

KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 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 December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 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, based on our audits and the reports of other auditors (please refer to the *Other Matter – Making Reference to the Audits of Component Auditors* section of our report), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2021 and 2020, and their consolidated financial performance and cash flows for the years ended December 31, 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, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee 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 year ended December 31, 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.

Assessment of Goodwill Impairment

The Company and subsidiaries perform impairment test annually on goodwill generated from business combination. Due to the complexity of testing assessment, management's subjective judgement to related assumptions, and significant goodwill amount as of December 31, 2021 to the consolidated financial statements, we considered the assessment of goodwill impairment as a key audit matter. Our audit procedures include, but not limited to, obtaining the self-assessment report from management and the impairment report prepared by external expert, and reviewing related assumptions used in calculating future cash flows in those reports. In addition, we use our firm's internal valuation expert to review the methods (such as discounted cash flow method) and the parameters (such as discounted rate) used in the impairment report to assist us to assess the methods and assumptions of goodwill impairment testing mentioned above. We also assessed the adequacy of disclosures for goodwill in Note V and Note VI.16.

Valuation of Derivative Instruments

The Company and its subsidiaries invest in different types of derivative instrument assets and liabilities. As of December 31, 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 revalue 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.

Other Matter – Making Reference to the Audits of Component Auditors

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT 728,842 thousand dollars and NT 771,365 thousand dollars, constituting 0.18% and 0.19% of consolidated total assets as of December 31, 2021 and 2020, respectively; income before income tax of NT 179,921 thousand dollars and NT 199,279 thousand dollars, constituting 1.24% and 2.10% of consolidated income before income tax for the years ended December 31, 2021 and 2020, respectively; and other comprehensive income of NT 510 thousand dollars and NT 346 thousand dollars, constituting 0.01% and 0.03% of consolidated other comprehensive income for the years ended December, 2021 and 2020, respectively. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions expressed herein are based solely on the audit reports of the other auditors.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee 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 year ended December 31, 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 including the Other Matter paragraph on the parent company only financial statements of the Company as of and for the years ended December 31, 2021 and 2020.

Hsu, Jung-Huang
Fuh, Wen-Fun
Ernst & Young, Taiwan
March 11, 2022

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

December 31, 2021 and 2020

(Expressed in New Taiwan Thousand Dollars)

ASSETS	12/31/2021	12/31/2020
CURRENT ASSETS		
Cash and cash equivalents (Note IV, VI.1, VI.27 and VII)	\$15,671,681	\$16,018,903
Financial assets measured at fair value through profit or loss-current (Note IV, VI.2, VI.20, VII and VIII)	75,490,172	78,725,438
Financial assets measured at fair value through other comprehensive income-current (Note IV, VI.3, VI.27 and VII)	31,578,039	24,856,225
Hedging financial assets-current (Note IV and VI.4)	7,988	-
Investment in bonds with reverse repurchase agreements (Note IV, VI.5 and VI.27)	13,702,744	13,610,026
Securities margin loans receivable (Note IV, VI.6, VI.27 and VII)	39,090,149	37,026,137
Refinancing margin	2,015	22,596
Refinancing deposits receivable	1,677	18,589
Trading securities receivable (Note IV, VI.27)	7,279,253	4,361,303
Customer margin accounts (Note IV, VI.7, VI.27 and VII)	51,967,816	54,510,397
Futures commission merchant receivable (Note IV, VI.8 and VI.27)	-	1,436
Stock borrowing collateral price	591,651	317,962
Security lending deposits (Note VI.27)	40,699,598	42,151,143
Notes receivable	337	96
Accounts receivable (Note IV, VI.9, VI.27 and VII)	40,361,063	47,617,599
Prepayments	106,790	112,465
Current tax assets	14,776	16,576
Other current assets (Note IV, VI.27, VII and VIII)	55,940,626	34,932,577
Total Current Assets	<u>372,506,375</u>	<u>354,299,468</u>
NON-CURRENT ASSETS		
Financial assets measured at fair value through profit or loss-non-current (Note IV and VI.2)	3,669,663	3,014,463
Financial assets measured at fair value through other comprehensive income-non-current (Note IV, VI.3 and VI.27)	6,938,113	6,887,144
Investments accounted for using the equity method (Note IV, VI.10 and VIII)	2,569,654	19,251,480
Property and equipment (Note IV, VI.11, VII and VIII)	5,601,429	5,402,788
Right-of-use assets (Note IV, VI.12 and VII)	1,179,773	993,893
Investment property (Note IV, VI.13, VII and VIII)	150,817	379,872
Intangible assets (Note IV, VI.14 and VI.16)	7,181,621	7,337,043
Deferred tax assets (Note IV and VI.29)	330,396	420,720
Other non-current assets (Note IV, VI.15, VI.27 and VII)	3,060,594	2,908,758
Total Non-Current Assets	<u>30,682,060</u>	<u>46,596,161</u>
TOTAL ASSETS	<u>\$403,188,435</u>	<u>\$400,895,629</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

December 31, 2021 and 2020

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	12/31/2021	12/31/2020
CURRENT LIABILITIES		
Short-term borrowings (Note VI.17)	\$17,299,940	\$20,632,053
Commercial papers payable (Note VI.18)	816,022	3,661,296
Financial liabilities measured at fair value through profit or loss-current (Note IV, VI.19, VI.20 and VII)	36,468,887	37,307,533
Liabilities for bonds with repurchase agreements (Note IV and VI.21)	59,103,641	75,577,488
Short sale margins	2,730,344	2,859,295
Payables for short sale collateral received	12,525,783	10,281,198
Guarantee deposit received from security lending	47,419,510	40,810,352
Futures customers' equity (Note IV and VII)	50,125,388	52,663,335
Accounts payable (Note VI.22 and VII)	56,440,395	61,927,983
Amounts received in advance	2,407	352,118
Amounts collected for other parties	23,908,469	4,613,580
Other payables (Note IV and VII)	5,650,899	4,821,669
Other financial liabilities-current	3,233,430	4,152,114
Current tax liabilities (Note IV and VII)	2,764,932	1,571,369
Current portion of long-term liabilities (Note IV and VI.23)	300,000	-
Lease liabilities-current (Note IV, VI.12 and VII)	288,554	457,926
Other current liabilities	424,729	285,419
Total Current Liabilities	<u>319,503,330</u>	<u>321,974,728</u>
NON-CURRENT LIABILITIES		
Bonds payable (Note IV and VI.23)	8,900,000	4,200,000
Liabilities reserve-non-current (Note IV and VI.25)	206,861	212,712
Lease liabilities-non-current (Note IV, VI.12 and VII)	906,452	558,490
Deferred tax liabilities (Note IV and VI.29)	1,256,771	1,169,779
Other non-current liabilities (IV and VI.24)	1,073,414	901,098
Total Non-Current Liabilities	<u>12,343,498</u>	<u>7,042,079</u>
Total Liabilities	<u>331,846,828</u>	<u>329,016,807</u>
EQUITY		
Capital stock abstracted (Note VI.26)		
Common stock	32,995,978	34,363,397
Capital reserve (Note VI.26)	7,706,245	8,648,583
Retained earnings (Note VI.26)		
Legal reserve	6,591,910	5,794,394
Special reserve	13,934,409	12,189,344
Unappropriated earnings	12,766,719	7,975,162
Other equity		
Exchange differences resulting from translating the financial statements of a foreign operation	(2,225,039)	(1,569,375)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(447,362)	4,458,603
Equity attributable to owners of the parent company	<u>71,322,860</u>	<u>71,860,108</u>
Non-controlling interests (Note VI.26 and VI.30)	<u>18,747</u>	<u>18,714</u>
Total Equity	<u>71,341,607</u>	<u>71,878,822</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$403,188,435</u></u>	<u><u>\$400,895,629</u></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 Years Ended December 31, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Years Ended December 31	
	2021	2020
REVENUES (Note IV)		
Brokerage handling fee revenue (Note VI.27 and VII)	\$16,698,232	\$12,362,090
Revenue from borrowed securities	1,396,380	808,424
Revenue from underwriting business (Note VI.27 and VII)	1,064,977	755,937
Revenue from wealth management services-net	444,730	201,160
Gains/(losses) on disposal of trading securities-net (Note VI.27 and VII)	6,802,195	5,407,321
Revenue from providing agency service for stock affairs (Note VII)	239,544	210,886
Interest income (Note VI.27 and VII)	3,853,447	3,671,705
Dividend income (Note VI.3)	402,525	192,290
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.27 and VII)	(1,225,712)	1,232,163
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.27)	(5,352,021)	910,074
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchase agreements measured at fair value through profit or loss-net	1,702,714	(2,150,231)
Realized gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	422,820	1,068,284
Gains/(losses) on warrants issued-net (Note VI.20)	(258,348)	292,191
Gains/(losses) on derivative financial product-futures-net (Note VI.20)	4,075,285	1,199,567
Gains/(losses) on derivative financial product-GTSM-net (Note VI.20 and VII)	(2,051,740)	(3,960,250)
Expected credit impairment (losses) or gains on reversal (Note VI.27)	(45,040)	(17,582)
Other operating revenue (Note VI.27 and VII)	3,315,189	2,209,939
Total Revenues	31,485,177	24,393,968
COSTS AND EXPENSES (Note IV)		
Brokerage handling fee expenses	(2,398,038)	(1,515,317)
Dealing handling fee expenses	(60,631)	(49,489)
Refinancing handling fee expenses	(477)	(1,265)
Financial costs (Note VI.27 and VII)	(579,610)	(1,235,242)
Losses on trading of borrowed securities	(748,886)	(78,220)
Futures commission expenses	(119,131)	(141,038)
Settlement and clearing service expenditures	(461,919)	(387,218)
Other operating costs	(1,178,804)	(1,534,437)
Employee benefits expenses (Note VI.24, VI.27 and VII)	(9,298,386)	(8,063,341)
Depreciation and amortization (Note VI.27 and VII)	(985,127)	(1,048,984)
Other operating expenses (Note VI.27 and VII)	(5,132,746)	(4,022,505)
Total Costs and Expenses	(20,963,755)	(18,077,056)
INCOME FROM OPERATIONS	10,521,422	6,316,912
NON-OPERATING INCOME OR COSTS		
Share of the profit or loss of associates and joint ventures accounted for using the equity method (Note IV)	2,766,989	1,294,017
Other income and costs (Note VI.13, VI.27 and VII)	1,264,903	1,863,453
Total Non-Operating Income or Costs	4,031,892	3,157,470
INCOME BEFORE INCOME TAX	14,553,314	9,474,382
INCOME TAX EXPENSES (Note IV and VI.29)	(1,617,131)	(752,141)
NET INCOME	12,936,183	8,722,241
OTHER COMPREHENSIVE INCOME (Note IV and VI.28)		
Not to be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(273,960)	(169,785)
Unrealized valuation gains/(losses) from equity instrument investments measured at fair value through other comprehensive income	(144,204)	(38,924)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	218,391	657,001
Income tax relating to components that will not be reclassified (Note VI.29)	36,369	26,213
To be reclassified subsequently to profit or loss		
Exchange differences resulting from translating the financial statements of a foreign operation	(663,228)	(814,441)
Unrealized valuation gains/(losses) from debt instrument investments measured at fair value through other comprehensive income	(755,040)	58,644
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,642,366)	1,515,500
Total Other Comprehensive Income-Net of Tax	(4,224,038)	1,234,208
TOTAL COMPREHENSIVE INCOME	\$8,712,145	\$9,956,449
NET INCOME ATTRIBUTABLE TO:		
Owners of the parent company	\$12,933,208	\$8,725,325
Non-controlling interests (Note VI.26)	\$2,975	\$(3,084)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent company	\$8,709,299	\$9,959,729
Non-controlling interests (Note VI.26)	\$2,846	\$(3,280)
EARNINGS PER SHARE (Note VI.30)		
Net income attributable to owners of the parent company	\$3.66	\$2.46

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 Years Ended December 31, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars)

Items	Equity Attributed to Owners of the Parent Company									
	Retained Earnings					Other Equity				
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation	Unrealized Gains/(Losses) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
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 year ended December 31, 2020	-	-	-	-	8,725,325	-	-	8,725,325	(3,084)	8,722,241
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(145,990)	(814,700)	2,195,094	1,234,404	(196)	1,234,208
Total comprehensive income	-	-	-	-	8,579,335	(814,700)	2,195,094	9,959,729	(3,280)	9,956,449
Shared-based payment transaction	-	16	-	-	-	-	-	16	-	16
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(3,291,257)	(3,291,257)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(604,545)	-	604,545	-	-	-
Other	-	-	-	-	373	-	-	373	-	373
Balance, December 31, 2020	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 year ended December 31, 2021	-	-	-	-	12,933,208	-	-	12,933,208	2,975	12,936,183
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	(234,797)	(655,664)	(3,333,448)	(4,223,909)	(129)	(4,224,038)
Total comprehensive income	-	-	-	-	12,698,411	(655,664)	(3,333,448)	8,709,299	2,846	8,712,145
Reduction of capital	(2,500,000)	-	-	-	-	-	-	(2,500,000)	-	(2,500,000)
Disposal of investments accounted for using the equity method	-	(951,353)	-	-	-	-	(1,495,832)	(2,447,185)	-	(2,447,185)
Share-based payment transaction	-	9,012	-	-	-	-	-	9,012	-	9,012
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,813)	(2,813)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	76,685	-	(76,685)	-	-	-
Other	-	3	-	-	(8,377)	-	-	(8,374)	-	(8,374)
Balance, December 31, 2021	\$32,995,978	\$7,706,245	\$6,591,910	\$13,934,409	\$12,766,719	\$(2,225,039)	\$(447,362)	\$71,322,860	\$18,747	\$71,341,607

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	\$14,553,314	\$9,474,382
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	744,008	789,984
Amortization	241,119	259,000
Expected credit impairment losses or (gains) on reversal	45,040	17,582
Interest expense	579,610	1,235,242
Interest income	(4,239,877)	(4,534,524)
Dividend income	(554,002)	(403,974)
Share-based payment transactions	9,012	16
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(2,766,989)	(1,294,017)
(Gains)/losses on disposal of property and equipment	(169)	(172)
(Gains)/losses on disposal of investments accounted for using the equity method	-	15,648
Others	(643)	(725)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	3,235,266	3,091,863
Hedging financial assets-current	(7,988)	-
Financial assets measured at fair value through other comprehensive income-current	2,931,561	(5,641,501)
Investment in bonds with reverse repurchase agreements	(92,730)	4,578,149
Securities margin loans receivable	(2,065,669)	(12,869,769)
Refinancing margin	20,581	(20,879)
Refinancing deposits receivable	16,912	(17,158)
Trading securities receivable	(2,918,250)	1,004,034
Customer margin accounts	2,542,609	(16,975,371)
Futures commission merchant receivable	1,370	(836)
Stock borrowing collateral price	(273,689)	(191,793)
Securities lending deposits	1,451,541	(25,495,949)
Notes receivable	(241)	3,254
Accounts receivable	7,456,692	(20,381,564)
Prepayments	5,675	6,445
Other current assets	(21,078,668)	2,971,880
Financial assets measured at fair value through profit or loss-non-current	(655,229)	77,156
Financial assets measured at fair value through other comprehensive income-non-current	(1,874,226)	710,621
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	(838,646)	21,211,226
Liabilities for bonds with repurchase agreements	(16,473,847)	(1,810,002)
Short sale margins	(128,951)	502,127
Payables for short sale collateral received	2,244,585	(1,070,430)
Guarantee deposit received from securities lending	6,609,158	17,592,163
Futures customers' equity	(2,537,947)	16,257,911
Accounts payable	(5,505,624)	21,210,088
Amounts received in advance	(349,711)	125,329
Amounts collected for other parties	19,294,889	(5,540,561)
Other payables	817,579	1,608,407
Other financial liabilities-current	(918,684)	(736,610)
Other current liabilities	139,310	223,910
Liabilities reserve-non-current	(5,851)	(7,498)
Other non-current liabilities	(101,644)	(22,409)
Cash provided by/(used in) operating activities	(449,444)	5,950,675
Interest received	4,181,537	4,881,333
Dividend received	400,716	193,820
Interest paid	(549,923)	(1,498,232)
Income tax received/(paid)	(195,784)	(215,714)
Net cash provided by/(used in) operating activities	3,387,102	9,311,882

(Continue on next page)

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 STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(Expressed in New Taiwan Thousand Dollars)

	For the Years Ended December 31	
	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of financial assets measured at fair value through other comprehensive income	\$-	\$1,655,287
Disposal of investments accounted for using the equity method	4,897,759	-
Purchase of property and equipment	(178,390)	(193,761)
Disposal of property and equipment	565	1,880
Operation guarantee deposits	-	50,000
Clearing and settlement fund	95,066	(35,498)
Guarantee deposits	(159,094)	(282,302)
Purchase of intangible assets	(128,757)	(63,926)
Other non-current assets	(58,318)	(16,029)
Prepayments for purchase of equipment	(71,193)	(61,165)
Dividends received	469,768	670,490
Net cash provided by/(used in) investing activities	4,867,406	1,724,976
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	(3,332,113)	1,842,843
Commercial papers payable	(2,845,274)	(2,382,012)
Issuance of bonds	5,000,000	-
Repayment of bonds	-	(4,800,000)
Lease principal paid	(502,732)	(519,404)
Cash dividends	(4,300,000)	(5,500,000)
Reduction of capital by cash refund	(2,500,000)	-
Changes in non-controlling interests	(2,813)	(3,291,257)
Net cash provided by/(used in) financing activities	(8,482,932)	(14,649,830)
EFFECTS OF EXCHANGE RATE CHANGES	(118,798)	(144,589)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(347,222)	(3,757,561)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	16,018,903	19,776,464
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$15,671,681	\$16,018,903

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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 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 December 31, 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 approved and authorized for issue in accordance with a resolution of the Board of Directors on March 11, 2022.

