

Concord International Securities Company Limited  
Financial Statements for the  
Years Ended December 31, 2020 and 2019

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**Concord International Securities Company Limited**  
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## Independent Auditors' Report

NO.01631090A

To the Board of Directors of Concord International Securities Company Ltd.,

### **Opinion**

We have audited the financial statements of Concord International Securities Company ("the Company"), which comprise the balance sheet as of December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Concord

International Securities Company with the Code of Professional Ethics for Certified Public Accountants in the Republic of China and fulfill our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

Key audit matters of the Company's financial statements for 2020 are stated as follows:

#### **Revenue recognition**

##### **Description**

Please refer to Note 4(15) for the accounting policies on revenue recognition.

Concord International Securities Company Ltd. provides Buying on Margin services that customers buy securities under margin loan are required to pay interest based on margin rates. Due to the huge transaction amount and quantity, Concord International Securities Company Ltd. recognizes interest revenue under accrual basis, and thus exists the risk of whether interest income is recognized correctly. Also, margin interest revenue is considered as a part of important revenue. Therefore, we consider the margin interest revenue accounted for accrual basis as one of the matters of most significance to our audit.

##### **How our audit addressed the matter**

We performed the following audit procedures on the above key audit matter:

1. Tested the effectiveness of overall financing control, including interest calculation method, record and way of calculation, etc.
2. Obtained the calculation detail of security financing interest receivable, selected samples and recalculated with contract margin rates.
3. Conducted analytical review on interest revenue

## **Responsibilities of management and those charged with governance for financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing Concord International Securities Company's financial reporting process.

## **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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Concord International Corporation's internal control.
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 Concord International Corporation's ability to continue as a going concern. 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 Concord International Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. 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 the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Clock& Co.

Accountant : \_\_\_\_\_  
Cheng, Shan Shiu

Accountant : \_\_\_\_\_  
Chou, Yin Lai

No. Financial-Supervisory-Securities-VI-0930146900

No. Taiwan-FinancialSecurities-VI-53585

March 9, 2021



**Concord International Securities Company Limited**

**Balance Sheets**

**For the years ended December 31, 2020 and 2019**

(In Thousand NTs of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
Codes	Items		AMOUNT	%	AMOUNT	%
110000	<b>Current assets</b>					
111100	Cash and cash equivalents	4, 6	\$ 88,472	2	\$ 115,462	2
112000	Current financial assets at fair value through profit or loss	4, 7	2,029,728	32	1,521,236	31
114010	Bond investments under resale agreements	4, 8	63,001	1	62,840	1
114030	Margin loans receivable	4, 9	1,188,146	18	994,329	20
114040	Refinancing margin	4, 9	-	-	695	-
114050	Refinancing collateral receivable	4, 9	-	-	652	-
114060	Receivable of securities business money lending	4, 9	840	-	-	-
114066	Receivable of money lending-any use	4, 9	7,443	-	3,784	-
114130	Accounts receivable	4, 9	1,274,117	20	688,772	14
114150	Prepayments		2,481	-	4,267	-
114170	Other receivables	4	17,237	-	17,455	-
119000	Other current assets	10	275,426	4	173,902	4
110000	<b>Total current assets</b>		4,946,891	77	3,583,394	72
120000	<b>Non — current assets</b>					
123200	Non-current financial assets at fair value through other comprehensive income	4 ,11	370,153	6	258,350	5
125000	Property and equipment	4 ,12	713,604	11	707,534	14
125800	Right-of-use assets	4 ,13	20,041	-	22,275	1
126000	Investment property	4 ,14	118,258	2	119,568	2
127000	Intangible assets	4 ,15	7,462	-	1,797	-
128000	Deferred tax assets	4 ,25	13,909	-	13,936	-
129000	Other non-current assets	16	274,332	4	275,773	6
120000	<b>Total noncurrent assets, net</b>		1,517,759	23	1,399,233	28
	<b>Total Assets</b>		\$ 6,464,650	100	\$ 4,982,627	100

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

**Concord International Securities Company Limited**

**Balance Sheets (continued)**

**For the years ended December 31, 2020 and 2019**

(In Thousand NTs of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
Codes	Items		AMOUNT	%	AMOUNT	%
210000	<b>Current liabilities</b>					
211100	Current borrowings	17	\$ 230,000	4	\$ 130,000	2
211200	Commercial paper payable	18	600,825	9	349,868	7
214040	Securities financing refundable deposits	9	51,319	1	48,051	1
214050	Deposits payable for securities financing	9	54,754	1	52,457	1
214110	Notes payable		2,626	-	4,033	-
214130	Accounts payable	19	1,297,494	20	728,865	15
214160	Receipts under custody		96,677	2	3,044	-
214170	Other payables	20	63,734	1	35,115	1
214600	Current tax liabilities	4, 25	4,194	-	5,516	-
216000	Current lease liabilities		2,170	-	2,148	-
219000	Other current liabilities		1,040	-	886	-
210000	<b>Total current liabilities</b>		2,404,833	38	1,359,983	27
220000	<b>Noncurrent liabilities</b>					
224020	Long-term deferred revenue		2,411	-	-	-
226000	Non-current lease liabilities		18,137	-	20,307	1
229030	Guarantee deposit received		1,071	-	1,131	-
229070	Non-current net defined benefit liability	4, 21	64,468	1	64,484	1
220000	<b>Total noncurrent liabilities</b>		86,087	1	85,922	2
	<b>Total Liabilities</b>		2,490,920	39	1,445,905	29
301000	<b>Capital</b>					
301010	Common stock		2,374,904	37	2,374,904	48
302000	Total capital surplus		119,608	2	119,608	2
304000	<b>Retained earnings (or accumulated deficit)</b>					
304010	Legal reserve		90,357	1	77,389	2
304020	Special reserve		866,420	13	806,609	16
304040	Unappropriated retained earnings (accumulated deficit)		455,854	7	203,427	4
305000	<b>Total other equity interest</b>		66,587	1	(45,215)	(1)
	<b>Total Equity</b>	22	3,973,730	61	3,536,722	71
	<b>Total liabilities and equity</b>		\$ 6,464,650	100	\$ 4,982,627	100

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

Chairman: Hsu, Wen Ko, Manager: Pan, Hua Jian, Accounting manager: Chou, Tin Ho

**Concord International Securities Company Limited**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2020 and 2019**

(In Thousand NTs of New Taiwan dollars)						
Codes	Items	Notes	2020 AMOUNT	%	2019 AMOUNT	%
400000	Revenues		\$ 729,816	100	\$ 333,592	100
401000	Brokerage handling fee revenue	24	234,184	32	150,447	45
404000	Revenues from underwriting business		2,424	-	822	-
410000	Gains (losses) on sale of operating securities	24	67,529	9	48,811	15
421200	Interest revenue	24	52,888	7	50,399	15
421300	Dividend revenue		61,808	9	64,497	19
421500	Valuation gains (losses) on operating securities at fair value through profit or loss	24	307,751	42	16,014	5
424100	Futures commission revenues		3,238	1	2,555	1
425300	Impairment loss (impairment gain and reversal of impairment loss)		(194)	-	(15)	-
428000	Other operating income		188	-	62	-
500000	<b>Total expenditure and expense</b>		(266,731)	(37)	(221,587)	(67)
501000	Brokerage handling fee expense		(14,559)	(2)	(8,937)	(3)
502000	Proprietary handling fee expense		(88)	-	(52)	-
503000	Refinancing processing fee expenses		(60)	-	(25)	-
504000	Underwriting operation processing fee expenses		(54)	-	(75)	-
521200	Finance costs		(4,279)	(1)	(3,853)	(1)
531000	Employee benefits expenses		(169,622)	(23)	(134,765)	(40)
532000	Depreciation and amortization expense		(20,228)	(3)	(18,788)	(6)
533000	Other operating expense		(57,841)	(8)	(55,092)	(17)
5xxxxx	<b>Non-operating income(loss)</b>		463,085	63	112,005	33
602000	Other gains and losses	24	27,389	4	26,470	8
902001	<b>Profit (loss) from continuing operations before tax</b>		490,474	67	138,475	41
701000	<b>Income tax expense (benefit)</b>	4, 25	(21,397)	(3)	(2,823)	-
902005	<b>Profit (loss)</b>		469,077	64	135,652	41
805000	<b>Other comprehensive income</b>					
805500	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>		98,551	14	(39,839)	(12)
805510	Gains (losses) on remeasurements of defined benefit plans		(16,564)	(2)	(7,458)	(2)
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income		111,802	15	(33,873)	(10)
805599	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		3,313	1	1,492	-
			98,551	14	(39,839)	(12)
902006	<b>Total comprehensive income</b>		\$ 567,628	78	\$ 95,813	29
	<b>Earnings per share</b>	23				
975000	Total Basic earnings per share		\$ 1.98		\$ 0.57	
985000	Total Diluted earnings per share		\$ 1.97		\$ 0.57	

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

Chairman: Hsu, Wen Ko, Manager: Pan, Hua Jian, Accounting manager: Chou, Tin Ho

**Concord International Securities Company Limited**  
**Statements of Changes in Equity**  
**From January 1 to December 31, 2020 and 2019**

(In Thousand NTs of New Taiwan dollars)

Items	Common stocks	Capital surplus	Retained earnings			Total other equity interest		Total Equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on financial assets available for sale	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	
<b>Equity at January 1, 2019</b>	\$ 2,240,475	\$ 119,608	\$ 32,913	\$ 756,341	\$ 437,492	\$ —	\$ (11,342)	\$ 3,575,487
Effects of retrospective application	-	-	-	-	(150)	-	-	(150)
Equity at beginning of period after adjustments	2,240,475	119,608	32,913	756,341	437,342	-	(11,342)	3,575,337
Appropriations of 2018 earnings								
Legal reserve appropriated			44,476		(44,476)			-
Special reserve appropriated				91,176	(91,176)			-
Cash dividends of ordinary share					(134,428)			(134,428)
Stock dividends of ordinary share	134,429				(134,429)			-
Reversal of special reserve				(40,908)	40,908			-
Profit (loss)					135,652			135,652
Other comprehensive income					(5,966)		(33,873)	(39,839)
Total comprehensive income	-	-	-	-	129,686	-	(33,873)	95,813
<b>Equity at December 31, 2019</b>	2,374,904	119,608	77,389	806,609	203,427	-	(45,215)	3,536,722
Appropriations of 2019 earnings								
Legal reserve appropriated			12,968		(12,968)			-
Special reserve appropriated				59,811	(59,811)			-
Cash dividends of ordinary share					(130,620)			(130,620)
Profit (loss)					469,077			469,077
Other comprehensive income					(13,251)		111,802	98,551
Total comprehensive income	-	-	-	-	455,826	-	111,802	567,628
<b>Equity at December 31, 2020</b>	\$ 2,374,904	\$ 119,608	\$ 90,357	\$ 866,420	\$ 455,854	\$ —	\$ 66,587	\$ 3,973,730

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

Chairman: Hsu, Wen Ko, Manager: Pan, Hua Jian, Accounting manager: Chou, Tin Ho

**Concord International Securities Company Limited**  
**Statements of Cash Flows**  
**From January 1 to December 31, 2020 and 2019**

(In Thousand NTs of New Taiwan Dollars)

Items	2020 AMOUNT	2019 AMOUNT
<b>Cash flows from (used in) operating activities, indirect method:</b>		
<b>Profit (loss) before tax</b>	\$ 490,474	\$ 138,475
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss)</b>		
Depreciation expense	17,620	17,353
Amortization expense	2,608	1,435
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	194	15
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(307,751)	(16,014)
Interest expense	4,279	3,853
Interest income (including financial income)	(56,232)	(54,700)
Dividend income	(61,808)	(64,497)
Loss (gain) on disposal of property, plant and equipment	20	13
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in financial assets at fair value through profit or loss	(200,741)	17,432
Decrease (increase) in bond investments under resale agreements	(161)	(196)
Decrease (increase) in margin loans receivable	(193,817)	(167,869)
Decrease (increase) in refinancing margin	695	(619)
Decrease (increase) in refinancing collateral receivable	652	(589)
Decrease (increase) in receivable of securities business money lending	(4,499)	532
Decrease (increase) in notes receivable	-	35
Decrease (increase) in accounts receivable	(585,345)	(206,288)
Decrease (increase) in other prepayments	1,786	(2,170)
Decrease (increase) in other receivable	(52)	(232)
Decrease (increase) in other current assets	(101,524)	432
Increase (decrease) in securities financing refundable deposits	3,268	19,818
Increase (decrease) in deposits payable for securities financing	2,297	22,369
Increase (decrease) in notes payable	(1,407)	1,612
Increase (decrease) in accounts payable	568,629	275,104
Increase (decrease) in receipts under custody	93,633	931
Increase (decrease) in other payable	28,758	(9,782)
Increase (decrease) in other current liabilities	3	10
Increase (decrease) in net defined benefit liability	(16,579)	1,059
Increase (decrease) in long-term deferred revenue	2,411	-
Cash inflow (outflow) generated from operations	(312,589)	(22,478)
Interest received	56,301	55,119
Dividends received	61,808	64,497
Interest paid	(4,061)	(3,714)
Income taxes refund (paid)	(19,379)	(16,485)
Net cash flows (used in) from operating activities	(217,920)	76,939

**Concord International Securities Company Limited**  
**Statements of Cash Flows (continued)**  
**January 1 to December 31, 2020 and 2019**

(In Thousands of New Taiwan Dollars)

Items	2020	2019
	AMOUNT	AMOUNT
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property and equipment	(21,055)	(8,758)
Increase in deposits settlement fund	-	(1,937)
Decrease in deposits settlement fund	2,258	1,818
Acquisition of intangible assets	(8,153)	(210)
Increase in other non-current assets	(104)	(159)
Net cash flows from (used in) investing activities	(27,054)	(9,246)
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	1,950,200	1,630,000
Decrease in short-term loans	(1,850,200)	(1,800,000)
Increase in commercial papers payable	4,121,000	3,570,000
Decrease in commercial papers payable	(3,870,000)	(3,360,000)
Increase in guarantee deposit received	90	30
Payments of lease liabilities	(2,371)	(2,341)
Cash dividends paid	(130,735)	(134,441)
Net cash flows provided from (used in) financing activities	217,984	(96,752)
Net increase (decrease) in cash and cash equivalents	(26,990)	(29,059)
Cash and cash equivalents at beginning of period	115,462	144,521
Cash and cash equivalents reported in the statement of financial position	\$ 88,472	\$ 115,462

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

Chairman: Hsu, Wen Ko, Manager: Pan, Hua Jian, Accounting manager: Chou, Tin Ho

Concord International Securities Company Limited  
NOTES TO FINANCIAL STATEMENTS  
For the years ended December 31, 2020 and 2019  
(Expressed in thousand NTs of New Taiwan dollars, except as otherwise indicated)

**1. History and organization**

Concord International Securities Company was incorporated as a comprehensive securities firm approved by the Securities and Futures Bureau of the Financial Supervision and Administration Commission of the Executive Yuan in November, 1989. The company was approved to list on emerging stock market on January 5, 2009 and was approved to list on over the counter stock market on December 27, 2017 with registered number 10601021151

The Company is authorized to conduct the following businesses:

- (1) Underwriting of marketable securities;
- (2) Trading of marketable securities on a proprietary basis on stock exchange and firms age of marketable securities on stock exchange;
- (3) Trading of marketable securities at the Company's branches;
- (4) Margin loan, short sale and refinancing;
- (5) Securities business money lending;
- (6) Dealership of foreign marketable securities;
- (7) Futures trading on a proprietary basis;
- (8) Other relevant services as approved by the authority in charge.

The Company merged Rui Shun Security Corporation on November 12, 2007 and regarding the date as reference date. The Company is taken as the surviving company.

## **2. Approval date and procedures of the financial statements**

The financial statements were authorized for issue by the board of directors on March 9, 2021

## **3. New standards, amendments and interpretations adopted**

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021



New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) Influence of new standards issued by IASB but not yet included in the IFRSs endorsed by the FSC

The following new standards, interpretations and amendments have been issued by IASB but not yet included in the IFRSs endorsed by the FSC:

New Standards, Interpretations and Amendments International Accounting Standards Board	Effective Date by
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The Company is evaluating the impact of its initial adoption of the aforementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

#### 4. Summary of significant accounting policies

The Company's significant accounting policies are described below:

##### (1) Statement of compliance

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations (IFRSs) as

endorsed by the FSC.

## **(2) Basis of preparation**

### **1) Basis of measurement**

Except defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations, these financial statements have been prepared under the historical cost convention.

### **2) Functional and presentation currency**

The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand NT.

## **(3) Classification of current and non-current items**

An asset is classified as current under one of the following criteria:

- 1) Assets held for the trading purposes;
- 2) Assets that are expected to be realized within twelve months from the balance sheet date;
- 3) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

A liability is classified as current under one of the following criteria:

- 1) Liabilities incurred for the trading purposes;
- 2) Liabilities that are to be paid off within twelve months from the balance sheet date;(Long-term refinancing and payment term reschedule done between balance sheet date and release of financial statement, are recognized as current liabilities)
- 3) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities are not classified as the aforementioned conditions, are classified as non-current assets and non-current liabilities.

## **(4) Cash equivalents**

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents. °

Time deposits over three months since acquisition date for the operating purpose, are recognized as cash equivalent.

## **(5) Financial instruments**

Financial assets and liabilities should be recognized when the company

becomes one of the parties in the contract.

If financial assets or financial liabilities are not measured at fair value through profit or loss, they should be measured at fair value plus transaction costs directly attributed to acquiring or issuing financial assets and liabilities measured at fair value through profit or losses at initial recognition. Transaction costs directly attributed to acquiring or issuing financial assets and liabilities measured at fair value through profit or losses are recognized as profit or losses.

### **1) Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

#### **(1) Classification and measurement**

Financial assets held by the company are classified as financial assets at fair value through profit or loss, financial assets measured at amortized cost and fair value and financial assets at fair value through other comprehensive income.

#### **(1) Financial assets at fair value through profit or losses**

Financial assets at fair value through profit or losses include equity investments that are not measured at fair value through other comprehensive income and debt instrument that are not measured at amortized cost or fair value through other comprehensive income.

Profit or losses from financial assets at fair value through profit and losses remeasurement are recognized as profit and losses, not include dividends and interests. Definition of fair value refers to note (35) at Financial Instrument

#### **(2) Financial assets measured at amortized cost**

A financial asset is measured at amortized cost if it meets both of the following criteria:

- (a) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- (b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **(3) These assets are subsequently measured at amortized cost, which**

is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized as profit or loss. Any gain or loss on derecognition is recognized as profit or loss.

