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Horizon Securities Co., Ltd.
Individual Financial Statements and
Independent Auditor's Report
2022 and 2021

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Individual Financial Statements and Independent Auditor's Report

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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. (hereinafter referred to as “the Company”) as of December 31, 2022 and 2021, 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, 2022 and 2021 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 2022 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 manner 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 2022 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-Zheng-(Shen)-Zi No. 1060027042

James Huang

CPAs:

Chun-Ting Ma

February 23, 2023

Horizon Securities Co., Ltd.
Individual Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets			December 31, 2022		December 31, 2021	
Code	Accounting titles	Note	Amount	%	Amount	%
	Current assets					
111100	Cash and cash equivalents	4, 6.1 and 12	\$2,310,139	23	\$2,753,911	17
112000	Financial assets at fair value through profit or loss- current	4, 5, 6.2, 6.21, 7, 8 and 12	2,254,015	22	4,150,458	25
113200	The financial assets measured for the fair values through other comprehensive income- current	4, 5, 6.3 and 12	50,040	-	70,380	-
114010	Bond investment under reverse repurchase agreement	4, 6.5 and 12	351,797	3	1,150,580	7
114060	Securities borrowings receivable	4, 6.6 and 12	59,992	1	1,106	-
114066	Loan receivable – non-restricted purpose	4, 6.7 and 12	591,815	6	478,927	3
114070	Customers’ margin accounts	4, 6.8, 6.34 and 12	577,152	6	519,617	3
114110	Notes receivable-net	4, 6.9 and 12	327	-	150	-
114130	Accounts receivable – net	4, 6.9, 7 and 12	1,769,014	18	4,112,543	25
114150	Prepayments		17,243	-	17,882	-
114170	Other receivables	4, 6.10, 7 and 12	17,327	-	16,585	-
114600	Current income tax asset	4	3,321	-	4,620	-
119000	Other current assets	8 and 12	367,098	4	1,562,667	10
110000	Total current assets		<u>8,369,280</u>	<u>83</u>	<u>14,839,426</u>	<u>90</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	86,075	1	88,281	1
123200	The financial assets measured for the fair values through other comprehensive income- non-current	4, 5, 6.3 and 12	103,205	1	92,460	1
123300	Financial assets based on cost after amortization- non-current	4, 6.4, 7 and 12	199,999	2	200,000	1
124100	Investment under the equity method	4 and 6.11, 7	650,499	7	659,552	4
125000	Property, plant, and equipment – net	4, 6.12, 6.35 and 7	90,038	1	49,596	-
125800	Right-of-use assets- Net	4 and 6.28	124,218	1	84,618	1
127000	Intangible assets	4, 6.13 and 6.35	85,004	1	74,223	-
128000	Deferred income tax assets	4, 6.32	6,292	-	6,288	-
129010	Business guarantee	6.14 and 12	245,000	2	235,000	1
129020	Settlement / clearance fund	6.15 and 12	90,300	1	110,015	1
129030	Refundable deposits	12	26,395	-	26,770	-
129070	Net determined benefit asset-non-current	4 and 6.22	5,093	-	-	-
129130	Prepayments for equipment		720	-	480	-
120000	Total of Non-Current Assets		<u>1,712,838</u>	<u>17</u>	<u>1,627,283</u>	<u>10</u>
906001	Total assets		<u>\$10,082,118</u>	<u>100</u>	<u>\$16,466,709</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 Balance Sheet (Continued)
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Accounting titles	Note	Amount	%	Amount	%
	Current liabilities					
211100	Short-term borrowings	6.16 and 12	\$50,000	-	\$50,000	-
211200	Commercial papers payable	6.17 and 12	-	-	149,995	1
212000	Financial liabilities at fair value through profit or loss- current	4, 5, 6.18, 6.21 and 12	12,034	-	-	-
214010	Call loans to banks	4, 6.19 and 12	2,099,446	21	3,804,392	23
214080	Futures traders' equity	4, 6.34 and 12	576,285	6	519,433	3
214130	Accounts payable	4, 6.20, 7 and 12	1,772,254	18	4,046,930	25
214150	Advances		697	-	8,187	-
214170	Other payables	7 and 12	110,693	1	347,773	2
214600	Current Tax Liability	4	12,988	-	127,901	1
215100	Liability reserve-Current	4 and 6.23	6,101	-	6,191	-
216000	Lease liabilities – current	4, 6.28 and 12	35,703	-	45,643	-
219000	Other current liabilities		107,102	1	1,205,240	8
210000	Total current liabilities		<u>4,783,303</u>	<u>47</u>	<u>10,311,685</u>	<u>63</u>
	Non-current liabilities					
221100	Corporate bonds payable	4, 6.21 and 12	674,201	7	763,524	5
225100	Liabilities reserve- non-current	4 and 6.23	11,531	-	9,357	-
226000	Lease liabilities – noncurrent	4, 6.28 and 12	78,650	1	21,272	-
228000	Deferred tax liabilities	4 and 6.32	357	-	1,118	-
229070	Net determined benefit liability-non-current	4 and 6.22	-	-	31,115	-
220000	Total of non-current liabilities		<u>764,739</u>	<u>8</u>	<u>826,386</u>	<u>5</u>
906003	Total liabilities		<u>5,548,042</u>	<u>55</u>	<u>11,138,071</u>	<u>68</u>
	Equity	4 and 6.24				
301000	Share capital					
301010	Common stock capital		3,512,516	35	3,313,694	20
302000	Capital reserve		356,228	3	359,443	2
304000	Retained earnings					
304010	Statutory surplus reserves		175,446	2	52,945	-
304020	Special surplus reserves		356,113	4	111,110	1
304040	Undistributed earnings		25,276	-	1,373,218	8
305000	Other equity		108,497	1	118,228	1
906004	Total equity		<u>4,534,076</u>	<u>45</u>	<u>5,328,638</u>	<u>32</u>
906002	Total Liabilities and Equity		<u>\$10,082,118</u>	<u>100</u>	<u>\$16,466,709</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 Income Statement
2022 and 2021

