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Horizon Securities Co., Ltd.
Individual Financial Statements and
Independent Auditor's Report
2021 and 2020

Address of the Company: 3-5 and 7F., No. 236, Sec. 4, Xinyi Rd. Da'an Dist., Taipei City
Tel. No.: (02)2700-8899

Individual Financial Statements and Independent Auditor's Report Contents

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Auditor's Report

To: Horizon Securities Co., Ltd.

Audit opinion

We have audited the accompanying individual balance sheet of Horizon Securities Co, Ltd. (“the Company”) as of December 31, 2021 and 2020, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Notes of the individual financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020 and for the years then ended, and its individual financial performance and its individual cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

The basis for opinions

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of Horizon Securities Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of Horizon Securities Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The “key audit matters” means that the independent auditor has based its evaluations on the professional judgment to audit the most important matters on the 2021 individual financial statements of Horizon Securities Co., Ltd. These matters were addressed in the content of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Evaluation of financial instruments—no active market

The Company invests in financial assets without active market quotes. Because of the lack of active market quotes, their fair value is determined using the evaluation approach. For the aforementioned financial assets, the Company adopted an internal model approach or other evaluation approaches to evaluate the fair value. As changes in the assumptions used in the evaluation would affect the fair value of the financial instruments reported, we determined to list it as a key audit matter.

We implemented but were not limited to the following audit procedures for the evaluation of financial assets without active market quotes: evaluate and test the effectiveness of internal control related to the evaluation of financial instruments, including the management's decisions and approval of evaluation models and their assumptions, evaluation models, as well as the control and management review evaluation results related to the changes in the assumptions. We used the assistance of internal evaluation experts on a sampling basis, including reviewing the evaluation methods adopted by the Company, understanding and evaluating the reasonableness of key evaluation assumptions, performing independent evaluation calculations, and comparing the evaluations made by the management to see if the differences were within the acceptable scope. We also considered the appropriateness of the financial instrument evaluation disclosures in Notes 5 and 12 of the individual financial statements.

Responsibilities of Management and Those in Charge of Governance of the Individual Financial Statements

The responsibility of the management is to have the individual financial statements presented fairly, in all material respects, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants"; also, to maintain the necessary internal controls related to the individual financial statements in order to ensure that the individual financial statements are free of any material misstatement arising from fraud or errors.

While preparing the individual financial statements, the management's responsibility also includes assessing the continuing operation of Horizon Securities Co., Ltd., the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Horizon Securities Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance unit of Horizon Securities Co., Ltd. (including the Audit Committee) is responsible for supervising the financial reporting process.

Independent auditor's responsibility for individual financial statements.

Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance,

but is not a guarantee that the individual financial statements conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design, and perform audit procedures responsive risks, and obtain evidence that is sufficient and appropriate to provide a basis of 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 necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Horizon Securities Co., Ltd.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Use the audit evidence obtained to draw conclusions on the suitability of the accounting base for continuing operation adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Horizon Securities Co., Ltd. have significant uncertainties. 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 individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may result in the inability of Horizon Securities Co., Ltd. to continue operating.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the Group; they are also responsible for forming an opinion on the audit of the Group.

We communicate with those in charge of 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 in charge of 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).

The independent auditor has used communication with the governing unit to determine the key audit matters to be performed on the 2021 individual financial statements of Horizon Securities Co., Ltd. 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 communications.

Ernst & Young Global Limited
Competent authorities have approved the audit of the financial
reports of public companies
Approval Document No.: Jin-Guan-Zheng-6-Zi No. 0970038990
Jin-Guan-Cheng-Shen-Zi No.:
1030025503

James Huang

CPAs:

Bob Chang

March 3, 2022

Horizon Securities Co., Ltd.
Individual Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

| Code | Accounting titles | Note | December 31, 2021 | | December 31, 2020 | |
|--------|---|------------------------------|---------------------|------------|---------------------|------------|
| | | | Amount | % | Amount | % |
| | Current assets | | | | | |
| 111100 | Cash and cash equivalents | 4, 6.1 and 12 | \$2,753,911 | 17 | \$1,080,637 | 6 |
| 112000 | Financial assets at fair value through profit or loss- current | 4, 5, 6.2, 6.20, 7, 8 and 12 | 4,150,458 | 25 | 4,482,284 | 27 |
| 113200 | The financial assets measured for the fair values through other comprehensive income- current | 4, 5, 6.3 and 12 | 70,380 | - | 48,420 | - |
| 114010 | Bond investment under reverse repurchase agreement | 4, 6.5 and 12 | 1,150,580 | 7 | 5,105,012 | 30 |
| 114060 | Securities borrowings receivable | 4, 5, 6.6 and 12 | 1,106 | - | - | - |
| 114066 | Loan receivable – non-restricted purpose | 4, 5, 6.7 and 12 | 478,927 | 3 | 301,218 | 2 |
| 114070 | Customers’ margin accounts | 4, 6.8, 6.33 and 12 | 519,617 | 3 | 301,112 | 2 |
| 114110 | Notes receivable-net | 4, 5, 6.9 and 12 | 150 | - | 313 | - |
| 114130 | Accounts receivable – net | 4, 5, 6.9, 7 and 12 | 4,112,543 | 25 | 3,742,534 | 22 |
| 114150 | Prepayments | | 17,882 | - | 84,479 | 1 |
| 114170 | Other receivables | 4, 5, 6.10, 7 and 12 | 16,585 | - | 14,300 | - |
| 114600 | Current income tax asset | 4, 5, and 6.31 | 4,620 | - | 10,227 | - |
| 119000 | Other current assets | 8 and 12 | 1,562,667 | 10 | 477,141 | 3 |
| 110000 | Total current assets | | <u>14,839,426</u> | <u>90</u> | <u>15,647,677</u> | <u>93</u> |
| | Non-Current assets | | | | | |
| 122000 | Financial assets that are measured at fair value through profit or loss-non-current | 4, 5, 6.2 and 12 | 88,281 | 1 | 86,669 | 1 |
| 123200 | The financial assets measured for the fair values through other comprehensive income- non-current | 4, 5, 6.3 and 12 | 92,460 | 1 | 57,364 | - |
| 123300 | Financial assets based on cost after amortization- non-current | 4, 5, 6.4 and 12 | 200,000 | 1 | - | - |
| 124100 | Investment under the equity method | 4 and 6.11 | 659,552 | 4 | 515,614 | 3 |
| 125000 | Property, plant, and equipment – net | 4, 6.12, 6.34 and 7 | 49,596 | - | 40,185 | - |
| 125800 | Right-of-use assets- Net | 4 and 6.27 | 84,618 | 1 | 123,878 | 1 |
| 127000 | Intangible assets | 4, 6.13 and 6.34 | 74,223 | - | 29,429 | - |
| 128000 | Deferred income tax assets | 4, 5, and 6.31 | 6,288 | - | 4,640 | - |
| 129010 | Business guarantee | 6.14 and 12 | 235,000 | 1 | 225,000 | 1 |
| 129020 | Settlement / clearance fund | 6.15 and 12 | 110,015 | 1 | 106,418 | 1 |
| 129030 | Refundable deposits | 12 | 26,770 | - | 18,461 | - |
| 129130 | Prepayments for equipment | | 480 | - | 3,500 | - |
| 120000 | Total of Non-Current Assets | | <u>1,627,283</u> | <u>10</u> | <u>1,211,158</u> | <u>7</u> |
| 906001 | Total assets | | <u>\$16,466,709</u> | <u>100</u> | <u>\$16,858,835</u> | <u>100</u> |

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Chillli Hsieh

Horizon Securities Co., Ltd.
Individual Balance Sheet (Continued)
December 31, 2021 and 2020

Unit: NTD thousand

| Liabilities and Equity | | | December 31, 2021 | | December 31, 2020 | |
|------------------------|--|------------------|---------------------|------------|---------------------|------------|
| Code | Accounting titles | Note | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 211100 | Short-term borrowings | 6.16 and 12 | \$50,000 | - | \$- | - |
| 211200 | Commercial papers payable | 4.17 and 12 | 149,995 | 1 | 199,936 | 1 |
| 214010 | Call loans to banks | 4, 6.18 and 12 | 3,804,392 | 23 | 8,005,393 | 48 |
| 214080 | Futures traders' equity | 4, 6.33 and 12 | 519,433 | 3 | 300,965 | 2 |
| 214110 | Payable notes | 4, 6.19 and 12 | - | - | 163 | - |
| 214130 | Accounts payable | 4,6.19, 7 and 12 | 4,046,930 | 25 | 3,704,463 | 22 |
| 214150 | Advances | | 8,187 | - | 9,156 | - |
| 214170 | Other payables | 7 and 12 | 347,773 | 2 | 170,185 | 1 |
| 214600 | Current Tax Liability | 4, 5, and 6.31 | 127,901 | 1 | - | - |
| 215100 | Liability reserve-Current | 4 and 6.22 | 6,191 | - | 5,870 | - |
| 216000 | Lease liabilities – current | 4, 6.27 and 12 | 45,643 | - | 57,193 | - |
| 219000 | Other current liabilities | | 1,205,240 | 8 | 164,490 | 1 |
| 210000 | Total current liabilities | | <u>10,311,685</u> | <u>63</u> | <u>12,617,814</u> | <u>75</u> |
| | Non-current liabilities | | | | | |
| 221100 | Corporate bonds payable | 4, 6.20 and 12 | 763,524 | 5 | - | - |
| 225100 | Liabilities reserve- non-current | 4 and 6.22 | 9,357 | - | 3,478 | - |
| 226000 | Lease liabilities – noncurrent | 4, 6.27 and 12 | 21,272 | - | 58,755 | - |
| 228000 | Deferred tax liabilities | 4, 5, and 6.31 | 1,118 | - | 761 | - |
| 229070 | Net determined benefit liability-non-current | 4, 5 and 6.21 | 31,115 | - | 18,661 | - |
| 220000 | Total of non-current liabilities | | <u>826,386</u> | <u>5</u> | <u>81,655</u> | <u>-</u> |
| 906003 | Total liabilities | | <u>11,138,071</u> | <u>68</u> | <u>12,699,469</u> | <u>75</u> |
| | Equity | 4and 6.23 | | | | |
| 301000 | Share capital | | | | | |
| 301010 | Common stock capital | | 3,313,694 | 20 | 3,308,168 | 20 |
| 302000 | Capital reserve | | 359,443 | 2 | 312,359 | 2 |
| 304000 | Retained earnings | | | | | |
| 304010 | Statutory surplus reserves | | 52,945 | - | 13,397 | - |
| 304020 | Special surplus reserves | | 111,110 | 1 | 28,167 | - |
| 304040 | Undistributed earnings | | 1,373,218 | 8 | 436,103 | 3 |
| 305000 | Other equity | | 118,228 | 1 | 61,172 | - |
| 906004 | Total equity | | <u>5,328,638</u> | <u>32</u> | <u>4,159,366</u> | <u>25</u> |
| 906002 | Total Liabilities and Equity | | <u>\$16,466,709</u> | <u>100</u> | <u>\$16,858,835</u> | <u>100</u> |

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Income Statement
2021 and 2020

Unit: NTD thousand

| Code | Items | Note | 2021 | | 2020 | |
|--------|--|-------------------|--------------------|-------------|------------------|-------------|
| | | | Amount | % | Amount | % |
| | Income | | | | | |
| 401000 | Brokerage fee revenue | 4, 6.24 and 7 | \$1,042,146 | 40 | \$590,921 | 44 |
| 402000 | Commissions income from loans | 4 | 82 | - | - | - |
| 404000 | Underwriting business revenue | 4, 6.24 and 7 | 67,736 | 3 | 66,215 | 5 |
| 410000 | Operating gain on sale of securities | 6.24 and 7 | 1,470,274 | 56 | 295,903 | 22 |
| 421100 | Stock affairs agency revenue | 4 and 7 | 77,036 | 3 | 70,057 | 5 |
| 421200 | Interest revenue | 4 and 6.24 | 35,469 | 1 | 45,103 | 3 |
| 421300 | Dividend income | 4 | 26,003 | 1 | 23,240 | 2 |
| 421500 | Net profit of securities trade measured at the fair value through profit or loss | 6.24 and 7 | (92,170) | (3) | 223,761 | 17 |
| 424400 | Net gains (losses) on the derivative financial instruments - Futures | 4, 6.24 and 12 | (17,762) | (1) | 6,129 | 1 |
| 424500 | Net losses on the derivative financial instruments - over the counter | 4 | (1,924) | - | - | - |
| 425300 | Expected credit impairment loss and reversal benefit | 4, 5, and 6.24 | 134 | - | (110) | - |
| 428000 | Other operating revenue | 6.25 and 7 | 1,876 | - | 8,730 | 1 |
| 400000 | Total revenues | | <u>2,608,900</u> | <u>100</u> | <u>1,329,949</u> | <u>100</u> |
| | Expense | | | | | |
| 501000 | Brokerage fee expenses | | (87,791) | (3) | (51,517) | (4) |
| 502000 | Proprietary trade service commission expenses | | (2,551) | - | (2,636) | - |
| 521200 | Financial costs | 6.26 | (1,855) | - | (27,322) | (2) |
| 524300 | Clearance and settlement service expenses | | (9,383) | - | (7,603) | (1) |
| 531000 | Employee benefits expenses | 61.21, 6.28 and 7 | (917,435) | (35) | (568,193) | (43) |
| 532000 | Depreciation and amortization expenses | 6.27 and 6.28 | (89,412) | (4) | (80,609) | (6) |
| 533000 | Other operating expenses | 7 | (279,293) | (11) | (227,043) | (17) |
| 500000 | Total Expense | | <u>(1,387,720)</u> | <u>(53)</u> | <u>(964,923)</u> | <u>(73)</u> |
| | Operating profit | | 1,221,180 | 47 | 365,026 | 27 |
| 601100 | Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method | 4 | (6,063) | - | (39,883) | (3) |
| 602000 | Other profits and losses | 4 and 6.29 | 154,058 | 6 | 92,940 | 7 |
| 902001 | Net profit before tax | | 1,369,175 | 53 | 418,083 | 31 |
| 701000 | Income tax expenses | 4, 5, and 6.31 | (129,902) | (5) | (3,365) | - |
| 902005 | Current net income | | <u>1,239,273</u> | <u>48</u> | <u>414,718</u> | <u>31</u> |
| 805000 | Other comprehensive income | 6.30 | | | | |
| 805500 | The items that are not reclassified as profit or loss | | | | | |
| 805510 | Reevaluation of determined benefit plan | | (14,259) | (1) | (22,680) | (2) |
| 805540 | Investment of equity instruments at fair value through other comprehensive income | | | | | |
| | Net unrealized valuation gain | | 57,056 | 2 | 16,154 | 1 |
| 805000 | Other comprehensive income for the period (post-tax profit or loss) | | <u>42,797</u> | <u>1</u> | <u>(6,526)</u> | <u>(1)</u> |
| 902006 | Total comprehensive income in current period | | <u>\$1,282,070</u> | <u>49</u> | <u>\$408,192</u> | <u>30</u> |
| 975000 | Base earnings per share (\$): | | | | | |
| 975010 | Current net income | 6.32 | <u>\$3.74</u> | | <u>\$1.24</u> | |
| 985000 | Diluted earnings per share (NT\$): | | | | | |
| 985010 | Current net income | 6.32 | <u>\$3.48</u> | | <u>\$1.23</u> | |

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Chilli Hsieh

Horizon Securities Co., Ltd. and its subsidiaries
Individual Statements of Changes in Shareholders' Equity
January 1 to December 31, 2021 and 2020

Unit: NTD thousand

| Items | Share capital | | Retained earnings | | | Other equity | Treasury stock | Total equity |
|--|----------------------|------------------|----------------------------|--------------------------|------------------------|--|----------------|--------------------|
| | Common stock capital | Capital reserve | Statutory surplus reserves | Special surplus reserves | Undistributed earnings | Unrealized gain on financial assets at fair value through other comprehensive profit or loss | | |
| Code | 3100 | 3200 | 3310 | 3320 | 3350 | 3420 | 3500 | 3XXX |
| Balance as at January 1, 2020 | \$3,505,008 | \$237,869 | \$- | \$- | \$133,968 | \$48,459 | \$(25,636) | \$3,899,668 |
| Dividend allocation and distribution for 2019: | | | | | | | | |
| Legal reserve appropriated | - | - | 13,397 | - | (13,397) | - | - | - |
| Appropriation of special reserve | - | - | - | 28,167 | (28,167) | - | - | - |
| Common stock cash dividends | - | - | - | - | (51,780) | - | - | (51,780) |
| 2020 net income | - | - | - | - | 414,718 | - | - | 414,718 |
| Other comprehensive net income in 2020 | - | - | - | - | (22,680) | 16,154 | - | (6,526) |
| Total comprehensive net income in 2020 | - | - | - | - | 392,038 | 16,154 | - | 408,192 |
| Redemption of treasury stock | - | - | - | - | - | - | (96,714) | (96,714) |
| Cancellation of Treasury stock | (196,840) | 74,490 | - | - | - | - | 122,350 | - |
| Equity instrument at fair value through other comprehensive income statement | - | - | - | - | 3,441 | (3,441) | - | - |
| Balance as at December 31, 2020 | <u>\$3,308,168</u> | <u>\$312,359</u> | <u>\$13,397</u> | <u>\$28,167</u> | <u>\$436,103</u> | <u>\$61,172</u> | <u>\$-</u> | <u>\$4,159,366</u> |
| Balance as at January 1, 2021 | \$3,308,168 | \$312,359 | \$13,397 | \$28,167 | \$436,103 | \$61,172 | \$- | \$4,159,366 |
| Dividend allocation and distribution for 2020: | | | | | | | | |
| Legal reserve appropriated | - | - | 39,548 | - | (39,548) | - | - | - |
| Appropriation of special reserve | - | - | - | 82,943 | (82,943) | - | - | - |
| Common stock cash dividends | - | - | - | - | (165,408) | - | - | (165,408) |
| Other changes in capital reserve: | | | | | | | | |
| Arising from the issuance of convertible corporate bonds, recognized in equity component - stock options | - | 40,790 | - | - | - | - | - | 40,790 |
| 2021 net income | - | - | - | - | 1,239,273 | - | - | 1,239,273 |
| Other comprehensive net income in 2021 | - | - | - | - | (14,259) | 57,056 | - | 42,797 |
| Total comprehensive net income in 2021 | - | - | - | - | 1,225,014 | 57,056 | - | 1,282,070 |
| Convertible corporate bonds converted | 5,526 | 6,294 | - | - | - | - | - | 11,820 |
| Balance as at December 31, 2021 | <u>\$3,313,694</u> | <u>\$359,443</u> | <u>\$52,945</u> | <u>\$111,110</u> | <u>\$1,373,218</u> | <u>\$118,228</u> | <u>\$-</u> | <u>\$5,328,638</u> |

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Chillli Hsieh

Horizon Securities Co., Ltd. and its subsidiaries
Individual Statements of Cash Flow
2021 and 2020

Unit: NTD thousand

| Code | Items | 2021 | 2020 |
|--------|--|---------------|---------------|
| | Cash flow from operating activities: | | |
| A10000 | Current year net profit before taxation | \$1,369,175 | \$418,083 |
| A20000 | Adjustments: | | |
| A20010 | Revenue, expense and loss that do not affect the cash flows | | |
| A20100 | Depreciation expenses | 77,702 | 71,919 |
| A20200 | Amortization expenses | 11,710 | 8,690 |
| A20300 | Expected credit impairment loss and reversal benefit | (134) | 110 |
| A20400 | Net loss (gain) on financial assets and liabilities at fair value through profit and loss | 92,170 | (223,761) |
| A20900 | Interest expenses | 1,855 | 27,322 |
| A21200 | Interest income (including financial income) | (44,032) | (51,913) |
| A21300 | Dividend income | (28,838) | (25,401) |
| A22400 | Share of loss of the subsidiaries, affiliated companies and joint ventures under the equity method | 6,063 | 39,883 |
| A23100 | Gain on disposal of investments | (2,353) | (14,163) |
| A23300 | Loss on non-operating financial products at fair value | 8,634 | 12,266 |
| A29900 | Other items | (1,252) | (3,748) |
| A60000 | Changes in operating activities related assets/liabilities | | |
| A61110 | (Increase) decrease in financial assets at fair value through profit and loss | 235,474 | (257,454) |
| A61130 | (Increase) decrease in bond investment under reverse repurchase agreement | 3,954,432 | (2,982,465) |
| A61180 | Increase in securities borrowings receivable | (178,810) | (203,198) |
| A61190 | Increase in customers' margin accounts | (218,505) | (117,326) |
| A61200 | Decrease in futures trading margin receivable | - | 331 |
| A61230 | Decrease in notes receivable | 176 | 159 |
| A61250 | Increase in accounts receivable | (367,046) | (1,553,280) |
| A61270 | (Increase) decrease in prepayments | 37,889 | (67,218) |
| A61280 | Increase in net interest on the net defined benefit asset | - | (1,502) |
| A61290 | Increase in other receivables | (483) | (3,733) |
| A61365 | Financial assets at fair value through other comprehensive profit or loss (decrease) | - | 259 |
| A61370 | Increase in other current assets | (1,085,526) | (117,066) |
| A62110 | Increase (decrease) in bond liabilities under repurchase agreement | (4,201,001) | 3,135,589 |
| A62200 | Increase in futures traders' equity | 218,468 | 117,702 |
| A62210 | Increase (decrease) in notes payable | (163) | 82 |
| A62230 | Increase in accounts payable | 342,861 | 1,503,378 |
| A62250 | Increase (decrease) in advance receipts | (969) | 9,147 |
| A62270 | Increase in other payables | 177,588 | 79,878 |
| A62290 | Decrease in net determined benefit liability | (1,805) | - |
| A62300 | Increase in liability reserve | 321 | 2,260 |
| A62320 | Increase in other current liabilities | 1,040,750 | 119,163 |
| A33000 | Cash inflow (outflow) from operations | 1,444,351 | (76,007) |
| A33100 | Interest received | 39,275 | 56,770 |
| A33200 | Dividends received | 28,946 | 34,135 |
| A33300 | Interest payment | (390) | (644) |
| A33500 | Income tax returned | 2,315 | 2,460 |
| AAAA | Net cash inflow (outflow) from operating activities | 1,514,497 | 16,714 |
| | Cash flow from investing activities: | | |
| B00040 | Acquisition of financial assets at amortized cost | (200,000) | - |
| B01800 | Acquisition of investment under the equity method | (150,000) | - |
| B02700 | Acquisition of property, plant, and equipment | (22,758) | (11,953) |
| B03300 | Increase in business guarantee | (10,000) | - |
| B03500 | Increase in settlement/clearance fund | (3,597) | (16,926) |
| B03700 | Increase in refundable deposits | (8,309) | - |
| B03800 | Decrease in Refundable deposits | - | 2,992 |
| B04500 | Acquisition of Intangible assets | (27,496) | (10,705) |
| B07100 | Increase in prepayments for equipment | (480) | - |
| BBBB | Net cash outflow from investing activities | (422,640) | (36,592) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| C00100 | Increase of short-term loans | 137,741,730 | 130,738,430 |
| C00200 | Decrease in short-term loans | (137,691,730) | (130,738,430) |
| C00700 | Increase in commercial papers payable | 1,614,614 | 869,369 |
| C00800 | Decrease in commercial papers payable | (1,665,000) | (770,000) |
| C01200 | Issue of corporate bonds | 822,374 | - |
| C04020 | Repayments of principal portion of the lease | (64,844) | (61,769) |
| C04500 | Cash dividend released | (165,408) | (51,780) |
| C04900 | Cost of treasury stock repurchase | - | (96,714) |
| C05600 | Interest payment | (10,319) | (24,941) |
| CCCC | Net cash inflow (outflow) from financing activities | 581,417 | (135,835) |
| E00000 | Current cash and cash equivalents increase (decrease) | 1,673,274 | (155,713) |
| E00100 | Balance of cash and cash equivalents, beginning of period | 1,080,637 | 1,236,350 |
| E00200 | Balance of cash and cash equivalent, end of period | \$2,753,911 | \$1,080,637 |

(Refer to Note to the individual financial statements)
Managerial officers: Jamie Lin

Chairman: Ke-Chyn Jiang

Accounting Manager: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Notes to financial statements
January 1 to December 31, 2021
And January 1 to December 31, 2020
(In thousand New Taiwan dollars, unless otherwise specified)

1 Company History

Horizon Securities Co., Ltd. (hereinafter referred to as the “Company”) was established in December 1961. It was originally a brokerage firm. Later in 1990, with business expansion, it was approved to function as a comprehensive securities firm, to trade securities as an agent, trade securities on its own, and underwrite securities. It launched the securities lending and borrowing business in November 1992. Since July 25, 1996, it has been listed for trading in Taipei Exchange. On June 8, 1998, it was approved to conduct the business within the scope of H408011 Futures Trading Assistance. Since December 2000, it has been changed to operate the securities lending and borrowing business as an agent. On September 26, 2008, it was approved to operate the business under H401011 Futures Commission Merchants; later, on April 29, 2013, it was approved to operate the futures brokerage business, and on August 6, 2015, it was approved to run the business under H405011 Futures Advisory Enterprises. As of December 31, 2021, the Company has nine branches.

The Company’s registered place and principal place of business are located on the 3F to 5F and 7F, No. 236, Sec. 4, Xinyi Rd., Da’an Dist., Taipei City.

The Company adopted the resolution of the shareholders’ meeting on June 10, 2009 to absorb and merge Forwin Securities Investment Consulting Co., Ltd., and the record date of the merger was February 1, 2010, with the Company as the surviving company that generally accepted all rights and obligations of the assets and liabilities of Forwin Securities Investment Consulting Co. The merger was approved with reference Jin-Guan-Zheng-Quan No. 0980056518 dated October 21, 2009.

The Company passed the proposal for takeover of the management rights and assets from Kunglon Securities through the resolution by the shareholders’ meeting on June 24, 2020. The record date of the transfer was February 17, 2021. The takeover was approved with reference Jin-Guan-Zheng-Quan No. 1090365848 dated December 2, 2020.

The Company’s board of directors passed the resolution on September 30, 2020 to establish branches in Taipei 101 and the National Trade Center and to add wealth management business, which has been approved as per Letter Jin-Guan-Zheng-Chuan No.1100370421 on November 5, 2021.

The Company is a comprehensive securities firm licensed by the government to engage in securities underwriting, proprietary trading, trading as an agent, futures proprietary business, futures brokerage business, futures advisory business, and other relevant businesses approved by the competent authority.

2 Financial reporting date and procedures

The Company’s individual financial statements for 2021 and 2020 were approved by the board of directors on March 3, 2022 before release.

3 Application of new and revised standards and interpretation

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China and applied to the fiscal year beginning on or after January 1, 2021. The first-time adoption of the new standards and amendments does not have a material impact on the Company.

2. The Company has not yet adopted the following new publication, revision, and amendments or interpretations announced by International Accounting Standards Board and approved by the FSC.

| Item No. | New releases/amendments/revisions of the Standards and Interpretations | The effective date announced by the International Accounting Standards Board |
|----------|---|--|
| 1 | Amendments to the limited scope of IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements | January 1, 2022 |

(1) Amendments to the limited scope of IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements

A. Reference to the Conceptual Framework (amendments to IFRS 3)

In the amendments, the old version of the reference to the conceptual framework of financial reporting is replaced, and the latest version of the reference was published in March 2018 to update IFRS 3. An exception to the principle of recognition has been added to avoid possible “day 2” gains or losses due to liabilities and contingent liabilities. In addition, the existing guidelines for contingent assets that are not affected by the reference to the conceptual framework are clarified.

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

The amendments are related to items arising from the sales of a company’s assets when the assets have reached their intended use, prohibiting the company from deducting the sale amount from the cost of property, plant and equipment; conversely, the company shall recognize such selling price and relevant costs in profit or loss.

C. Onerous Contracts – Cost of Fulfilling a Contract (amendment to IAS 37)

The amendments clarify the cost that shall be included in a company’s assessment of whether a contract is loss-making.

D. Annual Improvements to IFRSs: 2018-2020 Cycle

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Amendment to IFRS 1

The amendment simplifies the measurement of accumulated translation adjustment for the application of IFRS 1 with a subsidiary as the first-time adopter after the parent company.

Amendment to IFRS 9 “Financial Instruments”

The amendment clarifies the expenses involved when a company evaluates whether the new contract terms or the revised terms of the financial liabilities are significantly different from the original financial liabilities.

Amendment to IFRS 16 “Leases”

This is to rectify the lease incentives related to the improvement of the lessee’s rights in Example 13.

Amendment to IAS 41

The amendment removes the requirement that cash flow is not included in tax when measuring fair value, so that the fair value measurement requirements of IAS 41 will be consistent with the relevant requirements of other IFRSs.

The above are the new publication, revision, and amendment or interpretation of the standards that have been issued by the International, have been approved by the FSC and are applicable to fiscal years beginning on or after January 1, 2022. The new publication, revision, and amendment or interpretation of the standards caused no material impact on the Company based on its assessment.

- As of the date of the financial report published, the Company has not adopted the following new publication, revision, and amendment or interpretation of the standards announced by the International Accounting Standards Board but not yet approved by the FSC.

| Item No. | New releases/amendments/revisions of the Standards and Interpretations | The effective date announced by the International Accounting Standards Board |
|----------|--|--|
| 1 | Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” – Assets sold or invested in by investors and their associates or joint ventures. | To be determined by the International Accounting Standards Board (IASB). |
| 2 | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| 3 | Liabilities are classified as current or non-current (amendments to IAS 1) | January 1, 2023 |
| 4 | Disclosure of Accounting Policies (amendments to IAS 1) | January 1, 2023 |
| 5 | Definition of Accounting Estimates (amendments to IAS 8) | January 1, 2023 |
| 6 | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) | January 1, 2023 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (1) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” – Assets sold or invested in by investors and their associates or joint ventures.

This plan is to handle the inconsistency on the loss of control due to the investment in associates or joint ventures by subsidiaries according to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures.” When investing in non-monetary assets to exchange for the equity of the associates or joint ventures according to IAS 28, the resulting profits or losses should be eliminated in accordance with the treatment of downstream transactions. According to IFRS 10, the profit or loss should be recognized fully when losing control over the subsidiaries. This amendment limits the foregoing provisions of IAS 28. When it is constituted as the sale or investment of business assets as stipulated in IFRS 3, the resulting profit or loss should be fully recognized.

This amendment also modifies IFRS 10 to enable investors and their associates or joint ventures to recognize the profit or loss to the extent of the portion that is not distributed to the investors when selling or investing in subsidiaries that do not meet the definition as stipulated in IFRS 3.

- (2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model of insurance contract, including all accounting related parts (recognition, measurement, expression, and disclosure principles). The core of the standard is a general model. Regarding this model, the original recognition is based on the total amount of the contractual cash flow and contractual services margin to measure the insurance contracts. The book value at the end of each reporting period is the sum of the liabilities for remaining coverage and the liabilities for incurred claims.

In addition to the general model, it provides a specific applicable method (variable fee approach) for the contracts with a direct participation characteristic and simplifies short-term contracts (premium allocation approach).

This standard was promulgated in May 2017, and an amendment was issued in 2020 and 2021. The amendment, except for the postponement of the effective date by 2 years in a transitional clause (that is, from January 1, 2021 to January 1, 2023) provides additional exemptions, and reduces the cost of adopting this standard by simplifying some of the regulations, while amending some regulations to make some situations easier to explain. This standard taking effect will replace the transitional standard (i.e. IFRS 4 “Insurance Contracts”).

- (3) Liabilities are classified as current or non-current (amendments to IAS 1)

This is an amendment made to the classification of liabilities as current or noncurrent in paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements.”

- (4) Disclosure of Accounting Policies (amendments to IAS 1)

This amendment is to improve the disclosure of accounting policies to provide investors and other major users of financial statements with more useful information.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(5) Definition of Accounting Estimates (amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help companies distinguish between changes in accounting policies and changes in accounting estimates.

(6) Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)

This amendment narrows the scope of the exemption from the recognition of deferred tax in paragraphs 15 and 24 of IAS 12–Income Taxes so that the exemption does not apply to transactions that give rise to the same amounts of taxable and deductible temporary differences upon initial recognition.

The above are standards or interpretations that have been issued by the IASB but have not yet been endorsed by the FSC. The date of actual application is subject to the FSC’s regulations. The Company has assessed that the new or amended standards or interpretations, they will not have a material impact on the Company.

4 Summary of significant accounting policies

1. Compliance Statement

The Company’s individual financial statements for the years ended December 31, 2021 and 2020 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

2. Basis of preparation

According to the Regulations Governing the Preparation of Financial Reports by Securities Firms and the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the profit and loss in the individual financial statements equivalent to the amortization amount of the current profit and loss and other comprehensive profit and loss in the consolidated financial statements that is attributable to the shareholders of the parent company; also, the shareholder’s equity amount in the individual financial statements is same as the equity attributable to the shareholders of the parent company in the consolidated financial statements. Therefore, investee subsidiaries are presented in the individual financial statements as “investments using the equity method,” and necessary evaluation adjustments are made.

The individual financial statements are based on historical cost, except for financial instruments measured at fair value. Unless otherwise stated, the individual financial statements are prepared in the currency of New Taiwan Dollars (NT\$ Thousand).

3. Foreign currency transactions

This individual financial statement is denominated in NT Dollar, the functional currency of the Company.

The foreign currency transactions are converted to its functional currency according to the

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

exchange rate on the transaction date. At the end of each reporting period, foreign currency monetary items are translated at the closing exchange rate of the day. The foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date of fair value applied. The foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the original trading day.

Except for the following, the exchange differences arising from the clearing or translation of monetary items are recognized as profit or loss in the period in which they are incurred:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.
- (2) The foreign currency items as in IFRS 9 “Financial Instruments” are handled in accordance with the accounting policies of financial instruments.
- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

4. Classification of current and non-current assets and liabilities

In the case of any of the following circumstances, it is classified as current assets, and the assets other than the current ones are classified as non-current assets:

- (1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (2) Assets held mainly for trading purpose:
- (3) The asset is expected to be realized within twelve months after the reporting period.
- (4) Cash or cash equivalents, except where the asset is exchanged or used to settle liabilities at least twelve months after the reporting period.

In the case of any of the following circumstances, it is classified as current liabilities, and the liabilities other than the current ones are classified as non-current liabilities:

- (1) It expects to settle the liability in its normal operating cycle.
- (2) Liabilities held for trading purposes;
- (3) The liabilities are expected to be settled within twelve months after the reporting period.
- (4) Liabilities that are not possible to unconditionally defer the settlement date to at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

5. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value.

6. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 “Financial Instruments,” at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and derecognition of all the financial assets of the Company are handled with the trade date accounting.

The Company uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets based on cost after amortization

Financial assets that meet the following two conditions at the same time are measured at amortized cost, and are recognized in notes receivable, accounts receivable, financial assets at amortized cost, securities borrowings receivable, loan receivable-non-restricted purposes, and other receivables on the balance sheet:

- A. Operating model of financial assets management: hold financial assets to collect contractual cash flow
- B. Contractual cash flow characteristics of financial assets: cash flow is entirely for the payment of principal and interest on the amount of outstanding principal.

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [(the amount measured at the time of original recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due), and adjusting the allowance for loss]. For derecognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive profit or loss

Financial assets that meet the following two conditions are measured at fair value through other comprehensive income and are expressed on the balance sheet as financial assets measured at fair value through other comprehensive income:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics of financial assets: cash flow is entirely for the payment of principal and interest on the amount of outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before derecognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of derecognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
 - (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
 - (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of financial assets.

In addition, for an equity instrument that is subject to IFRS 9 and the equity instrument is neither held for trading nor is subject to the contingent considerations recognized by the acquirer as stipulated in IFRS 3 “Business Combinations,” in the original recognition, the subsequent changes in fair value are booked in other comprehensive income (irrevocably). The amount included in other comprehensive income cannot be subsequently transferred to profit or loss (when the equity instruments are disposed of, the accumulated amounts included in other equity items are transferred directly to retained earnings). Also, it is booked as a financial asset measured at fair value

through other comprehensive income on the balance sheet. Investment dividends are recognized in profit or loss unless such dividend clearly represents a recovery of the investment cost.

Financial assets at fair value through profit and loss

Financial assets are measured at fair value through profit or loss and are booked in the balance sheet as financial assets measured at fair value through profit or loss, except for the financial assets in the preceding paragraph that meet certain conditions and are measured at amortized cost or measured at fair value through other comprehensive income.

Such financial assets are measured at fair value, and the benefits or losses arising from the remeasurement are recognized as profit or loss. The benefits or losses recognized as profit or loss include any dividend or interest received on the financial asset.

(2) Impairment of Financial Assets

For financial assets measured at amortized cost, the Company recognizes and measures allowance losses based on expected credit losses.

The Company measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, it also includes the allowance for loss measured by the expected credit loss of the duration in the previous reporting period, but which no longer meets the condition that the credit risk has increased significantly since the original recognition on the balance sheet date.
- B. The expected credit loss amount for the duration: Includes the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the Company measured the allowance for loss with the expected credit loss amount of the duration.

On each balance sheet date, the Company assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note 12 for information related to credit risk.

(3) Derecognized financial assets

Financial assets held by the Company are derecognized when one of the following conditions is met:

- A. The contractual right from the cash flow of financial assets is terminated.
- B. The financial asset has been transferred and almost all of the risks and rewards of asset ownership have been transferred to others.
- C. Almost all risks and rewards of asset ownerships have not been transferred or retained, but the control of assets has been transferred.

When a financial asset is derecognized entirely, the difference between the book value and the collected or collectible considerations plus any cumulative gain or loss recognized in other comprehensive gain or loss is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The liability and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments

An equity instrument refers to any contract that recognizes the residual equity of the Company after the asset deducts the liabilities. The equity instruments issued by the Company are recognized at the amount obtained after deducting the direct issuance costs.

Hybrid instruments

The Company recognizes the components of financial liabilities and equity for the convertible corporate bonds issued in accordance with the contractual terms. In addition, it evaluates whether the economic characteristics and risks of the embedded call and put of the convertible corporate bonds issued are closely related to the primary debts before distinguishing the equity elements.

For the liability without derivatives involved, the fair value of which is measured using market interest rates of bonds with similar nature and no conversion characteristics; before conversion or redemption, the amount is classified as financial liabilities measured at amortized cost. Other embedded derivatives that are not closely related to the risks of the economic characteristics of the master contract (such as the embedded redemption right whose strike price is confirmed to be unable to be nearly equal to the amortized cost of the bond products on each exercise date) belong to an equity component and are classified as a liability component and measured at fair value through profit or loss after the balance sheet date. The amount of the equity component is determined with the fair value of the converted corporate bond less the liability component, and its book value will not be re-measured after the balance sheet date. If the convertible corporate bonds issued do not contain an equity element, they are treated in accordance with the hybrid instrument approach under IFRS 9.

Transaction costs are apportioned between the liability and equity components as per the proportion of the initially recognized convertible corporate bonds.

When the holder of the convertible corporate bond requests to exercise the conversion right before the maturity of the convertible corporate bond, the book value of the liability components shall be adjusted to that at the time of conversion as the accounting basis for the issuance of ordinary shares.

Financial liabilities

Financial liabilities that meet the scope of application of IFRS 9 are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profits or losses include held-for-trade financial liabilities and financial liabilities designated to be measured at fair value through profit or loss.

Classified as held-for-trade when one of the following conditions is met:

- A. It is obtained mainly for the purpose of being sold in the short-term.
- B. It became part of the identified financial instrument portfolio managed comprehensively at initial recognition and there is evidence of the short-term profit-generating operation of the portfolio recently; or
- C. It is a derivative (except for a financial guarantee contract or a designated and effective hedging derivative instrument).

For a contract that includes one or more embedded derivatives, an overall hybrid (combined) contract can be designated as a financial liability measured at fair value through profit or loss. When the relevant information is provided upon complying with one of the following factors, the original recognition is designated as measured at fair value through profit or loss:

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The financial assets, financial liabilities or both, according to a written risk management or investment strategy, are managed at fair value with the performance evaluated and the investment portfolio information provided to management within the consolidated company is also based on the fair value.

The benefits or losses arising from the remeasurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities measured at the amortized cost

Financial liabilities measured at the amortized cost, including payables, borrowings,

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

and corporate bonds payable are subsequently measured using the effective interest method after the original recognition. When a financial liability is derecognized and amortized through the effective interest method, its related profit or loss and amortization are recognized in profit or loss.

The calculation of the amortized cost takes into account the discount or premium and transaction costs at the time of acquisition.

Derecognition of financial liabilities

When the obligation of a financial liability is discharged, canceled, or invalidated, the financial liability is derecognized.

When the Company and the creditors exchange opinions on a debt instrument with significant differences, or make major changes to all or part of the existing financial liabilities clauses (whether due to financial difficulties or not), it is handled by having the original liabilities derecognized and new liabilities recognized. When financial liabilities are derecognized, the difference between the book value and the total amount (including the transferred non-cash assets or liabilities assumed) of the considerations paid or payable is recognized in profit or loss.

(5) Financial assets and liabilities written-off against each other

Financial assets and financial liabilities can only be offset and presented with the net amount on the balance sheet only when the recognized amounts can be offset currently by law and are intended to be cleared on a net amount or having assets sold for cash and liability liquidated simultaneously.

7. Derivatives

Derivatives held or issued by the Company are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging assets or liabilities on the balance sheet. For those not designated but effective hedging, they are presented on the balance sheet as financial assets or financial liabilities measured at fair value through profit or loss.

The original recognition of a derivative is measured at the fair value on the derivative contract date and it is also measured at fair value subsequently. When the fair value of a derivative is positive, it is a financial asset. When the fair value of a derivative is negative, it is a financial liability. Changes in the fair value of derivatives are recognized directly in profit or loss, except for hedging and the part of effective hedging that is directly recognized in equity.

Where a master contract is a non-financial asset or financial liability, when the derivatives embedded in the master contract have economic characteristics and risks that are not closely related to the master contract, and the master contract is not measured at fair value through profit or loss, the embedded derivatives shall be treated as independent derivatives.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

8. Fair value measurement

Fair value is the price that would be collected for the assets sold or the price paid for the liabilities transferred in an orderly transaction between market participants on the measurement date. Fair value measurement is with an assumption that the sale of the asset or the transfer of the liability occurs in one of the following markets:

- (1) The main market for the asset or liability, or
- (2) If there is no major market, the most favorable market for the asset or liability;

The primary or most favorable market must be available for the Company to conduct trades.

The fair value measurement of an asset or liability is based on the assumption that the market participants used in pricing the assets or liabilities, assuming that such market participants will use the assumption the most economically practical way.

The fair value measurement of a non-financial asset takes into account the market participant's use of the asset for its highest and best utilization or sale of the asset to another market participant who will use the asset for its highest and best utilization in order to generate economic benefits.

The Company uses valuation techniques that are appropriate with sufficient data available in the relevant circumstances to measure fair value and maximize the use of observable inputs and minimize the use of unobservable inputs.

9. Repo bond trade

- (1) Repo bond trade is recognized based on cost. If the trading nature is a financing activity, when a transaction under the reverse repurchase agreement occurs, it shall be recognized in "bond investment under reverse repurchase agreement" under current assets; when a transaction under the repurchase agreement occurs, it shall be recognized in "bond liabilities investment under repurchase agreement" under the current liabilities. The differences from the agreed reverse repurchase (repurchase) price shall be accounted for in interest income or financial cost.
- (2) If an outright sale is performed for bonds traded under the reverse repurchase agreement, the credit item upon outright sale will be "bond investment under reverse repurchase agreement – short sale," and the item is under liabilities, and the total amount will be measured at fair value at the balance sheet date. The profit or loss on covering of the outright sale of bonds under the reverse repurchase agreement shall be recognized upon covering as the "covering of net profit (loss) on securities lending and bonds short sale under the reverse repurchase agreement."

10. Securities business lending and securities lending

The Company's accounts receivable from securities investors for securities business lending are recognized in securities borrowings receivable and loan receivable at the end of the period, the recovery probability of the receivables is recognized in expected credit losses and the allowance loss is measured. The collateral obtained from the securities business lending shall be recognized in a memo account.