Interest rates are calculated by effective interest rates times book values of financial assets except following criteria:

- (a) Acquired or initial financial assets with credit impairment, interest incomes are calculated by effective interest rate after credit adjustment times amortized cost financial assets.
  - (b) Acquired or initial financial assets with no credit impairment, but subsequently change into credit impaired assets, interest incomes are calculated by effective interest rate times amortized cost financial assets.
- (2) Equity investments at fair value through other comprehensive income

The Company could make an irrevocable election at initial recognition to measure equity instruments that are not held for trading purpose and contingent consideration equities not recognized by corporation mergers at fair value through other comprehensive income.

The changes in fair value of equity investments that were

recognized as other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

Dividends are recognized as revenue when the right to receive payment is established unless the dividend clearly represents recover of investment.

### (3) Impairment of financial assets

The company measures impairment losses of amortized cost financial assets, including account receivable, at expected credit losses at each reporting date.

The Company recognizes impairment provision of account receivable for the lifetime expected credit losses. The impairment provision of other financial assets for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition.

Expected credit losses are weighted average credit losses that take default risk as weight. 12 months expected credit losses mean stand for expected credit losses of financial instruments could arise from probable default causing events of financial instruments occurs in 12 months after balance sheet date, and lifetime expected credit losses mean stand for expected credit losses arise from of all probable default causing events of financial instruments in financial instruments occurs in lifetime.

The book amounts of impairment losses of all financial assets are reduced by allowance account.

(4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

On derecognition of a financial asset in its entirety, the difference between book value and collection received plus sum of any cumulated profit or losses recognized as other comprehensive income shall be recognized as profit or losses.

On derecognition of an equity investment measured at fair value through other comprehensive income in its entirety, cumulative profit or losses are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment.

**2) Financial liabilities and equities instrument**

(1) Classification of financial liabilities or equity instrument

Debt and equity instruments issued by the Company are classified as financial liabilities or equities in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A. Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity

instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

#### B. Financial liabilities

Financial liabilities in the scope of IFRS 9 are classified as financial liabilities measured at fair value through profit or losses or financial liabilities measured at amortized costs.

##### a. Financial liabilities at fair value through profit and losses

Financial liabilities at fair value through profit and losses, include financial liabilities holding for transaction and financial liabilities designated at fair value through profit and losses. Financial liabilities meet one of the following criteria are classified as held for transaction:

- (a) The purpose of acquisition is for selling in short terms;
- (b) Financial instruments are initially recognized as a part of the identifiable combination of financial instruments which are managed in a centralized way, and for which there are objective evidences that prove that the enterprise will manage the combination by way of short-term profit-making in the near future; or
- (c) Being derivative instruments, but except financial guarantee contracts and designated derivative instruments which are effective hedging instruments.

Structured contracts which contain one or more embedded derivatives could be designated as liabilities measured at fair value through profit or losses; the contract is designated to be measured at fair value through profit or losses when it meets one of the

following reasons and could provide more relevant information:

- (a) The designation can eliminate or significantly reduce inconsistency of measurement or recognition.
- (b) A set of financial assets, liabilities or both are managed on fair value basis and the performances are also reviewed on the basis. The information of investment portfolio that the company provides manage level with is also based on fair value.

The profit or losses arise from financial liabilities remeasurement are recognized as profit or losses, which include interests paid by the financial liabilities.

The above designated financial liabilities measure at fair value through profit or losses that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or losses; and the residual fair value amount movements of the liabilities shall be presented in profit or losses.

b. Financial liabilities measured at amortized costs

Financial liabilities measured at amortized costs include account payable and loan, etc., are measured at effective interest method after initial recognition. On derecognition of financial liabilities and on amortization through effective interest method, all relevant profit and losses and amortizations are recognized as current profit



and losses.

Calculation of costs after amortization considers discount or premium and transaction cost at the time period of acquisition.

(2) Derecognition of financial liabilities

The Company derecognizes financial liabilities only when obligation is discharged, cancelled, or expired. On derecognition of financial liabilities, the differences between book value and sum of collection paid or payable, include any transferred non-cash assets or liabilities.

(3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently have a legally enforceable right to set off the amounts and he intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3) Fair value of financial instruments

Fair value of financial asset traded in active markets is market price at each end of the reporting period, transaction costs are not considered.

Fair value of financial assets traded at non-active market is decided by appropriate valuation technique. The valuation technique includes using current fair market transaction, referring to the current fair value of another financial instrument that is substantially same, and discounted cash flow analysis or the valuation model.

**(6) Bonds with resell and repurchase agreements**

Bond transactions under repurchase or resale agreements are stated at the amount of actual payment or receipt. If the transaction is for financing purpose, when transactions of bonds with a condition of resale agreements occur, the actual payment or receipt shall be recognized as 'bonds purchased under resale agreements' under current assets. When

transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognized as 'bonds sold under repurchase agreements' under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized as interest income or interest expense.

When bonds are repurchased, they are reflected under "bonds sold under repurchase agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest expense. When bonds are resold, they are reflected under "bonds purchased under resell agreements" at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

**(7) Margin loan, short sale and refinancing**

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are recorded through memo entries and are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. These securities lent to customers for short sales are recorded through memo entries. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral respectively.

**(8) Security loan**

The company recognizes account receivable of security loan as loan receivable and recognizes bad debt for the possible recover of account receivable; collaterals acquired from security loan are recorded at memo entry.

**(9) Property and equipment**

Property and equipment take acquisition cost as recognition basis, and present after less accumulated depreciation and accumulated impairment. The cost aforementioned includes destruction of property and equipment,

cost of remove and restore at the place it locates and interest expenditure arises from unfinished project.

On significant component item of property and equipment be allocated regularly, the Company takes the item as individual asset and recognizes it separately with specific useful life and depreciation method. Carrying amount of the reset part is derecognized as accordance with IFRS 16 “Derecognition”.

Depreciation is recognized on straight-line basis with useful years as follows:

Building (including affiliate equipment)	18～60 years
Equipment	3～ 8 years

If items of property and equipment or any important components after initial recognition are disposed or expected no future economic benefit inflow arises from usage or disposal, they shall be derecognized and delisted and profit or loss arise from the disposal shall be recognized.

The residual value, useful lives and depreciation method are evaluated at the end of every financial year, if the expected values were different from the previous, the change shall be taken as “Changes in accounting estimates”.

**(10) Lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.

The Company as Lessee

For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term, right-of-use assets and lease liabilities of other leases are recognized as the commencement date.

The right-of-use asset is initially measured at cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment losses, and the remeasurement amount of lease liabilities is adjusted. Right-of-use asset is solely presented in balance sheet.

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term.

Lease liabilities are measured at present value of lease payments (include fix payment, variable lease payments that vary according to an index or a rate). If interest rate implicit in a lease is easy to determine, lease payment can be discounted at the interest rate. If the interest rate is not easy to determine, then discounted at lessee's incremental borrowing rate of interest.

The Company subsequently measures the lease liability at amortized cost using interest method and recognizes interest expense over the lease term. The lease liability is re-measured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

(11) **Investment property**

Investment property applies to the accounting for either property held to earn long-term rental income or for capital appreciation or for both, instead of property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost at initial recognition and also subsequently measured at cost, and depreciation expenditure is recognized in accordance to depreciable amounted at after initial recognition. Depreciation method, useful life and residual value are in accordance to the rule of property and equity. Cost includes expenditure that is directly attributable to the acquisition of the investment property. On usage of investment property change, invest and reclassified as property and equipment, they should be reclassified as property and equipment at the carrying account at reclassification.

(12) **Intangible assets**

Intangible assets that are solely acquired by the Company and have finite useful lives are measured at cost, and subsequent measured at cost less accumulated amortization and any accumulated impairment losses. The Company uses the straight-line method over the useful lives for amortization. Depreciation method, useful lives and residual value are reviewed at each balance sheet date. Unless these assets are disposed before economic life, the residual values of intangible assets with finite useful lives are zero. Influence of accounting changes is dealt with prospective application.

Useful lives and amortization method of intangible assets with finite useful lives are as follows:

Type	Useful life	Amortization method
Cost of software	3~5 years	Straight -line method on finite useful life

(13) **Impairment of non-financial assets**

The Company assesses at each balance sheet date the recoverable amounts of those assets which is applicable to IFRS 36 “Asset impairment” where there is an indication that they are impaired. If there are circumstances for recognizing impairment loss or required to measure impairment losses on an asset regularly. If the circumstances exist, the Company immediately measures recoverable amount of the asset or cash generating unit. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value or value in use.

Except goodwill, the Company evaluates assets if there are circumstances for recognizing impairment loss for an asset in prior years no longer exist or diminish. If the circumstances exist, the Company immediately measures recoverable amount of the asset or cash generating unit. If recoverable amount increases due to estimate service potential changes of the asset, then reverse impairment. Only at reversed carrying amount does not exceed asset under circumstance that impairment losses had not been recognized, less depreciated or amortized carrying amount.

(14) **Liability reserve**

On possible present obligation (legal or constructive) that arises from past event for payoff and the amount can be measured reliably, the Company recognizes liability reserve. Amount of liability reserve recognition considers risk and uncertainty of obligation, and is the best estimation of payment required for obligation payoff. If liability reserve is measured at the cash flow of present obligation payoff, the carrying amount is present value of the cash flow.

**(15) Revenue recognition**

The company's contractual revenue is mainly from providing services, the accounting treatments are explained as follows:

Services provided by the Company include firms age, underwriting, stock agency and consultancy service. The services are solely priced or negotiable and are provided on the basis of number of times, at a certain point in time that the performance obligation is met, thus the revenue is recognized when the performance obligation is met.

Most of the contract agreement amounts of the Company are averagely charged in the contract term after providing services, the Company recognizes contract assets when having the right to transferring service to customer but still not have the right to charge collection unconditionally.

However, since part of the collection are charged to customers when signing contract, the Company bears obligation to offer services consequently, thus recognizes part of the contract as contract liabilities.

The term of aforementioned contract liabilities reclassified to revenue usually less than one year, it doesn't cause arise of significant financial component.

**(16) Borrowing costs**

Borrowing cost directly attribute to acquire, build or produce asset that meets requirement (assets that must reach the intended use or sale status after a considerable period of time) is deemed as part of asset cost until almost all necessary activities for making the asset reach the intended use or sale status are done.

Except the above, all other borrowing costs are recognized as profit or losses in the current period.

**(17) Employee benefits**

**A. Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**B. Termination benefits**

Obligations for contributions to defined contribution plans are expensed as the related service is provided; Defined retirement benefit plans recognize defined benefit cost at actuarial results.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets, is recognized as other comprehensive income in the period in which they occur, subsequently will not be reclassified to profit or loss. Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plans.

**(18) Income tax**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all taxes are recognized as profit or loss.

**A. Current income tax**

Current income tax is based on current year's taxable income. Since part of the profit and expense is recognized as taxable or deductible items of other years or recognized as not taxable or deductible items in accordance with relevant tax laws, lead to the difference between taxable income and net income reported by comprehensive income statement. The company's current income tax expense relevant liability is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Underestimated or overestimated incomes taxes from past years are recognized as adjustment of current income tax.

**B. Deferred income tax**

Deferred income tax is recognized as accordance to carrying asset and carrying amount of liabilities and temporary difference arises from the basis of taxable income calculation. Deferred income tax liabilities are recognized as all taxable temporary differences in the future; Deferred income tax assets are recognized only at it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and deferred income tax liabilities could only be offset at the following condition:

- (i) Corporation has legally enforceable right to offset current income tax assets and current income tax liabilities; and
- (ii) Deferred income tax assets and liabilities are levied by the same taxation authority on either the same entity or different entities that intend to settle current income tax liabilities and assets at every future term of significant amount's deferred income tax liabilities and assets are anticipated to settle and recover on a net basis, or realize assets and settle liabilities simultaneously.

Carrying amounts of deferred income tax assets shall be reviewed at every end of reporting period, and carrying amounts of not possible to have sufficient taxable income to recover all of or part of assets shall be reduced.

Assets not initially recognized as deferred assets are also reviewed at the end of reporting period, and increase carrying amount of probable that taxable income available for recover all of or part of assets.

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the balance sheet date.

Deferred income tax liabilities and assets' measurement reflects the tax consequences of entity are expected to recover or settle the carrying amount of its assets and liabilities at the end of reporting period.

**5. Major sources of significant accounting assumptions, judgments and estimation uncertainty**

The Company's management shall properly exercise its professional judgment, estimates, and assumptions on the information of the key risks that is not easy to be obtained from other resources and could affect the carrying amounts of financial assets and liabilities while adopting critical accounting policies as stated in Note (4).

The Company evaluates the estimates and assumptions on an ongoing basis and recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized as both periods.

Relevant information on key assumptions to be made in the future, key sources of assumption uncertainty made at balance sheet date, and assumptions and estimates that may cause key risks that could affect the carrying amounts of financial assets and liabilities are as follows:

**(1) Fair value of financial instruments**

The Company use valuation technique to determine the fair value of financial instruments not traded at active market, relevant estimation, assumption and book value are referred to Note(35) at 'Financial instrument fair value'.

**(2) Impairment assessment of non-financial assets(except goodwill)**

During assessment of assets impairment, the Company relies on subjective judgment and determines specific assets segment's independent cash flow, assets useful lives and probable arising benefit and expense in the future according to usage of assets and characteristic of industries. Any changes of economic situation and changes of estimation due to company strategy could cause significant impairment in the future.

**(3) Calculation of net defined benefit liabilities**

When calculating present value of benefit obligation, the Company needs to use judgment and estimation to decide relevant actuarial assumption, including discount rate and salary growth rate in the future, at end of the reporting period.

Any actuarial assumption changes could significantly affect the amount of defined benefit obligation.

**6. Cash and cash equivalent**

	December 31, 2020	December 31, 2019
Allowance	\$ 273	\$ 273
Demand deposits	38,148	50,138
Check deposit	51	51
Time deposit	50,000	65,000
Total	\$ 88,472	\$ 115,462

Interest rate of bank deposit at balance sheet day shows as follows:

	December 31, 2020	December 31, 2019
Time deposit	0.82%	1.065%

**7. Financial assets measured at fair value through profit and losses — current**

	December 31, 2020	December 31, 2019
<u>Measured at fair value through profit and losses</u>		
Non derivative financial assets		
Operating Securities — dealer	\$ 2,029,099	\$ 1,504,282
Operating Securities — underwriting	629	16,954
Total	\$ 2,029,728	\$ 1,521,236

(1) Operating Securities — dealer

	December 31, 2020	December 31, 2019
<u>Measured at fair value through profit and losses</u>		
Listed stock	\$ 1,516,669	\$ 1,256,224
OTC stock	93,549	139,091
Emerging market stock	9,970	5,791
Subtotal	1,620,188	1,401,106



Adjustment of Operation Securities - dealer	408,911	103,176
Total	\$ 2,029,099	\$ 1,504,282

(2) Operating Securities — underwriting

	December 31, 2020	December 31, 2019
<u>Measured at fair value through profit and losses</u>		
Listed stock	\$ 582	\$ 18,923
Adjustment of operation Securities -underwriting	47	(1,969)
Total	\$ 629	\$ 16,954

**8. Bonds purchased under resale agreements**

Item	December 31, 2020	December 31, 2019
Central government construct bond	\$ 63,001	\$ 62,840
Resale with interest	\$ 63,009	\$ 62,856
Period for resale	Jan 14, 2021	Jan 15, 2020
Interest rate	0.17%	0.35%

**9. Margin loans receivable/Account receivable/Loans receivable/Collection**

(1) Margin loan and short sale

Guaranteed securities provided from customers and securities lent to customers by the Company on margin loan and short sale business are

		December 31, 2020	
	Stock number (in thousand NT shares)	Book value	Market price
Margin guarantee securities	51,727	\$ 517,270	\$ 2,271,089
Short sale lending securities	801	\$ 8,010	\$ 55,037

December 31, 2019

	Stock number (in thousand NT shares)	Book value	Market price
Margin loan guarantee securities	38,635	\$ 386,350	\$ 1,842,626
Short sale lending securities	728	\$ 7,280	\$ 52,726

When the Company operates security margin loan business, the financing fund loaned to stock buyer is recognized as security margin receivable, the stock bought by margin buyers is deemed as collateral. The Company's security margin receivable for the year ended December 31, 2020 and December 31, 2019 were 1,188,146 thousand NT Dollars and 994,329 thousand NT dollars, respectively.

The Company operates security short selling business, deposit received from short sellers is recognized as short selling deposit, and the amount received from short selling is deemed as collateral and recognized as short selling collateral, the Company's short selling deposit in 2020 and at December 31, 2019 were 51,319 thousand NT Dollar and 48,051 thousand NT Dollar, and short selling collateral receivable were 54,754 thousand NT Dollar and 52,457 thousand NT Dollar.

The Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral respectively. The Company's refinancing deposit balance in 2020 and at December 31, 2019 were 0 thousand and 695 thousand NT dollars, and receivable on refinancing collateral were 0 thousand and 652 thousand NT dollars.

The company calculates margin maintenance rate every day in accordance to "Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities", when margin maintenance rate is lower than 130%, the Company announces principal to pay the margin difference. Thus, management level of the Company think credit risks are significantly decreased.

(2) Receivable of securities business money lending

	December 31, 2020	December 31, 2019
Receivable of securities business money lending	\$ 840	\$ —

Receivable of securities business money lending — nonrestricted	7,443	3,784
Total	\$ 8,283	\$ 3,784

The Company operates securities loan receivable business and takes securities bought or held by customers as collateral. Thus, Management level of the Company think credit risks are significantly decreased.

(3) Detail of accounts receivable and collections

Accounts receivable	December 31, 2020	December 31, 2019
Settlement receivable	\$ 1,180,210	\$ 687,456
Settlement	53,558	—
Receivable on securities purchased for customers	4,951	596
Other	35,398	720
Less: provisions	—	—
Total	\$ 1,274,117	\$ 688,772

In order to decrease credit risk, the Company makes relevant interior control system and methods for line of credit determination and credit approval's procedure, and also reviews recoverable payment of account receivables one by one on balance sheet date to make sure that unrecoverable payment receivable has recorded appropriate impairment losses. Thus, Management level of the Company think credit risks are significantly decreased.

The Company takes simplified method of IFRS 9, and recognizes allowance for losses of payment receivable in accordance to lifetime expected credit losses. Lifetime expected credit loss consider customers' default records and financial situation and industry economic situation and prospect, and set expected credit loss rate with overdue days of payment receivable.

