

KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2021 and 2020

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, 2021, December 31, 2020 and June 30, 2020, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six-months periods ended June 30, 2021 and 2020, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, 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, 2021, December 31, 2020 and June 30, 2020, and their consolidated financial performance for the three-month and six-month periods ended June 30, 2021 and 2020, the consolidated statements of changes in equity and cash flows for the six-months periods ended June 30, 2021 and 2020, 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, 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, 2021. 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, 2021, 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 markets. 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 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 assess 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.

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, 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 the six-month period June 30, 2021 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 on the parent company only financial statements of the Company as of and for the six-month periods ended June 30, 2021 and 2020.

Hsu, Jung-Huang
Fuh, Wen-Fun
Ernst & Young, Taiwan
August 20, 2021

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, 2021, December 31, 2020 and June 30, 2020

(Expressed in New Taiwan Thousand Dollars)

ASSETS	6/30/2021	12/31/2020	6/30/2020
CURRENT ASSETS			
Cash and cash equivalents (Note IV, VI.1, VI.25 and VII)	\$18,114,097	\$16,018,903	\$17,938,202
Financial assets measured at fair value through profit or loss-current (Note VI.2, VI.18, VII and VIII)	79,493,755	78,725,438	61,252,423
Financial assets measured at fair value through other comprehensive income-current (Note VI.3, VI.25, VII and VIII)	22,700,438	24,856,225	28,845,044
Investment in bonds with reverse repurchase agreements (Note VI.4 and VI.25)	11,909,748	13,610,026	12,720,666
Securities margin loans receivable (Note VI.5, VI.25 and VII)	67,301,744	37,026,137	24,590,159
Refinancing margin	782	22,596	129,376
Refinancing deposits receivable	651	18,589	104,518
Trading securities receivable (Note VI.25)	5,606,440	4,361,303	4,523,797
Customer margin accounts (Note VI.6, VI.25 and VII)	55,510,646	54,510,397	46,507,100
Futures commission merchant receivable (Note VI.7 and VI.25)	90	1,436	4,211
Stock borrowing collateral price	72,693	317,962	104,567
Security lending deposits	46,082,992	42,151,143	19,444,179
Notes receivable	117	96	331
Accounts receivable (Note VI.8, VI.25 and VII)	74,229,000	47,617,599	39,167,033
Prepayments	149,292	112,465	139,220
Current tax assets	38,064	16,576	17,425
Non-current assets held for sale	-	-	302,815
Other current assets (Note VI.25, VII and VIII)	32,592,044	34,932,577	32,035,703
Total Current Assets	<u>413,802,593</u>	<u>354,299,468</u>	<u>287,826,769</u>
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Note VI.2)	3,544,565	3,014,463	2,852,976
Financial assets measured at fair value through other comprehensive income-non-current (Note VI.3 and VI.25)	7,264,621	6,887,144	7,725,176
Investments accounted for using the equity method (Note VI.9 and VIII)	18,406,053	19,251,480	15,681,033
Property and equipment (Note VI.10, VII and VIII)	5,369,364	5,402,788	5,399,842
Right-of-use assets (Note VI.11 and VII)	1,016,829	993,893	1,246,399
Investment property (Note VI.12, VII and VIII)	378,380	379,872	381,364
Intangible assets (Note VI.13)	7,219,726	7,337,043	7,492,049
Deferred tax assets	464,321	420,720	205,720
Other non-current assets (Note VI.14, VI.25 and VII)	2,791,158	2,908,758	2,799,475
Total Non-Current Assets	<u>46,455,017</u>	<u>46,596,161</u>	<u>43,784,034</u>
TOTAL ASSETS	<u><u>\$460,257,610</u></u>	<u><u>\$400,895,629</u></u>	<u><u>\$331,610,803</u></u>

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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, 2021, December 31, 2020 and June 30, 2020

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	6/30/2021	12/31/2020	6/30/2020
CURRENT LIABILITIES			
Short-term borrowings (Note VI.15)	\$41,888,706	\$20,632,053	\$18,480,762
Commercial papers payable (Note VI.16)	9,369,302	3,661,296	1,899,875
Financial liabilities measured at fair value through profit or loss-current (Note VI.17, VI.18 and VII)	51,720,517	37,307,533	16,000,817
Liabilities for bonds with repurchase agreements (Note VI.19)	67,821,672	75,577,488	71,828,581
Short sale margins	2,389,235	2,859,295	1,788,668
Payables for short sale collateral received	9,657,605	10,281,198	10,553,377
Guarantee deposit received from security lending	36,871,551	40,810,352	26,890,728
Futures customers' equity (Note VII)	53,674,268	52,663,335	45,677,383
Accounts payable (Note VI.20 and VII)	94,027,169	61,927,983	54,448,406
Amounts received in advance	1,009,624	352,118	301,275
Amounts collected for other parties	2,332,584	4,613,580	2,167,588
Other payables (Note VII)	4,717,199	4,821,669	3,038,371
Other financial liabilities-current	3,093,923	4,152,114	6,023,554
Current tax liabilities (Note VII)	2,228,651	1,571,369	996,458
Lease liabilities-current (Note VI.11 and VII)	384,304	457,926	486,665
Other current liabilities	294,431	285,419	211,286
Total Current Liabilities	<u>381,480,741</u>	<u>321,974,728</u>	<u>260,793,794</u>
NON-CURRENT LIABILITIES			
Bonds payable (Note VI.21)	4,200,000	4,200,000	4,200,000
Liabilities reserve-non-current (Note VI.23)	208,939	212,712	221,330
Lease liabilities-non-current (Note VI.11 and VII)	650,262	558,490	786,390
Deferred tax liabilities	1,203,766	1,169,779	1,230,776
Other non-current liabilities	791,316	901,098	741,766
Total Non-Current Liabilities	<u>7,054,283</u>	<u>7,042,079</u>	<u>7,180,262</u>
Total Liabilities	<u>388,535,024</u>	<u>329,016,807</u>	<u>267,974,056</u>
EQUITY			
Capital stock abstracted (Note VI.24)			
Common stock	34,363,397	34,363,397	34,363,397
Stock dividend to be distributed	1,132,581	-	-
Capital reserve (Note VI.24)	8,648,583	8,648,583	8,648,575
Retained earnings (Note VI.24)			
Legal reserve	6,591,910	5,794,394	5,794,394
Unappropriated earnings	13,934,409	12,189,344	12,189,344
Other equity	7,155,560	7,975,162	2,384,777
Exchange differences resulting from translating the financial statements of a foreign operation	(2,071,963)	(1,569,375)	(1,013,861)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	1,949,622	4,458,603	939,465
Equity attributable to owners of the parent company	<u>71,704,099</u>	<u>71,860,108</u>	<u>63,306,091</u>
Non-controlling interests (Note VI.24)	<u>18,487</u>	<u>18,714</u>	<u>330,656</u>
Total Equity	<u>71,722,586</u>	<u>71,878,822</u>	<u>63,636,747</u>
TOTAL LIABILITIES AND EQUITY	<u>\$460,257,610</u>	<u>\$400,895,629</u>	<u>\$331,610,803</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, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Three-Month Periods		For the Six-Month Periods	
	Ended June 30		Ended June 30	
	2021	2020	2021	2020
REVENUES				
Brokerage handling fee revenue (Note VI.25 and VII)	\$4,816,068	\$2,830,389	\$8,746,682	\$5,617,011
Revenue from borrowed securities	315,379	199,958	552,838	383,824
Revenue from underwriting business (Note VI.25 and VII)	144,334	87,278	557,968	299,087
Revenue from wealth management services-net	63,276	40,698	176,972	69,882
Gains/(losses) on disposal of trading securities-net (Note VI.25 and VII)	2,141,879	994,084	4,584,769	2,097,612
Revenue from providing agency service for stock affairs (Note VII)	65,622	59,485	107,492	99,174
Interest income (Note VI.25 and VII)	961,027	743,986	1,993,216	1,769,176
Dividend income (Note VI.3)	47,725	30,344	62,748	36,720
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.25 and VII)	644,173	(259,705)	(75,181)	(771,918)
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.25)	(230,276)	(62,545)	(1,033,056)	699,139
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchase agreements measured at fair value through profit or loss-net	(1,876,801)	(411,901)	(3,037,743)	(42,044)
Realized gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	161,774	333,753	326,934	580,165
Gains/(losses) on warrants issued-net (Note VI.18)	(1,530,756)	571,653	(1,892,161)	265,783
Gains/(losses) on derivative financial product-futures-net (Note VI.18)	1,625,946	1,816,789	3,618,491	(598,919)
Gains/(losses) on derivative financial product-GTSM-net (Note VI.18 and VII)	(354,074)	(1,166,677)	(522,231)	(1,086,150)
Expected credit impairment (losses) or gains on reversal (Note VI.25)	(45,908)	(9,132)	(43,240)	(13,407)
Other operating revenue (Note VI.25 and VII)	758,547	560,720	1,933,643	774,093
Total Revenues	<u>7,707,935</u>	<u>6,359,177</u>	<u>16,058,141</u>	<u>10,179,228</u>
COSTS AND EXPENSES				
Brokerage handling fee expenses	(695,269)	(367,291)	(1,198,711)	(733,554)
Dealing handling fee expenses	(15,626)	(10,156)	(30,167)	(22,842)
Refinancing handling fee expenses	(129)	(655)	(281)	(781)
Financial costs (Note VI.25 and VII)	(133,903)	(211,497)	(332,376)	(747,073)
Losses on trading of borrowed securities	(87,266)	(15,585)	(138,709)	(23,954)
Futures commission expenses	(32,956)	(29,247)	(68,243)	(65,975)
Settlement and clearing service expenditures	(128,944)	(92,653)	(236,497)	(200,377)
Other operating costs	(267,663)	(484,986)	(620,777)	(800,149)
Employee benefits expenses (Note VI.22, VI.25 and VII)	(2,386,602)	(2,055,886)	(4,887,382)	(3,755,940)
Depreciation and amortization (Note VI.25 and VII)	(245,963)	(265,503)	(492,736)	(525,085)
Other operating expenses (Note VI.25 and VII)	(1,381,042)	(1,011,248)	(2,514,372)	(1,924,616)
Total Costs and Expenses	<u>(5,375,363)</u>	<u>(4,544,707)</u>	<u>(10,520,251)</u>	<u>(8,800,346)</u>
INCOME FROM OPERATIONS	<u>2,332,572</u>	<u>1,814,470</u>	<u>5,537,890</u>	<u>1,378,882</u>
NON-OPERATING INCOME OR COSTS				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	627,976	309,807	1,672,222	460,130
Other income and costs (Note VI.12, VI.25 and VII)	253,546	478,080	686,664	887,308
Total Non-Operating Income or Costs	<u>881,522</u>	<u>787,887</u>	<u>2,358,886</u>	<u>1,347,438</u>
INCOME BEFORE INCOME TAX	3,214,094	2,602,357	7,896,776	2,726,320
INCOME TAX EXPENSES (Note VI.27)	<u>(306,834)</u>	<u>(272,152)</u>	<u>(793,302)</u>	<u>(324,700)</u>
NET INCOME	<u>2,907,260</u>	<u>2,330,205</u>	<u>7,103,474</u>	<u>2,401,620</u>
OTHER COMPREHENSIVE INCOME (Note VI.26)				
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	10,345	353,881	10,345	(46,184)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	169,243	535,654	247,435	48,439
To be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	(419,792)	(101,081)	(505,860)	(265,083)
Unrealized valuation gains/(losses) from debt instrument investments measured at fair value through other comprehensive income	(17,240)	571,519	(463,541)	(94,368)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	447,123	3,082,328	(2,238,948)	(643,083)
Total Other Comprehensive Income-Net of Tax	<u>189,679</u>	<u>4,442,301</u>	<u>(2,950,569)</u>	<u>(1,000,279)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$3,096,939</u>	<u>\$6,772,506</u>	<u>\$4,152,905</u>	<u>\$1,401,341</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$2,906,525</u>	<u>\$2,334,757</u>	<u>\$7,101,898</u>	<u>\$2,405,820</u>
Non-controlling interests (Note VI.24)	<u>\$735</u>	<u>\$(4,552)</u>	<u>\$1,576</u>	<u>\$(4,200)</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$3,096,269</u>	<u>\$6,776,762</u>	<u>\$4,151,489</u>	<u>\$1,405,660</u>
Non-controlling interests (Note VI.24)	<u>\$670</u>	<u>\$(4,256)</u>	<u>\$1,416</u>	<u>\$(4,319)</u>
EARNINGS PER SHARE (Note VI.28)				
Net income attributable to owners of the parent company	<u>\$0.82</u>	<u>\$0.66</u>	<u>\$2.00</u>	<u>\$0.68</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, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars)

Items	Equity Attributed to Owners of the Parent Company										Non-controlling Interests	Total Equity
	Share Capital		Retained Earnings				Other Equity			Total		
	Common Stock	Stock dividend to be distributed	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealized Gains/(Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income				
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	
Balance, January 1, 2021	\$34,363,397	\$-	\$8,648,583	\$5,794,394	\$12,189,344	\$7,975,162	\$(1,569,375)	\$4,458,603	\$71,860,108	\$18,714	\$71,878,822	
Appropriations and distribution of 2020 retained earnings:												
Legal reserve	-	-	-	797,516	-	(797,516)	-	-	-	-	-	
Special reserve	-	-	-	-	1,745,065	(1,745,065)	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(4,300,000)	-	-	(4,300,000)	-	(4,300,000)	
Stock dividends	-	1,132,581	-	-	-	(1,132,581)	-	-	-	-	-	
Net income for the six-month period ended June 30, 2021	-	-	-	-	-	7,101,898	-	-	7,101,898	1,576	7,103,474	
Other comprehensive income for the six-month period ended June 30, 2021	-	-	-	-	-	-	(502,588)	(2,447,821)	(2,950,409)	(160)	(2,950,569)	
Total comprehensive income	-	-	-	-	-	7,101,898	(502,588)	(2,447,821)	4,151,489	1,416	4,152,905	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(1,643)	(1,643)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	61,160	-	(61,160)	-	-	-	
Other	-	-	-	-	-	(7,498)	-	-	(7,498)	-	(7,498)	
Balance, June 30, 2021	\$34,363,397	\$1,132,581	\$8,648,583	\$6,591,910	\$13,934,409	\$7,155,560	\$(2,071,963)	\$1,949,622	\$71,704,099	\$18,487	\$71,722,586	

