

KGI SECURITIES CO. LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the Six-Month Periods Ended June 30, 2023 and 2022

With Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

To KGI Securities Co. Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of KGI Securities Co. Ltd. (the “Company”) and its subsidiaries as of June 30, 2023, December 31, 2022 and June 30, 2022, and the related consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of June 30, 2023, December 31, 2022 and June 30, 2022, and their consolidated financial performance for the three-month and six-month periods ended June 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the six-month periods ended June 30, 2023 and 2022, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and International Accounting Standards No. 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of consolidated financial statements for the six-month period ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Derivative Instruments

The Company and its subsidiaries invest in different types of derivative instrument assets and liabilities. As of June 30, 2023, the carrying amount of derivative instrument assets and liabilities measured at fair value is significant to the consolidated financial statement. Except for those classified as level 1, the fair value of other derivative instruments cannot be retrieved from active markets. Management therefore used valuation technique to determine the fair value. Level 2 derivative instruments are valued using parameters that are available or observable from an active market. The inputs of level 3 are not based on observable inputs from an active market. Since different valuation techniques and assumptions may have significant effect on the estimates of fair value, we considered the valuation of derivative instruments as a key audit matter. Our audit procedures include, but not limited to, assessing and testing the design and execution of the internal control regarding valuation, and reviewing management’s verification on fair value and authorization process of valuation models. In addition, we used our firm’s internal valuation expert to reevaluate derivative instruments on a sampling basis, and compared the outcomes with the one from management to assess if the difference is within acceptable range. We also assessed the adequacy of disclosures for valuation of derivative instruments in Note V and Note XII.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of consolidated financial statements for the six-month period June 30, 2023 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Others

We have audited and expressed an unqualified opinion on the parent company only financial statements of the Company as of and for the six-month periods ended June 30, 2023 and 2022.

Hsu, Jung-Huang
Fuh, Wen-Fun
Ernst & Young, Taiwan
August 18, 2023

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 Standards on Auditing of the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in New Taiwan Thousand Dollars)

ASSETS	6/30/2023	12/31/2022	6/30/2022
CURRENT ASSETS			
Cash and cash equivalents (Note VI.1, VI.26 and VII)	\$23,531,913	\$34,754,408	\$16,130,307
Financial assets measured at fair value through profit or loss-current (Note VI.2, VI.19, VII and VIII)	95,012,071	72,711,109	72,144,576
Financial assets measured at fair value through other comprehensive income-current (Note VI.3, VI.26 and VII)	33,847,116	34,712,250	26,357,731
Hedging financial assets-current (Note VI.4)	416,551	486,019	184,508
Investment in bonds with reverse repurchase agreements (Note VI.5 and VI.26)	11,434,942	8,487,952	9,245,834
Securities margin loans receivable (Note VI.6, VI.26 and VII)	29,725,488	24,298,551	29,269,023
Refinancing margin	5,597	14,189	1,337
Refinancing deposits receivable	6,216	11,515	1,104
Trading securities receivable (Note VI.26)	12,215,733	9,216,479	9,201,025
Customer margin accounts (Note VI.7, VI.26 and VII)	63,482,721	58,934,382	62,865,064
Futures commission merchant receivable (Note VI.8 and VI.26)	-	2	9
Stock borrowing collateral price	19,185	2,254,232	95,422
Security lending deposits (Note VI.26)	33,529,210	34,978,194	38,754,172
Notes receivable	15	43	-
Accounts receivable (Note VI.9, VI.26 and VII)	61,976,039	29,820,216	45,640,129
Prepayments	195,295	152,964	186,265
Current tax assets	17,574	2,227	17,196
Other current assets (Note VI.26, VII and VIII)	37,464,859	36,416,535	36,407,865
Total Current Assets	402,880,525	347,251,267	346,501,567
NON-CURRENT ASSETS			
Financial assets measured at fair value through profit or loss-non-current (Note VI.2)	3,602,279	3,533,579	3,510,329
Financial assets measured at fair value through other comprehensive income-non-current (Note VI.3 and VI.26)	12,115,969	8,692,888	7,653,741
Investments accounted for using the equity method (Note VI.10)	2,626,428	2,735,582	2,468,492
Property and equipment (Note VI.11, VII and VIII)	5,389,047	5,472,546	5,570,205
Right-of-use assets (Note VI.12 and VII)	1,371,730	1,438,739	1,458,815
Investment property (Note VI.13, VII and VIII)	407,651	270,382	122,139
Intangible assets (Note VI.14)	7,149,731	7,170,537	7,189,667
Deferred tax assets	397,107	502,142	431,177
Other non-current assets (Note VI.15, VI.26 and VII)	3,946,775	4,002,721	3,542,288
Total Non-Current Assets	37,006,717	33,819,116	31,946,853
TOTAL ASSETS	\$439,887,242	\$381,070,383	\$378,448,420

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

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English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in New Taiwan Thousand Dollars)

LIABILITIES AND EQUITY	6/30/2023	12/31/2022	6/30/2022
CURRENT LIABILITIES			
Short-term borrowings (Note VI.16)	\$20,043,549	\$13,229,271	\$22,165,823
Commercial papers payable (Note VI.17)	24,627,785	12,169,751	4,939,232
Financial liabilities measured at fair value through profit or loss-current (Note VI.18, VI.19 and VII)	31,794,338	39,021,587	34,939,729
Hedging financial liabilities-current (Note VI.4)	83,449	55,091	-
Liabilities for bonds with repurchase agreements (Note VI.20)	86,371,623	72,822,911	59,220,331
Short sale margins	1,846,091	3,757,562	2,214,416
Payables for short sale collateral received	10,195,620	13,081,611	12,443,403
Guarantee deposit received from security lending	39,885,910	42,013,408	43,197,037
Futures customers' equity (Note VII)	63,200,947	59,152,076	62,735,753
Equity for each customer in the account	5,984,194	3,000,099	679,082
Accounts payable (Note VI.21 and VII)	76,242,613	44,591,917	57,925,902
Amounts received in advance	1,726	762	4,449
Amounts collected for other parties	2,206,606	3,130,343	4,272,155
Other payables (Note VII)	4,120,746	4,164,260	3,458,607
Other financial liabilities-current	3,392,390	2,821,037	2,772,282
Current tax liabilities (Note VII)	1,757,701	2,253,860	1,923,699
Current portion of long-term liabilities (Note VI.22)	-	-	300,000
Lease liabilities-current (Note VI.12 and VII)	436,817	471,957	469,944
Other current liabilities	151,583	196,438	167,461
Total Current Liabilities	<u>372,343,688</u>	<u>315,933,941</u>	<u>313,829,305</u>
NON-CURRENT LIABILITIES			
Bonds payable (Note VI.22)	8,900,000	8,900,000	8,900,000
Liabilities reserve-non-current (Note VI.24)	223,470	212,504	210,040
Lease liabilities-non-current (Note VI.12 and VII)	964,264	995,673	1,006,424
Deferred tax liabilities	1,084,326	1,239,457	1,252,793
Other non-current liabilities	493,695	569,793	913,081
Total Non-Current Liabilities	<u>11,665,755</u>	<u>11,917,427</u>	<u>12,282,338</u>
Total Liabilities	<u>384,009,443</u>	<u>327,851,368</u>	<u>326,111,643</u>
EQUITY			
Capital stock abstracted (Note VI.25)			
Common stock	18,787,366	18,787,366	18,787,366
Capital reserve (Note VI.25)	7,243,536	7,207,268	7,891,558
Retained earnings (Note VI.25)			
Legal reserve	8,262,019	7,868,582	7,868,582
Special reserve	21,032,655	19,160,154	19,160,154
Unappropriated earnings	3,694,404	3,934,370	2,242,463
Other equity			
Exchange differences resulting from translating the financial statements of a foreign operation	(688,074)	(809,116)	(1,379,631)
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(2,473,113)	(2,948,912)	(2,251,391)
Equity attributable to owners of the parent company	<u>55,858,793</u>	<u>53,199,712</u>	<u>52,319,101</u>
Non-controlling interests (Note VI.25)	<u>19,006</u>	<u>19,303</u>	<u>17,676</u>
Total Equity	<u>55,877,799</u>	<u>53,219,015</u>	<u>52,336,777</u>
TOTAL LIABILITIES AND EQUITY	<u>\$439,887,242</u>	<u>\$381,070,383</u>	<u>\$378,448,420</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three-Month and Six-Month Periods Ended June 30, 2023 and 2022
(Expressed in New Taiwan Thousand Dollars except for Earnings Per Share)

	For the Three-Month Periods Ended June 30		For the Six-Month Periods Ended June 30	
	2023	2022	2023	2022
REVENUES				
Brokerage handling fee revenue (Note VI.26 and VII)	\$3,224,634	\$2,923,517	\$6,036,280	\$6,030,439
Revenue from borrowed securities	511,836	394,452	950,496	774,054
Revenue from underwriting business (Note VI.26)	158,224	171,584	311,923	358,263
Revenue from wealth management services-net	59,742	69,408	106,826	151,554
Gains/(losses) on disposal of trading securities-net (Note VI.26 and VII)	1,383,694	(1,283,912)	2,047,001	(1,713,598)
Revenue from providing agency service for stock affairs (Note VII)	76,429	69,592	124,021	116,579
Interest income (Note VI.26 and VII)	1,585,951	914,948	2,969,197	1,807,863
Dividend income (Note VI.3)	1,304,095	222,579	1,328,844	259,978
Gains/(losses) on trading securities measured at fair value through profit or loss-net (Note VI.26 and VII)	(274,072)	(1,884,506)	1,417,136	(3,459,218)
Gains/(losses) on covering of securities borrowing and short sales of bonds with reverse repurchase agreements-net (Note VI.26)	(331,100)	1,046,103	(889,506)	837,758
Gains/(losses) on securities borrowing and short sales of bonds with reverse repurchase agreements measured at fair value through profit or loss-net	298,490	401,064	(340,544)	1,044,340
Realized gains/(losses) on financial assets measured at fair value through other comprehensive income -debt instrument investments	35,626	(15,003)	51,917	(41,161)
Gains/(losses) on warrants issued-net (Note VI.19)	(247,654)	780,168	(109,590)	1,889,418
Gains/(losses) on derivative financial product-futures-net (Note VI.19)	(1,068,377)	66,272	(285,678)	554,899
Gains/(losses) on derivative financial product-GTSM-net (Note VI.19 and VII)	(17,316)	1,226,850	(616,644)	1,509,029
Expected credit impairment (losses) or gains on reversal (Note VI.26)	(5,348)	(16,604)	(4,647)	(19,929)
Other operating revenue (Note VI.26 and VII)	315,556	(101,238)	562,169	424,104
Total Revenues	<u>7,010,410</u>	<u>4,985,274</u>	<u>13,659,201</u>	<u>10,524,372</u>
COSTS AND EXPENSES				
Brokerage handling fee expenses	(492,203)	(480,366)	(916,709)	(977,738)
Dealing handling fee expenses	(13,378)	(11,558)	(23,371)	(24,081)
Refinancing handling fee expenses	(205)	(76)	(579)	(205)
Financial costs (Note VI.26 and VII)	(1,663,736)	(262,909)	(3,077,262)	(387,780)
Losses on trading of borrowed securities	(43,986)	(107,267)	(79,943)	(128,787)
Futures commission expenses	(36,025)	(33,096)	(75,844)	(69,081)
Settlement and clearing service expenditures	(92,899)	(120,408)	(181,439)	(231,885)
Other operating costs	(223,306)	(198,170)	(472,710)	(395,953)
Employee benefits expenses (Note VI.23, VI.26 and VII)	(2,129,816)	(1,508,519)	(4,164,872)	(3,249,856)
Depreciation and amortization (Note VI.26 and VII)	(281,075)	(260,599)	(543,370)	(510,408)
Other operating expenses (Note VI.26 and VII)	(1,335,881)	(1,268,304)	(2,550,963)	(2,449,446)
Total Costs and Expenses	<u>(6,312,510)</u>	<u>(4,251,272)</u>	<u>(12,087,062)</u>	<u>(8,425,220)</u>
INCOME FROM OPERATIONS	<u>697,900</u>	<u>734,002</u>	<u>1,572,139</u>	<u>2,099,152</u>
NON-OPERATING INCOME OR COSTS				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	80,514	80,242	138,350	174,336
Other income and costs (Note VI.13, VI.26 and VII)	1,272,986	169,605	2,447,368	440,926
Total Non-Operating Income or Costs	<u>1,353,500</u>	<u>249,847</u>	<u>2,585,718</u>	<u>615,262</u>
INCOME BEFORE INCOME TAX	<u>2,051,400</u>	<u>983,849</u>	<u>4,157,857</u>	<u>2,714,414</u>
INCOME TAX EXPENSES (Note VI.28)	<u>(248,148)</u>	<u>(288,957)</u>	<u>(462,172)</u>	<u>(575,218)</u>
NET INCOME	<u>1,803,252</u>	<u>694,892</u>	<u>3,695,685</u>	<u>2,139,196</u>
OTHER COMPREHENSIVE INCOME (Note VI.27)				
Not to be reclassified subsequently to profit or loss				
Unrealized valuation gains/(losses) from equity instrument investments measured at fair value through other comprehensive income	(18,320)	(223,083)	(18,320)	231,770
To be reclassified subsequently to profit or loss				
Exchange differences resulting from translating the financial statements of a foreign operation	198,788	397,266	121,220	845,774
Unrealized valuation gains/(losses) from debt instrument investments measured at fair value through other comprehensive income	46,381	(771,803)	512,330	(2,051,370)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	-	(270)	-	(270)
Income tax relating to components that will be reclassified (Note VI.28)	(3,097)	119,872	(18,211)	119,872
Total Other Comprehensive Income-Net of Tax	<u>223,752</u>	<u>(478,018)</u>	<u>597,019</u>	<u>(854,224)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$2,027,004</u>	<u>\$216,874</u>	<u>\$4,292,704</u>	<u>\$1,284,972</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$1,802,757</u>	<u>\$694,487</u>	<u>\$3,694,404</u>	<u>\$2,138,162</u>
Non-controlling interests (Note VI.25)	<u>\$495</u>	<u>\$405</u>	<u>\$1,281</u>	<u>\$1,034</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$2,026,443</u>	<u>\$216,466</u>	<u>\$4,291,245</u>	<u>\$1,283,842</u>
Non-controlling interests (Note VI.25)	<u>\$561</u>	<u>\$408</u>	<u>\$1,459</u>	<u>\$1,130</u>
EARNINGS PER SHARE (Note VI.29)				
Net income attributable to owners of the parent company	<u>\$0.96</u>	<u>\$0.35</u>	<u>\$1.97</u>	<u>\$0.81</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six-Month Periods Ended June 30, 2023 and 2022

(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, 2022	\$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
Appropriations and distribution of 2021 retained earnings:										
Legal reserve	-	-	1,276,672	-	(1,276,672)	-	-	-	-	-
Special reserve	-	-	-	5,225,745	(5,225,745)	-	-	-	-	-
Cash dividends	-	-	-	-	(6,264,302)	-	-	(6,264,302)	-	(6,264,302)
Net income for the six-month period ended June 30, 2022	-	-	-	-	2,138,162	-	-	2,138,162	1,034	2,139,196
Other comprehensive income for the six-month period ended June 30, 2022	-	-	-	-	-	845,408	(1,699,728)	(854,320)	96	(854,224)
Total comprehensive income	-	-	-	-	2,138,162	845,408	(1,699,728)	1,283,842	1,130	1,284,972
Cash refund capital reduction	(4,897,759)	-	-	-	-	-	-	(4,897,759)	-	(4,897,759)
Shared-based payment transaction	-	50,262	-	-	-	-	-	50,262	-	50,262
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(2,201)	(2,201)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	104,301	-	(104,301)	-	-	-
Other (Note)	(9,310,853)	135,051	-	-	-	-	-	(9,175,802)	-	(9,175,802)
Balance, June 30, 2022	\$18,787,366	\$7,891,558	\$7,868,582	\$19,160,154	\$2,242,463	\$(1,379,631)	\$(2,251,391)	\$52,319,101	\$17,676	\$52,336,777
Balance, January 1, 2023	\$18,787,366	\$7,207,268	\$7,868,582	\$19,160,154	\$3,934,370	\$(809,116)	\$(2,948,912)	53,199,712	\$19,303	\$53,219,015
Appropriations and distribution of 2022 retained earnings:										
Legal reserve	-	-	393,437	-	(393,437)	-	-	-	-	-
Special reserve	-	-	-	1,872,501	(1,872,501)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,668,432)	-	-	(1,668,432)	-	(1,668,432)
Net income for the six-month period ended June 30, 2023	-	-	-	-	3,694,404	-	-	3,694,404	1,281	3,695,685
Other comprehensive income for the six-month period ended June 30, 2023	-	-	-	-	-	121,042	475,799	596,841	178	597,019
Total comprehensive income	-	-	-	-	3,694,404	121,042	475,799	4,291,245	1,459	4,292,704
Share-based payment transaction	-	36,268	-	-	-	-	-	36,268	-	36,268
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(1,756)	(1,756)
Balance, June 30, 2023	\$18,787,366	\$7,243,536	\$8,262,019	\$21,032,655	\$3,694,404	\$(688,074)	\$(2,473,113)	\$55,858,793	\$19,006	\$55,877,799