The Company's allowances for losses of measured security financing receivable, security loan receivable, and account receivable are as follows:

December 31, 2020

	Security financing	Security loan	Security settlement	Not overdue	Total
Expected rate of credit losses	0%	0%	0%	0%	
Total carrying amount	\$1,188,146	\$ 8,283	\$1,238,719	\$ 35,398	\$2,470,546

Allowance for losses (lifetime expected credit losses)	—	—	—	—	—
Amortized cost	<u>\$1,188,146</u>	<u>\$ 8,283</u>	<u>\$1,238,719</u>	<u>\$ 35,398</u>	<u>\$2,470,546</u>

December 31, 2019

	Security financing	Security loan	Security settlement	Not overdue	Total
Expected credit loss rate	0%	0%	0%	0%	
Total carrying amount	\$ 994,329	\$ 3,784	\$ 688,052	\$ 720	\$1,686,885
Allowance for losses (lifetime expected credit losses)	—	—	—	—	—
Amortized cost	<u>\$ 994,329</u>	<u>\$ 3,784</u>	<u>\$ 688,052</u>	<u>\$ 720</u>	<u>\$1,686,885</u>

If the above account receivable components are classified as consignment trading payments of securities and consignment trading handling fee revenue, relevant payments are collected in two business days after balance sheet day; if classified as financing business relevant payment, they will be collected together with the fund at the due date, so it will not be overdue.

Accounts that are not overdue are mainly derived from dealer's sales of share revenue and future commission revenue, etc. Sales of share revenue for the year ended December 31, 2020 and December 31, 2019 were 34,982 thousand NT Dollar and 477 thousand NT Dollar, respectively.

Changes of security financing receivable, security loan receivable, allowance for losses of account receivable are as follows:

	January 1, 2020 to December 31,	January 1, 2019 to December 31,
Opening balance	\$ —	\$ 2,952
Add: current credit impairment losses	—	15
Less: Current offset	—	(2,967)
Ending balance	<u>\$ —</u>	<u>\$ —</u>

**10. Other current assets**

	December 31, 2020	December 31, 2019
Restricted assets	\$ 174,286	\$ 172,453
Pending settlement	9,321	1,440
Authorized underwriting payment for shares	91,816	6
Others	3	3
Total	<u>\$ 275,426</u>	<u>\$ 173,902</u>

(1) Restricted assets interest rate at balance sheet day is as follows:

	December 31, 2020	December 31, 2019
Time deposit	0.09%~0.82%	0.12%~1.065%

(2) About providing guarantee and pledge please refers to Note (29)

**11. Financial assets measured at fair value through other comprehensive profit or losses-non current**

Company	December 31, 2020	December 31, 2019
<u>Equity instruments others</u>		
Taiwan Depository & Clearing Corporation	\$ 10,707	\$ 15,585
Taiwan Futures Exchange	46,154	72,490
Giantcom International Telecommunication	—	—
TAIWAN AFTER PRINT-OUT AUTOMATION CORPORATION	—	—
SAINT SONG CORP.	—	—
JIUH-YEH PRECISION MACHINERY CO., LTD.	—	—
ACORP ELECTRONICS CORPORATION	—	—
HUANG HSUN Technology Consultation Co., Ltd.	—	—
NexSmart Technology Inc.	—	—
KI GIANT TECHNOLOGY INC.	445	451
CTC UNION TECHNOLOGIES CO., LTD.	205	213

AURIA SOLAR CO., LTD.	—	—
Subtotal	57,511	88,739
<u>Operating Securities — dealer</u>		
QUINTAIN STEEL CO., LTD.	312,642	169,611
Total	\$ 370,153	\$ 258,350

The above equities are held for medium long term, thus are designated to measure at fair value through other comprehensive profit or losses.

## 12. Property and equipment

2020						
Item	Opening balance	Adding	Disposal	Reclassification	Effect of exchange rate change	Ending balance
<u>Costs</u>						
Land	\$473,541	\$ 7,781	\$ —	\$ —	\$ —	\$481,322
Buildings	415,779	6,614	—	—	—	422,393
Equipment	23,557	5,771	1,039	—	—	28,289
Leasehold improvement costs	176	—	176	—	—	—
Idle assets-others	73,994	—	—	—	—	73,994
Subtotal	987,047	\$ 20,166	\$ 1,215	\$ —	\$ —	1,005,998
<u>Accumulated depreciation and impairment</u>						
Buildings	235,480	\$ 8,168	\$ —	\$ —	\$ —	243,648
Equipment	15,165	4,885	1,019	—	—	19,031
Leasehold improvement	132	44	176	—	—	—
Idle assets-others	28,736	979	—	—	—	29,715
Subtotal	279,513	\$ 14,076	\$ 1,195	\$ —	\$ —	292,394
Net	\$707,534					\$713,604

2019						
Item	Opening balance	Adding	Disposal	Reclassification	Effect of exchange rate change	Ending balance
<u>Costs</u>						
Land	\$488,907	\$ —	\$ —	\$(15,366)	\$ —	\$473,541

Buildings	410,580	5,199	—	—	—	415,779
Equipment	25,034	1,975	3,452	—	—	23,557
Leasehold improvement costs	176	—	—	—	—	176
Idle assets-others	64,036	—	—	9,958	—	73,994
Subtotal	<u>988,733</u>	<u>\$ 7,174</u>	<u>\$ 3,452</u>	<u>\$ (5,408)</u>	<u>\$ —</u>	<u>987,047</u>
<u>Accumulated depreciation and impairment</u>						
Buildings	227,392	\$ 8,088	\$ —	\$ —	\$ —	235,480
Equipment	13,894	4,710	3,439	—	—	15,165
Leasehold improvement	73	59	—	—	—	132
Idle assets-others	30,093	1,022	—	(2,379)	—	28,736
Subtotal	<u>271,452</u>	<u>\$ 13,879</u>	<u>\$ 3,439</u>	<u>\$ (2,379)</u>	<u>\$ —</u>	<u>279,513</u>
Net	<u>\$717,281</u>					<u>\$707,534</u>

- (1) The Company's idle assets are part of the floors of Ru Shen branch and Chi Can branch.
- (2) Detail for Property and equipment provided as collateral, please refers to Note (29)
- (3) Property and equipment have no circumstances of capitalization of interest

### 13. Lease

#### (1) Right- of- use assets

Item	January 1, to December 31, 2020			
	Opening balance	Increase	Decrease	Ending balance
<u>Costs</u>				
Land	\$ 24,481	\$ —	\$ —	\$ 24,481
<u>Accumulated depreciation and impairment</u>				
Land	2,206	2,234	—	4,440
Net	<u>\$ 22,275</u>	<u>\$ (2,234)</u>	<u>\$ —</u>	<u>\$ 20,041</u>

Item	January 1, to December 31, 2019			
	Opening balance	Increase	Decrease	Ending balance
<u>Costs</u>				
Land	\$ 23,759	\$ 722	\$ —	\$ 24,481
<u>Accumulated depreciation and impairment</u>				
Land	—	2,206	—	2,206
Net	\$ 23,759	\$ (1,484)	\$ —	\$ 22,275

(2) Lease liabilities

Item	December 31, 2020	December 31, 2019
Lease liabilities — current	\$ 2,170	\$ 2,148
Lease liabilities — noncurrent	\$ 18,137	\$ 20,307
Discount rate interval of lease liabilities	1.05%	1.05%

(3) Important leasing activities and terms

The Company leases several lands for operation purpose, part of the land affiliates rights to renew at the expiry of lease. The Company has already recorded rights to renew at the expiry of lease at lease liabilities. According to the contract, the Company may not sublease the underlying lease asset to others without leaser's agreement.

(4) Lease contract relevant profit or losses items are as follows:

Items that affect current profit and losses	2020	2019
Interest expenditure of lease liabilities	\$ 223	\$ 243
Expenditure for short term lease	\$ 10	\$ 10
Total amount of leasing cash outflow	\$ 2,381	\$ 2,351



#### 14. Investment property

Item	2020					
	Opening balance	Adding	Disposal	Reclassification	Effect of exchange rate change	Ending balance
<u>Costs</u>						
Land	\$ 94,484	\$ —	\$ —	\$ —	\$ —	\$ 94,484
Building	54,077	—	—	—	—	54,077
subtotal	148,561	\$ —	\$ —	\$ —	\$ —	148,561
<u>Accumulated depreciation and impairment</u>						
Building	28,993	\$ 1,310	\$ —	\$ —	\$ —	30,303
Net amount	<u>\$ 119,568</u>					<u>\$ 118,258</u>

Item	2019					
	Opening balance	Adding	Disposal	Reclassification	Effect of change on exchange rate	Ending balance
<u>Costs</u>						
Building	\$ 94,484	\$ —	\$ —	\$ —	\$ —	\$ 94,484
	48,669	—	—	5,408	—	54,077
Subtotal	143,153	\$ —	\$ —	\$ 5,408	\$ —	148,561
<u>Accumulated depreciation and impairment</u>						
Building	25,346	\$ 1,268	\$ —	\$ 2,379	\$ —	28,993
Net amount	<u>\$ 117,807</u>					<u>\$ 119,568</u>

- (1) Investment property held by the Company only disclose its fair value's information but are not measured at fair value, fair value level of the investment property is at level 3.

Fair value of investment property held by the Company for the year ended of December 31, 2020 and December 31, 2019 were 248,495 thousand NT Dollar and 250,166 thousand NT Dollar, respectively. The fair value mentioned are evaluated by the management level of the Company with evaluation model that is generally accepted by market participants, the evaluation is based on the deal price of neighborhood lot.

- (2) Rent revenue arises from investment property in 2020 and 2019 are 5,996 thousand NT Dollar and 6,108 thousand NT Dollar, respectively.
- (3) The status of investment property provided for guarantee of borrowing, please refers to Note (29).

15. Intangible assets

Item	2020				
	Opening balance	Adding	Interior transfer	Disposal	Ending balance
<u>Cost</u>					
Computer software	\$ 4,419	\$ 8,153	\$ —	\$ 1,363	\$ 11,209
<u>Accumulated depreciation and impairment</u>					
Computer software	2,622	2,488	—	1,363	3,747
Net amount	<u>\$ 1,797</u>	<u>\$ 5,665</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,462</u>

  

Item	2019				
	Opening balance	Adding	Interior transfer	Disposal	Ending balance
<u>Cost</u>					
Computer software	\$ 4,469	\$ 210	\$ —	\$ 260	\$ 4,419
<u>Accumulated depreciation and impairment</u>					
Computer software	1,661	1,221	—	260	2,622
Net amount	<u>\$ 2,808</u>	<u>\$ (1,011)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,797</u>

The amortization expenditure amounts recognized and accrued at operation expenditure in statement of comprehensive income by the Company in 2020 and 2019 were 2,488 thousand NT Dollar and 1,221 thousand NT Dollar, respectively.

16. Other noncurrent assets

	December 31, 2020	December 31, 2019
Operation guaranteed deposits	\$ 240,000	\$ 240,000
Clearing and settlement fund	24,453	26,711
Refundable deposits	7,228	7,222
Deferred expenditure	178	194
Prepayment for equipment	2,473	1,646

Total	\$ 274,332	\$ 275,773
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(1) Operation guaranteed deposits

	December 31, 2020	December 31, 2019
Firms age business	\$ 240,000	\$ 240,000

In order to operate various businesses, the Company provides Certificate of deposits as operation guaranteed deposits and save in a banking accordance to Regulations Governing Securities Firms and Regulations Governing the Operation of Securities Introducing Firms Business by Futures Commission Merchants, etc. The deposits are not saved separately, registered as collateral, reported missing or terminated, and the deposits could not be withdrawn or transferred without Securities and Futures Bureau, FSC's approval.

(2) Clearing and settlement fund

	December 31, 2020	December 31, 2019
Clearing and settlement fund —centralized	\$ 16,557	\$ 18,179
Settlement fund—OTC	7,896	8,532
Total	\$ 24,453	\$ 26,711

According to Regulations Governing Securities Firms, a security firm operating firms business should deposit basic amount for 15 million dollars to TWSE before commencement of business operation, after commencement of business operation, it shall deposit a specified percentage of the net receipt or net payment amount of the executed trades of TWSE listed securities for which it has accepted firms age trading orders within 10 days after the close of each quarter until the end of the then-current year. From the year following the commencement of business operation, the original basic amount shall be reduced to NT\$3.5 million and combined into the amount equal to the above-mentioned percentage of the net receipt or net payment amount of the executed trades of TWSE listed securities for which it accepted trading orders for the previous year on a yearly basis. At the end of January of each year, the insufficient or excess amount of the fund shall be deposited with or withdrawn from the TWSE. Before commencement of business operation of each domestic branch office, a securities firm shall make a lump sum deposit of NT\$3 million to the settlement and clearing fund; provided that from the year following the business operation, the original amount shall be reduced to NT\$500,000.

According to Over the Counter Exchange Market Join Responsibility System Clearing and Settlement Fund Management regulation, a security firm operating firms business should deposit basic amount for 6 million dollars before commencement of business operation, after commencement

of business operation, it shall deposit a specified percentage of the net receipt or net payment amount of the executed trades of Out classed securities for which it has accepted firms age trading orders within 10 days after the close of each quarter until the end of the then-current year. From the year following the commencement of business operation, the original basic amount shall be reduced to NT\$1.5 million and combined into the amount equal to the aforementioned percentage of the net receipt or net payment amount of the executed trades of OTC listed securities for which it accepted trading orders for the previous year on a yearly basis. At the end of January of each year, the insufficient or excess amount of the fund shall be deposited with or withdrawn from the OTC. Before commencement of business operation of each domestic branch office, a securities firm shall make a lump sum deposit of NT\$1.5 million to the settlement and clearing fund; provided that from the year following the business operation, the original amount shall be reduced to NT\$250,000.

17. Short — term borrowing

	December 31, 2020	December 31, 2019
Guaranteed borrowing	\$ 230,000	\$ 130,000
Interest rate interval	1% ~ 1.05%	1.05% ~ 1.06%
For details on assets provided as guarantee of short-term borrowing, please refer to Note (29)		

18. Commercial notes payable

	December 31, 2020	December 31, 2019
Commercial notes payable	\$ 601,000	\$ 350,000
Less: Unamortized discount	(175)	(132)
Total	\$ 600,825	\$ 349,868
Interest rate interval	0.45% ~ 0.72%	0.56% ~ 0.802%

For details on providing guarantee or collateral, please refer to Note (29)

19. Accounts payable

	December 31, 2020	December 31, 2019
Settlement receivable	\$ 1,268,017	\$ 620,384
Settlement price	—	106,431
Authorized sales payment for shares	2,789	1,917
Others	26,688	133

Total	\$ 1,297,494	\$ 728,865
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## 20. Other payable

	December 31, 2020	December 31, 2019
Salary payable	\$ 13,564	\$ 9,931
Bonus payable	9,246	—
Remuneration payable	4,821	1,399
Commission discount payable	19,020	9,006
Pension payable	1,368	1,049
Vacation payment payable	4,033	4,151
Others	11,682	9,579
Total	\$ 63,734	\$ 35,115

## 21. Employee pension

### (1) Defined contribution plans

The Company established a defined contribution plan pursuant to the “Labor Pension Act”. The contributions are made monthly based on not less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. According to the above rule, the pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019 were 6,218 thousand NT Dollar and 5,534 thousand NT Dollar, respectively.

### (2) Defined benefit plans

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Law. According to the plan, pension benefits of employees that are qualified for retirement are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount of 4.10% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the supervisory committee of workers' retirement reserve fund.

Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

Retirement funds contributed by the Company in accordance with the Labor Standards Law are managed by Bureau of Labor Funds,

Ministry of Labor. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142.

Data of labor retirement fund operation includes fund return rate and fund asset allocation, please refers to information released on the website of Bureau of Labor Funds.

B. Pension expense amounts of defined benefit plan recognized as under statements of comprehensive profit or losses are as follows:

	2020	2019
Current service cost	\$ 978	\$ 937
Net interest expenditure	442	521
Recognized as profit or losses	1,420	1,458
Re-measurements		
Return on plan assets	(832)	(806)
Actuarial loss-Experience adjustments	13,509	5,321
Actuarial loss -Change in financial assumptions	3,887	2,943
Recognized as other comprehensive income	16,564	7,458
Total	\$ 17,984	\$ 8,916

(3) Amounts recognized as balance sheet are determined as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	\$ 104,844	\$ 87,269
Fair value of plan assets	(39,502)	(21,912)
Net defined benefit liabilities	\$ 65,342	\$ 65,357

Net defined benefit liabilities are recognized as follows:

	December 31, 2020	December 31, 2019
Net defined benefit liabilities — current	\$ 874	\$ 873
Net defined benefit liabilities — noncurrent	64,468	64,484
Total	<u>\$ 65,342</u>	<u>\$ 65,357</u>

1) Year ended of December 31, 2020

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1	\$ 87,269	\$ (21,912)	\$ 65,357
Current service cost	978	—	978
Interest costs	592	(150)	442
	<u>1,570</u>	<u>(150)</u>	<u>1,420</u>
Re-measurements			
Experience adjustments	13,509	—	13,509
Changes in financial assumptions	3,887	—	3,887
Return on plan assets	—	(832)	(832)
	<u>17,396</u>	<u>(832)</u>	<u>16,564</u>
Pension fund contribution	—	(17,999)	(17,999)
Paid pension	(1,391)	1,391	—
Balance at December 31	<u>\$ 104,844</u>	<u>\$ (39,502)</u>	<u>\$ 65,342</u>

2) Year ended of December 31, 2019

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance at January 1	\$ 78,877	\$ (22,037)	\$ 56,840
Current service cost	937	—	937

Interest costs	746	(225)	521
	1,683	(225)	1,458
Re-measurements			
Experience adjustments	5,321	—	5,321
Change in financial assumptions	2,943	—	2,943
Return on plan assets	—	(806)	(806)
	8,264	(806)	7,458
Pension fund contribution	—	(399)	(399)
Paid pension	(1,555)	1,555	—
Balance at December 31	\$ 87,269	\$ (21,912)	\$ 65,357

- (4) Fair value of defined plan assets of the Company is calculated by qualified actuary. The principal actuarial assumptions used at measurement day are as follows:

	December 31, 2020	December 31, 2019
Discount rate	0.2800%	0.6787%
Future salary increases	0.5%	0.5%

Because of the pension plan of Labor Standards Law, the Company is exposed to risks as follows:

- 1) Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the R.O.C. Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.)
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants.



As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- (5) The influences on carrying value of pension payment obligation on the difference between management level's estimation and discount rate and future salary increase rate reached to 0.25% at the year ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	\$ (2,182)	\$ (1,926)
Decrease by 0.25%	\$ 2,257	\$ 1,993
Future salary increase rate		
Increase by 0.25%	\$ 2,208	\$ 1,958
Decrease by 0.25%	\$ (2,146)	\$ (1,902)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability.