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, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	\$7,896,776	\$2,726,320
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	373,815	397,822
Amortization	118,921	127,263
Expected credit impairment (losses) or gains on reversal	43,240	13,407
Interest expense	332,376	747,073
Interest income	(2,201,140)	(2,327,789)
Dividend income	(65,074)	(93,071)
Share-based payment transactions	-	8
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(1,672,222)	(460,130)
(Gains)/losses on disposal of property and equipment	(198)	440
Others	(305)	(204)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(768,317)	20,564,878
Financial assets measured at fair value through other comprehensive income-current	1,726,368	(8,047,358)
Investment in bonds with reverse repurchase agreements	1,699,901	5,467,509
Securities margin loans receivable	(30,276,234)	(433,823)
Refinancing margin	21,814	(127,659)
Refinancing deposits receivable	17,938	(103,087)
Trading securities receivable	(1,245,208)	841,410
Customer margin accounts	(1,000,350)	(8,971,596)
Futures commission merchant receivable	1,346	(3,611)
Stock borrowing collateral price	245,269	21,602
Security lending deposits	(3,931,849)	(2,788,985)
Notes receivable	(21)	3,019
Accounts receivable	(26,510,653)	(11,932,881)
Prepayments	(36,827)	(20,310)
Other current assets	2,283,957	5,744,434
Financial assets measured at fair value through profit or loss-non-current	(530,121)	238,738
Financial assets measured at fair value through other comprehensive income-non-current	(654,430)	130,665
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	14,412,984	(95,490)
Liabilities for bonds with repurchase agreements	(7,755,816)	(5,558,909)
Short sale margins	(470,060)	(568,500)
Payables for short sale collateral received	(623,593)	(798,251)
Guarantee deposit received from security lending	(3,938,801)	3,672,539
Futures customers' equity	1,010,933	9,271,959
Accounts payable	32,100,286	13,691,311
Amounts received in advance	657,506	74,486
Amounts collected for other parties	(2,280,996)	(7,986,553)
Other payables	(121,273)	(190,046)
Other financial liabilities-current	(1,058,191)	1,134,830
Other current liabilities	9,012	149,777
Liabilities reserve-non-current	(3,773)	1,120
Other non-current liabilities	(109,782)	(11,956)
Cash provided by/(used in) operating activities	(22,302,792)	14,500,401
Interest received	2,191,199	2,702,540
Dividend received	37,602	15,722
Interest paid	(316,673)	(955,708)
Income tax received/(paid)	(156,881)	(148,088)
Net cash provided by/(used in) operating activities	(20,547,545)	16,114,867

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-Month Periods Ended June 30, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through other comprehensive income	\$-	\$89,925
Purchase of property and equipment	(74,687)	(95,646)
Disposal of property and equipment	537	401
Clearing and settlement fund	(905)	(25,138)
Guarantee deposits	161,911	(131,002)
Purchase of intangible assets	(39,172)	(41,653)
Other non-current assets	(52,941)	36
Prepayments for purchase of equipment	(8,768)	(39,772)
Dividends received	320,617	228,283
Net cash provided by/(used in) investing activities	<u>306,592</u>	<u>(14,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	21,256,653	(308,448)
Commercial papers payable	5,708,006	(4,143,433)
Repayment of bonds	-	(4,800,000)
Lease principal paid	(252,838)	(261,176)
Cash dividends	(4,300,000)	(5,500,000)
Changes in non-controlling interests	(1,643)	(2,978,276)
Net cash provided by/(used in) financing activities	<u>22,410,178</u>	<u>(17,991,333)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(74,031)</u>	<u>52,770</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,095,194	(1,838,262)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	16,018,903	19,776,464
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u><u>\$18,114,097</u></u>	<u><u>\$17,938,202</u></u>

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, 2021 and 2020
(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, 2021, 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 20, 2021.

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, amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2021. The abovementioned amendments were resulted from “Interest Rate Benchmark Reform – Phase 2”. To reflect on the adoption of the amendment, the Company and the subsidiaries decided not to restate the previous statements. The explanations about interest rate benchmark reform are as below:

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

(1) The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. The Company and subsidiaries will not have to derecognize or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. The Company and subsidiaries will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. The Company and subsidiaries will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

(2) Please refer to Notes IV.4 and XII.9 for the accounting policies and the other disclosures related to the effects of the interest rate benchmark reform-phase 2 on the application of IFRS 9.

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

New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
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

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

(1) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) 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.

(3) 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.

(4) Annual Improvements to IFRS Standards 2018 - 2020

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.

The abovementioned standards and interpretations that are applicable for annual periods beginning on or after January 1, 2022, have no material impact on the Company and subsidiaries.

3. **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
Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The potential effects 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) Disclosure Initiative - Accounting Policies – Amendments to IAS 1

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

- (4) Definition of Accounting Estimates – Amendments to IAS 8

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

- (5) Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 "Income Tax" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 is 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. The remaining new or amended standards and interpretations have no material impact on the Company and subsidiaries.

IV. Summary of Significant Accounting Policies

Apart from the items mentioned below, the same accounting policies have been applied in the Company and subsidiaries' consolidated financial statements for the year ended December 31, 2020.

1. Statement of Compliance

The consolidated financial statements of the Company and subsidiaries for the six-month periods ended June 30, 2021 and 2020 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, and IAS 34 "Interim Financial Reporting" as endorsed and became effective by FSC of the ROC.

2. General Description of Reporting Entities

The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/21	12/31/20	6/30/20
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
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	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		
			6/30/21	12/31/20	6/30/20
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
"	KGI International Limited	Investments holdings	100.00	100.00	100.00
"	KGI Korea Limited	Investments holdings	-	-	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 Limited	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00
"	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
KGI Capital Asia Limited	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: Resolution of annual general meeting on June 5, 2020 resolved that Global Corporation will start liquidation on July 1, 2020. The Company lost control of Global Corporation from the date of liquidation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Analysis of assets and liabilities of Global Corporation as of the date losing control

	7/1/20
Current assets	
(including cash and cash equivalents NT 54,661 thousand dollars)	\$360,154
Non-current assets	42,808
Total assets	402,962
Current liabilities	568
Non-current liabilities	780
Total liabilities	1,348
Net assets of Global Corporation	401,614
Carrying amount of non-controlling interests	(312,981)
Difference in investment held and net assets	33,388
Net disposal assets	\$122,021

(2) Gain/loss on disposal of subsidiary

	From January 1, 2020 to July 1, 2020
Fair value of remaining investment as of the date losing control	\$623,794
Net disposal assets	(122,021)
Non-controlling interest as of the date losing control	(486,125)
Gain on disposal of subsidiary	\$15,648

A. The detail information of the scope of subsidiaries:

- (a) Supersonic Services Inc. was dissolved on May 25, 2020.
- (b) KGI Alliance Corporation was dissolved on June 10, 2020.
- (c) Bauhinia 88 Ltd. was dissolved on June 30, 2020.
- (d) KGI Capital (Singapore) Pte. Ltd. was dissolved on September 23, 2020.
- (e) KGI Korea Limited was dissolved on November 30, 2020.
- (f) Re  solution of annual general meeting on June 5, 2020 resolved that Global Corporation will start liquidation on July 1, 2020. The Company lost control of Global Corporation from the date of liquidation.
- (g) KGI Investment Advisory (Shanghai) Co., Ltd. was dissolved on July 20, 2021.

B. 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.

3. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Financial Instruments

Interest rate benchmark reform (The accounting treatment beginning on or after January 1, 2021)
For changes to contractual cash flows as required by the reform in financial assets or financial liabilities, the effective interest rate is updated to reflect the changes to the alternative benchmark rate.

5. 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 since that time and for significant curtailments, settlements, or other significant one-off events.

6. Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Company and subsidiaries recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to 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.

1. Judgements

In the process of applying the Company and subsidiaries' accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

De facto control without a majority of the voting rights in subsidiaries

The Company and subsidiaries hold less than 50% of the invested company's shares and are the largest shareholder, who are judged to have no control and only have significant influence. Please refer to Note VI.9.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) 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.

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

VI. Contents of Significant Accounts

1. Cash and Cash Equivalents

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Cash on hand	\$3,098	\$3,276	\$3,325
Cash in banks	13,463,141	11,719,613	14,627,049
Cash equivalents			
Short-term commercial papers and bonds	1,885,594	2,015,557	1,670,520
Futures excess margin	2,762,264	2,280,457	1,637,308
Total	<u>\$18,114,097</u>	<u>\$16,018,903</u>	<u>\$17,938,202</u>

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Interest rates	0.16%-0.20%	0.12%-0.42%	0.22%-0.32%

(2) Please refer to Note VI.25 for information related to impairment of cash and cash equivalents and Note XII for details on credit risk.

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

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
<u>Current</u>			
Mandatorily measured at FVTPL			
Lent securities	\$-	\$244,854	\$401,674
Open-ended funds, monetary market instruments and other securities	1,458,757	1,475,988	1,443,979
Trading securities-dealing-net	44,365,698	47,872,249	40,044,246
Trading securities-underwriting-net	321,134	942,768	852,783
Trading securities-hedging-net	26,945,909	23,000,460	14,754,102
Long options	33,778	18,200	17,837
Futures trading margins-proprietary funds	1,745,745	1,400,183	823,320
Derivative instrument assets	4,022,160	3,571,037	2,768,718
Others	600,574	199,699	145,764
Total	<u>\$79,493,755</u>	<u>\$78,725,438</u>	<u>\$61,252,423</u>
<u>Non-current</u>			
Mandatorily measured at FVTPL			
Others	<u>\$3,544,565</u>	<u>\$3,014,463</u>	<u>\$2,852,976</u>

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

(1) Lent securities

	6/30/21	12/31/20	6/30/20
Listed/OTC company stock	\$-	\$203,879	\$434,236
Valuation adjustments	-	40,975	(32,562)
Market value	<u>\$-</u>	<u>\$244,854</u>	<u>\$401,674</u>

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

	6/30/21	12/31/20	6/30/20
Funds	\$575,000	\$575,000	\$575,000
Foreign securities	877,201	894,990	863,996
Subtotal	1,452,201	1,469,990	1,438,996
Valuation adjustments	6,556	5,998	4,983
Market value	<u>\$1,458,757</u>	<u>\$1,475,988</u>	<u>\$1,443,979</u>

(3) Trading securities-dealing-net

	6/30/21	12/31/20	6/30/20
Listed/OTC/ESM company stock	\$7,138,706	\$5,463,087	\$3,024,888
Index fund	2,321,298	2,209,078	2,330,253
Domestic bonds	19,078,023	17,910,401	13,657,486
Foreign securities	14,752,742	20,979,988	21,418,414
Others	54	54	9,399
Subtotal	43,290,823	46,562,608	40,440,440
Valuation adjustments	1,074,875	1,309,641	(396,194)
Market value	<u>\$44,365,698</u>	<u>\$47,872,249</u>	<u>\$40,044,246</u>

(4) Trading securities-underwriting-net

	6/30/21	12/31/20	6/30/20
Listed/OTC/ESM company stock	\$110,250	\$185,084	\$218,200
Domestic bonds	161,055	636,235	586,925
Others	16,000	46,800	-
Subtotal	287,305	868,119	805,125
Valuation adjustments	33,829	74,649	47,658
Market value	<u>\$321,134</u>	<u>\$942,768</u>	<u>\$852,783</u>

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(5) Trading securities-hedging-net

	6/30/21	12/31/20	6/30/20
Listed/OTC/ESM company stock	\$5,492,640	\$3,392,984	\$1,768,796
Index fund	362,099	-	-
Domestic bonds	8,996,112	8,170,583	3,846,881
Funds	4,658,243	5,592,440	5,590,719
Foreign securities	5,366,561	5,442,253	3,154,941
Others	593,760	91,434	232,186
Subtotal	25,469,415	22,689,694	14,593,523
Valuation adjustments	1,476,494	310,766	160,579
Market value	<u>\$26,945,909</u>	<u>\$23,000,460</u>	<u>\$14,754,102</u>

(6) Long options

	6/30/21	12/31/20	6/30/20
Index options	\$33,425	\$16,904	\$38,060
Stock options	-	3,416	93
Subtotal	33,425	20,320	38,153
Open interest	353	(2,120)	(20,316)
Market value	<u>\$33,778</u>	<u>\$18,200</u>	<u>\$17,837</u>

(7) Futures trading margins-proprietary funds

	6/30/21	12/31/20	6/30/20
Account balance	\$1,090,360	\$836,013	\$779,945
Open interest	655,385	564,170	43,375
Account value	<u>\$1,745,745</u>	<u>\$1,400,183</u>	<u>\$823,320</u>

(8) Please refer to Note VI.18 for details of derivative instrument assets.

(9) Others

	6/30/21	12/31/20	6/30/20
Listed/OTC/ESM company stock	\$575,136	\$198,248	\$135,124
Domestic bonds	-	-	8,955
Non-listed/OTC/ESM company stock	-	-	6,405
Subtotal	575,136	198,248	150,484
Valuation adjustments	25,438	1,451	(4,720)
Market value	<u>\$600,574</u>	<u>\$199,699</u>	<u>\$145,764</u>

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Listed/OTC/ESM company stock	\$371,661	\$278,255	\$227,045
Foreign securities	30,089	30,089	30,089
Non-listed/OTC/ESM company stock	940,961	960,541	984,101
Subtotal	1,342,711	1,268,885	1,241,235
Valuation adjustments	2,201,854	1,745,578	1,611,741
Market value	<u>\$3,544,565</u>	<u>\$3,014,463</u>	<u>\$2,852,976</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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
<u>Current</u>			
Debt instrument investments-current			
Foreign securities	\$22,700,438	\$24,856,225	\$27,204,010
Equity instrument investments-current			
Listed/OTC company stock	-	-	1,641,034
Total	<u>\$22,700,438</u>	<u>\$24,856,225</u>	<u>\$28,845,044</u>
<u>Non-current</u>			
Debt instrument investments-non-current			
Foreign securities	\$7,195,316	\$6,816,271	\$7,652,717
Equity instrument investments-non-current			
Non-listed/OTC company stock	2,162	2,162	2,016
Foreign securities	67,143	68,711	70,443
Subtotal	69,305	70,873	72,459
Total	<u>\$7,264,621</u>	<u>\$6,887,144</u>	<u>\$7,725,176</u>

- (1) Please refer to Note VI.25 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. The trust agreement expired in September 2020.