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:

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:

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.7 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**

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date issued by IASB</u>
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.

- (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.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amendment to Illustrative Examples Accompanying IFRS 16 “Leases”

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

Amendment to IAS 41

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

The abovementioned standards and interpretations 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

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.

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 approved and 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

1. Statement of Compliance

The consolidated financial statements of the Company and subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms (“the Regulations”), Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards, International Accounting Standards, Interpretations developed by International Financial Reporting Committee, or the former Standing Interpretations Committee as endorsed and became effective by FSC of the ROC.

2. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

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

3. General Description of Reporting Entities

Preparation principle of consolidated financial statement

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- (1) Power over the investee, i.e. the Company has existing right that gives the ability to direct the relevant activities;
- (2) Exposure or rights to variable returns from its involvement with the investee; and
- (3) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Company holds voting rights or similar rights less than majority, it considers all relevant factors and situations to evaluate whether it has power over the investee, including:

- (1) Contractual arrangements with other investors that holds voting rights over the investee;
- (2) Rights arising from other contractual arrangements;
- (3) Voting rights and potential voting rights.

The Company reassesses its control over an investee when change in one or more of the elements occurs.

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Account balances, transactions, and unrealized gains or losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the owners of the parent company and to non-controlling interests even the later having a deficit balance.

If the Company loses control of a subsidiary, it:

- (1) derecognizes the assets (including goodwill) and liabilities of a subsidiary;
- (2) derecognizes the carrying amount of any non-controlling interest;
- (3) recognizes the fair value of the consideration received;
- (4) recognizes the fair value of any investment retained;
- (5) recognizes any surplus or deficit in profit or loss; and
- (6) reclassifies the parent company's share of components previously recognized in other comprehensive income to profit or loss.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership	
			12/31/21	12/31/20
KGI Securities Co. Ltd.	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00
"	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting	100.00	100.00
"	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00
"	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00
"	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	100.00	100.00
"	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61
"	Global Corporation	Investment Consulting Management Consulting	Note	Note
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00
"	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment consulting	-	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00
KGI International Holdings Limited	KGI Limited	Investments holdings	100.00	100.00
"	KGI International Limited	Investments holdings	100.00	100.00
KGI Limited	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00
"	Global Treasure Investments Limited	Investment services	100.00	100.00
"	KGI Investments Management Limited	Insurance brokerage	100.00	100.00
"	KGI International Finance Limited	Investment and financing services	100.00	100.00
"	KGI Hong Kong Limited	Management consulting services	100.00	100.00
"	KGI Asia Limited	Securities investment services	100.00	100.00
"	KGI Capital Asia Limited	Securities investment services	100.00	100.00
"	KGI Asset Management Limited	Asset management	100.00	100.00
"	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00
KGI Capital Asia Limited	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00
"	KGI Finance Limited	Investment and financing services	100.00	100.00
"	PT KGI Sekuritas Indonesia	Securities investment services	99.00	99.00
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note: 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.

A. Analysis of assets and liabilities of Global Corporation as of the date losing control

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

B. Gain/loss on disposal of subsidiary

	<u>From January 1, 2020 to July 1, 2020</u>
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	<u>(486,125)</u>
Gain on disposal of subsidiary	<u>\$15,648</u>

(1) 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. 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.
- G. KGI Investment Advisory (Shanghai) Co., Ltd. was dissolved on July 20, 2021.

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

4. Foreign Currency Transactions and Exchange Differences Resulting from Translating the Financial Statements of a Foreign Operation

- (1) The Company and subsidiaries' consolidated financial statements are presented in New Taiwan Dollars (NTD), which is also the parent company's functional currency. Each entity under the consolidated financial statements determines its own functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (2) Transactions in foreign currencies are initially recorded by the subsidiaries at their respective local functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of the reporting date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the initial transactions.
- (3) The assets and liabilities of foreign operations and OSU are translated into NTD at the exchange rate on the reporting date and their gains and losses are translated at an average rate within the period. The exchange differences arising from the translations are recognized in other comprehensive income. On the disposal of a foreign operation or cessation of OSU business, the total cumulative amount of the exchange differences relating to that foreign operation should be reclassified from equity to profit or loss. Also accounted for as disposals when the partial disposal involves the loss of control of a subsidiary that includes a foreign operation, or when the retained interest after the partial disposal of an interest in a joint arrangement or in an associate containing a foreign operation is a financial asset that includes foreign operation.
- (4) On the partial disposal of a subsidiary that includes a foreign operation without loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in the other comprehensive income is re-attributed to the non-controlling interests. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not lose significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profits or losses.
- (5) Any goodwill and any fair value adjustments to the carrying amounts on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and reported in its functional currency.

5. Current and non-current distinction

An asset is classified as current when:

- (1) The assets are expected to be realized, or intended to be sold or consumed it in normal operating cycle;
- (2) The assets are held primarily for the purpose of trading;
- (3) The assets are expected to be realized within twelve months after the reporting period; and
- (4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (1) The liabilities are expected to be settled in normal operating cycle;
- (2) The liabilities are held primarily for the purpose of trading;
- (3) The liabilities are due to be settled within twelve months after the reporting period; and
- (4) The liabilities do not have an unconditional right to be deferred the settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

6. Cash and cash equivalents

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

7. Financial instruments

Financial assets and financial liabilities are recognized when the Company and subsidiaries become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(1) Financial assets: Recognition and Measurement

The Company and subsidiaries account for regular way purchase or sales of financial assets on the trade date.

The Company and subsidiaries classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- A. the Company and subsidiaries' business model for managing the financial assets; and
- B. the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met and presented as notes receivables, accounts receivable, financial assets measured at amortized cost and other receivables, etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. The Company and subsidiaries' business model for managing the financial assets: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- B. The contractual cash flow characteristics of financial assets: the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue calculated by using the effective interest method is recognized as profit or loss. Besides, interest revenue calculated by the below methods is also recognized in profit or loss:
 - (a) purchased or originated credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company and subsidiaries apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Besides, at initial recognition, the Company and subsidiaries make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should be recorded as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measures at fair value through profit or loss

Except for the amortized cost measurement or measured at fair value through other comprehensive income which are accordance with the aforementioned specific conditions, financial assets are measured at fair value through profit or loss, and recognized as financial assets measured at fair value through profit or loss to present on the balance sheet.

This kind of financial assets are measured at fair value, and the benefit or loss which also includes any dividend or interest received on the financial assets should be recognized as profit or loss.

Impairment of financial assets

The Company and subsidiaries recognize a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company and subsidiaries measure expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company and subsidiaries measure the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company and subsidiaries measure the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company and subsidiaries measure the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company and subsidiaries need to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for the information about credit risk.

Derecognition of financial assets

A financial asset is derecognized when:

- A. the rights to receive cash flows from the asset have expired;
- B. transferred assets and substantially all the risks and rewards of the assets have been transferred;
- or
- C. the Company and subsidiaries have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

If the transferred asset is a larger part of the financial asset and qualifies for derecognition in its entirety, the Company and subsidiaries allocate the previous carrying amount in two parts based on the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, the sum of the consideration received and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated based on the relative fair values.

(2) Financial liabilities and equity instrument

Classification between liabilities or equity

The Company and subsidiaries classify the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity.

Financial liabilities

Financial liabilities within the scope of IFRS 9 “Financial Instruments” are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability measured at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial liabilities or a group of financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on the fair value basis to the key management personnel.

Gains or losses on the remeasurement of this kind of financial liabilities including interest paid are recognized in profit or loss.

For the financial liabilities designated as measured at fair value through profit or loss, unless the treatment would create or enlarge an accounting mismatch in profit or loss, the amount of change in the fair value of the mentioned financial liabilities that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income; the remaining amount shall be presented in profit or loss.

A. Warrants liabilities and warrants redeemed

Warrants issued are accrued in the account of “Liabilities for warrants issued” and recorded by the fair value method on the gross basis. The repurchase of warrants issued, according to the full disclosure principle, is recorded in the account of “Repurchased warrants”, which is served as a contra item to the account of “Liabilities for warrants issued”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B. Settlement coverage bonds payable of short sale

It represents liability to purchase government bonds to fulfill the obligation to deliver the bonds to third parties at a future date according to a short sell contract. When the deal was made, the Company received the sales consideration from the buyer and such money received was recorded in the revenue account. In addition, the market value of such bonds was recorded in both the cost of revenue account and the account of “Liability for purchase of government bonds”. At the balance sheet date, the account of “Liability for purchase of government bonds” was revalued using the fair value method and the difference between the cost and market value was recognized as the current period gain or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(4) Derivative instruments

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives that are designated and effective hedging instruments are recognized as hedging financial assets/liabilities. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

When the host contracts are either non-financial assets or liabilities, derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not designated at fair value through profit or loss.

(5) Hedge accounting

The company designates part of derivatives instruments as hedging instruments for fair value hedging.

When a hedging relationship begins, the Company records hedging instruments, hedged items, goals of risk management and hedging strategies in paper. In addition, while hedging, the Company continuously records whether hedging instruments can offset highly efficiently changes in fair value that are attributable to hedged risk in paper.

Fair value hedge:

With respect to the change in fair value of designated and matched fair value hedging instruments, if such change is attributable to hedged risk, it is recognized as net income or loss immediately.

The Company postpones and stops using hedge accounting only if the hedging relationship does not meet the key item indicators of hedging accounting, including when hedging instruments are expired, sold, terminated or used.

(6) 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.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place either:

- (1) In the principal market for the asset or liability, or
- (2) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company and subsidiaries.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company and subsidiaries use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Collateralized Securities Transactions

- (1) Collateralized securities transactions are recorded at cost. Under the financing method, securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded at the amount of cash paid or received at the time of the transaction under “Investment in bonds with reverse repurchase agreements” or “Liabilities for bonds with repurchase agreements” accounts. The difference between the recorded cost and the amount, at which the securities will be resold or reacquired, as specified in the respective agreements, is accrued as interest expense or income.
- (2) When bonds purchased under resale agreements are short sold to third party for financing purpose, they are recorded in the account of “Investment in bonds with reverse repurchase agreements-short sales”, which is grouped under current liabilities in the balance sheet. At the balance sheet date, such items are recorded by the fair value method on the gross basis. When such items are covered, the resulting gains or losses are recorded in the account of “Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net”.

10. Customer Margin Accounts and Futures Customers’ Equity

Customer margin accounts

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customer margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet.

Futures customers’ equity

Margin deposits received from customers for futures transactions and futures customers’ equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures customers’ equity cannot be offset unless these accounts pertain to the same customers. The debit balance of “futures customers’ equity”, which results from losses on futures transactions in excess of the margin deposits, is recorded as “futures commission merchant receivable.”

11. Securities Borrowing Transactions

When the Company enters into securities borrowing transactions, the amount of sales of borrowed securities are recorded in the account of “Liabilities for securities and bonds borrowed”, which are adjusted to market value at the balance sheet date. “Market value” refers to the closing price at the balance sheet date. When the borrowed securities are returned, the resulting difference between actual cost of securities returned and the amount of “Liabilities for securities and bonds borrowed” is recorded as “Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net”.

12. Futures Transactions

These represent margins paid for the trading in futures and options by cash or securities are recognized as futures trading margins-proprietary funds/securities through evaluating day by day; options premium paid to the Taiwan Future Exchange upon purchase of options for trading is recognized as “purchase of options-futures”; options premium received upon sale of options is recognized as “liability on sale of options-futures”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Realized gains or losses are recognized when the futures and options contracts are fulfilled. The difference between the average cost and market value is evaluated on the balance sheet date, and the unrealized gains and losses are recognized as “gains/(losses) on derivative financial product- futures”.

Margins paid for the futures over the original ones are recognized as “cash and cash equivalents”.

13. Investments accounted for using the equity method

The Company and subsidiaries’ investment in their associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company and subsidiaries have significant influence. A joint venture is a joint arrangement whereby the Company and subsidiaries have rights to the net assets of the arrangement.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company and subsidiaries’ share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company and subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Company and subsidiaries and the associate or joint venture are eliminated to the extent of the Company and subsidiaries’ related interest in the associate or joint venture.

When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company and subsidiaries’ percentage of ownership interests in the associate or joint venture, the Company and subsidiaries recognize such changes in equity based on their percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Company and subsidiaries’ interest in an associate or a joint venture is reduced or increased as the Company and subsidiaries fail to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company and subsidiaries dispose the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company and subsidiaries. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company and subsidiaries.

The Company and subsidiaries determine at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures. If this is the case the Company and subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Upon loss of significant influence over an associate or a joint venture, the Company and subsidiaries measure and recognize any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Also, when the Company and subsidiaries' investment in an associate switches to investment in a joint venture, the Company and subsidiaries continue applying the equity method and do not revalue their retained earnings, and vice versa.

14. Property and equipment

- (1) Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When (a) significant parts of property and equipment that are replaced is derecognized and (b) the new parts' cost increase the carrying amount of the assets, the expense can be capitalized. All other repair and maintenance costs are expensed as incurred. Disposal gain or loss is recognized as current period's other income and costs.
- (2) Depreciation is calculated on a straight-line basis over the estimated economic lives (not including land). The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. If the expected values differ from the initial estimation, the change regards as changes in accounting estimation. The asset life for building is 55 years, and others are 2 to 10 years.