- (6) The Company expects to make contributions of \$18,089 thousand NT dollars to the defined benefit plans in the next year.
- (7) As of December 31, 2020, the weight average lifetime of pension plan is 8.54 years, an analysis of maturity of pension payment is as follows:

In 1 year	\$ 3,629
2~5 years	29,970
Over 5 years	36,484
	<u>\$ 70,083</u>

## 22. Equity

- (1) Common stock capital

	December 31, 2020	December 31, 2019
Authorized capital stock (in thousand shares)	300,000	300,000
Authorized capital stock	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Issued and paid shares (in thousand shares)	237,490	237,490
Issued capital	\$ 2,374,904	\$ 2,374,904

On April 24, 2019, the shareholders' meeting agreed to increase capital by surplus transfer of 134,429 thousand NT Dollar. It is calculated to issue 13,442,854 new shares with a par value of 10 dollars per share. The company has completed the change on June 23, 2019, which is taken as reference day.

## (2) Capital surplus

	December 31, 2020	December 31, 2019
Gain on asset disposal	\$ 8	\$ 8
donated assets	23	23
consolidation excess	119,577	119,577
Total	\$ 119,608	\$ 119,608

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit. Where a company incurs no loss, it may, pursuant to a resolution to be adopted by a shareholders' meeting to distribute its legal reserve and the following capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

And pursuant to the Securities and Exchange Act, aforementioned capital reserve used for expand capital, it should not exceed 10% of the paid-in capital each year.

A company shall not use the capital reserve to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.

## (3) Legal reserve

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

## (4) Special capital surplus

- 1) In accordance with the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the

total amount of paid-in capital.

- 2) In accordance with the provision in the official document, No. Jin-Kuang-Cheng-Fa-Tzi No. 1010028514 issued by the Financial Supervisory Commission dated June 29, 2012, equivalent digit number of Appropriated Retained Earnings shall be set aside from current profit and loss, and retained earnings in respect of the current net deduction of other accounted equity in case of allotment of retained earnings (such as conversion difference on the financial statements of a foreign institute, unrealized profit & loss of financial assets reserved for sales, balance accrued from the profit & loss of hedging instrument classified as effective hedge in cash flow), while for other equity deductions accrued from the previous period, retained earnings in identical digit number from unappropriated retained earnings of the previous period shall not be in allotment; however, company that has set aside the same pursuant to the preceding provision shall recognize it in respect of the difference between recognized digit number and other net equity deduction. Thereafter, any reversal balance of other equity deduction shall be taken as earnings for allotment.

- 3) In accordance with Financial Supervisory Commission, R.O.C Letter No. 10500278285 dated August 5, 2016, securities firms and futures firms should not only set aside 20% of net income after tax as special reserve, but also, upon the distribution of earnings from 2016 to 2018, securities firms and securities investment trust firms should set aside 0.5% ~ 1% of the net profit after tax as special reserve to respond development of financial technology and protect rights and interests of securities firms, securities investment trust firms and futures business practitioners. .

(5) Retained earnings and dividend policy

- 1) Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses first, and then set aside as legal reserve, accounted for as 10% of the remaining amount, and special reserve, accounted for as 20% of the remaining amount. Upon provision or reversal of special reserve in accordance with the law, any remaining amount together with unappropriated earnings at beginning of the period shall be distributed according to the following resolution adopted at the stockholders' meeting: Distribution shall not be made if the balance of distributable earnings is less than 1% of paid-in capital.
- 2) In addition, in accordance with the Company's article, the total amount of dividends declared every year shall be at least 30% of distributable earnings, of which cash dividends shall not be lower than 30% of total dividend; however, the Company's acquisition of capital should be sufficient for significant capital expenditure in current year, where cash dividends shall account for at least 50% of total dividend of the year.
- 3) The appropriation of 2019 and 2018 earnings was resolved by the

shareholders on April 30, 2020 and April 24, 2019, respectively.  
Detail is as follows:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Provision of legal reserve	\$ 12,968		\$ 44,476	
Provision of special reserve	59,811		91,176	
Cash dividends	130,620	\$ 0.55	134,428	\$ 0.60
Stock dividends	—	—	134,429	0.60
Total	\$ 203,399		\$ 404,509	

- 4) The earnings distribution for 2020 as resolved by the Board of Directors on March 9, 2021 is set forth below:

	2020	
	Amount	Dividends per share (in dollars)
Provision of legal reserve	\$ 45,583	
Provision of special reserve	93,815	
Cash dividends	142,494	\$ 0.60
Stock dividends	94,996	0.40
Total	\$ 376,888	

The Company's earnings distribution proposal for 2020 is pending by resolution in the 2021 General Shareholders' Meeting.

- 5) For details on employees' remuneration and directors' remuneration, please refer to Note (26)

(6) Other equity

	Unrealized profit or losses of financial assets measured at fair value through other comprehensive profit or losses
Balance at January 1, 2020	\$ (45,215)
Changes in current period	111,802
Balance at December 31, 2020	<u>\$ 66,587</u>
	Unrealized profit or losses of financial assets measured at fair value through other comprehensive profit or losses
Balance at January 1, 2019	\$ (11,342)
Changes in current period	(33,873)
Balance at December 31, 2019	<u>\$ (45,215)</u>

23. Earnings per share

	For the Year Ended December, 31, 2020		
	Amount w/tax	Weighted average outstanding number of shares (1,000 shares)	Earnings per share (NTD)
Basic earnings per share			
Current net profit classified as common stock holder	\$ 469,077	237,490	<u>\$ 1.98</u>
Diluted earnings per share			
Effect of potential common stocks with dilution			
- Remuneration for employee	—	499	
Effect of current net profit plus potential common stocks	\$ 469,077	237,989	<u>\$ 1.97</u>

For the Year Ended December 31, 2019			
	Amount w/tax	Weighted average outstanding number of shares (1,000 shares)	Earnings per share (NTD)
Basic earnings per share			
Current net profit classified as common stock holder	\$ 135,652	237,490	\$ 0.57
Diluted earnings per share			
Effect of potential common stocks with dilution			
- Remuneration for employee	—	652	
Effect of current net profit plus potential common stocks	\$ 135,652	238,142	\$ 0.57

If a company may choose employee remuneration paid by share or cash, for the case of payment by share, potential common stocks with dilution shall be added with weighted average number of outstanding shares to calculate diluted earnings per share.

## 24. Gains and losses

### (1) Brokerage handling fee revenue

	2020	2019
Revenues from brokered trading - TWSE	\$ 174,111	\$ 108,421
Revenues from brokered trading - OTC	59,255	41,553
Revenues from short selling handling fee	818	473
Total	\$ 234,184	\$ 150,447

### (2) Gains (losses) on sales of Operating Securities

	2020	2019
Trading revenues from sales-dealer	\$ 778,331	\$ 462,510
Trading costs from sales-dealer	(715,861)	(417,986)
Subtotal	62,470	44,524

Trading revenues from sales-underwriting	40,395	74,440
Trading costs from sales-underwriting	(35,336)	(70,153)
Subtotal	5,059	4,287
Total	\$ 67,529	\$ 48,811

(3) Interest revenue

	2020	2019
Interest revenue from margin loans	\$ 52,441	\$ 49,963
Interest revenue from bonds	176	214
Others	271	222
Total	\$ 52,888	\$ 50,399

(4) Valuation gain (loss) on Operating Securities at fair value through profit or loss

	2020	2019
Operating Securities -dealer	\$ 305,735	\$ 16,826
Operating Securities-underwriting	2,016	(812)
Total	\$ 307,751	\$ 16,014

(5) Other gains and losses

	2020	2019
Financial income	\$ 3,344	\$ 4,301
Net loss on disposal of property and equipment	(20)	(13)
Other revenues — site usage income	16,549	15,793
Other revenues — rental income	5,996	6,108
Other revenues — others	1,522	282
Other non — operating expenses	(2)	(1)
Total	\$ 27,389	\$ 26,470

25. Income tax

(1) Income tax recognized as profit or losses

1) Income tax income (expense) consisted of the following:

	2020	2019
Current income tax		
Current income tax for the period	\$ (11,598)	\$ (7,203)
Tax on undistributed surplus earnings	—	(4,058)
Prior year income tax underestimation (overestimation)	(6,459)	8,341
	(18,057)	(2,920)
Deferred income tax		
Deferred income tax for the period	(3,340)	97
Income tax income (expense) recognized as profit or losses	\$ (21,397)	\$ (2,823)

2) Reconciliation between income tax expense and accounting profit

	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ (98,094)	\$ (27,695)
Expenses disallowed by tax regulation	64,820	2,896
Tax exempt income by tax regulation	23,385	20,798
Differences on basic tax payable	(1,709)	(3,202)
Additional tax on unappropriated earnings	—	(4,058)
Prior year income tax underestimation (overestimation)	(6,459)	8,341
Temporary differences arise and reverse	(3,340)	97
Income tax income (expense) recognized as profit or losses	\$ (21,397)	\$ (2,823)

(2) Income tax expense recognized as other comprehensive income

2020	2019
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#### Deferred income tax

Deferred income tax for the periods	\$	3,313	\$	1,492
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#### (3) Deferred income tax balance

The change of deferred income tax asset in the Balance Sheet is analyzed as follows:

2020				
	Opening balance	Recognized as profit or losses	Recognized as other comprehensive profit or losses	Ending balance
Pension expense	\$ 13,107	\$ (3,316)	\$ 3,313	\$ 13,104
Vacation payment payable	829	(24)	—	805
Deferred income tax assets	\$ 13,936	\$ (3,340)	\$ 3,313	\$ 13,909

  

2019				
	Opening balance	Recognized as profit or losses	Recognized as other comprehensive profit or losses	Ending balance
Pension expense	\$ 11,403	\$ 212	\$ 1,492	\$ 13,107
Leave payment payable	944	(115)	—	829
Deferred income tax assets	\$ 12,347	\$ 97	\$ 1,492	\$ 13,936

#### (4) Verification of Income Tax

The Company's business income tax for the year ended December 31, 2018 has been approved by the taxation authority.

#### 26. Additional information of expenditure

Employee benefit, depreciation, depletion and amortization expense are summarized by function and nature as follows:

Function Nature	2020			2019		
	Operating	Operating	Total	Operating	Operating	Total

	Cost	expense		Cost	expense	
Employee benefit expense						
Salary expense	\$ —	\$ 141,719	\$ 141,719	\$ —	\$ 108,900	\$ 108,900
Labor health insurance expense	—	12,591	12,591	—	11,741	11,741
Pension expense	—	7,638	7,638	—	6,992	6,992
Other Employee benefit expense	—	7,674	7,674	—	7,132	7,132
Depreciation expense	—	17,620	17,620	—	17,353	17,353
Amortization expense	—	2,608	2,608	—	1,435	1,435

- (1) In case of any balance after deduction of accumulated loss depending on profitability of current year by the Company, 1% of them shall be appropriated as employee remuneration and not set aside as remuneration to Directors and Supervisors.

Employee remuneration that is appropriated by shares or in cash shall be enacted by a resolution passed by more than two thirds of all directors as attendants and a majority of them in the Board of Directors, further reported it in the Shareholders' Meeting.

- (2) The Company's estimates of employee remuneration for 2020 and 2019 was NT\$4,821 thousand and NT\$1,399 thousand; the preceding amounts were estimates pursuant to the Articles of Association, which are recognized as salary expense depending on the profitability as of end of the current period.

- (3) Information regarding employee remuneration for 2019 and 2018 is stated as follows:

For the Year Ended December 31, 2019		For the Year Ended December 31, 2018	
Passed in the resolution of the Board of Directors' Meeting dated	Passed in the resolution of the Shareholders' Meeting dated	Passed in the resolution of the Board of Directors' Meeting dated	Passed in the resolution of the Shareholders' Meeting dated

	February 20, 2020	April 30, 2020	March 11, 2019	April 24, 2019
Employee Remuneration	\$ 1,399	\$ 1,399	\$ 5,285	\$ 5,285

Any changes made on the amount, if any, after the annual financial statement was passed and issued are recorded with adjustments for next year, which is subject to the accounting change of estimates.

- (4) For related information regarding to above proposal passed by the Company's Board of Directors and the resolution of appropriating employee, directors and supervisors' remuneration in the Shareholder's Meeting, please search them on Market Observation Post System.

## 27. Non-cash transactions

Investments having effect on cash and non-cash items

Property, Plant and equipment

	2020	2019
Current adding	\$ 20,166	\$ 7,174
Changes on prepayments	827	1,646
Changes on payable	62	(62)
Cash paid in current	\$ 21,055	\$ 8,758

## 28. Related party transaction

- (1) Name and relationship with related party

Name of Related Party	Relationship with the Company
BOLIDU Investment Co., Ltd.	Director

- (2) Material transactions with related party

The Company procured Floor 6 of an office building from the related

party, BOLIDU Investment Co., Ltd., as the headquarter, total price was NT\$4,600 thousand, equivalent to the appraise.

(3) Bonus/Remuneration to Top management level

Remuneration to directors and other Top management is stated as follows:

	2020	2019
Short — term benefit	\$ 37,466	\$ 31,847
Termination benefits	1,192	1,123
Total	\$ 38,658	\$ 32,970

The remuneration payment conditions to directors and other Top management have been passed by the Company's Remuneration Committee, where the principle of setting a payee is subject to individual capacity, performance or overall market situation.

29. Pledged assets

As of December 31, 2020 and 2019, the Company's pledged assets are detailed as follows:

Item	Book value		Guarantee usage
	December 31,2020	December 31,2019	
Restricted assets-current	\$ 174,286	\$ 172,453	Bank loan, commercial notes issuance and settlement
Property and equipment	628,544	634,343	Bank loan
Investment property	118,258	119,568	Bank loan

30. Material contractual undertakings or with liability and yet to be recognized

(1) Aside from the total price contracted by the Company for procured equipment deducting paid one, a total of NT\$1,045 thousand was

pending in the payment as of December 31, 2020.

(2) Material business lease:

The Company is leaser

(1) Lease Agreement

The Company leased real estate - investment as business lease. The lease dues from April 2021 to January 2026 one by one. Please refer to Note 14 for the Company's rent income from the lease of real estate - investment.

(2) As of December 31, 2020, the business rent receivable contracted by the Company is:

	Amount
In 1 year	\$ 7,968
1~5 years	19,389
Total	<u>\$ 27,357</u>

31. Significant losses on disaster: no

32. Significant subsequent event: no ◦

33. Miscellaneous:

Mr. Wang, the investor of Tongmen Branch of the Company claimed that some stock in his opened account in Tongmen Branch was collected or assigned to third party with counterfeited "Deposited Securities Withdrawal Application - Substitute for Debit Voucher", "Private Direct Assignment/Revocation Application" leading to the loss NT\$111,003 thousand, with which to claim against Concord International Securities Company Limited. This case is pending in the First Trial and the Company's attorney team presented its viewpoint: The civil ruling was affirmed by Statement of Ruling, Ref.

No. 2014-Nien-Du-Chong-Shang-Tzi No. 113, where the "Deposited Securities Withdrawal Application - Substitute for Debit Voucher" and "Private Direct Assignment/Revocation Application" claimed by Mr. Wang were not counterfeited; hence, the claim had no justified ground. Besides, Mr. Wang's right of claiming liquidated damages arising out of the act of tort even existed, the right was subject to the statute of limitation.

### 34. Capital management

#### (1) Calculation of Capital Adequacy Ratio

The Company keeps maintaining adequate capital proactively to absorb diversified risk effectively and assure healthy business development at a long-term basis. Therefore, the Company manages capital pursuant to business roadmap, relevant laws and regulations, as well as financial market environment to achieve optimized capital configuration. The Company calculates and declares its Capital Adequacy Ratio pursuant to "Security Firms Management Rule".

The Company declares Capital Adequacy Ratios for the Year Ended December 31, 2019 and 2018 to Taiwan Stock Exchange as follows:

Capital adequacy	December 31,2020	December 31,2019
Eligible self-own capital net amount	\$ 3,645,203	\$ 3,241,933
Sum of operation risk equivalent amount	\$ 622,653	\$ 486,540
Self-owned capital adequacy ratio	585%	666%

#### (2) Capital Adequacy Ratio Management

A security firms 'regulatory capital adequacy ratio should keep to be 150% above according to the regulation set forth in "Security Firms Management Rule".

Diversified risk duty units of the Company should identify, measure, monitor and report a variety of material risks including but not limited to credit risk, operating risk, market risk and liquidity risk, so that the Company can reflect current economic environment by its capital goal, the capital portfolio is able to be adapted for business nature and scale with compliance of competent authority.

### 35. Financial instrument

#### (1) Types of financial instrument

	<u>December 31,2020</u>	<u>December 31,2019</u>
Financial assets		
Financial assets at fair value through other comprehensive income- current	\$ 2,029,728	\$ 1,521,236
Financial assets at fair value through other comprehensive income- noncurrent	370,153	258,350
Financial assets at amortized costs	3,186,363	2,331,824
Financial liabilities		
Financial liabilities at amortized costs	2,398,650	1,375,019

1. The financial asset at amortized costs includes but not limited to cash and equivalent amount in cash, receivable and other financial assets.

2. The financial liability at amortized costs includes but not limited to short-term loan, promissory note payable, payables and other financial liability.

#### (2) Fair value

### 1. The fair value of financial instrument at amortized costs

The book value of financial assets and financial liabilities at amortized costs in the financial statement is in reasonably close conformity.

### 2. Fair value measuring level and related information

The table below lists analysis result related with originally recognized financial instrument measured by fair value and observable level of fair value is in Level 1 to Level 3.

(1) Level 1 fair value measurement refers to public offer on the basis of asset or liability in the market (unadjusted).

(2) Level 2 fair value measurement refers to those directly (i.e., price) or indirectly (i.e., inferred from price) observable inputs under questioned asset or liability, thereby inferring to fair value, except for the Level 1 public offer.

(3) Level 3 fair value measurement refers to those inputs of asset or liability on the basis of unobservable market price by appraisal technology (unobservable input), thereby inferring to fair value.

### 3. Financial asset and liability measured at recurring fair value

Redundant fair value	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Stock investment	\$ 2,020,407	\$ 9,321	\$ —	\$ 2,029,728
Financial assets at fair value through other comprehensive income				
Stock investment	312,642	—	57,511	370,153



Redundant fair value	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Stock investment	\$ 1,515,703	\$ 5,533	\$ —	\$ 1,521,236
Financial assets at fair value through other comprehensive income				
Stock investment	169,611	—	88,739	258,350

The Company had no transferring cases between Level 1 and Level 2 fair value measurements of financial asset and liability at recurring fair value in 2020 and during the period spanning from January 1 to December 31, 2019.