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- (3) According to requests from the authorities, all the shares of CDFH should be sold before expiry date. All the shares have been sold as of December, 2020. For the six-month period ended June 30, 2020, the Company sold 9,175 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, respectively. The Company transferred the cumulative disposal loss of 27,882 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, 2021 and 2020 are as follow:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
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.

4. Investment in Bonds with Reverse Repurchase Agreements

	6/30/21	12/31/20	6/30/20
Government bonds	\$6,445,594	\$7,143,642	\$7,361,425
Corporate bonds	4,894,026	4,594,073	2,932,296
Bank Debentures	570,128	1,872,311	2,426,945
Total	\$11,909,748	\$13,610,026	\$12,720,666
Resold amount as specified in respective agreements plus accrued interest	\$11,912,024	\$13,612,920	\$12,725,962
Resold date as specified in respective agreements	7/1/21-12/27/21	1/4/21-2/25/21	7/2/20-8/12/20

Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

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5. Securities Margin Loans Receivable

	6/30/21	12/31/20	6/30/20
Securities margin loans receivable	\$67,303,733	\$37,027,504	\$24,591,570
Less: loss allowance	(1,989)	(1,367)	(1,411)
Net amount	<u>\$67,301,744</u>	<u>\$37,026,137</u>	<u>\$24,590,159</u>

Securities margin loans receivable are loans that secured by stocks pledged as collaterals that clients purchased by loans. Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

6. Customer Margin Accounts

	6/30/21	12/31/20	6/30/20
Cash in banks	\$24,794,306	\$22,477,780	\$20,477,973
Marking to market from the clearing house	7,254,542	5,785,316	3,641,665
Marking to market from the other futures brokers	1,486,727	3,174,396	2,552,507
Securities	374	642	73
Foreign customer margin accounts	21,974,697	23,072,263	19,834,882
Total	<u>\$55,510,646</u>	<u>\$54,510,397</u>	<u>\$46,507,100</u>

Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

7. Futures Commission Merchant Receivable

	6/30/21	12/31/20	6/30/20
Futures commission merchant receivable	\$136,325	\$168,217	\$170,993
Less: loss allowance	(136,235)	(166,781)	(166,782)
Net amount	<u>\$90</u>	<u>\$1,436</u>	<u>\$4,211</u>

Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

8. Accounts Receivable

	6/30/21	12/31/20	6/30/20
Exchange clearing receivable	\$13,965,025	\$8,302,502	\$6,709,850
Accounts receivable for settlement	58,682,336	38,101,032	31,247,519
Interest receivable	751,862	674,710	649,670
Others	832,819	540,857	561,968
Subtotal	74,232,042	47,619,101	39,169,007
Less: loss allowance	(3,042)	(1,502)	(1,974)
Total	<u>\$74,229,000</u>	<u>\$47,617,599</u>	<u>\$39,167,033</u>

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

	6/30/21	12/31/20	6/30/20
Non-past due	\$73,935,561	\$47,428,753	\$38,839,465
Past due			
Less than 30 days	283,864	184,331	323,843
30 to 60 days	726	1,630	1,553
61 to 120 days	6,149	2,871	2,712
More than 121 days	5,742	1,516	1,434
Total	<u>\$74,232,042</u>	<u>\$47,619,101</u>	<u>\$39,169,007</u>

(2) Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

9. Investments accounted for using the Equity Method

Investee	6/30/21		12/31/20	
	Amount	Percentage	Amount	Percentage
<u>Investments in associates</u>				
KGI Securities (Thailand) Public Company Limited	\$2,434,516	34.97	\$2,422,459	34.97
CDIB Bioscience Ventures I, Inc.	1,992	1.20	1,992	1.20
China Life Insurance Co., Ltd.	15,969,545	8.65	16,827,029	8.65
Total	<u>\$18,406,053</u>		<u>\$19,251,480</u>	

Investee	6/30/20	
	Amount	Percentage
<u>Investments in associates</u>		
KGI Securities (Thailand) Public Company Limited	\$2,164,071	34.97
CDIB Bioscience Ventures I, Inc.	1,927	1.20
China Life Insurance Co., Ltd.	13,515,035	8.65
Total	<u>\$15,681,033</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 4,363,593 thousand dollars, 2,520,072 thousand dollars and 2,316,285 thousand dollars as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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

	6/30/21	12/31/20	6/30/20
Current assets	\$13,141,326	\$13,820,118	\$12,333,067
Non-current assets	1,291,086	1,168,260	1,206,125
Current liabilities	(8,072,738)	(8,643,249)	(7,977,714)
Non-current liabilities	(456,666)	(504,144)	(504,397)
Non-controlling interests	(4,238)	(4,458)	(3,683)
Attributed to controlling interests	<u>\$5,898,770</u>	<u>\$5,836,527</u>	<u>\$5,053,398</u>
Ownership percentage	34.97%	34.97%	34.97%
Proportion of ownership	\$2,062,800	\$2,041,033	\$1,767,173
Goodwill and others	371,716	381,426	396,898
Carrying amount	<u>\$2,434,516</u>	<u>\$2,422,459</u>	<u>\$2,164,071</u>

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Operating revenue	<u>\$1,133,139</u>	<u>\$640,768</u>	<u>\$2,718,516</u>	<u>\$501,347</u>
Profit or loss from continuing operations	\$371,660	\$184,459	\$1,041,129	\$(296,084)
Other comprehensive income	4,326	(12,563)	13,444	8,528
Total comprehensive income	<u>\$375,986</u>	<u>\$171,896</u>	<u>\$1,054,573</u>	<u>\$(287,556)</u>
Dividends received from associate	<u>\$154,486</u>	<u>\$227,007</u>	<u>\$154,486</u>	<u>\$227,007</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 10,790,631 thousand dollars, 9,091,158 thousand dollars and 8,422,031 thousand dollars as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively.

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

	6/30/21	12/31/20	6/30/20
Total assets	\$2,250,137,449	\$2,219,711,848	\$2,068,876,211
Total liabilities	(2,079,520,195)	(2,040,054,643)	(1,928,707,441)
Attributed to controlling interests	<u>\$170,617,254</u>	<u>\$179,657,205</u>	<u>\$140,168,770</u>
Ownership percentage	8.65%	8.65%	8.65%
Proportion of ownership	\$14,767,265	\$15,549,690	\$12,131,887
Net stock equity difference	1,202,280	1,277,339	1,383,148
Carrying amount	<u>\$15,969,545</u>	<u>\$16,827,029</u>	<u>\$13,515,035</u>

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	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Operating revenue	\$74,989,502	\$78,197,043	\$153,713,859	\$149,058,506
Profit or loss from continuing operations	\$6,693,156	\$3,544,541	\$16,534,923	\$8,003,399
Other comprehensive income	6,685,649	41,376,755	(23,595,686)	(7,831,040)
Total comprehensive income	\$13,378,805	\$44,921,296	\$(7,060,763)	\$172,359
Dividends received from associate	\$-	\$-	\$-	\$-

- (2) The Company's investments in CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 1,992 thousand dollars, 1,992 thousand dollars and 1,927 thousand dollars as of June 30, 2021, December 31, 2020 and June 30, 2020, respectively, and the proportionate aggregate financial information of investments is as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Profit or loss from continuing operations	\$-	\$-	\$-	\$-
Other comprehensive income	-	-	-	-
Total comprehensive income	\$-	\$-	\$-	\$-

- (3) Since the shares of KGI Securities (Thailand) Public Company Limited (KGI Thailand) held by the Company and affiliate company is at 34.97%, which is below 50%, and does not hold over half of the seats on board of directors, the Company and affiliate company do not have control over KGI Thailand. The investment does not have to be included in the main body of consolidated financial statements.
- (4) 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.
- (5) 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.
- (6) The board meetings of CDFH held on August 12, 2021 resolved to the stock swap with China Life Insurance Company (China Life) and the issuance of new shares following obtaining approval at the shareholders' meeting and from the competent authority. CDFH intends to swap each share of China Life for NT\$11.5, 0.8 share of CDFH common stock and 0.73 share of CDFH preferred stock. The boards of CDFH and China Life will announce the precise date of stock swap after approval from the competent authorities.
- (7) Please refer to Note VIII for investments accounted for using the equity method pledged as collaterals.

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10. 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, 2021	\$3,732,995	\$1,940,963	\$2,251,748	\$319,414	\$8,245,120
Additions	-	-	66,022	8,665	74,687
Disposals	-	-	(181,559)	(15,737)	(197,296)
Transfers	-	-	17,673	3,105	20,778
Exchange differences	-	-	(28,459)	(4,742)	(33,201)
June 30, 2021	<u>\$3,732,995</u>	<u>\$1,940,963</u>	<u>\$2,125,425</u>	<u>\$310,705</u>	<u>\$8,110,088</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>
<u>Depreciation and Impairment</u>					
January 1, 2021	\$-	\$830,224	\$1,750,038	\$262,070	\$2,842,332
Depreciation	-	18,166	91,436	13,022	122,624
Disposals	-	-	(181,220)	(15,737)	(196,957)
Exchange differences	-	-	(22,792)	(4,483)	(27,275)
June 30, 2021	<u>\$-</u>	<u>\$848,390</u>	<u>\$1,637,462</u>	<u>\$254,872</u>	<u>\$2,740,724</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>
<u>Net carrying amount as of</u>					
June 30, 2021	<u>\$3,732,995</u>	<u>\$1,092,573</u>	<u>\$487,963</u>	<u>\$55,833</u>	<u>\$5,369,364</u>
December 31, 2020	<u>\$3,732,995</u>	<u>\$1,110,739</u>	<u>\$501,710</u>	<u>\$57,344</u>	<u>\$5,402,788</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>

(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.

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11. 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>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Buildings	\$1,004,661	\$981,439	\$1,233,226
Transportation equipment	11,948	12,091	12,846
Other equipment	220	363	327
Total	<u>\$1,016,829</u>	<u>\$993,893</u>	<u>\$1,246,399</u>

During the six-month periods ended June 30, 2021 and 2020, the Company and subsidiaries' additions to right-of-use assets amounting to 286,001 thousand dollars and 348,591 thousand dollars, respectively.

B. Lease liabilities

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Lease liabilities			
Current	\$384,304	\$457,926	\$486,665
Non-current	650,262	558,490	786,390
Total	<u>\$1,034,566</u>	<u>\$1,016,416</u>	<u>\$1,273,055</u>

Please refer to Note VI.25 for the interest on lease liabilities recognized during the three-month and six-month periods ended June 30, 2021 and 2020 and refer to Note XII.3 for the maturity analysis for lease liabilities as of June 30, 2021, December 31, 2020 and June 30, 2020.

(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	<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>ended June 30</u>	<u>ended June 30</u>
	2021	2020	2021	2020
Buildings	\$122,132	\$131,859	\$245,245	\$259,989
Transportation equipment	2,102	2,710	4,311	5,568
Other equipment	71	71	143	143
Total	<u>\$124,305</u>	<u>\$134,640</u>	<u>\$249,699</u>	<u>\$265,700</u>

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(3) Income and costs relating to leasing activities

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
The expenses relating to short-term leases	\$1,796	\$2,877	\$3,488	\$6,603
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	\$342	\$472	\$681	\$900

(4) Cash outflow relating to leasing activities

During the six-month periods ended June 30, 2021 and 2020, the Company and subsidiaries' total cash outflows for leases amounting to 266,282 thousand dollars and 281,731 thousand dollars, respectively.

12. Investment Property

(1) Changes in investment property are as follows:

	Land	Buildings	Total
<u>Cost</u>			
January 1, 2021	\$291,992	\$148,501	\$440,493
Transfers	-	-	-
June 30, 2021	\$291,992	\$148,501	\$440,493
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
<u>Depreciation and Impairment</u>			
January 1, 2021	\$-	\$60,621	\$60,621
Depreciation	-	1,492	1,492
June 30, 2021	\$-	\$62,113	\$62,113
January 1, 2020	\$-	\$75,311	\$75,311
Depreciation	-	1,921	1,921
Transfers	-	(18,103)	(18,103)
June 30, 2020	\$-	\$59,129	\$59,129
<u>Net carrying amount as of</u>			
June 30, 2021	\$291,992	\$86,388	\$378,380
December 31, 2020	\$291,992	\$87,880	\$379,872
June 30, 2020	\$291,992	\$89,372	\$381,364

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(2) Leases relating to investment property

The Company and subsidiaries' investment properties are 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 4 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:

Rental income from the lease of investment property	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$6,436	\$7,439	\$12,957	\$14,789

B. The undiscounted lease payments to be received and total amounts for the remaining June 30, 2021, December 31, 2020 and June 30, 2020 are as follows:

	6/30/21	12/31/20	6/30/20
Not later than one year	\$8,333	\$20,790	\$14,325
Later than one year but not later than two years	127	291	3,608
More than two years but less than three years	24	-	-
Total	\$8,484	\$21,081	\$17,933

(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 all 867,465 thousand dollars as of June 30, 2021, December 31, 2020 and June 30, 2020. 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 overestimated 55 years useful life.

(5) Please refer to Note VIII for investment property pledged as collaterals.