Unit: NTD thousand

Code	Items	Note	2022		2021	
			Amount	%	Amount	%
	Income					
401000	Brokerage fee revenue	4, 6.25 and 7	\$695,960	103	\$1,042,146	40
402000	Commissions income from loans	4	131	-	82	-
404000	Underwriting business revenue	4, 6.25 and 7	76,807	11	67,736	3
410000	Operating gain (loss) on sale of securities	6.25 and 7	(106,988)	(16)	1,470,274	56
421100	Stock affairs agency revenue	4 and 7	79,137	12	77,036	3
421200	Interest revenue	4, 6.25 and 7	34,717	5	35,469	1
421300	Dividend income	4 and 7	14,417	2	26,003	1
421500	Net loss of securities trade measured at the fair value through profit or loss	6.25 and 7	(160,781)	(24)	(92,170)	(3)
424400	Net gains (losses) on the derivative financial instruments – Futures	4, 6.25 and 12	43,850	7	(17,762)	(1)
424500	Net losses on the derivative financial instruments - over the counter	4	(14,604)	(2)	(1,924)	-
425300	Expected credit impairment loss and reversal benefit	4 and 6.25	(34)	-	134	-
428000	Other operating revenue	6.26 and 7	13,400	2	1,876	-
400000	Total revenues		<u>676,012</u>	<u>100</u>	<u>2,608,900</u>	<u>100</u>
	Expense					
501000	Brokerage fee expenses		(58,625)	(9)	(87,791)	(3)
502000	Proprietary trade service commission expenses		(1,709)	-	(2,551)	-
521200	Financial costs	6.27	(4,933)	(1)	(1,855)	-
524300	Clearance and settlement service expenses		(9,155)	(1)	(9,383)	-
531000	Employee benefits expenses	6.22, 6.29 and 7	(601,755)	(89)	(917,435)	(35)
532000	Depreciation and amortization expenses	6.28 and 6.29	(116,346)	(17)	(89,412)	(4)
533000	Other operating expenses	7	(243,219)	(36)	(279,293)	(11)
500000	Total Expense		<u>(1,035,742)</u>	<u>(153)</u>	<u>(1,387,720)</u>	<u>(53)</u>
	Operating profit (loss)		(359,730)	(53)	1,221,180	47
601100	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	4	(8,093)	(1)	(6,063)	-
602000	Other profits and losses	4 and 6.30	178,540	26	154,058	6
902001	Net income (loss) before tax		(189,283)	(28)	1,369,175	53
701000	Income tax expenses	4 and 6.32	(30,901)	(5)	(129,902)	(5)
902005	Net income (loss) for this period		<u>(220,184)</u>	<u>(33)</u>	<u>1,239,273</u>	<u>48</u>
805000	Other comprehensive income	6.31				
805500	The items that are not reclassified as profit or loss					
805510	Reevaluation of determined benefit plan		35,033	5	(14,259)	(1)
805540	Investment of equity instruments at fair value through other comprehensive income					
	Net unrealized valuation gain		(9,731)	(1)	57,056	2
805000	Other comprehensive income for the period (post-tax profit or loss)		<u>25,302</u>	<u>4</u>	<u>42,797</u>	<u>1</u>
902006	Total comprehensive income in current period		<u><u>\$(194,882)</u></u>	<u><u>(29)</u></u>	<u><u>\$1,282,070</u></u>	<u><u>49</u></u>
975000	Base earnings per share (\$):					
975010	Net income (loss) for this period	6.33	<u><u>\$(0.63)</u></u>		<u><u>\$3.53</u></u>	
985000	Diluted earnings per share (NT\$):					
985010	Net income (loss) for this period	6.33	<u><u>\$(0.63)</u></u>		<u><u>\$3.28</u></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 Statements of Changes in Shareholders' Equity
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Items	Share capital		Retained earnings			Other equity	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	3XXX
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	76,294	-	-	-	-	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>\$5,328,638</u>
Dividend allocation and distribution for 2021:							
Legal reserve appropriated	-	-	122,501	-	(122,501)	-	-
Appropriation of special reserve	-	-	-	245,003	(245,003)	-	-
Common stock cash dividends	-	-	-	-	(596,465)	-	(596,465)
Common stock dividends	198,822	-	-	-	(198,822)	-	-
Other changes in capital reserve:							
Arising from the issuance of convertible corporate bonds, recognized in equity component - stock options	-	(3,215)	-	-	-	-	(3,215)
Net loss for 2022	-	-	-	-	(220,184)	-	(220,184)
Other comprehensive net income in 2022	-	-	-	-	35,033	(9,731)	25,302
Total comprehensive net income in 2022	-	-	-	-	(185,151)	(9,731)	(194,882)
Balance as at December 31, 2022	<u>\$3,512,516</u>	<u>\$356,228</u>	<u>\$175,446</u>	<u>\$356,113</u>	<u>\$25,276</u>	<u>\$108,497</u>	<u>\$4,534,076</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 Statements of Cash Flow
2022 and 2021

Unit: NTD thousand

Code	Items	2022	2021
	Cash flow from operating activities:		
A10000	Net income (loss) before tax for this period	\$(189,283)	\$1,369,175
A20000	Adjustments:		
A20010	Revenue, expense and loss that do not affect the cash flows		
A20100	Depreciation expenses	99,507	77,702
A20200	Amortization expenses	16,839	11,710
A20300	Expected credit impairment loss and reversal benefit	34	(134)
A20400	Net loss (gain) on financial assets and liabilities at fair value through profit and loss	160,781	92,170
A20900	Interest expenses	4,933	1,855
A21200	Interest income (including financial income)	(58,651)	(44,032)
A21300	Dividend income	(17,494)	(28,838)
A22400	Share of loss of the subsidiaries, affiliated companies and joint ventures under the equity method	8,093	6,063
A23100	Gain on disposal of investments	-	(2,353)
A23300	Loss on non-operating financial products at fair value	4,395	8,634
A24200	Gain on redemption of corporate bonds payable	(14,172)	-
A29900	Other items	(2,139)	(1,252)
A60000	Changes in operating activities related assets/liabilities		
A61000	Net changes in operating activities related assets:		
A61110	Decrease in financial assets measured at fair value through profit or loss	1,733,472	235,474
A61130	Decrease in bond investment under reverse repurchase agreement	798,783	3,954,432
A61180	Increase in securities borrowings receivable	(171,777)	(178,810)
A61190	Increase in customers' margin accounts	(57,535)	(218,505)
A61230	Decrease (increase) in notes receivable	(177)	176
A61250	Decrease (increase) in accounts receivable	2,345,233	(367,046)
A61270	(Increase) decrease in prepayments	(6,169)	37,889
A61290	Increase in other receivables	(385)	(483)
A61365	Increase in financial assets at fair value through other comprehensive profit or loss	(136)	-
A61370	Decrease (increase) in other current assets	1,195,569	(1,085,526)
A62000	Net changes in operating activities related liabilities:		
A62110	Increase (decrease) in bond liabilities under repurchase agreement	(1,704,946)	(4,201,001)
A62130	Increase in financial liabilities at fair value through profit and loss	12,817	-
A62200	Increase in futures traders' equity	56,852	218,468
A62210	Decrease in notes payable	-	(163)
A62230	Increase (decrease) in accounts payable	(2,274,935)	342,861
A62250	Decrease in Advance receipts	(7,490)	(969)
A62270	Increase (decrease) in other payables	(237,080)	177,588
A62290	Decrease in net determined benefit liability	(1,174)	(1,805)
A62300	Increase (decrease) in provisions	(90)	321
A62320	Increase (decrease) in other current liabilities	(1,098,138)	1,040,750
A33000	Cash inflow from operations	595,537	1,444,351
A33100	Interest received	56,853	39,275
A33200	Dividends received	18,161	28,946
A33300	Interest payment	(1,291)	(390)
A33500	Income tax refund (payment), net	(145,281)	2,315
AAAA	Net cash inflow (outflow) from operating activities	523,979	1,514,497
	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	(62,716)	(22,758)
B03300	Increase in business guarantee	(10,000)	(10,000)
B03500	Increase in settlement/clearance fund	(71,853)	(3,597)
B03600	Decrease in settlement/clearance fund	91,568	-
B03700	Increase in refundable deposits	(1,456)	(8,309)
B03800	Decrease in Refundable deposits	1,831	-
B04500	Acquisition of Intangible assets	(20,853)	(27,496)
B07100	Increase in prepayments for equipment	(240)	(480)
BBBB	Net cash outflow from investing activities	(73,719)	(422,640)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
C00100	Increase of short-term loans	66,031,596	137,741,730
C00200	Decrease in short-term loans	(66,031,596)	(137,691,730)
C00700	Increase in commercial papers payable	29,979	1,614,614
C00800	Decrease in commercial papers payable	(180,000)	(1,665,000)
C01200	Issue of corporate bonds	-	822,374
C01300	Corporate bonds repaid	(62,236)	-
C04020	Repayments of principal portion of the lease	(65,140)	(64,844)
C04500	Cash dividend released	(596,465)	(165,408)
C05600	Interest payment	(20,170)	(10,319)
CCCC	Net cash inflow (outflow) from financing activities	(894,032)	581,417
EEEE	Current cash and cash equivalents increase (decrease)	(443,772)	1,673,274
E00100	Balance of cash and cash equivalents, beginning of period	2,753,911	1,080,637
E00200	Balance of cash and cash equivalent, end of period	\$2,310,139	\$2,753,911

(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 Notes to financial statements
January 1 to December 31, 2022
and January 1 to December 31, 2021
(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 the 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. The Board of Directors resolved a decision on September 30, 2021, to establish branches at Taipei 101 and the National Trade Center, and add the wealth management business, which was approved as per Jin-Guan-Quan-Zi No. 1100370421 dated November 5, 2021. As of December 31, 2022, the Company has 11 branches.