15. Investment property

Investment properties are measured initially at cost, including transaction costs, and not holding as operating rental or idle properties for rent income or capital increasing purpose. Assets are transferred to or from investment properties when there is a change in use, including transaction costs.

The asset life for building is 55 years, calculated on a straight-line basis over the estimated economic lives. Current depreciation is expensed.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

16. Lease

(1) The Company and subsidiaries as lessees

At the inception of a contract, the Company and subsidiaries assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company and subsidiaries assess whether, throughout the period of use, has both of the following:

- A. the right to obtain substantially all of the economic benefits from use of the identified asset;
and
- B. the right to direct the use of the identified asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company and subsidiaries recognize right-of-use asset and lease liability for all leases which the Company and subsidiaries are the lessees of those lease contracts.

At the commencement date, the Company and subsidiaries measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and subsidiaries use its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- A. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- B. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. amounts expected to be payable by the lessee under residual value guarantees;
- D. the exercise price of a purchase option if the Company and subsidiaries are reasonably certain to exercise that option; and
- E. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company and subsidiaries measure the lease liability on an amortized cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method, and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company and subsidiaries measure the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- A. the amount of the initial measurement of the lease liability;
- B. any lease payments made at or before the commencement date, less any lease incentives received;
- C. any initial direct costs incurred by the lessee; and
- D. an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company and subsidiaries measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company and subsidiaries measure the right-of-use asset applying a cost model.

If the lease transfers ownership of the underlying asset to the Company and subsidiaries by the end of the lease term or if the cost of the right-of-use asset reflects that the Company and subsidiaries will exercise a purchase option, the Company and subsidiaries depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company and subsidiaries depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company and subsidiaries apply IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company and subsidiaries accounted for as short-term leases or leases of low-value assets, the Company and subsidiaries present right-of-use assets and lease liabilities in the balance sheet and present lease-related interest expense and depreciation charge separately in the comprehensive income statements.

For short-term leases or leases of low-value assets, the Company and subsidiaries elect to recognize the lease payments associated with those leases as an expense on a straight-line basis.

(2) The Company and subsidiaries as lessors

At inception of a contract, the Company and subsidiaries classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Company and subsidiaries recognize lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

17. Intangible assets

Intangible assets include goodwill, customer's relation, computer software costs and other intangible assets. Intangible assets are initially recognized at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any.

Except for goodwill, the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Depreciable amount is the cost of an asset less its accumulated depreciation.

Gain or loss arising from derecognition of intangible assets is recognized as current period's gains or losses.

18. Impairment of non-financial assets

The Company and subsidiaries assess regularly whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company and subsidiaries should test the assets individually or the cash-generating unit ("CGU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of its fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company and subsidiaries estimate the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation.

A CGU, which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

19. Provision

Provisions are recognized when the Company and subsidiaries have a present obligation (legal or constructive) as a result of a past event. It is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial cost.

Provisions shall be reviewed periodically, and adjusted to reflect the most appropriate estimation currently. If the obligation of repayment is probably, the provisions shall be reversed.

If an obligation happens during a period, the provisions should be recognized gradually.

Provision for decommissioning, restoration and rehabilitation costs

The provision for decommissioning, restoration and rehabilitation costs arose on construction of a properties and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized as a financial cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

20. Revenue Recognition

The Company and subsidiaries' recognition criteria of revenues are as follows:

- (1) Brokerage handling fee revenue/expenses are recognized on the transaction date.
- (2) Gains/ (losses) on disposal of trading securities and related transaction costs are recognized on the transaction date.
- (3) Interest income/expense on margin loans and short sales of securities and bonds purchased under resale agreements, bonds sold under repurchase agreements are recognized respectively over the loan period on an accrual basis.
- (4) Consulting and financial advisory, revenue from underwriting business and related service charges are recognized according to the contracts or agreements on accrual basis.
- (5) Revenue from providing agency service for stock affairs is recognized according to the contracts based on the accrual basis.
- (6) Futures commission revenue is recognized on the transaction date and the Company assists in futures transactions and fees collection. Recognized according to the trading period based on the accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- (7) Gain (losses) on futures contracts: The margin of futures transactions is recognized as cost. Gain (losses) on future contracts resulted from fair value measurement, reversing trade, or delivery is recognized daily. Costs and expenses are recognized as incurred.
- (8) Options transaction income (loss): The premium of options transaction is recognized as cost. The options are evaluated monthly based on the market value. Options transaction gains or losses arising from settlement are recognized in current period.
- (9) Dividends income is recognized when the Company's right to receive the payment is established.

21. Post-employment Benefit Plan

All regular employees of the Company and domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and domestic subsidiaries. Therefore, fund assets are not included in the Company consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) comprise returns on plan assets, changes in the effect of the asset ceiling, less net interest on net defined benefit liability (asset) and actuarial gains and losses. It is recognized under other comprehensive income and also immediately in retained earnings. Past service cost is the change in the present value of defined benefit obligation arising as a result of plan amendment or curtailment. Past service cost is recognized at the earlier of the following dates:

- (1) the date when a plan amendment or curtailment occurs; and
- (2) the date when an entity recognizes restructuring-related costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both determined at the start of annual reporting period, taking into account the changes arising as a result of contributions or payments.

22. Shared-based Payment Transaction

The cost of equity-settled transactions between the Company and subsidiaries and the employees is recognized based on the fair value of the equity instruments granted.

This share-based equity-settled transactions recognized the wage expenses and the increase of equity during the vested period on the straight-line basis of the fair value mentioned above and the best estimate number of expected vested equity.

The recognized wage expenses is adjusted with the expected service criteria accordance and the prize quantity of non-fair value vested criteria; the final recognized amount is based on the vested quantity on the vesting date.

23. Income Tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred tax assets or liabilities.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

On the date of an earnings distribution approved by the shareholders' meeting of the Company and domestic subsidiaries, an income tax on undistributed earnings should then be recognized.

Pursuant to Alternative Minimum Tax Act ("AMT Act"), the higher of the amount of income tax payable determined pursuant to the Income Tax Act or the minimum amount prescribed under the AMT Act is recognized by the Company and domestic subsidiaries as income tax payable.

Since 2014, the Company adopted the linked tax system to file the consolidated income tax return under CDFH. The calculation of income tax still follows the principle stated above. The tax receipts and tax payments arising from the consolidated income tax returns are used to adjust current period's deferred income tax assets (liabilities), income tax liability (asset) or income tax expense (income).

Deferred tax

Deferred income tax is temporary difference between the tax bases of assets and liabilities and their carrying amounts in financial statement at the reporting date.

If the temporary difference arises from the goodwill or other assets and liabilities on initial recognition (not including business combination), and the transaction do not affect the taxation income and accounting profit, it is not recognized as deferred tax assets and liabilities.

The taxable temporary difference arising from subsidiaries, associates, and the joint ventures shall be recognized as deferred tax liabilities, except the Company can control and probably will not reverse the taxable temporary difference in foreseeable future. Deferred tax assets arising from the deductible temporary difference of these kinds of investment and equity, and will reverse in foreseeable future, shall be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

24. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when they are incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

Besides, Accounting Research and Development Foundation released the frequently asked question for IFRS 3 on October 26, 2018, and explained no specific rules for joint control of business combination in IFRS 3. Therefore, the rules for joint control of business combination still applied to interpretations released by Accounting Research and Development Foundations, R.O.C.

The business combination between Company and its affiliates is classified as a reorganization in accordance with EITF 100-390 of the Accounting Research and Development Foundation, R.O.C., and is recognized based on the carrying amount of the Company's Investments accounted for using the equity method (the amount after impairment loss); the long-term investments should be reclassified as assets and liabilities when its affiliates are eliminated. Further, according to EITF 95-141 and EITF 101-301, the prior years' consolidated financial statements were restated. Additionally, the prior interest in the dissolved company held by parent company was presented as "prior interest under joint control" in the consolidated financial statements.

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.10.

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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. Please refer to Note VI.16.

(3) Income taxes

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

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

VI. Contents of Significant Accounts

1. Cash and Cash Equivalents

	<u>12/31/21</u>	<u>12/31/20</u>
Cash on hand	\$3,082	\$3,276
Cash in banks	11,514,699	11,719,613
Cash equivalents		
Short-term commercial papers and bonds	1,695,004	2,015,557
Futures excess margin	2,458,896	2,280,457
Total	<u>\$15,671,681</u>	<u>\$16,018,903</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Interest rates	0.19%-0.31%	0.12%-0.42%

(2) Please refer to Note VI.27 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>12/31/21</u>	<u>12/31/20</u>
<u>Current</u>		
Mandatorily measured at FVTPL		
Lent securities	\$-	\$244,854
Open-ended funds, monetary market instruments and other securities	1,068,542	1,475,988
Trading securities-dealing-net	41,099,222	47,872,249
Trading securities-underwriting-net	1,213,907	942,768
Trading securities-hedging-net	25,632,788	23,000,460
Long options	5,241	18,200
Futures trading margins-proprietary funds	754,695	1,400,183
Derivative instrument assets	5,049,864	3,571,037
Others	665,913	199,699
Total	<u>\$75,490,172</u>	<u>\$78,725,438</u>
<u>Non-current</u>		
Mandatorily measured at FVTPL		
Others	<u>\$3,669,663</u>	<u>\$3,014,463</u>

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

(1) Lent securities

	<u>12/31/21</u>	<u>12/31/20</u>
Listed/OTC company stock	\$-	\$203,879
Valuation adjustments	-	40,975
Market value	<u>\$-</u>	<u>\$244,854</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Funds	\$555,000	\$575,000
Foreign securities	506,754	894,990
Subtotal	1,061,754	1,469,990
Valuation adjustments	6,788	5,998
Market value	<u>\$1,068,542</u>	<u>\$1,475,988</u>

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(3) Trading securities-dealing-net

	12/31/21	12/31/20
Listed/OTC/ESM company stock	\$5,473,058	\$5,463,087
Index fund	3,178,540	2,209,078
Domestic bonds	14,664,345	17,910,401
Foreign securities	16,812,045	20,979,988
Others	46,794	54
Subtotal	40,174,782	46,562,608
Valuation adjustments	924,440	1,309,641
Market value	<u>\$41,099,222</u>	<u>\$47,872,249</u>

(4) Trading securities-underwriting-net

	12/31/21	12/31/20
Listed/OTC/ESM company stock	\$166,611	\$185,084
Domestic bonds	943,022	636,235
Others	-	46,800
Subtotal	1,109,633	868,119
Valuation adjustments	104,274	74,649
Market value	<u>\$1,213,907</u>	<u>\$942,768</u>

(5) Trading securities-hedging-net

	12/31/21	12/31/20
Listed/OTC/ESM company stock	\$7,383,296	\$3,392,984
Domestic bonds	8,958,024	8,170,583
Funds	3,767,479	5,592,440
Foreign securities	5,076,287	5,442,253
Others	60,504	91,434
Subtotal	25,245,590	22,689,694
Valuation adjustments	387,198	310,766
Market value	<u>\$25,632,788</u>	<u>\$23,000,460</u>

(6) Long options

	12/31/21	12/31/20
Index options	\$7,682	\$16,904
Stock options	1,064	3,416
Subtotal	8,746	20,320
Open interest	(3,505)	(2,120)
Market value	<u>\$5,241</u>	<u>\$18,200</u>

(7) Futures trading margins-proprietary funds

	12/31/21	12/31/20
Account balance	\$582,675	\$836,013
Open interest	172,020	564,170
Account value	<u>\$754,695</u>	<u>\$1,400,183</u>

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(8) Please refer to Note VI.20 for details of derivative instrument assets.

(9) Others

	12/30/21	12/31/20
Domestic listed/OTC/ESM company stock	\$616,807	\$198,248
Valuation adjustments	49,106	1,451
Market value	<u>\$665,913</u>	<u>\$199,699</u>

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

	12/31/21	12/31/20
Domestic listed/OTC/ESM company stock	\$448,686	\$278,255
Domestic non-listed/OTC/ESM company stock	1,035,253	960,541
Foreign securities	30,089	30,089
Subtotal	1,514,028	1,268,885
Valuation adjustments	2,155,635	1,745,578
Market value	<u>\$3,669,663</u>	<u>\$3,014,463</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

	12/31/21	12/31/20
<u>Current</u>		
Debt instrument investments-current		
Foreign securities	\$22,634,007	\$24,856,225
Equity instrument investments-current		
Domestic listed/OTC company stock	8,944,032	-
Total	<u>\$31,578,039</u>	<u>\$24,856,225</u>
<u>Non-current</u>		
Debt instrument investments-non-current		
Foreign securities	\$6,895,975	\$6,816,271
Equity instrument investments-non-current		
Domestic non-listed/OTC company stock	2,605	2,162
Foreign securities	39,533	68,711
Subtotal	42,138	70,873
Total	<u>\$6,938,113</u>	<u>\$6,887,144</u>

(1) Please refer to Note VI.27 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) Due to the share exchange between CDFH (the Parent Company) and China Life and new shares issuance of CDFH, the shares of China Life which held by the Company had exchanged to CDFH common stocks, preferred stocks and cash on the reference date of share exchange, December 30, 2021. CDFH common stocks and preferred stocks are recognized in financial assets measured at fair value through other comprehensive income-equity instruments. The resolution by the company's board of directors acting on behalf of shareholders on February 18, 2022 decided to reduce NT 14,208,612 thousand dollars on capital by refunding CDFH common stocks, preferred stocks and cash. The decision is still pending and waiting for approval by the authority.

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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 year ended December 31, 2020, the Company sold 182,646 thousand shares of stocks of CDFH (recognized in financial assets measured at fair value through other comprehensive income-equity instruments). Upon derecognition, the fair value of that sold shares was 1,655,287 thousand dollars, respectively. The Company transferred the cumulative disposal loss of 689,892 thousand dollars from other equity to retained earnings.
- (4) The Company and subsidiaries' dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follow:

	For the years ended December 31	
	2021	2020
Related to investments held at the end of the reporting period	\$-	\$-
Related to investments derecognized during the period	-	104,082
Dividends recognized during the period	\$-	\$104,082

- (5) None of the above financial assets measured at fair value through other comprehensive income is pledged as collaterals.

4. Hedging Financial Assets-Current

The Company and subsidiaries adopt hedging transactions to reduce the impact of specific risks on the fair value of the hedged assets. The information of on hedged items and hedging instruments applicable to fair value hedge as of December 31, 2021 are as follows:

<u>Hedging Instruments</u>	<u>Nominal Amount</u>	<u>Maturity</u>	<u>Carrying Amount</u>
Interest rate swap (IRS)	\$2,007,525	115.2.9-117.10.10	\$7,988

<u>Hedged Items</u>	<u>Carrying Amount</u>	<u>Accumulated Amount of Fair Value Hedge Adjustment</u>
Financial assets measured at fair value through other comprehensive income-current	\$2,067,934	\$(11,317)

<u>Hedging instruments/Hedged items</u>	<u>Increase (Decrease) in Fair Value Used for Calculating Hedge Ineffectiveness</u>
	December 31, 2021
Hedging instruments	
Interest rate swap(IRS)	\$8,009
Hedged items	
Financial assets measured at fair value through other comprehensive income-current	(8,009)
Total	\$-

No pledge was made for hedging financial assets-current.