Note: Reduction of capital except cash

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

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-Month Periods Ended June 30, 2023 and 2022
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	\$4,157,857	\$2,714,414
Adjustments		
Income and expenses having no effect on cash flows		
Depreciation	409,993	378,851
Amortization	133,377	131,557
Expected credit impairment losses or (gains) on reversal	4,647	19,929
Interest expense	3,077,262	387,780
Interest income	(4,743,438)	(2,066,147)
Dividend income	(1,481,779)	(386,411)
Share-based payment transactions	36,268	50,262
Share of the profit or loss of associates and joint ventures accounted for using the equity method	(138,350)	(174,336)
(Gains)/losses on disposal of property and equipment	(30,780)	(4,278)
(Gains)/losses on disposal of investment property	-	(17,506)
Others	576	(470)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Financial assets measured at fair value through profit or loss-current	(22,300,962)	3,345,596
Financial assets measured at fair value through other comprehensive income-current	1,688,891	(5,344,348)
Investment in bonds with reverse repurchase agreements	(2,946,988)	4,456,922
Securities margin loans receivable	(5,424,354)	9,822,304
Refinancing margin	8,592	678
Refinancing deposits receivable	5,299	573
Trading securities receivable	(2,999,603)	(1,921,917)
Customer margin accounts	(4,548,359)	(10,898,364)
Futures commission merchant receivable	2	(102)
Stock borrowing collateral price	2,235,047	496,229
Security lending deposits	1,448,986	1,945,421
Notes receivable	28	337
Accounts receivable	(30,727,077)	(5,017,855)
Prepayments	(41,701)	(79,475)
Other current assets	(964,997)	19,591,119
Financial assets measured at fair value through profit or loss-non-current	(68,700)	159,334
Financial assets measured at fair value through other comprehensive income-non-current	(3,444,675)	(804,780)
Changes in operating liabilities:		
Financial liabilities measured at fair value through profit or loss-current	(7,227,249)	(1,529,158)
Liabilities for bonds with repurchase agreements	13,548,712	116,690
Short sale margins	(1,911,471)	(515,928)
Payables for short sale collateral received	(2,885,991)	(82,380)
Guarantee deposit received from security lending	(2,127,498)	(4,222,473)
Futures customers' equity	4,048,871	12,610,365
Accounts payable	31,618,277	1,428,002
Amounts received in advance	964	2,042
Amounts collected for other parties	(923,737)	(19,636,314)
Other payables	(82,278)	(2,224,400)
Other financial liabilities-current	571,353	(461,148)
Other current liabilities	2,939,240	421,814
Liabilities reserve-non-current	10,966	3,179
Other non-current liabilities	(76,098)	(160,333)
Cash provided by/(used in) operating activities	(29,150,877)	2,535,275
Interest received	4,532,304	2,015,546
Dividend received	55,921	54,453
Interest paid	(3,006,604)	(298,170)
Income tax received/(paid)	(1,052,269)	(1,412,185)
Net cash provided by/(used in) operating activities	(28,621,525)	2,894,919

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

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six-Month Periods Ended June 30, 2023 and 2022
(Expressed in New Taiwan Thousand Dollars)

	For the Six-Month Periods Ended June 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$(122,560)	\$(76,379)
Disposal of property and equipment	46,145	11,658
Clearing and settlement fund	(332)	(44,758)
Guarantee deposits	72,304	(390,252)
Purchase of intangible assets	(99,199)	(69,029)
Disposal of investment property	-	42,000
Other non-current assets	4,153	(23,152)
Prepayments for purchase of equipment	(112,140)	(48,949)
Dividends received	306,430	456,191
Net cash provided by/(used in) investing activities	94,801	(142,670)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	6,814,278	4,865,883
Commercial papers payable	12,458,034	4,123,210
Lease principal paid	(257,877)	(251,715)
Cash dividends	(1,668,432)	(6,264,302)
Cash refund capital reduction	-	(4,897,759)
Changes in non-controlling interests	(1,756)	(2,201)
Net cash provided by/(used in) financing activities	17,344,247	(2,426,884)
EFFECTS OF EXCHANGE RATE CHANGES	(40,018)	133,261
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(11,222,495)	458,626
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	34,754,408	15,671,681
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	\$23,531,913	\$16,130,307

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 Six-Month Periods Ended June 30, 2023 and 2022
(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 on May 3, 2012. CDFH had acquired 81.73% shares of the Company through the public tender offer period. The Board of Directors set January 18, 2013 as the record date for stock conversion on December 17, 2012. The Company became 100% owned subsidiary of CDFH after the stock conversion. Meanwhile, the Company’s stock trading via OTC was suspended.

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

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

The Company’s registered address is 3F, No. 698 and 3F, No. 700, Mingshui Road, Taipei City. As of June 30, 2023, 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 August 18, 2023.

III. Newly Issued or Revised Standards and Interpretations

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

The Company and subsidiaries applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards and amendments had no material impact on the Group.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. **Standards or interpretations issued, revised or amended, by IASB which are 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>
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
International Tax Reform – Pillar Two Model Rules– Amendments to IAS 12	1 January 2023
Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	1 January 2024

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

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

These are the amendments to paragraphs 69-76 of IAS 1 Presentation of Financial statements and the amended paragraphs related to the classification of liabilities as current or non-current.

(2) Non-current Liabilities with Covenants – Amendments to IAS 1

The amendments improved the information companies provide about long-term debt with covenants. The amendments specify that covenants to be complied within twelve months after the reporting period do not affect the classification of debt as current or non-current at the end of the reporting period.

The abovementioned standards and interpretations that are released by IASB and applicable for annual periods beginning on or after January 1, 2024 by FCS of ROC, 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
Lack of Exchangeability– Amendments to IAS 21	January 1, 2025

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

- (2) Lack of Exchangeability– Amendments to IAS 21

These amendments specify whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

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

Apart from the items mentioned below, the same accounting policies have been applied in the Company and subsidiaries' consolidated financial statements for the year ended December 31, 2022.

1. Statement of Compliance

The consolidated financial statements of the Company and subsidiaries for the six-month periods ended June 30, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and IAS 34 "Interim Financial Reporting" as endorsed and became effective by FSC of the ROC.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. General Description of Reporting Entities

The consolidated entities are as follows:

Investor	Name of subsidiaries	Primary business	Percentage of ownership		
			6/30/23	12/31/22	6/30/22
KGI Securities Co. Ltd.	Richpoint Company Limited (Richpoint)	Investments holdings	100.00	100.00	100.00
"	KGI Securities Investment Advisory Co. Ltd.	Security investment consulting	100.00	100.00	100.00
"	KGI Insurance Brokers Co. Ltd.	Life/property insurance brokers	100.00	100.00	100.00
"	KGI Venture Capital Co. Ltd.	Venture Capital	100.00	100.00	100.00
"	KGI Securities Investment Trust Co. Ltd.	Nominee services, discretionary investment services	100.00	100.00	100.00
"	KGI Futures Co. Ltd. (KGI Futures)	Futures investment services	99.61	99.61	99.61
KGI Futures	KGI Information Technology Co. Ltd.	Management consulting; information and software service; data processing service	100.00	100.00	100.00
Richpoint	KG Investments Holdings Limited	Investments holdings	100.00	100.00	100.00
KG Investments Holdings Limited	KGI International Holdings Limited	Investments holdings	100.00	100.00	100.00
KGI International Holdings Limited	KGI Limited	Investments holdings	100.00	100.00	100.00
"	KGI International Limited	Investments holdings	100.00	100.00	100.00
KGI Limited	KGI Futures (Hong Kong) Limited	Futures brokerage and settlement services	100.00	100.00	100.00
"	Global Treasure Investments Limited	Investment services	100.00	100.00	100.00
"	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	100.00
"	KGI International Finance Limited	Investment and financing services	100.00	100.00	100.00
"	KGI Hong Kong Limited	Management consulting services	100.00	100.00	100.00
"	KGI Asia Limited	Securities investment services	100.00	100.00	100.00
"	KGI Capital Asia Limited	Securities investment services	100.00	100.00	100.00
"	KGI Asset Management Limited	Asset management	100.00	100.00	100.00
"	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investments holdings	100.00	100.00	100.00
KGI Capital Asia Limited	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	100.00
"	KGI Finance Limited	Investment services	100.00	100.00	100.00
"	PT KGI Sekuritas Indonesia	Securities investment services	99.00	99.00	99.00
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd.	Securities and futures investment services	100.00	100.00	100.00

(1) The detail information of the scope of subsidiaries: none

(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.

3. Post-employment Benefit Plan

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

4. Income Tax

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

V. Significant Accounting Judgments, Estimates and Assumptions

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

1. Judgements

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

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

The Company and subsidiaries hold less than 50% of the invested company's shares and are the largest shareholder, who are judged to have no control and only have significant influence. Please refer to Note VI.10.

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.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Goodwill

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

(3) Income taxes

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

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

VI. Contents of Significant Accounts

1. Cash and Cash Equivalents

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Cash on hand	\$303	\$243	\$3,160
Cash in banks	19,300,674	30,964,146	11,885,465
Cash equivalents			
Short-term commercial papers and bonds	2,495,353	2,015,986	1,911,279
Futures excess margin	1,735,583	1,774,033	2,330,403
Total	<u>\$23,531,913</u>	<u>\$34,754,408</u>	<u>\$16,130,307</u>

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Interest rates	1.18%-1.40%	0.88%-1.22%	0.50%-0.76%

(2) Please refer to Note VI.26 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.

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	6/30/23	12/31/22	6/30/22
<u>Current</u>			
Mandatorily measured at FVTPL			
Open-ended funds, monetary market instruments and other securities	\$912,092	\$888,826	\$873,087
Trading securities-dealing-net	50,709,977	35,805,963	33,435,112
Trading securities-underwriting-net	1,027,136	1,168,746	1,983,785
Trading securities-hedging-net	33,754,690	29,092,527	30,077,858
Long options	19,375	5,139	16,030
Futures trading margins-proprietary funds	1,100,319	900,556	1,426,905
Derivative instrument assets	6,887,051	4,484,293	3,870,708
Others	601,431	365,059	461,091
Total	<u>\$95,012,071</u>	<u>\$72,711,109</u>	<u>\$72,144,576</u>
<u>Non-current</u>			
Mandatorily measured at FVTPL			
Others	<u>\$3,602,279</u>	<u>\$3,533,579</u>	<u>\$3,510,329</u>

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

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

	6/30/23	12/31/22	6/30/22
Funds	\$505,596	\$505,596	\$505,596
Foreign securities	394,491	374,215	360,542
Subtotal	900,087	879,811	866,138
Valuation adjustments	12,005	9,015	6,949
Market value	<u>\$912,092</u>	<u>\$888,826</u>	<u>\$873,087</u>

(2) Trading securities-dealing-net

	6/30/23	12/31/22	6/30/22
Domestic listed stock	\$11,679,019	\$3,954,921	\$8,357,977
Index fund	3,171,045	1,159,655	1,670,126
Domestic bonds	19,125,654	19,277,068	14,139,563
Foreign securities	16,567,288	12,302,481	10,161,032
Others	10,554	15,236	6,489
Subtotal	50,553,560	36,709,361	34,335,187
Valuation adjustments	156,417	(903,398)	(900,075)
Market value	<u>\$50,709,977</u>	<u>\$35,805,963</u>	<u>\$33,435,112</u>

(3) Trading securities-underwriting-net

	6/30/23	12/31/22	6/30/22
Domestic listed stock	\$63,350	\$450,363	\$130,097
Domestic bonds	889,710	685,572	1,827,568
Subtotal	953,060	1,135,935	1,957,665
Valuation adjustments	74,076	32,811	26,120
Market value	<u>\$1,027,136</u>	<u>\$1,168,746</u>	<u>\$1,983,785</u>

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KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Trading securities-hedging-net

	6/30/23	12/31/22	6/30/22
Domestic listed stock	\$6,691,476	\$2,933,126	\$2,172,193
Domestic bonds	19,316,277	15,246,134	14,896,940
Funds	3,090,093	2,590,503	2,999,367
Foreign securities	4,743,141	8,673,587	10,675,361
Others	26,980	50,688	40,256
Subtotal	33,867,967	29,494,038	30,784,117
Valuation adjustments	(113,277)	(401,511)	(706,259)
Market value	<u>\$33,754,690</u>	<u>\$29,092,527</u>	<u>\$30,077,858</u>

(5) Long options

	6/30/23	12/31/22	6/30/22
Index options	\$11,361	\$7,345	\$22,399
Open interest	8,014	(2,206)	(6,369)
Market value	<u>\$19,375</u>	<u>\$5,139</u>	<u>\$16,030</u>

(6) Futures trading margins-proprietary funds

	6/30/23	12/31/22	6/30/22
Account balance	\$1,174,739	\$1,000,698	\$1,263,044
Open interest	(74,420)	(100,142)	163,861
Account value	<u>\$1,100,319</u>	<u>\$900,556</u>	<u>\$1,426,905</u>

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

(8) Others

	6/30/23	12/31/22	6/30/22
Domestic listed stock	\$620,671	\$385,662	\$545,058
Valuation adjustments	(19,240)	(20,603)	(83,967)
Market value	<u>\$601,431</u>	<u>\$365,059</u>	<u>\$461,091</u>

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

	6/30/23	12/31/22	6/30/22
Domestic listed stock	\$297,877	\$468,061	\$519,732
Domestic unlisted stock	985,262	937,137	923,820
Foreign securities	30,089	30,089	30,089
Subtotal	1,313,228	1,435,287	1,473,641
Valuation adjustments	2,289,051	2,098,292	2,036,688
Market value	<u>\$3,602,279</u>	<u>\$3,533,579</u>	<u>\$3,510,329</u>

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

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

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

	6/30/23	12/31/22	6/30/22
<u>Current</u>			
Debt instrument investments-current			
Domestic bonds	\$999,989	\$-	\$-
Foreign securities	32,847,127	34,712,250	26,357,731
Total	\$33,847,116	\$34,712,250	\$26,357,731
<u>Non-current</u>			
Debt instrument investments-non-current			
Foreign securities	\$12,081,639	\$8,640,791	\$7,608,741
Equity instrument investments-non-current			
Domestic unlisted stock	3,021	3,021	2,605
Foreign securities	31,309	49,076	42,395
Subtotal	34,330	52,097	45,000
Total	\$12,115,969	\$8,692,888	\$7,653,741

- (1) Please refer to Note VI.26 for details on accumulated impairment of debt instrument investments measured at fair value through other comprehensive income and Note XII for details on credit risk.
- (2) 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 on capital by refunding CDFH common stocks, preferred stocks and cash. Please Refer to Note VI.25 for the interpretation of reducing on capital.
- (3) The Company and subsidiaries' dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month and six-month periods ended June 30, 2023 and 2022 are all \$0.
- (4) None of the above financial assets measured at fair value through other comprehensive income is pledged as collaterals.

4. Hedging Financial Instruments

	6/30/23	12/31/22	6/30/22
<u>Hedging Financial Assets-Current</u>			
Interest rate swap (IRS)	\$416,551	\$486,019	\$184,508
<u>Hedging Financial Liabilities-Current</u>			
Interest rate swap (IRS)	\$83,449	\$55,091	\$-

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The Company and subsidiaries adopt hedging transactions to reduce the impact of interest 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 June 30, 2023, December 31, 2022 and June 30, 2022 are as follows:

June 30, 2023

Hedging Instruments	Nominal Amount	Maturity	Carrying Amount	
			Assets	Liabilities
Interest rate swap (IRS)	\$16,610,523	1/26/26-5/15/32	\$416,551	\$83,449

Hedged Items	Carrying Amount	Accumulated Amount of Fair Value Hedge Adjustment
Financial assets measured at fair value through other comprehensive income-current	\$8,911,378	\$(663,759)

Hedging instruments/Hedged items	Increase (Decrease) in Fair Value Used for Calculating Hedge Ineffectiveness	
	For the three-month period ended June 30, 2023	For the six-month period ended June 30, 2023
Hedging instruments		
Interest rate swap (IRS)	\$143,553	\$(26,444)
Hedged items		
Financial assets measured at fair value through other comprehensive income-current	(143,553)	\$26,444
Total	\$-	\$-

December 31, 2022

Hedging Instruments	Nominal Amount	Maturity	Carrying Amount	
			Assets	Liabilities
Interest rate swap (IRS)	\$8,275,806	2/9/26-5/15/32	\$486,019	\$55,091

Hedged Items	Carrying Amount	Accumulated Amount of Fair Value Hedge Adjustment
Financial assets measured at fair value through other comprehensive income-current	\$8,295,471	\$(648,624)

June 30, 2022

Hedging Instruments	Nominal Amount	Maturity	Carrying Amount	
			Assets	Liabilities
Interest rate swap (IRS)	\$3,046,915	2/9/26-4/22/32	\$184,508	\$-

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Hedged Items	Carrying Amount	Accumulated Amount of Fair Value Hedge Adjustment
Financial assets measured at fair value through other comprehensive income-current	\$3,076,377	\$(217,138)
	<u>Increase (Decrease) in Fair Value Used for Calculating Hedge Ineffectiveness</u>	
	<u>For the three-month period ended June 30, 2022</u>	<u>For the six-month period ended June 30, 2022</u>
Hedging instruments/Hedged items		
Hedging instruments		
Interest rate swap (IRS)	\$66,636	\$169,005
Hedged items		
Financial assets measured at fair value through other comprehensive income-current	(66,636)	\$(16,005)
Total	\$-	\$-

No pledge was made for hedging financial assets-current.