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 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.

2. Financial reporting date and procedures

The Company’s individual financial statements for 2022 and 2021 were approved by the board of directors on February 23, 2023 before release.

3. Application of new and revised standards and interpretation

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

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, 2022. The first-time adoption of the new standards and amendments does not have a material impact on the Company.

2. As of the date of the financial report published, the Company has not yet adopted the following new publication, revision, and amendment or interpretation of the standards announced by the International Accounting Standards Board and endorsed 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	Disclosure of Accounting Policies (amendments to IAS 1)	January 1, 2023
2	Definition of Accounting Estimates (amendments to IAS 8)	January 1, 2023
3	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023

(1) 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.

(2) 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.

(3) 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.

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

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, 2023. The new publication, revision, and amendment or interpretation of the standards caused no material impact on the Company based on its assessment.

3. 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, 2024
4	Lease Liability in a Sale and Leaseback (amendments to IFRS 16)	January 1, 2024
5	Non-current Liabilities with Covenants (amendments to IAS 1)	January 1, 2024

- (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.

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

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) Lease Liability in a Sale and Leaseback (amendments to IFRS 16)

It is to be consistent with the additional accounting by the seller-lessee for sale and leaseback transactions under IFRS 16 “Leases,” to improve the consistent application of the standard.

(5) Non-current Liabilities with Covenants (amendments to IAS 1)

The amendments are to enable enterprises to provide information on long-term liability contracts. The contractual agreements that should be complied with during 12 months after the end of a reporting period do not affect the classification of such liabilities as current or non-current at the end of the

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

reporting period.

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, 2022 and 2021 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 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.

Notes to the individual financial statements 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 of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

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 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.

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

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:

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

- (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

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

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

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

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, 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

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

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.

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

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

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

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

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

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

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.

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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

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

Office equipment	2–10 years
Leasehold improvement	The lease period or the useful live, whichever is shorter

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

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

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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.

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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

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

19. 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.

20. 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:

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- (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.

21. 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;

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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.

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.

22. 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

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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.

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

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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:

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.

6. Summary of significant accounting titles

1. Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Petty cash	\$430	\$370
Check deposits	3,965	6,507
Current deposits	201,886	227,436
Time deposits	702,550	491,075
Cash equivalents – short-term notes and bills	1,298,040	1,951,363
Cash equivalents – futures excess margin	103,268	77,160
Total	<u>\$2,310,139</u>	<u>\$2,753,911</u>

The above-mentioned time deposits include time deposits that mature within 12 months and can be converted into a fixed amount of 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, 2022 and 2021 was 0.910%–2.750% and 0.130%–0.780%, respectively.

The cash and cash equivalents above are not secured.

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>2022.12.31</u>	<u>2021.12.31</u>
<u>Current items</u>		
<u>Measured at fair value through income under compulsion</u>		
Open-end funds and money market instruments	\$15,350	\$7,774
Securities – proprietary	2,130,789	4,054,407

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	<u>2022.12.31</u>	<u>2021.12.31</u>
Securities – underwriting	41,889	54,890
<u>Derivatives</u>		
Futures trading margin – proprietary capital	65,843	31,600
Call option - non-hedging	144	-
Call option - others	-	1,787
Total	<u>\$2,254,015</u>	<u>\$4,150,458</u>

Non-current items

<u>Measured at fair value through income under compulsion</u>		
Open-end funds and money market instruments	\$82,579	\$82,151
Securities – proprietary	3,496	6,130
Total	<u>\$86,075</u>	<u>\$88,281</u>

(1) Open-end funds and money market instruments

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Current items</u>		
Open-type fund	\$20,000	\$10,000
Add (less): Valuation adjustment	(4,650)	(2,226)
Net value	<u>\$15,350</u>	<u>\$7,774</u>

Non-current items

Open-type fund	\$121,400	\$119,000
Add (less): Valuation adjustment	(38,821)	(36,849)
Net value	<u>\$82,579</u>	<u>\$82,151</u>

(2) Securities – proprietary

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Current items</u>		
Government bonds	\$313,792	\$619,896
Corporate bonds	1,407,640	1,711,087
Convertible corporate bonds	40,000	407,260
TWSE-listing companies stock	111,238	713,966
GTSM-listing companies stock	25,645	78,120
Companies stock in emerging stock market	247,606	394,999
Non-TWSE/GTSM-listing companies stock	5,300	34,720
Overseas stocks	39,236	-
Subtotal	2,190,457	3,960,048
Add (less): Valuation adjustment	(59,668)	94,359
Net value	<u>\$2,130,789</u>	<u>\$4,054,407</u>

Non-current items

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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	<u>2022.12.31</u>	<u>2021.12.31</u>
Non-TWSE/GTSM-listing companies stock	\$2,666	\$4,362
Add (less): Valuation adjustment	830	1,768
Net value	<u>\$3,496</u>	<u>\$6,130</u>

(3) Securities – underwriting

	<u>2022.12.31</u>	<u>2021.12.31</u>
Convertible corporate bonds	\$39,885	\$43,705
TWSE-listing companies stock	4,130	4,473
GTSM-listing companies stock	-	3,022
Subtotal	44,015	51,200
Add (less): Valuation adjustment	(2,126)	3,690
Net value	<u>\$41,889</u>	<u>\$54,890</u>

(4) Futures trading margin – proprietary capital

	<u>2022.12.31</u>	<u>2021.12.31</u>
Futures trading margin – proprietary capital	<u>\$65,843</u>	<u>\$31,600</u>

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

(5) Call option - non-hedging

	<u>2022.12.31</u>	<u>2021.12.31</u>
Index options	\$198	\$-
Loss on unsettled positions	(54)	-
Net value	<u>\$144</u>	<u>\$-</u>

(6) Call option - others

	<u>2022.12.31</u>	<u>2021.12.31</u>
Call option - others	<u>\$-</u>	<u>\$1,787</u>

The Company's call options are embedded derivatives identified from the issuance of convertible corporate bonds. Please refer to Note 6.21 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

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measured at fair value through profit and loss, please refer to Notes 6.25, 6.30, and 12.17.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
TWSE-listing companies stock	<u>\$50,040</u>	<u>\$70,380</u>
<u>Non-current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
Non-TWSE/GTSM-listing companies stock	<u>\$103,205</u>	<u>\$92,460</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>2022.12.31</u>	<u>2021.12.31</u>
<u>Non-current items</u>		
Corporate bonds	\$200,000	\$200,000
Less: Allowance for losses	(1)	-
Total	<u>\$199,999</u>	<u>\$200,000</u>

The Company classifies certain financial assets as financial assets measured at amortized cost. Please refer to Note 6.25 for information on allowance for losses and Note 12 for information on credit risk.

5. Bond investment under reverse repurchase agreement

	<u>2022.12.31</u>	<u>2021.12.31</u>
Government bonds	\$301,700	\$1,150,580
Corporate bonds	50,097	-
Total	<u>\$351,797</u>	<u>\$1,150,580</u>

The bond investments under reverse repurchase agreement conducted by the Company as of December 31, 2022 and 2021 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\$352,033 thousand and NT\$1,150,758 thousand, respectively, with the annual interest rates of 1.0755%–1.1295% and 0.1890%–0.2880%, respectively.

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

6. Securities borrowings receivable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Securities borrowings receivable - securities or other products bought by clients as collateral	\$59,993	\$1,106
Less: Allowance for losses	(1)	-
Total	<u>\$59,992</u>	<u>\$1,106</u>

The Company assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.25, and for information related to credit risk, please refer to Note 12.

7. Loan receivable – non-restricted purpose

	<u>2022.12.31</u>	<u>2021.12.31</u>
Loan receivable – non-restricted purpose	\$591,818	\$478,928
Less: Allowance for losses	(3)	(1)
Total	<u>\$591,815</u>	<u>\$478,927</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 6.25, and for information related to credit risk, please refer to Note 12.