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13. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Software	Other intangible assets	Total
January 1, 2021	\$6,541,538	\$137,620	\$657,885	\$7,337,043
Additions	-	39,172	-	39,172
Amortizations	-	(36,685)	(82,236)	(118,921)
Exchange differences	(37,568)	-	-	(37,568)
June 30, 2021	<u>\$6,503,970</u>	<u>\$140,107</u>	<u>\$575,649</u>	<u>\$7,219,726</u>
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>

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

14. Other Non-Current Assets

	6/30/21	12/31/20	6/30/20
Operation guarantee deposits	\$1,126,900	\$1,126,900	\$1,176,900
Clearing and settlement fund	648,411	647,506	637,146
Guarantee deposits	692,588	854,499	703,199
Others	323,259	279,853	282,230
Total	<u>\$2,791,158</u>	<u>\$2,908,758</u>	<u>\$2,799,475</u>

Please refer to Note VI.25 for details on accumulated impairment and Note XII for details on credit risk.

15. Short-Term Borrowings

	6/30/21	12/31/20	6/30/20
Interbank loans	\$919,710	\$684,192	\$1,453,340
Credit loans	16,032,769	13,737,182	11,202,172
Secured loans	24,936,227	6,210,679	5,825,250
Total	<u>\$41,888,706</u>	<u>\$20,632,053</u>	<u>\$18,480,762</u>
Interest rate	0.30%-7.90%	0.38%-5.65%	0.25%-7.25%

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

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16. Commercial Papers Payable

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Commercial papers payable	\$9,370,000	\$3,661,577	\$1,900,000
Less: discount	(698)	(281)	(125)
Net amount	<u>\$9,369,302</u>	<u>\$3,661,296</u>	<u>\$1,899,875</u>
Interest rate	0.267%-0.999%	0.346%-0.550%	0.408%-0.414%

17. Financial Liabilities Measured at Fair Value Through Profit or Loss

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Financial liabilities held for trading			
Investment in bonds with reverse repurchase agreements - short sale	\$858,389	\$1,012,055	\$225,433
Warrants liabilities	21,180,997	12,276,590	14,897,838
Warrants redeemed	(17,878,721)	(11,313,195)	(14,244,616)
Settlement coverage bonds payable of short sale	-	-	149,332
Short options	25,431	11,828	15,283
Liabilities for securities and bonds borrowed	31,832,560	18,701,768	3,817,245
Derivative instruments liabilities	8,942,715	9,234,243	5,878,231
Financial liabilities designated at fair value through profit or loss	<u>6,759,146</u>	<u>7,384,244</u>	<u>5,262,071</u>
Total	<u>\$51,720,517</u>	<u>\$37,307,533</u>	<u>\$16,000,817</u>

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Foreign securities	<u>\$858,389</u>	<u>\$1,012,055</u>	<u>\$225,433</u>

(2) Warrants liabilities and warrants redeemed

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Warrants liabilities	\$22,504,732	\$13,995,090	\$14,454,958
Gains/(losses) on value change	(1,323,735)	(1,718,500)	442,880
Market value	21,180,997	12,276,590	14,897,838
Warrants redeemed	19,181,536	12,573,730	13,330,865
Gains/(losses) on value change	(1,302,815)	(1,260,535)	913,751
Market value	17,878,721	11,313,195	14,244,616
Net value	<u>\$3,302,276</u>	<u>\$963,395</u>	<u>\$653,222</u>

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.

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(3) Settlement coverage bonds payable of short sale

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Government bonds	\$-	\$-	\$149,332

(4) Short options

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Index options	\$18,319	\$7,209	\$21,807
Stock options	-	60	33
Subtotal	18,319	7,269	21,840
Open interest	7,112	4,559	(6,557)
Market value	<u>\$25,431</u>	<u>\$11,828</u>	<u>\$15,283</u>

(5) Liabilities for securities and bonds borrowed

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Listed/OTC company stock	\$24,030,541	\$13,377,815	\$1,472,927
Index funds	1,837,629	2,255,712	1,864,799
Foreign securities	747,289	878,645	394,761
Subtotal	26,615,459	16,512,172	3,732,487
Valuation adjustments	5,217,101	2,189,596	84,758
Market value	<u>\$31,832,560</u>	<u>\$18,701,768</u>	<u>\$3,817,245</u>

(6) Please refer to Note VI.18 for details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

18. Derivative Instruments

(1) Nominal amounts

<u>Financial Instruments</u>	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Options and futures contract	\$53,451,270	\$39,298,960	\$24,728,282
Foreign futures and options	866,921	3,079,807	2,754,503
Interest rate swap (IRS)	65,301,081	68,374,625	136,211,914
Convertible bond asset swap (CBAS)- interest	22,249,625	21,045,383	24,231,130
CBAS-long option	22,184,625	21,007,483	24,198,030
CBAS-short option	25,186,241	29,702,817	31,445,749
Structured notes	13,274,546	14,987,302	13,353,709
Equity derivative instruments	-	109,682	4,988
Credit derivative instruments	1,875,329	2,030,625	2,045,088
Exchange rate derivative instruments	38,145,726	36,804,322	29,192,023
Total	<u>\$242,535,364</u>	<u>\$236,441,006</u>	<u>\$288,165,416</u>

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(2) Derivative instruments assets/liabilities

Financial Instruments	6/30/21	12/31/20	6/30/20
Derivative instrument assets			
Contract value			
IRS	\$149,310	\$203,834	\$806,555
CBAS-interest	171,784	143,739	155,945
Long options			
CBAS	3,352,261	2,988,148	1,642,886
Structured notes	-	38	824
Credit derivatives instruments	122,813	10,237	4,763
Exchange rate derivative instruments	217,005	165,541	97,164
Foreign futures and options	8,987	59,500	60,581
Total	<u>\$4,022,160</u>	<u>\$3,571,037</u>	<u>\$2,768,718</u>
Derivative instrument liabilities			
Contract value			
IRS	\$202,193	\$300,933	\$956,226
CBAS-interest	569,162	385,323	219,528
Short options			
CBAS	4,497,785	4,234,461	1,767,707
Structured notes	3,345,698	3,504,349	2,644,735
Equity derivative instruments	-	47,104	1,985
Credit derivative instruments	15,625	26,058	19,581
Exchange rate derivative instruments	306,029	693,412	218,781
Foreign futures and options	6,223	42,603	49,688
Total	<u>\$8,942,715</u>	<u>\$9,234,243</u>	<u>\$5,878,231</u>
Financial liabilities designated at fair value through profit or loss			
Structured notes	\$6,758,280	\$7,383,477	\$4,703,290
Others	866	767	558,781
Total	<u>\$6,759,146</u>	<u>\$7,384,244</u>	<u>\$5,262,071</u>

Please refer to Note VI.2 and Note VI.17 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 ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Warrants liabilities:				
Gains on value change	\$8,625,551	\$11,404,719	\$20,483,993	\$28,932,319
Gains on exercising warrants before maturity	9,233	97,649	14,548	67,271
Warrants redeemed:				
Losses on resale of warrants	(475,439)	222,183	(1,251,549)	(2,260,271)
Losses on value change	(9,613,004)	(11,089,749)	(20,968,362)	(26,342,662)
Expense for warrant	(77,097)	(63,149)	(170,791)	(130,874)
Gains/(losses) on warrants issued	<u>\$ (1,530,756)</u>	<u>\$ 571,653</u>	<u>\$ (1,892,161)</u>	<u>\$ 265,783</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Futures contracts	\$1,586,149	\$142,315	\$3,587,181	\$(546,474)
Options	39,797	1,674,474	31,310	(52,445)
Total	<u>\$1,625,946</u>	<u>\$1,816,789</u>	<u>\$3,618,491</u>	<u>\$(598,919)</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
IRS	\$455,559	\$(24,883)	\$520,174	\$(134,259)
CBAS	(64,838)	63,926	(448,289)	(362,059)
Options	(33,346)	(251,788)	(45,435)	381,573
Structured notes	(709,090)	(814,570)	(180,384)	(843,626)
Equity derivative instruments	509	(7,322)	1,072	4,131
Credit derivative instruments	225,739	(113,953)	233,440	(77,280)
Exchange rate derivative instruments	(228,607)	(18,087)	(602,809)	(54,630)
Total	<u>\$ (354,074)</u>	<u>\$ (1,166,677)</u>	<u>\$ (522,231)</u>	<u>\$ (1,086,150)</u>

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

6/30/21

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	115	\$376,212	\$380,029	
Futures Contracts	Elec-Sector Index Futures	Short	5	16,318	16,523	
Futures Contracts	Foreign Futures	Long	2,559	2,304,043	2,298,606	
Futures Contracts	Foreign Futures	Short	1,155	2,930,598	2,932,816	
Futures Contracts	Mini-Elec-Sector Index Futures	Short	26	10,658	10,740	
Futures Contracts	Finance Sector Index Futures	Short	163	242,591	245,087	
Futures Contracts	Mini-TaiEx Futures	Long	152	126,100	132,007	
Futures Contracts	Mini-TaiEx Futures	Short	5,400	4,700,174	4,763,112	
Futures Contracts	Stock Futures	Long	10,056	3,404,787	3,426,541	
Futures Contracts	Stock Futures	Short	12,923	1,744,035	1,818,892	
Futures Contracts	Yuanta Futures ETF	Long	53	73,521	73,590	
Futures Contracts	TaiEx Futures	Long	9,176	31,368,418	32,387,756	
Futures Contracts	TaiEx Futures	Short	1,587	5,278,268	5,525,971	
Futures Contracts	HK-HSI Futures Index	Long	21	108,402	107,891	
Futures Contracts	HK-HSI Futures Index	Short	3	15,472	15,413	
Futures Contracts	Mini-HK-HSI Futures Index	Long	15	15,445	15,413	
Futures Contracts	Mini-HK-HSI Futures Index	Short	105	108,598	107,891	
Futures Contracts	FSTE Taiwan Index Futures	Short	23	39,279	39,108	
Futures Contracts	MSCI Taiwan Index Futures	Long	56	107,742	107,081	
Futures Contracts	MSCI Taiwan Index Futures	Short	38	72,755	72,662	
Futures Contracts	Mini-Nasdaq-100 Index	Short	22	178,360	178,411	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	220	177,750	178,411	
Options Contracts	Index Options-Call	Long	9,726	18,642	25,413	
Options Contracts	Index Options-Call	Short	9,224	(13,803)	21,259	
Options Contracts	Index Options-Put	Long	1,016	14,783	8,365	
Options Contracts	Index Options-Put	Short	658	(4,516)	4,172	

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12/31/20

Item	Type of trading	Open interest position		Contract amount/ Premium paid	Fair value	Note
		Long/ Short	Lots	(received)		
Futures Contracts	Elec-Sector Index Futures	Long	406	\$1,128,287	\$1,164,895	
Futures Contracts	Elec-Sector Index Futures	Short	21	57,768	59,976	
Futures Contracts	Foreign Futures	Long	3,018	1,881,753	1,926,262	
Futures Contracts	Foreign Futures	Short	732	1,847,672	1,863,487	
Futures Contracts	Finance Sector Index Futures	Long	149	186,448	190,511	
Futures Contracts	Finance Sector Index Futures	Short	8	9,911	10,181	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	348	456,816	474,185	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	18	23,285	24,448	
Futures Contracts	Mini-TaiEx Futures	Long	160	108,149	111,862	
Futures Contracts	Mini-TaiEx Futures	Short	3,607	2,469,629	2,623,661	
Futures Contracts	Stock Futures	Long	15,069	5,305,121	5,683,473	
Futures Contracts	Stock Futures	Short	3,325	1,388,982	1,422,333	
Futures Contracts	TaiEx Futures	Long	6,185	16,956,302	18,053,785	
Futures Contracts	TaiEx Futures	Short	2,739	7,148,885	7,960,043	
Futures Contracts	HK-HSI Futures	Long	3	15,059	15,013	
Futures Contracts	HK-HSI Futures	Short	11	55,145	55,046	
Futures Contracts	Mini-HK-HSI Futures Index	Long	55	54,985	55,046	
Futures Contracts	Mini-HK-HSI Futures Index	Short	15	15,025	15,013	
Futures Contracts	FTSE Taiwan Index Futures	Long	51	74,349	74,199	
Futures Contracts	Mini-Nasdaq-100 Index	Short	6	43,947	44,084	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	60	43,853	44,084	
Options Contracts	Index Options-Call	Long	9,586	7,209	11,767	
Options Contracts	Index Options-Put	Long	1,391	9,695	2,173	
Options Contracts	Index Options-Call	Short	9,586	(7,209)	11,767	
Options Contracts	Stock Options-Call	Long	133	3,371	4,234	
Options Contracts	Stock Options-Put	Long	92	45	26	
Options Contracts	Stock Options-Call	Short	42	(57)	53	
Options Contracts	Stock Options-Put	Short	3	(3)	8	

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6/30/20

Item	Type of trading	Open interest position		Contract amount/ Premium paid	Fair value	Note
		Long/ Short	Lots	(received)		
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	

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 is 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.

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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.

19. Liabilities for Bonds with Repurchase Agreements

	6/30/21	12/31/20	6/30/20
Government bonds	\$8,858,386	\$10,474,131	\$12,477,475
Bank debentures	15,430,681	18,743,106	19,169,105
Convertible bonds	2,650,794	1,836,244	514,015
Corporate bonds	40,881,811	44,524,007	39,667,986
Total	<u>\$67,821,672</u>	<u>\$75,577,488</u>	<u>\$71,828,581</u>
Repurchased amount as specified in respective agreements plus accrued interest	<u>\$67,848,259</u>	<u>\$75,608,138</u>	<u>\$71,849,447</u>
Repurchased date as specified in respective agreements	7/1/21-3/24/22	1/4/21-3/10/21	7/1/20-9/21/20

20. Accounts Payable

	6/30/21	12/31/20	6/30/20
Exchange clearing payable	\$11,566,236	\$4,076,453	\$5,755,163
Accounts payable for settlement	81,080,117	56,686,868	48,276,326
Others	1,380,816	1,164,662	416,917
Total	<u>\$94,027,169</u>	<u>\$61,927,983</u>	<u>\$54,448,406</u>

21. Bonds Payable

	6/30/21	12/31/20	6/30/20
108-1 Unsecured Corporation Bonds Payable	<u>\$4,200,000</u>	<u>\$4,200,000</u>	<u>\$4,200,000</u>

- (1) 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 is paid annually and calculated on coupon rate by using simple interest method.

22. 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 contribute 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.

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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.