When the Company is engaged in securities lending, the source of the securities lent can be its own securities and securities borrowed from the securities borrowing system of the Taiwan Stock Exchange. In the case of lending proprietary securities, the Company converts the original account to “securities lent,” which is measured at fair value on the valuation date. In the case of lending securities borrowed from the securities borrowing system of the Taiwan Stock Exchange, it will only be recognized in a memo account, and the source of lending and transfer of bonds is presented in the business report and not listed in the financial statements.

The collateral obtained by the Company for securities lending business, if it is a securities collateral, it will only be listed in a memo account rather than formally recognized in an account, but it must be a separate memo account for each customer, and the collateral-related transactions shall be entered one by one. If it is cash collateral, it shall be recognized in “guarantee deposits received for securities lending” under current liabilities. The income from securities lending and service fees collected are recognized in “income from securities lending.”

11. Customers’ margin accounts and futures traders’ equity

Customers’ margin accounts

The margin and royalties collected from futures traders in accordance with regulations, and the differences settled based on daily market prices, etc., belong to the category of current assets in the balance sheet.

Futures trader’s equity

The margin and royalties collected from futures traders, and the differences settled based on daily market prices are futures trader’s equity and belong to the category of current liabilities in the balance sheet. Except for the accounts of the same type of the same customer, they shall not offset each other. Where a debit balance occurs to a futures trader’s equity, it shall be accounted for in futures trading margin receivable.

12. Futures trade

It is the trading margin and the positions of the futures and option contracts paid in cash or securities for the futures and option trading business. The amount of increase or decrease in the margin generated after daily valuation is accounted for in “futures trading margin – proprietary capital/securities.” The royalties paid for options purchased for trading purposes are accounted for under “call option,” and the royalties received for selling options is accounted for under “put option liabilities.”

For futures and option trading, the differences upon settlement are recognized in current profit or loss. The differences between the settlement price and the average price of the positions unsettled at the balance sheet date are also recognized in “net gains (losses) on the derivative financial instruments – futures” under the current profit or loss.

The excess margin from futures trading margin exceeding the original margin belongs to the amount of unconditional withdrawable equity, and is recognized in “cash and cash equivalents.”

13. Investment under the equity method

The Company's investment in subsidiaries is presented, valued and adjusted in accordance with the "Investment under the equity method" as defined in Article 25 of the Regulations Governing the Preparation of Financial Reports by Securities Firms in order to have had the current profit and loss and other comprehensive profit and loss in the financial statements equivalent to the amortization amount of the current profit and loss and other comprehensive profit and loss in the consolidated financial statements that is attributable to the shareholders of the parent company; also, the shareholder's equity amount in the financial statements is same as the equity attributable to the shareholders of the parent company in the consolidated financial statements. Such adjustments are mainly based on the difference between having the "investment in subsidiaries" processed in accordance with IFRSs 10 "Consolidated Financial Statements" and IFRSs that are for different reporting entities; also, the said difference is debited or credited to the account of "Investment under the equity method," "Profit and loss of the subsidiaries under the equity method, associates, and Joint Ventures" or "Other comprehensive profit and loss of the subsidiaries under the equity method, associates and Joint Ventures."

The Company has the investment in an affiliated company handled in accordance with the equity method. Affiliated companies refer to companies that have a significant influence on the Company.

Under the equity method, the investment in associates is booked in the balance sheet for an amount equivalent to the cost plus the amount of the change in the associate's net assets recognized proportionally to the shareholding ratio. When the book value of the investment in associates and other related long-term equity under the equity method is with a zero balance, additional loss and liability is recognized within the scope of the statutory obligations, constructive obligations, or payments on behalf of associates incurred. Unrealized gains and losses arising from transactions between the Company and affiliated companies are eliminated according to the proportion of its equity in affiliated companies or joint ventures.

When the change in the equity of an associate does not occur as a result of profit or loss and other comprehensive profit and loss, and also such change does not affect the Company's shareholding ratio, the Company recognizes the relevant changes in equity ownership proportionally to the shareholding ratio. Therefore, the recognized additional paid-in capital will be transferred to profit or loss proportionally to the disposal amount when the associate is subsequently disposed.

When the associate issued new shares, the Company did not subscribe it proportionally to the shareholding ratio, causing the Company's investment ratio and net asset ratio in the associate changed, so, such change is adjusted to the "additional paid-in capital" and "investment under the equity method." When the change in the investment ratio is reduced, the relevant items previously recognized in other comprehensive profit or loss should be reclassified to "profit or loss" or other appropriate accounts proportionally to the reduction ratio. The previously recognized additional paid-in capital is transferred to the profit or loss proportionally to the disposal ratio when the associate is disposed.

The financial statements of associates are prepared for the same reporting period as the Company and adjusted to have its accounting policies in line with the Company's accounting policies.

The Company confirms whether or not there is objective evidence indicating impairment of the investment in associates in accordance with the requirements of IAS 28 “Investment in Associates and Joint Ventures” at the end of each reporting period. If there is objective evidence of impairment, the Company shall calculate the impairment amount based on the difference between the recoverable amount and the book value of the associate in accordance with the requirements of IAS 36 “Assets impairment” and recognize such amount in the profit or loss from the associate. If the aforementioned recoverable amount is the investment value, the Company will determine the investment value according to the following estimates:

- (1) The present value of the estimated future cash flow of the associate attributable to the Company includes the cash flow generated by the associate in business operations and the proceeds from the investment disposed; or
- (2) The present value of the expected dividends and future cash flows generated from the investment disposed ultimately.

As the items that constitute the book value of the associate or a joint venture’s goodwill are not separately recognized, it is not subject to the requirements of IAS 36 “Asset impairment” goodwill impairment test.

Upon the loss of significant impact on associates, the Company has the retained investment amount measured and recognized at fair value. Upon the loss of significant impact, the difference between the book value of the investment in associate and the fair value of the retained investment plus the proceeds from the disposal is recognized as profit or loss. In addition, when an investment in an affiliated company becomes an investment in a joint venture, the Company continues to apply the equity method without remeasuring the retained equity.

14. Property and equipment

Real estate and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the real estate and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the real estate and equipment. When major parts of real estate and equipment are subject to periodic replacement, the Company treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 “Property, Plant, and Equipment.” If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is computed in accordance with the straight-line method over the estimated useful lives of the following assets:

| Type | Useful life |
|-----------------------|--|
| Office equipment | 2–10 years |
| Leasehold improvement | The lease period or the useful live, whichever is shorter |

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After the original recognition of the real estate and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the real estate and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

15. Leases

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date. If an agreement transfers control over the use of an identified asset for a period of time in exchange for consideration, the contract is (or includes) a lease arrangement. In order to assess whether the agreement transfers control over the use of the identified asset for a period of time, the Company assesses whether it meets both of the following conditions during the entire period of use:

- (1) Obtaining the right to almost all economic benefits from the use of the identified asset; and
- (2) The right to direct the use of the identified asset.

For the agreement that belongs to (or includes) a lease arrangement, the Company treats each lease component in the agreement as a separate lease and treats it separately from the non-lease component in the agreement. For the agreement that includes one lease component and one or more additional lease or non-lease components, the Company adopts the relative standalone price of each lease component and the aggregate standalone prices of the non-lease components as the basis to distribute the consideration in the agreement to the lease component. The relative standalone prices of lease and non-lease components are determined on the basis of the prices charged by the lessor (or similar suppliers) for the components (or similar components). If an observable standalone price is not readily available, the Company maximizes the use of observable information to estimate the standalone price.

The Company is the lessee.

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, when the Company is the lessee of a lease contract, all leases are recognized in right-of-use assets and lease liabilities.

The Company measures the lease liabilities on the inception date based on the present value of the lease payments not yet paid on that date. If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used. On the inception date, the lease payments included in the lease liabilities include the following payments related to the right to use the underlying assets during the lease period and not yet paid on that date:

- (1) Fixed payment (including substantive fixed payment) less any lease incentives that can be collected;
- (2) Lease payment that depends on changes in an index or rate (using the index or rate on the inception date for initial measurement);

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- (3) The amount expected to be paid by the lessee under the residual value guarantee;
- (4) If the Company can reasonably determine the exercise price of call option, it will exercise the option; and
- (5) The penalty payable for the termination of a lease, if there is sign that the lessee, in the lease period, will exercise the option of terminating the lease.

After the commencement date, the Company measures the lease liabilities at amortized cost, and increases the book value of the lease liabilities using the effective interest method to reflect the interest on the lease liabilities; the lease payments reduce the book value of the lease liabilities.

On the commencement date, the Company measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) the amount equal to the lease liability at its initial assessment
- (2) Any lease payments made on or before the commencement date less any lease incentives received;
- (3) any initial direct costs incurred by the lessee; and
- (4) an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Subsequent measurement of the right-of-use assets is presented after the cost less the accumulated depreciation and accumulated impairment loss, i.e. the cost model is applied to measure the right-of-use assets.

If the ownership of the underlying asset is transferred to the Company when the lease period expires, or if the cost of the right-of-use assets reflects that the Company will exercise the call option, the right-of-use assets will be depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use assets from the commencement date to the end of the useful life of the right-of-use assets or to the expiration of the lease period, whichever is earlier.

The company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and to deal with any identified impairment losses.

In addition to meeting and selecting short-term leases or leases of low-value underlying assets, the Company presents right-of-use assets and lease liabilities in the balance sheet, and presents lease-related depreciation expenses and interest expenses separately in the statement of comprehensive income.

For short-term leases and leases of low-value underlying assets, the Company chooses to adopt the straight-line basis or another systematic basis to recognize the lease payments related to said leases in expenses during the lease period.

The Company is the lessor.

The Company classifies each of its leases as operating leases or financial leases on the contract establishment date. If a lease transfers almost all the risks and rewards attached to the ownership of the underlying asset, it is classified as a financial lease; if it does not transfer said matters, it is classified as an operating lease. On the commencement date, the Company recognizes the assets held under the finance leases in the balance sheet and presents them as financial lease receivables based on the net lease investment.

For agreements that include lease components and non-lease components, the Company applies IFRS 15 to distribute the consideration in the agreements.

The Company recognizes lease payments from operating leases as rental income on a straight-line basis or another systematic basis. For operating leases, lease payments that are not dependent on change in some index or rate are recognized as rental income when they occur.

16. Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. The cost of intangible assets acquired through a business combination is the fair value at the acquisition date. After initial recognition of intangible assets, the book value is the amount of the cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets that do not meet the recognition conditions shall not be capitalized, but shall be recognized in profit or loss when they occur.

The useful life of intangible assets is divided into limited and indefinite useful life.

Intangible assets with a limited useful life are amortized over their useful life, and an impairment test is performed when there are signs of impairment. The amortization period and method of intangible assets with limited useful life are reviewed at least at the end of each fiscal year. If the estimated useful life of an asset is different from the previous estimate, or the expected pattern of future economic benefit consumption has changed, the amortization method or period will be adjusted and considered as a change in accounting estimates.

Intangible assets with indefinite useful life are not amortized, but impairment tests are conducted to each asset or based on the level of cash-generating units each year. Intangible assets with indefinite useful life are assessed in each period whether there are events and circumstances that continue to support that the asset's useful life is still indefinite. If the useful life is changed from indefinite to limited, the application will be applied prospectively.

The profit or loss arising from the derecognition of an intangible asset is recognized as profit or loss.

The Company's accounting policy for intangible assets is summarized as follows:

| Type | Useful life | Amortization method |
|-------------------|-------------|--|
| Goodwill | Indefinite | Not amortized |
| Business right | Indefinite | Not amortized |
| Computer software | 2–5 years | Amortized by the straight-line method according to the limited useful life |

17. Impairment of non-financial assets

The Company at the end of each reporting period assesses whether all assets subject to IAS 36 “Impairment of Assets” are showing signs of impairment. If there is any indication of impairment or an impairment test is required for an asset on a regular basis each year, the Company tests the individual asset or the cash-generating unit to which the asset belongs. If the book value of an asset or the cash-generating unit to which the asset belongs is greater than the recoverable amount in an impairment test, the impairment loss is recognized. The recoverable amount is the higher of net fair value or value in use.

At the end of each reporting period, the Company assesses assets other than goodwill to see whether there are indications that the previously recognized impairment losses may no longer exist or may be decreased. In the event of such an indication, the Company estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increased due to the change in the estimated service potential of the asset, the impairment amount is reversed. However, the reversed book value shall not exceed the book value before recognizing impairment loss and after deducting depreciation or amortization.

The cash-generating unit or group to which the goodwill belongs, regardless of whether there are signs of impairment, is subject to impairment tests on an annual basis. If the result of an impairment test needs to be recognized as an impairment loss, the goodwill will be deducted first, and the amount after deduction will be allocated to other assets other than goodwill based on the relative proportion of the book value. Once the impairment of goodwill is recognized, it shall not be reversed for any reason thereafter.

The impairment loss and reversal amount of the continuing business unit are recognized in profit or loss.

18. Liability reserve

The condition of recognizing the liability reserve is that the current obligation (statutory obligation or constructive obligation) arising from past events; when the obligation is settled, it is very likely that resources with economic benefits will need to flow out, and the amount of the obligation can be reliably estimated. When the Company expects that some or all of the liability reserve can be reimbursed, only when the reimbursement is almost completely certain, it will be recognized as a separate asset. If the time value of money has a material impact, the liability reserve discounted at the current pre-tax interest rate can appropriately reflect the specific risks of the liability. When liability is discounted, the increase in the amount of liability due to the passage of time is recognized as borrowing cost.

Liability reserve for decommissioning, restoration, and rehabilitation costs

The amount of decommissioning liability reserve incurred from the decommissioning and removal of property and equipment and restoration of its location is measured by the estimated discounted value of the expected cash flow of the obligation settlement, and the decommissioning cost is recognized as part of the asset cost. The cash flow is discounted at the current pre-tax interest rate that reflects the specific risks of the decommissioning liability. The discounted amortization of liability reserve is recognized as borrowing costs when incurred. The estimated future decommissioning costs are appropriately assessed and adjusted on the end of each reporting period. Changes in the estimated future

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decommissioning costs or changes in the discount rate will relatively increase or decrease the cost of relevant assets.

19. Treasury stock

When the Company obtains the shares (treasury stocks), it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

20. Recognition of revenue

The revenue from labor services provided by the Company is recognized when most of the labor services is completed and the revenue has been realized or can be realized. The main labor service revenue includes brokerage fee revenue, commissions income from loans, underwriting processing fee revenue, and stock affairs agency revenue.

When the Company is entitled to receive dividends, the relevant dividend revenue is recognized.

The rental income from operating leases is recognized using the straight-line method based on the lease period.

21. Retirement benefits plan

The retirement method for employees of the Company is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Labor Pension Reserves Committee and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Labor Pension Reserves Committee, which is completely separated from the Company, so it is not included in the individual financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the current period.

The retirement benefits plan in the defined benefit plan are recognized based on the actuarial reports at the end of the annual reporting period using the projected unit credit method. The remeasurement of the net defined benefit liabilities (assets) includes any changes in the return on plan asset and the effects of asset cap less the amount of net interest included in the net defined benefit liabilities (assets) and actuarial gains and losses. The net defined benefit liability (asset) remeasurement is included in other comprehensive income when incurred and immediately recognized in the retained earnings. The prior-period service cost is the change in the present value of the defined benefit obligation arising from the revision or reduction of the pension plan and is recognized as an expense on the earlier of the following two dates:

- (1) When the plan revision or reduction occurs; and
- (2) When the Company recognizes the relevant restructuring costs or resignation benefits;

The net interest of the net defined benefit liability (asset) is determined by having the net defined benefit liability (assets) multiplied by the discount rate, both of which are determined at the beginning of the annual reporting period, and then considering the changes which have occurred in the net defined benefit liabilities (assets) for the period

arising from the appropriation amount and benefit payment.

22. Income tax

Income tax profit (expense) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

Income tax expenses in the current period

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the shareholders' meeting.

Deferred tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (1) The original recognition of goodwill, or the original recognition of an asset or liability that does not arise from a business consolidated transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted;
- (2) The taxable temporary difference arising from the investment in subsidiaries, associates, and joint equity. Also, the timing of reversal is controllable, and it is not likely to be reversed in the foreseeable future;

Except for the following two items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (1) It is related to the deductible temporary difference from the original recognition of an asset or liability that does not arise from a business consolidated transaction and does not affect accounting profits and taxable income (loss) at the time of the transaction conducted.
- (2) It is related to the deductible temporary differences arising from the investment in subsidiaries, associates, and the joint equity. It is recognized within the range of probable reversal in the foreseeable future and there is sufficient taxable income at the time the temporary difference occurred.

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Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are reexamined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

23. Business combination and goodwill

Business combination is accounted for by the acquisition method. The consideration of transfer, the identifiable assets acquired, and the liabilities assumed in the business combination are measured at fair value on the acquisition date. For each business combination, the acquirer measures non-controlling interests based on the fair value or the relative proportion of the acquiree's identifiable net assets. The acquisition-related costs incurred are expensed in the current period and included in administrative expenses.

When the Company acquires business, it evaluates whether the classification and designation of assets and liabilities are appropriate based on the contractual conditions, economic conditions, and other relevant conditions existing on the acquisition date, including the consideration for separation of derivative financial instruments embedded in the master contract held by the acquiree.

If business combination is completed in stages, the acquirer's equity of the acquiree previously held is remeasured at fair value on the acquisition date, and the resulting profits or losses are recognized in the current profit or loss.

The acquirer expects that the contingent consideration transferred will be recognized at its fair value on the acquisition date. The contingent consideration that is considered an asset or liability, and subsequent changes in fair value will be recognized as changes in current profit or loss or other comprehensive income in accordance with IFRS 9. However, if the contingent consideration is classified as equity, it will not be remeasured until it is finally settled under equity.

The original measurement of goodwill is the total amount of the transferred consideration plus non-controlling interests, which exceeds the fair value of the identifiable assets and liabilities obtained by the Company; if the consideration is lower than the fair value of the net assets obtained, the difference is recognized in current profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment. Goodwill arising from a business combination is distributed to each cash-generating unit in the group that is expected to benefit from the combination from the date of acquisition, regardless of whether other assets or liabilities of the acquiree are attributable to these cash-generating units. Each representative unit or group to which the goodwill is distributed is the lowest level of goodwill to be monitored for internal management purposes, and not higher than the operating department before aggregation of the goodwill.

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When a part disposed of includes a cash-generating unit of goodwill, the book value of this part includes the goodwill related to the operation disposed of. The goodwill disposed of is measured based on the relative recoverable amount of the operation disposed of and the part retained.

5 Main source of significant accounting judgment, estimates and assumptions uncertainty

When the individual financial statements are prepared by the Company, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

The Company has included the economic impact caused by the COVID-19 pandemic into the consideration of major accounting estimates. The management will continue to evaluate its financial position, financial performance, ability to continue as a going concern, asset impairment, and disclosure of financing risks, and other matters.

Estimation and assumption

The main source of information on the estimation and assumption with uncertainty at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

1. The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported.

2. Impairment of non-financial assets

An impairment occurs when the book value of an asset or cash-generating unit is greater than its recoverable amount. The recoverable amount refers to the fair value less the cost of disposal or the value in use, whichever is higher. The fair value less the cost of disposal is calculated based on the price that can be received for the sale of assets or the price paid to transfer liabilities in an orderly transaction between market participants on the measurement date before deducting the incremental costs directly attributable to the disposal of assets or cash-generating units. Value in use is calculated based on the discounted cash flow model. The cash flow estimation is based on the budget for the next five years, and does not include the Company's uncommitted restructuring or future major investments needed to strengthen the asset performance of the cash-generating unit being tested. The recoverable amount is easily affected by the discount rate used in the discounted cash flow model and the expected future cash inflow and growth rate used for extrapolation purposes.

3. Retirement benefits plan

The present value of the defined benefit cost and the defined benefit obligations depends on the actuarial valuation. Actuarial valuation involves various assumptions, including discount rate and changes in expected salary.

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4. Income tax

The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted in the future. The appropriation of income tax is a reasonable estimation made according to the possible audit results of the local tax authorities of the countries in which the Company operates. The amount appropriated is based on different factors, such as previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. The difference in interpretation may result in a variety of issues due to the local situation of the country where each enterprise operates.

The carryforwards of the taxable loss and income tax credit and deductible temporary differences are recognized as deferred income tax assets within the range of probable future taxable income or taxable temporary differences. The amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

5. Accounts receivable – estimation of impairment loss

The Company's estimated impairment loss of loans is measured by the duration of the period. The present value of the difference between the contractual cash flow (book value) receivable and the expected cash flow (assessment of forward-looking information) is the credit loss. However, the discount effect of short-term loans and receivables is insignificant. Therefore, the credit loss is measured by the undiscounted spread amount. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

6 Summary of significant accounting titles

1. Cash and cash equivalents

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|--------------------|--------------------|
| Petty cash | \$370 | \$340 |
| Check deposits | 6,507 | 6,998 |
| Current deposits | 227,436 | 205,594 |
| Time deposits | 491,075 | 373,678 |
| Cash equivalents – short-term notes and bills | 1,951,363 | 366,830 |
| Cash equivalents – futures excess margin | 77,160 | 127,197 |
| Total | <u>\$2,753,911</u> | <u>\$1,080,637</u> |

The above-mentioned time deposits include time deposits that mature within 12 months and can be converted into imprest cash at any time, and the risk of value changes is very small. The interest rate range of the interest rate as of December 31, 2021 and 2020 was 0.130%–0.780% and 0.230%–1.065%, respectively.

The cash and cash equivalents above are not secured.

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2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss by the Company are listed below:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|--------------------|--------------------|
| <u>Current items</u> | | |
| <u>Measured at fair value through income under compulsion</u> | | |
| Open-end funds and money market instruments | \$7,774 | \$26,890 |
| Securities – proprietary | 4,054,407 | 4,358,163 |
| Securities – underwriting | 54,890 | 90,920 |
| <u>Derivatives</u> | | |
| Futures trading margin – proprietary capital | 31,600 | 6,311 |
| Call option - others | 1,787 | - |
| Total | <u>\$4,150,458</u> | <u>\$4,482,284</u> |
| <u>Non-current items</u> | | |
| <u>Measured at fair value through income under compulsion</u> | | |
| Open-end funds and money market instruments | \$82,151 | \$86,669 |
| Securities – proprietary | 6,130 | - |
| Total | <u>\$88,281</u> | <u>\$86,669</u> |

(1) Open-end funds and money market instruments

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|----------------------------------|-------------------|-------------------|
| <u>Current items</u> | | |
| Open-type fund | \$10,000 | \$25,000 |
| Add (less): Valuation adjustment | (2,226) | 1,890 |
| Net value | <u>\$7,774</u> | <u>\$26,890</u> |
| <u>Non-current items</u> | | |
| Open-type fund | \$119,000 | \$119,000 |
| Add (less): Valuation adjustment | (36,849) | (32,331) |
| Net value | <u>\$82,151</u> | <u>\$86,669</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(2) Securities – proprietary

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|---------------------------|---------------------------|
| <u>Current items</u> | | |
| Government bonds | \$619,896 | \$619,896 |
| Corporate bonds | 1,711,087 | 1,566,778 |
| Convertible corporate bonds | 407,260 | 741,012 |
| TWSE-listing companies stock | 713,966 | 812,910 |
| Funds traded in TWSE | - | 4,675 |
| GTSM-listing companies stock | 78,120 | 63,554 |
| Companies stock in emerging stock market | 394,999 | 361,638 |
| Non-TWSE/GTSM-listing companies stock | 34,720 | 4,362 |
| Subtotal | <u>3,960,048</u> | <u>4,174,825</u> |
| Add (less): Valuation adjustment | 94,359 | 183,338 |
| Net value | <u><u>\$4,054,407</u></u> | <u><u>\$4,358,163</u></u> |
| <u>Non-current items</u> | | |
| Non-TWSE/GTSM-listing companies stock | \$4,362 | \$- |
| Add (less): Valuation adjustment | 1,768 | - |
| Net value | <u><u>\$6,130</u></u> | <u><u>\$-</u></u> |

(3) Securities – underwriting

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|----------------------------------|------------------------|------------------------|
| Convertible corporate bonds | \$43,705 | \$72,171 |
| TWSE-listing companies stock | 4,473 | 1,000 |
| GTSM-listing companies stock | 3,022 | 9,100 |
| Subtotal | <u>51,200</u> | <u>82,271</u> |
| Add (less): Valuation adjustment | 3,690 | 8,649 |
| Net value | <u><u>\$54,890</u></u> | <u><u>\$90,920</u></u> |

(4) Futures trading margin – proprietary capital

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|------------------------|-----------------------|
| Futures trading margin – proprietary capital | <u><u>\$31,600</u></u> | <u><u>\$6,311</u></u> |

For the details of the Company's futures trading margin – proprietary capital, please refer to Note 12.17.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(5) Call option - others

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|----------------------|-------------------|-------------------|
| Call option - others | \$1,787 | \$- |

The Company's call options are embedded derivatives identified from the issuance of convertible corporate bonds. Please refer to Note 6.20 for relevant information.

For the details of government bonds, corporate bonds, and convertible corporate bonds, which are financial assets measured at fair value through profit and loss used as security for bond transactions under repurchase agreement, please refer to Note 8.

For the details of the net income (loss) from the Company's financial assets measured at fair value through profit and loss, please refer to Notes 6.24, 6.29, and 12.17.

3. Financial assets at fair value through other comprehensive profit or loss

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| <u>Current items</u> | | |
| Investment of equity instruments at fair value through other comprehensive income | | |
| TWSE-listing companies stock | <u>\$70,380</u> | <u>\$48,420</u> |
| <u>Non-current items</u> | | |
| Investment of equity instruments at fair value through other comprehensive income | | |
| Non-TWSE/GTSM-listing companies stock | <u>\$92,460</u> | <u>\$57,364</u> |

The Company did not provide any security for financial assets at fair value through other comprehensive income.

4. Financial assets based on cost after amortization

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|----------------------------|-------------------|-------------------|
| <u>Non-current items</u> | | |
| Corporate bonds | \$200,000 | \$- |
| Less: Allowance for losses | - | - |
| Total | <u>\$200,000</u> | <u>\$-</u> |

The Company classifies certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.24 for information on allowance for losses and Note 12 for information on credit risk.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

5. Bond investment under reverse repurchase agreement

| | 2021.12.31 | 2020.12.31 |
|------------------|--------------------|--------------------|
| Government bonds | \$1,150,580 | \$3,602,882 |
| Corporate bonds | - | 1,502,130 |
| Total | <u>\$1,150,580</u> | <u>\$5,105,012</u> |

The bond investments under reverse repurchase agreement conducted by the Company as of December 31, 2021 and 2020 all mature within one year, and they are all agreed to be sold back at the agreed price, including interest accrued, on a specific date after the transactions, and the total amount of the reverse repurchase was NT\$1,150,758 thousand and NT\$5,105,857 thousand, respectively, with the annual interest rates of 0.1890%–0.2880% and 0.1620%–0.2475%, respectively.

6. Securities borrowings receivable

| | 2021.12.31 | 2020.12.31 |
|---|----------------|------------|
| Securities borrowings receivable - securities or other products bought by clients as collateral | \$1,106 | \$- |
| Less: Allowance for losses | - | - |
| Total | <u>\$1,106</u> | <u>\$-</u> |

The Company assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.24, and for information related to credit risk, please refer to Note 12.

7. Loan receivable – non-restricted purpose

| | 2021.12.31 | 2020.12.31 |
|--|------------------|------------------|
| Loan receivable – non-restricted purpose | \$478,928 | \$301,224 |
| Less: Allowance for losses | (1) | (6) |
| Total | <u>\$478,927</u> | <u>\$301,218</u> |

The aforementioned accounts receivable are handled in accordance with the Operating Rules for Securities Firms Handling Non-Restricted Purpose Loan with a period of six months, and are secured by securities or other commodities provided by customers.

The Company assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.24, and for information related to credit risk, please refer to Note 12.

8. Customers' margin accounts

| | 2021.12.31 | 2020.12.31 |
|---|------------------|------------------|
| Bank deposits | \$363,736 | \$120,678 |
| Settlement institution settlement balance | 155,881 | 180,434 |
| Total | <u>\$519,617</u> | <u>\$301,112</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

9. Note receivable and account receivable – net

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------------|---------------------------|
| Notes receivable | | |
| Stock affairs agency fee receivable | \$100 | \$326 |
| Consultation fees receivable | 50 | - |
| Less: Allowance for losses | - | (13) |
| Subtotal | <u>150</u> | <u>313</u> |
| Accounts receivable | | |
| Accounts receivable – related parties | 448 | 383 |
| Accounts receivable – non-related parties | | |
| Settlement receivable – brokerage | 3,869,873 | 3,397,600 |
| Settlement receivable – non-brokerage | 80,605 | 70,058 |
| Settlement price | 126,385 | 256,324 |
| Interests receivable | 18,936 | 16,138 |
| Others | 16,325 | 2,333 |
| Less: Allowance for losses | (29) | (302) |
| Subtotal | <u>4,112,543</u> | <u>3,742,534</u> |
| Total | <u><u>4,112,693</u></u> | <u><u>\$3,742,847</u></u> |

The Company did not provide any security for notes receivable and accounts receivable.

The Company assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.24, and for information related to credit risk, please refer to Note 12.

10. Other receivables

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|------------------------|------------------------|
| Other receivables – related parties | \$2,407 | \$1,855 |
| Less: Allowance for losses | - | - |
| Subtotal | <u>2,407</u> | <u>1,855</u> |
| Other receivables – non-related parties | | |
| Settlement receivable – sub-brokerage | - | 887 |
| Stock affairs agency fee receivable | 12,360 | 9,767 |
| Interests receivable | 263 | 347 |
| Others | 1,918 | 1,691 |
| Less: Allowance for losses | (363) | (247) |
| Subtotal | <u>14,178</u> | <u>12,445</u> |
| Total | <u><u>\$16,585</u></u> | <u><u>\$14,300</u></u> |

The Company did not provide security for other receivables.

The Company assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.24, and for information related to credit risk, please refer to Note 12.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

11. Investment under the equity method

| Name of investee | 2021.12.31 | |
|--------------------------------------|------------------|----------------------------|
| | Amount | Percentage of shareholding |
| <u>Investment in subsidiaries</u> | | |
| Horizon SICE Co., Ltd. | \$121,020 | 100.00% |
| Horizon Venture Capital Co., Ltd. | 517,029 | 100.00% |
| Horizon Venture Management Co., Ltd. | 21,503 | 100.00% |
| Total | <u>\$659,552</u> | |
| | 2020.12.31 | |
| Name of investee | Amount | Percentage of shareholding |
| <u>Investment in subsidiaries</u> | | |
| Horizon SICE Co., Ltd. | \$137,573 | 100.00% |
| Horizon Venture Capital Co., Ltd. | 357,391 | 100.00% |
| Horizon Venture Management Co., Ltd. | 20,650 | 100.00% |
| Total | <u>\$515,614</u> | |

Investee subsidiaries are presented in the individual financial statements as “investments using the equity method,” and necessary evaluation adjustments are made.

Horizon SICE Co., Ltd. was approved by the competent authority to increase its capital by NT\$65,000 thousand in cash on October 24, 2014, and issued 50,000 thousand new shares, which were fully subscribed to by the Company. As of December 31, 2021, the Company had accumulated investment in the total amount of NT\$114,282 thousand.

Horizon Venture Capital Co., Ltd. was approved by the competent authority to increase its capital by NT\$150,000 thousand in cash on November 10, 2021, and issued 15,000 thousand new shares, which were fully subscribed to by the Company. As of December 31, 2021, the Company had accumulated investment in the total amount of NT\$579,420 thousand.

Horizon Venture Management Co., Ltd. was approved to be established by the competent authority with the investment amount of NT\$20,000 thousand on December 3, 2018, and 2,000 thousand new shares were issued, which were fully subscribed to by the Company. As of December 31, 2021, the Company had accumulated investment in the total amount of NT\$20,000 thousand.

The Company’s investments using the equity method have no contingent liabilities or capital commitments, and no security has been provided.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

12. Property and equipment

| | Office equipment | Leasehold improvement | Total |
|--|---------------------|--------------------------|------------------|
| Cost: | | | |
| 2021.1.1 | \$141,929 | \$60,663 | \$202,592 |
| Additions | 22,123 | 635 | 22,758 |
| Disposition | (6,892) | - | (6,892) |
| Other changes | (18) | (942) | (960) |
| Reclassification | 3,500 | - | 3,500 |
| 2021.12.31 | <u>\$160,642</u> | <u>\$60,356</u> | <u>\$220,998</u> |
| 2020.1.1 | \$139,979 | \$62,669 | \$202,648 |
| Additions | 10,151 | 1,802 | 11,953 |
| Disposition | (8,061) | - | (8,061) |
| Other changes | (140) | (3,808) | (3,948) |
| 2020.12.31 | <u>\$141,929</u> | <u>\$60,663</u> | <u>\$202,592</u> |
| Accumulated depreciation and impairment: | | | |
| 2021.1.1 | \$111,446 | \$50,961 | \$162,407 |
| Depreciation | 11,862 | 4,985 | 16,847 |
| Disposition | (6,892) | - | (6,892) |
| Other changes | (18) | (942) | (960) |
| 2021.12.31 | <u>\$116,398</u> | <u>\$55,004</u> | <u>\$171,402</u> |
| 2020.1.1 | \$110,216 | \$48,837 | \$159,053 |
| Depreciation | 9,431 | 5,932 | 15,363 |
| Disposition | (8,061) | - | (8,061) |
| Other changes | (140) | (3,808) | (3,948) |
| 2020.12.31 | <u>\$111,446</u> | <u>\$50,961</u> | <u>\$162,407</u> |
| Net book value: | | | |
| 2021.12.31 | <u>\$44,244</u> | <u>\$5,352</u> | <u>\$49,596</u> |
| 2020.12.31 | <u>\$30,483</u> | <u>\$9,702</u> | <u>\$40,185</u> |

The Company did not provide real estate and equipment as collateral.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

13. Intangible assets

| | Goodwill | Business right | Computer software | Total |
|---|-------------|-----------------|-------------------|------------------|
| Cost: | | | | |
| 2021.1.1 | \$52 | \$32,488 | \$111,800 | \$144,340 |
| Additions – separate acquisition | - | 10,833 | 16,663 | 27,496 |
| Disposition | - | - | (700) | (700) |
| Transfer (Note) | - | 21,000 | 7,708 | 28,708 |
| Other changes | - | - | 300 | 300 |
| 2021.12.31 | <u>\$52</u> | <u>\$64,321</u> | <u>\$135,771</u> | <u>\$200,144</u> |
| | | | | |
| 2020.1.1 | \$52 | \$32,488 | \$99,170 | \$131,710 |
| Additions – separate acquisition | - | - | 10,705 | 10,705 |
| Disposition | - | - | (36) | (36) |
| Transfer (Note) | - | - | 2,616 | 2,616 |
| Other changes | - | - | (655) | (655) |
| 2020.12.31 | <u>\$52</u> | <u>\$32,488</u> | <u>\$111,800</u> | <u>\$144,340</u> |
| | | | | |
| | Goodwill | Business right | Computer software | Total |
| Cumulative amortization and impairment: | | | | |
| 2021.1.1 | \$52 | \$32,488 | \$82,371 | \$114,911 |
| Amortization | - | - | 11,710 | 11,710 |
| Disposition | - | - | (700) | (700) |
| 2021.12.31 | <u>\$52</u> | <u>\$32,488</u> | <u>\$93,381</u> | <u>\$125,921</u> |
| | | | | |
| 2020.1.1 | \$52 | \$32,488 | \$74,372 | \$106,912 |
| Amortization | - | - | 8,690 | 8,690 |
| Disposition | - | - | (36) | (36) |
| Other changes | - | - | (655) | (655) |
| 2020.12.31 | <u>\$52</u> | <u>\$32,488</u> | <u>\$82,371</u> | <u>\$114,911</u> |
| | | | | |
| Net book value: | | | | |
| 2021.12.31 | <u>\$-</u> | <u>\$31,833</u> | <u>\$42,390</u> | <u>\$74,223</u> |
| 2020.12.31 | <u>\$-</u> | <u>\$-</u> | <u>\$29,429</u> | <u>\$29,429</u> |

Note: It is reclassified from other prepayments.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

14. Business guarantee

The business guarantee is deposited in the designated banks after the establishment of the Company in accordance with the Securities and Exchange Act, the Regulations Governing Securities Firms, the Regulations Governing Futures Commission Merchants, and the Regulations Governing Futures Advisory Enterprises. The Company deposits guarantees in financial institutions designated by the Securities and Futures Bureau, FSC, with certificates of deposit. The details are as follows:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|-------------------|-------------------|
| Brokerage business guarantee | \$95,000 | \$90,000 |
| Underwriting business guarantee | 40,000 | 40,000 |
| Proprietary trading business guarantee | 10,000 | 10,000 |
| Proprietary futures trading guarantee | 10,000 | 10,000 |
| Futures brokerage guarantee | 70,000 | 65,000 |
| Futures advisory guarantee | 10,000 | 10,000 |
| Total | <u>\$235,000</u> | <u>\$225,000</u> |

15. Settlement / clearance fund

The settlement/clearance fund is the amount deposited in the Taiwan Stock Exchange, the Taipei Exchange, and the Taiwan Futures Exchange in accordance with the Securities and Exchange Act, the Regulations Governing Securities Firms, and the Taiwan Futures Exchange Corporation Criteria for Clearing Membership. Statement:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Clearance fund in Taiwan Stock Exchange | \$49,031 | \$52,742 |
| Clearance fund in Taipei Exchange | 39,664 | 32,550 |
| Clearance fund in Taiwan Futures Exchange | 21,320 | 21,126 |
| Total | <u>\$110,015</u> | <u>\$106,418</u> |

16. Short-term borrowings

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|-------------------------|-------------------|-------------------|
| Secured bank borrowings | \$50,000 | \$- |
| Interest rate collars | 0.995% | - |

As of December 31, 2021 and 2020, the unused loan facilities where the Company has signed agreements with financial institutions were NT\$2,690,000 thousand and NT\$1,870,000 thousand, respectively.

Regarding the provision of security, please refer to Note 8 for details.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

17. Commercial papers payable

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Commercial papers payable | \$150,000 | \$200,000 |
| Less: Discounted commercial paper payable | (5) | (64) |
| Net value | <u>\$149,995</u> | <u>\$199,936</u> |
| Interest rate collars | 0.45%~0.50% | 0.26%~0.41% |

As of December 31, 2021 and 2020, the unused commercial paper facilities where the Company has signed agreements with financial institutions were NT\$1,220,000 thousand and NT\$1,460,000 thousand, respectively.

Regarding the provision of security, please refer to Note 8 for details.

18. Call loans to banks

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|-----------------------------|--------------------|--------------------|
| Government bonds | \$1,750,206 | \$4,242,039 |
| Corporate bonds | 1,700,561 | 3,034,683 |
| Convertible corporate bonds | 353,625 | 728,671 |
| Total | <u>\$3,804,392</u> | <u>\$8,005,393</u> |

The bond liabilities investments under repurchase agreement conducted by the Company as of December 31, 2021 and 2020 all mature within one year, and they are all agreed to be bought back at the agreed price, including interest accrued, on a specific date after the transactions, and the total amount of the repurchase was NT\$3,805,139 thousand and NT\$8,007,110 thousand, respectively, with the annual interest rates of 0.1710%–0.2970%% and 0.1485%–0.6000%, respectively.

Regarding the provision of security, please refer to Note 8 for details.

19. Note and account payables

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|--------------------|--------------------|
| Notes payable – non-related party | | |
| Securities transaction tax payable | \$- | \$163 |
| Accounts payable | | |
| Accounts payable – related parties | - | 3 |
| Accounts payable – non-related parties | | |
| Settlement price | 990,753 | 696,383 |
| Settlement payable – brokerage | 2,978,943 | 2,936,477 |
| Settlement payable – non-brokerage | 387 | 22,411 |
| Processing fee payable discounts | 69,831 | 48,372 |
| Interest payable | 423 | 817 |
| Others | 6,593 | - |
| Subtotal | <u>4,046,930</u> | <u>3,704,463</u> |
| Total | <u>\$4,046,930</u> | <u>\$3,704,626</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

20. Corporate bonds payable

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|-------------------|-------------------|
| Domestic convertible corporate bonds payable | \$763,524 | \$- |
| Less: Current portion | - | - |
| Net value | <u>\$763,524</u> | <u>\$-</u> |
| <u>Domestic convertible corporate bonds payable</u> | | |
| | <u>2021.12.31</u> | <u>2020.12.31</u> |
| Liability elements: | | |
| Face value of domestic convertible corporate bonds payable | \$689,400 | \$- |
| Premium payable on domestic convertible corporate bonds | 74,124 | - |
| Subtotal | <u>763,524</u> | <u>-</u> |
| Less: Current portion | - | - |
| Net value | <u>\$763,524</u> | <u>\$-</u> |
| Embedded derivative financial instruments | <u>\$1,787</u> | <u>\$-</u> |
| Equity elements | <u>\$40,172</u> | <u>\$-</u> |

The Company issued domestic unsecured convertible corporate bonds with a coupon rate of 0% on June 11, 2021. The convertible corporate bonds were analyzed as per the terms of the contracts. The components include primary debts, embedded derivative financial instruments (the issuer's redemption option and the holder's option to request the issuer to redeem) and equity elements (the holder's option to request conversion into the issuer's ordinary shares). The main terms of the issuance are as follows:

Total issue amount: NT\$700,000 thousand, with a par value of 100 thousand per bond, at 117.80% of the face value.

Issue period: June 11, 2021 to June 11, 2026.

Important call and put provisions:

- (1) The next day after three months of issuance to 40 days before the maturity date
 - A. In the event that the closing price of the Company's ordinary shares on Taipei Exchange is more than 130% of the conversion price on average for 30 consecutive business days, the Company may issue a notice that it will redeem the full amount of the bond balance in advance at the par value.
 - B. When the balance of the outstanding corporate bonds is lower than 10% of the total issue amount, the Company may issue a notice that it will redeem the full amount of the bond balance in advance at the par value.
- (2) The bondholders may request the Company to redeem the corporate bonds they hold in cash at the par value when it has been three years since the bonds were issued.

Conversion regulations:

- (1) The subject in conversion: The Company's ordinary shares.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (2) Conversion period: The bondholders may request the Company to convert the bonds into the Company's ordinary shares from September 12, 2021 to June 11, 2026, except during the conversion suspension period as per the issuance and conversion regulations.
- (3) Conversion price and adjustment thereto: The conversion price was set at NT\$19.60 per share at the time of issuance. In the event of an adjustment to the conversion price of the Company's ordinary shares in alignment with the terms of issuance, the conversion price will be adjusted according to the formula specified in the terms of issuance. The conversion price on December 31, 2021 was NT\$19.18 per share.
- (4) Principal repayment on the maturity date: When the corporate bonds are due and have not been settled, they will be repaid in cash at the par value.

In addition, the amount of the corporate bonds converted on December 31, 2021 was NT\$10,600 thousand.

21. Retirement benefits plan

Defined contribution pension plan

The Company has the employee retirement plan stipulated in accordance with the "Labor Pension Act," which is a defined contribution plan. According to the "Labor Pension Act," the Company's monthly labor pension contribution rate shall not be less than 6% of the monthly salary of employees.

The Company has an amount equivalent to 6% of the employees' monthly salary appropriated every month to the personal pension account with the Bureau of Labor Insurance.

The amount of expenses of the defined contribution pension plan recognized by the Company for 2021 and 2020 was NT\$23,777 thousand and NT\$19,301 thousand, respectively.

Defined benefit plan

The employee pension plan stipulated by the Company according to the "Labor Standards Act" is a defined benefit plan. The employees' pension payment is based on the service points and the average monthly salary at the time of retirement. Two service points for each service year within the first 15 service years (inclusive) and one service point for each service year after the 15th service year with a maximum of 45 service points for each employee. In accordance with the provisions of the Labor Standards Act, the Company contributes 2% of the total salary to the pension fund on a monthly basis, and the fund is deposited in a special account of the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. In addition, the Company estimates the aforementioned labor retirement reserve account balance before the end of each year. If the balance is insufficient to pay the pension amount calculated in accordance with the aforementioned retirement conditions for the employees qualified for retirement in the next year, the amount of difference will be appropriated in a lump sum before the end of March in the next year.