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5. Investment in Bonds with Reverse Repurchase Agreements

	<u>12/31/21</u>	<u>12/31/20</u>
Government bonds	\$9,587,144	\$7,143,642
Corporate bonds	3,450,616	4,594,073
Bank Debentures	664,984	1,872,311
Total	<u>\$13,702,744</u>	<u>\$13,610,026</u>
Resold amount as specified in respective agreements plus accrued interest	<u>\$13,704,621</u>	<u>\$13,612,920</u>
Resold date as specified in respective agreements	1/3/22-3/25/22	1/4/21-2/25/21

Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

6. Securities Margin Loans Receivable

	<u>12/31/21</u>	<u>12/31/20</u>
Securities margin loans receivable	\$39,093,159	\$37,027,504
Less: loss allowance	(3,010)	(1,367)
Net amount	<u>\$39,090,149</u>	<u>\$37,026,137</u>

Securities margin loans receivable are loans that secured by stocks pledged as collaterals that clients purchased by loans. Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

7. Customer Margin Accounts

	<u>12/31/21</u>	<u>12/31/20</u>
Cash in banks	\$23,337,796	\$22,477,780
Marking to market from the clearing house	6,251,630	5,785,316
Marking to market from the other futures brokers	890,181	3,174,396
Securities	691	642
Foreign customer margin accounts	<u>21,487,518</u>	<u>23,072,263</u>
Total	<u>\$51,967,816</u>	<u>\$54,510,397</u>

Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

8. Futures Commission Merchant Receivable

	<u>12/31/21</u>	<u>12/31/20</u>
Futures commission merchant receivable	\$134,733	\$168,217
Less: loss allowance	(134,733)	(166,781)
Net amount	<u>\$-</u>	<u>\$1,436</u>

Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

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9. Accounts Receivable

	<u>12/31/21</u>	<u>12/31/20</u>
Exchange clearing receivable	\$6,683,802	\$8,302,502
Accounts receivable for settlement	32,194,600	38,101,032
Interest receivable	873,927	674,710
Others	611,086	540,857
Subtotal	<u>40,363,415</u>	<u>47,619,101</u>
Less: loss allowance	(2,352)	(1,502)
Total	<u><u>\$40,361,063</u></u>	<u><u>\$47,617,599</u></u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Non-past due	\$40,205,991	\$47,428,753
Past due		
Less than 30 days	140,092	184,331
30 to 60 days	2,372	1,630
61 to 120 days	6,551	2,871
More than 121 days	8,409	1,516
Total	<u><u>\$40,363,415</u></u>	<u><u>\$47,619,101</u></u>

(2) Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

10. Investments accounted for using the Equity Method

<u>Investee</u>	<u>12/31/21</u>		<u>12/31/20</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
<u>Investments in associates</u>				
KGI Securities (Thailand) Public Company Limited	\$2,568,241	34.97	\$2,422,459	34.97
CDIB Bioscience Ventures I, Inc.	1,413	1.20	1,992	1.20
China Life Insurance Co., Ltd.	-	-	16,827,029	8.65
Total	<u><u>\$2,569,654</u></u>		<u><u>\$19,251,480</u></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 3,642,597 thousand dollars and 2,520,072 thousand dollars as of December 31, 2021 and 2020, respectively.

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

	<u>12/31/21</u>	<u>12/31/20</u>
Current assets	\$16,124,594	\$13,820,118
Non-current assets	955,305	1,168,260
Current liabilities	(10,389,053)	(8,643,249)
Non-current liabilities	(400,796)	(504,144)
Non-controlling interests	<u>(5,348)</u>	<u>(4,458)</u>
Attributed to controlling interests	<u>\$6,284,702</u>	<u>\$5,836,527</u>
Ownership percentage	34.97%	34.97%
Proportion of ownership	\$2,197,760	\$2,041,033
Goodwill and others	<u>370,481</u>	<u>381,426</u>
Carrying amount	<u>\$2,568,241</u>	<u>\$2,422,459</u>
	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Operating revenue	<u>\$4,643,813</u>	<u>\$2,607,370</u>
Profit or loss from continuing operations	\$1,630,304	\$536,169
Other comprehensive income	34,393	2,261
Total comprehensive income	<u>\$1,664,697</u>	<u>\$538,430</u>
Dividends received from associate	<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 9,091,158 thousand dollars as of December 31, 2020.

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

	<u>12/31/20</u>
Total assets	\$2,219,711,848
Total liabilities	<u>(2,040,054,643)</u>
Attributed to controlling interests	<u>\$179,657,205</u>
Ownership percentage	8.65%
Proportion of ownership	\$15,549,690
Net stock equity difference	<u>1,277,339</u>
Carrying amount	<u>\$16,827,029</u>

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	For the year ended December 31
	<u>2020</u>
Operating revenue	<u>\$323,248,432</u>
Profit or loss from continuing operations	\$15,547,836
Other comprehensive income	<u>24,113,661</u>
Total comprehensive income	<u>\$39,661,497</u>
Dividends received from associate	<u>\$231,799</u>

The Company and CDFH (the Parent company) jointly hold more than 20% of China Life shares, evaluated under the equity method. Upon the shareholder's meeting resolution on October 1, 2021 and obtaining approval from the competent authorities, CDFH conducted share exchange and new share issuance with China Life. The reference date of exchange was set on December 30, 2021, with one share of China life concerted to 11.5 dollars, 0.80 CDFH common stock and 0.73 CDFH special stocks. The Company stopped using the equity method from then on.

- (2) The Company's investments in CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 1,413 thousand dollars and 1,992 thousand dollars as of December 31, 2021 and 2020, respectively, and the proportionate aggregate financial information of investments is as follows:

	For the years ended December 31	
	<u>2021</u>	<u>2020</u>
Profit or loss from continuing operations	\$(579)	\$65
Other comprehensive income	-	-
Total comprehensive income	<u>\$(579)</u>	<u>\$65</u>

- (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) Please refer to Note VIII for investments accounted for using the equity method pledged as collaterals.

11. Property and Equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
<u>Cost</u>					
January 1, 2021	\$3,732,995	\$1,940,963	\$2,251,748	\$319,414	\$8,245,120
Additions	-	-	169,974	8,416	178,390
Disposals	-	-	(241,876)	(27,566)	(269,442)
Transfers	171,263	93,957	36,184	7,380	308,784
Exchange differences	-	-	(36,161)	(6,184)	(42,345)
December 31, 2021	<u>\$3,904,258</u>	<u>\$2,034,920</u>	<u>\$2,179,869</u>	<u>\$301,460</u>	<u>\$8,420,507</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvement</u>	<u>Total</u>
January 1, 2020	\$3,871,501	\$2,033,633	\$2,352,607	\$374,121	\$8,631,862
Additions	-	-	179,658	14,103	193,761
Disposals	-	-	(295,907)	(54,982)	(350,889)
Transfers	-	(9,167)	71,269	(1,239)	60,863
Effects of changes on consolidated subsidiaries	(138,506)	(83,503)	(4,339)	-	(226,348)
Exchange differences	-	-	(51,540)	(12,589)	(64,129)
December 31, 2020	<u>\$3,732,995</u>	<u>\$1,940,963</u>	<u>\$2,251,748</u>	<u>\$319,414</u>	<u>\$8,245,120</u>

Depreciation and

Impairment

January 1, 2021	\$-	\$830,224	\$1,750,038	\$262,070	\$2,842,332
Depreciation	-	36,944	182,241	23,185	242,370
Disposals	-	-	(241,480)	(27,566)	(269,046)
Transfers	-	38,535	-	-	38,535
Exchange differences	-	-	(29,267)	(5,846)	(35,113)
December 31, 2021	<u>\$-</u>	<u>\$905,703</u>	<u>\$1,661,532</u>	<u>\$251,843</u>	<u>\$2,819,078</u>

January 1, 2020	\$-	\$835,871	\$1,875,842	\$303,023	\$3,014,736
Depreciation	-	37,115	191,390	29,259	257,764
Disposals	-	-	(294,332)	(54,850)	(349,182)
Transfers	-	(5,359)	19,666	(3,574)	10,733
Effects of changes on consolidated subsidiaries	-	(37,403)	(2,502)	-	(39,905)
Exchange differences	-	-	(40,026)	(11,788)	(51,814)
December 31, 2020	<u>\$-</u>	<u>\$830,224</u>	<u>\$1,750,038</u>	<u>\$262,070</u>	<u>\$2,842,332</u>

Net carrying amount as of

December 31, 2021	<u>\$3,904,258</u>	<u>\$1,129,217</u>	<u>\$518,337</u>	<u>\$49,617</u>	<u>\$5,601,429</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>

(2) The above items of property and equipment are depreciated on a straight line basis over their estimated useful lives; the estimated useful lives of buildings are 55 years, while the others are 2 to 10 years.

(3) Please refer to Note VIII for property and equipment pledged as collaterals.

12. Lease

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

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(1) Amounts recognized in the balance sheets

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

	12/31/21	12/31/20
Buildings	\$1,135,455	\$981,439
Transportation equipment	16,308	12,091
Office equipment	27,903	-
Other equipment	107	363
Total	<u>\$1,179,773</u>	<u>\$993,893</u>

During the years ended December 31, 2021 and 2020, the Company and subsidiaries' additions to right-of-use assets amounting to 704,682 thousand dollars and 379,665 thousand dollars, respectively.

B. Lease liabilities

	12/31/21	12/31/20
Lease liabilities		
Current	\$288,554	\$457,926
Non-current	906,452	558,490
Total	<u>\$1,195,006</u>	<u>\$1,016,416</u>

Please refer to Note VI.27 for the interest on lease liabilities recognized during the years ended December 31, 2021 and 2020 and refer to Note XII.3 for the maturity analysis for lease liabilities as of December 31, 2021 and 2020.

(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	For the years ended December 31	
	2021	2020
Buildings	\$488,806	\$518,528
Transportation equipment	9,243	10,023
Office equipment	1,112	-
Other equipment	107	256
Total	<u>\$499,268</u>	<u>\$528,807</u>

(3) Income and costs relating to leasing activities

	For the years ended December 31	
	2021	2020
The expenses relating to short-term leases	<u>\$6,467</u>	<u>\$11,484</u>
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	<u>\$1,343</u>	<u>\$1,771</u>

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(4) Cash outflow relating to leasing activities

During the years ended December 31, 2021 and 2020, the Company and subsidiaries' total cash outflows for leases amounting to 527,954 thousand dollars and 557,840 thousand dollars, respectively.

13. Investment Property

(1) Changes in investment property are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
January 1, 2021	\$291,992	\$148,501	\$440,493
Transfers	(171,263)	(93,957)	(265,220)
December 31, 2021	<u>\$120,729</u>	<u>\$54,544</u>	<u>\$175,273</u>
January 1, 2020	\$379,446	\$191,713	\$571,159
Transfers	-	9,167	9,167
Effects of changes on consolidated subsidiaries	(87,454)	(52,379)	(139,833)
December 31, 2020	<u>\$291,992</u>	<u>\$148,501</u>	<u>\$440,493</u>
<u>Depreciation and Impairment</u>			
January 1, 2021	\$-	\$60,621	\$60,621
Depreciation	-	2,370	2,370
Transfers	-	(38,535)	(38,535)
December 31, 2021	<u>\$-</u>	<u>\$24,456</u>	<u>\$24,456</u>
January 1, 2020	\$-	\$75,311	\$75,311
Depreciation	-	3,413	3,413
Transfers	-	5,359	5,359
Effects of changes on consolidated subsidiaries	-	(23,462)	(23,462)
December 31, 2020	<u>\$-</u>	<u>\$60,621</u>	<u>\$60,621</u>
<u>Net carrying amount as of</u>			
December 31, 2021	<u>\$120,729</u>	<u>\$30,088</u>	<u>\$150,817</u>
December 31, 2020	<u>\$291,992</u>	<u>\$87,880</u>	<u>\$379,872</u>

(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.

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A. Lease income for operating leases are as follows:

	For the years ended December 31	
	2021	2020
Rental income from the lease of investment property		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$21,418	\$25,568

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

	12/31/21	12/31/20
Not later than one year	\$10,025	\$20,790
Later than one year but not later than two years	9,158	291
More than two years but less than three years	7,587	-
Total	\$26,770	\$21,081

(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 is 423,998 thousand dollars and 867,465 thousand dollar as of December 31, 2021 and 2020, respectively. The management refers independent appraisal report and adopts the market valuation model to evaluate the fair value.

(4) The investment properties are depreciated on a straight-line basis overestimated 55 years useful life.

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

14. Intangible Assets

(1) Changes in intangible assets are as follows:

	Goodwill	Software	Other intangible assets	Total
January 1, 2021	\$6,541,538	\$137,620	\$657,885	\$7,337,043
Additions	-	128,757	-	128,757
Transfers	-	2,813	-	2,813
Amortizations	-	(76,648)	(164,471)	(241,119)
Exchange differences	(45,873)	-	-	(45,873)
December 31, 2021	\$6,495,665	\$192,542	\$493,414	\$7,181,621
January 1, 2020	\$6,596,705	\$141,356	\$880,288	\$7,618,349
Additions	-	63,926	-	63,926
Transfers	-	2,323	-	2,323
Amortizations	-	(69,985)	(189,015)	(259,000)
Effects of changes on consolidated subsidiaries	-	-	(33,388)	(33,388)
Exchange differences	(55,167)	-	-	(55,167)
December 31, 2020	\$6,541,538	\$137,620	\$657,885	\$7,337,043

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

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15. Other Non-Current Assets

	<u>12/31/21</u>	<u>12/31/20</u>
Operation guarantee deposits	\$1,126,900	\$1,126,900
Clearing and settlement fund	552,440	647,506
Guarantee deposits	1,013,593	854,499
Others	367,661	279,853
Total	<u>\$3,060,594</u>	<u>\$2,908,758</u>

Please refer to Note VI.27 for details on accumulated impairment and Note XII for details on credit risk.

16. Impairment Test of Goodwill

Goodwill acquired by the Company and subsidiaries in business combinations is allocated to the brokerage business as the cash-generating unit. The recoverable amount of cash-generating unit from brokerage business is estimated based on value in use. The value in use is calculated by discounting projected cash flows over the next five years and cash flows generated beyond the five-year period are projected based on growth rate in perpetuity.

(1) Key assumptions used in the calculation of value in use

The value in use of the brokerage business cash-generating unit is most sensitive to the following assumptions:

- (a) Market trading volume
- (b) Discount rate

Market trading volume-revenue of the brokerage business mainly comes from brokerage handling fee, which is closely related to the performance of the stock market. The company and subsidiaries comprehensively takes factors into account, such as Taiwan's economy and international economic development to predict market trading volume over the next five years.

Discount rate-the Company and subsidiaries use required rate of return or weighted average cost of capital as discount rate, calculated by Capital Asset Pricing Model or Weighted-Average Cost of Capital Model. Capital Asset Pricing Model assumes that the required rate of return is risk-free rate plus Beta adjusted equity market risk premium plus size premium and firm-specific risk premium. The factors mentioned such as risk-free rate and risk premium are assessed annually based on publicly available market information and information of comparable firms. The Weighted-Average Cost of Capital Model is the calculation of the company's cost of long-term capital in which each category of capital is proportionately weighted.

	<u>The Company</u>	<u>Subsidiaries</u>
<u>2021</u>		
Growth rate	1.70%	2.52%-5.22%
Discount rate	11.51%	3.66%-11.48%
<u>2020</u>		
Growth rate	1.65%	2.47%-5.07%
Discount rate	9.59%	5.44%-11.16%

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(2) Variability of the assumptions

In terms of the value in use of the brokerage business cash generating unit, the management believes that the likelihood that the key assumptions will change is too low to lead to the excess of the book value of the cash generating unit over its recoverable amount.

- (3) According to the result of the Company and subsidiaries' impairment test of goodwill for the years ended December 31, 2021 and 2020, the recoverable amount is higher than the carrying amount. No impairment was recorded for the years ended December 31, 2021 and 2020.