8. Customers' margin accounts

	<u>2022.12.31</u>	<u>2021.12.31</u>
Bank deposits	\$436,953	\$363,736
Settlement institution settlement balance	140,199	155,881
Total	<u>\$577,152</u>	<u>\$519,617</u>

9. Note receivable and account receivable – net

	<u>2022.12.31</u>	<u>2021.12.31</u>
Notes receivable		
Stock affairs agency fee receivable	\$277	\$100
Consultation fees receivable	50	50
Less: Allowance for losses	-	-
Subtotal	<u>327</u>	<u>150</u>
Accounts receivable		
Accounts receivable – related parties	400	448

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts receivable – non-related parties		
Settlement receivable – brokerage	1,628,782	3,869,873
Settlement receivable – non-brokerage	2,242	80,605
Settlement price	106,520	126,385
Interests receivable	20,329	18,936
Others	10,753	16,325
Less: Allowance for losses	(12)	(29)
Subtotal	<u>1,769,014</u>	<u>4,112,543</u>
Total	<u>\$1,769,341</u>	<u>\$4,112,693</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 6.25, and for information related to credit risk, please refer to Note 12.

10. Other receivables

	<u>2022.12.31</u>	<u>2021.12.31</u>
Other receivables – related parties	\$2,386	\$2,407
Less: Allowance for losses	-	-
Subtotal	<u>2,386</u>	<u>2,407</u>
Other receivables – non-related parties		
Stock affairs agency fee receivable	9,061	12,360
Interests receivable	668	263
Others	5,415	1,918
Less: Allowance for losses	(203)	(363)
Subtotal	<u>14,941</u>	<u>14,178</u>
Total	<u>\$17,327</u>	<u>\$16,585</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 6.25, and for information related to credit risk, please refer to Note 12.

11. Investment under the equity method

<u>Name of investee</u>	<u>2022.12.31</u>	
	<u>Amount</u>	<u>Percentage of shareholding</u>
<u>Investment in subsidiaries</u>		
Horizon SICE Co., Ltd.	\$123,261	100.00%

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

Horizon Venture Capital Co., Ltd.	503,140	100.00%
Horizon Venture Management Co., Ltd.	24,098	100.00%
Total	<u>\$650,499</u>	

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>	

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, 2022, 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, 2022, 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, 2022, 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.

12. Property and equipment

	Office equipment	Leasehold improvement	Total
Cost:			
2022.1.1	\$160,642	\$60,356	\$220,998
Additions	29,285	33,431	62,716
Disposition	(3,033)	(3,462)	(6,495)

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

	Office equipment	Leasehold improvement	Total
Other changes	-	(725)	(725)
2022.12.31	<u>\$186,894</u>	<u>\$89,600</u>	<u>\$276,494</u>
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>
	Office equipment	Leasehold improvement	Total
Accumulated depreciation and impairment:			
2022.1.1	\$116,398	\$55,004	\$171,402
Depreciation	15,029	7,245	22,274
Disposition	(3,033)	(3,462)	(6,495)
Other changes	-	(725)	(725)
2022.12.31	<u>\$128,394</u>	<u>\$58,062</u>	<u>\$186,456</u>
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>
Net book value:			
2022.12.31	<u>\$58,500</u>	<u>\$31,538</u>	<u>\$90,038</u>
2021.12.31	<u>\$44,244</u>	<u>\$5,352</u>	<u>\$49,596</u>

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

13. Intangible assets

	Goodwill	Business right	Computer software	Total
Cost:				
2022.1.1	\$52	\$64,321	\$135,771	\$200,144
Additions – separate acquisition	-	-	20,853	20,853
Disposition	-	-	(158)	(158)
Transfer (Note)	-	-	6,808	6,808
Other changes	-	-	(128)	(128)
2022.12.31	<u>\$52</u>	<u>\$64,321</u>	<u>\$163,146</u>	<u>\$227,519</u>

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

	Goodwill	Business right	Computer software	Total
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>
	Goodwill	Business right	Computer software	Total
Cumulative amortization and impairment:				
2022.1.1	\$52	\$32,488	\$93,381	\$125,921
Amortization	-	-	16,839	16,839
Disposition	-	-	(158)	(158)
Other changes	-	-	(87)	(87)
2022.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$109,975</u>	<u>\$142,515</u>
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>
Net book value:				
2022.12.31	<u>\$-</u>	<u>\$31,833</u>	<u>\$53,171</u>	<u>\$85,004</u>
2021.12.31	<u>\$-</u>	<u>\$31,833</u>	<u>\$42,390</u>	<u>\$74,223</u>

Note: It is reclassified from other prepayments.

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:

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Brokerage business guarantee	\$105,000	\$95,000
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	70,000
Futures advisory guarantee	10,000	10,000
Total	<u>\$245,000</u>	<u>\$235,000</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>2022.12.31</u>	<u>2021.12.31</u>
Clearance fund in Taiwan Stock Exchange	\$30,682	\$49,031
Clearance fund in Taipei Exchange	37,545	39,664
Clearance fund in Taiwan Futures Exchange	22,073	21,320
Total	<u>\$90,300</u>	<u>\$110,015</u>

16. Short-term borrowings

	<u>2022.12.31</u>	<u>2021.12.31</u>
Secured bank borrowings	\$50,000	\$50,000
Interest rate collars	1.990%	0.995%

As of December 31, 2022 and 2021, the unused loan facilities where the Company has signed agreements with financial institutions were NT\$2,805,000 thousand and NT\$2,690,000 thousand, respectively.

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

17. Commercial papers payable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Commercial papers payable	\$-	\$150,000
Less: Discounted commercial paper payable	-	(5)
Net value	<u>\$-</u>	<u>\$149,995</u>
Interest rate collars	-	0.45%~0.50%

As of December 31, 2022 and 2021, the unused commercial paper facilities where

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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the Company has signed agreements with financial institutions were NT\$1,600,000 thousand and NT\$1,220,000 thousand, respectively.

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

18. Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss by the Company is listed below:

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Derivatives</u>		
Put option - others	<u>\$12,034</u>	<u>\$-</u>

The Company's put options are embedded derivatives identified from the issuance of convertible corporate bonds. Please refer to Note 6.21 for relevant information.

19. Call loans to banks

	<u>2022.12.31</u>	<u>2021.12.31</u>
Government bonds	\$622,818	\$1,750,206
Corporate bonds	1,456,493	1,700,561
Convertible corporate bonds	20,135	353,625
Total	<u>\$2,099,446</u>	<u>\$3,804,392</u>

The bond liabilities investments under repurchase agreement conducted by the Company as of December 31, 2022 and 2021 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\$2,100,819 thousand and NT\$3,805,139 thousand, respectively, with the annual interest rates of 0.6750%–1.1520% and 0.1710%–0.2970%, respectively.

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

20. Accounts payable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Accounts payable – related parties	\$1	\$-
Accounts payable – non-related parties		
Settlement price	161,606	990,753
Settlement payable – brokerage	1,556,916	2,978,943
Settlement payable – non-brokerage	1,637	387
Processing fee payable discounts	38,007	69,831
Interest payable	683	423
Others	13,404	6,593
Total	<u>\$1,772,254</u>	<u>\$4,046,930</u>

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

21. Corporate bonds payable

	<u>2022.12.31</u>	<u>2021.12.31</u>
Domestic convertible corporate bonds payable	\$674,201	\$763,524
Less: Current portion	-	-
Net value	<u>\$674,201</u>	<u>\$763,524</u>
 <u>Domestic convertible corporate bonds payable</u>		
	<u>2022.12.31</u>	<u>2021.12.31</u>
Liability elements:		
Face value of domestic convertible corporate bonds payable	\$622,900	\$689,400
Premium payable on domestic convertible corporate bonds	51,301	74,124
Subtotal	<u>674,201</u>	<u>763,524</u>
Less: Current portion	-	-
Net value	<u>\$674,201</u>	<u>\$763,524</u>
Embedded derivative financial instruments- Assets	<u>\$-</u>	<u>\$1,787</u>
Embedded derivative financial instruments- Liabilities	<u>\$12,034</u>	<u>\$-</u>
Equity elements	<u>\$36,297</u>	<u>\$40,172</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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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.
- (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, 2022 was NT\$15.54 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.