4. Financial asset and liability at non-recurring fair value: Not applicable.

5. The table below lists Level 3 changes made during the period spanning from January 1 to December 31, 2020:

	Equity security
January 1, 2020	\$ 88,739
Recognized as other profit and loss	(31,228)
December 31, 2020	\$ 57,511

6. The Company had no Level 3 transferred-in and transferred-out cases in 2020 and 2019.

### 36. Financial risk management target and policy

#### (2) Overview

##### 1) Risk management policy

The Company continually strengthens risk culture to every employee and makes sure that the Company can actively develop various businesses under a healthy and effective risk management

system. At the same time, by creating value of an entity and continually increasing profit, profit maximization may be achieved within appropriate risk tolerance.

## 2) Risk management system

Create a business strategy and organizational culture that emphasizes risk management, implement the effectiveness of risk management policies, and establish an overall risk management system to facilitate effective planning, supervision and implementation of the company's risk control operations. The risk management system can be continuously and effectively implemented. The company's board of directors, managers and employees at all levels participate in the promotion of implementation, which is a procedure that all levels abide by. From the perspective of the company as a whole, through a series of activities such as the identification, measurement, monitoring, response and reporting of potential risks, with qualitative and quantitative management methods, various risks that may be faced in operating activities are maintained within an acceptable range, in order to reasonably ensure the achievement of the company's strategic goals.

## 3) Risk management organization

Board of Directors:

The highest decision-making unit for risk management which bears the ultimate responsibility for risk management. Board of Directors is responsible for the approval of risk management policies and guidelines, review of important risk management reports, and understanding of risk management implementation

strategies and results.

**Risk Management Committee:**

A risk management committee is set up under the board of directors to implement relevant risk management affairs, formulate risk management policies and risk management systems and submit them to the board for approval, regularly and irregularly report to the board of directors on the implementation of risk management, and make necessary improvement suggestions in a timely manner.

**Risk Management Department:**

- (1) Audit Office: Develop and execute internal audit system of the Company pursuant to Internal Audit and Control Guideline formulated by the competent authority and assess performance of every department at regular basis.
- (2) Compliance Department: Ensure all business processes inward and outward to conform to current laws and regulations. The Company keeps identifying, measuring, suggesting, monitoring and presenting report on laws and regulations requiring observation by competent authorities, and monitoring adequacy of procedures.
- (3) Risk Control & Management Department: Duty Department for risk control and management. The Company Sets Risk Control & Management Department subordinated under the General Manager Office that supervisor's employment and dismissal requires pass in the Board of Directors' Meeting. The Department develops Risk Management System pursuant to risk management policy, a unit putting risk management into practices. It takes charge of practices including but not

limited to monitoring, measuring and assessing daily risks in the Company, being independent out of business unit and transaction activity.

#### 4. Risk & Management Process

It consists of identification, measurement, monitoring, report and countermeasures of risks.

A. Risk Identification and Measurement: Risk Control & Management Department assists in every sales department's compliance with the regulations prescribed by competent authorities. Guideline and risk assessment index related with identification, measurement and assessment methods, index, duration, frequency and other factors to all involved risks with on & off-balance sheet business or a variety of transactions on financial products shall be formulated with business practices.

B. Risk Monitoring & Report: Risk Management Department monitors a variety of use with risky upper limits and gives appropriate report on any cases beyond such upper limits. Whenever hitting the warning line, the Department should give a notice to related sections to present reports and a review meeting should be organized by the President or duty supervisor for countermeasures and solution; such report should be presented in the Board of Directors Meeting at regular or irregular basis.

#### (2) Market risk

Market risk refers to the risk arising out of uncertain fluctuation of financial asset value due to dynamic market price during a period like interest rate, foreign exchange rate, equity securities and

commodity price, potentially causing loss reflected in the subjects of on and off-balance sheets.

#### Other price risks

Price risk exposure is generated from the Company's invested listed company stocks/over-the-counter (OTC) stocks.

#### Sensitivity Analysis

The sensitivity analysis listed below commenced from the price risk exposure out of financial asset measured at fair value through profit and loss of investment on the balance-sheet day. With consideration of the effect by change of security market policy, the Company evaluated the rate of change used in the price came up with up/down by 10%, also indicating the justified evaluation of Top Management Level for the potential scope of change on value.

If the invested stock price goes up/down by 10%, then, net profits before tax for 2020 and 2019 will increase/decrease by NT\$203,973 thousand and NT\$152,124 thousand respectively because of the fair value change from the investment by equity tool that was measured at fair value through profit & loss forcefully.

### (3) Credit risk

#### 1. Source and definition of credit risk

The credit risk that the Company is exposed from its financial transactions includes issuer credit risk and counterparty credit risk.

(1) Issuer credit risk refers to the risk arising out of financial loss that the Company suffered due to the reason of failure of performing obligations of repayment (or compensation) from its held financial liability tool or deposits in the bank as

contracted caused by issuer (or guarantor) or bank's breach of contract, goes on bankruptcy or liquidation.

- (2) Counterparty credit risk refers to the risk arising out of financial loss that the Company suffered due to the reason of the counterparty to financial tool failed performing obligations of settlement or delivery.

## 2. Maximum risk-exposed amount of credit risk and centralization

The maximum risk-exposed amount of the Company's on-balance sheet financial asset is equivalent to its carrying value if collaterals or other credit reinforced tool are not considered. The source of the Company's exposure of credit risk is in Taiwan and diversified credit risks are described as follows:

### (1) Cash and equivalent cash

Cash and equivalent cash mainly consist of time deposit, demand deposits and note deposits of banks and domestic banks constitute a majority of correspondent institutes.

### (2) Financial asset measured at fair value through profit/loss - current

#### Debt security

Debt security is mainly the position of government bond, convertible (exchangeable) corporate bond and the R. O. C. Government and domestic legal entity are deemed as the issuer.

For more information, please refer to as follows:

#### A. Bond

The position of bond held by the Company is mostly government bond (included central and local); its credit risk is generally low.

## B. Convertible (exchangeable) corporate bond

The position of convertible (exchangeable) corporate bond held by the Company was mostly issued by domestic legal entity; unsecured corporate bond issuers are all large-scale companies at low credit risk.

### (3) Reverse Repurchase Agreement (Reverse Repo, RS) on Bond Investment

Bond Reverse Repurchase Agreement (Reverse Repo, RS) refers to a situation that a bond holder sells bonds to the Company and both parties entered into an agreement with agreed price, interest rate and duration (days); expired bond is further repurchased by counterparty with agreed price. The most of counterparty are located domestically. The Company will reduce counterparty's credit risk-exposed amount with RS agreed bond as collaterals.

### (4) Receivable Amount for Margin Loans

Receivable Amount for Margin Loans are for the Company's customers upon completion of Margin Trading and Short Selling procedures; the stock bought by customer financing process is taken as collaterals and the Company controls customer's collateral maintenance ratio through information system under 130% (included) pursuant to the provisions set forth in Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, where the credit risk is extremely low.

### (5) Receivable

The Obligatory Claim generated from business operated by securities firms includes but not limited to settlement price receivable for consignment trades, quoted market price receivable from the sales of operating securities and receivable generated from consignment trades of securities; because such receivables of the Company mainly from consignment business and proprietary business, which are settlement trading with the Taiwan Stock Exchange or over-the-counter (OTC) center, hence, extremely low credit risk.

(6) Other current asset

It mainly refers to the Company's cash with constricted purposes and pending in settlement. It is classified as domestic banking institutes with good creditability like the Company's correspondent banks, which minimizes the credit risk.

(7) Other non-current asset

It mainly consists of Operating margin, clearing and settlement fund and refundable deposits. Operating margin is mainly deposited in a bank with good creditability domestically; clearing and settlement fund is paid to and deposited in the Taiwan Stock Exchange (TSE), which is compensated by TSE to either securities trading party in case of the default of delivery obligations, where institutes that two former margins are deposited have minimum credit risk; refundable deposits refer to cash that the Company has deposited as margin



externally or other assets; due to the reason of diversification of domestic banks with good creditability or subjects for such refundable deposits, plus each record shows not high amount, hence, the credit risk is decentralized and overall credit risk exposure of refundable deposit is minimized.

As of December 31, 2020 and 2019, a variety of financial assets held by the Company had normal quality without overdue and not yet been recognized as impairment or impaired financial assets, where the maximum amount of credit risk exposure (excluded collateral fair value) is approximate to the carrying value, not for additional disclosure.

#### (4) Liquidity risk

##### 1. Source and definition

Liquidity risk refers to the risk arising out of failure of asset realization or with sufficient fund, leading to default of due responsibility (i.e., fund liquidity risk), and the risk arising out of significant fluctuation of market price whenever held positions are intervened or written off due to insufficient market depth or loss of order (i.e., market liquidity risk).

##### 2. Management Procedures for Liquidity Risk

The Company's target of liquidity risk management is to maintain cash and equivalent cash required for operation, securities with high liquidity and sufficient bank lines of credit to assure corporate adequacy of financial flexibility.

Bank loan is an important liquidity source for the Company. As of December 31, 2020 and 2019, the Company's rest of lines of credit were NT\$1,351,000 thousand and NT\$1,852,000 thousand respectively.

### 3. Maturity analysis of financial asset and financial liability held for liquidity risk management

(1) The Company holds cash and quality interest-accrued assets with high liquidity to perform repayment obligations and potential funding needs in the market. The Company mainly holds cash and equivalent cash among financial assets to manage liquidity risk, where time deposits all due within one year; listed (OTC) company stocks and debt securities account for a majority of financial assets that were measured at fair value through profit and loss, which all have positions in active market with low liquidity risk.

(2) Please refer to the table below for details of maturity analysis for the rest of the Company contracted non-derivative financial liability during agreed repayment term, which is made pursuant to the date that the Company repayment requested earliest and undiscounted cash flow of financial liability covering interest and the principle.

	December 31, 2020					
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total	
<u>Non derivative financial liabilities</u>						
Short — term borrowing	\$ 230,000	\$ —	\$ —	\$ —	\$ 230,000	

Commercial notes payable	600,825	—	—	—	600,825
Short selling premium	51,319	—	—	—	51,319
Short selling guarantee payable	54,754	—	—	—	54,754
Accounts and notes payable	1,300,120	—	—	—	1,300,120
Collection receivables	96,677	—	—	—	96,677
Other receivables	63,734	—	—	—	63,734
Lease liabilities	2,371	4,742	4,742	9,414	21,269
Guarantee deposit received	150	501	60	510	1,221
Total	<u>\$ 2,399,950</u>	<u>\$ 5,243</u>	<u>\$ 4,802</u>	<u>\$ 9,924</u>	<u>\$ 2,419,919</u>

	December 31, 2019				
	Less than 1 year	2~3 years	4~5 years	Over 5 years	Total
Non derivative financial liabilities					
Short — term borrowing	\$ 130,000	\$ —	\$ —	\$ —	\$ 130,000
Commercial notes payable	349,868	—	—	—	349,868
Short selling premium	48,051	—	—	—	48,051
Short selling guarantee payable	52,457	—	—	—	52,457
Accounts and notes payable	732,898	—	—	—	732,898
Collection receivables	3,044	—	—	—	3,044
Other receivables	35,115	—	—	—	35,115
Lease liabilities	2,371	4,742	4,742	11,785	23,640
Total	<u>\$ 1,353,804</u>	<u>\$ 5,393</u>	<u>\$ 4,742</u>	<u>\$ 12,265</u>	<u>\$ 1,376,204</u>

## (5) Operational Risk

Operational risk refers to the risk caused by improper or wrong process, staff, system or external events.

1. The control and management of operational risk comprises of standards in connection with internal control including but not

limited to information security and maintenance, clearing and settlement, preparation of statements, reserved transaction records and labor power and duty division.

2. The management of operational risk focuses on practices of internal control system and internal audit system. Traders and relevant operators should retain transaction records and traces according to internal control system for future verification. In addition to regular checks by each agency, auditors review pursuant to procedures and highlights of internal control system, wherein every business unit should improve any found defects or abnormality and the Audit Office should make follow-up report at regular basis after the Audit Report was submitted for approval to make sure that proper improvements have made by related units.

(6) Base of Overall Risk Control and Management

1. Article 13 of the Regulations Governing Securities Firms

- (1) After deduction of any occurred liability arising out of Government Bond trades from exterior liability, total liability may not exceed over 6 times as the Company's net capital.
- (2) Total current liability may not exceed over total current asset.
- (3) In the case of securities firms accepting orders to trade securities or securities dealing, unless otherwise specified by the Financial Supervisory Commission, R.O.C., total exterior liability may not exceed over net capital.

2. Article 16 of the Regulations Governing Securities Firms

The lump sum of held real estate and equipment values for

business and total non-operating real estate may not exceed over 60% of the Company's total assets.

3. Article 18 of the Regulations Governing Securities Firms

Securities Firms' use of fund is subject to those items as specified in Article 18 of the Regulations Governing Securities Firms and bound by it.

4. Article 19 of the Regulations Governing Securities Firms

(1) Dealer's total held amount of any one domestic company's shares may not exceed over 10% of the Company total issued number of shares.

(2) The total cost that dealer holds any one domestic company issued securities may not exceed over 20% of net capital.

### 37. Notes to Financial Statements

According to Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges, the information on significant transactions that shall be disclosed is as follows:

(1) Information on significant transactions:

- 1.Lending funds to others: N/A.
- 2.Providing endorsements or guarantees for others: N/A.
- 3.Aggregate purchases or sales of the acquisition of real estate reaching NT\$100 million or 20 percent of paid-in capital or more: N/A.
- 4.Disposal of real estate reaching NT\$300 million or 20 percent of paid-in capital or more: N/A.
5. Discount on handling fees for transactions with related parties reaching NT\$ 5 million or more: N/A.
- 6.Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more: N/A.
- 7.Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: N/A.

(2) Information on investees:

- 1.Related information on the investee company, the location...: N/A.
- 2.Related information on significant transactions: N/A.

(3) Information on setting up branches and representative offices abroad:  
N/A.

- (4) Information on investment in mainland China: N/A.
- (5) Information on major shareholders: Refer to schedule for detail information.

## Information on major shareholders

Name of major shareholders	Shares	Shareholding amount	Shareholding ratio
BOLIDU Investment Co., Ltd.		35,191,052	14.81%
SINCE SHE CO., LTD.		28,881,786	12.16%

Explanation: If exchange-listed and OTC-listed companies are applying for the information in this form from the depository & clearing corporation, explain the following matters in the notes to this form:

1. The major shareholders' information in this table is prepared by Depository & Clearing Corporation on the last business day of each quarter, wherein the ordinary shares and special shares held by shareholders that have been delivered by securities firms without physical registration (including treasure stock) are added up to 5% or more. As for the share capital recorded in the financial report of the securities firms and the actual number of shares delivered without physical registration by the securities firm, there may be differences due to the different basis of the calculation.
2. For the above information, if a shareholder delivers shares to the trust, it means that the trustee opened a trust account for individual sub-accounts. As for shareholders' declarations for insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding



plus the shares delivered to the trust and the right to use the trust property, etc. Please refer to the Public Information Observatory for information on insider equity declarations.

### 38. Financial information of the operating department

#### (1) Information on departmental profit and loss, assets and liabilities

For management purposes, we divide operating units into the following reporting operating departments according to different businesses and services:

Self-employed business: securities, bonds.

Brokerage business: securities.

Underwriting business: Securities underwriting.

Year of 2020					
	Brokerage department	Self-employed department	Underwriting department	Other	Total
Income:					
Revenue from external customers	\$ 290,566	\$ 425,891	\$ 8,969	\$ 4,390	\$ 729,816
Revenue from internal segment	—	—	—	—	—
Total income	\$ 290,566	\$ 425,891	\$ 8,969	\$ 4,390	\$ 729,816
Segmental profit and loss	\$ 122,015	\$ 418,887	\$ 7,130	\$ (57,558)	\$ 490,474
Year of 2019					
	Brokerage department	Self-employed department	Underwriting department	Other	Total
Income:					
Revenue from external customers	\$ 203,643	\$ 120,360	\$ 4,121	\$ 5,469	\$ 333,593
Revenue from internal segment	—	—	—	—	—
Total income	\$ 203,643	\$ 120,360	\$ 4,121	\$ 5,469	\$ 333,593
Segmental profit and loss	\$ 73,096	\$ 115,167	\$ 2,401	\$ (52,189)	\$ 138,475

The accounting policies of the operating departments are the same as the summary description of important accounting policies described in Note 4. The profit and loss of our operating department is measured by pre-tax operating profit and loss, serving as the basis

for evaluating performance.

(2) Regional information: N/A.

(3) We do not have any no customers that account for more than 10% of our revenue.

(4) Our operating decision-makers do not use the assets and liabilities of the operating department as the basis for decision-making, and shall not disclose the assets and liabilities of the operating department based on the regulations.