5. Investment in Bonds with Reverse Repurchase Agreements

	6/30/23	12/31/22	6/30/22
Government bonds	\$6,760,203	\$4,474,561	\$6,492,040
Corporate bonds	2,519,803	2,756,212	2,328,218
Bank Debentures	2,154,936	1,257,179	425,576
Total	<u>\$11,434,942</u>	<u>\$8,487,952</u>	<u>\$9,245,834</u>
Resold amount as specified in respective agreements plus accrued interest	<u>\$11,444,483</u>	<u>\$8,494,878</u>	<u>\$9,249,590</u>
Resold date as specified in respective agreements	7/5/23-8/17/23	1/4/23-2/24/23	7/5/22-8/8/22

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

6. Securities Margin Loans Receivable

	6/30/23	12/31/22	6/30/22
Securities margin loans receivable	\$29,729,928	\$24,300,857	\$29,270,898
Less: loss allowance	(4,440)	(2,306)	(1,875)
Net amount	<u>\$29,725,488</u>	<u>\$24,298,551</u>	<u>\$29,269,023</u>

Securities margin loans receivable are loans that secured by stocks pledged as collaterals that clients purchased by loans. Please refer to Note VI.26 for details on accumulated impairment and Note XII for details on credit risk.

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7. Customer Margin Accounts

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Cash in banks	\$25,313,784	\$21,148,931	\$25,299,327
Marking to market from the clearing house	7,514,700	5,764,240	7,888,312
Marking to market from the other futures brokers	1,290,806	1,584,762	1,390,394
Securities	4,764	7,410	2,064
Foreign customer margin accounts	29,358,667	30,429,039	28,284,967
Total	<u>\$63,482,721</u>	<u>\$58,934,382</u>	<u>\$62,865,064</u>

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

8. Futures Commission Merchant Receivable

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Futures commission merchant receivable	\$133,719	\$134,148	\$134,535
Less: loss allowance	<u>(133,719)</u>	<u>(134,146)</u>	<u>(134,526)</u>
Net amount	<u>\$-</u>	<u>\$2</u>	<u>\$9</u>

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

9. Accounts Receivable

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Accounts receivable- related parties	\$634,171	\$1,040,680	\$553,266
Accounts receivable- non-related parties			
Exchange clearing receivable	9,867,399	6,258,231	10,297,511
Accounts receivable for settlement	47,052,756	20,117,921	32,285,666
Interest receivable	1,294,111	1,200,258	862,354
Others	3,132,089	1,205,331	1,643,283
Subtotal	61,980,526	29,822,421	45,642,080
Less: loss allowance	<u>(4,487)</u>	<u>(2,205)</u>	<u>(1,951)</u>
Total	<u>\$61,976,039</u>	<u>\$29,820,216</u>	<u>\$45,640,129</u>

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Non-past due	\$61,755,117	\$29,701,611	\$45,398,188
Past due			
Less than 30 days	169,532	114,444	235,515
30 to 60 days	18	3,208	580
61 to 120 days	54,242	1,481	4,052
More than 121 days	1,617	1,677	3,745
Total	<u>\$61,980,526</u>	<u>\$29,822,421</u>	<u>\$45,642,080</u>

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

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10. Investments accounted for using the Equity Method

Investee	<u>6/30/23</u>		<u>12/31/22</u>	
	Amount	Percentage	Amount	Percentage
<u>Investments in associates</u>				
KGI Securities (Thailand) Public Company Limited	\$2,625,597	34.97	\$2,734,751	34.97
CDIB Bioscience Ventures I, Inc.	831	1.20	831	1.20
Total	<u>\$2,626,428</u>		<u>\$2,735,582</u>	

Investee	<u>6/30/22</u>	
	Amount	Percentage
<u>Investments in associates</u>		
KGI Securities (Thailand) Public Company Limited	\$2,467,079	34.97
CDIB Bioscience Ventures I, Inc.	1,413	1.20
Total	<u>\$2,468,492</u>	

(1) Information on associates significant to the Company

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

Nature of activities: the associate engages in securities related businesses

Principal place of business: Thailand

Fair value from quoted market price: KGI Securities (Thailand) Public Company Limited is listed on the Stock Exchange of Thailand. Its fair value is categorized as level 1 within the fair value hierarchy. The fair values of the Company's investment accounted for using the equity method are 2,700,314 thousand dollars, 3,096,451 thousand dollars and 2,850,630 thousand dollars as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Current assets	\$12,687,627	\$12,202,331	\$13,683,065
Non-current assets	1,253,138	1,072,864	938,438
Current liabilities	(7,143,589)	(5,741,240)	(8,307,952)
Non-current liabilities	(463,389)	(884,250)	(380,669)
Non-controlling interests	(3,887)	(4,322)	(3,397)
Attributed to controlling interests	<u>\$6,329,900</u>	<u>\$6,645,383</u>	<u>\$5,929,485</u>
Ownership percentage	34.97%	34.97%	34.97%
Proportion of ownership	\$2,213,566	\$2,323,890	\$2,073,541
Goodwill and others	412,031	410,861	393,538
Carrying amount	<u>\$2,625,597</u>	<u>\$2,734,751</u>	<u>\$2,467,079</u>

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	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Operating revenue	\$845,369	\$815,402	\$1,676,877	\$1,737,293
Profit or loss from continuing operations	\$237,763	\$229,853	\$402,309	\$498,548
Other comprehensive income	9,442	12,079	6,561	11,311
Total comprehensive income	\$247,205	\$241,932	\$408,870	\$509,859
Dividends received from associate	\$226,187	\$329,758	\$226,187	\$329,758

- (2) The Company's investments in CDIB Bioscience Ventures I, Inc. are not material. The carrying amounts of the investment are 831 thousand dollars, 831 thousand dollars and 1,413 thousand dollars as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, and the proportionate aggregate financial information of investments is as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Profit or loss from continuing operations	\$-	\$-	\$-	\$-
Other comprehensive income	-	-	-	-
Total comprehensive income	\$-	\$-	\$-	\$-

- (3) Since the shares of KGI Securities (Thailand) Public Company Limited (KGI Thailand) held by the Company and affiliate company is at 34.97%, which is below 50%, and does not hold over half of the seats on board of directors, the Company and affiliate company do not have control over KGI Thailand. The investment does not have to be included in the main body of consolidated financial statements.
- (4) Since the shares of CDIB Bioscience Venture I, Inc held by the Company and affiliate company, CDIB Capital Group, is over 20%, the investment is measured under the equity method.
- (5) No pledge was made for investments accounted for using the equity method.

11. Property and Equipment

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

	Land	Buildings	Equipment	Leasehold improvement	Total
<u>Cost</u>					
January 1, 2023	\$3,752,391	\$1,979,424	\$2,103,350	\$326,942	\$8,162,107
Additions	-	-	113,706	8,854	122,560
Disposals	(8,744)	(15,024)	(53,533)	(1,827)	(79,128)
Transfers	(98,209)	(79,025)	83,726	3,442	(90,066)
Exchange differences	-	-	15,581	2,937	18,518
June 30, 2023	\$3,645,438	\$1,885,375	\$2,262,830	\$340,348	\$8,133,991

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	Land	Buildings	Equipment	Leasehold improvement	Total
January 1, 2022	\$3,904,258	\$2,034,920	\$2,179,869	\$301,460	\$8,420,507
Additions	-	-	72,750	3,629	76,379
Disposals	(5,406)	(3,604)	(56,139)	(2,456)	(67,605)
Transfers	-	9,167	5,380	-	14,547
Exchange differences	-	-	67,621	14,196	81,817
June 30, 2022	<u>\$3,898,852</u>	<u>\$2,040,483</u>	<u>\$2,269,481</u>	<u>\$316,829</u>	<u>\$8,525,645</u>
<u>Depreciation and Impairment</u>					
January 1, 2023	\$-	\$922,658	\$1,478,342	\$288,561	\$2,689,561
Depreciation	-	18,662	112,636	11,204	142,502
Disposals	-	(9,039)	(52,897)	(1,827)	(63,763)
Transfers	-	(39,192)	-	-	(39,192)
Exchange differences	-	-	12,989	2,847	15,836
June 30, 2023	<u>\$-</u>	<u>\$893,089</u>	<u>\$1,551,070</u>	<u>\$300,785</u>	<u>\$2,744,944</u>
January 1, 2022	\$-	\$905,703	\$1,661,532	\$251,843	\$2,819,078
Depreciation	-	19,130	91,609	9,758	120,497
Disposals	-	(1,982)	(55,787)	(2,456)	(60,225)
Transfers	-	5,508	-	-	5,508
Exchange differences	-	-	56,881	13,701	70,582
June 30, 2022	<u>-</u>	<u>\$928,359</u>	<u>\$1,754,235</u>	<u>\$272,846</u>	<u>\$2,955,440</u>
<u>Net carrying amount as of</u>					
June 30, 2023	<u>\$3,645,438</u>	<u>\$992,286</u>	<u>\$711,760</u>	<u>\$39,563</u>	<u>\$5,389,047</u>
December 31, 2022	<u>\$3,752,391</u>	<u>\$1,056,766</u>	<u>\$625,008</u>	<u>\$38,381</u>	<u>\$5,472,546</u>
June 30, 2022	<u>\$3,898,852</u>	<u>\$1,112,124</u>	<u>\$515,246</u>	<u>\$43,983</u>	<u>\$5,570,205</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, office equipment and other equipment. The lease terms range from 1 to 14 years. The Company and subsidiaries' lease effect on the financial position, financial performance and cash flows are as follows:

(1) Amounts recognized in the balance sheets

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

	6/30/23	12/31/22	6/30/22
Buildings	\$1,330,218	\$1,402,517	\$1,422,506
Transportation equipment	15,309	13,961	11,090
Office equipment	20,615	22,261	25,165
Other equipment	5,588	-	54
Total	<u>\$1,371,730</u>	<u>\$1,438,739</u>	<u>\$1,458,815</u>

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During the six-month periods ended June 30, 2023 and 2022, the Company and subsidiaries' additions to right-of-use assets amounting to 232,492 thousand dollars and 492,611 thousand dollars, respectively.

B. Lease liabilities

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Lease liabilities			
Current	\$436,817	\$471,957	\$469,944
Non-current	964,264	995,673	1,006,424
Total	<u>\$1,401,081</u>	<u>\$1,467,630</u>	<u>\$1,476,368</u>

Please refer to Note VI.26 for the interest on lease liabilities recognized during the three-month and six-month periods ended June 30, 2023 and 2022 and refer to Note XII.3 for the maturity analysis for lease liabilities as of June 30, 2023, December 31, 2022 and June 30, 2022.

(2) Amounts recognized in the comprehensive income statements

Depreciation charge for right-of-use assets

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Buildings	\$128,452	\$126,338	\$258,497	\$250,124
Transportation equipment	2,509	2,198	4,933	4,742
Office equipment	1,546	1,452	3,092	2,910
Other equipment	140	26	196	53
Total	<u>\$132,647</u>	<u>\$130,014</u>	<u>\$266,718</u>	<u>\$257,829</u>

(3) Income and costs relating to leasing activities

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The expenses relating to short-term leases	<u>\$663</u>	<u>\$2,085</u>	<u>\$1,588</u>	<u>\$4,193</u>
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	<u>\$379</u>	<u>\$333</u>	<u>\$848</u>	<u>\$654</u>

(4) Cash outflow relating to leasing activities

During the six-month periods ended June 30, 2023 and 2022, the Company and subsidiaries' total cash outflows for leases amounting to 272,372 thousand dollars and 265,708 thousand dollars, respectively.

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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, 2023	\$219,292	\$86,351	\$305,643
Transfers	101,865	75,369	177,234
June 30, 2023	<u>\$321,157</u>	<u>\$161,720</u>	<u>\$482,877</u>
January 1, 2022	\$120,729	\$54,544	\$175,273
Disposals	(24,494)	-	(24,494)
Transfers	-	(9,167)	(9,167)
June 30, 2022	<u>\$96,235</u>	<u>\$45,377</u>	<u>\$141,612</u>
<u>Depreciation and Impairment</u>			
January 1, 2023	\$-	\$35,261	\$35,261
Depreciation	-	773	773
Transfers	-	39,192	39,192
June 30, 2023	<u>\$-</u>	<u>\$75,226</u>	<u>\$75,226</u>
January 1, 2022	\$-	\$24,456	\$24,456
Depreciation	-	525	525
Transfers	-	(5,508)	(5,508)
June 30, 2022	<u>\$-</u>	<u>\$19,473</u>	<u>\$19,473</u>
<u>Net carrying amount as of</u>			
June 30, 2023	<u>\$321,157</u>	<u>\$86,494</u>	<u>\$407,651</u>
December 31, 2022	<u>\$219,292</u>	<u>\$51,090</u>	<u>\$270,382</u>
June 30, 2022	<u>\$96,235</u>	<u>\$25,904</u>	<u>\$122,139</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 5 years. These leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

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

A. Lease income for operating leases are as follows:

	<u>For the three-month periods</u>		<u>For the six-month periods</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
<u>Rental income from the lease</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>of investment property</u>				
Income relating to fixed lease				
payments and variable				
lease payments that depend				
on an index or a rate	<u>\$12,153</u>	<u>\$2,896</u>	<u>\$16,717</u>	<u>\$6,117</u>

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B. The undiscounted lease payments to be received and total amounts for the remaining period as of June 30, 2023, December 31, 2022 and June 30, 2022 are as follows:

	6/30/23	12/31/22	6/30/22
Not later than one year	\$27,941	\$28,177	\$20,827
Later than one year but not later than two years	12,238	7,745	14,719
More than two years but less than three years	8,952	119	3,035
More than three years but less than four years	8,912	-	-
More than four years but less than five years	6,684	-	-
Total	<u>\$64,727</u>	<u>\$36,041</u>	<u>\$38,581</u>

- (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 1,090,839 thousand dollars, 666,505 thousand dollars and 374,379 thousand dollars as of June 30, 2023, December 31, 2022 and June 30, 2022, 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, 2023	\$6,615,501	\$226,093	\$328,943	\$7,170,537
Additions	-	99,199	-	99,199
Transfers	-	979	-	979
Amortizations	-	(51,141)	(82,236)	(133,377)
Exchange differences	12,229	164	-	12,393
June 30, 2023	<u>\$6,627,730</u>	<u>\$275,294</u>	<u>\$246,707</u>	<u>\$7,149,731</u>
January 1, 2022	\$6,495,665	\$192,542	\$493,414	\$7,181,621
Additions	-	69,029	-	69,029
Transfers	-	8,322	-	8,322
Amortizations	-	(49,321)	(82,236)	(131,557)
Exchange differences	62,252	-	-	62,252
June 30, 2022	<u>\$6,557,917</u>	<u>\$220,572</u>	<u>\$411,178</u>	<u>\$7,189,667</u>

- (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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Other Non-Current Assets

	6/30/23	12/31/22	6/30/22
Operation guarantee deposits	\$1,126,900	\$1,126,900	\$1,126,900
Clearing and settlement fund	564,339	564,007	597,198
Guarantee deposits	1,733,980	1,806,284	1,403,846
Others	521,556	505,530	414,344
Total	\$3,946,775	\$4,002,721	\$3,542,288

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

16. Short-Term Borrowings

	6/30/23	12/31/22	6/30/22
Interbank loans	\$2,553,070	\$1,228,320	\$1,486,300
Credit loans	17,490,479	10,398,122	19,231,296
Secured loans	-	1,602,829	1,448,227
Total	\$20,043,549	\$13,229,271	\$22,165,823
Interest rate	1.75%-5.88%	2.42%-5.40%	1.08%-5.15%

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

17. Commercial Papers Payable

	6/30/23	12/31/22	6/30/22
Commercial papers payable	\$24,648,025	\$12,177,563	\$4,940,177
Less: discount	(20,240)	(7,812)	(945)
Net amount	\$24,627,785	\$12,169,751	\$4,939,232
Interest rate	1.401%-5.030%	1.592%-4.220%	0.888%-1.660%

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

	6/30/23	12/31/22	6/30/22
Financial liabilities held for trading			
Investment in bonds with reverse repurchase agreements - short sale	\$1,381,205	\$469,557	\$284,930
Warrants liabilities	20,504,284	16,504,803	18,388,175
Warrants redeemed	(19,123,473)	(15,472,746)	(17,648,042)
Settlement coverage bonds payable of short sale	-	-	50,079
Short options	19,660	757	4,851
Liabilities for securities and bonds borrowed	7,171,523	15,236,891	10,676,893
Derivative instruments liabilities	12,564,258	8,853,812	8,535,218
Financial liabilities designated at fair value through profit or loss	9,276,881	13,428,513	14,647,625
Total	\$31,794,338	\$39,021,587	\$34,939,729

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

	6/30/23	12/31/22	6/30/22
Foreign Securities	\$1,381,205	\$469,557	\$284,930

(2) Warrants liabilities and warrants redeemed

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

	6/30/23	12/31/22	6/30/22
Warrants liabilities	\$22,343,913	\$30,752,054	\$37,228,422
Gains/(losses) on value change	(1,839,629)	(14,247,251)	(18,840,247)
Market value	20,504,284	16,504,803	18,388,175
Warrants redeemed	19,344,100	24,208,965	30,694,986
Gains/(losses) on value change	(220,627)	(8,736,219)	(13,046,944)
Market value	19,123,473	15,472,746	17,648,042
Net value	\$1,380,811	\$1,032,057	\$740,133