- (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		For the six-month periods	
	ended June 30		ended June 30	
	2021	2020	2021	2020
Defines contribution plan	\$58,006	\$53,994	\$112,286	\$108,431
Defined benefit plan	2,866	3,690	5,817	8,066
Total	\$60,872	\$57,684	\$118,103	\$116,497

23. Provision

	6/30/21	12/31/20	6/30/20
Litigation provision	\$130,727	\$133,027	\$130,727
Decommissioning liabilities	78,212	79,685	90,603
Total	\$208,939	\$212,712	\$221,330

24. Equity

- (1) Common stock

	6/30/21	12/31/20	6/30/20
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 all 3,436,340 thousand common shares as of June 30, 2021, December 31, 2020 and June 30, 2020. The Company's issued capital was all 34,363,397 thousand dollars, as of June 30, 2021, December 31, 2020 and June 30, 2020, each at a par value of NT\$10.

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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) Stock dividend to be distributed

The Company's board of directors acting on behalf of shareholders resolved to appropriate bonus of 1,132,581 thousand dollars from distributable earnings of 2020 by issuing 113,258 thousand common shares, at par value of NT\$10 on June 25, 2021. The case of capital increase was approved by the competent authorities and the record date was August 9, 2021.

(3) Capital reserve

	6/30/21	12/31/20	6/30/20
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	14,774	14,774	14,766
Employee share options expired	257	257	257
Total	<u>\$8,648,583</u>	<u>\$8,648,583</u>	<u>\$8,648,575</u>

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.

(4) 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.

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B. The Company held the annual meeting of shareholders (represented by the board of directors) on June 25, 2021 and April 23, 2020 and resolved the distribution of annual net income for 2020 and 2019, respectively, as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2020	2019	2020	2019
Legal reserve	\$797,516	\$529,301	-	-
Special reserve	1,745,065	(2,681,253)	-	-
Cash dividends	4,300,000	5,500,000	1.251	1.697
Stock dividends	1,132,581	1,944,965	0.330	0.600

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.

(5) Non-controlling interests

	For the six-month periods ended June 30	
	2021	2020
Beginning balance	\$18,714	\$3,313,251
Profit attributable to non-controlling interests	1,576	(4,200)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	(160)	(119)
Reduction of cash capital from subsidiaries	-	(2,961,375)
Cash dividend issued from subsidiaries	(1,643)	(16,901)
Ending balance	\$18,487	\$330,656

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25. 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	
	2021	2020	2021	2020
Brokerage handling fee revenue	\$4,004,308	\$1,815,905	\$6,750,124	\$3,516,027
Foreign brokerage fee	620,536	761,670	1,528,637	1,573,326
Handling revenue of short sale	16,673	9,431	26,401	17,720
Handling fee revenue of securities borrowed	26,920	16,481	47,933	32,306
Foreign sub-brokerage revenue	147,631	226,902	393,587	477,632
Total	\$4,816,068	\$2,830,389	\$8,746,682	\$5,617,011

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Revenue from underwriting of securities	\$59,753	\$47,587	\$189,500	\$172,423
Revenue from underwriting proceeding fee	51,090	6,109	295,762	23,358
Revenue from underwriting and counseling	3,680	5,950	7,080	11,200
Others	29,811	27,632	65,626	92,106
Total	\$144,334	\$87,278	\$557,968	\$299,087

(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	
	2021	2020	2021	2020
Dealing	\$5,331,242	\$(364,646)	\$7,215,701	\$1,189,711
Underwriting	74,177	59,936	218,628	77,560
Hedging	(3,263,540)	1,298,794	(2,849,560)	830,341
Total	\$2,141,879	\$994,084	\$4,584,769	\$2,097,612

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Margin loans	\$559,869	\$327,774	\$1,152,855	\$682,175
Bonds	326,731	357,486	691,972	938,834
Others	74,427	58,726	148,389	148,167
Total	\$961,027	\$743,986	\$1,993,216	\$1,769,176

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(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	
	2021	2020	2021	2020
Dealing	\$ (24,918)	\$ 116,642	\$ (385,470)	\$ (1,315)
Underwriting	(36,318)	25,506	(40,821)	(59,091)
Hedging	705,409	(401,861)	351,110	(711,521)
Settlement coverage bonds payable of short sale	-	8	-	9
Total	\$644,173	\$(259,705)	\$(75,181)	\$(771,918)

(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	
	2021	2020	2021	2020
Gains	\$ 22,064	\$ 37,523	\$ 68,344	\$ 825,586
Losses	(252,340)	(100,068)	(1,101,400)	(126,447)
Total	\$(230,276)	\$(62,545)	\$(1,033,056)	\$699,139

(7) Please refer to Note VI.18 for details of gains and losses on derivative instruments.

(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	
	2021	2020	2021	2020
Financial assets measured at FVOCI	\$ (4,937)	\$ (3,561)	\$ (3,218)	\$ (1,945)
Financial assets measured at amortized cost				
Receivables (Note 1)	(1,480)	(5,642)	(2,251)	(6,110)
Others (Note 2)	(39,491)	71	(37,771)	(5,352)
Total	\$(45,908)	\$(9,132)	\$(43,240)	\$(13,407)

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, investment in bonds with reverse repurchase agreements, customer margin accounts, other current assets and other non-current assets.

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B. The Company and subsidiaries' total carrying amount and accumulated impairment loss as of June 30, 2021, December 31, 2020 and June 30, 2020 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 29,835,055 thousand dollars, 31,250,234 thousand dollars and 34,547,452 thousand dollars, respectively. The accumulated impairment loss recognized are 18,857 thousand dollars, 15,736 thousand dollars and 12,896 thousand dollars, respectively.

(b) Receivables and others

As of June 30, 2021:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$18,114,182	\$(85)	\$18,114,097
Investment in bonds with reverse repurchase agreements	11,910,120	(372)	11,909,748
Securities margin loans receivable	67,303,733	(1,989)	67,301,744
Trading securities receivable	5,606,759	(319)	5,606,440
Customer margin accounts	55,512,260	(1,614)	55,510,646
Futures commission merchant receivable	136,325	(136,235)	90
Accounts receivable	74,232,042	(3,042)	74,229,000
Other current assets	32,638,273	(46,229)	32,592,044
Other non-current assets	3,585,473	(794,315)	2,791,158
Total	\$269,039,167	\$(984,200)	\$268,054,967

As of December 31, 2020:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$16,019,018	\$(115)	\$16,018,903
Investment in bonds with reverse repurchase agreements	13,610,026	(0)	13,610,026
Securities margin loans receivable	37,027,504	(1,367)	37,026,137
Trading securities receivable	4,361,551	(248)	4,361,303
Customer margin accounts	54,511,969	(1,572)	54,510,397
Futures commission merchant receivable	168,217	(166,781)	1,436
Accounts receivable	47,619,101	(1,502)	47,617,599
Other current assets	34,940,421	(7,844)	34,932,577
Other non-current assets	4,377,625	(1,468,867)	2,908,758
Total	\$212,635,432	\$(1,648,296)	\$210,987,136

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As of June 30, 2020:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$17,938,308	\$(106)	\$17,938,202
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	\$182,197,012	\$(1,910,666)	\$180,286,346

C. The Company and subsidiaries' movements of accumulated impairment for the six-month periods ended June 30, 2021 and 2020 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, 2021	\$ (15,736)
(Increase)/ decrease	(3,218)
Exchange differences	97
Balance as of June 30, 2021	<u>\$ (18,857)</u>
Balance as of January 1, 2020	\$ (10,992)
(Increase)/ decrease	(1,945)
Exchange differences	41
Balance as of June 30, 2020	<u>\$ (12,896)</u>

The changes in the impairment of debt instrument investments measured at fair value through other comprehensive income were mainly affected by the derecognition and the newly acquired position during the six-month periods ended of June 30, 2021 and 2020.

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(b) Receivables and others

Item	Lifetime				Total
	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)	
Balance as of January 1, 2021	\$(7,888)	\$(73)	\$(1,637,566)	\$(2,769)	\$(1,648,296)
(Increase)/decrease	(6,156)	(441)	(31,691)	(1,734)	(40,022)
Financial assets derecognized in					
the current period	-	-	31,186	-	31,186
Write-offs	-	-	662,347	-	662,347
Exchange differences	271	11	10,302	1	10,585
Balance as of June 30, 2021	<u>\$(13,773)</u>	<u>\$(503)</u>	<u>\$(965,422)</u>	<u>\$(4,502)</u>	<u>\$(984,200)</u>
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	<u>\$(8,232)</u>	<u>\$(278)</u>	<u>\$(1,898,919)</u>	<u>\$(3,237)</u>	<u>\$(1,910,666)</u>

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.

(9) Other operating income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Commission income	\$106,118	\$82,942	\$211,124	\$153,788
Investment trust and fund management income	174,314	200,392	332,539	405,382
Exchange gain/(loss)	122,600	(11,809)	604,794	58,750
Gain on exercising warrant before expiration date	174,808	18,280	394,089	65,752
Others	180,707	270,915	391,097	90,421
Total	<u>\$758,547</u>	<u>\$560,720</u>	<u>\$1,933,643</u>	<u>\$774,093</u>

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(10) Financial cost

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2021	2020	2021	2020
Bonds	\$56,012	\$82,841	\$124,946	\$406,704
Bank borrowing	49,149	80,008	146,369	193,015
Corporate bonds	8,292	20,933	16,227	46,150
Lease liabilities	4,386	6,687	9,318	13,191
Securities leading refundable deposits	6,599	13,920	17,933	64,041
Others	9,465	7,108	17,583	23,972
Total	\$133,903	\$211,497	\$332,376	\$747,073

(11) Employee benefits expenses, depreciation and amortization

Item	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2021	2020	2021	2020
Employee benefit expenses				
Salary expenses	\$2,196,202	\$1,884,485	\$4,504,703	\$3,401,763
Insurance expenses	86,376	72,330	174,897	165,035
Pension expenses	60,872	57,684	118,103	116,497
Others	43,152	41,387	89,679	72,645
Total	\$2,386,602	\$2,055,886	\$4,887,382	\$3,755,940
Depreciations and amortizations				
Depreciations	\$186,343	\$199,556	\$373,815	\$397,822
Amortizations	59,620	65,947	118,921	127,263
Total	\$245,963	\$265,503	\$492,736	\$525,085

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' bonus of 22,705 thousand dollars, 17,437 thousand dollars, 53,035 thousand dollars and 17,461 thousand dollars were recognized under salary expenses based on the profit for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

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C. The resolution were passed at the Board of Directors meetings held on March 19, 2021 and March 26, 2020 to distribute 60,000 thousand dollars and 37,500 thousand dollars in cash as employee's bonus of 2020 and 2019, respectively, which were no significant difference from the estimated expenses recognized in 2020 and 2019.

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	
	2021	2020	2021	2020
Postage and telephone expenses	\$76,771	\$69,100	\$144,558	\$131,732
Tax	382,060	177,624	685,444	352,733
Computer information expenses	131,266	116,427	242,774	225,105
Professional fee	61,641	60,407	131,437	118,425
Securities borrowed expenses	214,279	127,997	369,120	247,056
Handling fee	107,309	94,561	211,532	192,325
Maintenance and repairs	60,092	67,651	117,781	119,575
Operation expense	36,714	132,578	61,607	133,246
Other expenses	310,910	164,903	550,119	404,419
Total	\$1,381,042	\$1,011,248	\$2,514,372	\$1,924,616

(13) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Interest income	\$102,444	\$258,727	\$207,924	\$558,613
Gains/(losses) from disposal of investment	48,520	20,966	65,491	14,019
Non-operating financial assets measured at FVTPL	6,306	9,348	213,091	(27,713)
Dividend income	835	54,960	2,326	56,351
Management service income	54,523	105,070	92,699	215,229
Others	40,918	29,009	105,133	70,809
Total	\$253,546	\$478,080	\$686,664	\$887,308

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26. Components of Other Comprehensive Income

For the three-month period ended June 30, 2021

	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	\$10,345	\$-	\$10,345	\$-	\$10,345
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	169,243	-	169,243	-	169,243
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(419,792)	-	(419,792)	-	(419,792)
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	144,534	(161,774)	(17,240)	-	(17,240)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	447,123	-	447,123	-	447,123
Total	\$351,453	\$(161,774)	\$189,679	\$-	\$189,679

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
Total	\$4,776,054	\$(333,753)	\$4,442,301	\$-	\$4,442,301

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	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	\$10,345	\$-	\$10,345	\$-	\$10,345
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	247,435	-	247,435	-	247,435
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(505,860)	-	(505,860)	-	(505,860)
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	(136,607)	(326,934)	(463,541)	-	(463,541)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,238,948)	-	(2,238,948)	-	(2,238,948)
Total	\$(2,623,635)	\$(326,934)	\$(2,950,569)	\$-	\$(2,950,569)

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)
Total	\$(420,114)	\$(580,165)	\$(1,000,279)	\$-	\$(1,000,279)

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27. Income Tax

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

Income tax expense (benefit) recognized in profit or loss

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Current income tax expense (benefit)				
Current period	\$457,321	\$151,043	\$807,117	\$271,043
Adjustments of prior periods	(4,822)	(27,549)	(4,822)	(27,551)
Others	166	-	621	-
Deferred income tax expense (benefit)				
Current period	(145,831)	148,658	(9,614)	81,208
Income tax expense (benefit)	<u>\$306,834</u>	<u>\$272,152</u>	<u>\$793,302</u>	<u>\$324,700</u>

(2) Income tax return assessed

The income tax returns assessed of the Company and subsidiaries for the years through June 30, 2021 are as follows:

	<u>Assessment information</u>
The Company	Assessed through 2015
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2019
KGI Insurance Brokers Co. Ltd.	Assessed through 2019
KGI Venture Capital Co. Ltd.	Assessed through 2019
KGI Securities Investment Trust Co. Ltd.	Assessed through 2018
KGI Futures	Assessed through 2018
KGI Information Technology Co. Ltd.	Assessed through 2019

(3) Administrative remedy

The income tax return of the Company for the year ended December 31, 2015 was assessed for additional income tax of 53,136 thousand dollars. The Company has appealed for administrative remedy. Additional income tax has been recognized into the financial statements.