17. Short-Term Borrowings

	<u>12/31/21</u>	<u>12/31/20</u>
Interbank loans	\$2,492,100	\$684,192
Credit loans	11,319,378	13,737,182
Secured loans	3,488,462	6,210,679
Total	<u>\$17,299,940</u>	<u>\$20,632,053</u>
Interest rate	0.28%-5.95%	0.38%-5.65%

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

18. Commercial Papers Payable

	<u>12/31/21</u>	<u>12/31/20</u>
Commercial papers payable	\$816,060	\$3,661,577
Less: discount	(38)	(281)
Net amount	<u>\$816,022</u>	<u>\$3,661,296</u>
Interest rate	0.390%-0.557%	0.346%-0.550%

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

	<u>12/31/21</u>	<u>12/31/20</u>
Financial liabilities held for trading		
Investment in bonds with reverse repurchase agreements - short sale	\$3,532,251	\$1,012,055
Warrants liabilities	25,799,930	12,276,590
Warrants redeemed	(23,841,388)	(11,313,195)
Settlement coverage bonds payable of short sale	297,188	-
Short options	3,890	11,828
Liabilities for securities and bonds borrowed	11,012,190	18,701,768
Derivative instruments liabilities	10,369,683	9,234,243
Financial liabilities designated at fair value through profit or loss	<u>9,295,143</u>	<u>7,384,244</u>
Total	<u>\$36,468,887</u>	<u>\$37,307,533</u>

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

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	<u>12/31/21</u>	<u>12/31/20</u>
Foreign securities	<u>\$3,532,251</u>	<u>\$1,012,055</u>

(2) Warrants liabilities and warrants redeemed

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

	<u>12/31/21</u>	<u>12/31/20</u>
Warrants liabilities	\$34,218,346	\$13,995,090
Gains/(losses) on value change	(8,418,416)	(1,718,500)
Market value	<u>25,799,930</u>	<u>12,276,590</u>
Warrants redeemed	30,200,597	12,573,730
Gains/(losses) on value change	(6,359,209)	(1,260,535)
Market value	<u>23,841,388</u>	<u>11,313,195</u>
Net value	<u>\$1,958,542</u>	<u>\$963,395</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.

(3) Settlement coverage bonds payable of short sale

	<u>12/31/21</u>	<u>12/31/20</u>
Foreign securities	<u>\$297,188</u>	<u>\$-</u>

(4) Short options

	<u>12/31/21</u>	<u>12/31/20</u>
Index options	\$6,118	\$7,209
Stock options	-	60
Subtotal	6,118	7,269
Open interest	(2,228)	4,559
Market value	<u>\$3,890</u>	<u>\$11,828</u>

(5) Liabilities for securities and bonds borrowed

	<u>12/31/21</u>	<u>12/31/20</u>
Domestic listed/OTC company stock	\$7,971,193	\$13,377,815
Index funds	1,160,905	2,255,712
Foreign securities	1,381,388	878,645
Subtotal	10,513,486	16,512,172
Valuation adjustments	498,704	2,189,596
Market value	<u>\$11,012,190</u>	<u>\$18,701,768</u>

(6) Please refer to Note VI.20 for details on derivative instruments liabilities and financial liabilities designated as at fair value through profit or loss.

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20. Derivative Instruments

(1) Nominal amounts

Financial Instruments	12/31/21	12/31/20
Options and futures contract	\$33,631,393	\$39,298,960
Foreign futures and options	2,140,519	3,079,807
Interest rate swap (IRS)	64,185,089	68,374,625
Convertible bond asset swap (CBAS)-interest	31,432,825	21,045,383
CBAS-long option	31,360,925	21,007,483
CBAS-short option	35,766,688	29,702,817
Structured notes	15,625,743	14,987,302
Equity derivative instruments	20,000	109,682
Credit derivative instruments	1,857,380	2,030,625
Exchange rate derivative instruments	45,846,523	37,011,740
Total	<u>\$261,867,085</u>	<u>\$236,648,424</u>

(2) Derivative instruments assets/liabilities

Financial Instruments	12/31/21	12/31/20
Derivative instrument assets		
Contract value		
IRS	\$172,081	\$203,834
CBAS-interest	109,987	143,739
Long options		
CBAS	4,369,095	2,988,148
Structured notes	-	38
Credit derivatives instruments	11,134	10,237
Exchange rate derivative instruments	362,601	165,541
Foreign futures and options	24,966	59,500
Total	<u>\$5,049,864</u>	<u>\$3,571,037</u>
Derivative instrument liabilities		
Contract value		
IRS	\$146,933	\$300,933
CBAS-interest	1,008,564	385,323
Short options		
CBAS	5,775,712	4,234,461
Structured notes	3,054,153	3,504,349
Equity derivative instruments	1,265	47,104
Credit derivative instruments	8,774	26,058
Exchange rate derivative instruments	346,111	693,412
Foreign futures and options	28,171	42,603
Total	<u>\$10,369,683</u>	<u>\$9,234,243</u>
Financial liabilities designated at fair value through profit or loss		
Structured notes	\$9,294,131	\$7,383,477
Others	1,012	767
Total	<u>\$9,295,143</u>	<u>\$7,384,244</u>

Please refer to Note VI.2 and Note VI.19 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 years ended December 31	
	2021	2020
Warrants liabilities:		
Gains on value change	\$54,086,830	\$62,637,203
Gains on exercising warrants before maturity	38,955	84,702
Warrants redeemed:		
Losses on resale of warrants	(4,361,540)	(2,858,625)
Losses on value change	(49,641,290)	(59,278,992)
Expense for warrant	(381,303)	(292,097)
Gains/(losses) on warrants issued	<u>\$ (258,348)</u>	<u>\$ 292,191</u>

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

	For the years ended December 31	
	2021	2020
Futures contracts	\$4,166,066	\$1,360,663
Options	(90,781)	(161,096)
Total	<u>\$4,075,285</u>	<u>\$1,199,567</u>

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

	For the years ended December 31	
	2021	2020
IRS	\$591,019	\$(140,899)
CBAS	(1,442,314)	(1,376,309)
Options	(66,300)	(74,271)
Structured notes	(394,576)	(1,409,059)
Equity derivative instruments	1,977	4,942
Credit derivative instruments	93,060	(47,646)
Exchange rate derivative instruments	(834,606)	(917,008)
Total	<u>\$ (2,051,740)</u>	<u>\$ (3,960,250)</u>

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

12/31/21

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	253	\$859,875	\$886,259	
Futures Contracts	Elec-Sector Index Futures	Short	9	30,359	31,527	
Futures Contracts	Foreign Futures	Long	595	793,130	791,067	
Futures Contracts	Foreign Futures	Short	514	1,894,653	1,909,144	
Futures Contracts	Mini-Elec-Sector Index Futures	Short	48	20,392	21,018	
Futures Contracts	Finance Sector Index Futures	Long	91	152,536	155,938	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	216	363,168	370,008	
Futures Contracts	Mini-TaiEx Futures	Long	5	4,312	4,430	
Futures Contracts	Mini-TaiEx Futures	Short	9,031	8,002,898	8,211,101	
Futures Contracts	Stock Futures	Long	13,192	1,449,295	1,493,894	
Futures Contracts	Stock Futures	Short	5,655	1,530,797	1,569,991	
Futures Contracts	TaiEx Futures	Long	4,124	14,510,750	14,990,905	
Futures Contracts	TaiEx Futures	Short	896	3,122,054	3,246,201	
Futures Contracts	HK-HSI Futures Index	Short	1	4,100	4,164	
Futures Contracts	Mini-HK-HSI Futures Index	Long	5	4,106	4,164	
Futures Contracts	Mini-Nasdaq-100 Index	Short	38	347,103	343,460	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	380	346,198	343,460	
Futures Contracts	Mini-Dow Jones Futures	Long	18	90,644	90,279	
Futures Contracts	Micro E-mini Dow Jones Futures	Short	180	90,159	90,279	
Options Contracts	Index Options-Call	Long	5,442	6,108	3,890	
Options Contracts	Index Options-Put	Long	491	1,574	106	
Options Contracts	Index Options-Call	Short	5,442	(6,118)	3,890	
Options Contracts	Stock Options-Put	Long	37	1,064	1,245	

12/31/20

Item	Type of trading	Open interest position		Contract amount/ Premium paid (received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Long	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	

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

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.

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.

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21. Liabilities for Bonds with Repurchase Agreements

	<u>12/31/21</u>	<u>12/31/20</u>
Government bonds	\$10,582,002	\$10,474,131
Bank debentures	17,728,899	18,743,106
Convertible bonds	2,156,323	1,836,244
Corporate bonds	<u>28,636,417</u>	<u>44,524,007</u>
Total	<u>\$59,103,641</u>	<u>\$75,577,488</u>
Repurchased amount as specified in respective agreements plus accrued interest	<u>\$59,125,161</u>	<u>\$75,608,138</u>
Repurchased date as specified in respective agreements	1/3/22-3/31/22	1/4/21-3/10/21

22. Accounts Payable

	<u>12/31/21</u>	<u>12/31/20</u>
Exchange clearing payable	\$6,678,293	\$4,076,453
Accounts payable for settlement	48,415,147	56,686,868
Others	<u>1,346,955</u>	<u>1,164,662</u>
Total	<u>\$56,440,395</u>	<u>\$61,927,983</u>

23. Bonds Payable

	<u>12/31/21</u>	<u>12/31/20</u>
108-1 Unsecured Corporation Bonds Payable	\$4,200,000	\$4,200,000
110-1 Unsecured Corporation Bonds Payable	5,000,000	-
Subtotal	<u>9,200,000</u>	<u>4,200,000</u>
Less: Current portion	<u>(300,000)</u>	<u>-</u>
Net amount	<u>\$8,900,000</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.

(2) The Company had issued 110-1 unsecured corporate bonds (hereinafter called “the Bonds-110-1”) amounted to 5,000,000 thousand dollars on July 9, 2021. The Bonds-110-1 were issued in two types: Bonds A were issued with five year maturities, amounted to 2,300,000 thousand dollars; Bonds B were issued with seven year maturities, amounted to 2,700,000 thousand dollars, both at par value of 10,000 thousand dollars per bond. Other terms are listed below:

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- A. Term to Maturity: Bonds A were issued on July 9, 2021 and will be redeemed on July 9, 2026; Bonds B were issued on July 9, 2021 and will be redeemed on July 9, 2028.
- B. Coupon rate: the coupon rate of Bonds A is 0.51% annually; of Bonds B is 0.55% annually.
- C. Repayment of principal: The principal of the Bonds will be repaid at maturity.
- D. The Bonds-110-1 were issued without collaterals.
- E. Interest payment method: The interest is paid annually and calculated on coupon rate by using simple interest method.

24. 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.

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. On December 31, 2021, the defined benefit plan of the Company and domestic subsidiaries plan to contribute 104,522 thousand dollars in the following year.

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

The maturities of the Company and subsidiaries' defined benefit obligation are as follows:

	<u>12/31/21</u>	<u>12/31/20</u>
Average maturities of defined benefit obligation	7-15 years	7-15 years

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

	For the years ended December 31	
	2021	2020
Defined contribution plan	\$241,282	\$225,204
Defined benefit plan	11,144	13,944
Total	<u>\$252,426</u>	<u>\$239,148</u>

The expenses recognized defined benefit plans in profit or loss are as follows:

	For the years ended December 31	
	2021	2020
Current service cost	\$7,427	\$6,730
Net interest on net defined benefit liability (assets)	3,717	5,699
Past service cost and settlement	-	1,515
Total	<u>\$11,144</u>	<u>\$13,944</u>

- (3) Reconciliation of present value of defined benefit obligation and plan assets at fair value are as follows:

	12/31/21	12/31/20
Present value of the defined benefit obligation	\$1,411,196	\$1,268,988
Plan assets at fair value	<u>(383,355)</u>	<u>(423,504)</u>
Carrying amount of net defined benefit obligation	<u>\$1,027,841</u>	<u>\$845,484</u>

Reconciliation of net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit liability (asset)
January 1, 2021	\$1,268,988	\$(423,504)	\$845,484
Current service cost	7,427	-	7,427
Interest expense (income)	5,490	(1,773)	3,717
Past service cost	-	-	-
Recognized in profit or loss	<u>12,917</u>	<u>(1,773)</u>	<u>11,144</u>
Remeasurement of defined liability/asset:			
The actuarial gain/loss on the change of demographic assumptions	4,996	-	4,996
The actuarial gain/loss on the change of financial assumptions	(31,345)	-	(31,345)
Adjustment based on experience	305,913	(5,604)	300,309
Recognized in OCI	<u>279,564</u>	<u>(5,604)</u>	<u>273,960</u>
Benefit paid	(150,143)	150,143	-
Employer contributions	-	(102,617)	(102,617)
Exchange difference	(130)	-	(130)
December 31, 2021	<u>\$1,411,196</u>	<u>\$(383,355)</u>	<u>\$1,027,841</u>

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	Present value of defined benefit obligation	Plans assets at fair value	Net defined benefit liability (asset)
January 1, 2020	\$1,141,345	\$(425,461)	\$715,884
Current service cost	6,730	-	6,730
Interest expense (income)	9,029	(3,330)	5,699
Past service cost	1,515	-	1,515
Recognized in profit or loss	17,274	(3,330)	13,944
Remeasurement of defined liability/asset:			
The actuarial gain/loss on the change of demographic assumptions	3,715	-	3,715
The actuarial gain/loss on the change of financial assumptions	60,880	-	60,880
Adjustment based on experience	117,306	(12,116)	105,190
Recognized in OCI	181,901	(12,116)	169,785
Benefit paid	(71,416)	71,416	-
Employer contributions	-	(54,013)	(54,013)
Exchange difference	(116)	-	(116)
December 31, 2020	\$1,268,988	\$(423,504)	\$845,484

- (4) A. The main assumptions for defined benefit plan used by the Company and domestic subsidiaries are as follows:

	12/31/21	12/31/20
Discount rate	0.48%-0.59%	0.31%-0.42%
Expected Salary Growth Rate	2.00%	2.00%

Under the circumstance that all the other assumptions remain the same, if the material actuarial assumptions change reasonably and possibly, increase or decrease on the present value of defined benefit obligation will be as following:

	12/31/21	12/31/20
Discount rate		
Increase 0.5%	\$(87,369)	\$(83,237)
Decrease 0.5%	\$94,496	\$90,368
Expected Salary Growth Rate		
Increase 0.5%	\$92,665	\$88,459
Decrease 0.5%	\$(86,616)	\$(82,386)

- B. The assumptions for defined benefit plan used by the Company's foreign subsidiaries are as follows:

	12/31/21	12/31/20
Discount rate	7.00%	6.50%
Expected Salary Growth Rate	4.00%	4.00%

Under the circumstance that all the other assumptions remain the same, if the material actuarial assumptions change reasonably and possibly, increase or decrease on the present value of defined benefit obligation will be as following:

	12/31/21	12/31/20
Discount rate		
Increase 1.0%	\$(302)	\$(254)
Decrease 1.0%	\$338	\$287

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	<u>12/31/21</u>	<u>12/31/20</u>
Expected Salary Growth Rate		
Increase 1.0%	<u>\$352</u>	<u>\$296</u>
Decrease 1.0%	<u>\$(319)</u>	<u>\$(266)</u>

C. When conducting sensitivity analysis, we analyze the possible effect of reasonably possible change of actuarial assumption (such as discount rate or expected salary growth rate) on defined benefit obligation assuming that all the other assumptions will remain the same. Since actuarial assumptions mutually relate to each other, it is rare that only one actuarial assumption changes. Therefore, there is limitation to this analysis.

