maximize shareholders' interests. The Company and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

The company's Capital adequacy ratios as of June 30, 2020, December 31, 2019 and June 30, 2019 are disclosed as follows:

(1) Capital adequacy ratio

Item	6/30/20	12/31/19	6/30/19
Qualified net equity Capital	\$20,180,039	\$23,161,337	\$21,253,701
Equivalent amount of operating risk	6,953,771	6,897,344	6,612,335
Capital adequacy ratio	290%	336%	321%
		<u>For the six-month periods ended June 30</u>	
Item	2020		2019
Average	295%		346%
Maximum	317%		380%
Minimum	272%		321%

(2) Equivalent amounts and percentages of operating risks

Item	6/30/20		12/31/19		6/30/19	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Market risk	\$2,560,089	36.82%	\$3,434,022	49.79%	\$2,980,422	45.07%
Credit risk	2,586,946	37.20%	1,667,427	24.17%	1,836,018	27.77%
Operational risk	1,806,736	25.98%	1,795,895	26.04%	1,795,895	27.16%
Total	<u>\$6,953,771</u>	<u>100.00%</u>	<u>\$6,897,344</u>	<u>100.00%</u>	<u>\$6,612,335</u>	<u>100.00%</u>



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9. Others

(1) The specific risk for futures dealer business

The futures dealer needs to maintain adequate liquidity in case its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment on deficiency.

(2) Restrictions and enforcement of the Company and subsidiaries' various financial ratios under ROC Futures Commission Merchant Laws.

Futures department of the Company

Article #	Calculation Formula	6/30/20		12/31/19		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stock holders' equity</u>	<u>1,756,369</u>	74.55	<u>1,600,505</u>	26.09	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	23,559		61,353			
17	<u>Current assets</u>	<u>1,944,398</u>	82.53	<u>1,898,585</u>	31.25	≥ 1	"
	Current liabilities	23,559		60,759			
22	<u>Stockholders' equity</u>	<u>1,756,369</u>	439.09%	<u>1,600,505</u>	400.13%	≥ 60%	"
	Minimum paid-in capital	400,000		400,000			
22	<u>Net capital amount after adjustment</u>	<u>1,556,141</u>	1,299.01%	<u>1,373,156</u>	570.76%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	119,795		240,585			

Article #	Calculation Formula	6/30/19		Standard	Execution
		Calculation	Ratio		
17	<u>Stock holders' equity</u>	<u>1,687,853</u>	10.86	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	155,473			
17	<u>Current assets</u>	<u>2,008,929</u>	12.92	≥ 1	"
	Current liabilities	155,444			
22	<u>Stockholders' equity</u>	<u>1,687,853</u>	421.96%	≥ 60%	"
	Minimum paid-in capital	400,000			
22	<u>Net capital amount after adjustment</u>	<u>1,379,847</u>	639.12%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	215,898			

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KGI Futures

Article #	Calculation Formula	6/30/20		12/31/19		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stockholders' equity</u>	<u>3,815,333</u>	6.81	<u>3,476,758</u>	7.22	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	560,096		481,786			
17	<u>Current assets</u>	<u>32,076,121</u>	1.08	<u>24,648,866</u>	1.09	≥ 1	"
	Current liabilities	29,599,361		22,526,171			
22	<u>Stockholders' equity</u>	<u>3,815,333</u>	502.02%	<u>3,476,758</u>	457.47%	≥ 60%	"
	Minimum paid-in capital	760,000		760,000			
22	<u>Net capital amount after adjustment</u>		47.01%		53.83%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	<u>3,162,647</u> 6,727,922		<u>2,916,462</u> 5,418,240			

Article #	Calculation Formula	6/30/19		Standard	Execution
		Calculation	Ratio		
17	<u>Stockholders' equity</u>	<u>3,340,226</u>	9.00	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	371,112			
17	<u>Current assets</u>	<u>27,533,781</u>	1.08	≥ 1	"
	Current liabilities	25,518,186			
22	<u>Stockholders' equity</u>	<u>3,340,226</u>	439.50%	≥ 60%	"
	Minimum paid-in capital	760,000			
22	<u>Net capital amount after adjustment</u>		38.65%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	<u>2,717,198</u> 7,030,491			

- (3) According to Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet and the statement of income of trust business and trust property catalog of the Company are disclosed as follows:

As approved by the Jin-Guan-Zheng-Quan Letter No.0990066178, the Company engages in new business of wealth management by trust, which is to conduct trust business concerning specific and separate money management. In addition, with the approval of Jin-Guan-Zheng-Quan Letter No. 1000039836, the Company was permitted to engage in trust business concerning specific and separate securities management and separately managed securities trust (securities lending business) specified in the operating range or methods as designated by the clients

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A. Balance sheet of trust business

	6/30/20	12/31/19	6/30/19
Cash in bank	\$1,364,791	\$1,030,073	\$1,183,876
Financial assets	25,763,782	28,466,294	22,724,467
Receivables	133,664	402,789	167,410
Total trusted assets	<u>\$27,262,237</u>	<u>\$29,899,156</u>	<u>\$24,075,753</u>
	6/30/20	12/31/19	6/30/19
Payables	\$33,342	\$24,674	\$29,276
Trust capital	25,151,764	26,212,975	21,952,916
Reserves and retained earnings	2,077,131	3,661,507	2,093,561
Total trusted liabilities	<u>\$27,262,237</u>	<u>\$29,899,156</u>	<u>\$24,075,753</u>