# Concord International Securities Co. Ltd.

## Statement of important accounting items in financial report

From January 1 to December 31 of 2020

(The unit shall is NT\$1,000 unless otherwise specified)

Items	Number/Index
Statement of cash and cash equivalents	1
Statement of financial assets at fair value through profit or loss – current.	2
Statement of investments in bonds with reverse repurchase agreements	3
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Statement of cash and cash equivalents

December 31, 2020

Statement 1

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount
Petty cash		\$ 273
Demand deposits		38,148
Checking Deposits		51
Demand deposits	The demand deposits will be expired successively from February 23, 2021 to November 10, 2021, with an annual interest rate of 0.82%	50,000
Total		\$ 88,472

Statement of financial assets at fair value through profit or loss— Current

December 31, 2020

Statement 2

Unit: In Thousand New Taiwan Dollar

Financial instrument	Summary	Amount or lot of shares	Face value	Sum	Interest rate	Acquisition cost	Fair value		Changes in fair value attributable to changes in credit risk	Remark
							Unit price (NTD)	Sum		
Operating Securities — Self-employed										
Public shares:										
1529 Luxe Electric		4,712,000	\$10.00	\$ 47,120		\$ 69,289	17.00	\$ 80,104		
1737Taiyen		1,690,653	10.00	16,907		45,090	32.70	55,284		
2002China Steel		12,793,000	10.00	127,930		282,015	24.75	316,627		
2017Quintain Steel		5,869,059	10.00	58,691		57,849	12.35	72,483		
2323 CMC		29,342,083	10.00	293,421		289,017	9.49	278,456		
2504 Goldsun		15,444,378	10.00	154,444		247,443	25.00	386,109		
2615WAN HAI LINES		3,299,000	10.00	32,990		119,134	52.90	174,517		
2633 Taiwan High Speed Rail		1,000,810	10.00	10,008		9,124	31.70	31,726		
2722 Chateau Hotels & Resorts		8,386,943	10.00	83,869		190,588	28.60	239,867		
5522Farglory		3,401,000	10.00	34,010		122,980	56.30	191,476		
8926Taiwan Cogeneration Corporation		3,000,000	10.00	30,000		84,140	38.70	116,100		
Subtotal						1,516,669		1,942,749		
OTC shares:										
8938 Advanced International Multitech		1,887,959	10.00	18,880		93,549	40.80	77,029		
Emerging shares:										
5222Transcom, Inc.		89,478	10.00	895		9,492	98.74	8,835		
6434TacBrightOptronics		50,316	10.00	503		295	6.14	309		
6611Cayenne's Ark Mobile		10,992	10.00	110		88	7.60	84		
8465Tekho Marine Biotech		10,590	10.00	106		95	8.76	93		
Subtotal						9,970		9,321		

Total Deduction: Operating Evaluation adjustment of Securities— self-employed						408,911				
Net						\$ 2,029,099		\$ 2,029,099		



Statement of financial assets at fair value through profit or loss—Current

December 31, 2020

Statement 2—1

Unit: In Thousand New Taiwan Dollar

Financial instrument	Summary	Amount or lot of shares	Book value	Sum	Interest rate	Acquisition cost	Fair value		Changes in fair value attributable to changes in credit risk	Remark
							Unit price(NTD)	Sum		
Operating Securities —										
Underwriting										
Public shares:										
4919Nuvoton		3,000	\$ 10.00	\$ 30		\$ 114	47.45	\$ 143		
6541Tanvex		13,000	10.00	130		468	37.40	486		
Total						582		629		
Operating Securities—										
Underwriting evaluation						47				
adjustment										
Net						\$ 629		\$ 629		

Statement of investments in bonds with reverse repurchase agreements

December 31, 2020

Statement 3

Unit: In Thousand New Taiwan Dollar

Customer	Transaction period			Bonds		Fixture amount	Remark
	Start Day	Due Day	Interest rate %	Category	Nominal amount		
MasterLink Securities Corp.	Dec. 16	Jan 14	0.17%	Book-Entry Central Government Bonds	\$ 56,700	\$ 63,001	

Statement of securities margin loans receivable

December 31, 2020

Statement 4

Unit: In Thousand New Taiwan Dollar

Name of securities	Amount of shares	Amount	Remark
2504 Goldsun Co.,Ltd.	5,670,536	\$ 62,640	Balance not reached to 5%
6531 ap memory	510,000	89,029	
Other		1,036,477	
Total		\$ 1,188,146	

Statement of trade receivables

December 31, 2020

Statement 5

Unit: In Thousand New Taiwan Dollar

Customer	Summary	Amount	Remark
TWSE	Settlement accounts receivable	\$ 1,180,210	Balance not reached to 5%
Taipei Exchange	Settlement price	71,272	
	Receivable from the purchase price of securities	4,951	
	Settlement price	(17,714)	
Other		35,398	
Total		\$ 1,274,117	

Statement of prepayments

December 31, 2020

Statement 6

Unit: In Thousand New Taiwan Dollar

Customer	Summary	Amount	Remark
Hauman	Information fee	\$ 194	Balance not reached to 5%
Mitake	Information fee	230	
The Syscom Group	Information fee	360	
Other		1,697	
Total		\$ 2,481	

Statement of other receivables

December 31, 2020

Statement 7

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount	Remark
Interest receivable		\$ 16,009	Balance not reached to 5%
Site charge receivable		1,209	
Other		213	
Total		17,431	
Deduction: bad debt reserve		(194)	
Net		\$ 17,237	

Statement of other current assets

December 31, 2020

Statement 8

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount	Remark
Restricted assets			
Pledged time deposit	It will be expired from January 19, 2021 to December 30, 2021, with an annual interest rate of 0.09% ~ 0.82%	\$ 166,400	
Compensatory deposit		7,886	
Pending settlement		9,321	
Collection of underwriting shares		91,816	
Other		3	Balance not reached to 5%
Net		\$ 275,426	

.Statement of financial assets measured at fair value through other comprehensive income—not current

From January 1, 2020 to December 31, 2020

Statement 9

Unit: In Thousand New Taiwan Dollar

Name	Beginning of period		Increase in this period		Decrease in this period		End of period		Cumulative impairment	Providing guarantee or custody	Remark
	Number of Share	Fair value	Number of	Amount	Number of	Amount	Number of	Fair value			
Not Exchange-Listed and OTC-Listed Companies stock											
TDCC	280,507	\$ 15,585	7,012	\$ —	—	\$ 4,878	287,519	\$ 10,707		N/A	
Taiwan Futures Exchange	1,274,886	72,490	50,995	—	—	26,336	1,325,881	46,154		N/A	
Giantcom International Telecommunication	108,020	—	—	—	—	—	108,020	—		N/A	
Renxiang Construction Co., Ltd.	552	—	—	—	—	—	552	—		N/A	
TAIWAN AFTER PRINT-OUT AUTOMATION CORPORATION	30,680	—	—	—	—	—	30,680	—		N/A	
SAINT SONG CORP.	14,950	—	—	—	—	—	14,950	—		N/A	
JiuhYeh Precision Machinery Co., Ltd.	105,000	—	—	—	—	—	105,000	—		N/A	
TATEH INDUSTRY CO., LTD	800	—	—	—	—	—	800	—		N/A	
Taipei Hsien	40,000	—	—	—	—	—	40,000	—		N/A	
Huanxun Technology Consulting Co., Ltd.	1,032	—	—	—	—	—	1,032	—		N/A	

NUNEXSMART TECHNOLOGY INC.	397	—	—	—	—	—	397	—	N/A
KI GIANT TECHNOLOGY INC.	26,459	451	—	—	—	6	26,459	445	N/A
CTC Union Technologies Co., Ltd	17,451	213	—	—	—	8	17,451	205	N/A
AURIA SOLAR CO., LTD.	125,100	—	—	—	—	—	125,100	—	N/A
TENNRICH INTERNATIONAL CORP.	495	—	—	—	—	—	495	—	N/A
Subtotal		88,739						57,511	
Operating Securities — Self-employed									
2017QuintainSteel	25,315,125	169,611	—	143,031	—	—	25,315,125	312,642	N/A
Total		\$ 258,350		\$ 143,031		\$ 31,228		\$ 370,153	

Statement of deferred tax assets

December 31, 2020

Statement 10

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount	Remark
Pension expenses		\$ 13,104	
Leave payment payables		805	
Total		\$ 13,909	



S t a t e m e n t o f s h o r t - t e r m b o r r o w i n g s .

December 31, 2020

Statement 11

Unit: In Thousand New Taiwan Dollar

Type of loan	Description	Balance at the end of period	Contract period	Interest raterange	Financing amount limit	Mortgage or guarantee	Remark
Guarantee for defect	Hua Nan Bank-North Tainan Branch	\$ 30,000	Dec. 25 ~ 110.02.23	1.05%	\$ 100,000	Refer to Note 29 for detailed information	
Guarantee for defect	Yuanta Commercial Bank-Yongkang Branch	200,000	109.11.03 ~ 110.02.26	1.00%	500,000		
Total		\$ 230,000					

Statement of promissory commercial note receivable

December 31, 2020

Statement 12

Unit: In Thousand New Taiwan Dollar

Item	Contract period, guarantee or acceptance institution	Contract period	Interest rate range	Amount			Remark
				Issuance amount	Unamortized discount on promissory notes payable	Book amount	
CP2	Grand Bills Finance Corp.	Dec. 18, 2020~Jan 15, 2021	0.64%	\$ 50,000	\$ 12	\$ 49,988	
		Dec. 18, 2020~Jan 22, 2021	0.64%	50,000	18	49,982	
	China Bills Finance Corp.	Nov 06, 2020~Jan 05, 2021	0.45%	50,000	3	49,997	
		Nov 30, 2020~Jan 29, 2021	0.45%	50,000	17	49,983	
	Mega Bills	Dec. 22, 2020~Jan 19, 2021	0.69%	50,000	17	49,983	
		Dec. 23, 2020~Jan 20, 2021	0.69%	40,000	14	39,986	
		Dec. 28, 2020~Jan 25, 2021	0.69%	30,000	14	29,986	
		Dec. 29, 2020~Jan 26, 2021	0.69%	30,000	14	29,986	

		2021					
	Ta Ching Bills Finance Corporation	Nov 06, 2020~Jan 05, 2021	0.652%	50,000	4	49,996	
		Nov.11, 2020~Jan 11, 2021	0.652%	50,000	9	49,991	
	Taiwan Finance	Dec. 17, 2020~Jan 14, 2021	0.72%	50,000	13	49,987	
	IBFC	Dec. 25, 2020~Jan 22, 2021	0.60%	40,000	14	39,986	
		Dec. 30, 2020~Jan 27, 2021	0.60%	61,000	26	60,974	
Total				\$ 601,000	\$ 175	\$ 600,825	

Statement of short sale margins

December 31, 2020

Statement 13

Unit: In Thousand New Taiwan Dollar

Name of Securities	Shares	Amount	Remark
2327 YAGEO Corporation	7,000	\$ 2,858	
2454 MediaTek Inc.	9,000	4,735	
3037 Unimicron	49,000	3,350	
3661 F-Alchip	18,000	8,695	
6531 AP Memory	10,000	3,259	
Other		28,422	Balance not reached to 5%
Total		\$ 51,319	

Statement of payables for short sale collateral received

December 31, 2020

Statement 14

Unit: In Thousand New Taiwan Dollar

Name of Securities	Shares	Amount	Remark
2327 YAGEO Corporation	7,000	\$ 3,159	
2454 MediaTek Inc.	9,000	5,234	
3037 Unimicron	49,000	3,702	
3661 F-Alchip	18,000	9,032	
6531 AP Memory	10,000	3,533	
Other		30,094	Balance not reached to 5%
Total		\$ 54,754	

Statement of accounts payable

December 31, 2020

Statement 15

Unit: In Thousand New Taiwan Dollar

Customer	Summary	Amount	Remark
TWSE	Settlement accounts payable	\$ 1,268,017	
Taipei Exchange	The price of securities payable on consignment	2,789	
Other		26,688	
Total		\$ 1,297,494	

Statement of lease liabilities.

From January 1, 2020 to December 31, 2020

Statement 16

Unit: In Thousand New Taiwan Dollar

Item	Summary	Rental period	Discount Rate	Balance at the end of period	Remark
Land	Land of headquarter office building	Jun 01, 2017～May 31, 2021	1.05%	\$ 3,716	
	Land of headquarter parking lot	Jun.01, 2017～May 31, 2021	1.05%	3,014	
	Land of headquarter parking lot	Feb.01, 2018～Jan 31, 2030	1.05%	2,912	
	Land of Jiali Branch	Dec 01, 2017～Dec. 31, 2020	1.05%	10,046	
	Land of headquarter office building	Jun. 01, 2019～May.31, 2021	1.05%	619	
Total				\$ 20,307	(Within 1 year)

Statement of other current liabilities.

December 31, 2020

Statement 17

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount	Remark
Advance receipt		\$ 3	
Net defined benefit liabilities-current		874	
Deposited margin-Current		150	
Temporary receipts		13	
Total		\$ 1,040	

# Statement of brokerage fee revenue

From January 1, 2020 to December 31, 2020

Statement 18

Unit: In Thousand New Taiwan Dollar

Month	Commissioned transaction operating charge income		Short sales operating charge income	Other operating charge income	Remark
	Brokerage in a centralized trading market	Brokerage in a centralized trading market			
1	\$ 8,792	\$ 2,804	\$ 36	\$ 34	
2	10,581	3,710	68	39	
3	13,925	4,701	59	42	
4	12,654	4,345	59	81	
5	13,488	4,976	53	154	
6	14,110	5,283	64	324	
7	19,293	7,830	71	361	
8	17,102	4,937	70	125	
9	15,105	4,332	88	191	
10	11,267	3,112	73	75	
11	15,795	5,276	108	117	
12	21,999	6,129	69	277	
Total	\$ 174,111	\$ 57,435	\$ 818	\$ 1,820	



Statement of revenue from underwriting business.

From January 1, 2020 to December 31, 2020

Statement 19

Unit: In Thousand New Taiwan Dollar

Month	Remuneration for underwriting securities	Agency securities Operating charge income	Underwriting Processing fee income	Underwriting counseling Income	Other income	Total	Remark
1	\$ 10	\$ —	\$ 103	\$ —	\$ —	\$ 113	
2	9	—	10	—	—	19	
3	—	—	18	287	—	305	
4	5	—	3	—	—	8	
5	—	—	40	—	—	40	
6	—	—	58	—	—	58	
7	—	—	16	—	—	16	
8	78	—	60	—	—	138	
9	22	—	85	264	—	371	
10	37	—	81	264	—	382	
11	13	—	71	265	—	349	
12	104	—	256	265	—	625	
Total	\$ 278	\$ —	\$ 801	\$ 1,345	\$ —	\$ 2,424	

Statement of gains (losses) on sale of securities.

From January 1, 2020 to December 31, 2020

Statement 20

Unit: In Thousand New Taiwan Dollar

Item		Income from the sale of securities	Cost of securities sold	Profit (loss) from the sale of securities	Remark
Dealer	Buying and selling in a centralized trading market:				
	Stock	\$ 683,886	\$ 608,713	\$ 75,173	
	Buying and selling in business premises:				
	Stock	94,445	107,148	(12,703)	
	Foreign trading market:	—	—	—	
Total		\$ 778,331	\$ 715,861	\$ 62,470	
Underwriter	Buying and selling in a centralized trading market:				
	Stock	\$ 24,662	\$ 20,567	\$ 4,095	
	Buying and selling in business premises:				
	Stock	15,733	14,769	964	
	Foreign trading market:	—	—	—	
Total		\$ 40,395	\$ 35,336	\$ 5,059	

Statement of finance costs

From January 1, 2020 to December 31, 2020

Statement 21

Unit: In Thousand New Taiwan Dollar

Item	Summary	Amount	Remark
Interest on Financial Scheduling		\$ 3,849	
Lease liability		223	
Securities lending interest expense		207	
Total		\$ 4,279	

Employee Benefits, Depreciation, Amortization and Other Operating Expenses

List

For the Year Ended December 31, 2020

Schedule 22

Unit: In Thousand New Taiwan Dollar

Item	2020	2019	Remark
Employee benefits	\$ 169,622	\$ 134,765	
Salary	135,730	103,246	
Labor & Healthcare Insurance	12,591	11,741	
Pension	7,638	6,992	
Remuneration - Director	5,989	5,654	
Other employee benefits	7,674	7,132	
Depreciation & Amortization expenses	20,228	18,788	
Depreciation	17,620	17,353	
Amortization	2,608	1,435	
Other operating expense	57,841	55,092	
Computer & IT expense	9,562	8,645	
Tax	11,990	9,390	
Postage & Electricity	6,445	6,050	
Utility expenses	4,666	5,088	
Repair service fee	3,171	3,987	
Central Depository service fee	4,472	2,885	
Miscellaneous	17,535	19,047	Balance does not reach 5%

Remark:

1. The number of employee for the year and the preceding year were 215 and 220 persons respectively, among of which, the number of directors who did not take employee position was 11 and 10 persons respectively.

2. The following information should be disclosed in annual accompanying or individual financial report additionally:

(1) The average employee benefits for the year was NT\$798 thousand ("The lump sum of employee benefits for the year - total amount of remuneration for directors"/"The number of employee for the year - the number of Directors who did not take employee positions concurrently").

The average employee benefits for the preceding year was NT\$615 thousand ("The lump sum of employee benefits for the preceding year - total amount of remuneration for directors"/ "the number of employee for the preceding year -

the number of Directors who did not take employee positions concurrently").

- (2) The average employee salary for the year was NT\$662 thousand (The lump sum of employee salary for the year/"The number of employee for the year - the number of Directors who did not take employee positions concurrently").

The average employee salary for the preceding year was NT\$491 thousand (Total amount of salary for the preceding year/"The number of employee for the preceding year - the number of Directors who did not take employee positions concurrently").

- (3) The adjustments on average employee salary: 34.83% ("The average employee salary for the year was -The average employee salary for the preceding year"/The average employee salary for the preceding year).
- (4) The Company has set up Audit Committee and the remuneration for independent Director has been disclosed in the remuneration for Directors.
- (5) Please specify salary & remuneration policy for a securities firm (included Director, Supervisor, manager and employee).

The Directors of the Company receive monthly fixed remuneration and annual extra paid remuneration is determined by the Chairman within its limit depending on overall operation. Directors have no remuneration.

The remuneration for manager is subject to company rules.

The salary/remuneration for employee contained year-end bonus, performance bonus and compensation...etc. in addition to base salary.

## Concord International Securities Co.,

### Review report of other disclosures in securities firm's financial report

We conducted our audits of the 2020 financial report of Concord International Securities Co., Ltd. in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS), and we also issued an inspection report on March 9, 2021. Our audit purpose is to express opinions on the overall financial report. Other disclosure of the 2020 financial report prepared by Concord International Securities Co., Ltd, was attached, which was prepared separately in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Firms, and related information has been audited and reviewed by CPA pursuant to Paragraph 2, Article 32 of the Regulations Governing the Preparation of Financial Reports by Securities Firms formulated by Financial Supervision Commission.

According to CPA's opinion, Concord International Securities Co., Ltd has disclosed related information in 2020 Financial Report pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Firms, presenting financial consistency between the data and that of financial statements without need of significant corrections.

For Review by Concord International Securities Co., Ltd

Baker Tilly Clock & Co

Accountant: Cheng, Hsian-Hsiu

Accountant: Chou, Yin-Lai

March 9, 2020

Concord International Securities Co., Ltd

Other Disclosure

Year of 2020

I. Business description

1. Major business matters (that have a major impact on business in the last five years):

(1) Merger or consolidation with other companies: N/A.

(2) Split: N/A.

(3) Reinvestment related enterprises: N/A.

(4) Reorganization: N/A.

(5) Purchase or disposal of major assets: N/A.