The Ministry of Labor conducts asset allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguarding, and Utilization of the Labor Retirement Fund."

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Fund investment is arranged with a self-operated and entrusted management method, which adopts a mid-term and long-term investment strategy with an active and passive management. Considering the risks of the market, credit, liquidity, etc., the Ministry of Labor sets the fund risk limit and control plan so that it can be flexible enough to achieve the target remuneration without bearing excessive risk. For the use of the fund, the minimum income of its annual settlement shall not be lower than the income calculated according to the local bank's two-year time deposit. If there is any deficiency, it shall be replenished by the state treasury upon approval by the competent authority. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with IAS 19, Paragraph 142. As of December 31, 2021, the Company's defined benefit plan is expected to appropriate NT\$1,880 thousand in the next year.

The cost of the defined benefit plan recognized in profit or loss is summarized as follows:

| | 2021 | 2020 |
|--|-------------|---------------|
| Current service cost | \$- | \$- |
| Net interest on net defined benefit liabilities (assets) | 76 | (20) |
| Total | <u>\$76</u> | <u>\$(20)</u> |

The adjustments made to the present value of the defined benefit obligation and the fair value of the plan assets are as follows:

| | 2021.12.31 | 2020.12.31 | 109.1.1 |
|--|-----------------|-----------------|------------------|
| Present value of the defined benefit obligations | \$93,914 | \$78,504 | \$55,371 |
| The fair value of plan assets | (62,799) | (59,843) | (57,888) |
| Net determined benefit liability (asset) – non-current | <u>\$31,115</u> | <u>\$18,661</u> | <u>\$(2,517)</u> |

Adjustments to the net defined benefit liabilities (assets):

| | Present value of the defined benefit obligations | The fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|----------------------------------|--|
| 2020.1.1 | \$55,371 | \$(57,888) | \$(2,517) |
| Current service cost | - | - | - |
| Interest expenses (revenues) | 432 | (452) | (20) |
| Subtotal | 55,803 | (58,340) | (2,537) |
| Defined benefit liabilities/assets remeasurement amount | | | |
| Actuarial gains and losses resulting from changes in demographic assumption | 470 | - | 470 |
| Actuarial gains and losses resulting from changes in financial assumption | 3,292 | - | 3,292 |
| Experience adjustments | 20,850 | - | 20,850 |
| Defined benefit assets remeasurement amount | - | (1,932) | (1,932) |
| Subtotal | 24,612 | (1,932) | 22,680 |
| Payment of benefits | (1,911) | 1,911 | - |
| Contributions of employer | - | (1,482) | (1,482) |
| 2020.12.31 | 78,504 | (59,843) | 18,661 |
| Current service cost | - | - | - |
| Interest expenses (revenues) | 322 | (246) | 76 |
| Subtotal | 78,826 | (60,089) | 18,737 |
| Defined benefit liabilities/assets remeasurement amount | | | |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | Present value of the defined benefit obligations | The fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|----------------------------------|--|
| Actuarial gains and losses resulting from changes in demographic assumption | 288 | - | 288 |
| Actuarial gains and losses resulting from changes in financial assumption | 18,862 | - | 18,862 |
| Experience adjustments | (4,062) | - | (4,062) |
| Defined benefit assets remeasurement amount | - | (829) | (829) |
| Subtotal | 15,088 | (829) | 14,259 |
| Contributions of employer | - | (1,881) | (1,881) |
| 2021.12.31 | \$93,914 | \$(62,799) | \$31,115 |

The following key assumptions are used to determine the Company's defined benefit plan:

| | 2021.12.31 | 2020.12.31 |
|-------------------------------|------------|------------|
| Discount rate | 0.75% | 0.41% |
| Expected salary increase rate | 3.00% | 1.00% |

Sensitivity analysis of each major actuarial hypothesis:

| | 2021 | | 2020 | |
|----------------------------------|---|---|---|---|
| | Increase of defined benefit obligations | Decrease of defined benefit obligations | Increase of defined benefit obligations | Decrease of defined benefit obligations |
| Discount rate increased by 0.5% | \$- | \$6,273 | \$- | \$4,465 |
| Discount rate decreased by 0.5% | 6,796 | - | 6,026 | - |
| Expected salary increase by 0.5% | 6,608 | - | 5,958 | - |
| Expected salary decrease by 0.5% | - | 6,170 | - | 4,461 |

The foregoing sensitivity analysis is conducted to analyze the possible impact on the defined benefit obligations when single actuarial assumption (e.g. discount rate or expected salary) has a reasonable and possible change occurring, assuming other assumptions remain unchanged. Since some of the actuarial assumptions are correlated, the occurrence of changes in one single actuarial assumption is seldom in practice, so the analysis has its limitations.

The methods and assumptions used in the sensitivity analysis for this period are no different from those adopted in the previous period.

22. Liability reserve

| | Employee benefits liability | Decommissioning liability | Others | Total |
|-------------|--------------------------------|------------------------------|---------|----------|
| 2021.1.1 | \$501 | \$3,478 | \$5,369 | \$9,348 |
| Increase | 613 | 6,821 | 209 | 7,643 |
| Reversed | (501) | (942) | - | (1,443) |
| 2021.12.31 | \$613 | \$9,357 | \$5,578 | \$15,548 |
| Current | \$613 | \$- | \$5,578 | \$6,191 |
| Non-current | - | 9,357 | - | 9,357 |
| 2021.12.31 | \$613 | \$9,357 | \$5,578 | \$15,548 |
| Current | \$501 | \$- | \$5,369 | \$5,870 |
| Non-current | - | 3,478 | - | 3,478 |
| 2020.12.31 | \$501 | \$3,478 | \$5,369 | \$9,348 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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23. Equity

(1) Common stock

As of December 31, 2021 and 2020, the Company's registered capital was NT\$6,000,000 thousand, and the outstanding share capital was NT\$3,313,694 thousand and NT\$3,308,168 thousand, respectively, with par value of NT\$10 per share, i.e. 331,369 thousand shares and 330,817 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends. The stock is listed for trading at Taipei Exchange.

(2) Capital reserve

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|----------------------|-------------------|-------------------|
| Issuance premium | \$14,751 | \$7,839 |
| Treasury stock trade | 304,520 | 304,520 |
| Stock options | 40,172 | - |
| Total | <u>\$359,443</u> | <u>\$312,359</u> |

According to the law, additional paid-in capital shall not be used for any purpose except for making up for the loss of the Company. When the Company has no loss, a certain percentage of the additional paid-in capital from the stock premium and the gift can be applied to replenish capital every year. The aforementioned additional paid-in capital can be allocated in cash to shareholders proportionally to their original shareholding ratio.

(3) Treasury stock

The Company did not hold treasury shares as of December 31, 2021 and 2020.

The Securities and Exchange Act stipulates that the Company's proportion of the number of outstanding shares repurchased shall not exceed 10% of the Company's total outstanding shares. The total amount of shares repurchased shall not exceed the amount of retained earnings plus the premium of outstanding shares and the realized capital reserve.

The Company's cancellation of 3,500 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10901031140 dated March 9, 2020, and the registration of capital reduction was completed.

The Company's cancellation of 8,800 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10901064860 dated April 23, 2020, and the registration of capital reduction was completed.

The Company's cancellation of 5,700 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10901132830 dated July 27, 2020, and the registration of capital reduction was completed.

The Company's cancellation of 1,684 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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No.10901198320 dated October 20, 2020, and the registration of capital reduction was completed.

(4) Retained earnings

Statutory surplus reserves

According to the Company Act, the legal reserve should be appropriated until the paid-in capital is equivalent to the total capital. The legal reserve can be used to make up for the loss. When the Company has no loss, the portion of the legal reserve that exceeds 25% of the paid-in capital should be applied to have stock shares or cash distributed to shareholders proportionally to their original shareholding ratio.

Special surplus reserves

According to the Regulations Governing Securities Firms, the Company shall set aside 20% of the annual surplus after tax as a special surplus reserve, unless the amount has reached the paid-in capital amount.

In accordance with the regulations of Jin-Guan-Zheng-Quan No. 10500278285 dated August 5, 2016, in order to respond to the development of financial technology and protect the rights and interests of securities firms and futures firms' staff, the Company shall set aside 0.5% to 1% of the net income after tax for special surplus reserve when distributing earnings for the fiscal years of 2016 to 2018. Also, since the fiscal year of 2017, for the amount of the expenses for employee transformation education and training, employee transfer, or placement caused by the development of financial technology, the same amount shall be reversed in the aforementioned special surplus reserve balance.

In accordance with the regulations of Jin-Guan-Zheng-Quan No. 1080321644 dated July 10, 2019, the Company no longer continued to set aside a special surplus reserve for the aforementioned purposes. However, a certain amount of funds shall still be included in the annual budget to support the transformation and training of employees in order to maintain their rights and interests. In addition, since the beginning of 2019, for the expenses for employee transfer or placement, and education and training expenses for upgrading or training employees' competencies in response to the needs of financial technology or securities business development, the same amount may be reversed in the special surplus reserve balance in the fiscal years of 2016 to 2018.

When distributing the distributable earnings, the Company shall make an appropriation as a special reserve for the difference between the balance of the special reserve and the net amount of other equity deductions as required by law. When the net amount of other equity deductions is reversed later, the special reserve may be reversed for the part of the net amount of other equity deductions reversed to distribute earnings.

Earnings allocation and dividend policy

If the Company has profit in the current year, it shall appropriate no less than 2% as employee remuneration and no more than 3% as director remuneration (excl. independent directors), and both shall sum up to no more than 5% in accordance with the Articles of Incorporation. However, profits must first be taken to offset against cumulative losses if any. The aforementioned profit refers to the pre-tax income minus the amount of remuneration to be distributed to the directors or employees. The employee compensation may be distributed in the form of cash or shares, and may be

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

distributed to employees including the qualified employees of the Company's subsidiaries. The Directors' remuneration shall be distributed only in the form of cash.

When allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings. The allocation shall not be subject to the above if the amount of accumulated legal capital reserve has reached the amount of the paid-in capital of the Company. The Company shall also set aside a certain amount of profit as special reserve in accordance with the laws and regulations. Besides the amount retained for business needs, the distribution shall be determined by the Board with reference to the operational status of the Company. In circumstances of distributing in forms of issuance of new shares, such matter shall be first submitted to the Shareholders' Meeting for resolution before distribution.

As stipulated by Paragraph 5 of Article 240 of the Company Act, the Company may distribute the distributable dividends in form of cash and report to the Shareholders' Meeting, after such matter has been determined by a majority of the Directors at a meeting attended by two-thirds or more of the total number of Directors.

Taking into consideration the future growth of operation scale and diversified development of businesses, the Company shall appropriate no less than 50% of the total distributable profit as dividends. However, the Company may be exempt from distribution of dividends in cases where accumulated distributable profit is less than 10% of paid-in capital. Stock dividends shall be no more than 50%, and cash dividends shall be no less than 50% of the total distributable dividends. However, the Company may adjust the percentage thereof and the percentage of distributable earning depending on the Company's business development and capital requirement.

The earnings appropriation and distribution plan for 2021 has not been approved by the Company's board of directors, and the earnings appropriation and distribution plan and dividends per share for 2020 resolved by the shareholders' meeting on July 29, 2021 are listed as follows:

| | 2020 | |
|----------------------------------|--|-----------------------------|
| | Earnings appropriation and distribution plan | Dividend Per Share (NTD) |
| Legal reserve appropriated | \$39,548 | |
| Appropriation of special reserve | 82,943 | |
| Common stock cash dividends | 165,408 | \$0.50 |

Please refer to Note 6.28 for the relevant information about employee remuneration and directors' remuneration assessment basis and recognized amount.

24. Operating income

(1) Brokerage fee revenue

| | 2021 | 2020 |
|--|-------------|-----------|
| Brokerage for centralized securities exchange market | \$798,677 | \$427,251 |
| Over-the-counter brokerage | 206,430 | 137,451 |
| Futures brokerage fee revenue | 35,363 | 25,750 |
| Other service fee revenue | 1,676 | 469 |
| Total | \$1,042,146 | \$590,921 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(2) Underwriting business revenue

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-----------------|-----------------|
| Firm commitment underwriting revenue | \$23,081 | \$24,687 |
| Underwriting revenue | 14,795 | 13,594 |
| Underwriting consulting revenue | 16,150 | 12,150 |
| Others | 13,710 | 15,784 |
| Total | <u>\$67,736</u> | <u>\$66,215</u> |

(3) Operating gain on sale of securities

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|------------------|
| Gain on sale of securities – Proprietary trading | \$1,408,716 | \$253,997 |
| Gain on sale of securities – underwriting | 61,558 | 41,906 |
| Total | <u>\$1,470,274</u> | <u>\$295,903</u> |

(4) Interest revenue

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|-----------------|
| Bonds interest revenue | \$26,009 | \$40,573 |
| Interest revenue – non-restricted purpose loans | 9,420 | 4,530 |
| Others | 40 | - |
| Total | <u>\$35,469</u> | <u>\$45,103</u> |

(5) Net profit of securities trade measured at the fair value through profit or loss

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------------|------------------|
| Securities – proprietary | \$(87,211) | \$225,092 |
| Securities – underwriting | (4,959) | (1,331) |
| Total | <u>\$(92,170)</u> | <u>\$223,761</u> |

(6) Net gains (losses) on the derivative financial instruments – Futures

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------|----------------|
| Futures contract gain (loss) – net | \$(17,309) | \$5,202 |
| Net gain (loss) from options trade | (453) | 927 |
| Total | <u>\$(17,762)</u> | <u>\$6,129</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(7) Expected credit impairment loss and reversal benefit

| | 2021 | 2020 |
|---|--------------|----------------|
| Income – expected credit impairment loss and reversal benefit | | |
| Note receivable and account receivable | \$286 | \$(109) |
| Other receivables | (157) | 3 |
| Others | 5 | (4) |
| Total | <u>\$134</u> | <u>\$(110)</u> |

Please refer to Note 12 for credit risk related information.

The Company's accounts receivable (including securities borrowings receivable, loan receivables – non-restricted purpose, notes receivable, accounts receivable, and other receivables) and financial assets measured at amortized cost are all based on the amount of expected credit loss for twelve months or the duration period to measure the allowance for losses. The relevant description of the amount of the allowance for losses assessed as of December 31, 2021 is as follows:

Accounts receivable and financial assets at amortized cost

For accounts receivable and financial assets at amortized cost, counterparties' credit rating, region, industry, and other factors are considered for classification, and a reserve matrix is adopted to measure the allowance for losses; the relevant information is as follows

| | Not overdue (Note) | Number of days overdue | | | Total |
|---|-----------------------|------------------------|------------|------------------------|--------------------|
| | | Within 30 days | 31–60 days | Over 61 days | |
| Total book value | \$4,807,214 | \$1,347 | \$- | \$1,143 | \$4,809,704 |
| Loss rate | 0.0001% | 1.0250% | 2.1724% | 20.0000%~ 100.0000% | |
| Anticipated credit loss within the perpetuity of the financial assets | (7) | (14) | - | (372) | (393) |
| Subtotal | <u>\$4,807,207</u> | <u>\$1,333</u> | <u>\$-</u> | <u>\$771</u> | <u>\$4,809,311</u> |

Note: The Company's notes receivable, securities borrowings receivable, loan receivables – non-restricted purpose, and financial assets measured at amortized cost are not past due.

The changes in the Company's and notes receivable, accounts receivable, other receivables, and other allowances for losses for the years 2021 and 2020 are as follows:

| | Note receivable and account receivable | Other receivables | Others |
|---|--|-------------------|------------|
| 2021.1.1 | \$315 | \$247 | \$6 |
| Increase (reversed) | (286) | 157 | (5) |
| Write-off due to the inability to recover | - | (41) | - |
| 2021.12.31 | <u>\$29</u> | <u>\$363</u> | <u>\$1</u> |
| 2020.1.1 | \$206 | \$250 | \$2 |
| Increase (reversed) | 109 | (3) | 4 |
| 2020.12.31 | <u>\$315</u> | <u>\$247</u> | <u>\$6</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

25. Other operating revenue

| | 2021 | 2020 |
|------------------------------------|----------------|----------------|
| Consultancy fee income | \$6 | \$6 |
| Net loss on out-trades | (942) | (489) |
| Account maintenance fee income | 4,949 | 4,074 |
| Foreign exchange gain (loss) – net | (2,190) | 5,085 |
| Others | 53 | 54 |
| Total | <u>\$1,876</u> | <u>\$8,730</u> |

26. Financial costs

| | 2021 | 2020 |
|---|----------------|-----------------|
| Repo bond interest | \$9,921 | \$24,766 |
| Funding interest | 390 | 644 |
| Interest from commercial paper | 445 | 619 |
| Interest on lease liabilities | 1,037 | 1,281 |
| Interest on convertible corporate bonds | (9,941) | - |
| Others | 3 | 12 |
| Total | <u>\$1,855</u> | <u>\$27,322</u> |

27. Leases

(1) The Company is the lessee.

The Company has signed commercial lease contracts for offices, parking spaces, warehouses, etc., with an average period of one to five years. The impact of leasing on the Company's financial position, financial performance, and cash flow is described as follows:

A. Amount recognized in the balance sheet

(a) Right-of-use assets.

Carrying amount of right-of-use assets

| | 2021.12.31 | 2020.12.31 |
|--------------------------|-----------------|------------------|
| Buildings and structures | \$79,142 | \$117,716 |
| Transportation equipment | 5,476 | 6,162 |
| Total | <u>\$84,618</u> | <u>\$123,878</u> |

The Company increased the right-of-use assets in the amount of NT\$21,595 thousand and NT\$36,743 thousand in 2021 and 2020, respectively.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(b) Lease liabilities

| | 2021.12.31 | 2020.12.31 |
|-------------------|------------|------------|
| Lease liabilities | \$66,915 | \$115,948 |
| Current | \$45,643 | \$57,193 |
| Non-current | 21,272 | 58,755 |

Please refer to Note 6.26 for the interest expenses of the Company's lease liabilities in 2021 and 2020; please refer to Note 12.4—liquidity risk management—for the maturity analysis of lease liabilities as of December 31, 2020.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

| | 2021 | 2020 |
|--------------------------|----------|----------|
| Buildings and structures | \$57,537 | \$53,860 |
| Transportation equipment | 3,318 | 2,696 |
| Total | \$60,855 | \$56,556 |

C. Lessee's income and expenses related to leasing activities

| | 2021 | 2020 |
|--|-------|-------|
| Short-term lease expense | \$266 | \$324 |
| Lease of low-value assets (excluding the expenses of short-term lease of low-value assets) | 661 | 608 |

D. Lessee's cash outflow from leasing activities

The Company's total cash outflow from the leases in 2021 and 2020 was NT\$65,771 thousand and NT\$62,701 thousand, respectively.

28. The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

| Items | 2021 | 2020 |
|---|-----------|-----------|
| Employee benefits expenses | | |
| Salaries and wages | \$772,322 | \$478,018 |
| Labor insurance and national health insurance | 44,245 | 32,919 |
| Pension expenses | 23,854 | 19,281 |
| Remuneration to Directors | 58,052 | 22,241 |
| Other employee benefits expenses | 18,962 | 15,734 |
| Total | \$917,435 | \$568,193 |
| Depreciation and amortization expenses | | |
| Depreciation expenses | \$77,702 | \$71,919 |
| Amortization expenses | 11,710 | 8,690 |
| Total | \$89,412 | \$80,609 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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Because of the characteristics of the industry, the employment, depreciation, and amortization expenses incurred by the Company all belong to operating expenses.

The number of employees on December 31, 2021 and 2020 was 475 and 442, respectively. Among them, the number of directors not concurrently employees was six and five people, respectively.

If the Company has profit in the current year, it shall appropriate no less than 2% as employee remuneration and no more than 3% as director remuneration (excl. independent directors), and both shall sum up to no more than 5% in accordance with the Articles of Incorporation. However, profits must first be taken to offset against cumulative losses if any. When the aforementioned employee remuneration is distributed in stock, it shall be submitted to the shareholders' meeting for a resolution. When it is distributed in cash, it can be resolved by the board of directors and shall only be adopted with the consent of a majority of the directors at a board meeting attended by more than two-thirds of the directors before being reported to the shareholders' meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange for information on employee compensation and remuneration to directors resolved by the board of directors.

According to the profitability of the Company in 2021, the employee remuneration and the director remuneration were estimated at NT\$30,000 thousand and NT\$41,000 thousand, respectively, and the amounts of NT\$30,000 thousand and NT\$41,000 thousand were recognized under salaries and wages. Based on the profitability of the Company in 2020, the employee remuneration and the director remuneration were estimated at NT\$9,000 thousand and NT\$12,000 thousand, respectively, and the amounts of NT\$9,000 thousand and NT\$12,000 thousand were recognized under salaries and wages.

29. Other profits and losses

| | 2021 | 2020 |
|--|------------------|-----------------|
| Financial income | \$8,563 | \$6,810 |
| Net gain on investment disposal | 2,353 | 14,163 |
| Open-end funds and money market instruments at fair value through profit or loss | | |
| Net loss measured | (8,634) | (12,266) |
| Dividend income | 2,835 | 2,161 |
| Rent revenue | 24,407 | 15,552 |
| Agency fee income | 118,927 | 58,266 |
| Others | 5,607 | 8,254 |
| Total | <u>\$154,058</u> | <u>\$92,940</u> |

30. Other comprehensive income

2021

| | Accrued in current year | Current reclassification adjustment | Other comprehensive income | Income tax expenses | After-tax amount |
|---|-------------------------|-------------------------------------|----------------------------|---------------------|------------------|
| The items that are not reclassified as profit or loss | | | | | |
| Reevaluation of determined benefit plan | \$(14,259) | \$- | \$(14,259) | \$- | \$(14,259) |
| Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI | 57,056 | \$- | 57,056 | \$- | 57,056 |
| Total current period other comprehensive income | <u>\$42,797</u> | <u>\$-</u> | <u>\$42,797</u> | <u>\$-</u> | <u>\$42,797</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

2020

| | Accrued in current year | Current reclassification adjustment | Other comprehensive income | Income tax expenses | After-tax amount |
|---|----------------------------|---|----------------------------------|------------------------|---------------------|
| The items that are not reclassified as profit or loss | | | | | |
| Reevaluation of determined benefit plan | \$(22,680) | \$- | \$(22,680) | \$- | \$(22,680) |
| Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI | 12,714 | 3,440 | 16,154 | - | 16,154 |
| Total current period other comprehensive income | <u>\$(9,966)</u> | <u>\$3,440</u> | <u>\$(6,526)</u> | <u>\$-</u> | <u>\$(6,526)</u> |

31. Income tax

The main composition of income tax expenses is as follows:

Income tax recognized in profit or loss

| | <u>2021</u> | <u>2020</u> |
|--|------------------|----------------|
| Current income tax expenses: | | |
| Payable income tax for the current period | \$130,663 | \$767 |
| Previous income taxes adjusted into the current year | 530 | 1,573 |
| Deferred tax (benefit) expense: | | |
| Deferred tax (benefit) expense related to the original generation of the temporary difference and its reversal | <u>(1,291)</u> | <u>1,025</u> |
| Income tax expenses | <u>\$129,902</u> | <u>\$3,365</u> |

The amount of income tax expense and accounting profit multiplied by the applicable income tax rate is adjusted as follows:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|------------------|
| Net income before tax of the continuing business units | <u>\$1,369,175</u> | <u>\$418,083</u> |
| Income tax calculated at the Company's statutory income tax rate | \$273,835 | \$83,616 |
| Income tax effect of the tax-free income | (237,051) | (84,195) |
| Income tax effect of non-deductible expenses on tax returns | (1,984) | 579 |
| Income tax effect of temporary deferred income tax assets/liabilities | (1,291) | 1,025 |
| Surtax of profit-seeking enterprise income tax on undistributed earnings | 3,615 | 767 |
| Previous income taxes adjusted into the current year | 530 | 1,573 |
| Other Income tax effects adjusted according to tax laws | 92,248 | - |
| Total income tax expense recognized in profit and loss | <u>\$129,902</u> | <u>\$3,365</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Deferred income tax assets (liabilities) balances related to the following items:

2021

| | Opening balance | Recognized in the profit or loss | Balance, ending |
|---|--------------------|--|------------------|
| Temporary difference | | | |
| Unrealized allowance for bad debts | \$(678) | \$(440) | \$(1,118) |
| Unrealized decommissioning cost liability | 546 | 457 | 1,003 |
| Unrealized short-term employee benefits | 100 | 23 | 123 |
| Unrealized net defined benefit liability | 2,920 | 15 | 2,935 |
| Unrealized foreign exchange loss or gain | (83) | 1,194 | 1,111 |
| Unrealized estimated litigation indemnity | 1,074 | 42 | 1,116 |
| of the temporary difference and its reversal | | <u>\$1,291</u> | |
| Deferred income tax assets (liabilities), net | <u>\$3,879</u> | | <u>5,170</u> |
| The information expressed on the balance sheet is as follows: | | | |
| Deferred income tax assets | <u>\$4,640</u> | | <u>\$6,288</u> |
| Deferred tax liabilities | <u>\$(761)</u> | | <u>\$(1,118)</u> |

2020

| | Opening balance | Recognized in the profit or loss | Balance, ending |
|---|--------------------|--|-----------------|
| Temporary difference | | | |
| Unrealized allowance for bad debts | \$(187) | \$(491) | \$(678) |
| Unrealized decommissioning cost liability | 1,174 | (628) | 546 |
| Unrealized short-term employee benefits | 70 | 30 | 100 |
| Unrealized net defined benefit liability | 2,924 | (4) | 2,920 |
| Unrealized foreign exchange loss or gain | 283 | (366) | (83) |
| Unrealized estimated litigation indemnity | 640 | 434 | 1,074 |
| Deferred income tax expenses | | <u>\$(1,025)</u> | |
| Deferred income tax assets (liabilities), net | <u>\$4,904</u> | | <u>\$3,879</u> |
| The information expressed on the balance sheet is as follows: | | | |
| Deferred income tax assets | <u>\$5,091</u> | | <u>\$4,640</u> |
| Deferred tax liabilities | <u>\$(187)</u> | | <u>\$(761)</u> |

The Company's unused tax loss carryforwards are summarized as follows:

| Year of occurrence | Amount of loss | Unused balance | | Final credit year |
|--------------------|-------------------|----------------|-----------------|-------------------|
| | | 2021.12.31 | 2020.12.31 | |
| 2016-approved | \$58,168 | <u>\$-</u> | <u>\$33,520</u> | 2026 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Unrecognized deferred income tax asset

As of December 31, 2021 and 2020, the total amount of the Company's unrecognized deferred income tax assets was NT\$25,315 thousand and NT\$32,019 thousand, respectively.

Income tax declaration and audit

As of December 31, 2021, the filings of the Company's profit-seeking enterprise income tax up to 2019 were approved by the tax collection authority.

32. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The diluted earnings per share is calculated by having the net profit attributable to the holder of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period plus the weighted average number of common stock shares to be issued when all dilutive potential common stock shares were converted into common stock shares.

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|------------------|
| (1) Basic earnings per share | | |
| Current net income | <u>\$1,239,273</u> | <u>\$414,718</u> |
| Weighted average number of common stock shares (thousand shares) of the earnings per share | <u>330,981</u> | <u>335,149</u> |
| Base earnings per share (\$) | <u>\$3.74</u> | <u>\$1.24</u> |
| | <u>2021</u> | <u>2020</u> |
| (2) Diluted earnings per share | | |
| Net income attributable to the holders of common stock of the parent company | \$1,239,273 | \$414,718 |
| Interest on convertible corporate bonds | <u>(9,941)</u> | - |
| Net income attributable to the holders of common stock of the parent company after adjustment to the dilution effect | <u>\$1,229,332</u> | <u>\$414,718</u> |
| Weighted average number of common stock shares (thousand shares) of the earnings per share | 330,981 | 335,149 |
| Dilution effect: | | |
| Employee remuneration – stock (thousand shares) | 1,617 | 957 |
| Convertible corporate bonds (thousand shares) | <u>20,234</u> | - |
| Weighted average number of common stock shares (thousand shares) after adjusting the dilution effect | <u>352,832</u> | <u>336,106</u> |
| Diluted earnings per share (NT\$) | <u>\$3.48</u> | <u>\$1.23</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

33. Statement of Reconciliation for customers' margin accounts and futures traders' equity

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------------|-------------------------|
| Margin accounts – bank deposits | \$363,736 | \$120,678 |
| Margin accounts – settlement institution settlement balance | 155,881 | 180,434 |
| Customer margin account balance | <u>519,617</u> | <u>301,112</u> |
| Less: Processing fee income pending reclassification | (89) | (87) |
| Futures transaction tax to be transferred out | (80) | (42) |
| Temporary receipts | <u>(15)</u> | <u>(18)</u> |
| Futures traders' equity | <u><u>\$519,433</u></u> | <u><u>\$300,965</u></u> |

34. Business combination

The Company obtained the FSC's approval for business transfer on December 2, 2020 to acquire the business rights and relevant assets of Kunglon Securities Co., Ltd. (hereinafter referred to as Kunglon Securities) and set up a branch at the original site of Kunglon Securities. The transaction amount was NT\$35,000 thousand, plus the consideration for the relevant rights on the record date of the business transfer as per the price adjustment mechanism agreed by both parties. The record date of business transfer agreed by both parties was February 17, 2021, and the relevant handover matters have been completed on the day.

The information on the consideration paid for the acquisition of Kunglon Securities' business and the fair value of the assets acquired on the acquisition date is as follows:

| | <u>2021.2.17</u> |
|--|------------------------|
| Acquisition consideration | |
| Paid in cash | <u><u>\$35,000</u></u> |
| Fair value of identifiable assets acquired | |
| Property and equipment | |
| Office equipment | 357 |
| Intangible assets | |
| Computer software | 2,809 |
| Business right | <u>31,834</u> |
| Subtotal | <u>34,643</u> |
| Total amount of identifiable assets | <u><u>\$35,000</u></u> |

From February 17, 2021 (the Company acquired Kunglon Securities) to December 31, 2021, the operating income and pre-tax net income contributed by Kunglon Securities were NT\$100,840 thousand and NT\$68,712 thousand, respectively. If it is assumed that Kunglon Securities had been consolidated into the Company in 2020, the Group's operating income and pre-tax net income from January 1, 2021 to December 31, 2021 would have increased by NT\$14,904 thousand and NT\$10,156 thousand, respectively.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

7. Related party transactions

The related party transactions with the Company during the financial reporting period are as follows:

Name and relationship of related parties

| Name | Affiliation |
|---|---|
| Horizon SICE CO., LTD. | Subsidiary of the Bank |
| Horizon Venture Capital Co., Ltd. | Subsidiary of the Bank |
| Horizon Venture Management Co., Ltd. | Subsidiary of the Bank |
| Mercuries & Associates Holding, LTD. | Entities with joint control or significant influence on the Company |
| Mercuries Life Insurance Co. Ltd. | Entities with joint control or significant influence on the Company |
| Mercuries Data Systems Ltd. | Other related parties |
| Mercuries & Associates Holding, Ltd. | Other related parties |
| Simple Mart Retail Co., Ltd. | Other related parties |
| Mercury Fu Bao Co., Ltd. | Other related parties |
| Mercury Fu Bao Co. Ltd. | Other related parties |
| SCI Pharmtech, Inc. | Other related parties |
| Cheng-Da Investment Consulting Co., Ltd. | Other related parties |
| Simple Mart Plus Co., Ltd. | Other related parties |
| Foundation for Taiwan Masters Golf Tournament | Other related parties |

Major transactions with related parties

1. Brokerage fee revenue

The status of the brokerage fee income generated when the Company and other related parties engaged in the securities brokerage business is as follows:

| | 2021 | 2020 |
|---|----------------|-----------------|
| Subsidiaries | | |
| Others | \$4 | \$20 |
| Entities with joint control or significant influence on the Company | | |
| Others | 3,432 | 39,443 |
| Other related parties | | |
| Others | 29 | 62 |
| Total | <u>\$3,465</u> | <u>\$39,525</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

The details of the claims and liabilities incurred when the Company and the above-mentioned related parties engaged in the securities brokerage business are as follows:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| <u>Accounts payable</u> | | |
| Subsidiaries | | |
| Others | \$- | \$1 |
| Entities with joint control or significant influence on the Company | | |
| Others | - | 2 |
| Total | <u>\$-</u> | <u>\$3</u> |

There is no significant difference between the above-mentioned stock brokerage trading conditions and those with non-related parties.

2. Underwriting business revenue

The underwriting business revenue generated when the Company conducts the underwriting advisory business for the related parties. The transaction situation is as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------|--------------|
| Entities with joint control or significant influence on the Company | | |
| Others | \$1,356 | \$294 |
| Other related parties | | |
| Others | 3,024 | - |
| Total | <u>\$4,380</u> | <u>\$294</u> |

There is no significant difference between the above-mentioned underwriting business conditions and those with non-related parties.

3. Stock affairs agency revenue

The revenue generated when the Company serves as a stock affairs agency entrusted by the related parties to handle general stock affairs and special stock affairs is as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------|----------------|
| Entities with joint control or significant influence on the Company | | |
| Others | \$3,459 | \$3,204 |
| Other related parties | | |
| Others | 2,287 | 2,117 |
| Total | <u>\$5,746</u> | <u>\$5,321</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

The details of the claims and liabilities incurred when the Company and the above-mentioned related parties engaged in the stock affairs agency business are as follows:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| <u>Other receivables</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Others | \$84 | \$1,621 |
| Other related parties | | |
| Others | <u>280</u> | <u>234</u> |
| Total | <u>\$364</u> | <u>\$1,855</u> |

There is no significant difference between the above-mentioned stock affairs agency business conditions and those with non-related parties.

4. Other operating revenue

The revenue generated when the Company is entrusted to maintain the accounts of the Taiwan Depository and Clearing Corporation (TDCC) is as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------|----------------|
| <u>Account maintenance fee income</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | <u>\$4,949</u> | <u>\$4,074</u> |

The details of the claims and liabilities incurred when the Company and the above-mentioned related parties engaged in the TDCC account maintenance business are as follows:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| <u>Accounts receivable</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | <u>\$448</u> | <u>\$383</u> |

There is no significant difference between the above-mentioned TDCC account maintenance business conditions and those with non-related parties.

5. Asset trade

2021

| <u>Counterparties</u> | <u>Transaction object</u> | <u>Trade value</u> |
|---|---------------------------|--------------------|
| <u>Stock purchase</u> | | |
| Subsidiaries | | |
| Others | TDCC stocks | \$66,540 |
| Entities with joint control or significant influence on the Company | | |
| Others | TDCC stocks | 45,457 |
| Other related parties | | |
| Others | TDCC stocks | <u>12,928</u> |
| Total | | <u>\$124,925</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| Counterparties | Transaction object | Trade value |
|---|------------------------|------------------|
| <u>Stock sale</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Others | TDCC stocks | \$17,564 |
| Other related parties | | |
| Others | TDCC stocks | 19,797 |
| Total | | <u>\$37,361</u> |
| <u>Bond purchase</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | Over-the-counter bonds | \$200,000 |
| Mercuries & Associates Holding, LTD. | Over-the-counter bonds | 51,255 |
| Total | | <u>\$251,255</u> |
| <u>Bond sale</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries & Associates Holding, LTD. | Over-the-counter bonds | \$56,950 |
| <u>Note purchase</u> | | |
| Other related parties | | |
| Others | Short term bills | <u>\$11,491</u> |
| <u>Note sale</u> | | |
| Other related parties | | |
| Others | Short term bills | <u>\$11,491</u> |
| <u>Equipment</u> | | |
| Other related parties | | |
| Others | Office equipment | <u>\$1,480</u> |

2020

| Counterparties | Transaction object | Trade value |
|---|-----------------------|------------------|
| <u>Stock purchase</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Others | TDCC stocks | \$2,945 |
| Other related parties | | |
| SCI Pharmtech, Inc. | TDCC stocks | 82,148 |
| Others | TDCC stocks | 21,193 |
| Total | | <u>\$106,286</u> |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| Counterparties | Transaction object | Trade value |
|---|-----------------------|-------------|
| <u>Stock sale</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | TDCC stocks | \$37,703 |
| Other related parties | | |
| SCI Pharmtech, Inc. | TDCC stocks | 102,654 |
| Others | TDCC stocks | 21,045 |
| Total | | \$161,402 |

There is no significant difference between the above-mentioned asset transaction conditions and those with non-related parties.

The details of the profit or loss arising from the Company's disposal of the stocks held from the above-mentioned related parties are as follows:

| | 2021 | 2020 |
|---|---------|---------|
| Entities with joint control or significant influence on the Company | | |
| Others | \$1,419 | \$3,118 |
| Other related parties | | |
| Others | 492 | 1,861 |
| Total | \$1,911 | \$4,979 |

The details of the profit or loss arising from the Company's disposal of the bonds held from the above-mentioned related parties are as follows:

| | 2021 | 2020 |
|---|---------|------|
| Entities with joint control or significant influence on the Company | | |
| Mercuries & Associates Holding, LTD. | \$5,695 | \$- |

The details of the interest on the Company's disposal of the notes held from the above-mentioned related parties are as follows:

| | 2021 | 2020 |
|-----------------------|------|------|
| Other related parties | | |
| Others | \$1 | \$- |

6. The details of other operating expenses paid by the Company to related parties and the relationship between claims and debts are as follows:

| | 2021 | 2020 |
|---|----------|----------|
| <u>Other operating expenses – service expense</u> | | |
| Subsidiaries | | |
| Horizon SICE Co., Ltd. | \$41,000 | \$36,000 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| <u>Other operating expenses – entertainment expense</u> | | |
| Other related parties | | |
| Others | \$11 | \$- |
| <u>Other operating expenses – advertising expense</u> | | |
| Other related parties | | |
| Others | \$700 | \$900 |
| <u>Other operating expenses – miscellaneous expenses</u> | | |
| Other related parties | | |
| Others | \$8 | \$47 |
| | <u>2021.12.31</u> | <u>2020.12.31</u> |
| <u>Other payables</u> | | |
| Subsidiaries | | |
| Horizon SICE Co., Ltd. | \$5,000 | \$- |

There is no significant difference between the above-mentioned transaction conditions and those with non-related parties.

7. The details of related parties' stocks held by the Company are as follows:

| | <u>2021.12.31</u> | | <u>2020.12.31</u> | |
|--|---|----------|---|----------|
| | Number of shares (thousand shares) | Amount | Number of shares (thousand shares) | Amount |
| Entities with joint control or significant influence on the Company | | | | |
| Others | 1,400 | \$31,710 | - | \$- |
| Other related parties | | | | |
| Others | 428 | \$30,303 | 497 | \$45,792 |

The details of the profit or loss arising from the above-mentioned related parties' stocks held by the Company are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Entities with joint control or significant influence on the Company | | |
| Others | \$2,000 | \$- |
| Other related parties | | |
| Others | 1,297 | 323 |
| Total | \$3,297 | \$323 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

8. The details of related parties' bonds held by the Company are as follows:

| | 2021.12.31 | | 2020.12.31 | |
|---|------------|--------------|------------|--------------|
| | Face value | Market price | Face value | Market price |
| Entities with joint control or significant influence on the Company | | | | |
| Mercuries Life Insurance Co. Ltd. | \$200,000 | \$200,000 | \$- | \$- |

The details of interest income from the bonds held by the Company from the above-mentioned related parties are as follows:

| | 2021 | 2020 |
|---|---------|------|
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | \$2,043 | \$- |

The details of the claims and liabilities incurred from the above-mentioned related parties' bonds held by the Company are as follows:

| | 2021.12.31 | 2020.12.31 |
|---|------------|------------|
| <u>Other receivables</u> | | |
| Entities with joint control or significant influence on the Company | | |
| Mercuries Life Insurance Co. Ltd. | \$2,043 | \$- |

9. Remuneration of key management personnel of the Company

| | 2021 | 2020 |
|------------------------------|-----------|-----------|
| Short-term employee benefits | \$197,399 | \$106,072 |
| Retirement benefits | 3,998 | 5,346 |
| Total | \$201,397 | \$111,418 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

8. Pledged assets

The Company has the following assets provided as collateral:

| Items | Secured debt or restricted content | 2021.12.31 | 2020.12.31 |
|---|--|------------|------------|
| <u>Financial assets at fair value through profit and loss</u> | | | |
| Securities – proprietary (government bonds) | Call loans to banks | \$610,355 | \$620,018 |
| Securities – proprietary (corporate bonds) | Call loans to banks | 1,707,894 | 1,561,245 |
| Securities – proprietary (convertible bonds) | Call loans to banks | 402,610 | 800,838 |
| <u>Other current assets</u> | | | |
| Restricted assets (certificate of deposit) | Short-term borrowings and commercial paper | 126,000 | 120,000 |
| Restricted assets (certificate of deposit) | Settlement advance | 270,000 | 240,000 |
| Restricted assets (Current deposits) | Short-term borrowings (compensating balance) | 15,000 | - |

9 Significant contingent liabilities and unrecognized contractual commitments

No such event

10 Significant disaster loss

No such event

11 Significant subsequent events

No such event

12. Others

1. Purpose and policy of financial risk management

(1) Risk management objectives and policies

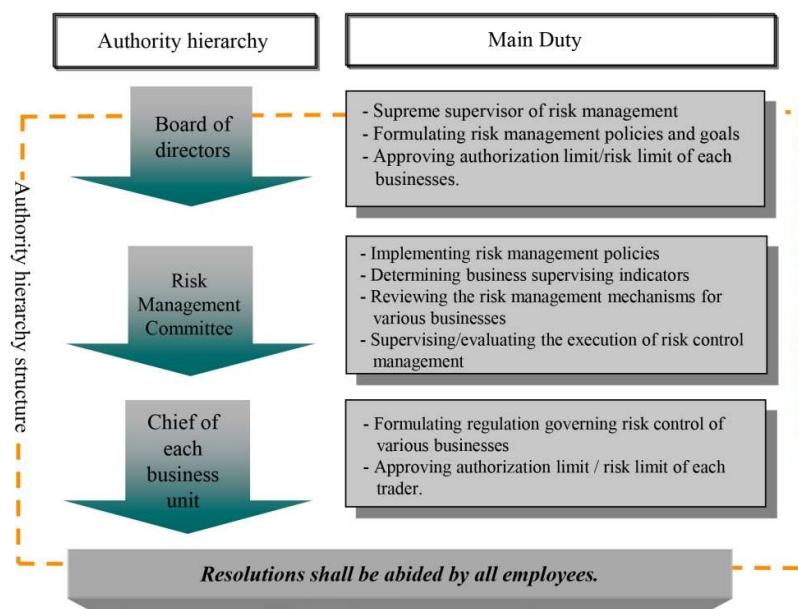
The Company's risk management policy is based on the current capital scale and the risk appetite determined by the board of directors to create the greatest return for shareholders, and to achieve the following goals:

- A. Providing effective identification, measurement and monitoring of risks when engaging in various businesses.

- B. Establishing timely, accurate and effective risk management indicators for the Company’s operating activities in response to the fluctuations in the market.
- C. Controlling the overall risk within the risk limit of shareholders, and providing the basis of capital allocation for operating activities.