As of December 31, 2022, the Company redeemed and canceled domestic unsecured convertible bonds in the amount of NT\$66,500 thousand, and the remaining balance of the outstanding bonds was NT\$622,900 thousand, and the amount of those converted was NT\$10,600 thousand.

22. 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.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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 2022 and 2021 was NT\$24,602 thousand and NT\$23,777 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." 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, 2022, the Company's defined benefit plan is expected to appropriate NT\$1,407 thousand in the next year.

The expiration of the defined benefit obligations under the Company's defined benefit plan is as follows:

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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	<u>2022.12.31</u>	<u>2021.12.31</u>
Weighted average duration of defined benefit obligations	12 years	14 years

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

	<u>2022</u>	<u>2021</u>
Current service cost	\$-	\$-
Net interest on net defined benefit liabilities (assets)	233	76
Total	<u>\$233</u>	<u>\$76</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>	<u>2021.1.1</u>
Present value of the defined benefit obligations	\$59,508	\$93,914	\$78,504
The fair value of plan assets	<u>(64,601)</u>	<u>(62,799)</u>	<u>(59,843)</u>
Net determined benefit liability (asset) – non-current	<u>\$(5,093)</u>	<u>\$31,115</u>	<u>\$18,661</u>

Adjustments to the net defined benefit liabilities (assets):

	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net defined benefit liabilities (assets)</u>
2021.1.1	\$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			
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	<u>15,088</u>	<u>(829)</u>	<u>14,259</u>
Contributions of employer	<u>-</u>	<u>(1,881)</u>	<u>(1,881)</u>

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)
2021.12.31	93,914	(62,799)	31,115
Current service cost	-	-	-
Interest expenses (revenues)	704	(471)	233
Subtotal	<u>94,618</u>	<u>(63,270)</u>	<u>31,348</u>
Defined benefit liabilities/assets remeasurement amount			
Actuarial gains and losses resulting from changes in demographic assumption	344	-	344
Actuarial gains and losses resulting from changes in financial assumption	(13,422)	-	(13,422)
Experience adjustments	(17,332)	-	(17,332)
Defined benefit assets remeasurement amount	-	(4,623)	(4,623)
Subtotal	<u>(30,410)</u>	<u>(4,623)</u>	<u>(35,033)</u>
Payment of benefits	(4,700)	4,700	-
Contributions of employer	-	(1,408)	(1,408)
2022.12.31	<u>\$59,508</u>	<u>\$(64,601)</u>	<u>\$(5,093)</u>

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

	2022.12.31	2021.12.31
Discount rate	1.32%	0.75%
Expected salary increase rate	2.00%	3.00%

Sensitivity analysis of each major actuarial hypothesis:

	2022		2021	
	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%	\$-	\$3,216	\$-	\$6,273
Discount rate decreased by 0.5%	4,027	-	6,796	-
Expected salary increase by 0.5%	3,979	-	6,608	-
Expected salary decrease by 0.5%	-	3,212	-	6,170

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

23. Liability reserve

	Employee benefits liability	Decommissi oning liability	Others	Total
2022.1.1	\$613	\$9,357	\$5,578	\$15,548
Increase	313	2,463	210	2,986
Reversed	(613)	(289)	-	(902)
2022.12.31	<u>\$313</u>	<u>\$11,531</u>	<u>\$5,788</u>	<u>\$17,632</u>
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	<u>\$613</u>	<u>\$9,357</u>	<u>\$5,578</u>	<u>\$15,548</u>
Current	\$313	\$-	\$5,788	\$6,101
Non-current	-	11,531	-	11,531
2022.12.31	<u>\$313</u>	<u>\$11,531</u>	<u>\$5,788</u>	<u>\$17,632</u>
Current	\$613	\$-	\$5,578	\$6,191
Non-current	-	9,357	-	9,357
2021.12.31	<u>\$613</u>	<u>\$9,357</u>	<u>\$5,578</u>	<u>\$15,548</u>

24. Equity

(1) Common stock

As of December 31, 2022 and 2021, the Company's registered capital was NT\$6,000,000 thousand, and the outstanding share capital was NT\$3,512,516 thousand and NT\$3,313,694 thousand, respectively, with par value of NT\$10 per share, i.e. 351,252 thousand shares and 331,369 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.

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

(2) Capital reserve

	2022.12.31	2021.12.31
Issuance premium	\$14,750	\$14,750
Treasury stock trade	305,181	304,521
Stock options	36,297	40,172
Total	<u>\$356,228</u>	<u>\$359,443</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) 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 Letter Jin-Guan-Zheng-Quan-Zi No. 1100365484 issued by the FSC dated January 21, 2022, for the net debit to other shareholders' equity that occurred in the year, a special reserve shall be provided in the amount of the net income after tax of the current period, plus the items other than the net income after tax of the current period and the undistributed earnings from the prior period. A special reserve shall be provided in the amount of debits to other shareholders' equity accumulated in the prior period and shall not be distributed. However, if the Company has provided a special reserve in accordance with the preceding paragraph, it shall additionally provide a special reserve in the amount of the difference between the amount already provided and the net amount of debits to other shareholders' equity. If there is a subsequent reversal of the amount of debits to other shareholders' equity, the portion reversed may be distributed.

Earnings allocation and dividend policy

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

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 and dividends per share for 2022 and 2021 proposed by the Company's board of directors on February 23, 2023 and resolved by the shareholders' meeting on May 27, 2022 are listed as follows:

	Earnings appropriation and distribution plan		Dividend Per Share (NTD)	
	2022	2021	2022	2021
Legal reserve appropriated	\$-	\$122,501		
Appropriation of special reserve	-	245,003		
Common stock cash dividends	-	596,465	\$-	\$1.80
Common stock dividends	-	198,822	-	0.60

Please refer to Note 6.29 for the relevant information about employee

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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remuneration and directors' remuneration assessment basis and recognized amount.

25. Operating income

(1) Brokerage fee revenue

	<u>2022</u>	<u>2021</u>
Brokerage for centralized securities exchange market	\$467,025	\$798,677
Over-the-counter brokerage	136,709	206,430
Futures brokerage fee revenue	40,546	35,363
Other service fee revenue	51,680	1,676
Total	<u>\$695,960</u>	<u>\$1,042,146</u>

(2) Underwriting business revenue

	<u>2022</u>	<u>2021</u>
Firm commitment underwriting revenue	\$15,519	\$23,081
Underwriting revenue	8,899	14,795
Underwriting consulting revenue	16,900	16,150
Others	35,489	13,710
Total	<u>\$76,807</u>	<u>\$67,736</u>

(3) Operating gain (loss) on sale of securities

	<u>2022</u>	<u>2021</u>
Gain (loss) on sales of securities - proprietary	\$(121,923)	\$1,408,716
Gain on sale of securities – underwriting	14,935	61,558
Total	<u>\$(106,988)</u>	<u>\$1,470,274</u>

(4) Interest revenue

	<u>2022</u>	<u>2021</u>
Bonds interest revenue	\$20,846	\$26,009
Interest revenue – non-restricted purpose loans	13,555	9,420
Others	316	40
Total	<u>\$34,717</u>	<u>\$35,469</u>

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

	<u>2022</u>	<u>2021</u>
Securities – proprietary	\$(154,965)	\$(87,211)
Securities – underwriting	(5,816)	(4,959)
Total	<u>\$(160,781)</u>	<u>\$(92,170)</u>

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

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

	<u>2022</u>	<u>2021</u>
Futures contract gain (loss) – net	\$47,249	\$(17,309)
Net loss from options trade	(3,399)	(453)
Total	<u>\$43,850</u>	<u>\$(17,762)</u>