(6) Significant changes in management or business content:

The Company ceased to operate the futures brokerage business and began to operate the auxiliary futures trading business on November 17, 2017



## 2. Remuneration for Director, Supervisors, General Manager and Deputy General Manager, as well as related information

(1) The remuneration that the Company has paid to Directors (included independent director), supervisors, General Manager and Deputy General Manager over the latest fiscal year as follows:

1. Remuneration for common director and independent directors: (names and payment methods are disclosed by aggregation and scale)

Unit: Thousand New Taiwan Dollar																						
Title	Name (Note 1)	Remuneration for Directors								The proportion that total amount of 4 items (A, B, C and D) account for net profit after tax (Note 10)		Remuneration received by concurrent employee								The proportion that total amount of 7 items (A, B, C, D, E, F and G) account for net profit after tax (Note 10)		Received remuneration from foreign reinvestment other than subsidiary or parent company (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Remuneration for Director(C) (Note 3)		Business expenses(D) (Note 4)				Salary, bonus and special expenses etc. (E) (Note 5)		Pension(F)		Remuneration for Employee(G) (Note 6)						
		The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company	All companies of Consolidated Financial Statements (Note 7)	The Company		All companies of Consolidated Financial Statements (Note 7)		The Company	All companies of Consolidated Financial Statements (Note 7)	
Director	Representative, BOLIDU Investment (Co.,) Ltd.: HSU, WENG-KE	\$ 5,443	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 644	\$ —	1.30%	—	\$ 5,235	\$ —	\$ —	\$ —	\$ 121	\$ —	\$ —	\$ —	2.44%	—	無
Director	CHEN, BI-JUAN																					
Director	CHEN, RON-JI																					
Director	HUANG, MING-SHAN																					
Director	Representative of Wei Shi Trading Co., Ltd.: Huang, Yi-Ru																					
Director	Liu, Jen-Yi																					

Director	Representative, BOLIDU Investment (Co.,) Ltd.: Chen, Long-Fa																						
Director	Chen, Pin-Chuan																						
Director	Hsia, Mei-Chi																						
Director	Lee, Wen-Bin																						
Independent Director	Wei, Fu-Chuan																						
Independent Director	Chen, Chien-Chuan	\$ 396	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 45	\$ —	0.09%	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	0.09%	—	無
Independent Director	Hsu, Shuen-Fa																						
1. Please specify remuneration payment policy, system, standard and structure for independent director, and its connection with the paid amount in terms of duty and responsibility, risk, time spent and other factors: Independent Director receives monthly fixed remuneration and annual extra paid remuneration is determined by the Chairman within its limit depending on overall operation. Directors have no remuneration. 2. In addition to the disclosure in this table, other remuneration that the Director of the Company provided services to all companies of financial statements (such as non-employee consultant) over the latest fiscal year: None.																							

Remark: 1. The total amount herein has contained 2 official vehicles.

2. The total amount herein has contained 2 official vehicles.

3. The Director, Chen, Long-Fa, has resigned from the company on March 20, 2020.

### Remuneration Scale

Remuneration Scale for Every Director of the Company	Directors Names			
	Total amount for Top 4 Remuneration Items (A + B + C + D)		Total amount for Top 7 Remuneration Items (A + B + C + D + E + F + G)	
	The Company(Note 8)	All companies in financial statements(Note 9) H	The Company(Note 8)	All companies in financial statements(Note 9) I
Less than 1,000,000.00	Chen, Ron-Ji, Huang, Ming-Shan, Huang, Yi-Ru, Liu, Jen-Yi、Chen, Long-Fa, Chen, Ping-Tsuen、Hsia, Mei-Chi, Lee, Weng-Bin, Wei, Fu-Chuan, Chen, Chien-Chuan, Hsu, Hsuen-Fa	Chen, Ron-Ji, Huang, Ming-Shan, Huang, Yi-Ru, Liu, Jen-Yi、Chen, Long-Fa, Chen, Ping-Tsuen、Hsia, Mei-Chi, Lee, Weng-Bin, Wei, Fu-Chuan, Chen, Chien-Chuan, Hsu, Hsuen-Fa	Chen, Ron-Ji, Huang, Ming-Shan, Huang, Yi-Ru, Liu, Jen-Yi、Hsia, Mei-Chi, Wei, Fu-Chuan, Chen, Chien-Chuan, Hsu, Hsuen-Fa	Chen, Ron-Ji, Huang, Ming-Shan, Huang, Yi-Ru, Liu, Jen-Yi、Hsia, Mei-Chi, Wei, Fu-Chuan, Chen, Chien-Chuan, Hsu, Hsuen-Fa
1,000,000.00(included)~ 2,000,000.00(excluded)			Chen, Long-Fa, Chen, Ping-Tsuen	Chen, Long-Fa, Chen, Ping-Tsuen
2,000,000.00(included)~ 3,500,000.00(excluded)	Hsu, Weng-Ko, Chen, Bi-Juan	Hsu, Weng-Ko, Chen, Bi-Juan	Hsu, Weng-Ko, Chen, Bi-Juan, Lee, Weng-Bin	Hsu, Weng-Ko, Chen, Bi-Juan, Lee, Weng-Bin
3,500,000.00(included)~ 5,000,000.00(excluded)				
5,000,000.00(included)~ 10,000,000.00(excluded)				
10,000,000.00(included)~ 15,000,000.00(excluded)				
15,000,000.00(included)~ 30,000,000.00(excluded)				
30,000,000.00(included)~ 50,000,000.00(excluded)				
50,000,000.00(included)~ 100,000,000.00(excluded)				
100,000,000.00 above				
<b>TOTAL</b>	<b>13 persons</b>	<b>13 persons</b>	<b>13 persons</b>	<b>13 persons</b>

Note 1: The names of Directors (Legal entity shareholders shall list names and representatives separately), ordinary directors and independent directors shall be listed separately and the amount paid to them shall be disclosed by aggregation. If a Director takes position of General Manager or Deputy General Manager concurrently, please list him/her in this table and table(3).

Note 2: It refers to the remuneration paid to directors over the latest year (It contains salary, duty bonus, severance payment, various bonus, incentives etc. paid to a Director).

Note 3: It refers to the remuneration approved by the Board of Directors for a Director over latest year (If it hasn't been approved by the Board of Directors, please fill out CPA audited accounts).

Note 4: It refers to expenses for related business execution by Directors over latest years (Ex. travelling fee, special expense, various allowance, dormitory, vehicle and other physical objects etc.). In case that house, car and other transportation tools are provided or dedicated personal expenses are allowed, please disclose the nature and cost of such assets, actual rent or rent calculated on market price base, fuel and other payments. In case of extra driver(s) is provided, please remark remuneration paid by the Company, but exclude it in the remuneration.

- Note 5: It refers to physical objects including but not limited to salary, duty bonus, severance payment, various bonus, incentives, travelling fee, special expenses, various allowance, dormitory, vehicle received by the Director Employee over latest year (included adjunct General Manager, Deputy General manager, other managers and employee). In case that house, car and other transportation tools are provided or dedicated personal expenses are allowed, please disclose the nature and cost of such assets, actual rent or rent calculated on market price base, fuel and other payments. In case of extra driver(s) is provided, please remark remuneration paid by the Company, but exclude it in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Payment by Shares" covering employee share warrant, new shares constricting employee right and participation in share subscription by capital increase in cash etc., also should be included into the remuneration.
- Note 6: It refers that the remuneration approved by the Board of Directors for an employee over latest year should be disclosed in case of director who takes position of employee concurrently (included adjunct General Manager, Deputy General Manager, other Managers and employee); if it is difficult to predict, please calculate the amount planned for this year pursuant to the proportional actual paid one last year (If it hasn't been approved by the Board of Directors, please fill out CPA audited account).
- Note 7: Please disclose the lump sum of various remunerations that all companies of financial statements (included the Company) paid to the Directors of the Company.
- Note 8: Please disclose the names of Directors by belonged scale to whom the Company has paid total amount of various remuneration.
- Note 9: Please disclose the lump sum of remuneration that all companies of financial statements (included the Company) paid various remuneration to every Director and the names of Directors by the scale where they belong to.
- Note 10: Net profit after tax refers to that on accompanying or individual financial report.
- Note 11:a. The amount of remuneration that the Directors of the Company receive from foreign reinvestment other than subsidiary or related with parent company shall be filled out explicitly (in case of null, please fill out 'None').
- b. The Directors of the Company who receive remuneration related with foreign reinvestment other than subsidiary or parent company shall incorporate such remuneration into Column I of the Remuneration Scale and rename the column as "Parent Company and All Reinvestments".
- c. Remuneration refers to those that the Directors of the Company receive with positions of Director, Supervisor or Manager in foreign reinvested company other than subsidiary or parent company (included remuneration for employee, director and supervisor) and business expenses etc.
- \* The remuneration disclosed in above table is different from the income of the Income Tax Act; hence, above table is for reference of disclosure only, not for taxation.

2. Remuneration for Supervisors: None.

3. Remuneration for General Manager and Deputy General Manager (Names and payment ways are disclosed by aggregation and scale):

Title	Name (Note 1)	Salary (A)(Note 2)		Pension (B)		Bonus & Special Expenses etc. (C)(Note 3)		Remuneration for Employee (D)(Note 4)				The proportion of the lump sum of four items, A, B, C and D accounting for net profit after tax (%) (Note 8)		Whether received remunerat ion from foreign reinvestm ent other than subsidiary (Note 10)
		The Company	All companie s in financial statements (Note 5)	The Company	All companie s in financial statements (Note 5)	The Company	All companie s in financial statements (Note 5)	The Company		All companies in financial statements (Note 6)		The Company	All companie s in financial statements (Note 6)	
								In cash	By shares	In cash	By shares			
Director	Lee, Weng-Bin g	\$ 9,410	—	—	—	\$ 968	—	\$ 241	—	—	—	2.26%	—	—
General Manager	Pan, Yeh-Jen													
Deputy General Manager	Wang, Wen-Tsu													
Deputy General Manager	Zhou, Ting-Ho													

Deputy General Manager	Chen, Long-Fa													
Deputy General Manager	Wu, Huei-Juan													

Description: It contains 3 official vehicles.

## Remuneration Scale

Remuneration Scale that the Company pays to individual General Manager and Deputy General Manager	Names of General Manager and Vice General Manager	
	The Company(Note 6)	All companies in the consolidated financial statements (Note 7) <u>E</u>
Less than NT\$1,000,000	Wu, Huei-Juan	Wu, Huei-Juan
1,000,000.00(included)~2,000,000.00(excluded)	Pan, Yeh-Jen, Zhou, Ting-Ho, Chen, Long-Fa, Wang, Weng-Tsu	Pan, Yeh-Jen, Zhou, Ting-Ho, Chen, Long-Fa, Wang, Weng-Tsu
2,000,000.00(included)~3,500,000.00(excluded)	Lee, Wen-Bin	Lee, Wen-Bin
3,500,000.00(included)~5,000,000.00(excluded)		
5,000,000.00(included)~10,000,000.00(excluded)		
10,000,000.00(included)~15,000,000.00(excluded)		
15,000,000.00(included)~30,000,000.00(excluded)		
30,000,000.00(included)~50,000,000.00(excluded)		
50,000,000.00(included)~100,000,000.00(excluded)		
100,000,000.00 以上		
TOTAL	6 persons	6 persons

Note 1: The names of General Manager and Vice General Manager shall be listed separately and every payment is disclosed after aggregation. In the case that Directors concurrently take the position of General Manager or Vice General Manager, please fill out this table and preceding table (1).

Note 2: It refers to the salary, extra duty fee, resignation fee paid in the latest fiscal year.

Note 3: It refers to the amount of various bonuses, incentives, travelling expenses, special expenses, various allowances, dormitories, vehicles and other remunerations paid to General Manager and Vice General Managers in the latest fiscal year. In case that house, cars and other means of transportation or exclusive personal expenses are provided, the nature and cost of these assets, the actual rent or calculated based on fair market price, fuel and other payments should be disclosed. In addition, if a driver is provided, please give a remark to indicate the related remuneration paid by the company to the driver, but excluded in the remuneration. Furthermore, salary expenses recognized in accordance with IFRS 2 "Share-based Payment" include employee stock options, new shares restricting employee rights and participating in subscription for shares with cash capital increase should also be included in remuneration.

Note 4: It refers to the remuneration for the employee subordinated under General Manager and Deputy General Manager approved by the Board of Directors in the latest fiscal year (included shares and cash ); if it is difficult to predict, the proposed amount to appropriate this year is calculated based on the proportional actual amount appropriated last year (if it has not yet been approved by the Board of Directors, please fill out CPA audited accounts).

Note 5: It shall be the lump sum of diversified remuneration that all companies exposed in the consolidated financial statements (included the Company) paid to the General Manager and Deputy General Manager of the Company.

Note 6: The names of General Manager and Deputy General Manager to whom the lump sum of diversified remuneration paid by the Company are disclosed

in the scale where it belongs to.

Note 7: It shall be the names of General Manager and Deputy General Manager to whom the lump sum of diversified remuneration paid by all companies (included the Company) disclosed in the consolidated financial statements are disclosed in the scale where it belongs to.

Note 8: Net profit after tax refers to that in the accompanying or individual financial report of the latest fiscal year.

Note 9: a. The amount of remuneration that the General Manager and Deputy General Manager of the Company receive from foreign reinvestment other than subsidiary or related with parent company shall be filled out explicitly (in case of null, please fill out 'None').

b. The General Managers and Deputy General Managers of the Company who receive remuneration related with foreign reinvestment other than subsidiary or parent company shall incorporate such remuneration into Column E of the Remuneration Scale and rename the column as "Parent Company and All Reinvestments".

c. Remuneration refers to those that the General Manager and Deputy General Manager of the Company receive with positions of Director, Supervisor or Manager in foreign reinvested company other than subsidiary or parent company (included remuneration for employee, director and supervisor) and business expenses etc.

\* The remuneration disclosed in above table is different from the income of the Income Tax Act; hence, above table is for reference of disclosure only, not for taxation.



4. Remuneration for supervisors receiving in Top 5 listed (OTC) securities firms: Not applicable to disclosure criteria.

5. Retired Chairperson and General Manager return back to the consultant position in a security firm: None.

6. Remuneration for Director (included independent Director), supervisor, General Manager, Deputy General Manager and Consultant (disclosed by aggregation).

Remuneration for Director and Supervisor								Remuneration for General Manager and Deputy General Manager, Adjunct employee Director								Remuneration for the Chairman and General Manager who retired from security firms or affiliates returning back to the consultant position (H)	Proportion of eight items included A, B, C, D, E, F, G and H accounting for net profit after tax (Note 7)		Has received remuneration from foreign investments other than subsidiary? (Note 8)
Remuneration for Director and Supervisor (A)(Note 1)		Pension for Director and Supervisor (B)		Remuneration for Director and Supervisor (C)(Note 2)		Business expenses of Director and Supervisor (D) (Note 3)		Salary, bonus and special expenses etc. (E) (Note 4)		Pension(F)		Employee remuneration (G) (Note 5)							
The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company	All companies in the consolidated financial statements (Note 6)	The Company		All companies in the consolidated financial statements (Note 6)		The Company	The Company	All companies in the consolidated financial statements (Note 6)	
												Amt\$ in cash	Amt\$ by shares	Amt\$ in cash	Amt\$ by shares				
\$ 5,839	—	—	—	—	—	\$ 689	—	\$11,239	—	—	—	281	—	—	—	—	3.85%	—	—

Note 1: It refers to the remuneration (included salary, extra allowance, severance payment, diversified bonus, incentives etc.) for Director and Supervisor over latest fiscal year.

Note 2: It refers to the remuneration approved by the Board of Directors to Director and Supervisor over latest fiscal year (in case of pending approval by the Board of Directors, please fill out CPA audited account).

Note 3: It refers to business-related expenses paid to Director and Supervisor over latest fiscal year (included travelling expense, special expense, diversified allowance, accommodation, vehicles and other physical articles etc.). In case of expenses from supplied house, car and other transportation tools or exclusive personal expenses, the nature and cost of supplied assets, actual rent or calculated based on fair price, fuel fee and other payments shall be disclosed. In case of a driver given, please remark related remuneration the Company has paid to the driver, but not to be included.

Note 4: It refers to remuneration included salary, extra duty fee, severance payment, various bonus, incentives, travelling expenses, special expenses, various

allowances, dormitories, vehicles etc. provided objects and other remunerations paid to General Manager, Vice General Managers, Director who concurrently is an employee over the latest fiscal year (included concurrent General Manager, Deputy General Manager, other managers and employee). In case that house, cars and other means of transportation or exclusive personal expenses are provided, the nature and cost of these assets, the actual rent or calculated based on fair market price, fuel and other payments should be disclosed. In addition, if a driver is provided, please give a remark to indicate the related remuneration paid by the company to the driver, but excluded in the remuneration. Furthermore, salary expenses recognized in accordance with IFRS 2 "Share-based Payment" include employee stock options, new shares restricting employee rights and participating in subscription for shares with cash capital increase should also be included in remuneration.

Note 5: It refers to the case that General Manager, Deputy General Manager, Director who concurrently is an employee (included concurrent General Manager, Deputy General Manager, other managers and employee) received remuneration as an employee (included shares and cash) over the latest fiscal year shall disclose the same approved by the Board of Directors over the latest fiscal year. In case of difficulty of estimates, the amount proposed to allocate this year shall be calculated based on actual one last year (if it has not been approved by the Board of Directors, please fill out CPA audited account).

Note 6: It shall be the lump sum of diversified remuneration that all companies in the consolidated financial statements (included the Company) has paid to Directors, Supervisors, General Manager and Deputy General Manager.

Note 7: Net profit after tax refers to that in the accompanying or individual financial report for the latest fiscal year.

Note 8: a. The amount of remuneration that the Director, Supervisor, General Manager and Deputy General Manager of the Company receive from foreign reinvestment other than subsidiary or related with parent company shall be filled out explicitly (in case of null, please fill out 'None').

b. Remuneration refers to those that the Director, Supervisor, General Manager and Deputy General Manager of the Company receive with positions of Director, Supervisor or Manager in foreign reinvested company other than subsidiary or parent company (included remuneration for employee, director and supervisor) and business expenses etc.

\* The remuneration disclosed in above table is different from the income of the Income Tax Act; hence, above table is for reference of disclosure only, not for taxation.

III. The difference between the number of non-supervisor employee, annual average benefits for employee and those in the preceding year:

	Current year	Preceding Year
The number of non-supervisor employee	188	193
Average benefits for non-supervisor employee	\$ 711	\$ 537
Difference from that of preceding year (%)	32.40%	—

#### IV. Labor relation

(1) Current significant labor contract and implementation:

1. Employee benefits: The Company organizes cultural and entertaining, wedding, birth and birthday gift.

2. Advanced study and training system

The Company formulates educational training system and advanced study program subject to the regulations by competent authorities.

3. Retirement System:

In accordance with the regulation related with Labor Standards Act, the Company appropriates 4.1% of monthly total salary as a preparation for pension and deposits it into specified account in the Bank of Taiwan. Also, the payment of pension is subject to the Labor Standards Act. Starting from July 1, 2005, employee who chooses pension system applicable to Labor Pension Act shall appropriate 6% of monthly salary to the personal pension account of Labor Insurance Bureau.