D. The method and assumptions used in current period's sensitivity analysis have no difference from the one in previous period.

25. Provision

	<u>12/31/21</u>	<u>12/31/20</u>
Litigation provision	\$130,727	\$133,027
Decommissioning liabilities	76,134	79,685
Total	<u>\$206,861</u>	<u>\$212,712</u>

26. Equity

(1) Common stock

	<u>12/31/21</u>	<u>12/31/20</u>
Authorized shares (thousand shares)	<u>4,600,000</u>	<u>4,600,000</u>
Authorized capital	<u>\$46,000,000</u>	<u>\$46,000,000</u>

The Company has issued all 3,299,598 thousand and 3,436,340 thousand common shares as of December 31, 2021 and 2020, respectively. The Company's issued capital was all 32,995,978 thousand dollars and 34,363,397 thousand dollars, as of December 31, 2021 and 2020, each at a par value of NT\$10.

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

The Company's board of directors acting on behalf of shareholders decided the case of capital increase 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 authorities and the record date was August 9, 2021.

The Company's board of directors acting on behalf of shareholders decided capital reduction of 2,500,000 thousand dollars in cash on August 20, 2021. This capital reduction is approved by the authority and December 13, 2021 is the reference date of capital reduction.

The Company's board of directors acting on behalf of shareholders decided capital reduction of 14,208,612 thousand dollars in cash on February 18, 2022. This capital reduction is still pending for the authority to approve.

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(2) Capital reserve

	12/31/21	12/31/20
Additional paid-in capital	\$1,651,798	\$2,603,148
Treasury share transactions	364,435	364,435
Share-based payment	9,012	-
Surplus from business combination	5,665,969	5,665,969
Employee share options	14,774	14,774
Employee share options expired	257	257
Total	\$7,706,245	\$8,648,583

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

(3) Distribution of earnings and dividend policy

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

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

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

B. The Company held the annual meeting of shareholders (represented by the board of directors) on 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. 1100365484 issued by FSC on January 21, 2022, when the Company distributes earnings, it must set aside (from current net income and the items other than current net income which would be added into current unappropriated earnings) special reserves equal in amounts to other net deductions from shareholders equity arising during that same year. Undistributed earnings from the preceding period is set aside if amount set aside from current net income and unappropriated earnings are not sufficient. 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.

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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.

(4) Non-controlling interests

	For the years ended December 31	
	2021	2020
Beginning balance	\$18,714	\$3,313,251
Profit attributable to non-controlling interests	2,975	(3,084)
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Remeasurement of defined benefit plans	4	(10)
Exchange differences resulting from translating the financial statements of a foreign operation	(133)	(186)
Derecognize subsidiaries (loss of control)	-	(312,981)
Reduction of cash capital from subsidiaries	-	(2,961,375)
Cash dividend issued from subsidiaries	(2,813)	(16,901)
Ending balance	<u>\$18,747</u>	<u>\$18,714</u>

27. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenue

	For the years ended December 31	
	2021	2020
Brokerage handling fee revenue	\$13,102,041	\$8,041,629
Foreign brokerage fee	2,700,934	3,170,293
Handling fee revenue of short sale	61,860	40,735
Handling fee revenue of securities borrowed	125,682	75,480
Foreign sub-brokerage revenue	707,715	1,033,953
Total	<u>\$16,698,232</u>	<u>\$12,362,090</u>

(2) Revenue from underwriting business

	For the years ended December 31	
	2021	2020
Revenue from underwriting of securities	\$354,417	\$410,462
Revenue from underwriting proceeding fee	554,497	166,784
Revenue from underwriting and counseling	21,568	22,970
Others	134,495	155,721
Total	<u>\$1,064,977</u>	<u>\$755,937</u>

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

	For the years ended December 31	
	2021	2020
Dealing	\$9,043,109	\$2,567,078
Underwriting	449,422	182,739
Hedging	(2,690,336)	2,657,504
Total	<u>\$6,802,195</u>	<u>\$5,407,321</u>

(4) Interest income

	For the years ended December 31	
	2021	2020
Margin loans	\$2,301,101	\$1,629,572
Bonds	1,253,016	1,751,892
Others	299,330	290,241
Total	<u>\$3,853,447</u>	<u>\$3,671,705</u>

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

	For the years ended December 31	
	2021	2020
Dealing	\$(600,716)	\$990,494
Underwriting	29,624	(32,099)
Hedging	(654,576)	273,767
Settlement coverage bonds payable of short sale	(44)	1
Total	<u>\$(1,225,712)</u>	<u>\$1,232,163</u>

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

	For the years ended December 31	
	2021	2020
Gains	\$132,412	\$1,298,436
Losses	(5,484,433)	(388,362)
Total	<u>\$(5,352,021)</u>	<u>\$910,074</u>

(7) Please refer to Note VI.20 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 years ended December 31	
	2021	2020
Financial assets measured at FVOCI	\$(8,175)	\$(5,072)
Financial assets measured at amortized cost		
Receivables (Note 1)	(2,896)	(5,484)
Others (Note 2)	(33,969)	(7,026)
Total	<u>\$(45,040)</u>	<u>\$(17,582)</u>

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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, security lending deposit, other current assets, refundable collateral for securities lending and other non-current assets.

B. The Company and subsidiaries' total carrying amount and accumulated impairment loss as of December 31, 2021 and 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 29,754,716 thousand dollars and 31,250,234 thousand dollars, respectively. The accumulated impairment loss recognized are 23,735 thousand dollars and 15,736 thousand dollars, respectively.

(b) Receivables and others

As of December 31, 2021:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$15,671,771	\$(90)	\$15,671,681
Investment in bonds with reverse repurchase agreements	13,702,755	(11)	13,702,744
Securities margin loans receivable	39,093,159	(3,010)	39,090,149
Trading securities receivable	7,279,801	(548)	7,279,253
Customer margin accounts	51,969,284	(1,468)	51,967,816
Futures commission merchant receivable	134,733	(134,733)	-
Security lending deposits	40,699,616	(18)	40,699,598
Accounts receivable	40,363,415	(2,352)	40,361,063
Other current assets	55,952,946	(12,320)	55,940,626
Other non-current assets	3,884,423	(823,829)	3,060,594
Total	\$268,751,903	\$(978,379)	\$267,773,524

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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C. The Company and subsidiaries' movements of accumulated impairment for the years ended December 31, 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	(8,175)
Exchange differences and others	176
Balance as of December 31, 2021	<u>\$ (23,735)</u>
Balance as of January 1, 2020	\$ (10,992)
(Increase)/ decrease	(5,072)
Exchange differences and others	328
Balance as of December 31, 2020	<u>\$ (15,736)</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 years ended of December 31, 2021 and 2020.

(b) Receivables and others

Item	12-month expected credit losses	Lifetime expected credit losses (collective assessment)	Lifetime expected credit losses (credit impaired financial assets)	Lifetime expected credit losses (simplified approach)	Total
Balance as of January 1, 2021	\$ (7,888)	\$ (73)	\$ (1,637,566)	\$ (2,769)	\$ (1,648,296)
(Increase)/decrease	(4,775)	(583)	(29,592)	(1,915)	(36,865)
Financial assets derecognized in the current period	-	-	32,911	-	32,911
Bad loans write-offs	-	-	655,980	-	655,980
Exchange differences and others	316	11	17,562	2	17,891
Balance as of December 31, 2021	<u>\$ (12,347)</u>	<u>\$ (645)</u>	<u>\$ (960,705)</u>	<u>\$ (4,682)</u>	<u>\$ (978,379)</u>
Balance as of January 1, 2020	\$ (5,263)	\$ (402)	\$ (1,914,235)	\$ (3,339)	\$ (1,923,239)
(Increase)/decrease	(2,960)	318	(10,435)	567	(12,510)
Financial assets derecognized in the current period	-	-	2,373	-	2,373
Effects of changes on consolidated subsidiaries	-	-	254,781	-	254,781
Bad loans write-offs	-	-	5,410	-	5,410
Exchange differences and others	335	11	24,540	3	24,889
Balance as of December 31, 2020	<u>\$ (7,888)</u>	<u>\$ (73)</u>	<u>\$ (1,637,566)</u>	<u>\$ (2,769)</u>	<u>\$ (1,648,296)</u>

The changes in the carrying amounts of above mentioned receivables and others were mainly due to the securities trading market situation.

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

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(9) Other operating income

	For the years ended December 31	
	2021	2020
Commission income	\$488,531	\$361,153
Investment trust and fund management income	697,134	797,245
Exchange gain/(loss)	782,557	585,789
Gain on exercising warrant before expiration date	769,931	178,889
Others	577,036	286,863
Total	\$3,315,189	\$2,209,939

(10) Financial cost

	For the years ended December 31	
	2021	2020
Bonds	\$221,676	\$649,392
Bank borrowing	228,065	366,674
Corporate bonds	45,811	63,146
Lease liabilities	17,431	25,253
Securities leading refundable deposits	31,576	87,700
Others	35,051	43,077
Total	\$579,610	\$1,235,242

(11) Employee benefits expenses, depreciation and amortization

Item	For the years ended December 31	
	2021	2020
Employee benefit expenses		
Salary expenses	\$8,454,349	\$7,291,533
Insurance expenses	391,472	344,675
Pension expenses	252,426	239,148
Others	200,139	187,985
Total	\$9,298,386	\$8,063,341
Depreciations and amortizations		
Depreciations	\$744,008	\$789,984
Amortizations	241,119	259,000
Total	\$985,127	\$1,048,984

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 employees' bonus 0.1% and no more than directors' remuneration 1.0% of income before tax and before distributing earnings to employees and directors as employees' bonus income and directors' remuneration, respectively. The employees' bonus of 99,000 thousand dollars and the directors' remuneration of 141,000 thousand dollars were recognized under salary expenses based on the current year profit for the year ended December 31, 2021. The Company held the Board of Directors' meeting on March 11, 2022 and resolved the distribution of employees' bonus and directors' remuneration of 99,000 thousand dollars and 141,000 thousand dollars by cash, respectively.

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C. The Company distributed the employees' bonus of 60,000 thousand dollars for the year ended December 31, 2020, which have no difference from the expenses recognized in 2020.

D. The related information about employees' bonus and directors' remuneration 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 years ended December 31	
	2021	2020
Postage and telephone expenses	\$311,383	\$275,641
Tax	1,352,379	797,558
Computer information expenses	503,017	470,823
Professional fee	289,115	266,038
Securities borrowed expenses	758,677	473,173
Handling fee	396,656	419,206
Maintenance and repairs	258,463	243,079
Operation expense	117,868	223,155
Other expenses	1,145,188	853,832
Total	\$5,132,746	\$4,022,505

(13) Other income and costs

	For the years ended December 31	
	2021	2020
Interest income	\$386,430	\$862,819
Gains/(losses) from disposal of investment	193,953	22,301
Non-operating financial assets measured at FVTPL	137,028	143,520
Dividend income	151,477	211,684
Management service income	212,228	442,676
Others	183,787	180,453
Total	\$1,264,903	\$1,863,453

28. Components of Other Comprehensive Income

For the year ended December 31, 2021

	Arising	Reclassification	Other	Income tax	Other
			comprehensive income, before tax	(expense) income	comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Remeasurements of defined benefit plans	\$(273,960)	\$-	\$(273,960)	\$36,369	\$(237,591)
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	(144,204)	-	(144,204)	-	(144,204)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	218,391	-	218,391	-	218,391

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	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(663,228)	-	(663,228)	-	(663,228)
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	(332,220)	(422,820)	(755,040)	-	(755,040)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(2,642,366)	-	(2,642,366)	-	(2,642,366)
Total	\$(3,837,587)	\$(422,820)	\$(4,260,407)	\$36,369	\$(4,224,038)

For the year ended December 31, 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:					
Remeasurements of defined benefit plans	\$(169,785)	\$-	\$(169,785)	\$26,213	\$(143,572)
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	(38,924)	-	(38,924)	-	(38,924)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	657,001	-	657,001	-	657,001
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	(814,441)	-	(814,441)	-	(814,441)
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	1,126,928	(1,068,284)	58,644	-	58,644
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	1,515,500	-	1,515,500	-	1,515,500
Total	\$2,276,279	\$(1,068,284)	\$1,207,995	\$26,213	\$1,234,208

29. 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 years ended December 31	
	2021	2020
Current income tax expense (benefit)		
Current period	\$1,350,846	\$1,063,477
Adjustments of prior periods	51,914	(64,053)
Others	686	(35,899)
Deferred income tax expense (benefit)		
Current period	213,685	(211,384)
Income tax expense (benefit)	\$1,617,131	\$752,141

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Income tax relating to components of other comprehensive income

	For the years ended December 31	
	2021	2020
Deferred income tax expense (benefit)		
Remeasurement of defined benefit plan	\$ (36,369)	\$ (26,213)

(2) Reconciliation of accounting income and income tax expense is as follow:

	For the years ended December 31	
	2021	2020
Income before income tax	\$14,553,314	\$9,474,382
Tax at the rate applicable to profits	\$2,910,663	\$1,894,877
Tax effect of revenues exempt from taxation	(1,450,476)	(962,921)
Tax effect expenses not deductible for tax purposes	33,579	38,684
Tax effect of deferred income tax assets/liabilities	29,291	(133,678)
Tax effect of different tax rate for subsidiaries	(151,783)	(187,202)
Alternative minimum tax expense	193,257	206,632
Adjustments of prior periods	51,914	(64,053)
Others	686	(40,198)
Total income tax expense	\$1,617,131	\$752,141

(3) Balances of deferred income tax assets and liabilities resulting from the temporary differences :

	12/31/21	12/31/20
Deferred income tax assets		
Bad debts	\$9,640	\$9,640
Unrealized exchange loss	2,130	4,655
Unrealized loss of warrants issued and repurchase warrants	-	7,023
Unrealized loss of financial instruments	104,897	225,131
Defined benefit plan	205,810	169,204
Unrealized exchange loss of financial instruments	-	1,854
Unused tax losses	6,221	1,393
Others	1,698	1,820
Total	330,396	420,720
Deferred income tax liabilities		
Unrealized gain of financial instruments	(54,637)	(45,002)
Unrealized exchange gain	(165,421)	(128,300)
Unrealized gain of warrants issued and repurchase warrants	(41,306)	-
Goodwill	(986,155)	(986,155)
Land value increment tax liabilities	(9,252)	(9,252)
Other	-	(1,070)
Total	(1,256,771)	(1,169,779)
Net amount of deferred income tax assets (liabilities)	\$ (926,375)	\$ (749,059)

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(4) Movement of deferred income tax assets (liabilities):

	For the years ended December 31	
	2021	2020
Beginning balance	\$(749,059)	\$(943,848)
Effects of changes on consolidated subsidiaries	-	(42,808)
Recognized in profit or loss	(213,685)	211,384
Recognized in other comprehensive income	36,369	26,213
Ending balance	<u>\$(926,375)</u>	<u>\$(749,059)</u>

(5) Unrecognized deferred income tax assets

As of 31 December 2021, the Company's subsidiary – KGI Futures' deferred tax assets have not been recognized in respect of unused tax losses, unused tax credits and deductible temporary differences amounting to 39,161 thousand dollars, as the future taxable profit may not be available.

(6) Unrecognized deferred income tax liabilities

The Company and subsidiaries have no liabilities that may be used to increase any subsequent periods' income tax expense but not recognized as deferred income tax liabilities.