B. Income statement of trust business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2020	2019	2020	2019
Revenues	\$1,373,276	\$264,470	\$3,095,050	\$2,186,182
Expenses	1,777,621	137,539	(3,379,553)	(2,110,785)
Income before tax	3,150,897	402,009	(284,503)	75,397
Income tax	-	-	-	-
Net income	<u>\$3,150,897</u>	<u>\$402,009</u>	<u>\$(284,503)</u>	<u>\$75,397</u>

C. Trust Property catalog

	6/30/20	12/31/19	6/30/19
Cash in bank	\$1,364,791	\$1,030,073	\$1,183,876
Stocks	9,501,288	11,891,410	9,928,836
Funds	13,183,288	14,146,389	11,275,685
Structured notes	2,363,886	1,979,707	1,309,590
Bonds	715,320	448,788	210,356
Total	<u>\$27,128,573</u>	<u>\$29,496,367</u>	<u>\$23,908,343</u>

D. The trust capital consigned to the Company is set up as an independent account and prepared its own financial statements. The consigned assets and gains or losses of consigned assets are not included in the Company's financial statements.

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- (4) According to Zheng-Gre-Fu Letter NO.1030026386, disclose the information as following:

Offshore Securities Unit of the Company engaged in custody and investment of funds affairs on behalf of customers. Related bank deposits under such affairs on June 30, 2020, December 31, 2019 and June 30, 2019 are USD 5,562 thousand, USD 1,310 thousand and USD 1,479 thousand respectively.

- (5) Foreign currencies having significant effect on the Company and subsidiaries' financial assets and liabilities are as follows:

Financial instruments	6/30/20			12/31/19		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$2,572,224	29.65	\$76,278,029	\$2,526,736	30.09	\$76,026,980
HKD	127,212	3.83	486,638	113,315	3.86	436,901
JPY	1,416,998	0.28	389,893	998,477	0.28	275,883
EUR	398,325	33.29	13,260,160	309,281	33.76	10,440,653
CNY	119,721	4.19	502,181	66,949	4.32	289,403
AUD	2,523	20.34	51,327	1,410	21.10	29,747
SGD	6,746	21.25	143,350	722	22.35	16,129
ZAR	47,531	1.71	81,278	37,317	2.14	79,896
<u>Non-monetary Items</u>						
USD	1,973,470	29.66	58,533,132	1,862,991	30.11	56,087,221
JPY	55,538	0.28	15,290	65,968	0.28	18,280
EUR	6	33.29	195	10,783	33.76	364,023
CNY	464,549	4.19	1,948,598	1,333,592	4.32	5,765,119
AUD	14,798	20.34	301,000	36,172	21.10	763,236
<u>Investments</u>						
<u>accounted for using the equity method</u>						
USD	72,963	29.66	2,164,071	86,389	30.11	2,600,838
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	5,054,735	29.66	149,909,542	4,887,513	30.10	147,101,061
HKD	78,177	3.83	299,059	73,636	3.85	283,827
JPY	1,224,747	0.28	336,969	732,425	0.28	202,163
EUR	396,573	33.29	13,201,827	311,723	33.76	10,523,105
CNY	212,885	4.19	892,964	51,765	4.32	223,764
AUD	4,777	20.34	97,158	26,646	21.10	562,228
SGD	6,173	21.25	131,183	154	22.28	3,435
ZAR	20,396	1.71	34,878	23,547	2.14	50,415
<u>Non-monetary Items</u>						
USD	224,302	29.66	6,652,796	279,293	30.11	8,408,404
JPY	55,538	0.28	15,290	65,968	0.28	18,280
EUR	0	33.29	5	111	33.76	3,760
CNY	27,036	4.19	113,407	26,862	4.32	116,126
AUD	10,848	20.34	220,640	8,594	21.10	181,324

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<u>Financial instruments</u>	6/30/19		
	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$2,071,971	31.11	\$64,463,913
HKD	145,854	3.98	580,149
JPY	20,002,842	0.29	5,774,734
EUR	365,616	35.38	12,935,497
CNY	212,254	4.52	960,064
AUD	7,675	21.80	167,304
SGD	708	22.97	16,261
ZAR	15,477	2.20	34,035
<u>Non-monetary Items</u>			
USD	1,698,350	31.07	52,771,119
HKD	16,030	3.98	63,781
JPY	98,230	0.29	28,359
EUR	7,607	35.38	269,125
CNY	615,436	4.52	2,783,738
AUD	19,873	21.80	433,225
ZAR	45,000	2.20	98,955
<u>Investments</u>			
<u>accounted for using the equity method</u>			
USD	79,183	31.07	2,460,373
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	4,759,595	31.07	147,885,489
HKD	112,038	3.98	445,634
JPY	19,713,111	0.29	5,691,089
EUR	365,156	35.38	12,919,198
CNY	272,438	4.52	1,232,290
AUD	16,618	21.80	362,265
SGD	204	22.97	4,679
ZAR	55,703	2.20	122,491
<u>Non-monetary Items</u>			
USD	241,673	31.07	7,509,249
JPY	98,230	0.29	28,359
EUR	234	35.38	8,294
CNY	28,263	4.52	127,839
AUD	8,718	21.80	190,059

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Due to various types of functional currencies, it is inefficient for the Company and subsidiaries to disclose information on exchange differences by foreign currencies having significant effect on the Company and subsidiaries. Exchange differences (including realized and unrealized) are losses 11,809 thousand dollars, losses 29,482 thousand dollars, gains 58,750 thousand dollars and gains 37,809 thousand dollars for the three-month and six-month periods ended June 30, 2020 and 2019, respectively.

(6) The reconciliation of liabilities from financing activities

The changes in the liabilities from financing activities arise from changes in the amount of cash and currency exchange rate for the six-month periods ended June 30, 2020 and 2019.

(7) Reclassifications

Certain reclassifications have been made to prior period financial statements to conform to current period presentation.