(2) Risk management system

The Company adopts the authorization hierarchy system for risk management. Procedures of formulations and Approval of relevant policies are as follows:

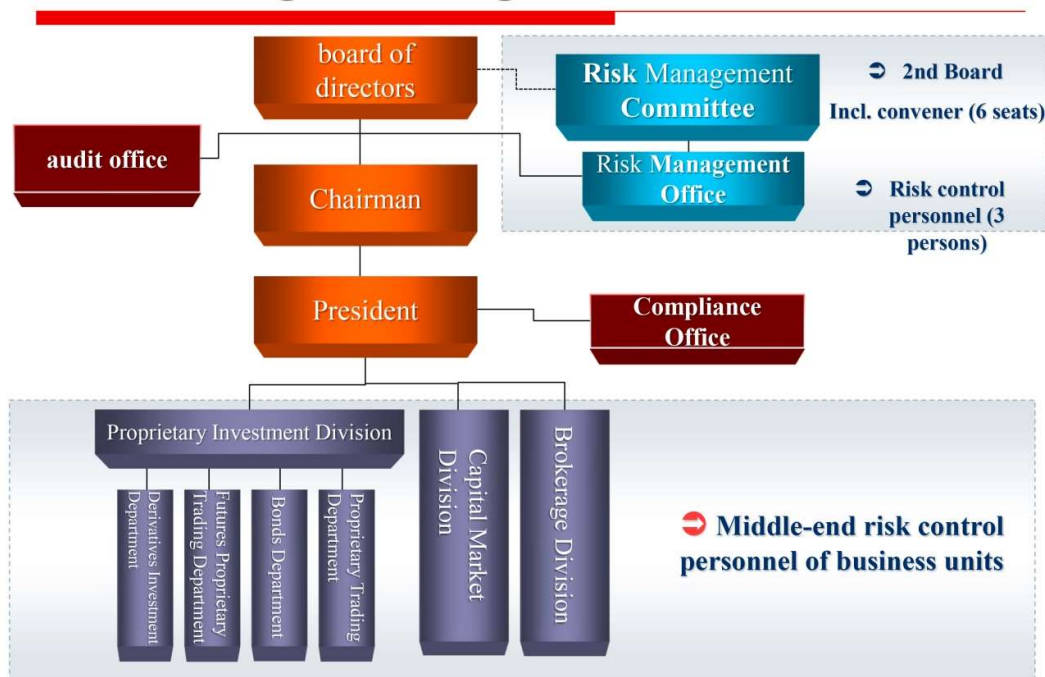


The Company adopts both top-down and bottom-up approaches. First, the Company determines the overall economic capital and risk appetite with the top-down approach. After the overall economic capital is determined, the economic capital of each unit is then determined based on the bottom-up approach to ensure the consistency of total capital requirement.

(3) Risk management organizations

- A. The Company’s risk management organization includes board of directors, “Risk Management Committee,” top management, Internal Auditing Office, Risk Management Office, Compliance Office, and other business units. The organizational chart is as follows:

Risk management organizational structure



B. The “Risk Management Committee” is the Company’s highest authority unit in the matter of risk management. It reports directly to the “board of directors.” The organization, functions and work rules of the “Risk Management Committee” are handled according to the “Charter of Risk Management Committee.”

(4) Risk management procedure

The Company’s risk management procedure includes risk identification, evaluation, monitoring, reporting, and response measures. The impacts of various risks and responses are described as follows:

A. Market Risk:

Uncertain changes in the values of financial assets over a period of time due to changes in market prices, such as changes in interest rates, exchange rates, equity securities, and commodity prices, may lead to the risk of losses on on- and off-balance sheet items.

B. Liquidity risk:

The risk of being unable to realize assets or obtain sufficient funds to fulfill obligations when they are due (referred to as "liquidity risk"); and the risk of insufficient market depth, market disorder, or significant changes in market prices when positions held are disposed of or offset (known as "market liquidity risk").

C. Credit Risk:

The amount of risk arising from the failure of the counterparty (including the issuer of securities, counterparty to a contractual transaction, or debtor) to fulfill its obligation or risk of loss incurred by its financial position.

D. Operational Risk:

The risks caused by poor operating systems and operational negligence, such as poor and contradictory operating process designs, negligence in operations, failure to implement internal controls, or front-end transactions exceeding the authorized permissions or execution of unauthorized transactions, improper management of back-end transaction books and records and improper internal accounting control, inexperienced personnel, improper security control of information systems, and improper operational backup.

E. Legal Risk:

The failure to comply with the relevant government regulations; contracts invalidated due to no legal binding effect, ultra vires, omissions in clauses, or incomplete regulations, resulting in the risk of loss.

F. Model Risk:

The non-precise appraised value due to the use of inappropriate models, parameters, or assumptions.

In order to maintain the operation and management of models and enhance the risk control of financial products, the Group has formulated the “Rules of the Management Operation of the Use of Models” to regulate the development, verification, safekeeping and changes of the models, in order to reduce model risks from the inappropriate use of models, parameters or hypotheses.

G. Climate Change and Environmental Sustainability Risks

Due to global warming, the average temperature continues to rise, the frequency of extreme climate events increases, and the precipitation and the high and low temperature difference tend to be polarized, causing frequent natural disasters. Climate change has become a major issue of global concern, with the impact affecting business operations. Therefore, the Company has adopted the Task Force on Climate-related Financial Disclosures (TCFD) issued by the Financial Stability Board, United Nations, to identify the potential risks arising from various climate change based on the interaction between the Company's daily operating activities, its services, and the environment, to determine the countermeasures and management methods.

H. Other New Risks

Due to new businesses or modified operations (e.g. FinTech), there might be adverse impact on the future business operation because of the lack of risk

identification and assessment.

(5) Strategies and procedures for hedging and mitigating risks

The Company carries out analysis based on the severity of loss, and assess the pros and cons of each countermeasures. Potential hedging and mitigation policies include:

- A. Risk avoidance: Take avoidance measures, to avoid activities that may have underlying risks.
- B. Risk transfer/mitigation: Transfer part or all of the risk to a third party.
- C. Risk control: Reduce the possibility and impacts of risks through appropriate approaches.
- D. Risk-taking: Not taking any measures to change the possibilities and impact of risks.

The Company's monitoring, hedging and mitigation tools are mainly derivatives. The Company maintains the risk of market price fluctuations of hedging positions within an acceptable limit, determines the authorization limit based on the risk tolerance, and establishes a monitoring warning mechanism to grasp the change in the hedging positions.

The Company's Derivatives Investment Department adopts hedging methods for the issuance and subscription (sale) of warrants based on the Black-Scholes' model to estimate the Delta, Gamma, and Vega values of the relevant positions, which serve as the parameters reported in accordance with the Company's "Management Rules of Use of Models" for the capital adequacy ratio.

The Company's Futures Proprietary Trading Department is responsible for future trading and options trading. The risk control items include limits to value-at-risk, risk exposures, guarantee deposits, stock concentration, company scale, liquidity, stop-loss/take-profit. All investment strategies are approved after analysis on the fundamentals and strategic aspects and assessment of the general market trend at the investment decision meetings convened by the Proprietary Investment Division.

The Company has developed its own asset risk management system, and built systematic parameter settings based on different risk characteristics to make the risk control system modules more flexible and more conducive to the implementation of intraday and post-market monitoring. In addition to being linked with position performance, it can keep abreast of the actual operating results of the business at any time, to effectively improve the efficiency of risk information communication and management.

2. Market risk management

The Company has specified the market risk control methods in risk control regulations of each business. Market risk control items include total limit (by department, product, trader, trading strategy), shareholdings ratio, concentration (including the total shareholdings of

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

any company's shares, total cost of holding any company's securities, total quantity of any foreign company's shares held, and total cost of holding any foreign company's securities), stop-loss and take-profit mechanism, trader account suspension mechanism, stop-loss mechanism, margin limit, overrun response, VaR calculation, and control of VaR limits. The Risk Management Office is responsible for monitoring the limits every day. The Company estimates the Value at risk (VaR) on a daily basis, and adjusted the model and parameters retrospectively to more accurately predict the largest possible loss due to market price fluctuation.

- (1) The Company's Risk Management Office is responsible for monitoring the Company's daily risk exposure as a whole and at each business unit. In addition to understanding the risk response measures of each unit, it discloses the daily position gains and losses and the VaR of the next day in the asset risk control system. The Company's capital adequacy ratio, interest rate, and exchange rate sensitivity analysis, and VaR over the past two years are as follows:

A. Capital adequacy ratio

| Date \ Items | Current value | Mean | Max. value | Min. value |
|--------------|---------------|------|------------|------------|
| 2021.12.31 | 427% | 385% | 459% | 312% |
| 2020.12.31 | 350% | 354% | 431% | 290% |

B. Sensitivity analysis

(a) Interest rate sensitivity analysis

The Company adopts DV01 in a sensitivity analysis for bond positions. DV01 refers to the impact on the amount of profit or loss on the bond positions when the bond interest rate rises or falls by 1 basis point (bp).

Unit: NTD thousand

| Date \ Items | Average duration | The profit or loss amount (DV01) with a 1bp change in interest rate |
|--------------|------------------|---|
| 2021.12.31 | 3.25 | \$747 |
| 2020.12.31 | 3.56 | 763 |

Note: Perpetual debentures are not included.

Perpetual debentures

Unit: NTD thousand

| Date \ Items | Average duration | The profit or loss amount (DV01) with a 1bp change in interest rate |
|--------------|------------------|---|
| 2021.12.31 | 31.3 | \$626 |
| 2020.12.31 | - | - |

(b) Exchange rate sensitivity analysis

The Company assesses the impact of exchange rate change by 1% on the profit

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

and loss on foreign currency positions.

Unit: NTD thousand

| Date | Items | Impact on the amount of profit and loss with exchange rate change by 1% |
|------------|-------|---|
| 2021.12.31 | | \$298 |
| 2020.12.31 | | 283 |

- C. The Company's quantized market risk model is measured based on VaR, and the quantized calculation is based on parametric methods (variance-covariance method), historical simulation method. The values-at-risk at 99% confidence level are as follows: The VaR of the next day is calculated at 99% confidence level.

Unit: NTD thousand

| Date | Current value | Mean | Max. value | Min. value |
|------------|---------------|----------|------------|------------|
| 2021.12.31 | \$67,248 | \$80,506 | \$116,721 | \$32,618 |
| 2020.12.31 | 76,840 | 58,161 | 87,341 | 23,849 |

(2) Back test

According to the Company's Back Test Operational Rules and the Risk Management Best-practice Principles for Securities Firms, the Company conducts model validity evaluation and back test based on the VaR by business and the Company's overall position on an annual basis to ensure the correctness and credibility of predictions of a risk evaluation model on a statistical basis.

(3) Stress test

A. Stress tests are carried out on a regular basis in accordance with the Company's "Risk Management Policy Guidelines," the "Stress Test Operation Rules", and the "Risk Management Best-practice Principles for Securities Firms."

B. Two goals of stress test

- (a) Evaluating the securities firms' capital's ability to bear the greatest potential loss.
- (b) Identifying measures that securities firms can adopt to reduce risks and protect capital.

C. Available countermeasures

- (a) Readjust positions held, close positions, or hedge transactions.
- (b) Purchase credit guarantee schemes or insurance, or lower risk limits.
- (c) Increase the sources of funding available to ensure that there are sufficient funds to respond during the crisis to enhance the liquidity of securities firms' funds.
- (d) Plan countermeasures for specific stress test scenarios.

D. The Company's stress test system is based on historical scenarios and a hypothetical scenario. The method of implementation is described as follows:

- (a) The historical scenarios mainly focus on specific extreme events in the past financial market that caused the market to plunge, such as the 921 earthquake, the dot-com bubble in 2000, the U.S. 911 terrorist attack, the March 19 shooting incident in Taiwan, the Eurozone debt storm, the 311 Eastern Japan Earthquake, Standard & Poor's downgrading of U.S. debt credit ratings, and other events, to simulate extreme stress to estimate the losses. The Company's historical scenarios are based on two incidents. One is the US Dow Jones Industrial Average index crashed due to concerns about the accelerated speed of increase in interest rates on February 2, 2018. The Group set the loss rate of the market value of both equity investments and non-government bonds investments at 12%, the loss rate of money market funds at 2%, the sharp fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion, and the amount for the climate risk stress test. The second one is based on the global stock market crash caused by the global pandemic of COVID-19 in the first quarter of 2020. The Company set the loss rate of the market value of equity investments and non-governmental bond investments at 30% and 10%, respectively, the loss rate of money market funds at 2%, fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion, and the amount for the climate risk stress test. The loss estimated in the aforementioned historical scenarios in the stress test had a limited impact on the Company's financial position in each period, and the regulatory adequacy ratio was at the level stipulated in the regulations of the competent authority.
- (b) The loss rates in the hypothetical scenario are based on the assumptions of credit rating companies to evaluate the value of the investment portfolio and the impact of changes on the amount of business operations. The fundamental assumptions include a 50% reduction in the market value of equity investments, a credit loss rate of non-government bond investments of 10%, a loss rate of money market funds of 2%, a fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion, and the amount for the climate risk stress test. Under the hypothetical scenario, the loss estimated had a limited impact on the Company's financial position in each period, and the adequacy ratio of its own capital was at the level stipulated in the regulations of the competent authority.

3. Management over credit risks

The Company defines the credit risk control methods for each financial product as well as the authorization structure, reporting process, and operations at each level in the risk control regulations. It measures credit risk exposure daily according to the credit rating and conducts credit evaluation before each transaction and conducts credit risk control, including TCRI credit ratings, bond issue rating control, reverse repurchase agreement counterparty's limits, counterparty's credit assessment, credit rating requirements for certain securities, while regularly updating and monitoring the credit status of the counterparties and controlling the nominal principle of the positions held. For counterparties with increased risks, the Company reduces credit risk limits or increases collateral. For positions that have been downgraded, it draws up disposal plan and restricts new positions to reduce credit exposure. The credit rating systems adopted for different financial products are described as follows:

(1) Convertible (exchangeable) corporate bonds

The Proprietary Investment Division's convertible (exchangeable) corporate bonds are based on the TEJ TCRI's credit ratings of levels 1–7, except for securities lending (borrowing) transactions. For TCRI level 8 or above, it must be combined with securities lending and shorting.

(2) Securities lending (borrowing)

It is limited to juridical persons, and the credit rating of counterparties in securities lending (borrowing) bargaining transactions must reach a certain level, or shall be a publicly listed securities firm.

(3) Bonds under reverse repurchase agreement

The counterparties are limited to domestic juridical persons, and for customers whose transaction balance reaches a certain amount of NTD or more, their counterparties' credit ratings must reach the required level. If the credit rating of a counterparty fails to meet the requirement, it shall be submitted to the President for approval before processing the transaction.

(4) Bonds (excluding convertible (exchangeable) corporate bonds)

According to the Bond Transaction Risk Management Regulations of the Bond Department, all types of bonds obtained by the Company must meet certain credit rating standards.

(5) Swaption of convertible corporate bond asset

The counterparties' credit ratings are limited to twBBB- and above, and the limit of transaction amount is set based on the counterparties credit ratings.

(6) Loans and non-restricted purpose loans

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

According to the Brokerage Division's Guidelines for Operations of Securities Borrowing and Lending; Guidelines for Handling Non-Restricted Purpose Loans; Loan and Non-Restricted Purpose Loan Risk Management Guidelines; the Regulations on Credit Investigation and Credit Line Evaluation of Customers in Securities Borrowings and Non-Restricted Purpose Loan Business, the Company evaluates each customer's credit line and controls the credit risk of securities borrowings and non-restricted purpose loans through regular review of collateral.

4. Liquidity risk management

(1) Market liquidity risk of positions held

The Company has formulated the liquidity risk control methods in the risk control regulations based on the nature of each business and set the cap of individual positions as per the concentration of the positions, the trading volume, while monitoring them on a daily basis.

(2) Capital liquidity risk

The Company has formulated the Regulations Governing Capital Liquidity Risk Control. In the asset risk control system, the Company has established the capital liquidity indicators for simulation analysis for capital liquidity risk, and measures its risk tolerance for capital liquidity risk based on the high-standard stress test on monetary losses, with the aim of enhancing liquidity risk control.

The Company maintains financial flexibility through contracts, including cash and cash equivalents, highly liquid securities, bank borrowings, commercial papers payable, call loans to banks, and convertible corporate bonds. The table below summarizes the maturity of the payments contained in the contracts of the Company's financial liabilities. It is compiled based on the earliest possible date for repayment and its undiscounted cash flow. The amounts listed also include the agreed interest. For the interest cash flow paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve at the end of the reporting period.

Non-derivative financial liabilities

| | Less than 1 year | 2-3 years | 4-5 years | Over 5 years | Total |
|---------------------------|---------------------|-----------|-----------|-----------------|-----------|
| <u>2021.12.31</u> | | | | | |
| Short-term borrowings | \$50,010 | \$- | \$- | \$- | \$50,010 |
| Commercial papers payable | 150,000 | - | - | - | 150,000 |
| Payables | 4,416,637 | - | - | - | 4,416,637 |
| Call loans to banks | 3,805,139 | - | - | - | 3,805,139 |
| Corporate bonds payable | - | - | 689,400 | - | 689,400 |
| Lease liabilities (Note) | 62,087 | 55,883 | 39,448 | 2,466 | 159,884 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | Less than 1 year | 2–3 years | 4–5 years | Over 5 years | Total |
|---------------------------|---------------------|-----------|-----------|-----------------|-----------|
| <u>2020.12.31</u> | | | | | |
| Commercial papers payable | \$200,000 | | | | \$200,000 |
| Payables | 3,884,072 | \$- | \$- | \$- | 3,884,072 |
| Call loans to banks | 8,007,110 | - | - | - | 8,007,110 |
| Lease liabilities (Note) | 61,991 | 54,044 | 12,958 | - | 128,993 |

Note: Including short-term leases and cash flows of lease contracts for low-value underlying assets.

Derivative financial liabilities

| | Less than 1 year | 2–3 years | 4–5 years | Over 5 years | Total |
|-------------------|---------------------|------------|------------|-----------------|--------------------|
| <u>2021.12.31</u> | | | | | |
| Inflow | \$307,150 | \$- | \$- | \$- | \$307,150 |
| Outflow | (788,283) | - | - | - | (788,283) |
| Net value | <u>\$(481,133)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$(481,133)</u> |
| | | | | | |
| | Less than 1 year | 2–3 years | 4–5 years | Over 5 years | Total |
| <u>2020.12.31</u> | | | | | |
| Inflow | \$69,716 | \$- | \$- | \$- | \$69,716 |
| Outflow | (353,684) | - | - | - | (353,684) |
| Net value | <u>\$(283,968)</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$(283,968)</u> |

The disclosure of derivative financial liabilities in the table above is presented using undiscounted net cash flows.

5. Operational risk management

The Company has formulated the Internal Control System Policy and Rules of the Implementation of Rules of the Implementation of Internal Audit in accordance with the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” released by the FSC and “Standard Directions for Internal Control Systems in Securities Firms” released by Taiwan Securities Exchange Corporation. All business transactions have been handled in accordance with the relevant regulations of the competent authorities and the Company’s relevant operational risk control regulations in various business risk management regulations. In addition to effectively controlling operational risks as per the standards of the internal control system, the Company compiles the critical operational risks that are easier for quantification and qualification in the securities business, such as default cases and loss amount, number of incorrect entries into the account and the loss amount, and customer complaint cases, into a risk management executive report and reports to the board of directors on a regular basis.

6. Legal risk management

The Company has established the Compliance Office, serving as the supervising unit, and providing legal consultation for each business units. The Company has also signed the “Regulations Governing the Signing of Contracts.” All contracts must be reviewed by the Compliance Office before signing to reinforce legal risk control.

7. Model risk management

In order to maintain the operation and management of models and enhance the risk control of financial products, the Group has formulated the “Rules of the Management Operation of the Use of Models” to regulate the development, verification, safekeeping and changes of the models, in order to reduce model risks from the inappropriate use of models, parameters or hypotheses.

8. Climate Change and Environmental Sustainability Risks Management

The Company adopts the TCFD framework to identify its climate change and environmental sustainability risks and opportunities and countermeasures, gradually examines energy efficiency, greenhouse gas emissions, and extreme weather events, and performs

stress tests on the impact of such natural disasters, to enhance its resilience and sensitivity to climate change risks. It implements climate change-related disclosures and adaptation strategies as the consensus of all management levels of the Company, while disclosing climate-related information as per the four categories of governance, strategy, risk management, indicators, and goals to continuously improve climate-related strategies and management to cope with changes in the general environment.

The four core elements of the TCFD framework are as follows:

(1) Governance: Governance of climate change risks and opportunities

- A. The Company has included the environmental protection and sustainable governance in its CSR in the form of a GRI table in accordance with guidelines and framework of the Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TPEX Listed Companies, the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, and the Global Reporting Initiative (GRI) since 2014.
- B. As the impact of climate change on the environment, ecology, and economic industry poses a significant threat to the Company’s sustainable development, to attach importance to climate change issues and management, it amended the Guidelines for Risk Management Policies in 2021 to include climate change risks and submitted it to the board of directors for approval after deliberation by the Risk Management Committee.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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(2) Strategy: Assess the actual and potential impacts of climate risks and opportunities and their financial impact on the Company and devise countermeasures.

| Risk | Description of risk | Financial impact | Countermeasures | |
|------------------------------|---|---|--|---|
| Climate change risk | Physical risk | Natural disasters, such as typhoons, floods, droughts, and other extreme climate events bear a risk of operational interruption | <ul style="list-style-type: none"> ● Revenue loss ● Increase in costs | <ul style="list-style-type: none"> ● Crisis response regulations: remote work mechanism ● Regular stress tests to examine changes in the ratios of the Company's shareholders' equity to total assets and capital adequacy ratio |
| | Transition risk | Changes in energy conservation, carbon reduction, and resource use strategies | <ul style="list-style-type: none"> ● Increase in operating expenses | <ul style="list-style-type: none"> ● Adoption of energy efficient equipment ● Development of digital finance ● Implementation of green energy procurement |
| | | Corporate carbon footprint and greenhouse gas emissions control | <ul style="list-style-type: none"> ● Carbon tax to be levied in the future, the impact of carbon credit trading, or the increase in the operating cost due to fines for the excess of the maximum quantity. | <ul style="list-style-type: none"> ● Inventory and disclosure of carbon footprints and greenhouse gas emission data ● Setting of emission reduction targets |
| Climate change opportunities | Improvement to the business image and increased opportunities for business development and proprietary trading investment | Improvement to the transparency of corporate environmental sustainability to meet clients' requirements on brokers and underwriters selection | <ul style="list-style-type: none"> ● Increased brokerage income from government funds, professional investment institutions, and orders in investment trust ● Increased underwriting cases from green energy enterprises to increase underwriting income | <ul style="list-style-type: none"> ● Support for climate change carbon reduction and adaptation policies, disclosure of financial-related information under the TCFD framework, and increased communication with the public. ● Collection of industry information to assess whether each underwriting client's industry and business are vulnerable to the impact of climate change risks, leading to a negative impact, and use of a green finance assessment form to conduct an in-depth KYC process as an indicator to strive for the underwriting business. |
| | | Emerging futures or financial product investment | <ul style="list-style-type: none"> ● Increased proprietary trading income | <ul style="list-style-type: none"> ● Support for TCFD; proprietary traders understand the connection between the operational development of each investment target and climate change and environmental sustainability through regular interviews and review of financial reports. It is hoped that companies will use the climate-related financial information disclosed in financial reports to guide proprietary trading in the green energy industry. |

- (3) Risk management: A risk mechanism of identifying and measuring climate change
- A. To implement climate change management with reference to the reports and information released by relevant institutions at home and abroad, the Company manages to keep abreast of the international standards and responds and makes adjustments accordingly in real time. In addition, it should include the impact factors of climate change in the operational strategy planning and decision-making process, evaluate the relevant impacts, countermeasures, and business opportunities in daily business activities, and include it in the Company's risk management executive report and submit it to the Risk Management Committee and the board of directors.
 - B. For the climate change-related scenarios, the Company identifies short-, medium-, and long-term climate change risks and opportunities. The Risk Management Office considers the potential physical and transition risks and performs stress tests on the main impact of typhoons, floods, and other disasters on the Company's financial business and the inventory of greenhouse gas emissions based on the potential impact and potential vulnerability every year, to simulate the impact of an event on the Company and devise countermeasures and relevant mitigation measures.
 - C. External disclosure and communication: Discloses are made in the CSR report and the Company's website.
- (4) Indicators and goals: The indicators used in the evaluation as per the strategies and the management process and the results of achieving the goals.
- A. From the Kyoto Protocol in 1997 to the Paris Agreement in 2015, the world has been trying to address climate change, with the goal of limiting warming to 2°C by the end of this century or at least the 1.5°C target in a new report by the Intergovernmental Panel on Climate Change (IPCC). To jointly work to address the issue of global warming, the Company has set an energy saving target of at least 1% reduction of power consumption every year through the adjustment of power resources and the improvement to energy efficiency.
 - B. Under the trend of automation and paperless office environment, the Company has also transformed various workflows with emerging technologies to improve work efficiency, improve the decision-making analysis model, and reduce operating expenses, such as accelerating the online account opening platform, optimizing the electronic trading platform, regularly working with stock market experts to hold online live seminars, launching the AI stock selection and ordering services, and providing customers with diverse market information and new trading knowledge on the social community, while being committed to continuously upgrading customer services.
 - C. In addition to reducing energy costs by updating water and power efficient equipment, the Group strengthens employee training and education, to continue to promote the concept of energy conservation and environmental protection. Further,pre, the Company has established a comprehensive paperless environment, including the e-office administrative procedures, electronic trading statements, and electronic order placement, and upgraded the automated information systems and

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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transformed various workflows to reduce paper consumption and improve work efficiency as well.

- D. It regularly interviews the investment targets and reviews their financial reports to further understand the connection between the operational development of each investment target and climate change, to guide a certain proportion of investment in enterprises with environmental sustainability and green energy indicators.

9. Other emerging risks management:

In order to cope with the risk arising from the adverse impact on the future business operations due to the emergence of new business categories or changes in the way of operation (such as digital financial technology), the Company has formulated the Information Security Management Regulations and the Personal Data File Maintenance Plan and Personal Data Disposal Method after Business Termination for the critical risk areas of information security and personal data protection, respectively, as a reference for security level assessment in response to the execution of various information security tasks.

10. Reconciliation of liabilities from financing activities

Information on reconciliation of liabilities for the year 2021:

| | Short-term borrowings | Commercial papers payable | Corporate bonds payable | Lease liabilities | Total liabilities from financing activities |
|------------------|-----------------------|---------------------------|-------------------------|-------------------|---|
| 2021.1.1 | \$- | \$199,936 | \$- | \$115,948 | \$315,884 |
| Cash flows | | | | | |
| - Inflow | 137,741,730 | 1,614,614 | 822,374 | - | 140,178,718 |
| - Outflow | (137,691,730) | (1,665,000) | - | (64,844) | (139,421,574) |
| Non-cash changes | - | 445 | (58,850) | 15,811 | (42,594) |
| 2021.12.31 | \$50,000 | \$149,995 | \$763,524 | \$66,915 | \$1,030,434 |

Information on reconciliation of liabilities for the year 2020:

| | Short-term borrowings | Commercial papers payable | Lease liabilities | Total liabilities from financing activities |
|------------------|-----------------------|---------------------------|-------------------|---|
| 2020.1.1 | \$- | \$99,948 | \$139,693 | \$239,641 |
| Cash flows | | | | |
| - Inflow | 130,738,430 | 869,369 | - | 131,607,799 |
| - Outflow | (130,738,430) | (770,000) | (61,769) | (131,570,199) |
| Non-cash changes | - | 619 | 38,024 | 38,643 |
| 2020.12.31 | \$- | \$199,936 | \$115,948 | \$315,884 |

11. Categories of financial instruments

Financial assets

| | 2021.12.31 | 2020.12.31 |
|---|--------------|--------------|
| Financial assets measured at fair value through profit or loss | | |
| Measured at fair value through income under compulsion | \$4,238,739 | \$4,568,953 |
| Financial assets at fair value through other comprehensive profit or loss | 162,840 | 105,784 |
| Financial assets based on cost after amortization (Note) | 10,015,834 | 11,254,665 |
| Total | \$14,417,413 | \$15,929,402 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Financial liabilities

| | 2021.12.31 | 2020.12.31 |
|---|--------------------|---------------------|
| Financial liabilities based on cost after amortization: | | |
| Short-term borrowings | \$50,000 | \$- |
| Commercial papers payable | 149,995 | 199,936 |
| Call loans to banks | 3,804,392 | 8,005,393 |
| Futures traders' equity | 519,433 | 300,965 |
| Corporate bonds payable | 763,524 | - |
| Payables | 4,394,703 | 3,874,811 |
| Total | <u>\$9,682,047</u> | <u>\$12,381,105</u> |

Note: Including cash and cash equivalents (excluding cash on hand and petty cash), bond investment under reverse repurchase agreement, securities borrowings receivable, loan receivable – non-restricted purpose, customer margin account, notes receivable, accounts receivable, other receivables, restricted assets, financial assets at amortized cost - non-current, business guarantee, settlement and clearance funds, and guarantee deposits paid.

12. The fair value of financial instruments

The know-how and hypotheses adopted to measure the fair values:

- (1) The Book Value of short-term financial instruments stated in the balance sheet shall be the fair value of such instruments. The reason is that the maturity date of these instruments is close and it would be reasonable to use the Book Value in the valuation of fair value. This method is applied to cash and cash equivalents, bond investments under reverse repurchase agreement, securities borrowings receivable, loan receivables – non-restricted purpose, customer margin account, accounts receivable, restricted assets, business guarantee, settlement and clearance funds, guarantee deposits paid, short-term borrowings, commercial paper payable, bond liabilities under repurchase agreement, futures traders' equity, corporate bonds payable, accounts payable, and guarantee deposits received.
- (2) If a financial instrument measured at fair value through profit and loss is quoted in an active market, the market price is adopted as the fair value. If there are no market prices for reference, then fair values shall be estimated using the valuation approach. Estimates and assumptions used in the valuation approach are consistent with the estimates and assumptions adopted by market participants when pricing the underlying financial instruments.

The methods for determining the fair values of various financial instruments are as follows:

- A. Equity securities: Except for those that are measured at cost in accordance with relevant laws and regulations, those listed on the market shall adopt the closing price of the listed market as the market price; if there is no active trading market (such as emerging stocks and unlisted stocks), the valuation method is adopted for estimation.
- B. Bonds: government bonds and corporate bonds are valued based on current market prices published on OTC, which are calculated using the bonds' average yields. Bond derivatives require special valuation models, using the above-mentioned yields and market prices as parameters. For bonds without an

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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active market, the yield curve published by OTC will be used as parameters for the valuation model.

- C. Futures instruments: The closing price of each futures trading market is adopted.
- D. Options instruments: The closing price of each options trading market is adopted.
- E. Other derivatives: For those listed in markets, their listed market quotes are adopted as the basis for market prices. For those not listed in markets, the average buying price or average selling price of the quotation platform, or other definite quotes as the basis for market prices.

13. Transfer of financial assets

Transferred financial assets not being removed in all

In the daily trading activities of the Company, the transferred financial assets that do not meet the conditions for being removed in all are mostly debt securities as collateral under a repurchase agreement held by trading counterparties or equity securities lent under a securities lending agreement. Such transactions are essentially secured borrowings and reflect the Company's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For this type of trade, the Company cannot use, sell, or pledge the transferred financial assets within the effective period of trade. The Company shall still assume related interest risk and credit risk and the assets are not removed.

The table below shows the financial assets not qualified under all conditions and related financial liabilities:

| December 31, 2021 | | | | | |
|--|--|---|--|---|-------------------------|
| Category of financial assets | Book value of transferred financial assets | Book value of related financial liabilities | Fair value of transferred financial assets | Fair value of related financial liabilities | Net fair value position |
| Financial assets at fair value through profit and loss | | | | | |
| R/P agreement | \$3,871,439 | \$3,804,392 | \$3,871,439 | \$3,804,392 | \$67,047 |

| December 31, 2020 | | | | | |
|--|--|---|--|---|-------------------------|
| Category of financial assets | Book value of transferred financial assets | Book value of related financial liabilities | Fair value of transferred financial assets | Fair value of related financial liabilities | Net fair value position |
| Financial assets at fair value through profit and loss | | | | | |
| R/P agreement | \$8,087,113 | \$8,005,393 | \$8,087,113 | \$8,005,393 | \$81,720 |

14. Financial assets and liabilities written-off against each other

The Company's engaging in transactions of bonds under repurchase agreements does not meet the offsetting condition stipulated in the Communiqué, but it has signed a master netting arrangement or similar agreements with trading counterparties. With the above-mentioned master netting arrangement or similar agreements, when both parties of a transaction choose to settle in a net amount, the financial assets and financial liabilities will

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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be offset and settled in a net amount. If not, the total amount will be adopted for settlement. However, if either party violates the agreement, the other party may choose to settle in a net amount.

The table below lists the relevant information about the offsetting of the financial assets and financial liabilities above:

December 31, 2021

| Financial assets subject to offsetting, master netting arrangement, or similar agreements | | | | | | |
|---|--|---|---|---|--------------------------|----------------------------|
| Description | Total recognized financial assets (a) | Total recognized financial liabilities offset in the balance sheet (b) | Net financial assets listed in the balance sheet (c)= (a)- (b) | Relevant amounts not offset in the balance sheet (d) | | Net value (e)= (c)- (d) |
| | | | | Financial instruments (Note) | Cash collateral received | |
| Reverse repurchase agreement | \$1,150,580 | \$- | \$1,150,580 | \$1,150,580 | \$- | \$- |

| Financial liabilities subject to offsetting, master netting arrangement, or similar agreements | | | | | | |
|--|---|--|--|---|--------------------------|----------------------------|
| Description | Total recognized financial liabilities (a) | Total recognized financial assets offset in the balance sheet (b) | Net financial liabilities listed in the balance sheet (c)= (a)- (b) | Relevant amounts not offset in the balance sheet (d) | | Net value (e)= (c)- (d) |
| | | | | Financial instruments (Note) | Cash collateral received | |
| Repurchase agreement | \$3,804,392 | \$- | \$3,804,392 | \$3,804,392 | \$- | \$- |

Note: Including the master netting arrangement and non-cash financial collateral.

December 31, 2020

| Financial assets subject to offsetting, master netting arrangement, or similar agreements | | | | | | |
|---|--|---|---|---|--------------------------|----------------------------|
| Description | Total recognized financial assets (a) | Total recognized financial liabilities offset in the balance sheet (b) | Net financial assets listed in the balance sheet (c)= (a)- (b) | Relevant amounts not offset in the balance sheet (d) | | Net value (e)= (c)- (d) |
| | | | | Financial instruments (Note) | Cash collateral received | |
| Reverse repurchase agreement | \$5,105,012 | \$- | \$5,105,012 | \$5,105,012 | \$- | \$- |

| Financial liabilities subject to offsetting, master netting arrangement, or similar agreements | | | | | | |
|--|---|--|--|---|--------------------------|----------------------------|
| Description | Total recognized financial liabilities (a) | Total recognized financial assets offset in the balance sheet (b) | Net financial liabilities listed in the balance sheet (c)= (a)- (b) | Relevant amounts not offset in the balance sheet (d) | | Net value (e)= (c)- (d) |
| | | | | Financial instruments (Note) | Cash collateral received | |
| Repurchase agreement | \$8,005,393 | \$- | \$8,005,393 | \$8,005,393 | \$- | \$- |

Note: Including the master netting arrangement and non-cash financial collateral.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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15. Fair value hierarchy

(1) Fair value hierarchy

All assets and liabilities measured or disclosed at fair value is the lowest level input that is important to the overall fair value measurement, classified to the fair value level to which it belongs. The input at each level is as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable input value of an asset or liability.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is reevaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Information on hierarchy of fair value measurement

The Company does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below:

December 31, 2021

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| <u>Non-derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Stock investment | \$1,288,117 | \$- | \$6,130 | \$1,294,247 |
| Bond investment | 2,418,051 | 403,129 | - | 2,821,180 |
| Fund investment | 7,774 | 82,151 | - | 89,925 |
| Unrealized valuation gains or losses of equity instruments investments | | | | |
| Equity measured at fair value through other comprehensive income | 70,380 | - | 92,460 | 162,840 |
| <u>Derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Futures trading margin – proprietary capital | 31,600 | - | - | 31,600 |
| Call option - others | - | 1,787 | - | 1,787 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

December 31, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------|---------|---------|-------------|
| <u>Non-derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Stock investment | \$1,343,735 | \$- | \$5,685 | \$1,349,420 |
| Bond investment | 2,603,780 | 491,707 | - | 3,095,487 |
| Fund investment | 31,066 | 86,669 | - | 117,735 |
| Unrealized valuation gains or losses of equity instruments investments | | | | |
| Equity measured at fair value through other comprehensive income | 48,420 | - | 57,364 | 105,784 |
| <u>Derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Futures trading margin – proprietary capital | 6,311 | - | - | 6,311 |

(3) Transfer between Level 1 and Level 2 fair value

For the years 2021 and 2020, the Company's assets and liabilities measured at fair value on a recurring basis did not experience transfer between Level 1 and Level 2 fair value.

(4) Changes in Repetitive Fair Value Level 3 Statement

If the assets measured with the Company's repetitive fair value that are classified as Level 3 fair value, the adjustment of the beginning balance and the ending balance is as follows:

| | Assets | |
|--|--|--|
| | Measured at fair values through profit and/or loss | Unrealized valuation gains or losses of equity instruments investments |
| | Stock | Stock |
| 2021.1.1 | \$5,685 | \$57,364 |
| Total profit or loss recognized for 2021 | | |
| Recognized in the profit or loss | 445 | - |
| Recognized in the other comprehensive income | - | 35,096 |
| Conversion into Level 3 | 1 | - |
| Conversion from Level 3 | (1) | - |
| 2021.12.31 | \$6,130 | \$92,460 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(5) Significant unobservable input value information of Level 3 fair value

For the Company's assets measured at Level 3 repetitive fair value, the significant unobservable input values for fair value measurement are as follows:

December 31, 2021

| | Valuation technique | Significant unobservable input value | Quantitative information | Relationship between input value and fair value |
|---|----------------------------|---|---------------------------------|--|
| <u>Financial assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Stock | Market approach | Discount for lack of marketability | 20.0%~60.0% | The higher the discount for marketability, the lower the estimated fair value. |
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| Stock | Income approach | Dividend Rate | Growth 3.00%~3.50% | The higher the dividend growth rate, the higher the estimated fair value. |
| | Income approach | Return on investment | 7.0% | The higher the return on investment, the lower the estimated fair value. |

December 31, 2020

| | Valuation technique | Significant unobservable input value | Quantitative information | Relationship between input value and fair value |
|---|----------------------------|---|---------------------------------|--|
| <u>Financial assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Stock | Market approach | Discount for lack of marketability | 20.0%~60.0% | The higher the discount for marketability, the lower the estimated fair value. |
| Financial assets at fair value through other comprehensive profit or loss | | | | |
| Stock | Income approach | Dividend Rate | Growth 1.40%~2.65% | The higher the dividend growth rate, the higher the estimated fair value. |
| | Income approach | Return on investment | 6.5% | The higher the return on investment, the lower the estimated fair value. |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(6) Evaluation process for Level 3 fair value

The Company's financial department is responsible for fair value verification, using data from independent sources to bring the evaluation results closer to the market, confirming that the sources of the data are independent, reliable, consistent with other resources and represent executable prices, while analyzing the changes in the value of assets and liabilities that must be remeasured or reevaluated in accordance with the Company's accounting policies at each balance date, to ensure that the evaluation results are reasonable.

(7) Hierarchy information not measured at fair value but required to disclose

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------|-----------|---------|-----------|
| Assets with only fair value required to be disclosed: | | | | |
| Financial assets based on cost after amortization | \$- | \$200,000 | \$- | \$200,000 |
| Liabilities with only fair value required to be disclosed: | | | | |
| Corporate bonds payable | - | 763,524 | - | 763,524 |

The Company had no hierarchy information not measured at fair value but required to disclose as of December 31, 2020.

16. Information on foreign currency positions held

The information regarding financial assets and liabilities dominated by foreign currency which might arouse material effect:

| | 2021.12.31 | | |
|------------------------------|----------------------------|---------------|----------|
| | Foreign currency (NT\$) | Exchange rate | NTD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$2,394,883 | 27.6900 | \$66,314 |
| HKD | 1,517,338 | 3.5506 | 5,387 |
| CNY | 621 | 4.3406 | 3 |
| GBP | 18,190 | 37.3067 | 679 |
| EUR | 216,327 | 31.3382 | 6,779 |
| JPY | 19,240,580 | 0.2406 | 4,629 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 223,108 | 27.6900 | 6,178 |
| HKD | 633,746 | 3.5506 | 2,250 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | 2020.12.31 | | |
|------------------------------|----------------------------|---------------|----------|
| | Foreign currency (NT\$) | Exchange rate | NTD |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD | \$1,627,704 | 28.5080 | \$46,403 |
| HKD | 822,616 | 3.6775 | 3,025 |
| CNY | 620 | 4.3592 | 3 |
| GBP | 1,754 | 38.9277 | 68 |
| EUR | 190,626 | 35.0563 | 6,683 |
| JPY | 12,111,320 | 0.2765 | 3,349 |
| <u>Non-Currency</u> | | | |
| USD | 5,183,770 | 28.5080 | 147,779 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD | 4,644,304 | 28.5080 | 132,400 |
| HKD | 16,106 | 3.6775 | 59 |

Due to the wide variety of foreign currencies of the Company, it is impossible to disclose the exchange gains and losses information of monetary financial assets and financial liabilities by each foreign currency with significant impact. The Company's net gains (losses) on foreign currency exchange in 2021 and 2020 were NT\$(2,190) thousand and NT\$5,085 thousand, respectively.

17. Derivatives

Derivatives

(1) The presentation method of the Company's futures trading on the financial statements:

A. The details of the Company's futures trading margin – proprietary capital are as follows:

| Futures brokerage | 2021.12.31 | | |
|--------------------------|--------------------|------------------------------------|-------------------------|
| | Account balance | Profit (loss) on open positions | Net value of account |
| Taiwan Futures Exchange | \$8,194 | \$(1,376) | \$6,818 |
| Yuanta Futures Co., Ltd. | 24,032 | 750 | 24,782 |
| Total | \$32,226 | \$(626) | \$31,600 |

| Futures brokerage | 2020.12.31 | | |
|--------------------------|--------------------|------------------------------------|-------------------------|
| | Account balance | Profit (loss) on open positions | Net value of account |
| Taiwan Futures Exchange | \$882 | \$(1,921) | \$(1,039) |
| Yuanta Futures Co., Ltd. | 6,563 | 787 | 7,350 |
| Total | \$7,445 | \$(1,134) | \$6,311 |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

B. The details of futures contract gain or loss recognized from futures proprietary trading business are as follows:

| | | |
|------------------------------------|-------------------|----------------|
| | <u>2021</u> | <u>2020</u> |
| Futures contract gain (loss) – net | <u>\$(17,309)</u> | <u>\$5,202</u> |

C. The details of gain or loss on options trading recognized from futures proprietary trading business are as follows:

| | | |
|------------------------------------|----------------|--------------|
| | <u>2021</u> | <u>2020</u> |
| Net gain (loss) from options trade | <u>\$(453)</u> | <u>\$927</u> |

The settlement prices of TAIEX Futures, TAIEX Options, and stock options of Taiwan Futures Exchange are adopted to calculate the fair value of the contracts.