(7) Expected credit impairment loss and reversal benefit

	<u>2022</u>	<u>2021</u>
Note receivable and account receivable	\$17	\$286
Other receivables	(47)	(157)
Others	(4)	5
Total	<u>\$(34)</u>	<u>\$134</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, 2022 and 2021 are 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

December 31, 2022

	Not overdue (Note)	Number of days overdue			Total
		Within 30 days	31–60 days	Over 61 days	
Total book value	\$2,637,434	\$151	\$191	\$918	\$2,638,694
Loss rate	0.0006%	4.0660%	7.4850%	20.0000%~	
Anticipated credit loss within the perpetuity of the financial assets	(15)	(6)	(15)	(184)	(220)
Subtotal	<u>\$2,637,419</u>	<u>\$145</u>	<u>\$176</u>	<u>\$734</u>	<u>\$2,638,474</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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December 31, 2021

	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%~	
Anticipated credit loss within the perpetuity of the financial assets	(7)	(14)	-	(372)	(393)
Subtotal	\$4,807,207	\$1,333	\$-	\$771	\$4,809,311

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 2022 and 2021 are as follows:

	Note receivable and account receivable	Other receivables	Others	Total
2022.1.1	\$29	\$363	\$1	\$393
Increase (reversed)	(17)	47	4	34
Write-off due to the inability to recover	-	(207)	-	(207)
2022.12.31	\$12	\$203	\$5	\$220
2021.1.1	\$315	\$247	\$6	\$568
Increase (reversed)	(286)	157	(5)	(134)
Write-off due to the inability to recover	-	(41)	-	(41)
2021.12.31	\$29	\$363	\$1	\$393

26. Other operating revenue

	2022	2021
Consultancy fee income	\$40	\$6
Net loss on out-trades	(450)	(942)
Account maintenance fee income	5,071	4,949
Foreign exchange gain (loss) – net	8,671	(2,190)
Others	68	53
Total	\$13,400	\$1,876

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

27. Financial costs

	<u>2022</u>	<u>2021</u>
Repo bond interest	\$20,295	\$9,921
Funding interest	52	390
Interest from commercial paper	26	445
Interest on lease liabilities	1,338	1,037
Interest on convertible corporate bonds	(16,914)	(9,941)
Others	136	3
Total	<u>\$4,933</u>	<u>\$1,855</u>

28. 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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Buildings and structures	\$118,918	\$79,142
Transportation equipment	5,300	5,476
Total	<u>\$124,218</u>	<u>\$84,618</u>

The Company increased the right-of-use assets in the amount of NT\$122,973 thousand and NT\$21,595 thousand in 2022 and 2021, respectively.

(b) Lease liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Lease liabilities		
Current	\$35,703	\$45,643
Non-current	78,650	21,272
Total	<u>\$114,353</u>	<u>\$66,915</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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Please refer to Note 6.27 for the interest expenses of the Company's lease liabilities in 2022 and 2021; please refer to Note 12.4—liquidity risk management—for the maturity analysis of lease liabilities as of December 31, 2022 and 2021.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets	2022	2021
Buildings and structures	\$73,231	\$57,537
Transportation equipment	4,002	3,318
Total	<u>\$77,233</u>	<u>\$60,855</u>

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

	2022	2021
Short-term lease expense	<u>\$191</u>	<u>\$266</u>
Lease of low-value assets (excluding the expenses of short-term lease of low-value assets)	<u>\$474</u>	<u>\$661</u>

D. Lessee's cash outflow from leasing activities

The Company's total cash outflow from the leases in 2022 and 2021 was NT\$67,043 thousand and NT\$65,771 thousand, respectively.

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

Items	2022	2021
Employee benefits expenses		
Salaries and wages	\$498,629	\$772,322
Labor insurance and national health insurance	48,490	44,245
Pension expenses	24,835	23,854
Remuneration to Directors	11,334	58,052
Other employee benefits expenses	18,467	18,962
Total	<u>\$601,755</u>	<u>\$917,435</u>
Depreciation and amortization expenses		
Depreciation expenses	\$99,507	\$77,702
Amortization expenses	16,839	11,710
Total	<u>\$116,346</u>	<u>\$89,412</u>

Because of the characteristics of the industry, the employment, depreciation, and amortization expenses incurred by the Company all belong to operating expenses.

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

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.

The Company suffered a loss in 2022, so it did not estimate employee remuneration and director and supervisor remuneration. In the year of 2021, the Company's employee remuneration and the director remuneration were estimated at NT\$30,000 thousand and NT\$41,000 thousand, respectively, and the employee remuneration of NT\$30,000 thousand and the remuneration to directors of NT\$41,000 thousand were recognized under salaries and wages, respectively.

The Company paid out the 2021 remuneration to employees and directors in the amounts of NT\$30,000 thousand and NT\$41,000 thousand, respectively, which have no significant difference from the amounts estimated in the 2021 financial report.

30. Other profits and losses

	<u>2022</u>	<u>2021</u>
Financial income	\$23,934	\$8,563
Net gain on investment disposal	-	2,353
Net loss on open-end funds and money market instruments at fair value through profit or loss	(4,396)	(8,634)
Dividend income	3,077	2,835
Rent revenue	31,519	24,407
Agency fee income	108,169	118,927
Gain on redemption of corporate bonds	14,172	-
Others	2,065	5,607
Total	<u>\$178,540</u>	<u>\$154,058</u>

31. Other comprehensive income

2022

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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	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	\$35,033	\$-	\$35,033	\$-	\$35,033
Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI	(9,731)	-	(9,731)	-	(9,731)
Total current period other comprehensive income	<u>\$25,302</u>	<u>\$-</u>	<u>\$25,302</u>	<u>\$-</u>	<u>\$25,302</u>

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>

32. Income tax

The main composition of income tax expenses is as follows:

Income tax recognized in profit or loss

	2022	2021
Current income tax expenses:		
Payable income tax for the current period	\$35,287	\$130,663
Previous income taxes adjusted into the current year	(3,621)	530
Deferred tax (benefit) expense:		
Deferred tax (benefit) expense related to the original generation of the temporary difference and its reversal	(765)	(1,291)
Income tax expenses	<u>\$30,901</u>	<u>\$129,902</u>

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

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

	<u>2022</u>	<u>2021</u>
Net income before tax of the continuing business units	<u>\$(189,283)</u>	<u>\$1,369,175</u>
Income tax calculated at the Company's statutory income tax rate	\$(37,856)	\$273,835
Income tax effect of the tax-free income	73,701	(237,051)
Income tax effect of non-deductible expenses on tax returns	(2,627)	(1,984)
Income tax effect of deferred income tax assets/liabilities	(765)	(1,291)
Surtax of profit-seeking enterprise income tax on undistributed earnings	2,656	3,615
Previous income taxes adjusted into the current year	(3,621)	530
Other Income tax effects adjusted according to tax laws	(587)	92,248
Total income tax expense recognized in profit and loss	<u>\$30,901</u>	<u>\$129,902</u>

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

2022

	<u>Opening balance</u>	<u>Recognized in the profit or loss</u>	<u>Balance, ending</u>
Temporary difference			
Unrealized allowance for bad debts	\$(1,118)	\$1,118	\$-
Unrealized decommissioning cost liability	1,003	694	1,697
Unrealized short-term employee benefits	123	(60)	63
Unrealized net defined benefit liability	2,935	47	2,982
Unrealized foreign exchange loss or gain	1,111	(1,468)	(357)
Unrealized valuation gains on financial assets	-	393	393
Unrealized estimated litigation indemnity	1,116	41	1,157
Deferred income tax expenses		<u>\$765</u>	
Deferred income tax assets (liabilities), net	<u>\$5,170</u>		<u>\$5,935</u>
The information expressed on the balance sheet is as follows:			
Deferred income tax assets	<u>\$6,288</u>		<u>\$6,292</u>
Deferred tax liabilities	<u>\$(1,118)</u>		<u>\$(357)</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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		\$1,291	
Deferred income tax assets (liabilities), net	\$3,879		\$5,170
The information expressed on the balance sheet is as follows:			
Deferred income tax assets	\$4,640		\$6,288
Deferred tax liabilities	\$(761)		\$(1,118)

Unrecognized deferred income tax asset

As of December 31, 2022 and 2021, the total amount of the Company's unrecognized deferred income tax assets was NT\$25,315 thousand.