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

(3) Settlement coverage bonds payable of short sale

	6/30/23	12/31/22	6/30/22
Government bonds	\$-	\$-	\$50,079

(4) Short options

	6/30/23	12/31/22	6/30/22
Index options	\$11,935	\$2,582	\$6,540
Open interest	7,725	(1,825)	(1,689)
Market value	\$19,660	\$757	\$4,851

(5) Liabilities for securities and bonds borrowed

	6/30/23	12/31/22	6/30/22
Domestic listed/OTC company stock	\$652,737	\$9,661,413	\$4,455,323
Index funds	2,132,852	936,226	1,542,584
Foreign securities	4,366,742	4,934,986	5,252,465
Subtotal	7,152,331	15,532,625	11,250,372
Valuation adjustments	19,192	(295,734)	(573,479)
Market value	\$7,171,523	\$15,236,891	\$10,676,893

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

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19. Derivative Instruments

(1) Nominal amounts

Financial Instruments	6/30/23	12/31/22	6/30/22
Options and futures contract	\$39,470,072	\$21,772,330	\$41,044,202
Foreign futures and options	6,354,827	4,290,409	5,692,298
Interest rate swap (IRS)	267,675,395	160,021,940	92,835,829
Convertible bond asset swap (CBAS)- interest	23,622,117	25,167,808	18,198,067
CBAS-long option	23,580,217	25,115,908	18,146,167
CBAS-short option	35,346,521	39,696,466	42,301,389
Structured notes	16,812,034	19,382,017	20,832,912
Credit derivative instruments	1,405,895	2,107,432	2,474,454
Exchange rate derivative instruments	39,383,164	35,132,189	29,903,496
Total	\$453,650,242	\$332,686,499	\$271,428,814

(2) Derivative instruments assets/liabilities

Financial Instruments	6/30/23	12/31/22	6/30/22
Derivative instrument assets			
Contract value			
IRS	\$1,757,830	\$1,308,197	\$1,097,952
CBAS-interest	8,866	3,964	7,224
Long options			
CBAS	2,542,251	1,588,969	1,994,854
Structured notes	468,652	1,422	548
Credit derivatives instruments	1,509	753	6,255
Exchange rate derivative instruments	1,691,175	1,451,086	680,769
Foreign futures and options	416,705	129,902	83,106
Equity derivative instruments	62	-	-
Other	1	-	-
Total	\$6,887,051	\$4,484,293	\$3,870,708
Derivative instrument liabilities			
Contract value			
IRS	\$1,314,337	\$650,192	\$604,680
CBAS-interest	1,258,118	1,493,831	1,520,706
Short options			
CBAS	4,547,278	2,441,465	3,175,459
Structured notes	3,591,167	2,961,574	3,106,812
Equity derivative instruments	1	-	-
Credit derivative instruments	3,502	1,862	3,222
Exchange rate derivative instruments	1,431,518	1,192,300	101,931
Foreign futures and options	418,337	112,588	22,408
Total	\$12,564,258	\$8,853,812	\$8,535,218
Financial liabilities designated at fair value through profit or loss			
Structured notes	\$9,275,930	\$13,427,696	\$14,646,787
Others	951	817	838
Total	\$9,276,881	\$13,428,513	\$14,647,625

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

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(3) Presentation of derivative instruments on the financial statements

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Warrants liabilities:				
Gains on value change	\$20,922,803	\$31,935,378	\$39,685,861	\$61,371,483
Gains on exercising warrants before maturity	1,691	6,949	7,428	22,362
Warrants redeemed:				
Losses on resale of warrants	(1,274,631)	(4,847,335)	(2,990,912)	(8,283,107)
Losses on value change	(19,757,655)	(26,205,045)	(36,564,264)	(50,986,235)
Expense for warrant	(139,862)	(109,779)	(247,703)	(235,085)
Gains/(losses) on warrants issued	<u>\$(247,654)</u>	<u>\$780,168</u>	<u>\$(109,590)</u>	<u>\$1,889,418</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Futures contracts	\$(1,055,034)	\$98,282	\$(242,991)	\$619,985
Options	(13,343)	(32,010)	(42,687)	(65,086)
Total	<u>\$(1,068,377)</u>	<u>\$66,272</u>	<u>\$(285,678)</u>	<u>\$554,899</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
IRS	\$122,441	\$31,633	\$109,020	\$293,907
CBAS	(561,387)	232,009	(1,228,535)	(200,248)
Options	11,534	55,140	17,381	76,858
Structured notes	25,292	112,964	(275,935)	406,149
Equity derivative instruments	-	967	-	1,485
Credit derivative instruments	(2,882)	49,171	(2,004)	91,998
Exchange rate derivative instruments	387,686	744,966	763,429	838,880
Total	<u>\$(17,316)</u>	<u>\$1,226,850</u>	<u>\$(616,644)</u>	<u>\$1,509,029</u>

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

6/30/23

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	2	\$6,603	\$6,488	
Futures Contracts	Elec-Sector Index Futures	Short	45	147,732	145,980	
Futures Contracts	Foreign Futures	Long	518	2,499,726	2,498,738	
Futures Contracts	Foreign Futures	Short	1,032	4,948,144	4,936,017	
Futures Contracts	Mini-Elec-Sector Index Futures	Long	80	32,352	32,440	
Futures Contracts	Mini-Elec-Sector Index Futures	Short	4	3,242	3,239	
Futures Contracts	Finance Sector Index Futures	Long	1	1,622	1,620	
Futures Contracts	Finance Sector Index Futures	Short	5	8,159	8,098	
Futures Contracts	Taiwan Stock Futures	Long	2,644	8,908,313	8,876,966	
Futures Contracts	Taiwan Stock Futures	Short	2,773	9,363,578	9,310,070	
Futures Contracts	Taiwan 50 Futures ETF	Short	35	45,290	45,273	
Futures Contracts	Mini-TaiEx Futures	Long	1	851	839	
Futures Contracts	Mini-TaiEx Futures	Short	1,341	1,124,483	1,125,568	
Futures Contracts	Stock Futures	Long	2,031	371,332	379,580	
Futures Contracts	Stock Futures	Short	19,212	\$4,929,387	\$5,114,242	
Futures Contracts	TaiEx Futures	Long	58	194,969	194,729	
Futures Contracts	TaiEx Futures	Short	1,552	5,278,276	5,210,685	
Futures Contracts	HK-HSI Futures Index	Long	3	11,295	11,211	
Futures Contracts	Mini-HK-HSI Futures Index	Short	15	11,232	11,211	
Futures Contracts	FTSE Taiwan Index	Long	499	895,787	897,836	
Futures Contracts	MSCI Taiwan(USD) Index	Short	217	435,267	436,189	
Futures Contracts	Mini-Nasdaq-100 Index	Short	12	114,468	114,623	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	120	114,668	114,622	
Options Contracts	Index Options-Call	Long	10,698	8,950	17,761	
Options Contracts	Index Options-Call	Short	10,574	8,340	17,200	
Options Contracts	Index Options-Put	Long	872	2,411	1,614	
Options Contracts	Index Options-Put	Short	587	3,595	2,460	

12/31/22

Item	Type of trading	Open interest position		Contract amount/ Premium paid (received)	Fair value	Note
		Long/Short	Lots			
Futures Contracts	Elec-Sector Index Futures	Short	297	\$766,965	\$764,775	
Futures Contracts	Foreign Futures	Long	84	219,827	219,201	
Futures Contracts	Foreign Futures	Short	78	306,559	303,070	
Futures Contracts	Mini-Elec-Sector Index Futures	Long	104	33,400	33,475	
Futures Contracts	Finance Sector Index Futures	Short	100	149,306	149,440	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Short	214	303,486	304,479	
Futures Contracts	Mini-TaiEx Futures	Long	2,232	1,574,892	1,577,466	
Futures Contracts	Mini-TaiEx Futures	Short	85	63,726	59,771	
Futures Contracts	Stock Futures	Long	28,787	3,319,308	3,237,908	

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Item	Type of trading	Open interest position		Contract amount/ Premium paid (received)	Fair value	Note
		Long/ Short	Lots			
Futures Contracts	Stock Futures	Short	7,391	\$975,525	\$955,907	
Futures Contracts	TaiEx Futures	Long	3,032	8,631,436	8,571,160	
Futures Contracts	TaiEx Futures	Short	1,738	4,924,435	4,913,326	
Futures Contracts	HK-HSI Futures Index	Long	3	11,749	11,764	
Futures Contracts	HK-HSI Futures Index	Short	8	31,402	31,371	
Futures Contracts	Mini-HK-HSI Futures Index	Long	39	30,630	30,587	
Futures Contracts	Mini-HK-HSI Futures Index	Short	14	10,952	10,980	
Futures Contracts	FTSE Taiwan Index	Short	234	357,183	356,935	
Futures Contracts	MSCI Taiwan(USD) Index	Short	23	38,383	38,318	
Futures Contracts	Mini-Nasdaq-100 Index	Short	1	6,614	6,770	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	10	6,625	6,770	
Options Contracts	Index Options-Call	Long	6,165	3,312	1,151	
Options Contracts	Index Options-Call	Short	5,980	(2,532)	713	
Options Contracts	Index Options-Put	Long	1,185	4,033	3,988	
Options Contracts	Index Options-Put	Short	4	(50)	44	

6/30/22

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	411	\$1,153,083	\$1,094,821	
Futures Contracts	Elec-Sector Index Futures	Short	39	110,782	103,888	
Futures Contracts	Foreign Futures	Long	1,158	547,076	553,857	
Futures Contracts	Foreign Futures	Short	1,212	6,354,456	6,387,482	
Futures Contracts	Mini-Elec-Sector Index Futures	Short	1	333	333	
Futures Contracts	Finance Sector Index Futures	Long	146	232,073	227,322	
Futures Contracts	Non-Fin Non-Elec Sub-Index Futures	Long	355	540,900	521,389	
Futures Contracts	Mini-TaiEx Futures	Long	62	47,396	44,444	
Futures Contracts	Mini-TaiEx Futures	Short	7,620	5,669,210	5,546,830	
Futures Contracts	Stock Futures	Long	10,242	1,626,139	1,513,134	
Futures Contracts	Stock Futures	Short	31,983	3,910,947	3,677,334	
Futures Contracts	TaiEx Futures	Long	2,451	7,361,288	7,108,462	
Futures Contracts	TaiEx Futures	Short	3,172	9,537,009	9,224,435	
Futures Contracts	Taiwan 50 Futures ETF	Short	81	94,004	93,636	
Futures Contracts	HK-HSI Futures Index	Long	10	41,417	41,194	
Futures Contracts	Mini-HK-HSI Futures Index	Short	50	41,112	41,194	
Futures Contracts	FTSE Taiwan Index	Long	1,394	2,126,063	2,102,019	
Futures Contracts	MSCI Taiwan(USD) Index	Long	856	1,438,802	1,428,954	
Futures Contracts	Mini-Nasdaq-100 Index	Short	13	88,735	89,121	
Futures Contracts	Micro E-mini Nasdaq-100 Index	Long	138	94,439	94,605	
Options Contracts	Index Options-Call	Long	8,712	5,206	3,914	
Options Contracts	Index Options-Call	Short	9,017	(6,203)	4,387	
Options Contracts	Index Options-Put	Long	1,512	17,192	12,116	
Options Contracts	Index Options-Put	Short	37	(337)	464	

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E. Credit risk valuation adjustment

The Company and subsidiaries' credit risk valuation adjustments could be mainly divided into two parts: Credit Value Adjustments, "CVA", and Debit Value Adjustments, "DVA", which are adjustments on credit risk valuation of derivative instruments traded at OTC. The purpose for the adjustments 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.

20. Liabilities for Bonds with Repurchase Agreements

	6/30/23	12/31/22	6/30/22
Government bonds	\$14,580,168	\$11,738,135	\$8,230,892
Bank debentures	28,072,732	24,251,227	20,450,555
Corporate bonds	43,718,723	36,833,549	30,538,884
Total	<u>\$86,371,623</u>	<u>\$72,822,911</u>	<u>\$59,220,331</u>
Repurchased amount as specified in respective agreements plus accrued interest	<u>\$86,515,318</u>	<u>\$73,044,648</u>	<u>\$59,253,411</u>
Repurchased date as specified in respective agreements	112.7.3-112.8.30	112.1.3-112.3.24	111.7.1-111.9.20

21. Accounts Payable

	6/30/23	12/31/22	6/30/22
Accounts payable-related parties	\$549,790	\$659,278	\$1,356,253
Accounts payable-non-related parties			
Exchange clearing payable	15,599,399	6,236,120	9,658,150
Accounts payable for settlement	58,440,157	36,334,269	45,978,718
Others	1,653,267	1,362,250	932,781
Total	<u>\$76,242,613</u>	<u>\$44,591,917</u>	<u>\$57,925,902</u>

22. Bonds Payable

	6/30/23	12/31/22	6/30/22
108-1 Unsecured Corporation Bonds Payable	\$3,900,000	\$3,900,000	\$4,200,000
110-1 Unsecured Corporation Bonds Payable	5,000,000	5,000,000	5,000,000
Subtotal	8,900,000	8,900,000	9,200,000
Less: Current portion	-	-	(300,000)
Net amount	<u>\$8,900,000</u>	<u>\$8,900,000</u>	<u>\$8,900,000</u>

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- (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:
- 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.

23. Post-Employment Benefits

- (1) Description of employment pension:

Defined contribution plan

The Company and domestic subsidiaries established the employee retirement method that is defined contribution plan in accordance with The Labor Pension Act of the R.O.C. and the percentage of contribution burden by the Company and domestic subsidiaries are not less than 6% of employee’s monthly wages and salaries. The Company and domestic subsidiaries 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.

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Defined benefit plan

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

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

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

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

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
Defined contribution plan	\$62,813	\$61,164	\$124,187	\$122,378
Defined benefit plan	3,194	3,765	6,382	7,559
Total	\$66,007	\$64,929	\$130,569	\$129,937

24. Provision

	6/30/23	12/31/22	6/30/22
Litigation provision	\$133,824	\$130,727	\$130,727
Decommissioning liabilities	89,646	81,777	79,313
Total	\$223,470	\$212,504	\$210,040

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25. Equity

(1) Common stock

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Authorized shares (thousand shares)	4,600,000	4,600,000	4,600,000
Authorized capital	<u>\$46,000,000</u>	<u>\$46,000,000</u>	<u>\$46,000,000</u>

The Company has issued all 1,878,737 thousand common shares as of June 30, 2023, December 31, 2022 and June 30, 2022. The Company's issued capital was all 18,787,366 thousand dollars, as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, each at a par value of NT\$10.

The Company's board of directors acting on behalf of shareholders decided capital reduction of 4,897,759 thousand dollars in cash and reduction of 9,310,853 thousand dollars by CDFH common stocks and special stocks owned by the Company on February 18, 2022. This capital reduction approved by the authority and April 8, 2022 was the based date of capital reduction.

(2) Capital reserve

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Additional paid-in capital	\$1,786,849	\$1,786,849	\$1,786,849
Treasury share transactions	364,435	364,435	364,435
Share-based payment	146,950	110,682	59,274
Surplus from business combination	4,930,271	4,930,271	5,665,969
Employee share options	14,774	14,774	14,774
Employee share options expired	257	257	257
Total	<u>\$7,243,536</u>	<u>\$7,207,268</u>	<u>\$7,891,558</u>

Capital reserve needs to make up the company's deficiencies as priority. The company with no deficiency can issue all or portion of capital reserve in new stocks or cash and release to shareholders as their percentage by following the company law of shareholders' decision method. Capital reserve mentions in the former includes excess over par value of stocks and donations received.

The Company's board of directors decided to distribute 735,698 thousand dollars in cash from capital reserve on May 20, 2022. This capital reserve distribution approved by the authority and agreed by the Company's board of directors acting on behalf of shareholders on August 19, 2022.

(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.

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B. The Company held the annual meeting of shareholders (represented by the board of directors) on June 21, 2023 and May 20, 2022 and resolved the distribution of annual net income for 2022 and 2021, respectively, as follows:

	Distribution of earnings		Dividend per share (dollar)	
	2022	2021	2022	2021
Legal reserve	\$393,437	\$1,276,672	-	-
Special reserve	1,872,501	5,225,745	-	-
Cash dividends	1,668,432	6,264,302	0.888	3.334

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 are 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.