(2) The details of the Company's open positions of futures contracts and options and open contract values are as follows:

| | | 2021.12.31 | | | | |
|-------------------|-----------------------------|--------------------|---------------------|---|------------|---------|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks |
| | | Buyer and sellers | number of contracts | | | |
| Futures contracts | Electronics futures (TE) | Buyer | 10 lots | \$34,579 | \$35,030 | |
| Futures contracts | Financial futures (TF) | Seller | 10 lots | 16,895 | 17,136 | |
| Futures contracts | TAIEX Futures | Seller | 56 lots | 202,354 | 203,941 | |
| Futures contracts | DAX | Buyer | 2 lots | 24,663 | 24,830 | |
| Futures contracts | Mini-DAX | Buyer | 2 lots | 4,884 | 4,966 | |
| Futures contracts | Euro 10-year bonds | Seller | 1 lot | 5,376 | 5,367 | |
| Futures contracts | Euro 5-year bonds | Seller | 4 lots | 16,737 | 16,692 | |
| Futures contracts | FTSE 100 Index | Buyer | 4 lots | 10,682 | 10,927 | |
| Futures contracts | UK long-term bonds | Buyer | 2 lots | 9,471 | 9,318 | |
| Futures contracts | Hang Seng Index | Seller | 2 lots | 8,184 | 8,323 | |
| Futures contracts | SGX Nikkei 225 Index | Buyer | 2 lots | 6,943 | 6,917 | |
| Futures contracts | Light crude oil | Buyer | 5 lots | 9,918 | 10,409 | |
| Futures contracts | U.S. Dollar Index | Buyer | 65 lots | 173,040 | 171,991 | |
| Futures contracts | EUR | Seller | 1 lot | 3,933 | 3,945 | |
| Futures contracts | Mini S&P500 | Buyer | 2 lots | 13,199 | 13,172 | |
| Futures contracts | U.S. 5-year bonds | Buyer | 80 lots | 267,526 | 267,891 | |
| Futures contracts | Gold | Buyer | 23 Lots | 115,126 | 116,416 | |
| Futures contracts | Copper | Seller | 9 lots | 26,995 | 27,799 | |
| Futures contracts | Miniature gold coin | Seller | 2 lots | 1,012 | 1,012 | |
| Futures contracts | Natural gas | Seller | 1 lot | 1,014 | 1,032 | |
| Futures contracts | Mini Nasdaq | Buyer | 1 lot | 8,871 | 9,035 | |
| Futures contracts | Platinum | Buyer | 2 lots | 2,698 | 2,674 | |
| Futures contracts | Mini light crude oil | Buyer | 1 lot | 1,043 | 1,041 | |
| Futures contracts | Unleaded gasoline | Seller | 1 lot | 2,588 | 2,586 | |
| Futures contracts | Mini Russell 2000 Index | Buyer | 1 lot | 3,064 | 3,104 | |
| Futures contracts | FTSE Xinhua China A50 Index | Buyer | 5 lots | 2,185 | 2,173 | |
| Futures contracts | Silver | Buyer | 2 lots | 6,416 | 6,464 | |
| Futures contracts | BSE SENSEX | Buyer | 4 lots | 3,832 | 3,862 | |
| Futures contracts | SGX FTSE Taiwan Index | Buyer | 5 lots | 8,795 | 8,877 | |
| Futures contracts | Futures | | | | | |
| Futures contracts | U.S. 10-year bonds | Buyer | 17 lots | 61,363 | 61,393 | |
| Futures contracts | U.S. 30-year bonds | Seller | 5 lots | 22,062 | 22,205 | |
| Futures contracts | Micro E-mini Dow Jones | Buyer | 4 lots | 19,985 | 20,055 | |
| Futures contracts | Industrial Average Index | | | | | |
| | Futures | | | | | |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | | 2020.12.31 | | | | | |
|-------------------|---|--------------------|---------------------|---|------------|---------|--|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks | |
| | | Buyer and sellers | number of contracts | | | | |
| Futures contracts | TAIEX Futures | Buyer | 23 Lots | \$67,460 | \$67,519 | | |
| Futures contracts | TAIEX Futures | Seller | 20 lots | 56,452 | 58,432 | | |
| Futures contracts | Mini-DAX | Buyer | 1 lot | 2,417 | 2,407 | | |
| Futures contracts | Euro 10-year bonds | Buyer | 5 lots | 31,097 | 31,105 | | |
| Futures contracts | Euro 5-year bonds | Buyer | 5 lots | 23,685 | 23,670 | | |
| Futures contracts | UK long-term bonds | Buyer | 2 lots | 10,477 | 10,545 | | |
| Futures contracts | Hang Seng Index | Buyer | 2 lots | 9,836 | 9,997 | | |
| Futures contracts | OSE Nikkei 225 Mini | Buyer | 4 lots | 2,948 | 3,033 | | |
| Futures contracts | Mini 10-year Japanese government bonds | Buyer | 2 lots | 8,402 | 8,391 | | |
| Futures contracts | SGX Nikkei 225 Index | Buyer | 1 lot | 3,680 | 3,798 | | |
| Futures contracts | AUD | Buyer | 1 lot | 2,161 | 2,193 | | |
| Futures contracts | CAD | Seller | 4 lots | 8,910 | 8,924 | | |
| Futures contracts | Light crude oil | Buyer | 1 lot | 1,371 | 1,382 | | |
| Futures contracts | U.S. Dollar Index | Buyer | 6 Lots | 15,494 | 15,361 | | |
| Futures contracts | EUR | Seller | 1 lot | 4,354 | 4,360 | | |
| Futures contracts | 3-month Eurodollar | Buyer | 7 Lots | 49,735 | 49,755 | | |
| Futures contracts | Mini S&P500 | Buyer | 1 lot | 5,282 | 5,338 | | |
| Futures contracts | U.S. 5-year bonds | Buyer | 6 Lots | 21,554 | 21,559 | | |
| Futures contracts | Gold | Buyer | 2 lots | 10,779 | 10,794 | | |
| Futures contracts | Copper | Buyer | 3 Lots | 7,583 | 7,517 | | |
| Futures contracts | Platinum | Buyer | 2 lots | 2,988 | 3,074 | | |
| Futures contracts | FTSE Xinhua China A50 Index | Buyer | 14 lots | 6,835 | 7,062 | | |
| Futures contracts | BSE SENSEX | Buyer | 1 lot | 798 | 798 | | |
| Futures contracts | U.S. 2-year bonds | Buyer | 4 lots | 25,171 | 25,174 | | |
| Futures contracts | U.S. 10-year bonds | Buyer | 9 lots | 35,335 | 35,392 | | |
| Futures contracts | Micro E-mini Dow Jones Industrial Average Index | Buyer | 2 lots | 8,596 | 8,685 | | |

(3) Compliance to financial ratio covenants mandated by the Futures Trading Act

Legal basis: Regulations governing futures Commission Merchants

| Article number | Calculation formula | Current period | | Previous period | | Standards | Status |
|----------------|---|----------------|------------------|-----------------|------------------|-----------|--------------|
| | | Calculation | Percentage | Calculation | Percentage | | |
| 17 | Shareholders' equity | \$623,930 | 484.42 | \$637,244 | 609.87 | ≥ 1 | Compl ied |
| | Total liabilities – futures merchant's equity | \$1,288 | times greater | \$1,045 | times greater | | |
| 17 | Current assets | \$1,037,535 | 1.99 times | \$836,590 | 2.77 times | ≥ 1 | Compl ied |
| | Current liabilities | \$520,721 | greater | \$302,010 | greater | | |
| 22 | Shareholders' equity | \$623,930 | 89.13% | \$637,244 | 91.03% | (1) ≥ 60% | Compl ied |
| | Minimum paid up capital | \$700,000 | | \$700,000 | | | |
| 22 | Adjusted net capital (ANC) | \$599,964 | 407.64% | \$623,993 | 1,067.59% | (1) ≥ 20% | Compl ied |
| | Total margins required for futures traders' outstanding positions | \$147,179 | | \$58,449 | | | |

Embedded derivative instruments

The embedded derivatives identified by the Company as a result of the issuance of convertible corporate bonds have been separated from the master contract and measured at fair value through profit or loss. Please refer to Note 6.18 for the information on this transaction contract.

18. Capital management

(1) Capital adequacy ratio calculation

In order to effectively absorb various risks and ensure the long-term and stable development of the Company's various businesses, the Company maintains adequate capital continuously and proactively. Therefore, the Company conducts capital management in accordance with business development plans, relevant laws and regulations, and the financial market environment to achieve optimal capital allocation. At present, the Company calculates and reports its capital adequacy ratio in accordance with the Regulations Governing Securities Firms.

The Company's capital adequacy ratio is as follows:

| | | |
|-----------------------------------|-------------------|-------------------|
| | <u>2021.12.31</u> | <u>2020.12.31</u> |
| Regulatory capital adequacy ratio | <u>427%</u> | <u>350%</u> |

● Capital adequacy ratio = $\frac{\text{Net eligible regulatory capital}}{\text{Overall risk equivalent}}$

● Net eligible regulatory capital = Tier 1 capital + Tier 2 capital + Tier 3 capital – Deductions from capital

● Overall risk equivalent = Market risk equivalent + Credit risk equivalent + Operational risk equivalent

(2) Capital adequacy management

In order to maintain the quality of assets and improve risk management, the Company refers to Basel II, complies with the policy of the competent authority and the management regulations on regulatory capital as in Chapter VI of the Regulations Governing Securities Firms, and will adopt an advanced calculation formula from June 2012 to measure three types of risks, namely credit risk, market risk, and operational risk.

In addition to maintaining the minimum statutory capital requirement, to have an effective pre-warning mechanism for the quality of monthly capital adequacy, the Company has established and introduced various risk quantification methods and information systems, and regularly evaluates the risk amount of each position through simulation trial calculation, and will submit the simulation results to the Risk Management Committee to achieve the performance management and capital allocation goals after risk adjustments.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

13. Notes of disclosure

1. Information about important transactions:

- (1) Loans to others: none.
- (2) Endorsements/guarantees for others: none.
- (3) The acquisition of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
- (4) The disposal of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
- (5) Total discount of service charges in transaction with stakeholder reaching more than NTD 5,000 thousand: None.
- (6) Amounts receivable from related parties totaling more than NTD100 million or 20% of paid-up capital: none.

2. Information regarding investees:

Name of investees, locations, and other relevant information (excluding the investees in mainland China): See Attached table 1.

3. Information of the overseas branches and the representative offices: None.
4. Information regarding investment in the territory of mainland China: None
5. Information on major shareholders: See Attached table 2.

14. Segment information

The Company is exempted from preparation of such information in accordance with Article 26 of the Regulations Governing the Preparation of Financial Reports by Securities Firms, and has disclosed the segment information in the consolidated financial statements.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Attached table 1: Name of investees, locations, and other relevant information (excluding the investees in mainland China):

Unit: Shares; NT\$ thousand

| Investor | Name of investee | Location | Date of Incorporation | FSC approval date and Case No. | Principal business | Sum of initial investment | | Ending shareholding | | | Operating income from investees in the current period | Gains (losses) on investees in the current period | Investment gains (losses) recognized in the current period | Current cash dividend | Remarks |
|------------------------------|--------------------------------------|----------|-----------------------|--|--------------------------------|---------------------------|----------------------|---------------------|------------|------------|---|---|--|-----------------------|--------------|
| | | | | | | Current period-end | The end of last year | Number of shares | Percentage | Book value | | | | | |
| Horizon Securities Co., Ltd. | Horizon SICE Co., Ltd. | Taiwan | 1993/7/2 | - | Securities investment advice | \$114,282 | \$114,282 | 12,000,000 | 100.00% | \$121,020 | \$52,116 | \$(16,553) | \$(16,553) | \$- | Subsidiaries |
| Horizon Securities Co., Ltd. | Horizon Venture Capital Co., Ltd. | Taiwan | 2014/4/8 | 2014/2/20 Jin-Guan-Cheng-Quan-Zi No.: 1030004881 | Venture Investment | 579,420 | 429,420 | 60,000,000 | 100.00% | 517,029 | 21,246 | 9,638 | 9,638 | - | Subsidiaries |
| Horizon Securities Co., Ltd. | Horizon Venture Management Co., Ltd. | Taiwan | 2019/3/13 | 2018/12/3 Jin-Guan-Cheng-Quan-Zi No.: 1070340601 | Management Consulting Services | 20,000 | 20,000 | 2,000,000 | 100.00% | 21,503 | 10,654 | 853 | 853 | - | Subsidiaries |

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)

(In thousand New Taiwan dollars, unless otherwise specified)

Attached table 2: Information on major shareholders

Unit: shares

| Shareholding Names of major shareholders | No. of shares held | Percentage of shareholding |
|---|--------------------|----------------------------|
| Cheng-Da Investment Consulting Co., Ltd. | 33,170,000 | 10.00% |
| Mercury Fu Bao Co., Ltd. | 20,286,000 | 6.12% |

Horizon Securities Co., Ltd.
Index of Important accounting title list
Items

| Items | No./ Index |
|--|---------------------|
| Statements of assets and liabilities: | |
| Cash and cash equivalent list | Statement 1 |
| Financial assets at fair value through profit and loss list | Statement 2~5 |
| Statement of the financial assets measured for the fair values through other comprehensive income- current | Statement 6 |
| Statement of bond investment under reverse repurchase agreement | Statement 7 |
| Accounts receivable statement | Note 6.9 |
| Other receivables statement | Note 6.10 |
| Statement of Other Current Assets | Statement 8 |
| Statement of financial assets at fair value through profit and loss- non-current | Statement 9 |
| Statement of financial assets at fair value through other comprehensive income – non-current. | Statement 10 |
| Statement of changes in financial assets based on cost after amortization - non-current | Statement 11 |
| Statement of changes in investment under the equity method | Statement 12 |
| Property and equipment statement | Note 6.12 |
| Real property and equipment accumulated depreciation statement | Note 6.12 |
| Statement of changes in intangible assets | Statement 13.1 |
| Changes in Accumulated Depreciation of Assets with Right-of-Use Statement | Statement 13.2 |
| Details of deferred income tax asset | Statement 14 |
| Other non-current assets statement | Notes 6.14 and 6.15 |
| Statement of bond liabilities under repurchase agreement | Statement 15 |
| Accounts payable statement | Note 6.19 |
| Statement of liability reserve - current | Statement 16 |
| Statement of corporate bonds payable | Note 6.20 |
| Statement of lease liabilities | Statement 17 |
| Statement of liability reserve - non-current | Note 6.22 |
| Details of deferred income tax liability | Statement 18 |
| Detail of profits and loss: | |
| Statement of brokerage fee revenue | Statement 19 |
| Statement of underwriting business revenue | Statement 20 |
| Statement of gains (losses) on sales of securities | Statement 21 |
| Statement of Interest Income | Statement 22 |
| Financial costs statement | Note 6.26 |
| Employee benefits, depreciation, amortization, and other operating expenses statement | Statement 23 |

Horizon Securities Co., Ltd.
1. Statement of cash and cash equivalent list
December 31, 2021

Unit: NTD thousand

| Items | Summary | | | Amount |
|---------------------------------|----------|--------------------------|------------------------|-------------|
| Petty cash | | | | \$370 |
| Check deposits | | | | 6,507 |
| Current deposits | | | | 223,022 |
| Foreign currency demand deposit | Currency | Foreign amount (NT\$) | Exchange rate | |
| | USD | \$90,686 @ | 27.6900 | 2,511 |
| | HKD | \$535,193 @ | 3.5506 | 1,900 |
| | CNY | \$621 @ | 4.3406 | 3 |
| Subtotal | | | | 4,414 |
| Time deposits | | Interest rate% | The last maturity date | |
| | | 0.13%~0.78% | 2022.12.16 | 491,075 |
| Cash equivalents | | Interest rate% | The last maturity date | |
| Short term bills | | 0.24%~0.31% | 2022.2.18 | 1,951,363 |
| Futures excess margin | | | | 77,160 |
| Subtotal | | | | 2,028,523 |
| Total | | | | \$2,753,911 |

Horizon Securities Co., Ltd.

2. Statement of financial assets at fair value through profit and loss - open-end funds and money market instruments - current
December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|--|---------|-----------|------------|--------------|----------------|---------------------|------------------|----------------|--|---------|
| | | | | | | | Unit price (NTD) | Total amount | | |
| Open-end funds and money market instruments: | | | | | | | | | | |
| Cathay Asian High Yield Bond Fund | | 1,000,000 | | \$10,000 | | \$10,000 | \$7.77 | \$7,774 | \$- | |
| Total | | | | | | <u>\$10,000</u> | | <u>\$7,774</u> | <u>\$-</u> | |

Horizon Securities Co., Ltd.
3.1 Statement of financial assets at fair value through profit and loss - current - securities - proprietary
December 31, 2021

| Unit: NTD thousand | | | | | | | | | | |
|--|---|---------|-------------------|--------------|----------------|---------------------|------------------|--------------|--|--|
| Name of financial instruments | Summary | Number | Face value (NT\$) | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
| | | | | | | | Unit price (NTD) | Total amount | | |
| Domestic investment - government bonds: | Date of repayment of principal and interest | | | | | | | | | |
| 101 Central government bond A5 | 2022/03/07 | | | \$100,000 | 1.250% | \$101,661 | | \$100,180 | \$- | Domestic investments - government bonds are all transactions under repurchase agreement |
| 101 Central government bond A9 | 2021/09/24 | | | 100,000 | 1.125% | 101,863 | | 100,616 | - | |
| 102 Central government bond A6 | 2022/03/06 | | | 100,000 | 1.125% | 102,194 | | 100,874 | - | |
| 104 Central government bond A5 | 2022/03/13 | | | 200,000 | 1.625% | 211,598 | | 207,699 | - | |
| 105 Central government bond A4 | 2022/03/04 | | | 100,000 | 0.750% | 102,580 | | 100,986 | - | |
| Subtotal | | | | | | 619,896 | | 610,355 | - | |
| Domestic investment — corporate bonds: | Date of repayment of principal and interest | | | | | | | | | |
| P09 FPG 1B | 2022/06/22 | | | 100,000 | 0.630% | 100,000 | | 99,940 | - | Domestic investments - corporate debts are all transactions under repurchase agreement |
| P10 FENC 3 | 2022/09/27 | | | 100,000 | 0.630% | 100,000 | | 100,000 | - | |
| P09 TSMC 4 A | 2022/07/14 | | | 100,000 | 0.580% | 100,000 | | 100,360 | - | |
| P10 TSMC 5C | 2022/10/05 | | | 100,000 | 0.600% | 100,000 | | 100,000 | - | |
| P10 UNIMICRON 1 | 2022/01/13 | | | 100,000 | 0.680% | 100,000 | | 100,099 | - | |
| P03 Foxconn 1D | 2021/03/18 | | | 100,000 | 2.000% | 105,473 | | 103,248 | - | |
| P09 FPCC 1B | 2022/08/06 | | | 200,000 | 0.640% | 200,000 | | 199,941 | - | |
| 01 Taiwan Power Company 1C | 2022/04/24 | | | 100,000 | 1.500% | 103,056 | | 100,351 | - | |
| P10 Taiwan Power Company 3B | 2022/11/15 | | | 100,000 | 0.480% | 100,000 | | 100,000 | - | |
| P07 TWM 1 | 2022/04/20 | | | 100,000 | 0.848% | 100,000 | | 100,541 | - | |
| P09 CDIBH 1A | 2022/05/20 | | | 100,000 | 0.750% | 100,000 | | 100,675 | - | |
| P09 FBND 5 | 2022/09/15 | | | 200,000 | 0.590% | 200,391 | | 200,600 | - | |
| P09 CFHS 2 | 2022/06/23 | | | 100,000 | 0.640% | 100,000 | | 100,225 | - | |
| P08 FFTC 1 | 2022/05/29 | | | 200,000 | 0.980% | 202,167 | | 201,914 | - | |
| Subtotal | | | | | | 1,711,087 | | 1,707,894 | - | |
| Domestic investment — convertible corporate bonds: | | | | | | | | | | |
| Walsin Technology Corporation 1 | | 1,000 | \$100,000 | 100,000 | | 100,000 | \$108.25 | 108,250 | - | Domestic investments - convertible corporate bonds are all transactions under repurchase agreement |
| CyberPower Systems, Inc. 1 | | 915 | 100,000 | 91,500 | | 96,285 | 104.00 | 95,160 | - | |
| Singtex 2 | | 50 | 100,000 | 5,000 | | 5,050 | 100.15 | 5,007 | - | |
| Key Ware 3 | | 200 | 100,000 | 20,000 | | 20,000 | 97.80 | 19,560 | - | |
| Phison 1 | | 1,850 | 100,000 | 185,000 | | 185,925 | 123.25 | 228,013 | - | |
| Subtotal | | | | | | 407,260 | | 455,990 | - | |
| Trading in centralized securities exchange market: | | | | | | | | | | |
| TWSE-listing companies stock: | | | | | | | | | | |
| Makalot Industrial Co., Ltd. | | 40,000 | 10 | 400 | | 9,727 | 247.00 | 9,880 | - | |
| Walsin Lihwa Corporation | | 53,000 | 10 | 530 | | 1,375 | 26.50 | 1,405 | - | |
| Oriental Union Chemical Corp. | | 30,000 | 10 | 300 | | 678 | 22.40 | 672 | - | |
| YFY Inc. | | 17,000 | 10 | 170 | | 587 | 35.55 | 604 | - | |
| China Steel Corporation | | 79,000 | 10 | 790 | | 2,894 | 35.35 | 2,793 | - | |
| United Microelectronics Corporation | | 165,000 | 10 | 1,650 | | 10,351 | 65.00 | 10,725 | - | |
| Foxconn Technology Group | | 4,000 | 10 | 40 | | 420 | 104.00 | 416 | - | |
| Yageo Corporation | | 36,000 | 10 | 360 | | 16,984 | 479.50 | 17,262 | - | |
| Taiwan Semiconductor Manufacturing Co., Ltd. | | 34,000 | 10 | 340 | | 20,178 | 615.00 | 20,910 | - | |

(Continued on next page)

Horizon Securities Co., Ltd.
3.2 Statement of financial assets at fair value through profit and loss - current - securities - proprietary

December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value (NT\$) | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|---|---------|-----------|-------------------|--------------|----------------|---------------------|------------------|--------------|--|---------|
| | | | | | | | Unit price (NTD) | Total amount | | |
| (Continued from previous page) | | | | | | | | | | |
| Trading in centralized securities exchange market: | | | | | | | | | | |
| TWSE-listing companies stock: | | | | | | | | | | |
| Taiwan Mask Corporation | | 32,000 | \$10 | \$320 | | \$3,331 | \$108.00 | \$3,456 | \$- | |
| Gold Circuit Electronics Ltd. | | 300,000 | 10 | 3,000 | | 23,086 | 76.00 | 22,800 | - | |
| AU Optronics Corporation | | 29,000 | 10 | 290 | | 604 | 22.90 | 664 | - | |
| I-chiun Precision Industry Co., Ltd. | | 262,746 | 10 | 2,627 | | 12,560 | 51.50 | 13,531 | - | |
| HTC Corporation | | 79,000 | 10 | 790 | | 2,985 | 84.80 | 6,699 | - | |
| Evergreen Marine Corporation | | 2,450,000 | 10 | 24,500 | | 302,019 | 142.50 | 349,125 | - | |
| Yang Ming Marine Transport Corporation | | 856,000 | 10 | 8,560 | | 99,297 | 121.00 | 103,576 | - | |
| Cathay Financial Holding Co., Ltd. | | 9,000 | 10 | 90 | | 540 | 62.50 | 562 | - | |
| China Development Financial Holding Corporation | | 1,821,000 | 10 | 18,210 | | 24,993 | 17.50 | 31,867 | - | |
| E.Sun Financial Holding Company, Ltd. | | 21,000 | 10 | 210 | | 584 | 28.05 | 589 | - | |
| Taishin Financial Holding Co., Ltd. | | 61,680 | 10 | 617 | | 1,079 | 18.95 | 1,169 | - | |
| SinoPac Holdings | | 74,000 | 10 | 740 | | 988 | 16.15 | 1,195 | - | |
| Mercuries & Associates Holding, Ltd. | | 1,400,000 | 10 | 14,000 | | 29,312 | 22.65 | 31,710 | - | |
| Simple Mart Retail Co., Ltd. | | 428,005 | 10 | 4,280 | | 39,941 | 70.80 | 30,303 | - | |
| lite Semiconductor Microelectronics Technology Inc. | | 15,000 | 10 | 150 | | 2,503 | 165.00 | 2,475 | - | |
| Unimicron Technology Corporation | | 10,000 | 10 | 100 | | 2,239 | 231.00 | 2,310 | - | |
| Jentech Precision Industrial Co., Ltd | | 15,000 | 10 | 150 | | 6,158 | 408.00 | 6,120 | - | |
| Sercomm Corp. | | 1,000 | 10 | 10 | | 73 | 75.70 | 76 | - | |
| Cameo Communications, Inc. | | 6,744,000 | 10 | 67,440 | | 71,142 | 11.40 | 76,882 | - | |
| WinWay Technology Co., Ltd. | | 13,000 | 10 | 130 | | 5,568 | 433.50 | 5,636 | - | |
| Wiwynn Corporation | | 9,000 | 10 | 90 | | 8,490 | 1,115.00 | 10,035 | - | |
| AES-KY | | 3,000 | 10 | 30 | | 4,465 | 1,825.00 | 5,475 | - | |
| Nan Ya Printed Circuit Board Corporation | | 7,000 | 10 | 70 | | 4,030 | 572.00 | 4,004 | - | |
| momo.com Inc. | | 3,000 | 10 | 30 | | 4,785 | 1,625.00 | 4,875 | - | |
| Subtotal | | | | | | 713,966 | | 779,801 | - | |
| Trading over the counter: | | | | | | | | | | |
| OTC stocks: | | | | | | | | | | |
| RDC Semiconductor Co.,Ltd. | | 51,000 | 10 | 510 | | 19,000 | 474.00 | 24,174 | - | |
| Parade-KY | | 4,000 | 10 | 40 | | 7,833 | 2,115.00 | 8,460 | - | |
| Genesys Logic, Inc. | | 5,000 | 10 | 50 | | 1,000 | 201.50 | 1,008 | - | |
| Amazing | | 114,000 | 10 | 1,140 | | 22,524 | 245.00 | 27,930 | - | |
| Hycon Technology Corporation | | 55,000 | 10 | 550 | | 8,668 | 191.00 | 10,505 | - | |
| Globalwafers | | 11,000 | 10 | 110 | | 9,263 | 888.00 | 9,768 | - | |
| (Continued on next page) | | | | | | | | | | |

Horizon Securities Co., Ltd.
3.3 Statement of financial assets at fair value through profit and loss - current - securities - proprietary
December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value (NT\$) | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|---------------------------------------|---------|---------|-------------------|--------------|----------------|---------------------|------------------|--------------|--|---------|
| | | | | | | | Unit price (NTD) | Total amount | | |
| (Continued from previous page) | | | | | | | | | | |
| Trading over the counter: | | | | | | | | | | |
| OTC stocks: | | | | | | | | | | |
| Taiwan Hopax Chemicals Mfg. Co., Ltd. | | 60,000 | \$10 | \$600 | | \$4,227 | \$68.60 | \$4,116 | \$- | |
| Chang Wah Technology Co., Ltd. | | 30,000 | 10 | 300 | | 3,075 | 104.50 | 3,135 | - | |
| Actron Technology Corporation | | 10,000 | 10 | 100 | | 2,530 | 244.00 | 2,440 | - | |
| Subtotal | | | | | | 78,120 | | 91,536 | - | |
| Emerging stock: | | | | | | | | | | |
| SuperAlloy Industrial Co., Ltd. | | 62,165 | 10 | 622 | | 4,026 | 69.30 | 4,308 | - | |
| Topgreen | | 144,818 | 10 | 1,448 | | 2,321 | 16.45 | 2,382 | - | |
| Miramar Hotel | | 191,076 | 10 | 1,778 | | 1,778 | 9.25 | 1,767 | - | |
| Advance Materials Corporation | | 153,538 | 10 | 1,535 | | 1,892 | 12.25 | 1,881 | - | |
| Thai Ho Group Inc.-KY | | 765,221 | 10 | 7,652 | | 18,856 | 14.30 | 10,943 | - | |
| Chaheng Precision Co., Ltd. | | 139,059 | 10 | 1,391 | | 8,947 | 63.00 | 8,761 | - | |
| Joy Industrial Co., Ltd. | | 140,158 | 10 | 1,402 | | 2,413 | 18.15 | 2,544 | - | |
| Chumpower Machinery Corp. | | 197,559 | 10 | 1,976 | | 6,528 | 21.85 | 4,317 | - | |
| Force Mos Technology Co., Ltd. | | 175,865 | 10 | 1,759 | | 15,189 | 86.20 | 15,160 | - | |
| JMicron Technology Corp. | | 116,189 | 10 | 1,162 | | 25,910 | 209.50 | 24,342 | - | |
| Feature Integration Technology Inc. | | 45,667 | 10 | 457 | | 2,755 | 72.80 | 3,325 | - | |
| ACTi Corporation | | 36,205 | 10 | 362 | | 168 | 4.84 | 175 | - | |
| Brightek Optoelectronic Co., Ltd. | | 189,989 | 10 | 1,900 | | 10,702 | 56.00 | 10,639 | - | |
| Prolight Opto Technology Corporation | | 226,695 | 10 | 2,267 | | 4,178 | 18.15 | 4,115 | - | |
| Jiushun Construction Co., Ltd. | | 47,188 | 10 | 472 | | 1,056 | 25.20 | 1,189 | - | |
| Wieson Technologies Co., Ltd. | | 252,488 | 10 | 2,525 | | 4,091 | 16.65 | 4,204 | - | |
| SNSplus, Inc.* | | 44,722 | 10 | 447 | | 666 | 15.70 | 702 | - | |
| Ttbio Corp. | | 279,313 | 10 | 2,793 | | 7,743 | 22.30 | 6,229 | - | |
| Powertip Image Corp. | | 261,533 | 10 | 2,615 | | 10,073 | 36.30 | 9,494 | - | |
| DV Biomed Co., Ltd. | | 60,326 | 10 | 603 | | 3,752 | 58.70 | 3,541 | - | |
| Perfect Medical Industry Co., Ltd. | | 444,043 | 10 | 4,440 | | 11,550 | 19.70 | 8,748 | - | |
| Long Time Tech. Co., Ltd. | | 218,027 | 10 | 2,180 | | 13,186 | 59.70 | 13,016 | - | |
| Enimmune Corporation | | 174,886 | 10 | 1,749 | | 8,552 | 39.45 | 6,899 | - | |
| Hroughtek Co., Ltd. | | 183,261 | 10 | 1,833 | | 3,616 | 19.65 | 3,601 | - | |
| Nan Juen | | 85,868 | 10 | 859 | | 3,843 | 46.90 | 4,027 | - | |
| (Continued on next page) | | | | | | | | | | |

Horizon Securities Co., Ltd.
3.4 Statement of financial assets at fair value through profit and loss - current - securities - proprietary
December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value (NTS) | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|--|---------|-----------|------------------|--------------|----------------|---------------------|------------------|--------------------|--|---------|
| | | | | | | | Unit price (NTD) | Total amount | | |
| (Continued from previous page) | | | | | | | | | | |
| Trading over the counter: | | | | | | | | | | |
| Emerging stock: | | | | | | | | | | |
| Han-da Technology Co., Ltd. | | 63,376 | \$10 | \$634 | | \$3,473 | \$69.20 | \$4,386 | \$- | |
| Energenesis Biomedical Co., Ltd. | | 146,722 | 10 | 1,467 | | 7,786 | 45.15 | 6,624 | - | |
| Giga Diamond Materials Corporation | | 219,903 | 10 | 2,199 | | 4,052 | 19.05 | 4,189 | - | |
| Mars Semiconductor Corp. | | 181,018 | 10 | 1,810 | | 17,122 | 87.30 | 15,803 | - | |
| Smart Displayer Technology Co., Ltd. | | 227,342 | 10 | 2,273 | | 3,468 | 16.00 | 3,637 | - | |
| Lagis Enterprise Co., Ltd. | | 75,580 | 10 | 756 | | 2,673 | 33.20 | 2,509 | - | |
| A-SPINE Asia Co., Ltd. | | 163,149 | 10 | 1,631 | | 9,379 | 47.05 | 7,676 | - | |
| Ace Edulink Co., Ltd. | | 122,909 | 10 | 1,229 | | 12,546 | 102.00 | 12,537 | - | |
| Ping Ho Environmental Technology Co., Ltd. | | 72,779 | 10 | 728 | | 5,469 | 68.30 | 4,971 | - | |
| Entire Technology Co., Ltd. | | 132,785 | 10 | 1,328 | | 6,129 | 35.35 | 4,694 | - | |
| Istart-Tek Inc. | | 160,763 | 10 | 1,608 | | 18,309 | 93.10 | 14,967 | - | |
| UnicoCell | | 695,045 | 10 | 6,950 | | 23,460 | 43.30 | 30,095 | - | |
| Bio Preventive Medicine Corp. | | 202,601 | 10 | 2,026 | | 8,719 | 41.15 | 8,337 | - | |
| Gene Touch Corp. | | 79,811 | 10 | 798 | | 1,068 | 14.05 | 1,121 | - | |
| Greenfiltec Ltd. | | 59,675 | 10 | 597 | | 9,378 | 171.50 | 10,234 | - | |
| Qbic Technology Co., Ltd. | | 300,979 | 10 | 3,010 | | 16,004 | 51.00 | 15,350 | - | |
| Macro Power Technology Co., Ltd. | | 429,966 | 10 | 4,300 | | 27,549 | 61.10 | 26,271 | - | |
| Complex Micro Interconnection Co., Ltd. | | 133,287 | 10 | 1,333 | | 6,437 | 49.00 | 6,531 | - | |
| Clean Air Technology Limited | | 372,369 | 10 | 3,724 | | 17,768 | 41.40 | 15,416 | - | |
| Forward Science Corporation | | 135,295 | 10 | 1,353 | | 9,324 | 70.30 | 9,511 | - | |
| Clientron Corp. | | 93,357 | 10 | 934 | | 2,943 | 33.45 | 3,123 | - | |
| Subtron Technology Co., Ltd. | | 200,361 | 10 | 2,004 | | 5,661 | 33.10 | 6,632 | - | |
| ELTA Technology Co., Ltd. | | 123,573 | 10 | 1,236 | | 2,491 | 25.80 | 3,188 | - | |
| Subtotal | | | | | | <u>394,999</u> | | <u>374,111</u> | <u>-</u> | |
| Others: | | | | | | | | | | |
| Afaster Corp. | | 1,300,000 | 10 | 13,000 | | 24,700 | 19.00 | 24,700 | - | |
| Tan De Tech Co., Ltd. | | 501,000 | 10 | 5,010 | | 10,020 | 20.00 | 10,020 | - | |
| Subtotal | | | | | | <u>34,720</u> | | <u>34,720</u> | <u>-</u> | |
| Securities - proprietary - total | | | | | | <u>\$3,960,048</u> | | <u>\$4,054,407</u> | <u>\$-</u> | |

Horizon Securities Co., Ltd.
4. Statement of financial assets at fair value through profit and loss - current - securities - underwriting
December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value (NT\$) | Total amount | Interest rate% | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|--|---------|---------|-------------------|--------------|----------------|---------------------|------------------|--------------|--|---------|
| | | | | | | | Unit price (NTD) | Total amount | | |
| Trading in centralized securities exchange market: | | | | | | | | | | |
| Listed stock: | | | | | | | | | | |
| China Petroleum & Chemical Corporation | | 227,000 | \$100 | \$22,700 | | \$2,667 | \$13.15 | \$2,985 | \$- | |
| Ta Chen Stainless Pipe Co., Ltd. | | 42,000 | 100 | 4,200 | | 1,806 | 46.25 | 1,942 | - | |
| OTC stocks: | | | | | | | | | | |
| Key Ware | | 207,000 | 100 | 20,700 | | 3,022 | 14.60 | 3,022 | - | |
| Trading over the counter: | | | | | | | | | | |
| Convertible corporate bonds: | | | | | | | | | | |
| Ultra Chip 2 | | 100,000 | 100 | 10,000 | | 10,100 | 123.45 | 12,345 | - | |
| Singtex 2 | | 40,000 | 100 | 4,000 | | 4,040 | 100.15 | 4,006 | - | |
| Bright Sheland 2 | | 70,000 | 100 | 7,000 | | 7,000 | 96.45 | 6,752 | - | |
| Key Ware 3 | | 95,000 | 100 | 9,500 | | 9,500 | 97.80 | 9,291 | - | |
| Chailease Finance Co., Ltd.-KY | | 130,000 | 100 | 13,000 | | 13,065 | 111.90 | 14,547 | - | |
| Securities - underwriting - total | | | | | | \$51,200 | | \$54,890 | \$- | |

Horizon Securities Co., Ltd.
5. Derivatives- Futures trading margin - proprietary capital statement
December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | number of contracts | Currency | Foreign currency amount (NT\$) | Exchange rate | Number of commitments | Excess margin | Clearing margin | Changes in fair value attributable to the changes in the credit risk | Remarks |
|--|--------------------------|---------------------|----------|--------------------------------|---------------|-----------------------|-----------------|-----------------|--|---------|
| Futures trading margin - proprietary capital: | | | | | | | | | | |
| Taiwan Futures Exchange | margin for futures trade | | NTD | | | \$40,569 | \$33,751 | \$6,818 | \$- | |
| Yuanta Futures Co., Ltd. | margin for futures trade | | USD | \$1,053,975.96 | 27.6900 | 29,185 | 9,167 | 20,018 | - | |
| | | | JPY | 19,240,580.00 | 0.2406 | 4,629 | 4,337 | 292 | - | |
| | | | EUR | 216,326.45 | 31.3382 | 6,779 | 4,018 | 2,761 | - | |
| | | | GBP | 18,190.00 | 37.3067 | 679 | (487) | 1,166 | - | |
| | | | HKD | 443,977.00 | 3.5506 | 1,576 | 1,031 | 545 | - | |
| | | | NTD | | | 25,343 | 25,343 | - | - | |
| Total futures trading margin - proprietary capital | | | | | | <u>\$108,760</u> | <u>\$77,160</u> | <u>\$31,600</u> | <u>\$-</u> | |

Horizon Securities Co., Ltd.
 6. Statement of the financial assets measured for the fair values through other comprehensive income- current
 December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value (NT\$) | Total amount | Interest rate% | Cost of acquisition | Accumulated impairment | Fair value | | Remarks |
|---|---------|-----------|-------------------|--------------|----------------|---------------------|------------------------|------------------|-----------------|---------|
| | | | | | | | | Unit price (NTD) | Total amount | |
| Trading in centralized securities exchange market: TWSE-listing companies stock: Mospec Semiconductor Corp. | | 1,800,000 | \$10 | \$18,000 | | <u>\$36,180</u> | <u>\$-</u> | \$39.10 | <u>\$70,380</u> | |

Horizon Securities Co., Ltd.
7. Statement of bond investment under reverse repurchase agreement
December 31, 2021

Unit: NTD thousand

| Name of customer | Terms and conditions | | | Bonds | | Turnover | Remarks |
|------------------------------------|----------------------|---------------|----------------|--------------------------------|--------------------|--------------------|---------|
| | Start date | Maturity date | Interest rate% | Type | Face value | | |
| Sunny Bank | 2021/12/08 | 2022/01/07 | 0.252% | 102 Central government bond A6 | \$200,000 | \$200,247 | |
| | 2021/12/29 | 2022/01/18 | 0.288% | 101 Central government bond A7 | 300,000 | 300,000 | |
| | 2021/12/20 | 2022/01/03 | 0.234% | 100 Central government bond B1 | 100,000 | 100,023 | |
| | 2021/12/22 | 2022/01/10 | 0.288% | 100 Central government bond B1 | 200,000 | 200,145 | |
| | 2021/12/17 | 2022/01/14 | 0.261% | 97 Central government bond A5 | 200,000 | 200,107 | |
| Subtotal | | | | | <u>1,000,000</u> | <u>1,000,522</u> | |
| Grand Fortune Securities Co., Ltd. | 2021/12/21 | 2022/01/04 | 0.189% | 106 Central government bond A5 | 150,000 | 150,058 | |
| Subtotal | | | | | <u>150,000</u> | <u>150,058</u> | |
| Total | | | | | <u>\$1,150,000</u> | <u>\$1,150,580</u> | |

Horizon Securities Co., Ltd.
8. Statement of Other Current Assets
December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|-----------------------------|--|--------------------|---------------------------------|
| Restricted assets-current | Provided bank time deposits pledged for short-term borrowings or settlement advances | \$396,000 | See Note 8 for more information |
| | Compensating balance | 15,000 | |
| Subtotal | | <u>411,000</u> | |
| Other current assets- Other | Pending settlement payment | 16,288 | |
| | Underwriting money collected | 1,135,379 | |
| Subtotal | | <u>1,151,667</u> | |
| Total | | <u>\$1,562,667</u> | |

Horizon Securities Co., Ltd.
9. Statement of financial assets at fair value through profit and loss- non-current
January 1 to December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Beginning of the period | | Increase | | Decrease | | End of the period | | Security or Pledge Provided | Remarks |
|--------------------------------------|-------------------------|-----------------|----------|----------------|----------|----------------|-------------------|-----------------|-----------------------------|---------|
| | Number | Fair value | Number | Amount | Number | Amount | Number | Fair value | | |
| Privately placed funds: | | | | | | | | | | |
| Fuh Hwa New Oriental Securities Fund | 3,000,000 | \$6,030 | - | \$- | - | \$660 | 3,000,000 | \$5,370 | None | |
| Fuh Hwa New Performance Fund | 2,900,000 | 28,739 | - | - | - | 1,218 | 2,900,000 | 27,521 | None | |
| Fuh Hwa New Intelligence Fund | 6,000,000 | 51,900 | - | - | - | 2,640 | 6,000,000 | 49,260 | None | |
| Delisted from emerging stock market: | | | | | | | | | | |
| Joyin Co., Ltd. | - | - | 112,553 | 2,028 | - | - | 112,553 | 2,028 | None | |
| Even Systems Co., Ltd. | - | - | 105,996 | 4,085 | - | - | 105,996 | 4,085 | None | |
| United BioPharma Inc. | - | - | 309 | 5 | - | - | 309 | 5 | None | |
| Abroadens International Co., Ltd. | - | - | 474 | 2 | - | - | 474 | 2 | None | |
| Geosat Aerospace & Technology Inc. | - | - | 2,131 | 6 | - | - | 2,131 | 6 | None | |
| Remotek Corporation | - | - | 320 | 4 | - | - | 320 | 4 | None | |
| Total | | <u>\$86,669</u> | | <u>\$6,130</u> | | <u>\$4,518</u> | | <u>\$88,281</u> | | |

Horizon Securities Co., Ltd.
 10. Statement of financial assets at fair value through other comprehensive income – non-current.
 January 1 to December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Beginning of the period | | Increase | | Decrease | | End of the period | | Security or Pledge Provided | Remarks |
|--|-------------------------|-----------------|----------|-----------------|----------|------------|-------------------|-----------------|-----------------------------|---------|
| | Number | Fair value | Number | Amount | Number | Amount | Number | Fair value | | |
| Unlisted/OTC: | | | | | | | | | | |
| Taiwan Futures Exchange | 736,598 | \$51,061 | 103,123 | \$29,645 | - | \$- | 839,721 | \$80,706 | None | |
| Taiwan Depository and Clearing Corporation | 90,566 | 6,303 | 10,867 | 5,451 | - | - | 101,433 | 11,754 | None | |
| Total | | <u>\$57,364</u> | | <u>\$35,096</u> | | <u>\$-</u> | | <u>\$92,460</u> | | |

Horizon Securities Co., Ltd.
 11. Statement of changes in financial assets based on cost after amortization - non-current
 January 1 to December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Beginning of the period | | Increase | | Decrease | | End of the period | | Security or Pledge Provided | Remarks |
|-------------------------------------|-------------------------|------------|----------|------------------|----------|------------|-------------------|------------------|-----------------------------|---------|
| | Number | Book value | Number | Amount | Number | Amount | Number | Book value | | |
| Corporate bonds: P10 MERCURIES 1 | - | <u>\$-</u> | 200 | <u>\$200,000</u> | - | <u>\$-</u> | 200 | <u>\$200,000</u> | None | |

Horizon Securities Co., Ltd.
 12. Statement of Changes in Investment under the equity method
 January 1 to December 31, 2021

Unit: NTD thousand

| Name | Opening balance | | Increase | | Decrease | | End of the period | | | Net market price or equity | | Security or Pledge Provided | Remarks |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|----------------------------|------------------|----------------------------|-------------|-----------------------------|---------|
| | Number of shares | Amount | Number of shares | Amount | Number of shares | Amount | Number of shares | Percentage of shareholding | Amount | Unit price | Total price | | |
| Horizon SICE Co., Ltd. | 12,000,000 | \$137,573 | - | \$- | - | \$16,553 | 12,000,000 | 100% | \$121,020 | \$10.09 | \$121,020 | None | |
| Horizon Venture Capital Co., Ltd. | 45,000,000 | 357,391 | 15,000,000 | 159,638 | - | - | 60,000,000 | 100% | 517,029 | 8.62 | 517,029 | None | |
| Horizon Venture Management Co., Ltd. | 2,000,000 | 20,650 | - | 853 | - | - | 2,000,000 | 100% | 21,503 | 10.75 | 21,503 | None | |
| Total | | <u>\$515,614</u> | | <u>\$160,491</u> | | <u>\$16,553</u> | | | <u>\$659,552</u> | | | | |

Horizon Securities Co., Ltd.
 13.1 Statement of Changes in Intangible Assets
 January 1 to December 31, 2021

Unit: NTD thousand

| Items | Opening balance | Current increase amount | Current decrease amount | Balance, ending | Security or Pledge Provided | Remarks |
|--------------------------|------------------|-------------------------|-------------------------|------------------|-----------------------------|---------|
| Buildings and structures | \$216,448 | \$18,963 | \$7,882 | \$227,529 | None | |
| Transportation equipment | 7,356 | 2,632 | 255 | 9,733 | None | |
| Total | <u>\$223,804</u> | <u>\$21,595</u> | <u>\$8,137</u> | <u>\$237,262</u> | | |

Horizon Securities Co., Ltd.