Income tax declaration and audit

As of December 31, 2022, the filings of the Company's profit-seeking enterprise income tax up to 2020 were approved by the tax collection authority.

33. 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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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dilutive potential common stock shares were converted into common stock shares.

	<u>2022</u>	<u>2021</u>
(1) Basic earnings per share		
Current net income	<u>\$(220,184)</u>	<u>\$1,239,273</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>351,252</u>	<u>350,863</u>
Base earnings per share (\$)	<u>\$(0.63)</u>	<u>\$3.53</u>
	<u>2022</u>	<u>2021</u>
(2) Diluted earnings per share		
Net income attributable to the holders of common stock of the parent company	<u>\$(220,184)</u>	<u>\$1,239,273</u>
Interest on convertible corporate bonds	<u>-</u>	<u>(9,941)</u>
Net income attributable to the holders of common stock of the parent company after adjustment to the dilution effect	<u>\$(220,184)</u>	<u>\$1,229,332</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>351,252</u>	<u>350,863</u>
Dilution effect:		
Employee remuneration – stock (thousand shares)	<u>-</u>	<u>1,617</u>
Convertible corporate bonds (thousand shares)	<u>-</u>	<u>22,239</u>
Weighted average number of common stock shares (thousand shares) after adjusting the dilution effect	<u>351,252</u>	<u>374,719</u>
Diluted earnings per share (NT\$)	<u>\$(0.63)</u>	<u>\$3.28</u>

The convertible corporate bonds issued by the Company during 2022 were not included in the diluted earnings per share for 2022 due to their anti-dilution effect.

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Margin accounts – bank deposits	<u>\$436,953</u>	<u>\$363,736</u>
Margin accounts – settlement institution settlement balance	<u>140,199</u>	<u>155,881</u>
Customer margin account balance	<u>577,152</u>	<u>519,617</u>
Less: Processing fee income pending reclassification	<u>(103)</u>	<u>(89)</u>
Futures transaction tax to be transferred out	<u>(68)</u>	<u>(80)</u>
Temporary receipts	<u>(696)</u>	<u>(15)</u>
Futures traders' equity	<u>\$576,285</u>	<u>\$519,433</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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35. 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>\$35,000</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>\$35,000</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 2021, the Group's operating income and pre-tax net income since January 1, 2021 would have increased by NT\$14,904 thousand and NT\$10,156 thousand, respectively.

7. Related party transactions

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

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

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Others	\$1	\$4
Entities with joint control or significant influence on the Company		
Others	5,677	3,432
Other related parties		
Others	236	29
Total	<u>\$5,914</u>	<u>\$3,465</u>

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>2022.12.31</u>	<u>2021.12.31</u>
<u>Accounts payable</u>		
Other related parties		
Others	<u>\$1</u>	<u>\$-</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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>2022</u>	<u>2021</u>
Entities with joint control or significant influence on the Company		
Others	\$1,200	\$1,356
Other related parties		
Others	-	3,024
Total	<u>\$1,200</u>	<u>\$4,380</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>2022</u>	<u>2021</u>
Entities with joint control or significant influence on the Company		
Others	\$4,342	\$3,459
Other related parties		
Others	2,359	2,287
Total	<u>\$6,701</u>	<u>\$5,746</u>

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>2022.12.31</u>	<u>2021.12.31</u>
<u>Other receivables</u>		
Entities with joint control or significant influence on the Company		
Others	\$84	\$84
Other related parties		
Others	259	280
Total	<u>\$343</u>	<u>\$364</u>

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

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>2022</u>	<u>2021</u>
<u>Account maintenance fee income</u>		
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$5,071</u>	<u>\$4,949</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>2022.12.31</u>	<u>2021.12.31</u>
<u>Accounts receivable</u>		
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$400</u>	<u>\$448</u>

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

5. Asset trade

2022

<u>Counterparties</u>	<u>Transaction object</u>	<u>Trade value</u>
<u>Stock purchase</u>		
Subsidiaries		
Others	TDCC stocks	\$10,400
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	TDCC stocks	269,036
Mercuries & Associates Holding, LTD.	TDCC stocks	27,548
Total		<u>\$306,984</u>

Stock sale

Entities with joint control or significant influence on the Company

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
Mercuries Life Insurance Co. Ltd.	TDCC stocks	\$276,862
Mercuries & Associates Holding, LTD.	TDCC stocks	56,249
Other related parties		
Others	TDCC stocks	24,767
Total		\$357,878

Equipment

Other related parties		
Others	Office equipment	\$2,800

2021

Counterparties	Transaction object	Trade value
<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	12,928
Total		\$124,925

Stock sale

Entities with joint control or significant influence on the Company		
Others	TDCC stocks	\$17,564
Other related parties		
Others	TDCC stocks	19,797
Total		\$37,361

Bond purchase

Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	Over-the-cou nter bonds	\$200,000
Mercuries & Associates Holding, LTD.	Over-the-cou nter bonds	51,255
Total		\$251,255

Bond sale

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>Entities with joint control or significant influence on the Company</u>		
Mercuries & Associates Holding, LTD.	Over-the-counter bonds	\$56,950
<u>Note purchase</u>		
<u>Other related parties</u>		
Others	Short term bills	\$11,491
<u>Note sale</u>		
<u>Other related parties</u>		
Others	Short term bills	\$11,491
<u>Equipment</u>		
<u>Other related parties</u>		
Others	Office equipment	\$1,480

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:

	2022	2021
<u>Entities with joint control or significant influence on the Company</u>		
Mercuries & Associates Holding, LTD.	\$449	\$1,124
Mercuries Life Insurance Co. Ltd.	7,826	295
<u>Other related parties</u>		
Others	(15,174)	492
Total	\$(6,899)	\$1,911

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:

	2022	2021
<u>Entities with joint control or significant influence on the Company</u>		
Mercuries & Associates Holding, LTD.	\$-	\$5,695

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

The details of interest on the bonds held by the company and the above related parties are as follows:

	<u>2022</u>	<u>2021</u>
Other related parties		
Others	<u>\$-</u>	<u>\$1</u>

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

	<u>2022</u>	<u>2021</u>
<u>Other operating expenses – service expense</u>		
Subsidiaries		
Horizon SICE Co., Ltd.	<u>\$37,500</u>	<u>\$41,000</u>

	<u>2022</u>	<u>2021</u>
<u>Other operating expenses – entertainment expense</u>		
Other related parties		
Others	<u>\$-</u>	<u>\$11</u>

	<u>2022</u>	<u>2021</u>
<u>Other operating expenses – advertising expense</u>		
Other related parties		
Others	<u>\$900</u>	<u>\$700</u>

	<u>2022</u>	<u>2021</u>
<u>Other operating expenses – miscellaneous expenses</u>		
Other related parties		
Others	<u>\$57</u>	<u>\$8</u>

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Other payables</u>		
Subsidiaries		
Horizon SICE Co., Ltd.	<u>\$-</u>	<u>\$5,000</u>

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>2022.12.31</u>		<u>2021.12.31</u>	
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount
Subsidiaries				
Horizon SICE CO., LTD.	12,000	\$123,261	12,000	\$121,020
Horizon Venture Capital Co., Ltd.	60,000	503,140	60,000	517,029
Horizon Venture Management Co., Ltd.	2,000	24,098	2,000	21,503
Total		<u>\$650,499</u>		<u>\$659,552</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Entities with joint control or significant influence on the Company		
Others	70 <u>\$1,061</u>	1,400 <u>\$31,710</u>
Other related parties		
Others	- <u>\$-</u>	428 <u>\$30,303</u>