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 six-month periods ended June 30	
	2023	2022
Beginning balance	\$19,303	\$18,747
Profit attributable to non-controlling interests	1,281	1,034
Other comprehensive income, attributable to non-controlling interests, net of tax:		
Exchange differences resulting from translating the financial statements of a foreign operation	178	96
Cash dividend issued from subsidiaries	(1,756)	(2,201)
Ending balance	\$19,006	\$17,676

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26. The Detail of Comprehensive Net Income

(1) Brokerage handling fee revenue

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Brokerage handling fee revenue	\$2,251,951	\$2,179,138	\$4,048,528	\$4,598,735
Foreign brokerage fee	568,431	522,309	1,162,374	1,045,534
Foreign sub-brokerage revenue	347,070	173,312	722,341	306,088
Others	57,182	48,758	103,037	80,082
Total	\$3,224,634	\$2,923,517	\$6,036,280	\$6,030,439

(2) Revenue from underwriting business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Revenue from underwriting of securities	\$73,606	\$49,225	\$107,644	\$131,937
Revenue from underwriting proceeding fee	67,388	88,295	166,737	152,440
Revenue from underwriting and counseling	5,523	5,583	10,636	12,576
Others	11,707	28,481	26,906	61,310
Total	\$158,224	\$171,584	\$311,923	\$358,263

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Dealing	\$778,595	\$(641,783)	\$1,335,567	\$(748,455)
Underwriting	40,623	42,104	128,694	133,906
Hedging	564,476	(684,233)	582,740	(1,099,049)
Total	\$1,383,694	\$(1,283,912)	\$2,047,001	\$(1,713,598)

(4) Interest income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Margin loans	\$402,870	\$477,082	\$771,426	\$989,390
Bonds	884,801	341,276	1,689,062	639,628
Others	298,280	96,590	508,709	178,845
Total	\$1,585,951	\$914,948	\$2,969,197	\$1,807,863

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Dealing	\$ (210,162)	\$ (1,441,883)	\$ 1,072,330	\$ (2,076,071)
Underwriting	75,850	(72,695)	41,266	(78,154)
Hedging	(139,700)	(371,178)	303,540	(1,305,037)
Settlement coverage bonds payable of short sale	(60)	1,250	-	44
Total	<u>\$ (274,072)</u>	<u>\$ (1,884,506)</u>	<u>\$ 1,417,136</u>	<u>\$ (3,459,218)</u>

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Gains	\$ 116,120	\$ 1,102,768	\$ 194,988	\$ 1,262,161
Losses	(447,220)	(56,665)	(1,084,494)	(424,403)
Total	<u>\$ (331,100)</u>	<u>\$ 1,046,103</u>	<u>\$ (889,506)</u>	<u>\$ 837,758</u>

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

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

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

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Financial assets measured at FVOCI	\$ (911)	\$ (4,016)	\$ 445	\$ (4,946)
Financial assets measured at amortized cost				
Receivables (Note 1)	1,545	1,282	(299)	1,306
Others (Note 2)	(5,982)	(13,870)	(4,793)	(16,289)
Total	<u>\$ (5,348)</u>	<u>\$ (16,604)</u>	<u>\$ (4,647)</u>	<u>\$ (19,929)</u>

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

Note 2: Others include cash and cash equivalents, investment in bonds with reverse repurchase agreements, customer margin accounts, security lending deposit, other current assets and other non-current assets.

B. The Company and subsidiaries' total carrying amount and accumulated impairment loss as of June 30, 2023, December 31, 2022 and June 30, 2022 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 47,954,039 thousand dollars, 45,927,185 thousand dollars and 35,832,680 thousand dollars, respectively. The accumulated impairment loss recognized are 20,311 thousand dollars, 20,697 thousand dollars and 29,684 thousand dollars, respectively.

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(b) Receivables and others

As of June 30, 2023:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$23,532,261	\$(348)	\$23,531,913
Investment in bonds with reverse repurchase agreements	11,434,942	-	11,434,942
Securities margin loans receivable	29,729,928	(4,440)	29,725,488
Trading securities receivable	12,217,156	(1,423)	12,215,733
Customer margin accounts	63,482,766	(45)	63,482,721
Futures commission merchant receivable	133,719	(133,719)	-
Security lending deposits	33,529,212	(2)	33,529,210
Accounts receivable	61,980,526	(4,487)	61,976,039
Other current assets	37,476,902	(12,043)	37,464,859
Other non-current assets	4,832,161	(885,386)	3,946,775
Total	\$278,349,573	\$(1,041,893)	\$277,307,680

As of December 31, 2022:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$34,755,535	\$(1,127)	\$34,754,408
Investment in bonds with reverse repurchase agreements	8,487,954	(2)	8,487,952
Securities margin loans receivable	24,300,857	(2,306)	24,298,551
Trading securities receivable	9,217,552	(1,073)	9,216,479
Customer margin accounts	58,940,082	(5,700)	58,934,382
Futures commission merchant receivable	134,148	(134,146)	2
Security lending deposits	34,978,198	(4)	34,978,194
Accounts receivable	29,822,421	(2,205)	29,820,216
Other current assets	36,429,814	(13,279)	36,416,535
Other non-current assets	4,884,687	(881,966)	4,002,721
Total	\$241,951,248	\$(1,041,808)	\$240,909,440

As of June 30, 2022:

Item	Carrying amount	Accumulated impairment loss	Net amount
Cash and cash equivalents	\$16,130,540	\$(233)	\$16,130,307
Investment in bonds with reverse repurchase agreements	9,245,834	-	9,245,834
Securities margin loans receivable	29,270,898	(1,875)	29,269,023
Trading securities receivable	9,201,718	(693)	9,201,025
Customer margin accounts	62,867,728	(2,664)	62,865,064
Futures commission merchant receivable	134,535	(134,526)	9
Security lending deposits	38,754,197	(25)	38,754,172
Accounts receivable	45,642,080	(1,951)	45,640,129
Other current assets	36,423,465	(15,600)	36,407,865
Other non-current assets	4,379,851	(837,563)	3,542,288
Total	\$252,050,846	\$(995,130)	\$251,055,716

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C. The Company and subsidiaries' movements of accumulated impairment for the six-month periods ended June 30, 2023 and 2022 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, 2023	\$ (20,697)
(Increase)/ decrease	445
Exchange differences and others	(59)
Balance as of June 30, 2023	<u>\$ (20,311)</u>
Balance as of January 1, 2022	\$ (23,735)
(Increase)/ decrease	(4,946)
Exchange differences and others	(1,003)
Balance as of June 30, 2022	<u>\$ (29,684)</u>

The changes in the impairment of debt instrument investments measured at fair value through other comprehensive income were mainly affected by the derecognition and the newly acquired position during the six-month periods ended June 30, 2023 and 2022.

(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, 2023	\$ (8,802)	\$ (316)	\$ (1,028,067)	\$ (4,623)	\$ (1,041,808)
(Increase)/decrease	(1,175)	(48)	(743)	(3,126)	(5,092)
Financial assets derecognized in the current period	-	-	730	-	730
Exchange differences and others	(68)	278	4,068	(1)	4,277
Balance as of June 30, 2023	<u>\$ (10,045)</u>	<u>\$ (86)</u>	<u>\$ (1,024,012)</u>	<u>\$ (7,750)</u>	<u>\$ (1,041,893)</u>
Balance as of January 1, 2022	\$ (12,347)	\$ (645)	\$ (960,705)	\$ (4,682)	\$ (978,379)
(Increase)/decrease	(1,382)	451	(14,695)	643	(14,983)
Financial assets derecognized in the current period	-	-	855	-	855
Bad loans write-offs	-	-	-	-	-
Exchange differences and others	(885)	28	(1,762)	(4)	(2,623)
Balance as of June 30, 2022	<u>\$ (14,614)</u>	<u>\$ (166)</u>	<u>\$ (976,307)</u>	<u>\$ (4,043)</u>	<u>\$ (995,130)</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 three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Commission income	\$157,322	\$133,821	\$268,349	\$270,995
Investment trust and fund management income	162,909	170,873	317,494	350,773
Exchange gain/(loss)	(49,151)	(327,937)	(245,111)	(163,028)
Gain on exercising warrant before expiration date	3,504	(15,604)	10,477	(15,863)
Others	40,972	(62,391)	210,960	(18,773)
Total	\$315,556	\$(101,238)	\$562,169	\$424,104

(10) Financial cost

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Bonds	\$926,747	\$142,576	\$1,726,544	\$195,782
Bank borrowing	249,381	55,728	454,191	92,142
Corporate bonds	14,373	14,919	28,588	29,674
Lease liabilities	6,323	4,686	12,073	9,163
Securities lending refundable deposits	317,447	28,558	565,988	37,100
Others	149,465	16,442	289,878	23,919
Total	\$1,663,736	\$262,909	\$3,077,262	\$387,780

(11) Employee benefits expenses, depreciation and amortization

Item	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Employee benefit expenses				
Salary expenses	\$1,920,732	\$1,318,117	\$3,744,106	\$2,851,203
Insurance expenses	90,607	86,467	190,059	182,351
Pension expenses	66,007	64,929	130,569	129,937
Others	52,470	39,006	100,138	86,365
Total	\$2,129,816	\$1,508,519	\$4,164,872	\$3,249,856
Depreciations and amortizations				
Depreciations	\$206,510	\$191,046	\$409,993	\$378,851
Amortizations	74,565	69,553	133,377	131,557
Total	\$281,075	\$260,599	\$543,370	\$510,408

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.

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- 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 14,000 thousand dollars, 6,513 thousand dollars, 29,000 thousand dollars and 18,336 thousand dollars and the directors' remuneration of 21,000 thousand dollars, 10,000 thousand dollar, 41,000 thousand dollars and 26,000 thousand dollars were recognized under salary expenses based on the current year profit for the three-month periods ended June 30 in 2023 and 2022 and for the six-month periods ended June 30 in 2023 and 2022, respectively.
- C. The Company distributed the employees' bonus of 32,000 thousand dollars and 99,000 thousand dollars and directors' remuneration 44,000 thousand dollars and 141,000 dollars on February 17, 2023 and March 11, 2022, respectively, which have no difference from the expenses recognized in 2022 and 2021.
- 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 three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Postage and telephone expenses	\$81,603	\$84,478	\$157,252	\$167,511
Tax	250,379	244,374	453,073	532,520
Computer information expenses	151,931	131,316	311,298	266,059
Professional fee	87,064	138,440	158,468	211,471
Securities borrowed expenses	233,749	191,479	479,571	369,006
Handling fee	131,495	91,540	240,256	185,704
Maintenance and repairs	79,058	73,358	158,042	131,187
Operation expense	31,898	33,244	63,734	64,496
TDCC service fee	79,938	67,085	136,636	141,910
Other expenses	208,766	212,990	392,633	379,582
Total	<u>\$1,335,881</u>	<u>\$1,268,304</u>	<u>\$2,550,963</u>	<u>\$2,449,446</u>

(13) Other income and costs

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Interest income	\$922,088	\$170,774	\$1,774,241	\$258,284
Gains/(losses) from disposal of investment	44,114	(78,239)	76,123	(128,603)
Non-operating financial assets measured at FVTPL	(7,093)	(194,739)	103,785	(48,998)
Dividend income	146,905	121,835	152,935	126,433
Management service income	116,123	78,061	234,339	131,591
Others	50,849	71,913	105,945	102,219
Total	<u>\$1,272,986</u>	<u>\$169,605</u>	<u>\$2,447,368</u>	<u>\$440,926</u>

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27. Components of Other Comprehensive Income

For the three-month period ended June 30, 2023

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$(18,320)	\$-	\$(18,320)	\$-	\$(18,320)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	198,788	-	198,788	-	198,788
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	82,007	(35,626)	46,381	(3,097)	43,284
Total	\$262,475	\$(35,626)	\$226,849	\$(3,097)	\$223,752

For the three-month period ended June 30, 2022

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$(223,083)	\$-	\$(223,083)	\$-	\$(223,083)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	397,266	-	397,266	-	397,266
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	(786,806)	15,003	(771,803)	119,872	(651,931)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(270)	-	(270)	-	(270)
Total	\$(612,893)	\$15,003	\$(597,890)	\$119,872	\$(478,018)

For the six-month period ended June 30, 2023

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$(18,320)	\$-	\$(18,320)	\$-	\$(18,320)
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	121,220	-	121,220	-	121,220
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	564,247	(51,917)	512,330	(18,211)	494,119
Total	\$667,147	\$(51,917)	\$615,230	\$(18,211)	\$597,019

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For the six-month period ended June 30, 2022

	Arising	Reclassification	Other comprehensive income, before tax	Income tax (expense) income	Other comprehensive income, net of tax
Not to be reclassified subsequently to profit or loss:					
Unrealized valuation gains/(losses) from equity instrument investments measured at FVOCI	\$231,770	\$-	\$231,770	\$-	\$231,770
To be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of a foreign operation	845,774	-	845,774	-	845,774
Unrealized valuation gains/(losses) from debt instrument investments measured at FVOCI	(2,092,531)	41,161	(2,051,370)	119,872	(1,931,498)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(270)	-	(270)	-	(270)
Total	\$(1,015,257)	\$41,161	\$(974,096)	\$119,872	\$(854,224)

28. Income Tax

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

Income tax expense (benefit) recognized in profit or loss

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Current income tax expense (benefit)				
Current period	\$344,634	\$253,190	\$533,006	\$567,116
Adjustments of prior periods	(2,511)	(7,011)	(2,527)	(7,011)
Deferred income tax expense (benefit)				
Current period	(93,975)	42,778	(68,307)	15,113
Income tax expense (benefit)	\$248,148	\$288,957	\$462,172	\$575,218

Income tax relating to components of other comprehensive income

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Deferred income tax expense (benefit)				
Financial assets measured at FVOCI	\$3,097	\$(119,872)	\$18,211	\$(119,872)

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(2) Income tax return assessed

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

	Assessment information
The Company	Assessed through 2017
KGI Securities Investment Advisory Co. Ltd.	Assessed through 2021
KGI Insurance Brokers Co. Ltd.	Assessed through 2021
KGI Venture Capital Co. Ltd.	Assessed through 2021
KGI Securities Investment Trust Co. Ltd.	Assessed through 2021
KGI Futures	Assessed through 2020
KGI Information Technology Co. Ltd.	Assessed through 2021

(3) Administrative remedy

The income tax return of the Company for the year ended December 31, from 2015 to 2017 was assessed for additional income tax of 182,464 thousand dollars. The Company has appealed for administrative remedy. Additional income tax has been recognized into the financial statements.

29. 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 three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Basic EPS				
Attributable to the Company	\$1,802,757	\$694,487	\$3,694,404	\$2,138,162
Weighted average number of shares outstanding	1,878,736,629 shares	1,988,033,643 shares	1,878,736,629 shares	2,640,192,621 shares
Basic EPS (NT\$)	\$0.96	\$0.35	\$1.97	\$0.81

VII. Significant Related Parties Transaction

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

1. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
China Development Financial Holding Corp. (CDFH)	The parent company
KGI Securities (Thailand Public) Company Limited (KGI TH)	The associate
KGI Bank Co., Ltd. (KGI Bank)	Other related party
China Life Insurance Co., Ltd. (China Life)	Other related party
China Development Asset Management Corp.	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

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Name of the related parties	Nature of relationship of the related parties
CDIB Capital Management Corp. (Capital Management)	Other related party
JING-HUI Investment Corp. (JING-HUI Investment)	Other related party
CDIB CME Fund Ltd	Other related party
CDIB Capital Growth Partners L.P.	Other related party
CDIB Management Consulting Corporation	Other related party
CDIB Partners Investment Holding Corporation	Other related party
CDC Financial & Leasing Corp.	Other related party
KGI Charity Foundation	Other related party
Funds managed by KGI Securities Investment Trust Co. Ltd. (KGI Investment Trust Funds)	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
CDIB Innolux Fund L.P.	Other related party
Others	Other related parties

2. Significant transactions with related-parties

(1) Operating revenue and cost:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
A. <u>Brokerage handling fee revenue</u>				
Other related parties				
China Life	\$17,298	\$14,843	\$26,316	\$42,884
KGI Bank	4,322	5,961	7,820	12,883
Others	4,286	3,472	7,090	8,697
Total	<u>\$25,906</u>	<u>\$24,276</u>	<u>\$41,226</u>	<u>\$64,464</u>
B. <u>Gains/(losses) on disposal of trading securities-net</u>				
Other related parties				
China Life	<u>\$(203)</u>	<u>\$(25)</u>	<u>\$(206)</u>	<u>\$(42)</u>
C. <u>Revenue from providing agency service for stock affairs</u>				
Parent company				
CDFH	\$8,888	\$6,010	\$13,641	\$10,848
Other related parties				
China Life	39	39	78	496
Others	61	65	123	127
Total	<u>\$8,988</u>	<u>\$6,114</u>	<u>\$13,842</u>	<u>\$11,471</u>

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	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
<u>D. Interest income</u>				
Other related parties				
China Life	\$32,648	\$32,648	\$64,937	\$64,937
Others	13	637	291	1,850
Total	<u>\$32,661</u>	<u>\$33,285</u>	<u>\$65,228</u>	<u>\$66,787</u>
<u>E. Gains/(losses) on trading securities</u> <u>measures at fair value through profit</u> <u>or loss-net</u>				
Other related parties				
China Life	<u>\$(9,337)</u>	<u>\$(81)</u>	<u>\$(19,619)</u>	<u>\$(362)</u>
<u>F. Gains/(losses) on derivative financial</u> <u>product-GTSM-net</u>				
Other related parties				
KGI Bank	\$-	\$(2,556)	\$-	\$(10,480)
Others	(679)	620	(1,711)	(3,572)
Total	<u>\$(679)</u>	<u>\$(1,936)</u>	<u>\$(1,711)</u>	<u>\$(14,052)</u>
<u>G. Other operating revenue</u>				
Other related parties				
China Life	\$66,928	\$81,651	\$123,313	\$158,455
Others	1,413	1,207	2,937	3,865
Total	<u>\$68,341</u>	<u>\$82,858</u>	<u>\$126,250</u>	<u>\$162,320</u>
<u>H. Financial costs</u>				
Other related parties				
KGI Bank	\$1,347	\$348	\$1,362	\$510
China Life	359	60	729	76
Others	1	1	70	2
Total	<u>\$1,707</u>	<u>\$409</u>	<u>\$2,161</u>	<u>\$588</u>

The above transactions were under general trading condition.