(7) Income tax return assessed

The income tax returns assessed of the Company and subsidiaries are as follows:

	Assessment information
The Company	Assessed through 2016
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2020
KGI Insurance Brokers Co. Ltd.	Assessed through 2020
KGI Venture Capital Co. Ltd.	Assessed through 2019
KGI Securities Investment Trust Co. Ltd.	Assessed through 2019
KGI Futures	Assessed through 2019
KGI Information Technology Co. Ltd.	Assessed through 2020

(8) Administrative remedy

The income tax return of the Company for the year ended December 31, 2016 and 2015 was assessed for additional income tax of 77,629 thousand dollars. The Company has appealed for administrative remedy. Additional income tax has been recognized into the financial statements.

30. 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.

	For the years ended December 31	
	2021	2020
Basic EPS		
Attributable to the Company	<u>\$12,933,208</u>	<u>\$8,725,325</u>
Weighted average number of shares outstanding	<u>3,536,584,111 shares</u>	<u>3,549,597,810 shares</u>
Basic EPS (NT\$)	<u>\$3.66</u>	<u>\$2.46</u>

Please refer to Note VI.26 for details on capital reduction after the ended year December 31, 2021.

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VII. Significant Related Parties Transaction

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

1. Name and nature of relationship of the related parties

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
China Development Financial Holding Corp. (CDFH)	The parent company
KGI Securities (Thailand Public) Company Limited (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 Corp.	Other related party
CDIB CME Fund Ltd	Other related party
CDIB Capital Growth Partners L.P.	Other related party
CDIB Partners Investment Holding Corporation	Other related party
GPPC Chemical Corp.	Other related party
XI-JIE Investment 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 Capital International Corp.	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

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
A. <u>Brokerage handling fee revenue</u>		
Other related parties		
China Life	\$77,194	\$79,486
KGI Bank	17,239	7,164
KGI Investment Trust Funds	18,129	6,297
Others	11,296	11,925
Total	\$123,858	\$104,872

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	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
B. <u>Revenue from underwriting business</u>		
Parent company		
CDFH	\$21,000	\$10,100
Associates		
KGI TH	8,989	1,424
Other related parties		
China Life	-	11,000
Others	487	2,809
Total	<u>\$30,476</u>	<u>\$25,333</u>
C. <u>Gains/(losses) on disposal of trading securities-net</u>		
Parent company		
CDFH	\$(1)	\$-
Other related parties		
China Life	(26)	6
Total	<u>\$(27)</u>	<u>\$6</u>
D. <u>Revenue from providing agency service for stock affairs</u>		
Parent company		
CDFH	\$22,884	\$17,999
Other related parties		
China Life	4,020	4,106
Others	248	251
Total	<u>\$27,152</u>	<u>\$22,356</u>
E. <u>Interest income</u>		
Parent company	\$851	\$-
Other related parties		
China Life	130,950	1,457
Others	2,296	1,758
Total	<u>\$134,097</u>	<u>\$3,215</u>
F. <u>Gains/(losses) on trading securities measures at fair value through profit or loss-net</u>		
Other related parties		
China Life	<u>\$22</u>	<u>\$(8)</u>
G. <u>Gains/(losses) on derivative financial product-GTSM-net</u>		
Other related parties		
KGI Bank	\$(65,706)	\$(110,476)
Others	(7,182)	(3,139)
Total	<u>\$(72,888)</u>	<u>\$(113,615)</u>

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	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>H. Other operating revenue</u>		
Parent company		
CDFH	\$1,250	\$7,500
Other related parties		
China Life	212,041	171,053
KGI Bank	93,656	119,544
Others	65	200
Total	<u>\$307,012</u>	<u>\$298,297</u>
<u>I. Financial costs</u>		
Other related parties		
KGI Bank	\$482	\$2,566
China Life	83	78
Others	4	6
Total	<u>\$569</u>	<u>\$2,650</u>

The above transactions were under general trading condition.

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

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
KGI Bank	<u>\$4,639,883</u>	<u>\$1,327,043</u>

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

	<u>12/30/21</u>	<u>12/31/20</u>
<u>A. Open-ended funds and monetary market instruments and other securities</u>		
Other related parties		
KGI Investment Trust Funds	<u>\$561,788</u>	<u>\$580,998</u>
	<u>12/31/21</u>	<u>12/31/20</u>
	Notional	Notional
	Amount	Amount
<u>B. Outstanding derivative instruments</u>		
a. FX Swap		
Other related parties		
KGI Bank	<u>\$61,226</u>	<u>\$61,820</u>
b. CBAS-interest		
Other related parties		
KGI Bank	<u>\$-</u>	<u>\$61,000</u>
c. CBAS-long option		
Other related parties		
KGI Bank	<u>\$-</u>	<u>\$61,000</u>
d. Structure notes liabilities		
Other related parties		
Others	<u>\$22,044</u>	<u>\$40,133</u>

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	<u>12/31/21</u>	<u>12/31/20</u>
<u>C. Trading Securities</u>		
Other related parties		
China Life	\$4,849,990	\$4,849,985
KGI Investment Trust Funds	<u>1,935,719</u>	<u>1,737,214</u>
Total	<u>\$6,785,709</u>	<u>\$6,587,199</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
<u>Stocks</u>		
Parent company		
CDFH	<u>\$8,944,032</u>	<u>\$-</u>

Please refer to Note VI.3 for information of receiving and sale of CDFH stock for the years ended December 31, 2021 and 2020.

- (5) Securities margin loans receivable:

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
Others	<u>\$67,513</u>	<u>\$36,243</u>

- (6) Customer margin accounts:

	<u>12/31/21</u>	<u>12/31/20</u>
Associates	\$8,340	\$13,996
Other related parties		
KGI Bank	<u>786,409</u>	<u>710,692</u>
Total	<u>\$794,749</u>	<u>\$724,688</u>

- (7) Account receivables:

	<u>12/31/21</u>	<u>12/31/20</u>
Associates		
KGI TH	\$428,471	\$546,996
Other related parties		
China Life	181,425	31,569
KGI Bank	884,002	5
Others	<u>26,270</u>	<u>22,002</u>
Total	<u>\$1,520,168</u>	<u>\$600,572</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Associates		
KGI TH	\$951	\$6,346
Other related parties		
KGI Bank	7,779	9,306
China Life	373	368
Total	<u>\$9,103</u>	<u>\$16,020</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
China Life	<u>\$555</u>	<u>\$724</u>

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

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
KGI Bank	<u>\$4,794,468</u>	<u>\$1,916,446</u>

(11) Futures customers' equity:

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
KGI Bank	\$407,286	\$122,324
Other	5,400	9,251
Total	<u>\$412,686</u>	<u>\$131,575</u>

(12) Accounts payable:

	<u>12/31/21</u>	<u>12/31/20</u>
Associates		
KGI TH	\$423,877	\$547,761
Other related parties		
China Life	53,742	-
Others	151,936	151,782
Total	<u>\$629,555</u>	<u>\$699,543</u>

(13) Other accounts payable:

	<u>12/31/21</u>	<u>12/31/20</u>
Associates	\$12	\$3
Other related parties		
China Life	5,447	5,491
KGI Bank	796	2,301
Total	<u>\$6,255</u>	<u>\$7,795</u>

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(14) Current income tax liabilities:

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

	<u>12/31/21</u>	<u>12/31/20</u>
Due to CDFH (the parent company)	<u>\$2,372,268</u>	<u>\$1,199,385</u>

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

Purchase and sale of bonds

	<u>For the year ended December 31, 2021</u>	
	<u>Purchase of bonds</u>	<u>Sale of bonds</u>
Other related parties		
KGI Bank	<u>\$61,000</u>	<u>\$4,399,624</u>
	<u>For the year ended December 31, 2020</u>	
	<u>Purchase of bonds</u>	<u>Sale of bonds</u>
Other related parties		
KGI Bank	\$129,000	\$2,500,000
China Life	-	8,240,400
Total	<u>\$129,000</u>	<u>\$10,740,400</u>

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

Right-of-use asset

	<u>12/31/21</u>	<u>12/31/20</u>
Other related parties		
China Life	<u>\$9,938</u>	<u>\$13,715</u>

Lease liabilities

	<u>12/31/21</u>	<u>12/31/20</u>
Current		
Other related parties		
China Life	\$3,490	\$3,824
Non-Current		
Other related parties		
China Life	<u>6,508</u>	<u>9,928</u>
Total	<u>\$9,998</u>	<u>\$13,752</u>

Rental income (recognized as other income and costs)

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties		
KGI Bank	\$8,685	\$13,001
Others	338	341
Total	<u>\$9,023</u>	<u>\$13,342</u>

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

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Refundable deposits (recognized as other non-current assets)

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

Depreciation and amortization

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties		
China Life	\$3,777	\$3,784

(17) Employee benefit expenses

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties		
China Life	\$27,981	\$26,933

(18) Other operating expenses

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Associates	\$83	\$42
Other related parties		
China Life	15,128	155,762
KGI Charity Foundation	20,000	30,000
KGI Bank	39,014	15,436
Others	3,750	-
Total	\$77,975	\$201,240

(19) Other income and costs

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Parent company		
CDFH	\$-	\$104,082
Associates	2,217	14,278
Other related parties		
KGI Bank	95,941	120,640
Others	33	36
Total	\$98,191	\$239,036

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(20) Information about key management personnel compensation

	For the years ended December 31	
	2021	2020
Short-term employee benefit	\$479,108	\$283,903
Post-employment benefits	1,565	1,974
Share-based payment transaction	2,657	-
Total	<u>\$483,330</u>	<u>\$285,877</u>

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

	12/31/21	12/31/20
Property and equipment and investment property	<u>\$264,843</u>	<u>\$266,912</u>

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	12/31/21	12/31/20
Financial assets measured at FVTPL-current		
Trading securities-dealing	\$351,415	\$353,009
Open-ended funds, monetary market instruments and other securities	243,149	242,706
Other current assets-restricted	2,214,846	1,182,196
Investment accounted for using the equity method	-	3,636,465
Property and equipment	4,515,783	4,322,139
Investment property	122,663	351,625
Total	<u>\$7,447,856</u>	<u>\$10,088,140</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.

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2. Securities and Futures Investors Protection Center sued the Company and claimed that due to the fact that the Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, 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.
3. For the need of securities borrowing margin, the Company requested the bank guarantees for 30,000 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

Please refer to Note VI.26 for details on capital reduction after December 31, 2021.

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XII. Others

1. Financial risk management objectives and policies

(1) Financial risk management objectives

In order to manage the operation risk effectively and strengthen competitiveness, the Company formulates its risk management policies according to the regulatory requirements, CDFH “Risk Management Policy” and the Company’s business development strategy, as its risk management guidelines.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

While considering the credit risk of counterparties, the Company adapts the third parties' credit evaluations, such as TCRI of Taiwan Economic Journal, Taiwan Ratings, S&P, Moody's and Fitch. The Company compares its own evaluation to the third parties' results to categories of levels 1 to 9. The Company updates the information about counterparties and credit evaluations of transactions timely and the Company is able to adjust the limit of credit risk while evaluation changes.

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.

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.

In the event of abnormal occurrences in any unit, the Company shall follow the "Operation Guidelines Governing the Reporting and Handling Procedures of Abnormal Events". The audit unit will report the incident to the Chairman and the auditor of the Parent company depending on the importance of the abnormal event in order to manage the loss efficiently. When there is a significant risk event, the Company follows the "Key Points of Reporting Significant Risk" of the parent company and the Company's "Operation Guidelines Governing the Reporting and Handling Procedures of Abnormal Events". The risk management unit will review and see if this significant event is reported in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company is qualified for adopting Delta-Plus sensitivity analysis method for options under advanced calculation of Bank of International Settlement ratio for securities companies. In order to calculate BIS ratio and other financial commodity valuation models required for other statutory ratios, the Company has implemented model management.

The Company detects operation risk regularly. The detection items include financial institution capital adequacy, asset qualities, management abilities, profitability, liquidity, sources of profit, foreign exposure, investment positions, off balance sheet items and client complaints or arguments. Each detection and warning indicator is evaluated by the specific unit according to the review frequency. The responsible unit will send the result and the variation information to the risk management sector for monitoring and filing purposes.

(5) Risk hedge and mitigation strategy

The Company has set up policies such as the “Handling Procedure of Selling and Buying Securities and Trading Derivatives Financial Instruments” and the “Operation Guidelines of Operating Derivatives Financial Instruments”, in order to hedge and reduce the risk, the policies are as follows:

- A. Before conducting a transaction of derivatives, each segment shall first make sure whether the nature of the transaction is trading or hedging. After the transaction is conducted, the nature of the transaction cannot be changed at will.
- B. The nature of the transaction shall refer to selling and buying derivatives at the expected prices bearing risks in order to make gains by the price difference. Hedging shall refer to trading derivatives to reduce the market risk of assets or liabilities, or expected transactions.
- C. The positions held for hedging shall include both the hedging position and hedged position as a portfolio and be aware of the profit/loss changes between the hedging and hedged positions.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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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 have no change for the years ended December 31, 2021 and 2020.

3. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

12/31/21

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$7,999,949	\$4,389,467	\$3,282,265	\$-	\$-	\$15,671,681
Financial assets measured at FVTPL-current	48,512,763	10,558,608	1,120,264	15,285,546	16,576	75,493,757
Financial assets measured at FVOCI-current	19,417,648	3,077,052	9,083,339	-	-	31,578,039
Hedging Financial assets-current	-	(3,763)	(6,236)	15,424	3,615	9,040
Investment in bonds with reverse repurchase agreements	-	13,704,621	-	-	-	13,704,621
Receivables	38,197,819	16,993,054	31,517,587	26,034	-	86,734,494
Customer margin accounts	51,967,816	-	-	-	-	51,967,816
Stock borrowing collateral price and security lending deposits	5,030,428	27,643,869	8,616,952	-	-	41,291,249
Current tax assets	-	-	5,386	9,390	-	14,776
Other current assets	53,751,966	1,999,618	187,863	1,179	-	55,940,626
Financial assets measured at FVTPL-non-current	-	-	-	945,652	2,724,011	3,669,663
Financial assets measured at FVOCI-non-current	-	-	-	-	6,938,113	6,938,113
Investments accounted for using the equity method	-	-	-	-	2,569,654	2,569,654
Others non-current assets	1,371	1,249	-	9,547	2,976,476	2,988,643
Total	\$224,879,760	\$78,363,775	\$53,807,420	\$16,292,772	\$15,228,445	\$388,572,172
Percentage	57.87%	20.17%	13.85%	4.19%	3.92%	100.00%

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Statement of cash flow analysis for financial liabilities

12/31/21

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$17,299,940	\$-	\$-	\$-	\$17,299,940
Commercial papers payable	-	816,022	-	-	-	816,022
Financial liabilities measured at FVTPL-current	14,452,771	5,526,632	3,191,131	11,428,359	2,139,402	36,738,295
Liabilities for bonds with repurchase agreements	-	59,125,161	-	-	-	59,125,161
Payables	64,569,956	2,291,779	4,834,787	-	-	71,696,522
Guarantee deposit received from security lending	-	12,939,668	34,479,842	-	-	47,419,510
Futures customers' equity	50,125,388	-	-	-	-	50,125,388
Amounts collected for others/ Other payable/ Other current liabilities	20,132,509	1,782,641	8,065,969	2,935	43	29,984,097
Other financial liabilities-current	-	3,231,447	412	792	1,781	3,234,432
Lease liabilities-current	-	84,650	215,996	-	-	300,646
Current tax liabilities	-	-	340,983	-	2,423,949	2,764,932
Long-term liabilities-current portion	-	-	300,000	-	-	300,000
Bonds payable	-	-	-	4,900,000	4,000,000	8,900,000
Liabilities reserve-non-current	-	-	-	920	205,941	206,861
Lease liabilities-non-current	-	-	-	936,351	-	936,351
Other non-current liabilities	-	-	49	1,008,028	65,337	1,073,414
Total	\$149,280,624	\$103,097,940	\$51,429,169	\$18,277,385	\$8,836,453	\$330,921,571
Percentage	45.11%	31.16%	15.54%	5.52%	2.67%	100%

Statement of capital liquidation gap

12/31/21

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$224,879,760	\$78,363,775	\$53,807,420	\$16,292,772	\$15,228,445	\$388,572,172
Cash outflow	149,280,624	103,097,940	51,429,169	18,277,385	8,836,453	330,921,571
Amount of cash flow gap	\$75,599,136	\$(24,734,165)	\$2,378,251	\$(1,984,613)	\$6,391,992	\$57,650,601

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%

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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

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 December 31, 2021 and 2020 show that the sums from deducting cash outflow from cash inflow are 57,650,601 thousand dollars and 58,405,796 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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).