13.2. Changes in accumulated depreciation of the assets with right-of-use statement
January 1 to December 31, 2021

Unit: NTD thousand

| Items | Opening balance | Current increase amount | Current decrease amount | Balance, ending | Remarks |
|--------------------------|-----------------|-------------------------|-------------------------|------------------|---------|
| Buildings and structures | \$98,732 | \$57,537 | \$7,882 | \$148,387 | Note 1 |
| Transportation equipment | 1,194 | 3,318 | 255 | 4,257 | Note 1 |
| Total | <u>\$99,926</u> | <u>\$60,855</u> | <u>\$8,137</u> | <u>\$152,644</u> | |

Note 1: For the information on depreciation method and useful life, please refer to Note 4 of the individual financial statements.

Horizon Securities Co., Ltd.
 14. Details of deferred income tax asset
 December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|------------------------------------|---------|----------------|---------|
| Decommissioning cost liability | | \$1,003 | |
| Short-term employee benefits | | 123 | |
| Net determined benefit liability | | 2,935 | |
| Foreign exchange gain (loss) – net | | 1,111 | |
| Estimated litigation indemnity | | 1,116 | |
| Total | | <u>\$6,288</u> | |

Horizon Securities Co., Ltd.
15. Statement of bond liabilities under repurchase agreement
December 31, 2021

Unit: NTD thousand

| Securities Name | Terms and conditions | | | Amount | | Turnover | Remarks |
|---------------------------------|----------------------|---------------|----------------|-----------------------------|-------------|-------------|---------|
| | Start date | Maturity date | Interest rate% | Type | Face value | | |
| 101 Central government bond A5 | 2021/12/23 | 2022/01/06 | 0.171% | Government bonds | \$100,000 | \$100,046 | |
| 101 Central government bond A9 | 2021/12/14 | 2022/01/19 | 0.252% | Government bonds | 100,000 | 100,000 | |
| 102 Central government bond A6 | 2021/12/22 | 2022/01/06 | 0.279% | Government bonds | 50,000 | 50,000 | |
| 102 Central government bond A6 | 2021/12/23 | 2022/01/06 | 0.171% | Government bonds | 50,000 | 50,023 | |
| 102 Central government bond A6 | 2021/12/08 | 2022/01/07 | 0.243% | Government bonds | 200,000 | 200,000 | |
| 104 Central government bond A5 | 2021/12/16 | 2022/01/11 | 0.261% | Government bonds | 100,000 | 100,000 | |
| 104 Central government bond A5 | 2021/12/16 | 2022/01/12 | 0.261% | Government bonds | 100,000 | 100,000 | |
| 105 Central government bond A4 | 2021/12/20 | 2022/01/03 | 0.171% | Government bonds | 100,000 | 100,030 | |
| 97 Central government bond A5 | 2021/12/17 | 2022/01/14 | 0.252% | Government bonds | 200,000 | 200,000 | |
| 100 Central government bond B1 | 2021/12/20 | 2022/01/03 | 0.171% | Government bonds | 100,000 | 100,018 | |
| 100 Central government bond B1 | 2021/12/22 | 2022/01/10 | 0.279% | Government bonds | 200,000 | 200,037 | |
| 101 Central government bond A7 | 2021/12/29 | 2022/01/18 | 0.279% | Government bonds | 300,000 | 300,000 | |
| 106 Central government bond A5 | 2021/12/21 | 2022/01/04 | 0.171% | Government bonds | 150,000 | 150,052 | |
| 01 Taiwan Power Company 1C | 2021/12/21 | 2022/02/18 | 0.297% | Corporate bonds | 100,000 | 100,000 | |
| P03 Foxconn 1D | 2021/12/10 | 2022/01/10 | 0.288% | Corporate bonds | 100,000 | 100,049 | |
| P07 TWM 1 | 2021/12/23 | 2022/01/07 | 0.288% | Corporate bonds | 100,000 | 100,144 | |
| P09 FPG 1B | 2021/11/25 | 2022/01/21 | 0.279% | Corporate bonds | 100,000 | 100,000 | |
| P09 CDIBH 1A | 2021/12/22 | 2022/01/04 | 0.288% | Corporate bonds | 100,000 | 100,025 | |
| P09 CFHS 2 | 2021/12/14 | 2022/01/18 | 0.297% | Corporate bonds | 100,000 | 100,000 | |
| P09 TSMC 4 A | 2021/12/20 | 2022/01/21 | 0.297% | Corporate bonds | 100,000 | 100,000 | |
| P09 FPCC 1B | 2021/12/08 | 2022/01/11 | 0.279% | Corporate bonds | 100,000 | 100,022 | |
| P09 FPCC 1B | 2021/12/09 | 2022/01/12 | 0.279% | Corporate bonds | 100,000 | 100,065 | |
| P09 FBND 5 | 2021/12/17 | 2022/01/13 | 0.297% | Corporate bonds | 100,000 | 100,037 | |
| P09 FBND 5 | 2021/12/03 | 2022/01/03 | 0.288% | Corporate bonds | 100,000 | 100,020 | |
| P10 UNIMICRON 1 | 2021/12/20 | 2022/01/25 | 0.288% | Corporate bonds | 20,000 | 20,011 | |
| P10 UNIMICRON 1 | 2021/12/27 | 2022/01/04 | 0.297% | Corporate bonds | 80,000 | 80,054 | |
| P10 Taiwan Power Company 3B | 2021/12/14 | 2022/01/20 | 0.297% | Corporate bonds | 100,000 | 100,000 | |
| P10 FENC 3 | 2021/12/29 | 2022/01/24 | 0.297% | Corporate bonds | 100,000 | 100,000 | |
| P10 TSMC 5C | 2021/12/06 | 2022/01/06 | 0.288% | Corporate bonds | 100,000 | 100,040 | |
| P08 FFTC 1 | 2021/12/06 | 2022/01/05 | 0.279% | Corporate bonds | 100,000 | 100,049 | |
| P08 FFTC 1 | 2021/12/13 | 2022/01/14 | 0.288% | Corporate bonds | 100,000 | 100,045 | |
| Walsin Technology Corporation 1 | 2021/12/21 | 2022/01/05 | 0.288% | Convertible corporate bonds | 20,000 | 20,016 | |
| Walsin Technology Corporation 1 | 2021/12/06 | 2022/01/20 | 0.270% | Convertible corporate bonds | 25,000 | 25,034 | |
| Walsin Technology Corporation 1 | 2021/12/15 | 2022/01/18 | 0.270% | Convertible corporate bonds | 27,000 | 27,034 | |
| Walsin Technology Corporation 1 | 2021/12/24 | 2022/01/24 | 0.288% | Convertible corporate bonds | 10,000 | 10,008 | |
| CyberPower 1 | 2021/12/16 | 2022/01/13 | 0.270% | Convertible corporate bonds | 50,000 | 50,023 | |
| CyberPower 1 | 2021/12/10 | 2022/01/10 | 0.270% | Convertible corporate bonds | 6,500 | 6,502 | |
| CyberPower 1 | 2021/12/24 | 2022/01/17 | 0.288% | Convertible corporate bonds | 20,000 | 20,000 | |
| CyberPower 1 | 2021/12/30 | 2022/01/17 | 0.288% | Convertible corporate bonds | 5,000 | 5,000 | |
| Key Ware 3 | 2021/12/23 | 2022/01/11 | 0.288% | Convertible corporate bonds | 20,000 | 20,008 | |
| Phison 1 | 2021/12/20 | 2022/01/07 | 0.288% | Convertible corporate bonds | 100,000 | 100,000 | |
| Phison 1 | 2021/12/20 | 2022/01/12 | 0.288% | Convertible corporate bonds | 70,000 | 70,000 | |
| Total | | | | | \$3,803,500 | \$3,804,392 | |

Horizon Securities Co., Ltd.
 16. Statement of Liability Reserve - Current
 December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|------------------------------------|-----------------------------|----------------|---------|
| Employee benefits liability | Deferred paid leave reserve | \$613 | |
| Other short-term liability reserve | Litigation indemnity | 5,578 | |
| Total | | <u>\$6,191</u> | |

Horizon Securities Co., Ltd.
17. Lease Liabilities
December 31, 2021

Unit: NTD thousand

| Items | Summary | Rental period | Discount rate | Balance, ending | Remarks |
|--------------------------|---------|-----------------|---------------|--------------------|---------|
| Buildings and structures | | 2019/01~2025/12 | 1.03% | \$61,426 | |
| Transportation equipment | | 2020/02~2024/11 | 1.03% | 5,489 | |
| Total | | | | <u>\$66,915</u> | |

Horizon Securities Co., Ltd.
18. Deferred income tax liabilities
December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|--|---------|----------------|---------|
| Gain on reversal of expected credit loss | | <u>\$1,118</u> | |

Horizon Securities Co., Ltd.

19. Statement of Brokerage Fee Revenue

January 1 to December 31, 2021

Unit: NTD thousand

| Month | Brokerage fee revenue | | | Short Sale revenue | Other service fee revenue | Total | Remarks |
|-----------------------------|--|----------------------------|-----------------|--------------------|---------------------------|--------------------|---------|
| | Brokerage for centralized securities exchange market | Over-the-counter brokerage | Futures | | | | |
| January | \$97,225 | \$28,925 | \$3,144 | \$- | \$97 | \$129,391 | |
| February | 59,272 | 18,083 | 1,614 | - | 90 | 79,059 | |
| March | 98,586 | 31,113 | 2,927 | - | 87 | 132,713 | |
| April | 137,006 | 37,526 | 2,498 | - | 131 | 177,161 | |
| May | 157,974 | 28,441 | 4,198 | - | 58 | 190,671 | |
| June | 157,815 | 28,300 | 2,880 | - | 142 | 189,137 | |
| July | 197,564 | 44,482 | 3,456 | - | 210 | 245,712 | |
| August | 110,980 | 31,964 | 3,372 | - | 99 | 146,415 | |
| September | 83,370 | 26,018 | 2,509 | - | 194 | 112,091 | |
| October | 76,577 | 24,249 | 3,016 | - | 150 | 103,992 | |
| November | 115,750 | 38,938 | 2,892 | - | 243 | 157,823 | |
| December | 110,546 | 37,385 | 2,903 | - | 175 | 151,009 | |
| Subtotal | 1,402,665 | 375,424 | 35,409 | - | 1,676 | 1,815,174 | |
| Les: Brokerage fee discount | (603,988) | (168,994) | (46) | - | - | (773,028) | |
| Total | <u>\$798,677</u> | <u>\$206,430</u> | <u>\$35,363</u> | <u>\$-</u> | <u>\$1,676</u> | <u>\$1,042,146</u> | |

Horizon Securities Co., Ltd.

20. Statement of Underwriting Business Revenue

January 1 to December 31, 2021

Unit: NTD thousand

| Month | Firm commitment underwriting revenue | Securities proxy sale revenue | Underwriting revenue | Underwriting consulting revenue | Other income | Total | Remarks |
|-----------|--------------------------------------|-------------------------------|----------------------|---------------------------------|-----------------|-----------------|---------|
| January | \$3,623 | \$- | \$1,717 | \$1,100 | \$2,340 | \$8,780 | |
| February | 400 | - | 9 | 1,460 | 51 | 1,920 | |
| March | 391 | - | 284 | 1,290 | 215 | 2,180 | |
| April | 2,025 | - | 97 | 1,280 | 300 | 3,702 | |
| May | 5,115 | - | 104 | 1,280 | 25 | 6,524 | |
| June | 253 | - | 33 | 1,340 | 75 | 1,701 | |
| July | 324 | - | 434 | 1,280 | 2,756 | 4,794 | |
| August | 4,220 | - | 248 | 1,400 | 2,072 | 7,940 | |
| September | 626 | - | 142 | 1,370 | 70 | 2,208 | |
| October | 1,543 | - | 1,435 | 1,790 | 650 | 5,418 | |
| November | 257 | - | 521 | 1,290 | 60 | 2,128 | |
| December | 4,304 | - | 9,771 | 1,270 | 5,096 | 20,441 | |
| Total | <u>\$23,081</u> | <u>\$-</u> | <u>\$14,795</u> | <u>\$16,150</u> | <u>\$13,710</u> | <u>\$67,736</u> | |

Horizon Securities Co., Ltd.

21. Statement of Gains (Losses) on Sales of Securities

January 1 to December 31, 2021

Unit: NTD thousand

| Items | | Revenue from sales of securities | Cost of sales of securities | Gain (loss) on sales of securities | Remarks |
|--------------------------|--|----------------------------------|-----------------------------|------------------------------------|---------|
| Propriety traders | Trading in centralized securities exchange market: | | | | |
| | Stock | \$13,485,399 | \$12,303,530 | \$1,181,869 | |
| | Others | 59,294 | 61,176 | (1,882) | |
| | Subtotal | <u>13,544,693</u> | <u>12,364,706</u> | <u>1,179,987</u> | |
| | Trading over the counter: | | | | |
| | Stock | 822,616 | 807,052 | 15,564 | |
| | Bonds (government and corporate bonds) | 17,275,750 | 17,281,065 | (5,315) | |
| | Bonds (convertible corporate bonds) | 838,159 | 717,797 | 120,362 | |
| | Emerging stock market | 6,750,016 | 6,649,279 | 100,737 | |
| | Subtotal | <u>25,686,541</u> | <u>25,455,193</u> | <u>231,348</u> | |
| Overseas trading market: | 60,901 | 63,520 | (2,619) | | |
| Total | <u>\$39,292,135</u> | <u>\$37,883,419</u> | <u>\$1,408,716</u> | | |
| Underwriters | Trading in centralized securities exchange market: | | | | |
| | Stock | \$16,619 | \$12,981 | \$3,638 | |
| | Trading over the counter: | | | | |
| | Stock | 7,041 | 5,467 | 1,574 | |
| | Bonds (convertible corporate bonds) | 380,668 | 324,322 | 56,346 | |
| Subtotal | <u>387,709</u> | <u>329,789</u> | <u>57,920</u> | | |
| Total | <u>\$404,328</u> | <u>\$342,770</u> | <u>\$61,558</u> | | |

Horizon Securities Co., Ltd.
 22. Statement of Interest Income
 January 1 to December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|---|---------|-----------------|---------|
| Propriety and bond fructus civiles obtained | | \$21,701 | |
| Interest from bond under reverse repurchase agreement | | 4,308 | |
| Interest from non-restricted purpose loans | | 9,420 | |
| Interest on securities borrowings | | 40 | |
| Total | | <u>\$35,469</u> | |

Horizon Securities Co., Ltd.

23. Statement of employee benefits, depreciation, amortization, and other operating expenses statement
2021 and 2020

Unit: NTD thousand

| Items | 2021 | 2020 | Remarks |
|---|-------------|-----------|---------|
| Employee benefits expenses | | | |
| Salaries and wages | \$772,322 | \$478,018 | |
| Labor insurance and national health insurance | 44,245 | 32,919 | |
| Pension expenses | 23,854 | 19,281 | |
| Remuneration to Directors | 58,052 | 22,241 | |
| Other employee benefits expenses | 18,962 | 15,734 | |
| Subtotal | 917,435 | 568,193 | |
| Depreciation and amortization expenses | | | |
| Depreciation | 77,702 | 71,919 | |
| Amortization | 11,710 | 8,690 | |
| Subtotal | 89,412 | 80,609 | |
| Other operating expenses | | | |
| Stationery and printings | 6,319 | 5,135 | |
| Postage and phone/fax expense | 18,169 | 16,352 | |
| Entertainment | 7,111 | 7,983 | |
| Utilities | 5,827 | 5,576 | |
| Insurance expenses | 599 | 626 | |
| Taxes | 84,522 | 63,006 | |
| Rents | 1,056 | 1,108 | |
| Repairs and maintenance | 15,130 | 10,464 | |
| Advertisement | 6,001 | 7,143 | |
| IT expenses | 24,758 | 21,389 | |
| Discretionary donation | 1,718 | 153 | |
| Membership fees | 1,644 | 1,495 | |
| Traveling expenses | 1,084 | 986 | |
| Transportation expenses | 1,813 | 1,792 | |
| Miscellaneous purchases | 4,637 | 3,819 | |
| Employee training expense | 1,039 | 942 | |
| Professional service expenses | 47,788 | 43,316 | |
| Book, newspaper, and magazine expenses | 231 | 203 | |
| TDCC service fee | 28,594 | 17,637 | |
| Securities lending/borrowing expenses | 4 | 12 | |
| Investor/Trader protection expenses | 225 | 172 | |
| Financial supervision expenses | 418 | 239 | |
| Miscellaneous expenses | 20,606 | 17,495 | |
| Subtotal | 279,293 | 227,043 | |
| Total | \$1,286,140 | \$875,845 | |

- The number of employees on December 31, 2021 and 2020 was 475 and 442, respectively. Among them, the number of directors not concurrently employees was six and five people, respectively.
- Companies whose stocks have been listed on the Taiwan Stock Exchange or Taipei Exchange shall additionally disclose the following information:
 - The average benefit expenses for 2021 and 2020 were NT\$1,832 thousand and NT\$1,249 thousand, respectively.
 - The average salary and wage expenses for 2021 and 2020 were NT\$1,647 thousand and NT\$1,094 thousand, respectively.
 - The average salary adjustment was 50.54%.
 - The Company has established an Audit Committee to exercise supervisory powers and responsibilities in accordance with regulations, so no supervisor has been engaged.
 - Salary and remuneration policy:
The Company has established the salary structure according to position and job rankings. The employees' salaries are higher than the minimum standards of the Labor Standards Act. The Company determines the salary adjustment rate every year based on its operating conditions and the annual consumer price index (CPI) while referring to the salary levels in the same industry, and the employee salary adjustment rate is around 1% to 3%. Bonuses are distributed based on overall profit and earnings, and group bonuses are distributed with reference to the performance of each unit and individual performance. There are separate bonus regulations for salespersons and traders, and bonuses are given based on the performance of the Company's future risk adjustments. When there is profit, it shall be first used to offset accumulated losses, which is defined as the pre-tax profit or loss before deducting remuneration to employees and directors. The remuneration to employees shall not exceed 3% of the total profit, and can be paid in forms of cash or shares, while no more than 3% of the total profit shall be appropriated as remuneration to directors, which may only be paid in cash.

Horizon Securities Co., Ltd.

Review Report on Other Disclosures in Financial Reports of Securities Firms

To: Horizon Securities Co., Ltd.

We have audited the 2021 financial statements of Horizon Securities Co., Ltd. in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the ROC generally accepted auditing standards. An independent Auditor's Report would be issued on March 3, 2022. Our responsibility is to express an opinion on these financial statements based on our audit. The enclosed 2021 "Additional Disclosure Matters" of Horizon Securities Co., Ltd. was prepared separately in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants." We have reviewed the relevant information in conformity with Article 34 Paragraph 2 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and Article 32 Paragraph 2 of the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" that were enacted by the Financial Supervisory Commission.

In our opinion, the "Supplementary Disclosure" of the 2021 financial statements of Horizon Securities Co., Ltd. was in compliance 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 financial data were consistent with the financial statements; therefore, there is no need to make major amendments.

Ernst & Young Global Limited
Competent authorities have approved the audit of the financial reports
of public companies
Approval Document No.: Jin-Guan-Zheng-6-Zi No. 0970038990
Jin-Guan-Cheng-Shen-Zi No.: 1030025503

James Huang

CPAs:

Bob Chang

March 3, 2022

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

I. Business Overview

1. Material business events (that have had a material impact on the business in the last five years):

(1) 2017

1. Aug: Horizon SICE Co., Ltd. set up a research team.
2. Nov: Granted the “foreign currency denominated international bond underwriter” license by Central Bank of the Republic of China (Taiwan).
3. Nov: The Nanjing Branch ceased operations.

(2) 2018

1. Jan: Approved to establish the “trading room – telephone centralized order center.”
2. Mar: The Company’s “accepting orders to trade foreign securities business” has been approved to extend to US stock market.
3. Jun: Approved to engage in “lending money without specific purposes.”
4. Oct: Established the Fintech Service Department, focusing on the smart operation of digital platforms.
5. Dec: Approved to establish Horizon Venture Management Co., Ltd.

(3) 2019

1. Jan: Opened social media official account, to improve our services to the mass clients. Launched social media channels (FB/YouTube/Instagram), in order to provide clients with articles, videos to update clients with knowledge about investment, financial management, and industrial research, and also to publicize the Company’s major business information.
2. Apr: Launched the continuous trading simulation platform ahead of our peer companies, to allow clients to experience on our simulation platform the new non-paired trade regulations which was planned to come into effect in March 2010.
3. May: Awarded first place in improvement award of “2019 ETP trading and market making competition for securities brokers” held by TWSE, Taiwan Securities Association and Securities Investment Trust & Consulting Association.
4. Nov: Awarded “Best Digital Finance Service” in the non-finance holding

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

category of the “2019 Outstanding Securities Brokers” held by Excellence Magazine. Enhanced the complementarity of FinTech and physical branches, in the aim to expand the scale of brokerage business through diversified digital transformation.

(4) 2020

1. Jun: The Board of Shareholders approved the takeover of the business and property of Kunglon Securities Co., Ltd., which was approved by the competent authority in December.
2. Oct: Awarded the third place of the Taiwan Equity ETF Trading Contribution Award at the ETF and ETN Competition held by TWSE.

(5) 2021

1. Sep: The board of directors passed the resolution to add wealth management business and to establish branches in Taipei and Taichung.
2. Nov: The establishment of the branches in Taipei 101 and the National Trade Center was approved.

(6) Acquisition or merger of other companies: None.

(7) Demerger: None.

(8) Reinvested affiliate:

| Name of affiliated enterprises | Amount of reinvestment at the end of each year | | | | | Evaluation basis |
|--------------------------------------|--|-----------|-----------|-----------|-----------|------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | |
| Horizon SICE Co., Ltd. | \$121,020 | \$137,573 | \$143,723 | \$140,697 | \$137,924 | Equity approach |
| Horizon Venture Capital Co., Ltd. | 517,029 | 357,391 | 396,141 | 360,463 | 298,993 | Equity approach |
| Horizon Venture Management Co., Ltd. | 21,503 | 20,650 | 24,313 | - | - | Equity approach |

(9) Reorganization: None

(10) Acquisition or disposal of material assets: None

(11) Significant change in the mode of operations or business content: None.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

2. Remuneration to Directors, Independent Directors, Presidents, Vice Presidents, and Consultants:

(1) Remuneration to Directors and Independent Directors, (disclosure of individual names and remuneration methods)

| Title | Name (Note 1) | Remuneration to Directors | | | | | | | | The sum of A, B, C and D in proportion to Earnings (Note 10) | | Remuneration to directors also holding employee positions | | | | | | | | The sum of A, B, C, D, E, F and G in proportion to Earnings (Note 10) | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 11) |
|----------|--|---------------------------|---|-----------------------------------|---|--|---|---|---|--|---|---|---|------------------------|---|--|--------------|-------------|--------------|---|---|---|
| | | Compensation (A) (Note 2) | | Severance payment and pension (B) | | Remuneration to directors (C) (Note 3) | | Fees for performance of work (D) (Note 4) | | The Company | All companies in the consolidated financial statements (Note 7) | Salaries, bonuses and special allowances (E) (Note 5) | | Retirement pension (F) | | Remuneration to employees (G) (Note 6) | | | | The Company | All companies in the consolidated financial statements (Note 7) | |
| | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Chairman | Heng-Da Investment Consulting Ltd. Representative Chen-Chyn Ji | 12,638 | 12,638 | - | - | 17,000 | 17,000 | 45 | 45 | 2.3952% | 2.3952% | - | - | - | - | - | - | - | - | 2.3952% | 2.3952% | None |
| Director | Heng-Da Investment Consulting Ltd. | - | - | - | - | 23,040 | 23,040 | - | - | 1.8592% | 1.8592% | - | - | - | - | - | - | - | - | 1.8592% | 1.8592% | |
| | Heng-Da Investment Consulting Ltd. Representative Annie Lin | - | - | - | - | - | - | 45 | 45 | 0.0036% | 0.0036% | 10,136 | 10,136 | 108 | 108 | 816 | - | 816 | - | 0.8661% | 0.8961% | |

- Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:
The remuneration to Independent Directors of the Company is determined by the board of directors based on the Articles of Incorporation and the pay levels adopted by peer companies. Also, regardless of profit or loss, the Company pays transportation allowances to and takes out liability insurance for Directors. The remuneration to the 15th Independent Directors is resolved by the 14th board of directors on the 30th board meeting to be paid out on a monthly basis. Independent Directors also serve as members of Audit Committee, Risk Management Committee and Salary Remuneration Committee, and each serve as the convener of each committee. The remuneration to the conveners is resolved by the 14th board of directors on the 30th board meeting to be paid out on a monthly basis. From the above, it is clearly shown that the duties, risks and invested time of each Independent Director are approximately the same. Thus, there is no significant difference in their remuneration.
- In addition to the above remuneration, director remuneration shall be disclosed as follows when received from the parent companies/companies included in the consolidated financial statements/investees in the most recent year to compensate directors for their services, such as being independent consultants: None.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(2) Remuneration of directors and independent directors (including independent directors) (name is disclosed in the respective column of the Range of Remuneration Table according to the lump sum payment method)

| Title | Name (Note 1) | Remuneration to Directors | | | | | | | | The sum of A, B, C, and D in proportion to after-tax net income (Note 10) | | Remuneration to directors also holding employee positions | | | | | | | | The sum of A, B, C, D, E, F and G in proportion to Earnings (Note 10) | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 11) |
|--|----------------|---------------------------|---|-----------------------------------|---|--|---|--|---|---|---|---|---|------------------------|---|--|--------------|---|--------------|---|---|---|
| | | Compensation (A) (Note 2) | | Severance payment and pension (B) | | Remuneration to directors (C) (Note 3) | | Fees for performance of works (D) (Note 4) | | | | Salaries, bonuses and special allowances (E) (Note 5) | | Retirement pension (F) | | Remuneration to employees (G) (Note 6) | | | | | | |
| | | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | All companies in the consolidated financial statements (Note 7) | The Company | | All companies in the consolidated financial statements (Note 7) | | The Company | All companies in the consolidated financial statements (Note 7) | |
| | | | | | | | | | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| Director | Chia-Hung Lee | | | | | | | | | | | | | | | | | | | | | |
| | Yun-De Li | 1,296 | 1,296 | - | - | 960 | 960 | 90 | 90 | 0.1893% | 0.1893% | - | - | - | - | - | - | - | - | 0.1893% | 0.1893% | |
| Independent Director | SIAO, CHEN-CHI | | | | | | | | | | | | | | | | | | | | | |
| | HEN, YUH-JEN | 2,808 | 2,808 | - | - | - | - | 130 | 130 | 0.2371% | 0.2371% | - | - | - | - | - | - | - | - | 0.2371% | 0.2371% | |
| | IAW, CHE-YING | | | | | | | | | | | | | | | | | | | | | |
| <p>1. Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: The remuneration to Independent Directors of the Company is determined by the board of directors based on the Articles of Incorporation and the pay levels adopted by peer companies. Also, regardless of profit or loss, the Company pays transportation allowances to and takes out liability insurance for Directors. The remuneration to the 15th Independent Directors is resolved by the 14th board of directors on the 30th board meeting to be paid out on a monthly basis. All Independent Directors also serve as members of Audit Committee, Risk Management Committee and Salary Remuneration Committee, and each serve as the convener of each committee. The remuneration to the conveners is resolved by the 14th board of directors on the 30th board meeting to be paid out on a monthly basis. From the above, it is clearly shown that the duties, risks and invested time of each Independent Director are approximately the same. Thus, there should be no significant difference in their remuneration.</p> <p>2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from the parent companies/companies included in the consolidated financial statements/investees in the most recent year to compensate directors for their services, such as being independent cons None.</p> | | | | | | | | | | | | | | | | | | | | | | |

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Range of remuneration to Directors and Independent Directors

| Payment scale of remuneration to the Directors of the Company | Name of director | | | |
|---|---|--|---|--|
| | The total of A+B+C+D | | The total of A+B+C+D+E+F+G | |
| | The Company (Note 8) | All companies included in the consolidated statements (H) (Note 9) | The Company (Note 8) | All companies included in the consolidated statements (I) (Note 9) |
| Less than 1,000,000 | HSIAO, CHEN-CHI; CHEN, YUH-JEN LIAW, CHE-YING | HSIAO, CHEN-CHI; CHEN, YUH-JEN LIAW, CHE-YING | HSIAO, CHEN-CHI; CHEN, YUH-JEN LIAW, CHE-YING | HSIAO, CHEN-CHI; CHEN, YUH-JEN LIAW, CHE-YING |
| NT\$1,000,000 (Incl.) – NT\$2,000,000 (Excl.) | Chia-Hung Lee; Jyun-De Li | Chia-Hung Lee; Jyun-De Li | Chia-Hung Lee; Jyun-De Li | Chia-Hung Lee; Jyun-De Li |
| NT\$2,000,000 (Incl.) – NT\$3,500,000 (Excl.) | - | - | - | - |
| NT\$3,500,000 (Incl.) – NT\$5,000,000 (Excl.) | - | - | - | - |
| NT\$5,000,000 (Incl.) – NT\$10,000,000 (Excl.) | - | - | - | - |
| NT\$10,000,000 (Incl.) – NT\$15,000,000 (Excl.) | - | - | - | - |
| NT\$15,000,000 (Incl.) – NT\$30,000,000 (Excl.) | - | - | - | - |
| NT\$30,000,000 (Incl.) – NT\$50,000,000 (Excl.) | - | - | - | - |
| NT\$50,000,000 (Incl.) – NT\$100,000,000 (Excl.) | - | - | - | - |
| More than 100,000,000 | - | - | - | - |
| Total | 5 persons | 5 persons | 5 persons | 5 persons |

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- Note 1: The names of directors should be listed separately (the name of corporate shareholders representatives should be listed separately); the name of the general directors and independent directors should also be listed separately, and each payment amount should be disclosed in a summary manner. If the board director is also the President or Vice President of the Company, please fill in this table and table (3).
- Note 2: Refers to Director's remuneration in the latest year (including salaries, work subsidies, severance pay, various bonuses and incentives etc.)
- Note 3: It is the remuneration of directors resolved by the board of directors in the most recent year (if it is not yet resolved by the board of directors, please fill in the amount audited by the public certified accountant).
- Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.
- Note 5: This refers to the salary, duty allowances, severance pay, bonuses, incentives, transportation allowance, special allowance, various allowances and accommodation, and company cars paid or offered to directors who concurrently hold position as an employee (incl. president, vice president, other managerial officers and employees). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year (if it is not yet approved by the board of directors, please fill in the amount audited by the CPAs).
- Note 7: The total remunerations paid to the Company's directors by all companies (including the Company) in the consolidated financial statements should be disclosed.
- Note 8: The name of the director to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.
- Note 9: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.
- Note 10: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.
- Note 11:
- a. The amount of remuneration a director receives from investees other than subsidiaries or from the parent shall be stated in this column (fill in "N/A" when none).
 - b. When a director receives remuneration from an investee other than a subsidiary or from the parent, the amount of such remuneration shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed "Parent or All Investees."
 - c. Remuneration refers to any returns, compensation from the parent company (including remuneration to Employees, Directors and Supervisors), professional fees, etc., which the Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.
- ※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(3) Remuneration to President and Vice President (name is disclosed in the respective column of the range of remuneration table according to the lump sum payment method)

| Title | Name (Note 1) | Salary (A) (Note 2) | | Severance payment and pension (B) | | Salaries, bonus, and special subsidy (C) (Note 3) | | Employee compensation (D) (Note 4) | | | | The sum of A, B, C, and D in proportion to after-tax net income (%) (Note 8) | | Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9) |
|-----------------------------|---------------------------|------------------------|---|--------------------------------------|---|---|--|---------------------------------------|--------|---|--------|---|--|---|
| | | The Company | All companies included in the consolidated statements (Note 5) | The Company | All companies included in the consolidated statements (Note 5) | The Company | All companies included in the consolidated statements (Note 5) | The Company | | All companies included in the consolidated statements (Note 5) | | The Company | All companies included in the consolidated statements (Note 5) | |
| | | | | | | | | Cash | Shares | Cash | Shares | | | |
| President | Jamie Lin | 68,295 | 68,295 | 1,461 | 1,461 | 522 | 522 | 4,838 | - | 4,838 | - | 6.0613% | 6.0613% | None |
| Executive Vice President | Frank Liao | | | | | | | | | | | | | |
| Senior Vice President | Maggie Chen | | | | | | | | | | | | | |
| | Gilbert Chang | | | | | | | | | | | | | |
| | May Lin | | | | | | | | | | | | | |
| | Lillian Chen | | | | | | | | | | | | | |
| Vice President | Shao Chen Chiang | | | | | | | | | | | | | |
| | Rogers Huang | | | | | | | | | | | | | |
| | Vicki Chen | | | | | | | | | | | | | |
| | Lingc Huang | | | | | | | | | | | | | |
| | Chih-Sung Jen | | | | | | | | | | | | | |
| | Liang Chen Chu | | | | | | | | | | | | | |
| | Chilli Hsieh | | | | | | | | | | | | | |
| | Jenny Huang | | | | | | | | | | | | | |
| | Yung-Chi Yang (Note 1) | | | | | | | | | | | | | |

Note 1: Promoted on May 17, 2021.

* Disregarding position titles. All such job positions including general manager (e.g. President, Chief Executive Officer (CEO), Superintendent) shall be disclosed.

* All who hold equivalent position to a vice president (i.e. director general, CEO, executive director, etc.) shall be disclosed regardless of the title.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Table of remunerations brackets to the President and Vice President

| Payment scale of remunerations paid to the President and Vice Presidents of the Company | Names of the President and Vice Presidents | |
|---|---|---|
| | The Company (Note 6) | All companies in the consolidated financial statements (Note 7) |
| Less than 1,000,000 | - | - |
| NT\$1,000,000 – NT\$2,00,000 (exclusive) | - | - |
| NT\$2,000,000 (Incl.) – NT\$3,500,000 (Excl.) | Rogers Huang; Jenny Huang; Yung-Chi Yang | Rogers Huang; Jenny Huang; Yung-Chi Yang |
| NT\$3,500,000 (Incl.) – NT\$5,000,000 (Excl.) | May Lin; Lillian Chen; Shao Chen Chiang Vicki Chen; Lingc Huang; Chih-Sung Jen Liang Chen Chu; Chilli Hsieh | May Lin; Lillian Chen; Shao Chen Chiang Vicki Chen; Lingc Huang; Chih-Sung Jen Liang Chen Chu; Chilli Hsieh |
| NT\$5,000,000 (Incl.) – NT\$10,000,000 (Excl.) | Frank Liao, Maggie Chen, Gilbert Chang | Frank Liao, Maggie Chen, Gilbert Chang |
| NT\$10,000,000 (Incl.) – NT\$15,000,000 (Excl.) | Jamie Lin | Jamie Lin |
| NT\$15,000,000 (Incl.) – NT\$30,000,000 (Excl.) | - | - |
| NT\$30,000,000 (Incl.) – NT\$50,000,000 (Excl.) | - | - |
| NT\$50,000,000 (Incl.) – NT\$100,000,000 (Excl.) | - | - |
| More than 100,000,000 | - | - |
| Total | 15 persons | 15 persons |

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented. Any Directors who co-headed the President or Vice President positions must be disclosed in this table as well as the previous (1) and (2).
- Note 2: Refers to salaries, work subsidies, and severance pay made to the General Manager and Vice Presidents in the latest year.
- Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the “Share-Based Payment” of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year (if it is not yet approved by the board of directors, please fill in the amount audited by the CPAs).
- Note 5: Please disclose the total amount paid to the Company’s President and Vice President by the consolidated subsidiaries (including the Company).
- Note 6: The amount of remuneration made by the Company to its President/Vice Presidents is disclosed separately in amount ranges.
- Note 7: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and the names of these Presidents and Vice Presidents disclosed in relevant brackets along the scale of remunerations.
- Note 8: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.
- Note 9: a. Please clearly indicate the amount of remuneration received by the Company’s general manager and vice president from the reinvested companies other than the subsidiary or from the parent company in this column (if not, please fill in “none”).
b. When a president or vice president receives remuneration from an investee other than a subsidiary, the amount of such remuneration shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed “Parent and All Investees.”
c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees, etc., which the Company’s President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries or from the parent.
- ※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

(4) The retired chairman or president returns to serve as a consultant for the securities firm: None.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

3. Number of employees in non-managerial positions and annual average employee benefits and the difference over the previous year:

| | 2021 | 2020 | Difference |
|--|---------|---------|------------|
| Number of employees in non-managerial positions (person) | 407 | 382 | 25 |
| Annual average employee benefits | \$1,828 | \$1,249 | \$579 |

The Company's annual profit in 2021 increased significantly compared with that in 2020, and the annual group bonuses also increased significantly. Therefore, the increase in the amount of benefit expenses in 2021 is reasonable.

4. Labor-Management Relations:

- (1) The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination, and the protection of the rights of the employees

1. Staff fringe benefits

The Company attaches great importance to employee benefits. In addition to providing basic employee benefits in accordance with the law, it has launched a number of measures superior to what is stipulated in relevant laws and regulations. Current employee benefits are as follows:

- (1) 12 days of sick leave every year.
- (2) Free fidelity insurance for employees.
- (3) High-quality health examination based on the Company's operating conditions every two years.
- (4) Life insurance and medical group insurance purchased for employees in addition to labor insurance and national health insurance, and the Employee Welfare Committee has purchased the accident group insurance for employees.
- (5) The Employee Welfare Committee also handles relevant benefit measures, such as wedding, funeral, and celebration allowances, annual travel subsidies, the establishment of clubs, and scholarships.
- (6) The Company sets aside a certain percentage of profit as remuneration to employees. When the Company conducts cash capital increase, a certain percentage shall be retained for the employees to subscribe.
- (7) Bonuses or gifts on Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival depending on the Company's earnings.
- (8) Other benefits according to business development and the status of earnings.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

2. Further education and training

The Company organizes annual education training in accordance with “Regulations Governing Education Training.” The training plans are designed based on the Company’s annual operation plans and employees’ performance assessment of each unit. The main purpose is to train talents needed for the Company’s future development, in order to improve the Company’s productivity and operation performance.

Important education trainings:

Built the Company’s internal digital e-learning platform in Jun. 2008.

Launched the internal lecturer system in March 2010.

Starting 2011, minimum training hours annually are required, and such was included into performance assessment criteria.

Training courses are divided into internal and external trainings based on the organizer. Details as follows:

- (1) Internal training includes senior executive education and training, lectures by scholars and experts, and various professional training courses on corporate governance, prevention of money laundering, information security, and compliance.
- (2) External training courses include pre-employment and on-job securities trainings, pre-employment and on-job futures training, and other training regarding wealth management, internal audits, margin purchase and short sale, corporate governance, anti-money laundering, occupational safety and health, and first aid. These courses are organized as required by the competent authorities of finance and occupational safety.
- (3) In the year 2021, there were 1,552 participants in trainings, with a total 6,796 training hours, an average of 14.55 hours per person, annual training expenses of NTD 981,930, an average of NTD 2,103 per person. The Company was awarded Bronze Award for the year 2014 by the Talent Quality-Management System (TTQS).
- (4) An upgrade of the e-learning platform was completed with additional 17 training courses added in 2021, with a total 11,790 participants, and accumulated learning hours of 17,838.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

3. Retirement system

(1) Pension appropriation amount and pension account:

Since securities firms are covered by the Labor Standards Act starting Mar. 1, 1998, the Company formulated Regulations Governing Retirement and established the Retirement Reserve Funds Supervising Committee to supervise operations regarding pension appropriation. Upon approval by the competent authorities, the Company appropriated 2.9% of employees' base salary to the pension account in Bank of Taiwan on a monthly basis before Jun. 2001. Since Jun. 2001, the Company raised the appropriation rate to 3.4%; Apr. 2002, 3.7%; Mar. 2003, 3.8%; Aug. 2005, 2%.

The balance of the pension account of Asia Trust and Investment Corporation entrusted for part of the pension funds of managerial officers was transferred to the pension account of Bank of Taiwan on December 12, 2008 because the payment of the funds in the former account was completed or past the request period.

(2) Retirement:

A. Voluntary retirement:

- (A) Workers who attain the age of 55 and have worked for more than 15 years.
- (B) Workers who have worked for more than 25 years.
- (C) Workers who attain the age of 60 and have worked for more than 10 years.

B. Compulsory retirement:

- (A) Workers who attain the age of 65 but approved by the Company to continue their service for at most 3 years.
- (B) Workers who are insane or are unable to perform their duties due to disability.

(3) Since the launch of "Labor Pension Act" on Jul. 1, 2005, the Company's standards for workers' pension payment are as follows:

- A. For employees who opted for pension system of the "Labor Standards Act" and who are subject to the pension system of the "Labor Pension Act," with employment starting date starting before Jul. 1, 2005, their seniority before they are subject to the acts:

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The retirement pension base shall be one month's average wage of the worker at the time when his or her retirement is approved.

B. For employees who opted for the pension system of the "Labor Pension Act," with employment starting date starting after Jul. 1, 2005, their seniority before they are subject to the acts:

The Company appropriates 6% of employees' month salary to pension reserve fund on a monthly basis.

4. Agreement between labor and management and various employee benefit maintenance measures

The Company has formulated relative work rules in accordance with laws and regulations regarding the Labor Act, and has submitted such work rules to the Department of Labor, Taipei City Government for review. Rules and regulations of the work rules are announced to the employees via e-mail, and are also disclosed in the company's internal website.

The Company convenes a Labor-Management Meeting every quarter in accordance with "Regulations for Implementing Labor-Management Meeting." Employee situation and updates of the laws and regulations regarding laborers are reported in the meeting. Moreover, participants discuss to achieve consensus on motions related to working conditions. All representatives from the labor side are directly elected and the election matter has been reported to the Department of Labor, Taipei City Government.

The measures for whistleblowing are stipulated in the Company's work rules, and are announced to the employees.

- (2) List any losses arising from employment disputes in the most recent year; disclose the amount of loss contingencies at present and in the future and countermeasures: if no reasonable estimation is possible, please explain the fact beyond reasonable estimation. A good relationship between our employees and the management is maintained: None.
- (3) The labor inspection results violated the Labor Standards Act, including the date of penalty, the penalty document number, the provisions of the Act violated, the content of the violation, and the content of the penalty: None.

5. Status of Internal Control

- (1) Internal Control System Statement: Attachment 1.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (2) The Company did not entrust CPAs to review the internal control system on an ad-hoc audit basis.

Horizon Securities Co., Ltd.
Internal Control System Statement

Date: March 3, 2022

The Company hereby states the results of the self-evaluation of the internal control system for 2021 based on the findings of the self-assessment:

1. The Company acknowledges that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board and managers, and the Company has already established such an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
2. Any internal control system has its innate limitations. No matter how robust an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective actions once any defects are identified.
3. The Company uses the assessment items specified in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinafter referred to as the “Regulations”) to determine whether the design and implementation of the internal control system are effective. Based on the procedures of control, the internal control system policy is divided into five categories: 1. Control environment; 2. risk assessment; 3. control activities; 4. Information and communications; and 5. monitoring activities. Under each category is assessment items used in the “Regulations.” For more information on such items, refer to the “Regulations.”
4. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
5. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2021, the internal control system (including the supervision and management of subsidiaries, and overall execution of information security), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, but excluding the matters listed in the attachment, is effective and can reasonably assure the achievement of the foregoing goals.
6. This statement constitutes the main content of the Company’s annual report and the prospectus and is disclosed to the public. Any falsehood or concealment with regard to the said contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act and under Article 115 of the Futures Trading Act.
7. This statement has been approved by the Board on March 3, 2022, and out of 7 attending Directors, zero posed objection to it, and the rest consented to the content expressed in this statement.