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

	6/30/23	12/31/22	6/30/22
Other related parties			
KGI Bank	<u>\$6,497,747</u>	<u>\$3,009,526</u>	<u>\$687,288</u>

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

	6/30/23	12/31/22	6/30/22
<u>A. Open-ended funds and monetary market</u> <u>instruments and other securities</u>			
Other related parties			
KGI Investment Trust Funds	<u>\$517,601</u>	<u>\$514,611</u>	<u>\$512,545</u>

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	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
	Notional Amount	Notional Amount	Notional Amount
B. <u>Outstanding derivative instruments</u>			
a. Structure notes liabilities			
Other related parties			
Others	\$18,000	\$18,000	\$18,000
	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
C. <u>Trading Securities</u>			
Other related parties			
China Life	\$4,830,091	\$4,849,990	\$4,849,564
KGI Investment Trust Funds	415,250	418,295	636,358
Total	<u>\$5,245,341</u>	<u>\$5,268,285</u>	<u>\$5,485,922</u>
 (4) Securities margin loans receivable:			
	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Other related parties			
Others	\$19,990	\$17,336	\$25,044
 (5) Customer margin accounts:			
	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Associates	\$14,909	\$13,210	\$17,395
Other related parties			
KGI Bank	2,069,444	539,455	792,786
Total	<u>\$2,084,353</u>	<u>\$552,665</u>	<u>\$810,181</u>
 (6) Account receivables:			
	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Parent company	\$4,253	\$-	\$1,538
Associates			
KGI TH	375,140	614,468	450,691
Other related parties			
China Life	193,885	6,781	76,560
KGI Bank	5	168,643	5
KGI Investment Trust Funds	52,656	242,977	11,932
Others	8,232	7,811	12,540
Total	<u>\$634,171</u>	<u>\$1,040,680</u>	<u>\$553,266</u>
 (7) Other receivables (recognized as other current assets):			
	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Associates	\$-	\$579	\$-
Other related parties			
KGI Bank	15,743	8,701	7,369
China Life	359	373	357
Others	59	66	-
Total	<u>\$16,161</u>	<u>\$9,719</u>	<u>\$7,726</u>

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Parent company			
CDFH	\$3,928	\$-	\$4,615
Other related parties			
China Life	-	1	-
Others	1	1	1
Total	<u>\$3,929</u>	<u>\$2</u>	<u>\$4,616</u>

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Other related parties			
KGI Bank	<u>\$2,322,440</u>	<u>\$2,602,569</u>	<u>\$4,619,068</u>

(10) Futures customers' equity:

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Other related parties			
KGI Bank	\$701,874	\$345,140	\$1,026,598
Others	23,994	11,524	4,613
Total	<u>\$725,868</u>	<u>\$356,664</u>	<u>\$1,031,211</u>

(11) Accounts payable:

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Associates			
KGI TH	\$374,553	\$618,949	\$452,703
Other related parties			
China Life	-	119	-
KGI Bank	111,758	251	789,840
Others	63,479	39,959	113,710
Total	<u>\$549,790</u>	<u>\$659,278</u>	<u>\$1,356,253</u>

(12) Other accounts payable:

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Associates			
KGI TH	\$48	\$41	\$26
Other related parties			
China Life	1,829	5,159	4,996
KGI Bank	465	528	715
Total	<u>\$2,342</u>	<u>\$5,728</u>	<u>\$5,737</u>

(13) Current income tax liabilities:

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

	<u>6/30/23</u>	<u>12/31/22</u>	<u>6/30/22</u>
Due to CDFH (the parent company)	<u>\$1,509,243</u>	<u>\$2,029,128</u>	<u>\$1,737,933</u>

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

Purchase and sale of bonds

	For the six-month period ended June 30, 2023	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	\$-	\$-
	For the six-month period ended June 30, 2022	
	Purchase of bonds	Sale of bonds
Other related parties		
KGI Bank	\$-	\$598,311

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

Right-of-use asset

	6/30/23	12/31/22	6/30/22
Other related parties			
China Life	\$86,330	\$82,995	\$39,897

Lease liabilities

	6/30/23	12/31/22	6/30/22
Current			
Other related parties			
China Life	\$13,652	\$11,595	\$7,202
Non-Current			
Other related parties			
China Life	74,617	72,917	33,012
Total	\$88,269	\$84,512	\$40,214

Refundable deposits (recognized as other non-current assets)

	6/30/23	12/31/22	6/30/22
Other related parties			
China Life	\$3,310	\$3,285	\$2,060

Depreciation and amortization

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Other related parties				
China Life	\$3,231	\$1,782	\$6,450	\$2,726

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Rental income (recognized as other income and costs)

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
Other related parties				
KGI Bank	\$17	\$16	\$33	\$32
CDIB Capital	1,352	-	2,724	-
JING-HUI Investment	3,295	-	6,638	-
KGI Charity Foundation	88	86	178	173
Total	<u>\$4,752</u>	<u>\$102</u>	<u>\$9,573</u>	<u>\$205</u>

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

(16) Employee benefit expenses

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
Other related parties				
China Life	<u>\$7,132</u>	<u>\$7,124</u>	<u>\$14,383</u>	<u>\$14,323</u>

(17) Other operating expenses

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
Associates	\$3	\$8	\$11	\$13
Other related parties				
China Life	3,273	3,260	6,875	7,005
KGI Charity Foundation	23,000	23,000	23,000	23,000
KGI Bank	5,856	7,664	11,703	15,647
Others	-	342	-	342
Total	<u>\$32,132</u>	<u>\$34,274</u>	<u>\$41,589</u>	<u>\$46,007</u>

(18) Other income and costs

	For the three-month periods		For the six-month periods	
	ended June 30		ended June 30	
	2023	2022	2023	2022
Parent company	\$64	\$-	\$64	\$-
Associates	18	151	30	290
Other related parties				
China Life	12	3	25	5
KGI Bank	56,946	22,856	92,453	49,050
Others	669	7	1,338	13
Total	<u>\$57,709</u>	<u>\$23,017</u>	<u>\$93,910</u>	<u>\$49,358</u>

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(19) Information about key management personnel compensation

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Short-term employee benefit	\$68,224	\$81,308	\$135,348	\$172,808
Post-employment benefits	497	397	994	810
Share-based payment transaction	8,149	8,637	17,132	16,607
Total	<u>\$76,870</u>	<u>\$90,342</u>	<u>\$153,474</u>	<u>\$190,225</u>

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

	6/30/23	12/31/22	6/30/22
Property and equipment and investment property	<u>\$530,484</u>	<u>\$532,183</u>	<u>\$263,808</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	6/30/23	12/31/22	6/30/22
Financial assets measured at FVTPL-current			
Trading securities-dealing	\$1,738,473	\$1,716,695	\$449,888
Open-ended funds, monetary market instruments and other securities	245,898	244,478	243,496
Other current assets-restricted	2,369,024	2,440,078	1,950,827
Property and equipment	4,429,411	4,585,063	4,497,744
Investment property	407,651	270,382	122,140
Total	<u>\$9,190,457</u>	<u>\$9,256,696</u>	<u>\$7,264,095</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments

1. One of the executive vice presidents 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 dismissed by the High Court on November 23, 2022. The abovementioned client died during the litigation procedure, therefore, the heir assumed the action. The heir filed an appeal against the judgment made by the High Court. This case is currently being processed by the Supreme Court.

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2. Securities and Futures Investors Protection Center sued the Company and claimed that due to the fact that the Company was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, 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 3,360,000 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

The Company held a board meeting on April 21, 2023 to act on behalf of its shareholders and resolved to implement capital reduction in the amount of \$612,581 thousand, in the form of 30,000 thousand common shares of KGI Securities Investment Trust held by the Company. This capital reduction was approved by the competent authority and July 1, 2023 was set as the based date of the capital reduction.

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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.

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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, commodity risk, and 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 the daily basis to enforce control of market risk and venture capital allocation.

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.

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

D. Investment in bonds with reverse repurchase agreements

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

E. Receivables

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

F. Customer margin accounts

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

G. Stock borrowing collateral price and security lending deposits

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

H. Other non-current assets

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

(5) Measurement of expected credit losses

A. Consideration of the forward-looking information

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

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

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

B. Receivables and others

The Company and domestic subsidiaries

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

The foreign subsidiaries

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

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

The above mentioned instruments were at low credit risk upon acquisition, and an assessment is made at each reporting date as to whether the credit risk has substantially increased and whether the credit has been impaired. The assessment is categorized into "Low credit risk (Stage 1)", "Credit risk significantly increased (Stage 2)" and "Credit-impaired (Stage 3)". The Company and subsidiaries mainly determines whether credit risk significantly increases since initial recognition based on external credit rating and the rating change (being downgraded from investment grade to non-investment grade or the rating since initial recognition is lowered to a certain grade), and that other market information related to the issuer indicating significant increases in credit risk. The Company and subsidiaries also consider credit impairment based on default financial difficulties, bankruptcy, financial restructuring or a combination of impacts from certain events that may cause credit impairment on the financial assets. If the credit risk on financial assets is considered low on the balance sheet date, the Company and subsidiaries shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses as the credit risk is assumed to not significantly increase since initial recognition; and the Company and subsidiaries shall measure the loss allowance for financial assets at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly or been impaired since initial recognition.

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.

- (6) The assessment technique or significant assumption used to evaluate the expected credit loss by the Company and subsidiaries have no change for the six-month periods ended June 30, 2023 and 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Analyses of capital liquidity risk

(1) Cash flow analysis

Statement of cash flow analysis for financial assets

6/30/23

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$10,167,514	\$11,337,814	\$2,026,585	\$-	\$-	\$23,531,913
Financial assets measured at FVTPL-current	89,746,924	1,273,785	2,007,645	1,473,577	559,425	95,061,356
Financial assets measured at FVOCI-current	28,990,450	1,532,930	3,323,736	-	-	33,847,116
Hedging financial assets-current	-	42,863	46,256	328,173	2,072	419,364
Investment in bonds with reverse repurchase agreements	-	11,444,483	-	-	-	11,444,483
Receivables	54,801,621	18,693,905	30,405,273	28,289	-	103,929,088
Customer margin accounts	36,348,180	27,134,541	-	-	-	63,482,721
Stock borrowing collateral price and security lending deposits	701,524	20,820,294	12,026,577	-	-	33,548,395
Other current assets	35,041,941	1,219,067	1,195,934	7,917	-	37,464,859
Financial assets measured at FVTPL-non-current	-	-	-	491,266	3,111,013	3,602,279
Financial assets measured at FVOCI-non-current	-	-	-	10,845,194	1,270,775	12,115,969
Others non-current assets	-	-	1,007	45,441	3,677,524	3,723,972
Total	\$255,798,154	\$93,499,682	\$51,033,013	\$13,219,857	\$8,620,809	\$422,171,515
Percentage	60.59%	22.15%	12.09%	3.13%	2.04%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/23

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$19,887,874	\$155,675	\$-	\$-	\$20,043,549
Commercial papers payable	-	24,627,785	-	-	-	24,627,785
Financial liabilities measured at FVTPL-current	6,988,169	6,597,996	5,930,831	9,374,215	3,542,439	32,433,650
Hedging financial liabilities-current	-	31,358	14,566	31,474	11,337	88,735
Liabilities for bonds with repurchase agreements	-	86,515,318	-	-	-	86,515,318
Payables	71,900,113	12,465,649	3,918,562	-	-	88,284,324
Guarantee deposit received from security lending	-	5,872,137	34,013,773	-	-	39,885,910
Futures customers' equity	35,904,258	27,296,689	-	-	-	63,200,947
Equity for each customer in the account	5,984,194	-	-	-	-	5,984,194
Amounts collected for others/ Other payable/ Other current liabilities	1,049,398	975,017	4,451,693	1,960	867	6,478,935
Other financial liabilities-current	-	2,038,452	1,358,757	1,364	2,110	3,400,683
Lease liabilities-current	-	135,585	317,240	-	-	452,825
Bonds payable	-	-	-	6,200,000	2,700,000	8,900,000
Lease liabilities-non-current	-	-	-	941,058	69,442	1,010,500
Other non-current liabilities	-	-	35	426,815	66,845	493,695
Total	\$121,826,132	\$186,443,860	\$50,161,132	\$16,976,886	\$6,393,040	\$381,801,050
Percentage	31.91%	48.83%	13.14%	4.45%	1.67%	100.00%

Statement of capital liquidation gap

6/30/23

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$255,798,154	\$93,499,682	\$51,033,013	\$13,219,857	\$8,620,809	\$422,171,515
Cash outflow	121,826,132	186,443,860	50,161,132	16,976,886	6,393,040	381,801,050
Amount of cash flow gap	\$133,972,022	\$(92,944,178)	\$871,881	\$(3,757,029)	\$2,227,769	\$40,370,465

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Statement of cash flow analysis for financial assets

12/31/22

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$10,850,953	\$23,445,044	\$458,411	\$-	\$-	\$34,754,408
Financial assets measured at FVTPL-current	69,213,161	1,207,480	1,047,450	1,252,606	63,636	72,784,333
Financial assets measured at FVOCI-current	31,852,242	450,943	2,409,065	-	-	34,712,250
Hedging Financial assets-current	-	39,570	102,627	319,963	33,498	495,658
Investment in bonds with reverse repurchase agreements	-	8,494,878	-	-	-	8,494,878
Receivables	29,881,152	10,557,491	22,896,222	26,130	-	63,360,995
Customer margin accounts	30,700,515	28,233,867	-	-	-	58,934,382
Stock borrowing collateral price and security lending deposits	6,342,071	20,140,036	10,750,319	-	-	37,232,426
Other current assets	33,894,905	2,336,908	178,782	5,940	-	36,416,535
Financial assets measured at FVTPL-non-current	-	-	-	514,307	3,019,272	3,533,579
Financial assets measured at FVOCI-non-current	-	-	-	7,466,430	1,226,458	8,692,888
Others non-current assets	-	-	1,200	131,981	3,670,730	3,803,911
Total	\$212,734,999	\$94,906,217	\$37,844,076	\$9,717,357	\$8,013,594	\$363,216,243
Percentage	58.57%	26.13%	10.42%	2.67%	2.21%	100.00%

Statement of cash flow analysis for financial liabilities

12/31/22

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$13,229,271	\$-	\$-	\$-	\$13,229,271
Commercial papers payable	-	12,169,751	-	-	-	12,169,751
Financial liabilities measured at FVTPL-current	12,846,344	5,624,841	4,765,228	13,390,083	2,899,697	39,526,193
Hedging financial liabilities-current	-	(1,360)	7,830	26,201	17,636	50,307
Liabilities for bonds with repurchase agreements	-	73,044,648	-	-	-	73,044,648
Payables	48,438,904	6,723,612	6,268,574	-	-	61,431,090
Guarantee deposit received from security lending	-	9,847,612	32,165,796	-	-	42,013,408
Futures customers' equity	59,152,076	-	-	-	-	59,152,076
Equity for each customer in the account	3,000,099	-	-	-	-	3,000,099
Amounts collected for others/ Other payable/ Other current liabilities	1,885,826	932,538	4,669,972	1,876	829	7,491,041
Other financial liabilities-current	-	1,458,840	1,373,978	525	2,410	2,835,753
Lease liabilities-current	-	122,724	361,831	-	-	484,555
Bonds payable	-	-	-	6,200,000	2,700,000	8,900,000
Lease liabilities-non-current	-	-	-	989,129	44,153	1,033,282
Other non-current liabilities	-	-	35	497,198	72,560	569,793
Total	\$125,323,249	\$123,152,477	\$49,613,244	\$21,105,012	\$5,737,285	\$324,931,267
Percentage	38.57%	37.90%	15.27%	6.49%	1.77%	100.00%

Statement of capital liquidation gap

12/31/22

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$212,734,999	\$94,906,217	\$37,844,076	\$9,717,357	\$8,013,594	\$363,216,243
Cash outflow	125,323,249	123,152,477	49,613,244	21,105,012	5,737,285	324,931,267
Amount of cash flow gap	\$87,411,750	\$(28,246,260)	\$(11,769,168)	\$(11,387,655)	\$2,276,309	\$38,284,976

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Statement of cash flow analysis for financial assets

6/30/22

Financial Assets	Collection period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash and cash equivalents	\$7,792,710	\$7,231,828	\$1,105,769	\$-	\$-	\$16,130,307
Financial assets measured at FVTPL-current	36,483,600	15,850,068	3,891,277	15,875,904	60,622	72,161,471
Financial assets measured at FVOCI-current	23,862,457	1,355,158	1,140,116	-	-	26,357,731
Hedging Financial assets-current	-	(1,601)	44,846	134,147	23,032	200,424
Investment in bonds with reverse repurchase agreements	-	9,249,590	-	-	-	9,249,590
Receivables	39,599,736	18,268,683	26,214,889	29,319	-	84,112,627
Customer margin accounts	62,865,064	-	-	-	-	62,865,064
Stock borrowing collateral price and security lending deposits	1,194,824	29,685,369	7,969,401	-	-	38,849,594
Other current assets	34,004,513	2,286,846	115,868	638	-	36,407,865
Financial assets measured at FVTPL-non-current	-	-	-	698,947	2,811,382	3,510,329
Financial assets measured at FVOCI-non-current	-	-	-	-	7,653,741	7,653,741
Others non-current assets	-	-	-	11,116	3,423,974	3,435,090
Total	\$205,802,904	\$83,925,941	\$40,482,166	\$16,750,071	\$13,972,751	\$360,933,833
Percentage	57.02%	23.25%	11.22%	4.64%	3.87%	100.00%