4. Other important labor contracts: None.

(2) For losses arising out of labor disputes over the latest fiscal year,  
current and future potential estimates and countermeasures: None.

(3) Labor check result showed violation of the Labor Standards Act:  
None.

V. Implementation of Internal Control System:

(1) Statement of Internal Control System

CONCORD INTERNATIONAL. SECURITIES CO.  
Statement of Internal Control System

Date: March 9, 2021

The Company is making a statement of 2020 Internal Control System pursuant to self-assessment result as follows:

1. The Company affirms and acknowledges that building, implementing and maintaining internal control system is the responsibility of the Board of Directors and Managers of the Company. The Company has built this system to assure reasonably the achievement of targets including but not limited to operational effect and efficiency (included profitability, performance and protection of asset safety etc.), reliability, immediacy, transparency of reports and compliance of laws and regulations governing reporting specification.
2. Internal control system's inherent constraints blocks assurance to a reasonable extent of achieving above 3 targets by its effect no matter how sound it was designed; besides, the effect may vary with environment and conditions. However, its self-monitoring setting facilitates the Company to take correction measures immediately once defect is identified.
3. The Company, in accordance with the diagnostic items of effect of internal control system specified in the "Handling Guideline of Security & Futures Company Built Internal Control System" (hereinafter referred to as the "Handling Guideline"), determines the effect of design and implementation. These diagnostic items are composed of five categories: 1. control environment. 2. risk assessment, 3. control operation, 4. information and communication, and 5. monitoring. Every of them consists of some items, please refer to the "Handling Guideline".
4. The Company has adopted above diagnostic items to assess effect of design and implementation of internal control system.
5. With consideration of above assessment result, the Company's reported achievement of internal control system (included monitoring and managing subsidiary) covering effect of operation and achievement of effect target as of December 31, 2020 was recognized reliable, immediate, transparent and conforming to effective design and implementation as prescribed in related specification, law and regulation, which can assure achievement of above target reasonably.
6. This Statement will be made in public as the focus in the annual report and prospectus, in case of false, concealment and other illegal events, it will be charged with legal responsibility as specified in Article 20, 32, 171 and 174 of the Security Trading Act.
7. This Statement has been approved by the Board of Directors on March

9, 2021, where 0 person voted against the motion among 10 Director attendants and rest of them all agreed it.

CONCORD INTERNATIONAL. SECURITIES CO.

Chairman: HSU, WENG-KE

General manager: PAN, YEH-JEN

(2) CPA consignment of internal control system examination: None.

## II. Overview of Financial Status

### 1. Condensed balance sheets and statements of comprehensive income

#### (1) Balance Sheet

Unit: In Thousand New Taiwan Dollar

Year Item		Financial Status over latest 5 fiscal years				
		2016	2017	2018	2019	2020
Current assets		2,864,628	3,575,633	3,237,348	3,583,394	4,946,891
Property and equipment		722,404	726,185	717,281	707,534	713,604
Other non-current assets		790,021	832,174	699,319	691,699	804,155
Current liability	Before distribution	1,258,921	1,982,177	1,021,393	1,359,983	2,404,833
	After distribution	1,390,537	2,094,201	1,155,821	1,490,603	To be distributed
Non-current liability		36,274	54,305	57,068	85,922	86,087
Share capital		2,122,835	2,122,835	2,240,475	2,374,904	2,374,904
Capital Surplus	Before distribution	922,738	903,021	1,226,746	1,087,425	1,412,631
	After distribution	791,122	790,997	957,889	956,805	To be distributed
Total assets		4,377,053	5,133,992	4,653,948	4,982,627	6,464,650
Total liabilities	Before distribution	1,295,195	2,036,482	1,078,461	1,445,905	2,490,920
	After distribution	1,426,811	2,148,506	1,212,889	1,576,525	To be distributed
Equity		3,081,858	3,097,510	3,575,487	3,536,722	3,973,730

Total	After distribution	2,950,242	2,985,486	3,441,059	3,406,102	To be distributed
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Note : 1. The financial status in respect of fiscal years have been audited by CPA.

2. Other non-current assets refer to those other than real estate & equipment classified under non-current assets.



## (2) Comprehensive Income Statement

Unit: In Thousand New Taiwan Dollar

Item \ Year	Financial Status over latest 5 fiscal years				
	2016	2017	2018	2019	2020
Net Sales	396,046	357,717	378,699	333,592	729,816
Operating Expenses	217,061	240,374	256,502	221,587	266,731
Profit/loss shares of Affiliates and Joint Venture recognized using Equity method	—	—	—	—	—
Other gains and loss	17,267	11,761	408,522	26,470	27,389
Profit/loss before tax	196,252	129,104	530,719	138,475	490,474
Profit/loss after tax	192,231	126,139	444,988	135,652	469,077
Earnings per share (.00)(Note 2)	0.86	0.56	1.90	0.57	1.98

Note 1: CPA has audited above financial statements across listed years.

Note 2: Earnings per share is calculated by retrospectively proportional adjustment of previous years in case of capitalization of retained earnings or capitalization of capital surplus.

## (3) CPA Names and Audit Opinions for latest 5 years:

Year	CPA Firm Name	CPA Name	Audit Opinion
2016	Baker Tilly Clock & Co	Zhou, Yin-Lai, Wu, Hsing-Liang	Unqualified opinion
2017	Baker Tilly Clock & Co	Zheng, Hsien-Hsiu, Ding,	Unqualified opinion

		Hong-Hsun	
2018	Baker Tilly Clock & Co	Zheng, Hsien-Hsiu, Ding, Hong-Hsun	Unqualified opinion
2019	Baker Tilly Clock & Co	Zheng, Hsien-Hsiu, Ding, Hong-Hsun	Unqualified opinion
2020	Baker Tilly Clock & Co	Zheng, Hsien-Hsiu, Zhou, Yin-Lai	Unqualified opinion

## II. Significant Financial Ratio Analysis

fiscal year Analysis item			Financial analysis for latest five fiscal years (Note )				
			2016	2017	2018	2019	2020
Capital structure analysis%	Debt ratio		29.59	39.67	23.17	29.02	38.53
	Long term funds to fixed assets		431.63	434.02	506.43	512.01	568.92
Liquidity analysis%	Current ratio		227.55	180.39	316.95	263.49	205.71
	Quick ratio		227.44	180.25	316.75	263.17	205.60
Return on investment analysis%	Return on total assets(%)		4.54	2.65	9.04	2.82	8.20
	Return on equity(%)		6.50	4.08	13.22	3.81	12.49
	Accounted for paid-in capital%	Operation income to capital	8.43	5.53	5.45	4.72	19.50
		Pre-tax income to capital	9.24	6.08	23.69	5.83	20.65
	Net income to sales (%)		48.54	35.26	117.50	40.66	64.27
	Earnings per share(.00)		0.86	0.56	1.90	0.57	1.98
Cash flow	Cash flow ratio(%)		—	—	29.89	5.66	—
	Cash flow adequacy ratio(%)		—	—	—	—	—
	Cash flow reinvestment ratio(%)		—	—	5.35	—	—
Specified ratio%	Debt to Equity Ratio		42.03	65.75	30.16	40.88	62.68
	Fixed assets to total assets Ratio		26.30	22.07	24.32	22.79	17.86
	Total underwriting amount to the balance of its current assets less current liabilities ratio		2.72	2.97	3.52	0.85	0.02
	Total Amounts of Margin Loan to Equity Ratio		30.88	39.60	23.11	28.11	29.90
	Total Amount of Short Sales to Equity Ratio		0.74	0.90	0.84	1.48	1.38

Note: The reason of change of diversified financial ratios within last 2 years (increase/decrease by up to 20%)

- (1) Ratio of liability to asset and net capital, debts ratio: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year, customer's margin loan increased raised accounts payable from loan and stock settlement leading to the ratio increase for the year.
- (2) Current ratio and Quick ratio: The focus is that driven by pandemic COVID-19, home economy

rose up Taiwan stock market for the year and increased account receivable and customer margin loan from stock settlement leading to decline of related ratios.

- (3) Profitability: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year, and volume increased broker fee revenue and net profit from underwriting business that is measured by the fair price of profit/loss leading to increase of related ratios.
- (4) Fixed assets to total asset ratio: The focus is that prosperity of Taiwan stock for the year increased the revenue from underwriting business and margin loan receivable leading to decline of ratio.

3. Financial crisis occurred to the Company and Affiliates over the latest fiscal year and its effect on the financial status: None.

### III. Review, analysis on financial status and performance, as well as risks

#### 1. Financial status:

Fiscal year Item	2020	2019	Difference	
			Amount increase (decrease)	Change Ratio %
Current assets	\$ 4,946,891	\$ 3,583,394	\$ 1,363,497	38.05
Non-current assets	1,517,759	1,399,233	118,526	8.47
Total assets	6,464,650	4,982,627	1,482,023	29.74
Current liability	2,404,833	1,359,983	1,044,850	76.83
Non-current liability	86,087	85,922	165	0.19
Total liability	2,490,920	1,445,905	1,045,015	72.27
Share capital	2,374,904	2,374,904	—	—
Additional Paid In Capital	119,608	119,608	—	—
Earnings reserve	1,412,631	1,087,425	325,206	29.91
Other Equity	66,587	(45,215)	111,802	(247.27)
Total equity	3,973,730	3,536,722	437,008	12.36

Note: The main reasons for significant change on assets, liabilities and equity within 2 fiscal

years of the Company (prior period/later period change reached 20% above and the amount of change reached NT\$10 Million) and its effect, along with countermeasures for future.

- (1) Current assets and total assets: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year increased investors' settlements, margin loans and the fair price of security underwriting business significantly.
- (2) Current liability, non-current liability and total liabilities: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year increased customers' marginal receivables and payable to loans and stock settlements.
- (3) Other Equity: The focus is that equity tool held for the year and measured by the fair price of other comprehensive profit/loss generated realized evaluation gains.

## II. Financial performance:

Item \ Fiscal Year	2020	2019	Difference	
			Amount increase (decrease)	Change Ratio
Revenue	\$ 729,816	\$ 333,592	\$ 396,224	118.78
Operating expenses	266,731	221,587	45,144	20.37
Operating profit (loss)	463,085	112,005	351,080	313.45
Non-operating income/loss	27,389	26,470	919	3.47
Net profit before tax	490,474	138,475	351,999	254.20
Income tax profit (fee)	(21,397)	(2,823)	(18,574)	657.95
Net profit after tax	469,077	135,652	333,425	245.79

(1) Analytical details of increase/decrease ratio change within last 2 years (increase/decrease changed up to 10% above):

1. Revenue, net profit before tax, net profit after tax: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year, and the volume increased broker commission income and the net profit of underwriting securities business measured by the fair price of profit/loss.
2. Operating expenses: The focus is that driven by pandemic COVID-19, home economy rose up Taiwan stock market for the year, the volume for the year increased the volume by 64% and salary of salesman.
3. Income tax expense: The focus is that the net profit before tax for the year increased and deferred income tax asset estimated by

claim loss decreased.

(2) Possible improvement and countermeasures for the Company's upcoming finance and business: None.

### 3. Cash flow:

(1) Analysis of cash flow change for the latest year:

1. Operating activity: The focus is the net cash outflow of operating activity. The financial assets measured through the fair price of profit/loss increased significantly YoY, thereby increased cash outflow.

2. Investments: The focus is the net cash outflow of investments, which was mainly resulted from increased procurement of fixed assets and intangible assets.

3. Financing: The focus is the net cash inflow from financing, which was mainly resulted from customer's margin loan increased loans for the year.

(2) Improvement plan for insufficient liquidity: None.

(3) Cash liquidity analysis for the upcoming year

Unit: In Thousand New Taiwan Dollar

Cash Balances - Beginning of Period(1)	Estimates of Cash Flows from Operating Activities (2)	Estimates of annual cash inflow/outflow (3)	Estimates of cash balance (shortage)(1)+(2)-(3)+(4)	Remedies for estimates of cash shortage	
				Investment plan	Financing plan (4)
\$ 88,472	\$ 472,254	\$ (413,010)	\$ 147,716	—	—

4. The effect of significant capital expenditure on finance and business for the latest year: None.

5. Reinvestment policy for the latest year, the main reason for profit or loss,

improvement plan and investment plan for the upcoming year: The Company has no reinvestment plan.

6. Analysis and evaluation of risks as of end of the last year:

(1) Fluctuation of interest rate and foreign exchange rate, the effect of inflation on the Company's profit & loss and countermeasures for future:

1. Interest rate change: Margin trading is the major interest rate-affected business, which is mainly to earn financing spread, not affected by interest rate a lot.
2. Fluctuation of Foreign exchange rate: The Company's income is mainly from domestic business, and the effect on the profit/loss by fluctuation of foreign exchange rate accounting for the Company's profit or net profit is few.
3. Inflation: The Company's income is mainly from securities service commission, security trading capital gains and interest income from margin purchase/short sale, not affected by inflation a lot.

(2) Engaging in high-risk, high-leveraging investments, making loans to others, endorsement and trading on derivatives policy, the main reason for profit or loss, improvement plan and investment plan for the upcoming year:

1. The Company was not engaging in high-risk, high-leveraging investments in the last year.
2. The Company had no loans made to others or endorsed for others.



3. The Company had no trades on derivatives in the last year.

- (3) The effect of changes on domestic/overseas significant policy and laws on the Company's finance and business, as well as countermeasures.

The Company and related departments have been aware of the progress in the change of domestic/overseas significant policy and laws. We also analyze, evaluate the effect on diversified finance and business, adjust internal operation related policy and procedures to respond such changes, and boost business and profit on condition of compliance.

- (4) The effect of technology and industry change on the Company's finance and business and countermeasures: Financial digitalization has changed the way to operate broker's business. Considering the goal of making company be more competitive for future and professionalism in new economy, the Company has updated span and depth to apply software/hardware step by step, reinforcing security and steadiness of various features of information and trading platform, also keeping promotion on system upgrade and development ceaselessly; in addition, for sustainability, the Company builds client base of e-order platform to improve operating efficiency and maintain competitiveness on market. As a dealer, the Company is paying attention to the shift of financial technology and will seek to create long-term stable profit via proactive role of information technology when the time is right.
- (5) The effect of corporate image shift on business crisis management and countermeasures: None.

(6) Expected efficiency of Merger & Acquisition (M&A), potential risk and countermeasures: None.

(7) Expected efficiency of expanding business site, potential risk and countermeasures: None.

(8) The risk of centralizing business and countermeasures: The customers of the Company are structured by natural persons and legal entities completely, which had no risk of business centralized to single one.

(9) The effect of directors, supervisors or majority shareholders holding more than 10% shares and large-scale transfer or change of shares on the Company, risks and countermeasures:

As of December 31, 2020, the Company's directors, supervisors or majority shareholders holding more than 10% shares had no issues of large-scale transfer or change of shares.

(10) The effect of management right alternation on the Company, risk and countermeasures: None.

(11) The Company and its directors, supervisors, General Manager, majority shareholders holding more than 10% shares and affiliates have been judged by the court or were pending in a significant lawsuit, non-lawsuit or administrative litigation cases which may have severe effect on equity or security price and how was it handled as of end of the year: Please refer to Note 33 for details of such lawsuit cases.

(12) Other key risks and countermeasures: None.

## 7. Response System for Crisis:

In case of incident occurred, every sector of the Company should report to the Company's officers, competent authorities and circumvent agencies, police department, fire service, environmental protection and other related authorities, also will take various necessary countermeasures, initiating crisis response group, mobilization in emergency, SMS contact, contemplating on countermeasures and collaborate internal/external resources effectively to strive for solving it at the first moment, thereby preventing disaster from spread. At the end of crisis, we should discuss the overall condition of the crisis, confirming various measures and measures taken for the aftermath.

8. Other important matters: None.

#### IV. Certified Public Accountant Profile

##### 1. Public expenses:

CPA Firm Name	CPA Name		Duration of Audit	Remark
Baker Tilly Clock & CO	ZHENG, HSIEN-HSIU	ZHOU, YIN-LAI	2020	

Items with public expenses Amount scale		Audit case with public expense	Non-audit case with public expense	TOTAL
1	Less than 2,000,000.00	✓	✓	✓
2	2,000,000.00(included)~ 4,000,000.00			
3	4,000,000.00(included)~ 6,000,000.00			
4	6,000,000.00(included)~ 8,000,000.00			
5	8,000,000.00(included)~ 10,000,000.00			
6	10,000,000.00(included) above			

(1) Non-audit cases with public expenses that have been paid to CPA, CPA firms and affiliates accounts for up to more than one fourth of audit cases with public expenses or non-audit cases with public expenses amounted to NT\$500,000 above: None.

(2) Changed CPA firm and paid public expenses for audit cases in the year where the change occurred was less than that of the year

before change: None.

- (3) Paid amount of public expense for audit cases was less than that of the preceding year by up to more than 50%: None.

## 2. Change of CPA:

### (1) Details of Predecessor auditor

Date of Change	November 11, 2020		
Reason of change and more details	The purpose was to maintain CPA independency and meet the need of CPA Firm's internal transfer system.		
The appointee or CPA terminated or rejected the appointment		CPA	Appointee
	Voluntary to terminate appointment	Not applicable	Not applicable
	No longer accepted (continued) appointment	Not applicable	Not applicable
Issued audit report containing other than an unqualified opinion with 2 years and the reason	None		
Agreed/disagreed with securities firms	Yes		Accounting policy or practices
			Disclosure of financial statements
			Auditing scope or steps
			Others
	No	V	
	Details		
Other disclosures (Disclosure is permitted pursuant to Item 1-4, Paragraph 2, Article 31 of the Regulations Governing the Preparation of Financial Reports by Securities Firms)	None		

### (2) Successor CPA

CPA Firm Name	Baker Tilly Clock & Co
CPA Name	ZHENG, HSIEN-HSIU, ZHOU, YIN-LAI
Date of Appointment	November 11, 2020
Issued audit opinions and results in respect of accounting processing specified transactions or policy and against financial statements before appointment	Not applicable

Successor CPA's written opinion disagreeing with the predecessor CPA.	Not applicable
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(3) Predecessor CPA's letter replying to the regulations set forth in Item 1, 2-3, Subparagraph 2, Article 31 of the Regulations Governing the Preparation of Financial Reports by Securities Firms: Not applicable.

3. Chairman, General Manager, Managers in charge of finance or accounting affairs of the securities firm have taken positions in CPA's Firm or its Affiliates within 1 year: Not applicable.