28. Earnings Per Share

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

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	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Basic EPS				
Attributable to the Company	\$2,906,525	\$2,334,757	\$7,101,898	\$2,405,820
Weighted average number of shares outstanding	3,549,597,810 shares	3,549,597,810 shares	3,549,597,810 shares	3,549,597,810 shares
Basic EPS (NT\$)	\$0.82	\$0.66	\$2.00	\$0.68

The Company's board of directors acting on behalf of shareholders resolved to increase capital in the amount of 1,132,581 thousand dollars from retained earnings on June 25, 2021. The case of capital increase was approved by the competent authorities and the record date was set on August 9, 2021. The abovementioned weighted average shares of ordinary shares based on earnings per share had been retroactively adjusted.

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

Name of the related parties	Nature of relationship of the related parties
China Development Financial Holding Corp. (CDFH)	The parent company
KGI Securities (Thailand Public) Company Limited (KGI TH)	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 Growth Partners	Other related party
CDIB Capital International Corp.	Other related party
GPPC Chemical Corp.	Other related party
CDC Financial & Leasing Corp.	Other related party
KGI Charity Foundation	Other related party
China Development Industrial Bank Foundation (CDIB Foundation)	Other related party
Funds managed by KGI Securities Investment Trust Co. Ltd. (KGI Investment Trust Funds)	Other related party
CDIB & Partners Investment Holding Pte. Ltd.	Other related party
CDIB Capital Investment I Ltd.	Other related party
CDIB Capital Investment II Ltd.	Other related party
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Other related party
CDIB & Partners Investment Holding (Cayman) Ltd.	Other related party
Others	Other related parties

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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	
	2021	2020	2021	2020
<u>A. Brokerage handling fee revenue</u>				
Other related parties				
China Life	\$15,506	\$12,022	\$47,743	\$29,171
KGI Investment Trust Funds	7,173	1,402	11,489	3,133
CDIB & Partners Investment Holding Pte. Ltd.	-	3,429	-	6,309
Others	(1,066)	2,136	4,016	4,731
Total	<u>\$21,613</u>	<u>\$18,989</u>	<u>\$63,248</u>	<u>\$43,344</u>
<u>B. Revenue from underwriting business</u>				
Parent company				
CDFH	\$-	\$3,100	\$5,000	\$3,100
Associates				
KGI TH	8,989	-	8,989	-
Other related parties				
Others	-	-	300	250
Total	<u>\$8,989</u>	<u>\$3,100</u>	<u>\$14,289</u>	<u>\$3,350</u>
<u>C. Gains/(losses) on disposal of trading securities-net</u>				
Other related parties				
China Life	<u>\$-</u>	<u>\$-</u>	<u>\$(26)</u>	<u>\$-</u>
<u>D. Revenue from providing agency service for stock affairs</u>				
Parent company				
CDFH	\$6,949	\$6,158	\$10,487	\$9,624
Other related parties				
China Life	881	968	1,649	1,750
Others	63	66	125	128
Total	<u>\$7,893</u>	<u>\$7,192</u>	<u>\$12,261</u>	<u>\$11,502</u>

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	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
E. <u>Interest income</u>				
Parent company	\$294	\$-	\$543	\$-
Other related parties				
China Life	32,648	-	64,937	-
Others	473	213	1,074	949
Total	\$33,415	\$213	\$66,554	\$949
F. <u>Gains/(losses) on trading securities measures at fair value through profit or loss-net</u>				
Parent company				
CDFH	\$1,708	\$-	\$(2,804)	\$-
Other related parties				
China Life	(107)	-	(405)	-
Total	\$1,601	\$-	\$(3,209)	\$-
G. <u>Gains/(losses) on derivative financial product-GTSM-net</u>				
Other related parties				
KGI Bank	\$8,712	\$13,817	\$(72,096)	\$(13,985)
Others	(805)	(15,307)	(6,632)	(22,793)
Total	\$7,907	\$(1,490)	\$(78,728)	\$(36,778)
H. <u>Other operating revenue</u>				
Parent company	\$-	\$1,875	\$1,250	\$3,750
Other related parties				
China Life	75,596	49,299	90,785	62,050
KGI Bank	(3,742)	7,837	88,866	8,063
Others	-	-	40	-
Total	\$71,854	\$59,011	\$180,941	\$73,863
I. <u>Financial costs</u>				
Other related parties				
China Life	\$22	\$20	\$45	\$27
KGI Bank	42	190	277	1,142
Others	1	2	3	3
Total	\$65	\$212	\$325	\$1,172

The above transactions were under general trading condition.

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Other related parties			
KGI Bank	\$757,853	\$1,327,043	\$2,165,236

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
<u>A. Open-ended funds and monetary market instruments and other securities</u>			
Other related parties			
KGI Investment Trust Funds	\$581,556	\$580,998	\$378,041
	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
	Notional	Notional	Notional
	Amount	Amount	Amount
<u>B. Outstanding derivative instruments</u>			
a.FX Swap			
Other related parties			
KGI Bank	\$615,567	\$61,820	\$65,091
b.CBAS-interest			
Other related parties			
KGI Bank	\$1,500	\$61,000	\$88,600
c.CBAS-long option			
Other related parties			
KGI Bank	\$1,500	\$61,000	\$88,600
d.Structure notes liabilities			
Other related parties			
Others	\$42,132	\$40,133	\$30,133
	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
<u>C. Trading Securities</u>			
Parent company	\$197,196	\$-	\$-
Other related parties			
China Life	4,849,563	4,849,985	-
KGI Investment Trust Funds	1,466,515	1,737,214	1,768,974
Total	\$6,513,274	\$6,587,199	\$1,768,974

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

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
<u>Stocks</u>			
Parent company			
CDFH	\$-	\$-	\$1,641,034

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

- (5) Securities margin loans receivable:

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Other related parties			
Others	\$33,114	\$36,243	\$23,604

- (6) Customer margin accounts:

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Associates	\$11,256	\$13,996	\$10,017
Other related parties			
KGI Bank	835,561	710,692	517,579
Total	\$846,817	\$724,688	\$527,596

- (7) Account receivables:

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Parent company	\$4,126	\$-	\$3,063
Associates			
KGI TH	450,755	546,996	-
Other related parties			
China Life	222,329	31,569	11,205
KGI Bank	212,484	5	5
KGI Investment Trust Funds	29,072	16,512	3,656
Others	17,757	5,490	6,208
Total	\$936,523	\$600,572	\$24,137

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

	6/30/21	12/31/20	6/30/20
Associates			
KGI TH	\$132	\$6,346	\$7,816
Other related parties			
China Life	164,177	368	232,123
KGI Bank	7,529	9,306	9,015
Total	<u>\$171,838</u>	<u>\$16,020</u>	<u>\$248,954</u>

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

	6/30/21	12/31/20	6/30/20
Parent company			
CDFH	\$2,388	\$-	\$2,212
Other related parties			
China Life	1	724	2
Others	5	-	-
Total	<u>\$2,394</u>	<u>\$724</u>	<u>\$2,214</u>

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

	6/30/21	12/31/20	6/30/20
Other related parties			
KGI Bank	<u>\$1,746,518</u>	<u>\$1,916,446</u>	<u>\$1,998,898</u>

(11) Futures customers' equity:

	6/30/21	12/31/20	6/30/20
Other related parties			
KGI Bank	\$362,206	\$122,324	\$344,185
Other	8,413	9,251	8,305
Total	<u>\$370,619</u>	<u>\$131,575</u>	<u>\$352,490</u>

(12) Accounts payable:

	6/30/21	12/31/20	6/30/20
Associates			
KGI TH	\$443,409	\$547,761	\$779
Other related parties			
CDIB & Partners Investment Holding Pte. Ltd.	-	-	159,570
Others	142,843	151,782	131,040
Total	<u>\$586,252</u>	<u>\$699,543</u>	<u>\$291,389</u>

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(13) Other accounts payable:

	6/30/21	12/31/20	6/30/20
Associates	\$26	\$3	\$-
Other related parties			
China Life	5,156	5,491	18,390
KGI Bank	2,695	2,301	252
Total	<u>\$7,877</u>	<u>\$7,795</u>	<u>\$18,642</u>

(14) Current income tax liabilities:

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

	6/30/21	12/31/20	6/30/20
Due to CDFH (the parent company)	<u>\$2,181,862</u>	<u>\$1,199,385</u>	<u>\$814,582</u>

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

Purchase and sale of bonds

	For the six-month period June 30, 2021	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	<u>\$59,500</u>	<u>\$849,624</u>
	For the year six-month period June 30, 2020	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	\$101,400	\$300,000
China Life	-	1,400,000
Total	<u>\$101,400</u>	<u>\$1,700,000</u>

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

Right-of-use asset

	6/30/21	12/31/20	6/30/20
Other related parties			
China Life	<u>\$11,827</u>	<u>\$13,715</u>	<u>\$15,604</u>

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Lease liabilities

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Current			
Other related parties			
China Life	\$3,824	\$3,824	\$3,824
Non-Current			
Other related parties			
China Life	8,055	9,928	11,795
Total	<u>\$11,879</u>	<u>\$13,752</u>	<u>\$15,619</u>

Rental income (recognized as other income and costs)

	<u>For the three-month periods</u> <u>ended June 30</u>		<u>For the six-month periods</u> <u>ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties				
KGI Bank	\$3,244	\$3,266	\$6,506	\$6,501
Others	85	85	170	170
Total	<u>\$3,329</u>	<u>\$3,351</u>	<u>\$6,676</u>	<u>\$6,671</u>

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

Refundable deposits (recognized as other non-current assets)

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Other related parties			
China Life	<u>\$955</u>	<u>\$955</u>	<u>\$955</u>

Depreciation and amortization

	<u>For the three-month periods</u> <u>ended June 30</u>		<u>For the six-month periods</u> <u>ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties				
China Life	<u>\$944</u>	<u>\$946</u>	<u>\$1,888</u>	<u>\$1,896</u>

(17) Employee benefit expenses

	<u>For the three-month periods</u> <u>ended June 30</u>		<u>For the six-month periods</u> <u>ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Other related parties				
China Life	<u>\$6,640</u>	<u>\$6,850</u>	<u>\$13,412</u>	<u>\$13,157</u>

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(18) Other operating expenses

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Associates	\$29	\$4	\$50	\$28
Other related parties				
China Life	3,832	48,971	8,005	107,168
KGI Charity Foundation	20,000	30,000	20,000	30,000
KGI Bank	9,413	3,368	16,817	5,007
CDIB Foundation	3,750	-	3,750	-
Total	<u>\$37,024</u>	<u>\$82,343</u>	<u>\$48,622</u>	<u>\$142,203</u>

(19) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Associates				
KGI TH	\$142	\$159	\$289	\$12,421
Other related parties				
China Life	2	3	4	5
KGI Bank	23,206	32,219	45,014	61,201
Others	7	6	13	13
Total	<u>\$23,357</u>	<u>\$32,387</u>	<u>\$45,320</u>	<u>\$73,640</u>

(20) Information about key management personnel compensation

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Short-term employee benefit	\$72,541	\$48,206	\$145,675	\$121,994
Post-employment benefits	414	412	799	1,154
Total	<u>\$72,955</u>	<u>\$48,618</u>	<u>\$146,474</u>	<u>\$123,148</u>

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

	6/30/21	12/31/20	6/30/20
Property and equipment and investment property	<u>\$265,877</u>	<u>\$266,912</u>	<u>\$267,946</u>

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VIII. Assets Pledged

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

Description of the Assets	6/30/21	12/31/20	6/30/20
Financial assets measured at FVTPL-current			
Trading securities-dealing	\$403,153	\$353,009	\$501,257
Open-ended funds, monetary market instruments and other securities	242,939	242,706	242,282
Financial assets measured at FVOCI-current			
Foreign securities	-	-	846,485
Other current assets-restricted	1,109,232	1,182,196	1,295,367
Investment accounted for using the equity method	3,451,500	3,636,465	3,095,730
Property and equipment	4,305,925	4,322,139	4,338,353
Investment property	350,180	351,625	353,070
Total	<u>\$9,862,929</u>	<u>\$10,088,140</u>	<u>\$10,672,544</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 abovementioned clients requested the Court for the repossession of such shares from the Company, and the Company shall pay cash of 90,379 thousand dollars and assumed interest in lieu. During the process of litigation, said clients changed the 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 original judgment has been rendered and the Company was unable to retrieve the stocks. The case was remanded by the Supreme Court back to the High Court with the decision, and the abovementioned decision was repealed on November 12, 2020. This case is currently being processed by the High Court.
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, and the Company failed to perform sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, the Company constituted violation Articles 20 and 32 of Securities and Exchange Act and Article 184 and 185 of Civil Code. The plaintiffs sued the Company and Taiwan Kolin Co., Ltd. with jointly liability amounting to 133,308 thousand dollars plus 5% interest. The Taipei District Court ruled in the Company's favor in first instance on January 29, 2021. This case is currently pending at the High Court as Securities and Futures Investors Protection Center brought an appeal.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. For the need of securities borrowing margin, the Company requested the bank guarantees for 1,030,000 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.

XI. Significant Subsequent Events

1. The resolution of cash capital reduction was passed at the board meeting on behalf of the shareholders held on August 20, 2021 to reduce 2,500,000 thousand dollars. The cash capital reduction is currently pending approval from the competent authorities.
2. The resolution of cash capital reduction was passed at the board meeting of Richpoint Company Limited held on August 20, 2021 to reduce 1,500,000 thousand dollars.
3. The resolution of cash distribution from capital reserve-business combination was passed at the board of meeting of KGI Future held on August 18, 2021 to distribute 300,000 thousand dollars. The distribution is currently pending approval from the competent authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. The resolution of cash capital reduction was passed at the board meeting of KGI Information Technology Co. Ltd. on behalf of the shareholders held on August 18, 2021 to reduce 45,000 thousand dollars to cover its losses in the amount of 1,974 thousand dollars. The record date for capital reduction was set on August 24, 2021.
5. The board of meeting held on April 23, 2021 passed the proposal to issue senior or subordinated corporate bonds in the amount of 10,000,000 thousand dollars. The Company issued 110-1 unsecured corporate bonds in the amount of 5,000,000 thousand dollars, and has completed the fundraising on July 9, 2021.