Statement of cash flow analysis for financial liabilities

6/30/22

Financial Liabilities	Payment period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Short-term borrowings	\$-	\$22,165,823	\$-	\$-	\$-	\$22,165,823
Commercial papers payable	-	4,939,232	-	-	-	4,939,232
Financial liabilities measured at FVTPL-current	8,564,975	5,384,134	2,663,252	16,060,842	2,822,386	35,495,589
Liabilities for bonds with repurchase agreements	-	59,253,411	-	-	-	59,253,411
Payables	63,223,924	4,672,116	4,687,681	-	-	72,583,721
Guarantee deposit received from security lending	-	7,429,045	35,767,992	-	-	43,197,037
Futures customers' equity	62,735,753	-	-	-	-	62,735,753
Equity for each customer in the account	679,082	-	-	-	-	679,082
Amounts collected for others/ Other payable/ Other current liabilities	285,930	1,312,399	6,297,151	2,700	43	7,898,223
Other financial liabilities-current	-	2,761,613	9,099	582	2,379	2,773,673
Lease liabilities-current	-	129,673	353,363	-	-	483,036
Long-term liabilities-current portion	-	-	300,000	-	-	300,000
Bonds payable	-	-	-	6,200,000	2,700,000	8,900,000
Lease liabilities-non-current	-	-	-	1,020,522	12,601	1,033,123
Other non-current liabilities	-	-	49	815,183	97,849	913,081
Total	\$135,489,664	\$108,047,446	\$50,078,587	\$24,099,829	\$5,635,258	\$323,350,784
Percentage	41.90%	33.41%	15.49%	7.46%	1.74%	100.00%

Statement of capital liquidation gap

6/30/22

	Collection (payment) period					Total
	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	
Cash inflow	\$205,802,904	\$83,925,941	\$40,482,166	\$16,750,071	\$13,972,751	\$360,933,833
Cash outflow	135,489,664	108,047,446	50,078,587	24,099,829	5,635,258	323,350,784
Amount of cash flow gap	\$70,313,240	\$(24,121,505)	\$(9,596,421)	\$(7,349,758)	\$8,337,493	\$37,583,049

The Company has established statement of capital liquidation gap to estimate the financial assets and liabilities in future cash flows which can affect the Company and subsidiaries when it comes to fund dispatching. The cash flow gap statements as of June 30, 2023, December 31, 2022 and June 30, 2022 show that the sums from deducting cash outflow from cash inflow are 40,370,465 thousand dollars, 38,284,976 thousand dollars and 37,583,049 thousand dollars, respectively, all indicating sufficient fund liquidity.

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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 future needs of funds and set up contingency measures.

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

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

4. Market risk analysis

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

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.

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

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

Comparisons of risk sensitive factors

Risk sensitivity	6/30/23	12/31/22	6/30/22
Interest rate risk	\$3,109	\$1,861	\$1,534
Equity securities risk			
Equity delta	5,029,382	4,433,631	952,488
Debt delta	139,527	6,245	501,781
Exchange rate risk	1,386,785	2,948,548	6,182,882
Commodity risk sensitivity	(33,680)	5,969	14,678

(2) Risk value

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

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

Risk type	For the six-month period ended June 30, 2023			6/30/23
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$138,438	\$78,783	\$217,812	\$87,860
Interest rate	146,131	37,588	194,068	136,426
Exchange rate	43,664	25,481	72,826	32,270
Commodity	11,526	608	33,632	18,366

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Risk type	For the six-month period ended June 30, 2022			6/30/22
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$227,715	\$153,095	\$330,653	\$244,137
Interest rate	210,911	158,070	290,128	177,288
Exchange rate	84,043	74,701	95,755	87,433
Commodity	2,978	141	9,172	2,406

(3) Stress test

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

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

5. Fair value of financial instruments

(1) Types of financial instruments

Financial instruments	6/30/23	12/31/22	6/30/22
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss:			
Mandatorily Measured at fair value through profit or loss	\$98,614,350	\$76,244,688	\$75,654,905
Hedging Financial assets	416,551	486,019	184,508
Financial assets measured at fair value through other comprehensive income	45,963,085	43,405,138	34,011,472
Financial assets measured at amortized cost (Note 1)	277,115,586	242,990,365	251,043,221
Total	<u>\$422,109,572</u>	<u>\$363,126,210</u>	<u>\$360,894,106</u>
<u>Financial liabilities</u>			
Financial liabilities measured at fair value through profit or loss:			
Held for trading	\$22,517,457	\$25,593,074	\$20,292,104
Designated initially at fair value through profit or loss	9,276,881	13,428,513	14,647,625
Hedging Financial liabilities	83,449	55,091	-
Financial liabilities measured at amortized cost (Note 2)	348,601,827	284,531,927	286,916,350
Total	<u>\$380,479,614</u>	<u>\$323,608,605</u>	<u>\$321,856,079</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.

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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, equity for each customer in the account, accounts payable, amount collected for other parties, other payable, other financial liabilities-current, other current liabilities, lease liabilities including current and non-current, bonds payable including one due within one year and guarantee deposits received.

(2) Valuation techniques and assumptions in estimating fair value

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

- A. Financial assets and financial liabilities measured at amortized cost of a short-term financial instrument is measured by its book value on the balance sheet. Short-term financial instruments usually expire soon and therefore it is reasonable to use their book value to estimate their fair value.
- B. 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:

	6/30/23		12/31/22		6/30/22	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial liabilities</u>						
Long-term liabilities-current portion	\$-	\$-	\$-	\$-	\$300,000	\$299,634
Bonds payable	8,900,000	8,645,047	8,900,000	8,568,036	8,900,000	8,605,457

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(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.

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

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

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

B. Hierarchy of financial instruments measured at fair value

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

6/30/23

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	\$19,938,470	\$38,397	\$3,174,621	\$23,151,488
Bonds	19,155,456	40,646,516	33,809	59,835,781
Others	6,608,345	1,011,991	-	7,620,336
Financial assets measured at FVOCI				
Stocks	-	-	34,330	34,330
Bonds	31,793,640	14,135,115	-	45,928,755
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	748,518	-	-	748,518
Bonds	-	5,678,439	-	5,678,439
Others	2,125,771	-	-	2,125,771
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Hedging Financial assets	-	416,551	-	416,551
Liabilities				
Financial liabilities measured at FVTPL				
Hedging Financial liabilities	-	83,449	-	83,449

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Financial instruments measured at fair value	Level 1	Level 2	Level 3	Total
<u>Non-derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Stocks	\$8,115,669	\$36,184	\$3,019,692	\$11,171,545
Bonds	15,403,947	39,211,388	-	54,615,335
Others	4,094,227	973,593	-	5,067,820
Financial assets measured at FVOCI				
Stocks	-	-	52,097	52,097
Bonds	34,405,824	8,947,217	-	43,353,041
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	9,643,346	-	-	9,643,346
Bonds	-	5,123,841	-	5,123,841
Others	939,261	-	-	939,261
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Hedging Financial assets	905,389	4,483,177	1,422	5,389,988
Liabilities				
Financial liabilities measured at FVTPL				
Hedging Financial liabilities	1,033,631	19,342,195	2,939,313	23,315,139
	-	55,091	-	55,091

6/30/22

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	\$11,646,049	\$45,148	\$2,766,906	\$14,458,103
Bonds	13,532,023	36,834,112	-	50,366,135
Others	5,016,791	500,233	-	5,517,024
Financial assets measured at FVOCI				
Stocks	-	-	45,000	45,000
Bonds	26,357,731	7,608,741	-	33,966,472
Liabilities				
Financial liabilities measured at FVTPL				
Stocks	4,285,245	-	-	4,285,245
Bonds	-	5,125,430	-	5,125,430
Others	1,601,227	-	-	1,601,227
<u>Derivative instruments</u>				
Assets				
Financial assets measured at FVTPL				
Hedging Financial assets	1,442,935	3,870,160	548	5,313,643
Liabilities				
Financial liabilities measured at FVTPL				
	745,821	20,078,931	3,103,075	23,927,827

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

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

A. Transfers between Level 1 and Level 2 during the period at recurring basis

There are no transfers between Level 1 and Level 2 for the six-month periods ended of June 30, 2023 and 2022.

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

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

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

For the six-month period ended June 30, 2023

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	\$1,422	\$4,204	\$-	\$11,518	\$-	\$(15,252)	\$-	\$1,892
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL	3,019,692	106,804	-	81,934	-	-	-	3,208,430
Financial assets measured at FVOCI	52,097	-	553	-	-	(18,320)	-	34,330

For the six-month period ended June 30, 2022

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	\$-	\$664	\$-	\$(116)	\$-	\$-	\$-	\$548
<u>Non-derivative instruments</u>								
Financial assets measured at FVTPL	2,846,210	137,076	-	524,339	-	(539,330)	(201,389)	2,766,906
Financial assets measured at FVOCI	42,138	-	2,862	-	-	-	-	45,000

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.

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For the six-month period ended June 30, 2023

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	\$2,939,313	\$595	\$-	\$810,711	\$-	\$(185,456)	\$-	\$3,565,163

For the six-month period ended June 30, 2022

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	\$3,052,493	\$(511,051)	\$-	\$1,105,526	\$-	\$(543,893)	\$-	\$3,103,075

- c. Total gains or losses from financial assets and liabilities still held by the Company and subsidiaries for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Total gains or losses				
Recognized in profit or loss	<u>\$(33,228)</u>	<u>\$151,915</u>	<u>\$57,272</u>	<u>\$395,616</u>
Recognized in other comprehensive income	<u>\$718</u>	<u>\$2,137</u>	<u>\$553</u>	<u>\$2,862</u>

- d. There are no significant changes in the Company and subsidiaries' valuation models or in levels of the fair value hierarchy between current and prior periods ended June 30, 2023 and 2022.

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.

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6/30/23	Fair Value	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 and debt instruments	\$3,208,430	Purchasing price	Not applicable	Not applicable	Not applicable
		Market approach	Discount for lack of liquidity	26%-29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		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	7.53%	The higher the WACC is, probably the lower the fair value of asset is.	
		Growth rate	3.60%	The higher the growth rate is, probably the higher the fair value of asset is.	
Financial assets measured at FVOCI-equity instrument	34,330	Asset method	Discount for lack of control	11%	The higher the discount for lack of control is, probably the lower the fair value of assets is.
		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	44.51%	Depending on market terms.	
Derivatives	1,892	Asset method	Discount for lack of liquidity	15%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		Structured notes-options	Martingale Pricing Technique	History Volatility	30.94%-63.40%
<u>Financial liabilities:</u>					
Derivatives					
Financial liabilities measured at FVTPL	3,565,163	Martingale Pricing Technique	History Volatility	0.00%-38.52%	Depending on contract terms.

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12/31/22	Fair Value	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	\$3,019,692	Purchasing price	Not applicable	Not applicable	Not applicable
		Market approach	Discount for lack of liquidity	26%-29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		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	6.53%	The higher the WACC is, probably the lower the fair value of asset is.
			Growth rate	2.95%	The higher the growth rate is, probably the higher the fair value of asset is.
Financial assets measured at FVOCI-equity instrument	52,097	Asset method	Discount for lack of control	11%	The higher the discount for lack of control is, probably the lower the fair value of assets is.
		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	41.82%	Depending on market terms.
Asset method	Discount for lack of liquidity	15%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.		
Derivatives					
Financial assets measured at FVTPL	1,422				
Structured notes-options		Martingale Pricing Technique	History Volatility	52.83%-54.85%	Depending on contract terms.
<u>Financial liabilities:</u>					
Derivatives					
Financial liabilities measured at FVTPL	2,939,313				
Structured notes-options		Martingale Pricing Technique	History Volatility	0.00%-19.37%	Depending on contract terms.

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6/30/22	Fair Value	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	\$2,766,906	Purchasing price	Not applicable	Not applicable	Not applicable
		Market approach	Discount for lack of liquidity	26%~29%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		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		6.82%	The higher the WACC is, probably the lower the fair value of asset is.
		Growth rate		3.38%	The higher the growth rate is, probably the higher the fair value of asset is.
Financial assets measured at FVOCI-equity instrument	45,000	Asset method	Discount for lack of control	11%	The higher the discount for lack of control is, probably the lower the fair value of assets is.
		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 market terms.
Derivatives	548	Asset method	Discount for lack of liquidity	15%	The higher the discount for lack of liquidity is, probably the lower the fair value of assets is.
		Structured notes-options	Martingale Pricing Technique	History Volatility	35.27%-70.23%
<u>Financial liabilities:</u>					
Derivatives					
Financial liabilities measured at FVTPL	3,103,075	Martingale Pricing Technique	History Volatility	0.00%-35.55%	Depending on contract terms.

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

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

6/30/23	Sensitivity of the input to fair value		Recognized in profit/loss		Recognized in OCI	
	Inputs	Changes	Gain	Loss	Gain	Loss
<u>Financial assets:</u>						
Non-derivatives						
Financial assets measured at FVTPL						
Equity instruments and debt instruments(purchasing price)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Discount for lack of liquidity	- 1% /+1%	\$579	\$579	\$-	\$-
Equity instruments (discounted cash flow)	Discount for lack of liquidity	- 1% /+1%	109	109	-	-
	WACC	- 1% /+1%	835	804	-	-
	Growth Rate	+1% /- 1%	375	368	-	-
Equity instruments (asset method)	Discount for lack of control	- 1% /+1%	3,760	3,666	-	-
Financial assets measured at FVOCI						
Equity instruments (option pricing method)	Discount for lack of liquidity	- 1% /+1%	-	-	133	133
	Historical volatility	-1% /+1%	-	-	63	64
Equity instruments (asset method)	Discount for lack of liquidity	- 1% /+1%	-	-	5	5
Derivatives						
Financial assets measured at FVTPL						
Structured notes-options	Historical volatility	+25% /-25%	420	350	-	-
<u>Financial liabilities:</u>						
Derivatives						
Financial liabilities measured at FVTPL						
Structured notes-options	Historical volatility	-25% /+25%	-	-	-	-

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12/31/22	Sensitivity of the input to fair value		Recognized in profit/loss		Recognized in OCI	
	Inputs	Changes	Gain	Loss	Gain	Loss
<u>Financial assets:</u>						
Non-derivatives						
Financial assets measured at FVTPL						
Equity instruments (purchasing price)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Discount for lack of liquidity	- 1% / +1%	\$111	\$111	\$-	\$-
Equity instruments (discounted cash flow)	Discount for lack of liquidity	- 1% / +1%	105	105	-	-
	WACC	- 1% / +1%	776	748	-	-
	Growth Rate	+1% / - 1%	326	320	-	-
Equity instruments (asset method)	Discount for lack of control	- 1% / +1%	3,667	3,667	-	-
Financial assets measured at FVOCI						
Equity instruments (option pricing method)	Discount for lack of liquidity	- 1% / +1%	-	-	141	141
	Historical volatility	- 1% / +1%	-	-	249	246
Equity instruments (asset method)	Discount for lack of liquidity	- 1% / +1%	-	-	5	5
Derivatives						
Financial assets measured at FVTPL						
Structured notes-options	Historical volatility	+25% / -25%	190	177	-	-
<u>Financial liabilities:</u>						
Derivatives						
Financial liabilities measured at FVTPL						
Structured notes- options	Historical volatility	-25% / +25%	-	-	-	-

6/30/22	Sensitivity of the input to fair value		Recognized in profit/loss		Recognized in OCI	
	Inputs	Changes	Gain	Loss	Gain	Loss
<u>Financial assets:</u>						
Non-derivatives						
Financial assets measured at FVTPL						
Equity instruments (purchasing price)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market method)	Discount for lack of liquidity	- 1% / +1%	\$114	\$114	\$-	\$-
Equity instruments (discounted cash flow)	Discount for lack of liquidity	- 1% / +1%	80	80	-	-
	WACC	- 1% / +1%	543	521	-	-
	Growth Rate	+1% / - 1%	254	249	-	-
Equity instruments (asset method)	Discount for lack of control	- 1% / +1%	3,557	3,321	-	-

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6/30/22	Sensitivity of the input to fair value		Recognized in profit/loss		Recognized in OCI	
	Inputs	Changes	Gain	Loss	Gain	Loss
Financial assets measured at FVOCI						
Equity instruments (purchasing price)	Discount for lack of liquidity	- 1% / +1%	\$-	\$-	\$167	\$167
	Historical volatility	- 1% / +1%	-	-	179	178
Equity instruments (asset method)	Discount for lack of liquidity	- 1% / +1%	-	-	5	5
Derivatives						
Financial assets measured at FVTPL						
Structured notes-options	Historical volatility	+25% / -25%	36	32	-	-
<u>Financial liabilities:</u>						
Derivatives						
Financial liabilities measured at FVTPL						
Structured notes- options	Historical volatility	-25% / +25%	-	-	-	-