Horizon Securities Co., Ltd.

| | |
|-----------------------------|-----------|
| Chairman: Ke-Chyn Jiang | Signature |
| President: Jamie Lin | Signature |
| Chief Auditor: Rogers Huang | Signature |

Chief supervisor responsible for information security: Feng-Kuo Chiang Signature

Defects in internal control and corrective action plan
(Base day: December 31, 2021)

| Action required | Corrective action | Expected date of accomplishment |
|---|---|--|
| <p>1. The Company responded to Financial Supervisory Commission Letter Jin-Guan-Jian-Zheng-Zi No.11006081651 dated 2021.10.22 on the notice of the findings from general examination as follows:</p> <p>(1) The processing of insiders opening brokerage account for securities trade was found in defiance of the Regulations Governing Insiders of Securities Firms Opening Account at Their Securities Firms for Securities Brokerage Trading and its internal control in the examination.</p> <p>(2) In the application for opening accounts and review of trading limit by customers, the competent authority of the company failed to recuse from customers with conflict of interest.</p> <p>(3) In reviewing the financial capacity of customers in brokerage trade, no proper control of the request for the upper limit across branches on a particular day for account entry for registration.</p> <p>(4) The review of insider brokerage trade of securities has not been properly performed in</p> | <p>(1) The request for information was accomplished on 2022.01.10 with related data sorted out for inspection. The underage children of former insiders failed to cancel the account of the insider or convert to regular brokerage accounts after they became adults, and these accounts were classified as dormant accounts for control and transactions by these accounts were prohibited.</p> <p>(2) The sale unit announced on 2022.01.10 for the proper pursuit of the recusal from the conflict of interest among the managers in business transactions, and mark down “for the proper pursuit of the recusal from the conflict of interest, if the approval officer is the next of kin to the customer, this officer shall forward the case to the supervisor for instruction” on the form for customer credit information background check and approval of limit, and this form should be in use with immediate effect.</p> <p>(3) For the effective control of repeated financing, the sale unit has completed the checking and control of matching the accounts (two or more) of the same customer opened at different companies in the second half of 2021 on 2022.01.28 in accordance with the “Note to Credit Information Check and Credit Limit Assessment.”</p> <p>(4) Supplementary information on whether the inside traders have traded with the same investment</p> | <p>Corrective action is expected to be accomplished by the end of May 2022.</p> <p>Corrective action is expected to be accomplished by the end of March 2022.</p> <p>Corrective action is expected to be accomplished by the end of March 2022.</p> <p>Corrective action is expected to be accomplished by</p> |

| Action required | Corrective action | Expected date of accomplishment |
|--|--|--|
| <p>accordance with the principles and procedures governing the review of insider trade.</p> <p>(5) On the delivery of statement to customers on brokerage trade of securities, some of the statements were sent to the personal email of the sale personnel of the Company without authentication.</p> <p>(6) In the engagement of domestic stock trade by the Proprietary Trade Department, the target price of the stock as stated in the trading strategy exceeds the upper limit of the trading range as recommended in the related research report. Decision-making of investment lacks justifiable foundation.</p> <p>(7) The authentication of the identity of customers for purpose of AML/CFT and related risk assessment was improper.</p> <p>(8) The building of the filing system for negative media news database regarding AML/CFT and related review work was improper.</p> | <p>target with key customers in very short time (the first 5 minutes) has been satisfied. Insider trading checklist will be delivered with effect on 2021.02.07.</p> <p>(5) Information request from the sale unit has been accomplished. A list of identical emails between insiders and customers at corporate headquarters and the branches was produced on 2022.02.07, and sent to the branches by mail on 2022.02.11. All branches are asked to notify their customers to update their email address by 2022.02.18.</p> <p>(6) Traders shall base on the recommendation for trading range in buying of particular stock as the principal source of reference in executing trade. If the price of particular stock exceeds the recommended range (selling zone, stop loss price) and still intend to trade, update the buying report on particular stock subject to the approval of the authorized officer before proceeding to trade.</p> <p>(7) Information on authentication of customers has been properly tracked on file for risk assessment. If the field of customer information on occupation (industry) was left blank and there is an authorized agent, relevant risk factors have been chosen.</p> <p>(8) The Compliance Office has started to plan for the procurement of an automation robot. This project is expected to be complete by the end of December 2022.</p> | <p>the end of March 2022.</p> <p>Corrective action is expected to be accomplished by the end of March 2022.</p> <p>Corrective action is expected to be accomplished by the end of March 2022.</p> <p>Corrective action is expected to be accomplished by the end of December 2022.</p> |

6. Cyber security management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

The Company has established the Information Security Management Committee under the President, with the President serving as the chairperson of the Information Security Management Committee, and supervisors of each unit and department serving as the committee members. The committee is for the formulation and supervision of the Company's information security policies. The President appoints the information security executive secretary to organize the information security implementation team, to carry out the implementation of various information security matters and information security risk management, and to convene the information security management meeting every two months. In order to allow the Information Security Management Committee to understand the current situation of information security in the Company and to discuss how to avoid and mitigate the information security risks and accidents encountered.

2. Cyber security policies, and concrete management programs investments in resources for cyber security management.

In accordance with the Company's information security policies, the Company has formulated the "Regulations Governing the Information Security Management," and carries out information security management and risk assessment in all aspects in order to mitigate information security risks. The methods are as follows:

(1) Personnel management

The Company carries out safety evaluation regarding relevant positions and duties, divides labors and duties in each information security system, supervises the information security operations of the employees to prevent illegal and improper conducts, and requires personnel handling important or confidential data should sign a non-disclosure agreement.

(2) Information security training

- A. General employees should undergo at least 3 hours of information security training every year.
- B. Information security management personnel should undergo at least 15 hours of information security management training every year.
- C. Carry out at least one information security advocacy among employees every year.

(3) Computer system safety management

- A. Carry out regular information security risk level evaluation on all system servers, and conduct loophole corrections and risk mitigation according to the evaluation results.
- B. The employees shall update their personal computers regularly with operating system security and install anti-virus software and endpoint protection tools to avoid being hacked.

- C. The Company carries out social engineering drills to protect employees from social email scams, prevent computers from ransomware or malicious programs, which may allow hackers to hack into the intranet and cause damages.

(4) Internet safety management

- A. The Company's network is protected by a firewall to avoid malicious connection and detection.
- B. The Company formulates the “Regulations Governing New Technology Network and Information Security Control” stipulating the establishment and use of the Company’s network environment, the provision and use of cloud services, and the use of social media and mobile devices, in order to avoid security loopholes caused by improper setting or use.
- C. The Company introduces the DDoS defense mechanism to prevent external attack on the Company’s external bandwidth or servers by large number of connection, paralyzing the network or resulting in failure of the server due to malicious traffic.

(5) System access control

- A. When sharing online drives on the intranet, passwords should be set up to prevent viewing or accessing by non-related parties.
- B. Important and confidential data are maintained by designated personnel and are backed up regularly. The data is stored in a physical secured area, such as a computer room or a vault.
- C. When the employment of a person at the Company is terminated, all of the person’s access to the computer use at the Company is terminated.
- D. When scrapping computers or stored media, the data should be securely deleted.

(6) Safety management of application development and maintenance

- A. The Company takes into account the information security in the development of systems.
- B. Trials are conducted before full launch.
- C. The programs or revisions are reviewed before launched, and are handled by designated personnel.
- D. Professionals are hired to test on the information security of the mobile applications or major revisions before the launch.

(7) Information assets security management

The Company has formulated the management and regulations of the use of information equipment, stipulating the use and management of various information equipment and networks, in order to prevent information security risks caused by improper use.

(8) Physical and environment safety management

- A. All important information equipment are located in the computer facilities, and the Company has formulated the Regulations Governing the Computer Facility Management, to manage relevant matters.
- B. The computer facilities are equipped with access controls to prevent unauthorized personnel from entering and leaving at will.
- C. After the use printers, fax machines, etc. the photocopies or printed documents must immediately be picked up to avoid data leakage.

(9) Planning and execution of continual of information business plan

The Company has formulated the Regulations Governing the Continual of Information Business Management, in order to maintain the continued operation of all information systems.

(10) Notification of security incidents and collection of intelligence

- i. The Company has formulated Regulations Governing the Information Security Incident Management, stipulating that all employees must report to their supervisors or security personnel when they discover a security incident.
- ii. The Company participates in the information security protection organization, and receives information regarding information security from time to time. The Company inspects whether the Company has relevant risks and make corrections and improvements accordingly.

(11) Outsourcing management of information business

The Company has formulated the Regulations Governing the Outsourcing of Information Equipment, stipulating that the suppliers should abide by the Company's information security policies and jointly maintain the Company's information security.

(12) Reporting of the overall implementation of information security protection and disclosure of the Statement on the Overall Implementation of Information Security Measures

Before March of each year, the Company shall submit the implementation of information security protection of the previous year to the Board of Directors, so as to acquaint the Board of Directors with the information security issues encountered by the Company in the implementation, and the information security risks it faces. These will serve as a reference in the decision making of corporate governance and approval of information security budgets.

The Company continues to implement the "Regulations Governing the Information Security Management", reviews and revise the information security policies every year to be in line with the current information security development trend and law requirements, so as to mitigate the Company's information security risks.

- (II) List any losses suffered by the company in the year 2021 due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company does not have any major security incidents resulting in business damages in 2021.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

II. Financial Information

1. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

(1) Balance Sheet

| Items | Year | Financial data of the past five years | | | | |
|----------------------------|------------------------------|---------------------------------------|--------------|--------------|--------------|--------------|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Current assets | | \$14,839,426 | \$15,647,677 | \$10,283,908 | \$10,449,241 | \$10,460,496 |
| Property and equipment | | 49,596 | 40,185 | 43,595 | 44,463 | 40,447 |
| Other non-current assets | | 1,577,687 | 1,170,973 | 1,212,868 | 1,075,507 | 1,001,494 |
| Current liabilities | Before dividend distribution | 10,311,685 | 12,617,814 | 7,550,336 | 7,710,111 | 7,071,190 |
| | After dividend distribution | (Note 3) | 12,452,406 | 7,498,556 | (Note 2) | 7,203,754 |
| Non-current liabilities | | 826,386 | 81,655 | 90,367 | 8,230 | 11,243 |
| Share capital | | 3,313,694 | 3,308,168 | 3,505,008 | 3,625,008 | 3,682,328 |
| Retained earnings | Before dividend distribution | 1,537,273 | 477,667 | 133,968 | (72,432) | 460,197 |
| | After dividend distribution | (Note 3) | 312,259 | 82,188 | (Note 2) | 327,633 |
| Total assets | | 16,466,709 | 16,858,835 | 11,540,371 | 11,569,211 | 11,502,437 |
| Total liabilities | Before dividend distribution | 11,138,071 | 12,699,469 | 7,640,703 | 7,718,341 | 7,082,433 |
| | After dividend distribution | (Note 3) | 12,534,061 | 7,588,923 | (Note 2) | 7,214,997 |
| Total shareholder's equity | Before dividend distribution | 5,328,638 | 4,159,366 | 3,899,668 | 3,850,870 | 4,420,004 |
| | After dividend distribution | (Note 3) | 3,993,958 | 3,847,888 | (Note 2) | 4,287,440 |

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: The Company had a loss in year 2018, and thus no dividend was distributed.

Note 3: The earnings distribution for 2021 has not been approved by the Board of Shareholders, so it is omitted.

Note 4: Other non-current assets do not include property and equipment under non-current assets.

(2) Statement of Comprehensive Income

| Items | Year | Financial data of the past five years | | | | |
|---|------|---------------------------------------|-------------|-----------|-----------|-----------|
| | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Income | | \$2,608,900 | \$1,329,949 | \$798,442 | \$350,416 | \$899,094 |
| Operating expense | | 1,387,720 | 964,923 | 800,565 | 802,758 | 845,818 |
| Shareholding in the affiliated companies and joint ventures under the equity method | | (6,063) | (39,883) | 43,017 | (64,915) | (794) |
| Other profits and losses | | 154,058 | 92,940 | 99,612 | 76,032 | 136,971 |
| Net income before tax (net loss) | | 1,369,175 | 418,083 | 140,506 | (441,225) | 189,453 |
| Net income (net loss) | | 1,239,273 | 414,718 | 140,833 | (440,991) | 212,410 |
| Earnings per share | | 3.74 | 1.24 | 0.40 | (1.20) | 0.57 |

Note 1: The above financial information for each year was audited by the CPAs.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (3) Names of financial statement auditors in the last five years, and their audit opinions

| Year | Name of CPA | CPA's Review Comments |
|------|---------------------------|-----------------------|
| 2017 | James Huang and Bob Chang | Unqualified opinion |
| 2018 | James Huang and Bob Chang | Unqualified opinion |
| 2019 | James Huang and Bob Chang | Unqualified opinion |
| 2020 | James Huang and Bob Chang | Unqualified opinion |
| 2021 | James Huang and Bob Chang | Unqualified opinion |

2. Important Financial Analyses for the Past Five Fiscal Years

| Items | Year | Financial data of the past five years | | | | | |
|---|---|---------------------------------------|-----------|----------|----------|-----------|------|
| | | 2021 | 2020 | 2019 | 2018 | 2017 | |
| Financial structure (%) | Ratio of liabilities to assets | 67.64 | 75.33 | 66.21 | 66.71 | 61.57 | |
| | Ratio of long-term capital to property and equipment | 12,410.27 | 10,553.80 | 9,152.59 | 8,679.38 | 10,955.72 | |
| Solvency (%) | Current ratio | 143.91 | 124.01 | 136.20 | 135.53 | 147.93 | |
| | Quick ratio | 143.74 | 123.34 | 135.94 | 135.33 | 147.88 | |
| Profitability | ROA (%) | 7.44 | 2.92 | 1.22 | (3.82) | 2.01 | |
| | Return on shareholders' equity (%) | 26.12 | 10.29 | 3.63 | (10.66) | 4.83 | |
| | As a percentage of paid-up capital (%) | Operating profit | 36.69 | 11.01 | (0.06) | (12.45) | 1.44 |
| | | Income before tax | 41.14 | 12.61 | (4.00) | (12.14) | 5.13 |
| | Net profit ratio (%) | 47.50 | 31.18 | 17.64 | (125.85) | 23.62 | |
| | Earnings per share (\$) (Note 2) | 3.74 | 1.24 | 0.40 | (1.20) | 0.57 | |
| Cash flows | Cash flow ratio (%) | 14.69 | 0.13 | 3.27 | Note 3 | Note 3 | |
| | Cash flow sufficiency ratio (%) | 241.26 | Note 2 | 11.20 | 89.65 | 84.26 | |
| | Cash reinvestment ratio (%) | 21.61 | Note 4 | 6.17 | Note 4 | Note 4 | |
| Special purpose ratios (%) | Ratio of debt to equity | 209.02 | 305.32 | 195.93 | 200.43 | 160.24 | |
| | Ratio of property and equipment to assets | 1.34 | 1.20 | 1.76 | 1.84 | 1.82 | |
| | Ratio of total amount of underwriting to quick assets | 4.74 | 6.20 | 1.16 | 1.11 | 0.48 | |
| | Ratio of total amounts of margin loan to equity | - | - | - | - | - | |
| | Ratio of total amount of short sales to equity | - | - | - | - | - | |
| Analysis on changes: | | | | | | | |
| 1. The various aspects of profitability are higher than that in the previous year. This is due to the Company's profit in the current year. | | | | | | | |
| 2. The current cash flow ratio, cash flow sufficiency ratio, and the cash reinvestment ratio are both up from the same period last year, mainly due to the increase in net cash flow from operating activities during the current period. | | | | | | | |
| 3. The debt to equity ratio of the current period decreases over last year, mainly due to the decrease in total liabilities, and increase in equity in the current period. | | | | | | | |
| 4. The ratio of total underwriting to quick assets decreases over last year, mainly due to the decrease in total amount of underwriting securities during the current period. | | | | | | | |

Note 1: The above financial information for each year was audited by the CPAs.

Note 2: EPS is calculated based on retrospectively adjusted weighted-average shares.

Note 3: The "Net cash flow from operating activities" was outflow, thus not applicable.

Note 4: The "Net cash flow from operating activities - cash dividends" was outflow, thus not applicable.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (1) Financial structure
 1. Liabilities to total assets = Total liabilities / total assets.
 2. Ratio of long-term capital to property and equipment = (Total equities + noncurrent liabilities) / property and equipment.
- (2) Solvency ratio (%)
 1. Current ratio = current assets / current liabilities.
 2. Liquid ratio = (current assets - prepayments) / current liabilities.
- (3) Profitability
 1. ROA = Income after taxation / Average total assets.
 2. ROE = Income after taxation / Average net equity.
 3. Net profit ratio = Profit or loss after tax/Income
 4. Earnings Per Share = (earnings - dividends from preferred shares) / weighed average quantity of outstanding shares.
- (4) Cash flows
 1. Cash flow ratio = net cash flow from operating activities (Note 1) / current liabilities.
 2. Net cash flow adequacy rate = net cash flow from operation in the last five years / (capital spending + Cash Dividends) in the last five years (Note 2).
 3. Cash reinvestment ratio = (net cash flow from operating activity-cash dividend) / (gross property and equipment + long-term investment + other noncurrent assets + working capital) (Note 3) (Note 4).
- (5) Special purpose ratios
 1. Ratio of debt to equity = Total liabilities / Shareholders' equity
 2. Ratio of property and equipment to assets = Total property and equipment / Total assets
 3. Ratio of total amount of underwriting to quick assets = total amount of underwriting / (Current assets - Prepayments)
 4. Ratio of total amounts of margin loan to equity = Total amounts of margin loan / Shareholders' equity
 5. Ratio of total amount of short sales to equity = Total amount of short sales / Shareholders' equity

Note 1: "Net cash flow from operating activities" refers to the net cash inflow from operating activities indicated in the cash flow statement.

Note 2: "Capital expenditure" refers to the cash outflow from annual capital investment.

Note 3: Cash Dividends includes the dividends in cash paid to holders of common shares and preferred shares.

Note 4: Gross property and equipment refers to the total amount of property and equipment before deduction of accumulated depreciation and accumulated impairment.

3. If the securities firm and its affiliated enterprises have experienced financial difficulties in the most recent year: None.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

III. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

1. Financial Position

| Items | Year | | Difference | | |
|-------------------------|--------------|--------------|-------------|------------|---------|
| | 2021 | 2020 | Amount | Percentage | Remarks |
| Current assets | \$14,839,426 | \$15,647,677 | \$(808,251) | (5.17)% | |
| Non-Current assets | 1,627,283 | 1,211,158 | 416,125 | 34.36% | Note 1 |
| Total assets | 16,466,709 | 16,858,835 | (392,126) | (2.33)% | |
| Current liabilities | 10,311,685 | 12,617,814 | (2,306,129) | (18.28)% | Note 2 |
| Non-current liabilities | 826,386 | 81,655 | 744,731 | 912.05% | Note 3 |
| Total liabilities | 11,138,071 | 12,699,469 | (1,561,398) | (12.29)% | Note 2 |
| Share capital | 3,313,694 | 3,308,168 | 5,526 | 0.17% | |
| Capital reserve | 359,443 | 312,359 | 47,084 | 15.07% | Note 4 |
| Retained earnings | 1,537,273 | 477,667 | 1,059,606 | 221.83% | Note 5 |
| Other equity | 118,228 | 61,172 | 57,056 | 93.27% | Note 6 |
| Total equity | 5,328,638 | 4,159,366 | 1,169,272 | 28.11% | Note 5 |

Analysis on changes:

- Note 1: Non-current assets in the current year increased from 2020, which is mainly due to the increase in investment in the subordinated financial debentures of Mercuries Life Insurance, and in Horizon Securities Co., Ltd.
- Note 2: Current liabilities in the current year decreased from 2020, which is mainly due to the decrease in liabilities of bonds under repurchase agreement.
- Note 3: Non-current liabilities in the current year increased from 2020, which is mainly due to the Company's issuance of convertible corporate bonds.
- Note 4: Paid-in capital in the current year increased from 2020, which is mainly due to the recognition of the Company's issuance of convertible corporate bonds in equity.
- Note 5: Retained earnings and total equity in the current year increased from 2020, which is mainly due to higher profit in the current year.
- Note 6: The equity items in the current year increased from 2020, which is mainly due to the increase of unrealized gains on financial assets measured at fair value through other comprehensive income.

The future response plan: Not applicable.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

2. Financial Performance

Analysis of changes in operating profit or loss and pre-tax net income or loss in the most recent two years:

| Items | Year | | Increase (decrease) | Change, by percentage |
|------------------------------|-------------|-------------|------------------------|--------------------------|
| | 2021 | 2020 | | |
| Income | \$2,608,900 | \$1,329,949 | \$1,278,951 | 96.17% |
| Operating expense | (1,387,720) | (964,923) | 422,797 | 43.82% |
| Operating profit (loss) | 1,221,180 | 365,026 | 856,154 | 234.55% |
| Non-operating profit or loss | 147,995 | 53,057 | 94,938 | 178.94% |
| Net profit before tax | 1,369,175 | 418,083 | 951,092 | 227.49% |
| Income tax (expense) profit | (129,902) | (3,365) | 126,537 | 3,760.39% |
| Current net income | 1,239,273 | 414,718 | 824,555 | 198.82% |

Analysis on changes:

1. The current income, operating profit, net profit before tax and net profit all increase over the same period last year, mainly due to the increase in brokerage fee income, sales of securities held-for-trading over 2020.
2. The operating expenses of the current period increase over the same period last year, mainly due to the increase in personnel cost.
3. The non-operating gains and losses decreased over the same period of last year, mainly due to the increase in the handling charge over 2019.
4. The tax expenses of the current period increase over the same period last year, mainly due to the increase in estimated income tax payable.

Note 1: If such changes are less than 10%, it needs not be analyzed.

Note 2: If major changes in operating policies, market conditions, or other internal and external factors have occurred or are expected to cause material changes in the income or expenses of the continuing operations, the facts and impacts shall be specified.

3. Cash flows

(1) Analysis of changes in cash flow in the most recent year:

| Items | Year | | Variation |
|------------------------------|--------|--------|------------|
| | 2021 | 2020 | |
| Cash flow ratio | 14.69 | 0.13 | 10,987.13% |
| Cash flow adequacy ratio | 241.26 | Note 1 | - |
| Cash flow reinvestment ratio | 21.61 | Note 1 | - |

Note 1: The “Net cash flow from operating activities” was outflow, thus not applicable.

Analysis on changes:

The current cash flow ratio, cash flow sufficiency ratio, and the cash reinvestment ratio are both up from the same period last year, mainly due to the increase in net cash flow from operating activities during the current period.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(2) Cash flow analysis for the next year

| Beginning cash balance | Cash flow from operating activities | Expected cash inflow for the year | Expected remaining amount of cash | Financing of cash deficits | |
|------------------------|-------------------------------------|-----------------------------------|-----------------------------------|----------------------------|-----------------|
| ① | ② | ③ | ①+②+③ | Investment plans | Financing plans |
| \$2,753,911 | \$12,179 | \$(47,054) | \$2,719,036 | - | - |

4. Significant capital spending in the most recent year and its influence on financial positions and operation: None.
5. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

(1) Reinvestment policy:

Most of the Company's invested companies are in the securities industry. Though each invested company is autonomous, they provide clients with multifaceted services through business cooperation to optimize shareholders' profit.

(2) Profits/Losses Resulting from the Aforementioned Investments

| Investee | Cost of investment | Book value | Gain or loss in current period (Note 1) | Main reasons for profits/losses | Improvement plans |
|--------------------------------------|--------------------|------------|---|---|---|
| Horizon SICE CO., LTD. | \$114,282 | \$121,020 | \$(16,553) | Mainly due to increase in personnel cost. | Increase profitability and cut down spending. |
| Horizon Venture Capital Co., Ltd. | 579,420 | 517,029 | 9,638 | Mainly due to the profit generated by the good operation of the holding position. | - |
| Horizon Venture Management Co., Ltd. | 20,000 | 21,503 | 853 | Mainly due to the receipt of consulting income from Horizon Venture Capital. | - |

Note 1: The profit/loss for the current period is the profit/loss of the investees in 2021 under equity method.

(3) Investment plan in the year ahead:

The Company has no investment plans for the coming fiscal year.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

6. As of the end of the year, the most recent annual risk analysis and assessment:
- (1) The impact of interest rate, exchange rate changes, and inflation on the profit or loss of the securities firm and future countermeasures

1. Interest rate

For the Company's relevant businesses involving interest rates, including bond business, interest rate futures, and other derivative businesses, it has instructed the responsible department to establish appropriate risk management standards and establish position limits and stop-loss control mechanisms and perform sensitivity analysis, to effectively control interest rate risk from this type of business. The Company's brokerage department's loans for non-restricted purpose and loans are mainly to obtain interest rate spreads from financing and commissions, so it is not affected by changes in interest rates.

The impact of interest rate changes on profit or loss: DV01 refers to the impact on the amount of profit or loss on the bond positions when the bond interest rate rises or falls by 1 basis point (bp).

Unit: NTD thousand

| Date | Items | Average duration | The profit or loss amount (DV01) with a 1bp change in interest rate | Remarks |
|------------|-------|------------------|---|--|
| 2021.12.31 | | 3.25 | \$747 | Proprietary bonds measured at fair values through profit and/or loss |
| 2021.12.31 | | 31.30 | 626 | Perpetual bonds measured at amortized cost |
| 2020.12.31 | | 3.56 | 763 | |

2. Change in exchange rate

The Company's main customers and operations locations are all in Taiwan, and its main operating income is mainly from domestic business. The impact of exchange rate changes should be limited. The equity of overseas futures invested by the futures commission segment and the foreign securities firms is calculated in NTD. In addition, the positions of the international bonds invested by the bond segment and the offshore funds invested with its own funds involving exchange rates, there are also risk limits and a stop-loss mechanism in place, to effectively control the exchange rate risks.

Impact of exchange rate changes on profit or loss: The Company assesses the impact of exchange rate change by 1% on the profit and loss on foreign currency positions.

Unit: NTD thousand

| Year | Items | Profit/loss per 1% fluctuation |
|------------|-------|--------------------------------|
| 2021.12.31 | | \$298 |
| 2020.12.31 | | 283 |

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

3. Inflation

The Company is in the securities service industry, and revenue and costs are positively correlated, so inflation causes no material impact on its finances and business.

4. Future countermeasures

- (1) Regularly collect macroeconomics, interest rate, and exchange rate information to understand market trends.
 - (2) Changes in interest rates affect the Company's borrowing costs. If interest rates show an unfavorable trend, the Company can also engage in interest rate swap or issue convertible corporate bonds to avoid the risk of interest rate rises.
 - (3) The profit or loss of the Company's bond (government and corporate bonds) trading, outright purchases and sales, and repo trade is easily affected by interest rate fluctuations, but the bonds mainly to be held to maturity on a long-term basis are less affected by interest rate fluctuations. In addition, adjusting the operation strategy as per the trend of interest rates or hedging through interest rate or exchange rate swap can alleviate the impact of changes in interest rates and exchange rates on the Company's profit or loss.
- (2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.
1. As of the most recent fiscal year and the printing date of the Annual Report, the Company is not engaged in high-risk investments, highly leveraged investments, endorsements, and guarantees.
 2. Except for the loans for non-restricted purpose and loans in accordance with the laws and regulations, the Company did not provide loans to others.
 3. In the Company's promotion of derivatives businesses, the Company has taken the market situation and predictable risks into consideration when designing such products. At the same time, for the robustness of operation, the Company has also placed reasonable hedging positions based on the market situation to reduce risk exposure, and streamlining costs and expenses in order to increase the return on equity.
 4. The Company only involves in derivatives that are approved by the competent authorities. The Company has formulated the "Procedures for Derivative Trading" as an internal control mechanism. Also, the Company has also established the Risk Management Office to manage risks of derivatives trading.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (3) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

| Important domestic and overseas policies and laws in recent years | The effect upon the Company's financial operations | Response to such factors |
|---|---|---|
| <p>1. The tax rate of 1.5% halved for day trading has been extended to the end of 2024.</p> <p>2. To increase the service quality of the financial service industry and implement the principle of fair treatment of consumers, the scope of disclosure of the assessment of the fair treatment of consumers has been expanded:</p> <p>(1)The Principle of Suitability of Goods or Services to motivate the financial industry pay more attention to the fair treatment of the elderly, people with disabilities, and other ethnic groups.</p> <p>(2)Put forth a more concise process design for customer complaints or disputes, which is conducive to resolving disputes efficiently and protecting financial consumers.</p> <p>(3)Those who fail to improve the defects in the previous year's assessment will have points deducted from the financial inspection and daily supervision scoring in the assessment.</p> <p>3. Launched the Taiwan Innovation Board and the Pioneer Stock Board.</p> | <p>1. Maintain the momentum of Taiwan stocks and increase customers' willingness to invest.</p> <p>2. In 2023, the assessment of the fair treatment of consumers will further expand to disclose the top 50% of the businesses.</p> <p>3. Focus on innovative businesses with critical core technologies, innovation capabilities, or innovative business models and create a financing environment that is friendly to innovative companies.</p> | <p>1. Continuously update the hardware facilities of the server rooms and the order placement software to meet customers' needs.</p> <p>2. Amend the Company's Fair Treatment of Customers Principle Policy and set up the Fair Treatment of Customers Promotion Committee to plan to achieve the goal of fair treatment of customers in all aspects from the Company's management to sales people.</p> <p>3. Actively guide innovative companies to ensure that their finance, internal control audit reports, and compliance systems are in compliance with the new financing system.</p> |

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (4) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

1. Impact

- (1) Improved network transmission:

In the new era of 5G mobile communication, ultra-high-speed network transmission, and improvements of hardware performances have boosted the applications of innovative technologies that require massive computing resources and high internet transmission speed. Such technologies include AI, machine learning, big data, SDN, IOT and others. Technology innovation capability has become a key competitive advantage. To utilize these innovative technologies on a digital transformation or reinforcement of Fintech application have become a mutual goal of securities firms. The business model and services of securities firms are under a transition driven by the rapid development of innovative technologies. Not only have the monetary amount of order placement on e-platform exceeded half of all order placements, traditional over-the-counter account opening services are also moving to online platforms. The traditional in-person investment or accounting consultation services provided only during rigid office hours are replaced by various Apps that clients have access to 24/7, providing faster and more accurate services.

- (2) Automation and energy conservation and carbon reduction:

Under the office automation and paperless trend, the Company has to reform various work procedures to be in line with the latest technology, in the aim to increase work efficiency, to improve decision analysis models and to reduce operation expenses. The Company has introduced robotic process automation (RPA) artificial intelligence (AI) to improve workflow, reduce human errors, and promote the digitalization, while reducing paper consumption to save energy, reducing carbon emissions, and mitigating global climate change.

- (3) The widespread popularity of smart mobile devices and the thriving development of financial technology applications:

Due to the widespread popularity of smart mobile devices and thriving development of innovative financial technology applications, the level of information security required has increased greatly. As the financial firms are developing convenient electronic transaction tools, they are continuously attacked by new type of internet hackers, including DDos, credential-stuffing, zombie networks, Trojan horse, phishing, and social engineering. Therefore, securities firms require more professional information security personnel and the latest equipment to enhance information security protection.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

2. Responses:

- (1) Continuing the development and optimization of service software including digital account opening, online account opening, electronic order placement system.
 - (2) Increasing the number of information security personnel and enhancing new information technology training.
 - (3) Continuing the update and replacement of information software and hardware.
 - (4) Seeking new industry–academia cooperation to facilitate the development of innovative applications.
 - (5) Continuing the development of latest FinTech software, to provide clients with more convenient and friendly services.
 - (6) Continuing to evaluate the introduction of robotic process automation (RPA) to facilitate or replace detailed and complicated manual work.
- (5) Effect on the company’s crisis management of changes in the company’s corporate image, and measures to be taken in response.

The Company is committed to providing investors with the best quality services based on our business philosophy of robustness and practicality, and earn clients’ trust through providing our professionalism. Moreover, the Company has existing measures and responses for such matters and is capable of managing crisis in an appropriate and timely manner.

- (6) Expected benefits and possible risks associated with any merger and acquisitions (M&A), and mitigation measures being or to be taken

On Dec. 2, 2020, the Company’s acquisition of operated business and assets of Kunglon Securities Co., Ltd. (Hereinafter referred to as Kunglon Securities) was approved by the competent authority. As the Company and Kunglon Securities have similar natures in business, the acquisition has not only benefited the integration of businesses, but also ensured the rights of the clients. Moreover, the increase in operating locations for brokerage business is beneficial to expanding service regions and clients. It also has a positive impact on the Company’s financial, business and shareholders’ equity. However, the brokerage business of Kunglon Securities was mainly conducted in the traditional ways, the cost of discounts on service fees are lower than that of its peer companies, which is contrary to the trend of the current securities market. In the future, the intensifying competition will pose a greater challenge to the transfer of Kunglon Securities and increase the cost-of-service fee discounts.

Based on the above, the Company retains all sales personnel of Kunglon Securities and keep the original business model and arrangement of personnel unchanged, in order to maintain the business efficiency and capacity, and minimize the impact of acquisition.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)

(In thousand New Taiwan dollars, unless otherwise specified)

- (7) Expected result for establishing more business locations, possible risk and countermeasures

In recent years, the Company has been striving to increase the market share of the brokerage business. After completing the plan to eliminate and restructure its business locations in the first five years, it acquired Kunglon Securities in February 201 to establish the Kunglon Branch, to expand its business to Hualien and Taitung and greatly improve its profit. The current focus of work is to continuously enhance the profitability at each business location and actively plan and evaluate the establishment of new brokerage sites, to scale up the Company's brokerage business.

The expansion of the business and establishment of a new branch aims to transform the Company into a long-term partner in asset planning for customers. To achieve this goal, we have added a wealth management service and established an International Financial Business Department as the department in charge of wealth management business based on the long-term development trend of the financial market. It will assist the head office and branches in promoting wealth management business, provide customers with differentiated financial services and maintain long-term and positive relationships with customers. It will establish a high-quality consultant team to provide one-on-one consulting services. Through close interaction with customers and in-depth understanding of their needs, investment attributes, risk appetite, and available assets, it can provide tailor-made suitable investment plans and asset management advice. Meanwhile, the Company will continue to strengthen the professionalism of the consultants and improve the service quality, while cultivating their patience, carefulness, and concentration, to establish a positive interactive relationship with customers, thereby reinforcing the foundation of mutual trust to maintain long-term customer relationship.

The newly established branch mainly focuses on the wealth management business and undertaking the overseas trading of securities, which will increase the market share of the company's undertaking the overseas trading of securities (sub-brokerage) and can unleash the development potential of other branches' relevant businesses through the new team's experience in wealth management business, thereby greatly improving the overall revenue of the Company's brokerage business and increasing the value of shareholders' equity.

- (8) The risk confronting the over concentration of business, and countermeasures

The Company's main customers include individual investors, institutional investors, approved foreign professional investment institutions, and natural persons of all public or non-public companies. The Company does not have the risk of the business overly concentrating on one single customer.

- (9) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

The Directors or shareholders holding greater than a 10 percent stake in the company are holding the Company's shares in long and stable terms. Thus, there

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

are no major changes in the shareholding structure, showing that there are no relevant risks.

(10) The effects, risks and responsive measures associated with changes in securities:

There were no matters of material changes in governance personnel or top management in the year 2021. Thus, N/A. Moreover, the management of the Company consists of mainly professional managerial officers, and strictly follows through the rules and regulations formulated by the Company. Thus, there are no expected impacts or risks from the changes in governance personnel or top management.

(11) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the securities firm and/or any securities firm's director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, and the main parties to the dispute.

1. Any material impact upon shareholders' equity or prices for the company's securities as a result of any material litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent two fiscal years: None.
2. Any material impact upon shareholders' equity or prices for the company's securities as a result of any material litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, president, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent two fiscal years: None.
3. If there has been any material impact upon shareholders' equity or prices for the subsidiaries' securities as a result of any material litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent two fiscal years, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case shall be disclosed: None.

(12) Other major risks and counter-assessments: None.

7. Crisis management mechanism:

In response to abnormal events from unexpected market, credit, liquidity, operations, and legal, modeling, climate change, environmental sustainability, and other emerging (such as information security or personal data security) risks that cause damage to or concern about damage to the Company's property or non-property, the Company has formulated the Crisis Response Implementation Guidelines to deal with the various crises encountered effectively, with the aim of resuming normal operations quickly and reducing damage.

Other disclosures in the financial report of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

8. Other important notes: None.

IV. Change of CPA

1. Information on CPA Professional Fees

Unit: NT\$ thousand

| Name of accounting firm | Name of CPA | CPA inspection period | Auditing fee | Non-auditing fee | Total | Remarks |
|-------------------------|----------------|-------------------------|--------------|------------------|---------|---|
| EY Taiwan | James Huang | 2021.1.1~ 2021.12.31 | \$2,243 | \$552 | \$2,795 | Other non-audit fees include tax filing, reports on the reasonableness evaluation on repurchase of shares, and paperwork and photocopying of the financial reports. |
| | Bob Chang | 2021.1.1~ 2021.12.31 | | | | |

- (1) In events that the non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.
- (2) Commissioned a new CPA Firm to serve for an audit fee less than the year before: Not applicable.
- (3) Audit fee of current year is more than 10% less than the year before: Not applicable.

2. Changes of Accountants: None.

3. The securities' Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year: None.

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Horizon Securities Co., Ltd.
Disclosure by the Futures Department
2021 and 2020

Address of the Company: 3-5 and 7F., No. 236, Sec. 4, Xinyi Rd. Da'an Dist., Taipei City
Tel. No.: (02)2700-8899

Financial Statements of Futures Department

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Horizon Securities Co., Ltd. — Futures Department
Balance Sheet
December 31, 2021 and 2020

Unit: NTD thousand

| Assets | | | December 31, 2021 | | December 31, 2020 | |
|--------|---|--------------------|--------------------|------------|-------------------|------------|
| Code | Accounting titles | Note | Amount | % | Amount | % |
| | Current assets | | | | | |
| 111100 | Cash and cash equivalents | 4, 6.1 and 18 | \$485,514 | 43 | \$527,744 | 56 |
| 112000 | Financial assets at fair value through profit or loss-current | 4, 6.2, 11 and 18 | 31,600 | 3 | 6,311 | 1 |
| 114070 | Customers' margin accounts | 4, 6.3, 6.8 and 18 | 519,617 | 45 | 301,112 | 32 |
| 114150 | Prepayments | | 673 | - | 959 | - |
| 114170 | Other receivables | 18 | 131 | - | 464 | - |
| 110000 | Total current assets | | <u>1,037,535</u> | <u>91</u> | <u>836,590</u> | <u>89</u> |
| | Non-Current assets | | | | | |
| 125000 | Property, plant, and equipment – net | 4 | 1,247 | - | 1,098 | - |
| 127000 | Intangible assets | 4 | 3,686 | - | 3,609 | 1 |
| 129010 | Business guarantee | 6.4 and 18 | 80,000 | 7 | 75,000 | 8 |
| 129020 | Settlement / clearance fund | 6.5 and 18 | 21,320 | 2 | 21,126 | 2 |
| 129030 | Refundable deposits | 18 | 660 | - | 360 | - |
| 129130 | Prepayments for equipment | 18 | - | - | 490 | - |
| 129110 | Inter-department debits | | 203 | - | 981 | - |
| 120000 | Total of Non-Current Assets | | <u>107,116</u> | <u>9</u> | <u>102,664</u> | <u>11</u> |
| 906001 | Total assets | | <u>\$1,144,651</u> | <u>100</u> | <u>\$939,254</u> | <u>100</u> |

(See notes to financial statements of futures dept.)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd. — Futures Department
Balance Sheet (Continued)
December 31, 2021 and 2020

Unit: NTD thousand

| Liabilities and Equity | | | December 31, 2021 | | December 31, 2020 | |
|------------------------|----------------------------------|---------------|--------------------|------------|-------------------|------------|
| Code | Accounting titles | Note | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 214080 | Futures traders' equity | 4, 6.7 and 18 | \$519,433 | 45 | \$300,965 | 32 |
| 214130 | Accounts payable | 4 and 18 | 9 | - | 42 | - |
| 214160 | Agency Receipts | | 80 | - | 62 | - |
| 214170 | Other payables | 18 | 1,184 | - | 923 | - |
| 219000 | Other current liabilities | | 15 | - | 18 | - |
| 210000 | Total current liabilities | | <u>520,721</u> | <u>45</u> | <u>302,010</u> | <u>32</u> |
| | Non-current liabilities | | | | | |
| 220000 | Total of non-current liabilities | | - | - | - | - |
| 906003 | Total liabilities | | <u>520,721</u> | <u>45</u> | <u>302,010</u> | <u>32</u> |
| | Equity | | | | | |
| 301000 | Share capital | | | | | |
| 301110 | Appropriation working fund | 4 and 6.6 | 700,000 | 61 | 700,000 | 75 |
| 304000 | Retained earnings | | | | | |
| 304040 | Losses to be covered | | (76,070) | (6) | (62,756) | (7) |
| 906004 | Total equity | | <u>623,930</u> | <u>55</u> | <u>637,244</u> | <u>68</u> |
| 906002 | Total Liabilities and Equity | | <u>\$1,144,651</u> | <u>100</u> | <u>\$939,254</u> | <u>100</u> |

(See notes to financial statements of futures dept.)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd. — Futures Department
Statement of Comprehensive Income
2021 and 2020

Unit: NTD thousand

| Code | Items | Note | 2021 | | 2020 | |
|--------|--|----------|-------------------|-------------|----------------|-----------|
| | | | Amount | % | Amount | % |
| | Income | | | | | |
| 401000 | Brokerage fee revenue | 4 | \$35,363 | 201 | \$25,750 | 81 |
| 424400 | Net gains (losses) on the derivative financial instruments | 4 and 11 | (17,762) | (101) | 6,129 | 19 |
| 428000 | Other operating revenue | | (1) | - | (48) | - |
| 400000 | Total revenues | | 17,600 | 100 | 31,831 | 100 |
| | Expense | | | | | |
| 501000 | Brokerage fee expenses | | (6,642) | (38) | (5,049) | (16) |
| 502000 | Proprietary trade service commission expenses | | (503) | (3) | (808) | (3) |
| 521200 | Financial costs | | (3) | - | (12) | - |
| 524300 | Clearance and settlement service expenses | | (9,383) | (53) | (7,603) | (24) |
| 531000 | Employee benefits expenses | | (5,597) | (32) | (5,006) | (16) |
| 532000 | Depreciation and amortization expenses | | (1,906) | (11) | (1,879) | (6) |
| 533000 | Other operating expenses | | (7,167) | (40) | (8,106) | (25) |
| 500000 | Total Expense | | (31,201) | (177) | (28,463) | (90) |
| | Operating profit (loss) | | (13,601) | (77) | 3,368 | 10 |
| 602000 | Other profits and losses | | 287 | 1 | 2,814 | 9 |
| 902001 | Net income before tax (net loss) | | (13,314) | (76) | 6,182 | 19 |
| 902005 | Net income (net loss) for the current period | | (13,314) | (76) | 6,182 | 19 |
| 805000 | Other comprehensive income | | - | - | - | - |
| 902006 | Total comprehensive income in current period | | <u>\$(13,314)</u> | <u>(76)</u> | <u>\$6,182</u> | <u>19</u> |

(See notes to financial statements of futures dept.)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd.
Notes to financial statements of futures dept.
January 1 to December 31, 2021
And January 1 to December 31, 2020
(In thousand New Taiwan dollars, unless otherwise specified)

1 Department history

The Company's Futures Department was approved by the Securities and Futures Bureau in September 2008 to operate relevant futures proprietary trading business. It started business on December 1 in the same year, and was approved by the Securities and Futures Bureau to operate the futures brokerage business on April 29, 2013.

2 Financial reporting date and procedures

The department's financial statements for 2021 and 2020 were approved by the board of directors on March 3, 2022 before release.

3 Application of new and revised standards and interpretation

Please refer to Note 3 from page 12 of the Company's individual financial statements.