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.

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 includes 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.

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.

(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 a 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 reorganization;
 - 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 assessment, 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 put 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 assess 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.

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 are 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 with reserve repurchase 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. 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.

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, 2021 and 2020.

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3. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/21

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$9,967,145	\$5,701,094	\$2,445,858	\$-	\$-	\$18,114,097
Financial assets measured at FVTPL-current	54,037,360	11,160,943	2,401,981	11,885,439	10,081	79,495,804
Financial assets measured at FVOCI-current	9,646,930	13,011,374	42,134	-	-	22,700,438
Investment in bonds with reverse repurchase agreements	-	11,912,024	-	-	-	11,912,024
Receivables	68,986,485	46,085,412	32,020,764	46,163	-	147,138,824
Customer margin accounts	55,510,646	-	-	-	-	55,510,646
Stock borrowing collateral price and security lending deposits	13,221,519	22,088,669	10,845,497	-	-	46,155,685
Current tax assets	-	-	2,366	35,698	-	38,064
Other current assets	31,004,775	1,313,454	272,617	1,198	-	32,592,044
Financial assets measured at FVTPL-non-current	-	-	-	959,718	2,584,847	3,544,565
Financial assets measured at FVOCI-non-current	-	-	-	-	7,264,621	7,264,621
Investments accounted for using the equity method	-	-	-	-	18,406,053	18,406,053
Others non-current assets	-	5,591	1,371	4,852	2,744,220	2,756,034
Total	\$242,374,860	\$111,278,561	\$48,032,588	\$12,933,068	\$31,009,822	\$445,628,899
Percentage	54.39%	24.97%	10.78%	2.90%	6.96%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/21

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$41,888,706	\$-	\$-	\$-	\$41,888,706
Commercial papers payable	-	9,369,302	-	-	-	9,369,302
Financial liabilities measured at FVTPL-current	34,460,308	1,924,205	4,383,166	9,195,312	2,001,124	51,964,115
Liabilities for bonds with repurchase agreements	-	67,346,710	501,549	-	-	67,848,259
Payables	97,634,013	5,705,520	2,734,476	-	-	106,074,009
Guarantee deposit received from security lending	-	7,439,869	29,431,682	-	-	36,871,551
Futures customers' equity	53,674,268	-	-	-	-	53,674,268
Amounts collected for others/ Other payable/ Other current liabilities	1,089,729	1,511,513	4,742,070	859	43	7,344,214
Other financial liabilities-current	-	2,444,104	648,282	1,342	1,768	3,095,496
Lease liabilities-current	-	127,403	267,532	-	-	394,935
Current tax liabilities	-	-	315,278	-	1,913,373	2,228,651
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	920	208,019	208,939
Lease liabilities-non-current	-	-	-	667,417	-	667,417
Other non-current liabilities	-	-	-	736,411	54,905	791,316
Total	\$186,858,318	\$137,757,332	\$43,024,035	\$13,502,261	\$5,479,232	\$386,621,178
Percentage	48.33%	35.63%	11.13%	3.49%	1.42%	100%

Statement of capital liquidation gap

6/30/21

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$242,374,860	\$111,278,561	\$48,032,588	\$12,933,068	\$31,009,822	\$445,628,899
Cash outflow	186,858,318	137,757,332	43,024,035	13,502,261	5,479,232	386,621,178
Amount of cash flow gap	\$55,516,542	\$(26,478,771)	\$5,008,553	\$(569,193)	\$25,530,590	\$59,007,721

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Statement of cash flow analysis for financial assets

12/31/20

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$6,935,304	\$3,651,859	\$5,431,740	\$-	\$-	\$16,018,903
Financial assets measured at FVTPL-current	56,815,841	9,670,818	710,972	11,523,068	7,750	78,728,449
Financial assets measured at FVOCI-current	20,401,895	4,088,596	365,734	-	-	24,856,225
Investment in bonds with reverse repurchase agreements	-	13,612,920	-	-	-	13,612,920
Receivables	62,857,158	4,352,481	21,824,794	13,323	-	89,047,756
Customer margin accounts	54,510,397	-	-	-	-	54,510,397
Stock borrowing collateral price and security lending deposits	7,983,545	21,444,531	13,041,029	-	-	42,469,105
Current tax assets	-	-	6,515	10,061	-	16,576
Other current assets	32,879,769	1,640,660	412,148	-	-	34,932,577
Financial assets measured at FVTPL-non-current	-	-	-	585,801	2,428,662	3,014,463
Financial assets measured at FVOCI-non-current	-	-	-	-	6,887,144	6,887,144
Investments accounted for using the equity method	-	-	-	-	19,251,480	19,251,480
Others non-current assets	-	-	90	1,907	2,859,626	2,861,623
Total	\$242,383,909	\$58,461,865	\$41,793,022	\$12,134,160	\$31,434,662	\$386,207,618
Percentage	62.76%	15.14%	10.82%	3.14%	8.14%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/20

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$20,632,053	\$-	\$-	\$-	\$20,632,053
Commercial papers payable	-	3,661,296	-	-	-	3,661,296
Financial liabilities measured at FVTPL-current	20,792,004	2,480,421	2,147,320	9,760,280	2,379,082	37,559,107
Liabilities for bonds with repurchase agreements	-	75,608,138	-	-	-	75,608,138
Payables	67,979,094	1,982,879	5,106,503	-	-	75,068,476
Guarantee deposit received from security lending	-	12,730,327	28,080,025	-	-	40,810,352
Futures customers' equity	52,663,335	-	-	-	-	52,663,335
Amounts collected for others/ Other payable/ Other current liabilities	3,155,106	1,804,672	4,702,357	58,490	43	9,720,668
Other financial liabilities-current	-	4,150,226	133	1,164	2,137	4,153,660
Lease liabilities-current	-	124,556	341,432	-	-	465,988
Current tax liabilities	-	-	298,916	-	1,272,453	1,571,369
Bonds payable	-	-	-	2,900,000	1,300,000	4,200,000
Liabilities reserve-non-current	-	-	-	24,643	188,069	212,712
Lease liabilities-non-current	-	-	-	573,570	-	573,570
Other non-current liabilities	-	-	20	815,886	85,192	901,098
Total	\$144,589,539	\$123,174,568	\$40,676,706	\$14,134,033	\$5,226,976	\$327,801,822
Percentage	44.11%	37.58%	12.41%	4.31%	1.59%	100.00%

Statement of capital liquidation gap

12/31/20

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$242,383,909	\$58,461,865	\$41,793,022	\$12,134,160	\$31,434,662	\$386,207,618
Cash outflow	144,589,539	123,174,568	40,676,706	14,134,033	5,226,976	327,801,822
Amount of cash flow gap	\$97,794,370	\$(64,712,703)	\$1,116,316	\$(1,999,873)	\$26,207,686	\$58,405,796

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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	\$5,395,145	\$-	\$-	\$17,938,202
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
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
Total	\$190,148,059	\$59,928,392	\$28,325,457	\$9,505,448	\$28,481,375	\$316,388,731
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
Total	\$112,934,011	\$110,738,841	\$28,194,701	\$10,874,357	\$3,949,345	\$266,691,255
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
Amount of cash flow gap	\$77,214,048	\$(50,810,449)	\$130,756	\$(1,368,909)	\$24,532,030	\$49,697,476

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, 2021, December 31, 2020 and June 30, 2020 show that the sums from deducting cash outflow from cash inflow are 59,007,721 thousand dollars, 58,405,796 thousand dollars and 49,697,476 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.

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.

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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 decreases 1%).

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

Comparisons of risk sensitive factors

Risk sensitivity	6/30/21	12/31/20	6/30/20
Interest rate risk	\$5,446	\$8,513	\$6,323
Equity securities risk			
Equity delta	6,900,083	7,087,900	2,593,876
Debt delta	1,871,651	1,800,339	1,627,961
Exchange rate risk	4,446,727	4,463,211	4,786,960
Commodity risk sensitivity	73,982	60,720	(118,828)

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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, 2021			6/30/21
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$208,931	\$134,550	\$327,809	\$215,597
Interest rate	192,522	111,730	347,140	209,429
Exchange rate	45,843	19,061	61,612	49,959
Commodity	64,789	20,614	139,868	21,101

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

(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	6/30/21	12/31/20	6/30/20
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss:			
Mandatorily Measured at fair value through profit or loss	\$83,038,320	\$81,739,901	\$64,105,399
Financial assets measured at fair value through other comprehensive income	29,965,059	31,743,369	36,570,220
Financial assets measured at amortized cost (Note 1)	314,173,979	253,447,111	200,000,046
Total	<u>\$427,177,358</u>	<u>\$366,930,381</u>	<u>\$300,675,665</u>
<u>Financial liabilities</u>			
Financial liabilities measured at amortized cost (Note 2)	\$331,379,500	\$287,537,733	\$248,538,753
Financial liabilities measured at fair value through profit or loss:			
Held for trading	44,961,371	29,923,289	10,738,746
Designated initially at fair value through profit or loss	6,759,146	7,384,244	5,262,071
Total	<u>\$383,100,017</u>	<u>\$324,845,266</u>	<u>\$264,539,570</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 current assets and other non-current assets.

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:

	6/30/21		12/31/20		6/30/20	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial liabilities</u>						
Bonds payable	\$4,200,000	\$4,239,817	\$4,200,000	\$4,230,572	\$4,200,000	\$4,216,782

(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.
- (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.

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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:

6/30/21

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	\$15,861,566	\$-	\$2,636,924	\$18,498,490
Bonds	15,433,511	32,598,304	-	48,031,815
Others	9,829,130	877,202	-	10,706,332
Financial assets measured at FVOCI				
Stocks	-	-	69,305	69,305
Bonds	22,700,438	7,195,316	-	29,895,754
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	29,062,971	-	-	29,062,971
Bonds	271,517	1,185,974	-	1,457,491
Others	2,170,487	-	-	2,170,487
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL	1,779,523	4,022,160	-	5,801,683
Liabilities				
Financial liabilities measured at FVTPL	3,328,574	12,357,795	3,343,199	19,029,568

12/31/20

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	\$11,156,829	\$-	\$2,481,741	\$13,638,570
Bonds	21,891,412	30,834,927	-	52,726,339
Others	8,722,107	1,663,465	-	10,385,572
Financial assets measured at FVOCI				
Stocks	-	-	70,873	70,873
Bonds	24,599,813	7,072,683	-	31,672,496
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	15,227,846	-	-	15,227,846
Bonds	994,559	799,876	-	1,794,435
Others	2,691,542	-	-	2,691,542
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL	1,418,383	3,570,999	38	4,989,420
Liabilities				
Financial liabilities measured at FVTPL	975,989	13,068,694	3,549,027	17,593,710

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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

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

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 at recurring basis

There are no transfers between Level 1 and Level 2 for the six-month periods ended of June 30, 2021 and June 30, 2020.

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:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

For the six-month period ended June 30, 2021

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 (Note)	
Financial Assets								
<u>Derivative instruments</u>								
Financial assets measured at FVTPL	\$38	\$(382)	\$-	\$344	\$-	\$-	\$-	\$-
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL	2,481,741	175,725	-	106,000	166,654	(4,803)	(288,393)	2,636,924
Financial assets measured at FVOCI	70,873	-	(1,568)	-	-	-	-	69,305

Note: Due to basis of fair value of financial instruments changed from self-valuation to active market quotation.

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	
Financial Assets								
<u>Derivative instruments</u>								
Financial assets measured at FVTPL	\$346	\$14,996	\$-	\$25,154	\$-	\$(39,672)	\$-	\$824
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL	2,403,670	(39,356)	-	1,064	-	-	-	2,365,378
Financial assets measured at FVOCI	2,016	-	-	-	-	-	-	2,016

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

For the six-month period ended June 30, 2021

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	
Financial Liabilities								
<u>Derivative instruments</u>								
Financial liabilities measured at FVTPL	\$3,549,027	\$(78,179)	\$-	\$390,684	\$-	\$(518,333)	\$-	\$3,343,199

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	
Financial Liabilities								
<u>Derivative instruments</u>								
Financial liabilities measured at FVTPL	\$2,465,737	\$(160,762)	\$-	\$800,110	\$-	\$(468,843)	\$-	\$2,636,242

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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, 2021 and 2020 are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Total gains or losses				
Recognized in profit or loss	\$54,418	\$(334,408)	\$294,722	\$(92,186)
Recognized in other comprehensive income	\$(1,591)	\$-	\$(1,568)	\$-

- 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, 2021 and June 30, 2020.

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.

6/30/21

	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 FVTPL- equity instrument	Discounted cash flow	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		WACC	6.62%	The higher the WACC is, probably the lower the fair value of asset is.
		Growth rate	2.10%	The higher the growth rate is, probably the lower the fair value of asset is.
Financial assets measured at FVOCI- equity instrument	Note	Not applicable	Not applicable	Not applicable
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.00%-12.72%	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%-29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
Financial assets measured at FVTPL-equity instrument	Discounted Cash Flow	Discount for lack of liquidity	29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		WACC	7.10%	The higher the WACC is, probably the lower the fair value of assets is.
		Growth Rate	2.20%	The higher the growth rate 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	26.80%-45.09%	Depending on contract terms.
<u>Financial liabilities:</u>				
Derivatives				
Structured notes-options	Martingale Pricing Technique	History Volatility	0.00%-13.10%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	20.66%-60.84%	Depending on contract terms.