Evaluation process for level 3 fair value measurements

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

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

6/30/23

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$2,700,314	\$-	\$-	\$2,700,314
Investment properties	-	-	1,090,839	1,090,839
<u>Financial liabilities:</u>				
Bonds payable	8,645,047	-	-	8,645,047

12/31/22

	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$3,096,451	\$-	\$-	\$3,096,451
Investment properties	-	-	666,505	666,505
<u>Financial liabilities:</u>				
Bonds payable	8,568,036	-	-	8,568,036

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	Level 1	Level 2	Level 3	Total
<u>Non-Financial assets:</u>				
Investments accounted for using the equity method	\$2,850,630	\$-	\$-	\$2,850,630
Investment properties	-	-	374,379	374,379
<u>Financial liabilities:</u>				
Long-term liabilities-current portion	299,634	-	-	299,634
Bonds payable	8,605,457	-	-	8,605,457

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

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

6. Transfer of financial assets

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

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

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

6/30/23					
	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 FVTPL					
Collateralized transactions	\$26,480,104	\$25,495,731	\$26,480,104	\$25,495,731	\$984,373
Financial assets measured at FVOCI					
Collateralized transactions	28,543,886	27,151,310	28,543,886	27,151,310	1,392,576
Financial assets measured at amortized cost					
Collateralized transactions	4,656,043	4,674,589	4,656,043	4,674,589	(18,546)

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12/31/22					
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 FVTPL					
Collateralized transactions	\$16,580,093	\$16,273,231	\$16,580,093	\$16,273,231	\$306,862
Financial assets measured at FVOCI					
Collateralized transactions	31,296,792	29,817,268	31,296,792	29,817,268	1,479,524
Financial assets measured at amortized cost					
Collateralized transactions	3,470,745	3,508,160	3,470,745	3,508,160	(37,415)

6/30/22					
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 FVTPL					
Collateralized transactions	\$14,944,874	\$14,683,186	\$14,944,874	\$14,683,186	\$261,688
Financial assets measured at FVOCI					
Collateralized transactions	24,249,972	22,996,679	24,249,972	22,996,679	1,253,293
Financial assets measured at amortized cost					
Collateralized transactions	5,328,889	4,872,281	5,328,889	4,872,281	456,608

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

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

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

Period	Type of continuing involvement	Cash outflow of repurchasing transferred (derecognized) financial assets	Carrying amount of continuing involvement in statement of financial position	Fair value of continuing involvement		Maximum exposure to loss
			Financial asset measured at fair value through profit or loss	Asset	Liability	
6/30/23	Long call option	\$11,110,800	\$2,044,676	\$2,044,676	\$-	\$2,044,676
12/31/22	Long call option	\$11,593,500	\$1,383,072	\$1,383,072	\$-	\$1,383,072
6/30/22	Long call option	\$10,675,700	\$1,476,341	\$1,476,341	\$-	\$1,476,341

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

Period	Type of continuing involvement	Spot	In 3 months	3-12 months	1-5 years	Over 5 years	Total
6/30/23	Long call option	\$-	\$493,400	\$2,173,900	\$8,443,500	\$-	\$11,110,800
12/31/22	Long call option	\$-	\$350,300	\$2,595,700	\$8,647,500	\$-	\$11,593,500
6/30/22	Long call option	\$-	\$233,400	\$1,478,800	\$8,963,500	\$-	\$10,675,700

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

Period	Type of continuing involvement	Gain or loss recognized at the date of transfer	Income and expenses recognized in the reporting period	Income and expenses recognized cumulatively
6/30/23	Long call option	\$ (33,628)	\$ 41,118	\$ 7,490
12/31/22	Long call option	\$ (28,703)	\$ (663,738)	\$ (692,441)
6/30/22	Long call option	\$ (4,929)	\$ (456,425)	\$ (461,354)

7. Offsetting financial assets and financial liabilities

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

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

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

6/30/23						
Financial assets subject to offsetting, enforceable master netting arrangement or similar agreements						
Description	Gross amount of financial assets (a)	Gross amount of 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)	\$7,303,602	\$-	\$7,303,602	\$-	\$1,856,244	\$5,447,358
Resell agreement	11,434,942	-	11,434,942	11,434,942	-	-
Total	\$18,738,544	\$-	\$18,738,544	\$11,434,942	\$1,856,244	\$5,447,358

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6/30/23						
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 (Note2)	\$12,647,707	\$-	\$12,647,707	\$-	\$1,514,269	\$11,133,438
Repurchase agreement	86,371,623	-	86,371,623	86,371,623	-	-
Total	\$99,019,330	\$-	\$99,019,330	\$86,371,623	\$1,514,269	\$11,133,438

12/31/22						
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)	\$4,970,312	\$-	\$4,970,312	\$-	\$1,335,364	\$3,634,948
Resell agreement	8,487,952	-	8,487,952	8,487,952	-	-
Total	\$13,458,264	\$-	\$13,458,264	\$8,487,952	\$1,335,364	\$3,634,948

12/31/22						
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 (Note 2)	\$8,908,903	\$-	\$8,908,903	\$-	\$1,253,608	\$7,655,295
Repurchase agreement	72,822,911	-	72,822,911	72,822,911	-	-
Total	\$81,731,814	\$-	\$81,731,814	\$72,822,911	\$1,253,608	\$7,655,295

6/30/22						
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)	\$4,055,216	\$-	\$4,055,216	\$-	\$754,724	\$3,300,492
Resell agreement	9,245,834	-	9,245,834	9,245,834	-	-
Total	\$13,301,050	\$-	\$13,301,050	\$9,245,834	\$754,724	\$3,300,492

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6/30/22						
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 (Note 2)	\$8,535,218	\$-	\$8,535,218	\$-	\$1,261,000	\$7,274,218
Repurchase agreement	59,220,331	-	59,220,331	59,220,331	-	-
Total	\$67,755,549	\$-	\$67,755,549	\$59,220,331	\$1,261,000	\$7,274,218

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.

The company's Capital adequacy ratios as of June 30, 2023 December 31, 2022 and June 30, 2022 are disclosed as follows:

(1) Capital adequacy ratio

Item	6/30/23	12/31/22	6/30/22
Qualified net equity Capital	\$26,249,023	\$24,430,570	\$24,611,880
Equivalent amount of operating risk	9,854,412	8,216,100	8,231,027
Capital adequacy ratio	266%	297%	299%

Item	For the six-month period ended June 30	
	2023	2022
Average	269%	346%
Maximum	282%	452%
Minimum	253%	260%

(2) Equivalent amounts and percentages of operating risks

Item	6/30/23		12/31/22	
	Amount	Percentage	Amount	Percentage
Market risk	\$3,435,747	34.86%	\$3,199,514	38.94%
Credit risk	3,726,714	37.82%	2,458,003	29.92%
Operational risk	2,691,951	27.32%	2,558,583	31.14%
Total	\$9,854,412	100.00%	\$8,216,100	100.00%

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Item	6/30/22	
	Amount	Percentage
Market risk	\$2,665,453	32.38%
Credit risk	3,006,991	36.53%
Operational risk	2,558,583	31.09%
Total	<u>\$8,231,027</u>	<u>100.00%</u>

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 June 30, 2023, December 31, 2022 and June 30, 2022 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			
	6/30/23		12/31/22	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Non-derivatives				
USD LIBOR	\$1,094,899	\$-	\$2,813,627	\$-
HKD HIBOR	-	-	-	2,173,822
Other currencies LIBOR	1,123,175	-	-	-
Derivatives				
USD LIBOR	249,240	646,795	1,088,507	290,483
HKD HIBOR	1	-	-	-
TOTAL	<u>\$2,467,315</u>	<u>\$646,795</u>	<u>\$3,902,134</u>	<u>\$2,464,305</u>

	Carrying Amounts	
	6/30/22	
	Financial Assets	Financial Liabilities
Non-derivatives		
USD LIBOR	\$1,521,635	\$-
HKD HIBOR	-	1,257,363
Other currencies LIBOR	-	750,230
Derivatives		
USD LIBOR	573,703	1,133,672
HKD HIBOR	-	-
TOTAL	<u>\$2,095,338</u>	<u>\$3,141,265</u>

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	Nominal Amounts			
	6/30/23		12/31/22	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
Derivatives				
USD LIBOR	\$22,358,917	\$17,352,277	\$32,000,807	\$17,678,596
HKD HIBOR	330	-	-	-
TOTAL	\$22,359,247	\$17,352,277	\$32,000,807	\$17,678,596

	Nominal Amounts	
	6/30/22	
	Financial Assets	Financial Liabilities
Derivatives		
USD LIBOR	\$16,545,492	\$18,138,805
HKD HIBOR	-	-
TOTAL	\$16,545,492	\$18,138,805

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	6/30/23		12/31/22		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>2,216,166</u> 33,272	66.61	<u>2,214,152</u> 685,835	3.23	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>3,176,314</u> 32,548	97.59	<u>3,522,812</u> 685,835	5.14	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>2,216,166</u> 400,000	554.04%	<u>2,214,152</u> 400,000	553.54%	≥ 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>1,808,659</u> 699,460	258.58%	<u>441,936</u> 556,885	79.36%	≥ 20% ≥ 15%	"

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Article #	Calculation Formula	6/30/22		Standard	Execution
		Calculation	Ratio		
17	<u>Stock holders' equity</u> (Total liabilities – Futures customers' equity)	<u>2,224,118</u> 166,706	13.34	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>2,900,004</u> 166,246	17.44	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>2,224,118</u> 400,000	556.03%	≥ 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>1,992,515</u> 240,187	829.57%	≥ 20% ≥ 15%	"

KGI Futures

Article #	Calculation Formula	6/30/23		12/31/22		Standard	Execution
		Calculation	Ratio	Calculation	Ratio		
17	<u>Stockholders' equity</u> (Total liabilities – Futures customers' equity)	<u>3,892,775</u> 748,137	5.20	<u>3,990,803</u> 745,740	5.35	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>39,349,955</u> 36,987,201	1.06	<u>33,814,416</u> 31,308,819	1.08	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>3,892,775</u> 760,000	512.21%	<u>3,990,803</u> 760,000	525.11%	≥ 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>3,275,562</u> 7,826,595	41.85%	<u>3,507,229</u> 6,384,208	54.94%	≥ 20% ≥ 15%	"

Article #	Calculation Formula	6/30/22		Standard	Execution
		Calculation	Ratio		
17	<u>Stockholders' equity</u> (Total liabilities – Futures customers' equity)	<u>3,593,521</u> 888,172	4.05	≥ 1	Satisfied
17	<u>Current assets</u> Current liabilities	<u>40,470,567</u> 38,261,930	1.06	≥ 1	"
22	<u>Stockholders' equity</u> Minimum paid-in capital	<u>3,593,521</u> 760,000	472.83%	≥ 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>2,755,614</u> 8,477,802	32.50%	≥ 20% ≥ 15%	"

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

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

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A. Balance sheet of trust business

	6/30/23	12/31/22	6/30/22
Cash in bank	\$2,290,525	\$1,863,179	\$2,147,801
Financial assets			
Bonds	6,802,133	3,113,522	1,411,841
Stocks	16,260,039	11,471,886	12,441,803
Funds	18,475,682	16,642,614	17,579,080
Short-term securities	610,246	601,877	-
Structured notes	3,949,238	3,387,560	3,745,837
Receivables	309,982	125,745	183,685
Total trusted assets	<u>\$48,697,845</u>	<u>\$37,206,383</u>	<u>\$37,510,047</u>
	6/30/23	12/31/22	6/30/22
Payables	\$172,070	\$26,220	\$128,649
Taxes payables	227	246	179
Trust capital	45,273,523	38,620,026	37,862,883
Net income for current period	2,056,761	(4,161,210)	(3,374,510)
Accumulated profit or loss	1,451,057	3,163,084	3,162,584
Deferred carried forward	14	4,648	413
Others	(255,807)	(446,631)	(270,151)
Total trusted liabilities	<u>\$48,697,845</u>	<u>\$37,206,383</u>	<u>\$37,510,047</u>

B. Income statement of trust business

	For the three-month periods ended June 30		For the six-month periods ended June 30	
	2023	2022	2023	2022
Revenues				
Interest income	\$90,183	\$14,562	\$156,644	\$24,163
Rent income	10,750	4,980	19,215	10,905
Dividend income	219,888	188,321	368,655	302,836
Realized investment gain	186,804	268,734	314,915	538,360
Unrealized investment gain	1,333,334	(3,051,427)	4,502,101	2,014,852
Other income	348,689	305,861	1,308,392	727,174
Total revenue	<u>2,189,648</u>	<u>(2,268,969)</u>	<u>6,669,922</u>	<u>3,618,290</u>
Expenses				
Management expense	1,453	945	2,700	2,070
Taxes expense	1,600	2,227	3,039	3,597
Handling fee	7,266	20,907	12,182	45,910
Realized investment loss	194,601	1,126,656	422,317	1,856,126
Unrealized investment loss	(281,796)	1,749,853	3,531,592	4,408,269
Other expense	(6,177)	(112,507)	641,331	676,828
Total expense	<u>(83,053)</u>	<u>2,788,081</u>	<u>4,613,161</u>	<u>6,992,800</u>
Income before tax	2,272,701	(5,057,050)	2,056,761	(3,374,510)
Income tax	-	-	-	-
Net income	<u>\$2,272,701</u>	<u>\$(5,057,050)</u>	<u>\$2,056,761</u>	<u>\$(3,374,510)</u>

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C. Trust property catalog

	6/30/23	12/31/22	6/30/22
Cash in bank	\$2,290,525	\$1,863,179	\$2,147,801
<u>Financial assets</u>			
Bonds	6,802,133	3,113,522	1,411,841
Stocks	16,260,039	11,471,886	12,441,803
Funds	18,475,682	16,642,614	17,579,080
Short-term securities	610,246	601,877	-
Structured notes	3,949,238	3,387,560	3,745,837
Total	<u>\$48,387,863</u>	<u>\$37,080,638</u>	<u>\$37,326,362</u>

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

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

Offshore Securities Unit of the Company engaged in custody and investment of funds affairs on behalf of customers. Related bank deposits under such affairs on June 30, 2023, December 31, 2022 and June 30, 2022 are USD 5,941 thousand, USD 5,007 thousand and USD 6,941 thousand, respectively.

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

	6/30/23			12/31/22		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial instruments</u>						
<u>Financial assets</u>						
<u>Monetary Items</u>						
USD	\$3,823,434	31.14	\$119,045,516	\$3,541,362	30.71	\$108,749,136
HKD	310,268	3.97	1,233,004	223,543	3.94	880,313
JPY	3,587,827	0.22	771,383	961,419	0.23	223,434
EUR	506,643	33.80	17,124,554	503,112	32.71	16,456,792
CNY	43,028	4.28	184,271	44,151	4.41	194,609
AUD	9,506	20.62	196,014	9,532	20.83	198,514
<u>Non-monetary Items</u>						
USD	2,013,677	31.14	62,694,425	1,996,658	30.71	61,311,957
HKD	-	3.97	-	-	3.94	-
CNY	1,366,493	4.28	5,852,144	950,455	4.41	4,189,417
<u>Investments</u>						
<u>accounted for using the equity method</u>						
USD	84,329	31.14	2,625,597	89,057	30.71	2,734,751
<u>Financial liabilities</u>						
<u>Monetary Items</u>						
USD	5,950,468	31.14	185,270,732	5,420,728	30.71	166,460,683
HKD	248,012	3.97	985,600	181,974	3.94	716,614
JPY	3,457,601	0.22	743,384	787,748	0.23	183,073
EUR	504,941	33.80	17,067,028	500,656	32.71	16,376,474
CNY	76,641	4.28	328,220	7,777	4.41	34,281
AUD	16,353	20.62	337,205	7,212	20.83	150,205
<u>Non-monetary Items</u>						
USD	474,594	31.14	14,776,484	538,720	30.71	16,543,009

English Translation of Consolidated Financial Statements Originally Issued in Chinese

KGI SECURITIES CO. LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial instruments	6/30/22		
	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$3,327,954	29.73	\$98,925,390
HKD	256,217	3.79	970,701
JPY	1,284,866	0.22	280,402
EUR	505,542	31.05	15,697,090
CNY	33,740	4.44	149,794
AUD	8,337	20.45	170,522
<u>Non-monetary Items</u>			
USD	1,832,257	29.73	54,464,137
HKD	29,154	3.79	110,463
CNY	365,795	4.44	1,624,018
<u>Investments</u>			
<u>accounted for using the equity method</u>			
USD	82,994	29.73	2,467,079
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	5,516,419	29.73	163,978,170
HKD	213,510	3.79	808,884
JPY	1,120,429	0.22	244,505
EUR	502,581	31.05	15,605,135
CNY	3,517	4.44	15,615
AUD	6,618	20.45	135,337
<u>Non-monetary Items</u>			
USD	588,678	29.73	17,499,039

Due to various types of functional currencies, it is inefficient for the Company and subsidiaries to disclose information on exchange differences by foreign currencies having significant effect on the Company and subsidiaries. Exchange differences (including realized and unrealized) are losses 49,151 thousand dollars, losses 327,937 thousand dollars, losses 245,111 thousand dollars and losses 163,028 thousand dollars for the three-month and six-month periods ended June 30, 2023 and 2022, respectively.

(6) The reconciliation of liabilities from financing activities

The changes in the liabilities from financing activities arise from changes in the amount of cash and currency exchange rate for the six-month periods ended June 30, 2023 and 2022.