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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	12/31/21	12/31/20
Interest rate risk	\$468	\$8,513
Equity securities risk		
Equity delta	7,657,464	7,087,900
Debt delta	2,382,439	1,800,339
Exchange rate risk	5,842,599	4,463,211
Commodity risk sensitivity	(31,232)	60,720

(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 year ended December 31, 2021			12/31/21
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$189,416	\$97,233	\$330,487	\$256,563
Interest rate	213,372	123,636	429,061	213,393
Exchange rate	60,233	24,218	116,124	66,394
Commodity	37,741	1,723	139,868	6,431

Risk type	For the year ended December 31, 2020			12/31/20
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$184,619	\$63,194	\$454,331	\$151,569
Interest rate	154,151	82,202	223,599	182,052
Exchange rate	29,364	16,470	47,454	28,944
Commodity	16,173	564	144,496	18,933

(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

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are reported to Risk Management Committee and Board of Directors periodically.

5. Fair value of financial instruments

(1) Types of financial instruments

Financial instruments	12/31/21	12/31/20
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss:		
Mandatorily Measured at fair value through profit or loss	\$79,159,835	\$81,739,901
Hedging Financial assets-current	7,988	-
Financial assets measured at fair value through other comprehensive income	38,516,152	31,743,369
Financial assets measured at amortized cost (Note 1)	268,294,171	253,447,111
Total	<u>\$385,978,146</u>	<u>\$366,930,381</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (Note 2)	\$290,097,026	\$287,537,733
Financial liabilities measured at fair value through profit or loss:		
Held for trading	27,173,744	29,923,289
Designated initially at fair value through profit or loss	9,295,143	7,384,244
Total	<u>\$326,565,913</u>	<u>\$324,845,266</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.

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- B. 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.
- C. 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.
- D. Due to the uncertain duration, fair values of the guaranteed deposits of other non-current assets and liabilities are measured by its book value.
- E. 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).

(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:

	12/31/21		12/31/20	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial liabilities</u>				
Long-term liabilities-current portion	\$300,000	\$300,653	\$-	\$-
Bonds payable	8,900,000	8,896,967	4,200,000	4,230,572

(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.

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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.

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:

12/31/21

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	\$16,922,090	\$83,057	\$2,746,096	\$19,751,243
Bonds	14,838,679	30,277,741	100,114	45,216,534
Others	7,737,055	645,203	-	8,382,258
Financial assets measured at FVOCI				
Stocks	8,944,032	-	42,138	8,986,170
Bonds	22,535,888	6,994,094	-	29,529,982
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	8,808,674	-	-	8,808,674
Bonds	2,514,198	2,451,443	-	4,965,641
Others	1,067,314	-	-	1,067,314
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Hedging Financial assets-current	-	7,988	-	7,988
Liabilities				
Financial liabilities measured at FVTPL				
	1,963,444	16,611,321	3,052,493	21,627,258

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Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Stocks	\$11,156,829	\$-	\$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

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 year ended of December 31, 2021 and 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:

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

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For the year ended December 31, 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	206,597	-	648,111	-	(11,540)	(478,699)	2,846,210
Financial assets measured at FVOCI	70,873	-	(28,735)	-	-	-	-	42,138

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

For the year ended December 31, 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 (Note)	
Financial Assets								
<u>Derivative instruments</u>								
Financial assets measured at FVTPL	\$346	\$1,565	\$-	\$11,878	\$-	\$(13,751)	\$-	\$38
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL	2,403,670	61,956	-	223,089	-	(64,538)	(142,436)	2,481,741
Financial assets measured at FVOCI	2,016	-	146	-	68,711	-	-	70,873

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

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

For the year ended December 31, 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	\$(103,093)	\$-	\$514,386	\$-	\$(907,827)	\$-	\$3,052,493

For the year ended December 31, 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	\$(149,319)	\$-	\$2,006,825	\$-	\$(774,216)	\$-	\$3,549,027

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- c. Total gains or losses from financial assets and liabilities still held by the Company and subsidiaries for the years ended December 31, 2021 and 2020 are as follows:

	For the years ended December 31	
	2021	2020
Total gains or losses		
Recognized in profit or loss	\$318,621	\$(14,158)
Recognized in other comprehensive income	\$(28,735)	\$146

- 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 December 31, 2021 and 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.

12/31/21

	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%-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	6.83%	The higher the WACC is, probably the lower the fair value of asset is.
		Growth rate	2.60%	The higher the growth rate is, probably the higher the fair value of asset is.
Financial assets measured at FVOCI-equity instrument	Option Pricing Model	Discount for lack of liquidity	26%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		History Volatility	37.39%	Depending on contract terms.
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%-13.40%	Depending on contract terms.
Equity derivative instruments-short option	Martingale Pricing Technique	History Volatility	36.25%-37.30%	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 higher 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.

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 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:

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	Sensitivity of the input to fair value		Recognized in profit/loss	
	Inputs	Changes	Gain	Loss
<u>Financial assets:</u>				
Non-derivatives				
Financial assets measured at FVTPL				
Equity instruments (third-party quotation/purchasing price/asset method)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Discount for lack of liquidity	-1% / +1%	\$231	\$231
Equity instruments (discounted cash flow)	Discount for lack of liquidity	- 1% / +1%	83	83
	WACC	- 1% / +1%	469	454
	Growth Rate	+1% / - 1%	163	161
Financial assets measured at FVOCI				
Equity instruments (option pricing method)	Discount for lack of liquidity	- 1% / +1%	156	155
	Historical volatility	+1% / -1%	166	167
Equity instruments (asset method)	Not applicable	Not applicable	Not applicable	Not applicable
<u>Financial liabilities:</u>				
Derivatives				
Structured notes- options	Historical volatility	-25% / +25%	-	-
Equity derivative instruments — short option	Historical volatility	-25% / +25%	502	524

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

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.

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

12/31/21

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$3,642,597	\$-	\$-	\$3,642,597
Investment properties	-	-	423,998	423,998
<u>Financial liabilities:</u>				
Long-term liabilities-current portion	300,653	-	-	300,653
Bonds payable	8,896,967	-	-	8,896,967

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

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

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

6. Transfer of financial assets

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

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

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

12/31/21					
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	\$46,937,233	\$44,436,480	\$46,937,233	\$44,436,480	\$2,500,753

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)

(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	
12/31/21	Long call option	\$9,888,800	\$2,500,689	\$2,500,689	\$-	\$2,500,689
12/31/20	Long call option	\$10,332,500	\$1,522,083	\$1,522,083	\$-	\$1,522,083

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

Period	Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
12/31/21	Long call option	\$-	\$443,200	\$1,912,400	\$7,533,200	\$-	\$9,888,800
12/31/20	Long call option	\$-	\$850,900	\$2,064,900	\$7,416,700	\$-	\$10,332,500

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

Period	Type of continuing involvement	Gain or loss recognized at the date of transfer	Income and expenses recognized in the reporting period	Income and expenses recognized cumulatively
12/31/21	Long call option	\$(83,086)	\$825,680	\$742,594
12/31/20	Long call option	\$19,004	\$393,637	\$412,641

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:

12/31/21						
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 (Note1)	Cash collateral received	
Derivative (Note 2)	\$5,057,852	\$-	\$5,057,852	\$-	\$858,594	\$4,199,258
Resell agreement	13,702,744	-	13,702,744	13,702,744	-	-
Total	\$18,760,596	\$-	\$18,760,596	\$13,702,744	\$858,594	\$4,199,258

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12/31/21						
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 (Note1)	Cash collateral in pledge	
Derivative	\$10,369,683	\$-	\$10,369,683	\$-	\$1,328,289	\$9,041,394
Repurchase agreement	59,103,641	-	59,103,641	59,103,641	-	-
Total	\$69,473,324	\$-	\$69,473,324	\$59,103,641	\$1,328,289	\$9,041,394

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 (Note1)	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 (Note1)	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

Note1: Including amounts subject to a master netting arrangement and amounts related to non-cash financial collateral.

Note2: Including hedging derivative instruments.

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.

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The company's Capital adequacy ratios as of December 31, 2021 and 2020 are disclosed as follows:

(1) Capital adequacy ratio

Item	12/31/21	12/31/20
Qualified net equity Capital	\$34,523,682	\$25,496,473
Equivalent amount of operating risk	9,287,897	9,028,653
Capital adequacy ratio	372%	282%

Item	For the years ended December 31	
	2021	2020
Average	309%	297%
Maximum	372%	332%
Minimum	245%	272%

(2) Equivalent amounts and percentages of operating risks

Item	12/31/21		12/31/20	
	Amount	Percentage	Amount	Percentage
Market risk	\$3,958,481	42.62%	\$4,000,866	44.31%
Credit risk	3,525,853	37.96%	3,221,051	35.68%
Operational risk	1,803,563	19.42%	1,806,736	20.01%
Total	\$9,287,897	100.00%	\$9,028,653	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.

As of December 31, 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	\$451,090	\$526,110
CNY HIBOR	-	1,243,042
Other currencies LIBOR	140,235	992,738
Derivatives		
USD LIBOR	97,199	922,947
SGD SOR	723	3,909
CNY HIBOR	312	1,366
TOTAL	\$689,559	\$3,690,112

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	Nominal Amounts	
	Financial Assets	Financial Liabilities
Derivatives		
USD LIBOR	\$13,166,595	\$21,667,095
SGD SOR	1,169,133	1,025,555
CNY HIBOR	355,155	355,155
TOTAL	<u>\$14,690,883</u>	<u>\$23,047,805</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.

Futures department of the Company

Article #	Calculation Formula	12/31/21		12/31/20		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>2,096,345</u> 789,886	2.65	<u>1,978,857</u> 555,428	3.56	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>3,613,693</u> 789,886	4.57	<u>3,265,839</u> 555,112	5.88	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>2,096,345</u> 400,000	524.09%	<u>1,978,857</u> 400,000	494.71%	≥ 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>635,052</u> 451,029	140.80%	<u>974,269</u> 603,590	161.41%	≥ 20% ≥ 15%	"

KGI Futures

Article #	Calculation Formula	12/31/21		12/31/20		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stockholders' equity</u> (Total liabilities – Futures customers' equity)	<u>3,909,940</u> 718,970	5.44	<u>4,045,179</u> 538,351	7.51	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>36,388,774</u> 33,908,451	1.07	<u>37,397,552</u> 34,726,811	1.08	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>3,909,940</u> 760,000	514.47%	<u>4,045,179</u> 760,000	532.26%	≥ 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>3,376,503</u> 6,248,803	54.03%	<u>3,609,974</u> 8,461,679	42.66%	≥ 20% ≥ 15%	"

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

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

A. Balance sheet of trust business

	<u>12/31/21</u>	<u>12/31/20</u>
Cash in bank	\$2,361,939	\$1,798,748
Financial assets		
Bonds	862,599	759,223
Stocks	15,541,912	16,652,820
Funds	17,795,176	15,253,348
Structured notes	4,437,040	3,178,855
Receivables	<u>316,523</u>	<u>295,830</u>
Total trusted assets	<u>\$41,315,189</u>	<u>\$37,938,824</u>
	<u>12/31/21</u>	<u>12/31/20</u>
Payables	\$79,383	\$40,006
Taxes payables	296	197
Trust capital	34,800,009	33,374,578
Net income for current period	4,853,246	2,697,043
Accumulated profit or loss	2,339,563	2,603,988
Deferred carried forward	14	445
Others	<u>(757,322)</u>	<u>(777,433)</u>
Total trusted liabilities	<u>\$41,315,189</u>	<u>\$37,938,824</u>

B. Income statement of trust business

	<u>For the years ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenues		
Interest income	\$36,190	\$33,134
Rent income	25,940	16,495
Dividend income	543,610	617,469
Realized investment gain	1,543,403	683,696
Unrealized investment gain	6,064,580	4,052,229
Other income	<u>305,517</u>	<u>334,691</u>
Total revenue	<u>8,519,240</u>	<u>5,737,714</u>

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	For the years ended December 31	
	2021	2020
Expenses		
Management expense	4,922	3,033
Taxes expense	8,506	2,783
Handling fee	96,723	73,471
Realized investment loss	468,738	691,678
Unrealized investment loss	1,869,381	1,284,083
Other expense	1,217,724	985,623
Total expense	3,665,994	3,040,671
Income before tax	4,853,246	2,697,043
Income tax	-	-
Net income	\$4,853,246	\$2,697,043

C. Trust property catalog

	12/31/21	12/31/20
Cash in bank	\$2,361,939	\$1,798,748
<u>Financial assets</u>		
Bonds	862,599	759,223
Stocks	15,541,912	16,652,820
Funds	17,795,176	15,253,348
Structured notes	4,437,040	3,178,855
Total	\$40,998,666	\$37,642,994

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.

(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 December 31, 2021 and 2020 are USD 8,243 thousand and USD 7,736 thousand, respectively.

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

Financial instruments	12/31/21			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	\$2,971,630	27.69	\$82,280,789	\$3,088,229	28.50	\$88,025,500
HKD	146,831	3.55	521,310	112,418	3.68	413,144
JPY	1,072,467	0.24	257,928	1,724,707	0.28	476,661
EUR	501,987	31.32	15,722,244	637,881	35.05	22,357,681
CNY	51,371	4.35	223,271	392,281	4.38	1,718,934
AUD	6,583	20.08	132,203	2,365	21.97	51,960

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Financial instruments	12/31/21			12/31/20		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Non-monetary Items</u>						
USD	\$1,855,880	27.69	\$51,387,965	\$2,230,286	28.51	\$63,580,981
CNY	737,953	4.35	3,207,366	910,648	4.38	3,990,370
<u>Investments</u>						
<u>accounted for using the equity method</u>						
USD	92,750	27.69	2,568,241	84,975	28.51	2,422,459
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	5,381,676	27.69	149,014,953	5,614,807	28.51	160,053,538
HKD	80,840	3.55	286,976	67,455	3.67	247,883
JPY	903,000	0.24	217,171	1,577,505	0.28	435,959
EUR	501,264	31.32	15,699,574	636,629	35.05	22,313,802
CNY	26,665	4.35	115,893	390,736	4.38	1,712,162
AUD	5,150	20.08	103,417	4,378	21.97	96,204
<u>Non-monetary Items</u>						
USD	520,770	27.69	14,420,119	409,738	28.51	11,680,810

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 782,557 thousand dollars and 585,789 thousand dollars for the years ended December 31, 2021 and 2020, respectively.

(6) The reconciliation of liabilities from financing activities

The changes in the liabilities from financing activities arise from changes in the amount of cash and currency exchange rate for the years ended December 31, 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 years ended December 31, 2021 and 2020.