4 Summary of significant accounting policies

1. Compliance Statement

The financial statements of the department for the years ended on December 31, 2021 and 2020 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants.

2. Basis of preparation

The financial statements are based on historical cost, except for financial instruments measured at fair value. Unless otherwise stated, the financial statements are prepared in the currency of New Taiwan dollars (NT\$ thousand).

3. Foreign currency transactions

The financial statements of the department are presented in the functional currency of New Taiwan dollars.

The foreign currency transactions are converted to its functional currency according to the exchange rate on the transaction date. At each balance sheet date, foreign currency monetary items are translated at the closing exchange rate of the day. The foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date of fair value applied. The foreign currency non-monetary items measured at historical cost are translated at the exchange rate on the original trading day.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Except for the following, the exchange differences arising from the clearing or translation of monetary items are recognized as profit or loss in the period in which they are incurred:

- (1) For the foreign currency borrowings arising from acquiring assets that meet the requirements, the resulting exchange differences are treated as an adjustment to the interest cost and are capitalized as part of the borrowing cost.
- (2) The foreign currency items as in IFRS 9 “Financial Instruments” are handled in accordance with the accounting policies of financial instruments.
- (3) For the monetary items of the reporting entity that are an integral part of the net investment in the foreign operating institution, the resulting exchange differences were originally recognized in other comprehensive income and are reclassified from equity to profit or loss when the net investment is disposed.

When the profit or loss of a non-monetary item is recognized as other comprehensive income, any exchange profit or loss is recognized in other comprehensive income. When the profit or loss of a non-monetary item is recognized in profit or loss, any exchange profit or loss is recognized in profit or loss.

4. Classification of current and non-current assets and liabilities

In the case of any of the following circumstances, it is classified as current assets, and the assets other than the current ones are classified as non-current assets:

- (1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle.
- (2) Assets held mainly for trading purpose:
- (3) The asset is expected to be realized within twelve months after the reporting period.
- (4) Cash or cash equivalents, except where the asset is exchanged or used to settle liabilities at least twelve months after the reporting period.

In the case of any of the following circumstances, it is classified as current liabilities, and the liabilities other than the current ones are classified as non-current liabilities:

- (1) It expects to settle the liability in its normal operating cycle.
- (2) Liabilities held for trading purposes;
- (3) The liabilities are expected to be settled within twelve months after the reporting period.
- (4) Liabilities that are not possible to unconditionally defer the settlement date to at least twelve months after the reporting period. Terms of a liability that could, at the option

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

5. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits, futures trade margin or investments (including time deposits with a contract period within 12 months) that are readily convertible into fixed cash amount and have a very low risk of changes in value.

6. Financial instruments

Financial assets and financial liabilities are recognized when the department becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 “Financial Instruments,” at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and derecognition of all the financial assets of the department are handled with the trade date accounting.

The department uses the following two items to have financial assets classified as subsequently measured at amortized cost or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets based on cost after amortization

Financial assets that meet the following two conditions at the same time are measured at amortized cost and listed on the balance sheet as other receivables:

- A. Operating model of financial assets management: hold financial assets to collect contractual cash flow
- B. Contractual cash flow characteristics of financial assets: cash flow is entirely for the payment of principal and interest on the amount of outstanding principal.

These financial assets (excluding those involved in hedging) are subsequently measured at the amortized cost [(the amount measured at the time of original

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)

(In thousand New Taiwan dollars, unless otherwise specified)

recognition, less the principal paid, plus or minus the cumulative amortization amount (with the effective interest method) between the original amount and the amount due), and adjusting the allowance for loss]. For derecognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets at fair value through profit and loss

Financial assets are measured at fair value through profit or loss and are booked in the balance sheet as financial assets measured at fair value through profit or loss, except for the financial assets in the preceding paragraph that meet certain conditions and are measured at amortized cost.

Such financial assets are measured at fair value, and the benefits or losses arising from the remeasurement are recognized as profit or loss. The benefits or losses recognized as profit or loss include any dividend or interest received on the financial asset.

(2) Impairment of Financial Assets

For financial assets measured at amortized cost, the department recognizes and measures allowance losses based on expected credit losses.

The department measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)

(In thousand New Taiwan dollars, unless otherwise specified)

addition, it also includes the allowance for loss measured by the expected credit loss of the duration in the previous reporting period, but which no longer meets the condition that the credit risk has increased significantly since the original recognition on the balance sheet date.

- B. The expected credit loss amount for the duration: Includes the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable or contractual assets arising from transactions within the scope of IFRS 15, the department measured the allowance for loss with the expected credit loss amount of the duration.

On each balance sheet date, the department assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. In addition, please refer to Note 12 for information related to credit risk.

(3) Derecognized financial assets

Financial assets held by the department are derecognized when one of the following conditions is met:

- A. The contractual right from the cash flow of financial assets is terminated.
- B. The financial asset has been transferred and almost all of the risks and rewards of asset ownership have been transferred to others.
- C. Almost all risks and rewards of asset ownerships have not been transferred or retained, but the control of assets has been transferred.

When a financial asset is derecognized entirely, the difference between the book value and the collected or collectible considerations plus any cumulative gain or loss recognized in other comprehensive gain or loss is recognized in profit or loss.

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The liability and equity instruments issued by the department are classified as either financial liabilities or equity in accordance with the substance of the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments

An equity instrument refers to any contract that recognizes the residual equity of the Company after the asset deducts the liabilities. The equity instruments issued by the Company are recognized at the amount obtained after deducting the direct issuance costs.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Financial liabilities

Financial liabilities that meet the scope of application of IFRS 9 are classified as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss are measured at fair value and are held for trading.

Classified as held-for-trade when one of the following conditions is met:

- A. It is obtained mainly for the purpose of being sold in the short-term.
- B. It became part of the identified financial instrument portfolio managed comprehensively at initial recognition and there is evidence of the short-term profit-generating operation of the portfolio recently; or
- C. It is a derivative (except for a financial guarantee contract or a designated and effective hedging derivative instrument).

The benefits or losses arising from the remeasurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities measured at the amortized cost

Financial liabilities measured at the amortized cost refer to payables, which are subsequently measured using the effective interest method after the initial recognition. When a financial liability is derecognized and amortized through the effective interest method, its related profit or loss and amortization are recognized in profit or loss.

The calculation of the amortized cost takes into account the discount or premium and transaction costs at the time of acquisition.

Derecognition of financial liabilities

When the obligation of a financial liability is discharged, canceled, or invalidated, the financial liability is derecognized.

When the department and the creditors exchange opinions on a debt instrument with significant differences, or make major changes to all or part of the existing financial liabilities clauses (whether due to financial difficulties or not), it is handled by having the original liabilities derecognized and new liabilities recognized. When financial liabilities are derecognized, the difference between the book value and the total amount (including the transferred non-cash assets or liabilities assumed) of the considerations paid or payable is recognized in profit or loss.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

(5) Financial assets and liabilities written-off against each other

Financial assets and financial liabilities can only be offset and presented with the net amount on the balance sheet only when the recognized amounts can be offset currently by law and are intended to be cleared on a net amount or having assets sold for cash and liability liquidated simultaneously.

7. Derivatives

Derivatives held or issued by the department are listed on the balance sheet as financial assets or financial liabilities measured at fair value through profit and loss.

The original recognition of a derivative is measured at the fair value on the derivative contract date and it is also measured at fair value subsequently. When the fair value of a derivative is positive, it is a financial asset. When the fair value of a derivative is negative, it is a financial liability. Changes in the fair value of derivatives are recognized directly in profit or loss, except for cash flow with effective hedging and net operating investment of foreign operating entities with effective hedging directly recognized in the equity.

8. Fair value measurement

Fair value is the price that would be collected for the assets sold or the price paid for the liabilities transferred in an orderly transaction between market participants on the measurement date. Fair value measurement is with an assumption that the sale of the asset or the transfer of the liability occurs in one of the following markets:

- (1) The main market for the asset or liability, or
- (2) If there is no major market, the most favorable market for the asset or liability;

The primary or most favorable market must be available for the Company to conduct trades.

The fair value measurement of an asset or liability is based on the assumption that the market participants used in pricing the assets or liabilities, assuming that such market participants will use the assumption the most economically practical way.

The fair value measurement of a non-financial asset takes into account the market participant's use of the asset for its highest and best utilization or sale of the asset to another market participant who will use the asset for its highest and best utilization in order to generate economic benefits.

The department uses valuation techniques that are appropriate with sufficient data available in the relevant circumstances to measure fair value and maximize the use of observable inputs and minimize the use of unobservable inputs.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

9. Customers' margin accounts and futures traders' equity

Customers' margin accounts

The margin and royalties collected from futures traders in accordance with regulations, and the differences settled based on daily market prices, etc., belong to the category of current assets in the balance sheet.

Futures trader's equity

The margin and royalties collected from futures traders, and the differences settled based on daily market prices are futures trader's equity and belong to the category of current liabilities in the balance sheet. Except for the accounts of the same type of the same customer, they shall not offset each other. Where a debit balance occurs to a futures trader's equity, it shall be accounted for in futures trading margin receivable.

10. Futures trade

It is the trading margin and the positions of the futures and option contracts paid in cash or securities for the futures and option trading business. The amount of increase or decrease in the margin generated after daily valuation is accounted for in "futures trading margin – proprietary capital/securities." The royalties paid for options purchased for trading purposes are accounted for under "call option," and the royalties received for selling options is accounted for under "put option liabilities."

For futures and option trading, the differences upon settlement are recognized in current profit or loss. The differences between the settlement price and the average price of the positions unsettled at the balance sheet date are also recognized in "net gains (losses) on the derivative financial instruments – futures" under the current profit or loss.

The excess margin from futures trading margin exceeding the original margin belongs to the amount of unconditional withdrawable equity, and is recognized in "cash and cash equivalents."

11. Property and equipment

Real estate and equipment are recognized at the acquisition net cost of accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing, and restoring the location of the real estate and equipment and the necessary interest expense arising from the construction in progress. Depreciation is provided separately for the significant parts of the real estate and equipment. When major parts of real estate and equipment are subject to periodic replacement, the department treats the parts as an individual asset and recognizes it separately with specific periods of durability and depreciation method. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs and are recognized as part of the equipment book value.

Notes to the individual financial statements of the futures department of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is computed in accordance with the straight-line method over the estimated useful lives of the following assets:

| Type | Useful life |
|------------------|-------------|
| Office equipment | 3–5 years |

After the original recognition of the real estate and equipment or any significant parts, if it is disposed or no economic effect arising from the use or disposal is expected, it will be derecognized and recognized in profit or loss.

The residual value, years of useful life, and depreciation method of the real estate and equipment are assessed at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as a change in accounting estimates.

12. Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. After initial recognition of intangible assets, the book value is the amount of the cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets that do not meet the recognition conditions shall not be capitalized, but shall be recognized in profit or loss when they occur.

The department's intangible assets are of limited useful life and amortized over their useful life, and an impairment test is performed when there are signs of impairment. The amortization period and method shall be reviewed at least at the end of each fiscal year. If the estimated useful life of an asset is different from the previous estimate, or the expected pattern of future economic benefit consumption has changed, the amortization method or period will be adjusted and considered as a change in accounting estimates.

The profit or loss arising from the derecognition of an intangible asset is recognized as profit or loss.

The department's accounting policy for intangible assets is summarized as follows:

| Type | Useful life | Amortization method |
|-------------------|-------------|--|
| Computer software | 3–5 years | Amortized by the straight-line method according to the limited useful life |

13. Impairment of non-financial assets

The department at each balance sheet date assesses whether all assets subject to IAS 36 "Impairment of Assets" are showing signs of impairment. If there is any indication of impairment or an impairment test is required for an asset on a regular basis each year, the department tests the individual asset or the cash-generating unit to which the asset belongs. If the book value of an asset or the cash-generating unit to which the asset belongs is greater than the recoverable amount in an impairment test, the impairment loss is recognized. The recoverable amount is the higher of net fair value or value in use.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

At each balance date, the department assesses assets to see whether there are indications that the previously recognized impairment losses may no longer exist or may be decreased. In the event of such an indication, the department estimates the recoverable amount of the asset or cash-generating unit. If the recoverable amount is increased due to the change in the estimated service potential of the asset, the impairment amount is reversed. However, the reversed book value shall not exceed the book value before recognizing impairment loss and after deducting depreciation or amortization.

14. Recognition of revenue

The department's main revenue sources are as follows:

- (1) Brokerage fee income obtained from brokerage services in futures transactions is recognized on an accrual basis.
- (2) Futures contracts and options trading profit: Contracts bought and sold according to the trading purpose are evaluated on a daily basis, offset, or recognized as profit upon settlement.

5 Main source of significant accounting judgment, estimates and assumptions uncertainty

When the financial statements are prepared by the department, the management must make judgments, estimates, and assumptions at each balance sheet date, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

The department has included the economic impact caused by the COVID-19 pandemic into the consideration of major accounting estimates. The management will continue to evaluate its financial position, financial performance, ability to continue as a going concern, asset impairment, and disclosure of financing risks, and other matters.

Estimation and assumption

The main source of information on the estimation and assumption with uncertainty at the balance sheet has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

1. The fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be obtained from the active market, the fair value will be determined using evaluation techniques, including the income approach (such as, cash flow discount model) or market approach. The changes in the assumptions of the said approaches will affect the fair value of the financial instruments reported.

2. Accounts receivable – estimation of impairment loss

The department's estimated impairment loss of loans is measured by the expected credit loss amount for a period of 12 months and for the duration of the period. The present value of the difference between the contractual cash flow (book value) receivable and the expected cash flow (assessment of forward-looking information) is the credit loss.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
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However, the discount effect of short-term loans and receivables is insignificant. Therefore, the credit loss is measured by the undiscounted spread amount. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

6 Summary of significant accounting titles

1. Cash and cash equivalents

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Current deposits | \$18,590 | \$24,569 |
| Time deposits | 145,000 | 315,000 |
| Cash equivalents – short-term notes and bills | 244,764 | 60,978 |
| Cash equivalents – futures excess margin | <u>77,160</u> | <u>127,197</u> |
| Total | <u>\$485,514</u> | <u>\$527,744</u> |

The above-mentioned time deposits include time deposits that mature within 12 months and can be converted into imprest cash at any time, and the risk of value changes is very small. The interest rate range of the interest rate as of December 31, 2021 and 2020 was 0.130%–0.780% and 0.230%–1.040%, respectively.

The cash and cash equivalents above are not secured.

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

Financial assets at fair value through profit and loss by the department are listed below:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|-------------------|-------------------|
| <u>Derivatives</u> | | |
| Futures trading margin – proprietary capital | <u>\$31,600</u> | <u>\$6,311</u> |

The department did not provide any security for financial assets at fair value through profit or loss.

Please refer to Note 11 for open positions and values of the department's futures contracts and options transactions.

3. Customers' margin accounts

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Bank deposits | \$363,736 | \$120,678 |
| Settlement institution settlement balance | <u>155,881</u> | <u>180,434</u> |
| Total | <u>\$519,617</u> | <u>\$301,112</u> |

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

4. Business guarantee

The business guarantee is deposited in the designated banks after the establishment of the Company in accordance with the Futures Trading Act and the Regulations Governing Futures Commission Merchants. The department deposits guarantees in financial institutions designated by the Securities and Futures Bureau, FSC, with certificates of deposit. The details are as follows:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---------------------------------------|-------------------|-------------------|
| Proprietary futures trading guarantee | \$10,000 | \$10,000 |
| Futures brokerage guarantee | 70,000 | 65,000 |
| Total | <u>\$80,000</u> | <u>\$75,000</u> |

5. Settlement / clearance fund

The settlement/clearance fund is a fund deposited in Taiwan Futures Exchange in accordance with the Taiwan Futures Exchange Corporation Criteria for Clearing Membership. Statement:

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Clearance fund in Taiwan Futures Exchange | <u>\$21,320</u> | <u>\$21,126</u> |

6. Appropriation working fund

As of December 31, 2021 and 2020, the department's working capital was NTD 700,000 thousand, all appropriated from the headquarters.

7. Statement of Reconciliation for customers' margin accounts and futures traders' equity

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Margin accounts – bank deposits | \$363,736 | \$120,678 |
| Margin accounts – settlement institution settlement balance | 155,881 | 180,434 |
| Customer margin account balance | <u>519,617</u> | <u>301,112</u> |
| Less: Processing fee income pending reclassification | (89) | (87) |
| Futures transaction tax to be transferred out | (80) | (42) |
| Temporary receipts | (15) | (18) |
| Futures traders' equity | <u>\$519,433</u> | <u>\$300,965</u> |

7 Related party transactions

No such event

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

8 Pledged assets

No such event

9 Significant contingent liabilities and unrecognized contractual commitments

No such event

10 Significant disaster loss

No such event

11 Information of derivative transactions

1. The details of the department's open positions of futures contracts and options and open contract values are as follows:

| | | 2021.12.31 | | | | |
|-------------------|--------------------------|----------------------|------------------------|---|------------|---------|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks |
| | | Buyer and sellers | number of contracts | | | |
| Futures contracts | Electronics futures (TE) | Buyer | 10 lots | \$34,579 | \$35,030 | |
| Futures contracts | Financial futures (TF) | Seller | 10 lots | 16,895 | 17,136 | |
| Futures contracts | TAIEX Futures | Seller | 56 lots | 202,354 | 203,941 | |
| Futures contracts | DAX | Buyer | 2 lots | 24,663 | 24,830 | |
| Futures contracts | Mini-DAX | Buyer | 2 lots | 4,884 | 4,966 | |
| Futures contracts | Euro 10-year bonds | Seller | 1 lot | 5,376 | 5,367 | |
| Futures contracts | Euro 5-year bonds | Seller | 4 lots | 16,737 | 16,692 | |
| Futures contracts | FTSE 100 Index | Buyer | 4 lots | 10,682 | 10,927 | |
| Futures contracts | UK long-term bonds | Buyer | 2 lots | 9,471 | 9,318 | |
| Futures contracts | Hang Seng Index | Seller | 2 lots | 8,184 | 8,323 | |
| Futures contracts | SGX Nikkei 225 Index | Buyer | 2 lots | 6,943 | 6,917 | |
| Futures contracts | Light crude oil | Buyer | 5 lots | 9,918 | 10,409 | |
| Futures contracts | U.S. Dollar Index | Buyer | 65 lots | 173,040 | 171,991 | |

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
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| | | 2021.12.31 | | | | | |
|-------------------|---|----------------------|------------------------|---|------------|---------|--|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks | |
| | | Buyer and sellers | number of contracts | | | | |
| Futures contracts | EUR | Seller | 1 lot | \$3,933 | \$3,945 | | |
| Futures contracts | Mini S&P500 | Buyer | 2 lots | 13,199 | 13,172 | | |
| Futures contracts | U.S. 5-year bonds | Buyer | 80 lots | 267,526 | 267,891 | | |
| Futures contracts | Gold | Buyer | 23 Lots | 115,126 | 116,416 | | |
| Futures contracts | Copper | Seller | 9 lots | 26,995 | 27,799 | | |
| Futures contracts | Miniature gold coin | Seller | 2 lots | 1,012 | 1,012 | | |
| Futures contracts | Natural gas | Seller | 1 lot | 1,014 | 1,032 | | |
| Futures contracts | Mini Nasdaq | Buyer | 1 lot | 8,871 | 9,035 | | |
| Futures contracts | Platinum | Buyer | 2 lots | 2,698 | 2,674 | | |
| Futures contracts | Mini light crude oil | Buyer | 1 lot | 1,043 | 1,041 | | |
| Futures contracts | Unleaded gasoline | Seller | 1 lot | 2,588 | 2,586 | | |
| Futures contracts | Mini Russell 2000 Index | Buyer | 1 lot | 3,064 | 3,104 | | |
| Futures contracts | FTSE Xinhua China A50 Index | Buyer | 5 lots | 2,185 | 2,173 | | |
| Futures contracts | Silver | Buyer | 2 lots | 6,416 | 6,464 | | |
| Futures contracts | BSE SENSEX | Buyer | 4 lots | 3,832 | 3,862 | | |
| Futures contracts | SGX FTSE Taiwan Index Futures | Buyer | 5 lots | 8,795 | 8,877 | | |
| Futures contracts | U.S. 10-year bonds | Buyer | 17 lots | 61,363 | 61,393 | | |
| Futures contracts | U.S. 30-year bonds | Seller | 5 lots | 22,062 | 22,205 | | |
| Futures contracts | Micro E-mini Dow Jones Industrial Average Index Futures | Buyer | 4 lots | 19,985 | 20,055 | | |

| | | 2020.12.31 | | | | | |
|-------------------|---|----------------------|------------------------|---|------------|---------|--|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks | |
| | | Buyer and sellers | number of contracts | | | | |
| Futures contracts | TAIEX Futures | Buyer | 23 Lots | \$67,460 | \$67,519 | | |
| Futures contracts | TAIEX Futures | Seller | 20 lots | 56,452 | 58,432 | | |
| Futures contracts | Mini-DAX | Buyer | 1 lot | 2,417 | 2,407 | | |
| Futures contracts | Euro 10-year bonds | Buyer | 5 lots | 31,097 | 31,105 | | |
| Futures contracts | Euro 5-year bonds | Buyer | 5 lots | 23,685 | 23,670 | | |
| Futures contracts | UK long-term bonds | Buyer | 2 lots | 10,477 | 10,545 | | |
| Futures contracts | Hang Seng Index | Buyer | 2 lots | 9,836 | 9,997 | | |
| Futures contracts | OSE Nikkei 225 Mini | Buyer | 4 lots | 2,948 | 3,033 | | |
| Futures contracts | Mini 10-year Japanese government bonds | Buyer | 2 lots | 8,402 | 8,391 | | |
| Futures contracts | SGX Nikkei 225 Index | Buyer | 1 lot | 3,680 | 3,798 | | |
| Futures contracts | AUD | Buyer | 1 lot | 2,161 | 2,193 | | |
| Futures contracts | CAD | Seller | 4 lots | 8,910 | 8,924 | | |

Notes to the individual financial statements of the futures department of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

| | | 2020.12.31 | | | | |
|-------------------|---|----------------------|------------------------|---|------------|---------|
| Items | type of trade | Unsettled position | | Contract amount or premium paid (collected) | Fair value | Remarks |
| | | Buyer and sellers | number of contracts | | | |
| Futures contracts | Light crude oil | Buyer | 1 lot | \$1,371 | \$1,382 | |
| Futures contracts | U.S. Dollar Index | Buyer | 6 Lots | 15,494 | 15,361 | |
| Futures contracts | EUR | Seller | 1 lot | 4,354 | 4,360 | |
| Futures contracts | 3-month Eurodollar | Buyer | 7 Lots | 49,735 | 49,755 | |
| Futures contracts | Mini S&P500 | Buyer | 1 lot | 5,282 | 5,338 | |
| Futures contracts | U.S. 5-year bonds | Buyer | 6 Lots | 21,554 | 21,559 | |
| Futures contracts | Gold | Buyer | 2 lots | 10,779 | 10,794 | |
| Futures contracts | Copper | Buyer | 3 Lots | 7,583 | 7,517 | |
| Futures contracts | Platinum | Buyer | 2 lots | 2,988 | 3,074 | |
| Futures contracts | FTSE Xinhua China A50 Index | Buyer | 14 lots | 6,835 | 7,062 | |
| Futures contracts | BSE SENSEX | Buyer | 1 lot | 798 | 798 | |
| Futures contracts | U.S. 2-year bonds | Buyer | 4 lots | 25,171 | 25,174 | |
| Futures contracts | U.S. 10-year bonds | Buyer | 9 lots | 35,335 | 35,392 | |
| Futures contracts | Micro E-mini Dow Jones Industrial Average Index Futures | Buyer | 2 lots | 8,596 | 8,685 | |

2. The details of the department's futures trading margin – proprietary capital as of December 31, 2021 and 2020 are as follows:

| | | 2021.12.31 | | |
|--------------------------|--|--------------------|------------------------------------|-------------------------|
| Futures brokerage | | Account balance | Profit (loss) on open positions | Net value of account |
| Taiwan Futures Exchange | | \$8,194 | \$(1,376) | \$6,818 |
| Yuanta Futures Co., Ltd. | | 24,032 | 750 | 24,782 |
| Total | | \$32,226 | \$(626) | \$31,600 |

| | | 2020.12.31 | | |
|--------------------------|--|--------------------|------------------------------------|-------------------------|
| Futures brokerage | | Account balance | Profit (loss) on open positions | Net value of account |
| Taiwan Futures Exchange | | \$882 | \$(1,921) | \$(1,039) |
| Yuanta Futures Co., Ltd. | | 6,563 | 787 | 7,350 |
| Total | | \$7,445 | \$(1,134) | \$6,311 |

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

3. The profit or loss on futures contracts and options transaction of the department by engaging in futures and options trading business is recognized as the net gains (losses) in the derivative financial instruments and listed as follows:

| | 2021 | 2020 |
|--------------------------------------|------------|-----------|
| Futures contract profit and loss: | | |
| Futures contract gain – realized | \$220,204 | \$281,514 |
| Futures contract gain – unrealized | 111 | 422 |
| Subtotal | 220,315 | 281,936 |
| Futures contract loss – realized | (238,021) | (274,796) |
| Futures contract loss – unrealized | 397 | (1,938) |
| Subtotal | (237,624) | (276,734) |
| Net profit (loss) | \$(17,309) | \$5,202 |
| | 2021 | 2020 |
| Options trading profit and loss: | | |
| Gain from options trade – realized | \$519 | \$3,305 |
| Gain from options trade – unrealized | - | - |
| Subtotal | 519 | 3,305 |
| Loss from options trade – realized | (972) | (2,378) |
| Loss from options trade – unrealized | - | - |
| Subtotal | (972) | (2,378) |
| Net profit (loss) | \$(453) | \$927 |

12. Compliance to financial ratio covenants mandated by the Futures Trading Act

Legal basis: Regulations governing futures Commission Merchants

| Article number | Calculation formula | Current period | | Previous period | | Standards | Status |
|----------------|---|----------------|----------------------|-----------------|----------------------|------------------------|-------------------|
| | | Calculation | Percentage | Calculation | Percentage | | |
| 17 | Shareholders' equity | \$623,930 | 484.42 times greater | \$637,244 | 609.87 times greater | ≥ 1 | Qualified Article |
| | Total liabilities – futures merchant's equity | \$1,288 | | \$1,045 | | | |
| 17 | Current assets | \$1,037,535 | 1.99 times greater | \$836,590 | 2.77 times greater | ≥ 1 | Qualified Article |
| | Current liabilities | \$520,721 | | \$302,010 | | | |
| 22 | Shareholders' equity | \$623,930 | 89.13% | \$637,244 | 91.03% | (1) ≥ 60% (2) ≥ 40% | Qualified Article |
| | Minimum paid up capital | \$700,000 | | \$700,000 | | | |
| 22 | Adjusted net capital (ANC) | \$599,964 | 407.64% | \$623,993 | 1,067.59% | (1) ≥ 20% (2) ≥ 15% | Qualified Article |
| | Total margins required for futures traders' outstanding positions | \$147,179 | | \$58,449 | | | |

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

13 Risks specific to a futures commission merchant

The main risk of the department's proprietary business is market price risk. Because the financial leverage of futures trading features small margins, and the rapid changes in the market conditions of the futures are not easy to predict, the operating risk of the futures proprietary business is higher than that of the general industry. If a margin cannot be maintained, the margin must be paid immediately or the position must be offset early. However, the department has preset a stop loss point based on risk management to control such a risk.

14 Significant subsequent events

No such event

15 Information about important transactions

No such event

16 Information regarding investees

No such event

17 Information regarding investment in the territory of mainland China

No such event

18 Others

1. Purpose and policy of financial risk management

(1) Credit risk

The futures contract and options contract transactions that the department engages in are through the Taiwan Futures Exchange, which is expected not to cause material credit risk.

(2) Market risk

The price risk of the department engaged in index options and stock index futures trading is the risk of fluctuations in the indices of the futures and options traded. Each contract has a fair value, and a stop loss point is set according to the risk during operation, and the loss incurred should be within a predictable range, but it is still unavoidable to face some existing market risks.

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

- (3) Liquidity risk, cash flow risk and the amount, period and uncertainty of future cash requirements

The open positions of the index options held by the department can be closed at a reasonable price in the market, so the possibility of liquidity risk is relatively low.

The trading of stock price index futures the department engages in is margin trading. The margin has been paid before each transaction, and the open positions of futures contracts created by the department are evaluated on a daily basis. If there is a need for a margin call, the department's working capital should be sufficient to cover it.

The department is engaged in trading options and has paid (received) royalties before each transaction. If the counterparty of a sell call requires the performance of the contract, the department's working capital should be sufficient to cover it. On the whole, although there are still some unavoidable cash flow risks in relevant transactions, the possibility of material impact due to such occurrence on the operations of the department is relatively small.

- (4) The types, targets and the strategy for reaching the targets for derivative financial instruments:

The department is currently operating futures products and options trading for trading purposes, in order to expand investment channels and utilize the Company's capital effectively.

2. Categories of financial instruments

Financial assets

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|--|--------------------|-------------------|
| Financial assets measured at fair value through profit or loss | | |
| Measured at fair value through income under compulsion | \$31,600 | \$6,311 |
| Financial assets based on cost after amortization (Note) | 1,107,242 | 925,806 |
| Total | <u>\$1,138,842</u> | <u>\$932,117</u> |

Note: Including cash and cash equivalents, customers' margin accounts, other receivables, business guarantee, settlement/clearance fund, and refundable deposits.

Financial liabilities

| | <u>2021.12.31</u> | <u>2020.12.31</u> |
|---|-------------------|-------------------|
| Financial liabilities based on cost after amortization: | | |
| Futures traders' equity | \$519,433 | \$300,965 |
| Payables | 1,193 | 965 |
| Total | <u>\$520,626</u> | <u>\$301,930</u> |

Notes to the individual financial statements of the futures department of Horizon Securities Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

The department adopts the following methods and assumptions to estimate the fair values of its financial instruments:

- (1) The Book Value of short-term financial instruments stated in the balance sheet shall be the fair value of such instruments. The reason is that the maturity date of these instruments is close and it would be reasonable to use the Book Value in the valuation of fair value. This method is applied to cash and cash equivalents, customers' margin accounts, futures trading margin receivable, receivables, business guarantee, settlement/clearance fund, refundable deposits, futures traders' equity, and payables.
- (2) If a financial instrument measured at fair value through profit and loss is quoted in an active market, the market price is adopted as the fair value. If there are no market prices for reference, then fair values shall be estimated using the valuation approach. Estimates and assumptions used in the valuation approach are consistent with the estimates and assumptions adopted by market participants when pricing the underlying financial instruments.

The methods for determining the fair values of various financial instruments are as follows:

- (1) Futures instruments: The closing price of each futures trading market is adopted.
- (2) Options instruments: The closing price of each options trading market is adopted.
- (3) Other derivatives: For those listed in markets, their listed market quotes are adopted as the basis for market prices. For those not listed in markets, the average buying price or average selling price of the quotation platform, or other definite quotes as the basis for market prices.

3. Fair value hierarchy

(1) Fair value hierarchy

All assets and liabilities measured or disclosed at fair value is the lowest level input that is important to the overall fair value measurement, classified to the fair value level to which it belongs. The input at each level is as follows:

Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date

Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

Level 3: The unobservable input value of an asset or liability.

For assets and liabilities that are recognized in the financial statements on a repetitive basis, the classification is reevaluated at each balance sheet date to determine whether

Notes to the individual financial statements of the futures department of Horizon Securities
Co., Ltd. (continued)
(In thousand New Taiwan dollars, unless otherwise specified)

there is a transfer between the fair value levels.

(2) Information on hierarchy of fair value measurement

The department does not have non-repetitive assets measured at fair value. The information on the fair value level of repetitive assets and liabilities is shown below:

| <u>December 31, 2021</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| <u>Derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Futures trading margin – proprietary capital | \$31,600 | \$- | \$- | \$31,600 |
| <u>December 31, 2020</u> | | | | |
| <u>Derivatives</u> | | | | |
| <u>Assets</u> | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Futures trading margin – proprietary capital | \$6,311 | \$- | \$- | \$6,311 |

(3) Transfer between Level 1 and Level 2 fair value

For the years ended December 31, 2021 and 2020, the department's assets and liabilities measured at fair value on a recurring basis did not experience transfer between Level I and Level 2 fair value.

Horizon Securities Co., Ltd. — Futures Department

1. Statement of cash and cash equivalent list

December 31, 2021

Unit: NTD thousand

| Items | Summary | | Amount |
|-----------------------|-----------------------|-------------------------------|------------------|
| Current deposits | | | \$18,590 |
| | <u>Interest rate%</u> | <u>The last maturity date</u> | |
| Time deposits | 0.130%~0.780% | 2022.7.8 | 145,000 |
| Cash equivalents | | | |
| | <u>Interest rate%</u> | <u>The last maturity date</u> | |
| Short term bills | 0.270%~0.310% | 2022.2.18 | 244,764 |
| Futures excess margin | | | 77,160 |
| Total | | | <u>\$485,514</u> |

Horizon Securities Co., Ltd. — Futures Department
 2. Financial assets at fair value through profit and loss list
 December 31, 2021

Unit: NTD thousand

| Name of financial instruments | Summary | Number | Face value | Total amount | Interest rate | Cost of acquisition | Fair value | | Changes in fair value attributable to the changes in the credit risk | Remarks |
|--|---------|--------|------------|-----------------|---------------|---------------------|------------|-----------------|--|---------|
| | | | | | | | Unit price | Total amount | | |
| Futures trading margin – proprietary capital | | | | <u>\$31,600</u> | | | | <u>\$31,600</u> | <u>\$-</u> | |

Horizon Securities Co., Ltd. — Futures Department

3. Futures trading margin - proprietary capital statement

December 31, 2021

Unit: NTD thousand

| Futures clearing house name | Summary | Currency | Foreign currency amount | Exchange rate | Taiwan Dollar Amount | Remarks |
|-----------------------------|--------------------------|----------|-------------------------|---------------|----------------------|---------|
| Taiwan Futures Exchange | margin for futures trade | NTD | | | <u>\$31,600</u> | |

Horizon Securities Co., Ltd. — Futures Department

4.1 Customers' margin account balance statement

December 31, 2021

Unit: NTD thousand

| Items | Current period | | Previous period | |
|--|------------------|------------|------------------|------------|
| | Amount | % | Amount | % |
| Bank deposits | \$363,736 | 70 | \$120,678 | 40 |
| Settlement institution settlement balance | <u>155,881</u> | <u>30</u> | <u>180,434</u> | <u>60</u> |
| Total | <u>\$519,617</u> | <u>100</u> | <u>\$301,112</u> | <u>100</u> |

Horizon Securities Co., Ltd. — Futures Department

4.2 Customers' margin accounts - bank deposits statement

December 31, 2021

Unit: NTD thousand

| Bank | Account No. | Currency | Foreign currency amount | Exchange rate | Taiwan Dollar Amount | Remarks |
|--|--------------------|----------|-------------------------------|------------------|----------------------------|---------|
| CTBC Bank City Hall Branch | 000000543540142396 | NTD | | | \$3,809 | |
| Taishin International Commercial Bank Co., Ltd. Jianbei Branch | 000020680100152833 | NTD | | | 324,698 | |
| Cathay United Bank Guanqian Branch | 000000001035005265 | NTD | | | <u>35,229</u> | |
| Total | | | | | <u>\$363,736</u> | |

Horizon Securities Co., Ltd. — Futures Department

4.3 Customers' margin accounts - Settlement institution settlement balance statement

December 31, 2021

Unit: NTD thousand

| Futures clearing house name | Summary | Currency | Foreign currency amount | Exchange rate | Taiwan Dollar Amount (estimated value of securities has been pledged as margin collateral) | Remarks |
|-----------------------------|---------------|----------|-------------------------|---------------|--|---------|
| Taiwan Futures Exchange | Bank deposits | NTD | | | <u>\$155,881</u> | |

Horizon Securities Co., Ltd. — Futures Department

5.1 Property and equipment statement

January 1 to December 31, 2021

Unit: NTD thousand

| Items | Opening balance | Current increase amount | Current decrease amount | Balance, ending | Security or Pledge Provided | Remarks |
|------------------|-----------------|-------------------------|-------------------------|-----------------|-----------------------------|---------|
| Office equipment | <u>\$2,537</u> | <u>\$500</u> | <u>\$-</u> | <u>\$3,037</u> | None | |

Horizon Securities Co., Ltd. — Futures Department

5.2 Real property and equipment accumulated depreciation statement

January 1 to December 31, 2021

Unit: NTD thousand

| Items | Opening balance | Current increase amount | Current decrease amount | Balance, ending | Remarks |
|------------------|-----------------|-------------------------|-------------------------|-----------------|---------|
| Office equipment | <u>\$1,439</u> | <u>\$351</u> | <u>\$-</u> | <u>\$1,790</u> | Note 1 |

Note 1: For the information on depreciation method and useful life, please refer to Note 4 of the futures department's financial statements.

Horizon Securities Co., Ltd. — Futures Department

6. Statement of changes in intangible assets

January 1 to December 31, 2021

Unit: NTD thousand

| Items | Opening balance | Current increase amount | Current decrease amount | Balance, ending | Remarks |
|-------------------|-----------------|-------------------------|-------------------------|-----------------|---------|
| Computer software | <u>\$3,609</u> | <u>\$1,631</u> | <u>\$1,554</u> | <u>\$3,686</u> | Note 1 |

Note 1: For the information on amortization method and useful life, please refer to Note 4 of the futures department's financial statements.

Horizon Securities Co., Ltd. — Futures Department

7. Other non-current assets statement

December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|-----------------------------|---|-------------------------|---------|
| Business guarantee | Proprietary futures trading guarantee | \$10,000 | |
| | Futures brokerage guarantee | 70,000 | |
| Settlement / clearance fund | Futures settlement/clearance fund | 21,320 | |
| Refundable deposits | Self-discipline deposit of Chinese National Futures Association | 360 | |
| | Deposit for computer connection with futures exchange | 300 | |
| Inter-department debits | | <u>203</u> | |
| Total | | <u><u>\$102,183</u></u> | |

Horizon Securities Co., Ltd. — Futures Department

8. Futures Trader Equity Statement

December 31, 2021

Unit: NTD thousand

| Customer code | Currency | Foreign currency amount | Exchange rate | Taiwan Dollar Amount | Remarks |
|---------------|----------|-------------------------------|------------------|-------------------------|---|
| 075056-6 | NTD | | | \$157,599 | Accounted for less than 5% of the balance of the item |
| Others | NTD | | | <u>361,834</u> | |
| Total | | | | <u><u>\$519,433</u></u> | |

Horizon Securities Co., Ltd. — Futures Department

9. Accounts payable statement

December 31, 2021

Unit: NTD thousand

| Name of customer | Summary | Amount | Remarks |
|--------------------------|--|-------------------|---------|
| Non-related parties: | | | |
| National Taxation Bureau | Futures and options transaction tax payable | \$3 | |
| Others | Processing fee payable discounts | <u>6</u> | |
| Total | | <u><u>\$9</u></u> | |

Horizon Securities Co., Ltd. — Futures Department

10. Statement of net gains (losses) in the derivative financial instruments

January 1 to December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|---------------------------------------|------------|--------------------------|---------|
| Gains on derivative instruments | | | |
| Futures contract gain – non-hedging | Realized | \$220,204 | |
| Futures contract gain – non-hedging | Unrealized | 111 | |
| Gain from options trade – non-hedging | Realized | 519 | |
| Subtotal | | <u>220,834</u> | |
| Losses on derivative instruments | | | |
| Futures contract loss– non-hedging | Realized | (238,021) | |
| Futures contract loss– non-hedging | Unrealized | 397 | |
| Loss from options trade – non-hedging | Realized | (972) | |
| Subtotal | | <u>(238,596)</u> | |
| Total | | <u><u>\$(17,762)</u></u> | |

Horizon Securities Co., Ltd. — Futures Department

11. Other payables statement

December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount |
|----------------------|-----------------------------------|----------------|
| Other payables | | |
| Non-related parties: | | |
| | Futures or option settlement fees | \$422 |
| | Futures exchange processing fees | 628 |
| | Business tax | 116 |
| | Futures investor protection fund | 18 |
| Total | | <u>\$1,184</u> |

Horizon Securities Co., Ltd. — Futures Department

12. Statement of employee benefits, depreciation, amortization, and other operating expenses statement
2021 and 2020

Unit: NTD thousand

| Items | 2021 | 2020 | Remarks |
|---|-----------------|-----------------|---------|
| Employee benefits expenses | | | |
| Salaries and wages | \$4,523 | \$4,104 | |
| Labor insurance and national health insurance | 502 | 430 | |
| Pension expenses | 284 | 258 | |
| Other employee benefits expenses | 288 | 214 | |
| Subtotal | <u>5,597</u> | <u>5,006</u> | |
| Depreciation and amortization expenses | | | |
| Depreciation | 352 | 246 | |
| Amortization | 1,554 | 1,633 | |
| Subtotal | <u>1,906</u> | <u>1,879</u> | |
| Other operating expenses | | | |
| Stationery and printings | 2 | 5 | |
| Postage and phone/fax expense | 453 | 458 | |
| Entertainment | - | - | |
| Utilities | 63 | 47 | |
| Insurance expenses | 1 | 1 | |
| Taxes | 2,802 | 2,809 | |
| Rents | 300 | 282 | |
| Repairs and maintenance | 835 | 848 | |
| Advertisement | 2 | 1,509 | |
| IT expenses | 2,198 | 1,752 | |
| Discretionary donation | - | - | |
| Membership fees | 178 | 160 | |
| Transportation expenses | - | 1 | |
| Miscellaneous purchases | 43 | 12 | |
| Employee training expense | 5 | 3 | |
| Investor/Trader protection expenses | 225 | 172 | |
| Miscellaneous expenses | 60 | 47 | |
| Subtotal | <u>7,167</u> | <u>8,106</u> | |
| Total | <u>\$14,670</u> | <u>\$14,991</u> | |

1. The department's number of employees as of December 31, 2021 and 2020 were both 6. Among them, the number of directors not serving as employees concurrently both totaled 0.

2. Companies whose stocks have been listed on the Taiwan Stock Exchange or Taipei Exchange shall additionally disclose the following information:

- (1) The average benefit expenses for 2021 and 2020 were NT\$933 thousand and NT\$883 thousand, respectively.
- (2) The average salary and wage expenses for 2021 and 2020 were NT\$754 thousand and NT\$684 thousand, respectively.
- (3) The average salary adjustment was 10.23%.
- (4) The Company has established an Audit Committee to exercise supervisory powers and responsibilities in accordance with regulations, so no supervisor has been engaged.
- (5) Salary and remuneration policy:

The Company has established the salary structure according to position and job rankings. The employees' salaries are higher than the minimum standards of the Labor Standards Act. The Company determines the salary adjustment rate every year based on its operating conditions and the annual consumer price index (CPI) while referring to the salary levels in the same industry, and the employee salary adjustment rate is around 1% to 3%. Bonuses are distributed based on overall profit and earnings, and group bonuses are distributed with reference to the performance of each unit and individual performance. There are separate bonus regulations for salespersons and traders, and bonuses are given based on the performance of the Company's future risk adjustments. When there is profit, it shall be first used to offset accumulated losses, which is defined as the pre-tax profit or loss before deducting remuneration to employees and directors. The remuneration to employees shall not exceed 3% of the total profit, and can be paid in forms of cash or shares, while no more than 3% of the total profit shall be appropriated as remuneration to directors, which may only be paid in cash.

Horizon Securities Co., Ltd. — Futures Department

13. Other profits and losses statement

January 1 to December 31, 2021

Unit: NTD thousand

| Items | Summary | Amount | Remarks |
|-----------------------------|--|---------------------|---------|
| Other profits | | | |
| Financial income | Deposit interest, short-term bills interest, margin interest, etc. | \$2,282 | |
| Other non-operating revenue | Futures transactions tax credits and futures trading marketing subsidy | <u>402</u> | |
| Subtotal | | <u>2,684</u> | |
| Other losses | | | |
| Exchange loss | | <u>(2,397)</u> | |
| Subtotal | | <u>(2,397)</u> | |
| Total | | <u><u>\$287</u></u> | |