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

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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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:

6/30/21

	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)	Discount for lack of liquidity	-1% / +1%	\$60	\$60
Equity instruments (discounted cash flow)	Discount for lack of liquidity	- 1% / +1%	83	83
	WACC	- 1% / +1%	417	405
	Growth Rate	+1% / - 1%	123	122
Financial assets measured at FVOCI				
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	-	-

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12/31/20

	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)	Discount for lack of liquidity	-1% / +1%	\$213	\$221
Equity instruments (discounted cash flow)	Discount for lack of liquidity	-1% / +1%	86	86
	WACC	-1% / +1%	434	421
	Growth Rate	+1% / -1%	122	121
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%	13	13
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	-	-
Equity derivative instruments – short option	Historical volatility	-25% / +25%	161	168

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)	Discount for lack of liquidity	-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)

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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 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

6/30/21

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$15,154,224	\$-	\$-	\$15,154,224
Investment properties	-	-	867,465	867,465
<u>Financial liabilities:</u>				
Bonds payable	4,239,817	-	-	4,239,817

12/31/20

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$11,611,230	\$-	\$-	\$11,611,230
Investment properties	-	-	867,465	867,465
<u>Financial liabilities:</u>				
Bonds payable	4,230,572	-	-	4,230,572

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

A. Investments accounted for using the equity method is significant investment in associates. Please refer to Note VI.9 and VI.12 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).

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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:

6/30/21					
Financial assets	Carrying amount of transferred financial assets	Carrying amount 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	\$52,363,080	\$49,824,031	\$52,363,080	\$49,824,031	\$2,539,049

12/31/20					
Financial assets	Carrying amount of transferred financial assets	Carrying amount 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	\$57,660,617	\$54,435,527	\$57,660,617	\$54,435,527	\$3,225,090
Securities borrowing transactions	244,854	342,796	244,854	342,796	(97,942)

6/30/20					
Financial assets	Carrying amount of transferred financial assets	Carrying amount 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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(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	
6/30/21	Long call option	\$7,819,700	\$1,580,742	\$1,580,742	\$-	\$1,580,742
12/31/20	Long call option	\$10,332,500	\$1,522,083	\$1,522,083	\$-	\$1,522,083
6/30/20	Long call option	\$12,183,000	\$883,810	\$883,810	\$-	\$883,810

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
6/30/21	Long call option	\$-	\$45,600	\$3,483,700	\$4,290,400	\$-	\$7,819,700
12/31/20	Long call option	\$-	\$850,900	\$2,064,900	\$7,416,700	\$-	\$10,332,500
6/30/20	Long call option	\$-	\$529,300	\$4,632,900	\$7,020,800	\$-	\$12,183,000

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.

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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
6/30/21	Long call option	\$49,848	\$465,392	\$515,240
12/31/20	Long call option	\$19,004	\$393,637	\$412,641
6/30/20	Long call option	\$(1,243)	\$(173,399)	\$(174,642)

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:

6/30/21						
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	\$4,022,160	\$-	\$4,022,160	\$-	\$978,654	\$3,043,506
Resell agreement	11,909,748	-	11,909,748	11,909,748	-	-
Total	\$15,931,908	\$-	\$15,931,908	\$11,909,748	\$978,654	\$3,043,506

6/30/21						
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	\$8,942,715	\$-	\$8,942,715	\$-	\$1,343,900	\$7,598,815
Repurchase agreement	67,821,672	-	67,821,672	67,821,672	-	-
Total	\$76,764,387	\$-	\$76,764,387	\$67,821,672	\$1,343,900	\$7,598,815

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12/31/20						
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	\$3,571,037	\$-	\$3,571,037	\$-	\$851,194	\$2,719,843
Resell agreement	13,610,026	-	13,610,026	13,610,026	-	-
Total	\$17,181,063	\$-	\$17,181,063	\$13,610,026	\$851,194	\$2,719,843

12/31/20						
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	\$9,234,243	\$-	\$9,234,243	\$-	\$3,740,088	\$5,494,155
Repurchase agreement	75,577,488	-	75,577,488	75,577,488	-	-
Total	\$84,811,731	\$-	\$84,811,731	\$75,577,488	\$3,740,088	\$5,494,155

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

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

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, 2021, December 31, 2020 and June 30, 2020 are disclosed as follows:

(1) Capital adequacy ratio

Item	6/30/21	12/31/20	6/30/20
Qualified net equity Capital	\$26,332,246	\$25,496,473	\$20,180,039
Equivalent amount of operating risk	10,740,871	9,028,653	6,953,771
Capital adequacy ratio	245%	282%	290%

Item	For the six-month periods ended June 30	
	2021	2020
Average	280%	295%
Maximum	310%	317%
Minimum	245%	272%

(2) Equivalent amounts and percentages of operating risks

Item	6/30/21		12/31/20		6/30/20	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Market risk	\$4,610,085	42.92%	\$4,000,866	44.31%	\$2,560,089	36.82%
Credit risk	4,327,223	40.29%	3,221,051	35.68%	2,586,946	37.20%
Operational risk	1,803,563	16.79%	1,806,736	20.01%	1,806,736	25.98%
Total	\$10,740,871	100.00%	\$9,028,653	100.00%	\$6,953,771	100.00%

9. The impact of interest rate benchmark reform

The Company and subsidiaries evaluate that when the interest rate indicator does not exist, changing result directly from alternative interest rate benchmark will be accounted for by updating the effective interest rates. The interest rate changes have not had a significant impact on the Company and subsidiaries. The Company and subsidiaries will continue to monitor the changes and development of international interest rate indicators.

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As of June 30, 2021, the financial instruments of the Company and subsidiaries that have been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

	Carrying Amounts	
	Financial Assets	Financial Liabilities
Non-derivatives		
USD LIBOR	\$929,203	\$2,229,600
CNY HIBOR	-	5,783,284
Other currencies LIBOR	195,266	967,787
Derivatives		
USD LIBOR	164,952	901,272
SGD SOR	1,955	10,590
CNY HIBOR	1,096	22,081
TOTAL	<u>\$1,292,472</u>	<u>\$9,914,614</u>
	Nominal Amounts	
	Financial Assets	Financial Liabilities
Derivatives		
USD LIBOR	\$3,116,787	\$10,459,936
SGD SOR	1,181,196	1,061,342
CNY HIBOR	358,937	660,627
TOTAL	<u>\$4,656,920</u>	<u>\$12,181,905</u>

10. 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.

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Futures department of the Company

Article #	Calculation Formula	6/30/21		12/31/20		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stock holders' equity</u>	<u>2,067,242</u>	5.38	<u>1,978,857</u>	3.56	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	384,276		555,428			
17	<u>Current assets</u>	<u>4,693,321</u>	12.21	<u>3,265,839</u>	5.88	≥ 1	"
	Current liabilities	384,276		555,112			
22	<u>Stockholders' equity</u>	<u>2,067,242</u>	516.81%	<u>1,978,857</u>	494.71%	≥ 60%	"
	Minimum paid-in capital	400,000		400,000			
22	<u>Net capital amount after adjustment</u>		116.79%		161.41%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	<u>1,330,832</u> 1,139,517		<u>974,269</u> 603,590			

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

KGI Futures

Article #	Calculation Formula	6/30/21		12/31/20		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stockholders' equity</u>	<u>3,976,400</u>	6.15	<u>4,045,179</u>	7.51	≥ 1	Satisfied
	(Total liabilities – Futures customers' equity)	647,087		538,351			
17	<u>Current assets</u>	<u>38,800,702</u>	1.07	<u>37,397,552</u>	1.08	≥ 1	"
	Current liabilities	36,248,031		34,726,811			
22	<u>Stockholders' equity</u>	<u>3,976,400</u>	523.21%	<u>4,045,179</u>	532.26%	≥ 60%	"
	Minimum paid-in capital	760,000		760,000			
22	<u>Net capital amount after adjustment</u>		45.34%		42.66%	≥ 20%	"
	The total amount of customer's margin required by the non-offset position for the futures dealer	<u>3,417,614</u> 7,537,460		<u>3,609,974</u> 8,461,679			

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Article #	Calculation Formula	6/30/20		Standard	Execution
		Calculation	Ratio		
17	<u>Stockholders' equity</u> (Total liabilities – Futures customers' equity)	<u>3,815,333</u> 560,096	6.81	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>32,076,121</u> 29,599,361	1.08	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>3,815,333</u> 760,000	502.02%	≥ 60% ≥ 40%	"
22	<u>Net capital amount after adjustment</u> 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	47.01%	≥ 20% ≥ 15%	"

- (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-Zeng-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

A. Balance sheet of trust business

	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Cash in bank	\$1,987,165	\$1,798,748	\$1,364,791
Financial assets			
Bonds	827,342	759,223	715,320
Stocks	15,618,271	16,652,820	9,501,288
Funds	18,348,008	15,253,348	13,183,288
Structured notes	4,127,671	3,178,855	2,363,886
Receivables	331,450	295,830	133,664
Total trusted assets	<u>\$41,239,907</u>	<u>\$37,938,824</u>	<u>\$27,262,237</u>
	<u>6/30/21</u>	<u>12/31/20</u>	<u>6/30/20</u>
Payables	\$147,288	\$40,006	\$33,189
Taxes payables	538	197	153
Trust capital	34,583,049	33,374,578	25,151,764
Net income for current period	4,555,237	2,697,043	(284,503)
Accumulated profit or loss	2,376,649	2,603,988	2,607,248
Deferred carried forward	178	445	1,182
Others	(423,032)	(777,433)	(246,796)
Total trusted liabilities	<u>\$41,239,907</u>	<u>\$37,938,824</u>	<u>\$27,262,237</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. Income statement of trust business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2021	2020	2021	2020
Revenues				
Interest income	\$8,440	\$8,113	\$16,956	\$15,119
Rent income	7,075	3,774	13,741	9,044
Dividend income	125,914	148,281	227,340	268,349
Realized investment gain	394,739	120,543	716,843	228,941
Unrealized investment gain	630,899	1,104,814	5,832,012	2,352,170
Other income	14,223	(12,249)	321,935	221,427
Total revenue	1,181,290	1,373,276	7,128,827	3,095,050
Expenses				
Management expense	1,344	692	2,602	1,644
Taxes expense	1,527	490	4,944	1,244
Handling fee	16,138	14,151	39,293	21,826
Realized investment loss	81,307	66,572	151,458	526,752
Unrealized investment loss	(335,582)	(1,970,598)	1,233,787	2,088,744
Other expense	228,629	111,072	1,141,506	739,343
Total expense	(6,637)	(1,777,621)	2,573,590	3,379,553
Income before tax	1,187,927	3,150,897	4,555,237	(284,503)
Income tax	-	-	-	-
Net income	\$1,187,927	\$3,150,897	\$4,555,237	\$(284,503)

C. Trust property catalog

	6/30/21	12/31/20	6/30/20
Cash in bank	\$1,987,165	\$1,798,748	\$1,364,791
<u>Financial assets</u>			
Bonds	827,342	759,223	715,320
Stocks	15,618,271	16,652,820	9,501,288
Funds	18,348,008	15,253,348	13,183,288
Structured notes	4,127,671	3,178,855	2,363,886
Total	\$40,908,457	\$37,642,994	\$27,128,573

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, 2021, December 31, 2020 and June 30, 2020 are USD 6,744 thousand, USD 7,736 thousand and USD 5,562 thousand, respectively.

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

Financial instruments	6/30/21			12/31/20		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$4,027,673	27.87	\$112,248,183	\$3,088,229	28.50	\$88,025,500
HKD	102,936	3.59	369,380	112,418	3.68	413,144
JPY	1,182,092	0.25	298,012	1,724,707	0.28	476,661
EUR	581,990	33.16	19,298,772	637,881	35.05	22,357,681
CNY	415,443	4.31	1,790,934	392,281	4.38	1,718,934
SGD	925	20.73	19,183	933	21.58	20,132
KRW	18,420,562	0.02	460,514	13,506	0.03	354
<u>Non-monetary Items</u>						
USD	1,784,437	27.87	49,732,210	2,230,286	28.51	63,580,981
HKD	28,446	3.59	102,091	-	3.68	-
CNY	804,378	4.31	3,467,594	910,648	4.38	3,990,370
AUD	53	20.95	1,103	4,064	21.97	89,294
<u>Investments accounted for using the equity method</u>						
USD	87,352	27.87	2,434,516	84,975	28.51	2,422,459
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	6,117,133	27.87	170,481,405	5,614,807	28.51	160,053,538
HKD	47,901	3.59	171,857	67,455	3.67	247,883
JPY	1,023,647	0.25	258,061	1,577,505	0.28	435,959
EUR	580,827	33.16	19,260,204	636,629	35.05	22,313,802
CNY	242,347	4.31	1,044,732	390,736	4.38	1,712,162
SGD	163	20.73	3,384	218	21.56	4,695
KRW	18,405,796	0.02	460,145	8,182	0.03	214
<u>Non-monetary Items</u>						
USD	337,276	27.87	9,399,871	409,738	28.51	11,680,810
AUD	-	20.95	-	4	21.97	93

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

<u>Financial instruments</u>	6/30/20		
	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$2,572,224	29.65	\$76,278,029
HKD	127,212	3.83	486,638
JPY	1,416,998	0.28	389,893
EUR	398,325	33.29	13,260,160
CNY	119,721	4.19	502,181
SGD	6,746	21.25	143,350
KRW	1,010	0.02	25
<u>Non-monetary Items</u>			
USD	1,973,470	29.66	58,533,132
CNY	464,549	4.19	1,948,598
AUD	14,798	20.34	301,000
<u>Investments accounted for using the equity method</u>			
USD	72,963	29.66	2,164,071
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	5,054,735	29.66	149,909,542
HKD	78,177	3.83	299,059
JPY	1,224,747	0.28	336,969
EUR	396,573	33.29	13,201,827
CNY	212,885	4.19	892,964
SGD	6,173	21.25	131,183
<u>Non-monetary Items</u>			
USD	224,302	29.66	6,652,796
CNY	27,036	4.19	113,407
AUD	10,848	20.34	220,640

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 gains 122,600 thousand dollars, losses 11,809 thousand dollars, gains 604,794 thousand dollars and gains 58,750 thousand dollars for the three-month and six-month periods ended June 30, 2021 and 2020, respectively.

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(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, 2021 and 2020.

(7) The Company and subsidiaries took the consideration of the economic impact of COVID-19 into material accounting estimates when preparing the financial statements. Upon assessment, there were no material impacts on the Company and subsidiaries' operation with respect to issue such as their financial condition, ability to operate as a going concern and asset impairment during the period ended June 30, 2021 .

(8) Reclassifications

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