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

	<u>2022</u>	<u>2021</u>
Subsidiaries		
Horizon Venture Management Co., Ltd.	\$960	\$-
Entities with joint control or significant influence on the Company		
Others	300	2,000
Other related parties		
Others	-	1,297
Total	<u>\$1,260</u>	<u>\$3,297</u>

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

	<u>2022.12.31</u>		<u>2021.12.31</u>	
	<u>Face value</u>	<u>Market price</u>	<u>Face value</u>	<u>Market price</u>
Entities with joint control or significant influence on the Company				
Mercuries Life Insurance Co. Ltd.	<u>\$200,000</u>	<u>\$199,999</u>	<u>\$200,000</u>	<u>\$200,000</u>

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

	<u>2022</u>	<u>2021</u>
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$6,600</u>	<u>\$2,043</u>

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
<u>Other receivables</u>		
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$2,043</u>	<u>\$2,043</u>

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

9. Remuneration of key management personnel of the Company

	2022	2021
Short-term employee benefits	\$115,264	\$197,399
Retirement benefits	6,148	3,998
Total	<u>\$121,412</u>	<u>\$201,397</u>

8. Pledged assets

The Company has the following assets provided as collateral:

Items	Secured debt or restricted content	2022.12.31	2021.12.31
<u>Financial assets at fair value through profit and loss</u>			
Securities – proprietary (government bonds)	Call loans to banks	\$301,161	\$610,355
Securities – proprietary (corporate bonds)	Call loans to banks	1,390,803	1,707,894
Securities – proprietary (convertible bonds)	Call loans to banks	19,750	402,610
<u>Other current assets</u>			
Restricted assets (certificate of deposit)	Short-term borrowings and commercial paper	87,000	126,000
Restricted assets (certificate of deposit)	Settlement advance	215,000	270,000
Restricted assets (Current deposits)	Short-term borrowings (compensating balance)	16,000	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

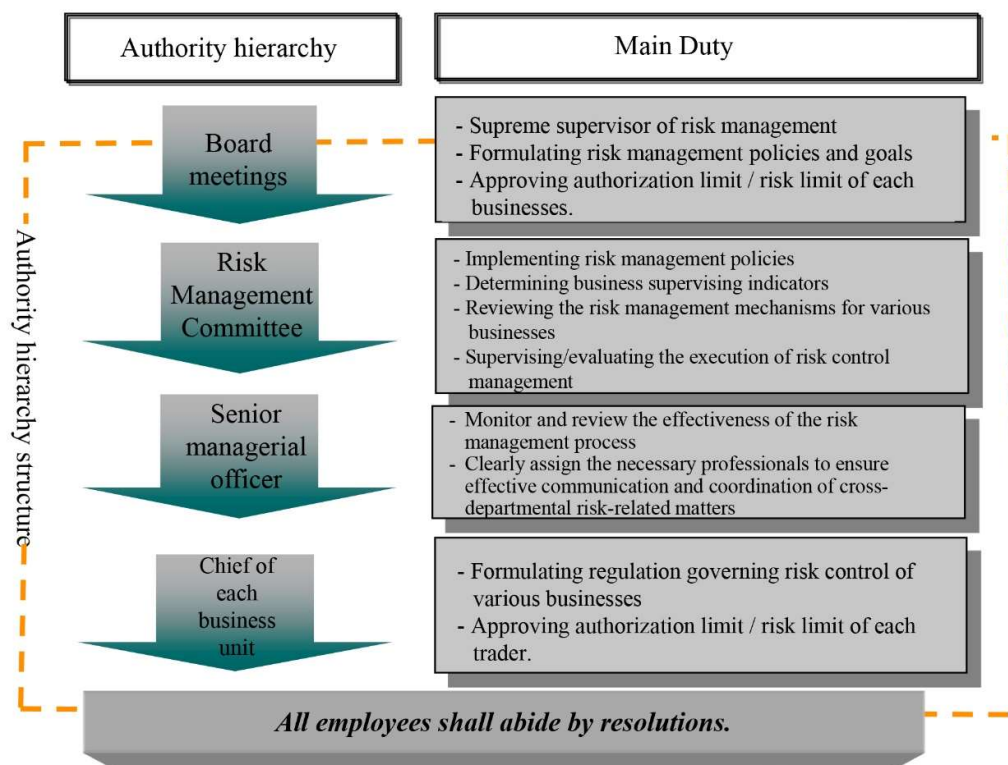
(1) Risk management objectives and policies

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

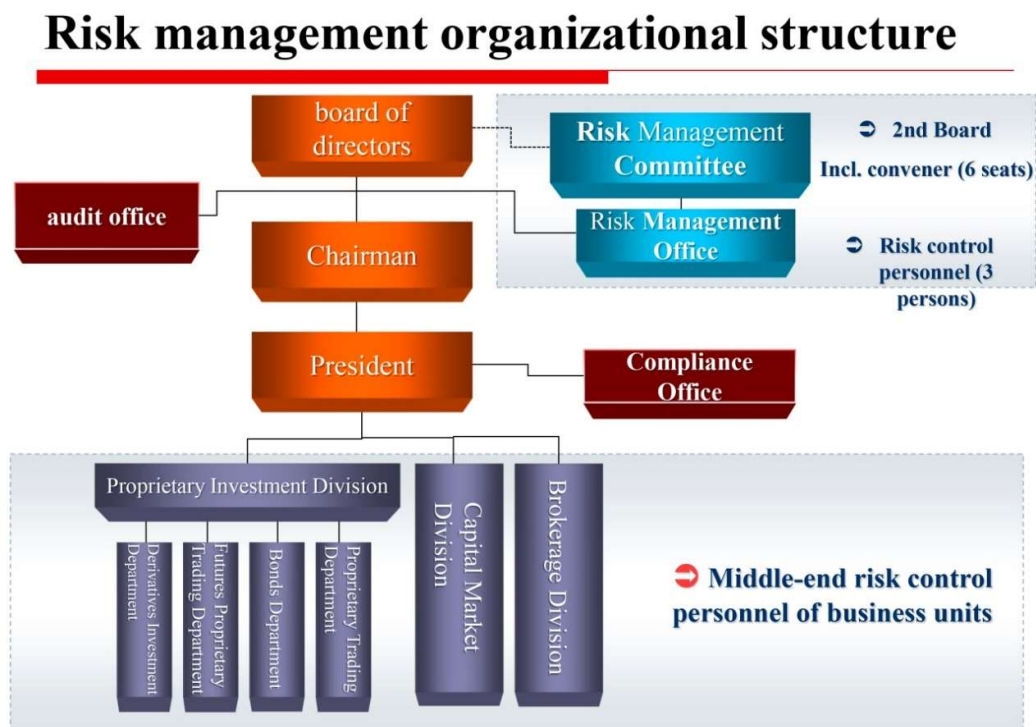
The Company adopts the authorization hierarchy system for risk management. Procedures of formulations and Approval of relevant policies are as follows:



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:



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

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

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 - 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:

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

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

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 identify physical and transition risks caused by climate change.

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:

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

- 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 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 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

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

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
2022.12.31	463%	442%	481%	361%
2021.12.31	427%	385%	459%	312%

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	Fluctuation by 1bp Amount of profit or loss affected (DV01)
2022.12.31	2.50	\$426
2021.12.31	3.25	747

Note: Perpetual debentures are not included.

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

Perpetual debentures

Unit: NTD thousand

Date \ Items	Average duration	Fluctuation by 1bp Amount of profit or loss affected (DV01)
2022.12.31	31.3	\$626
2021.12.31	31.3	626

(b) Exchange rate sensitivity analysis

The Company assesses the impact of exchange rate change by 1% on the profit 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%
2022.12.31	\$348
2021.12.31	298

- 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 VaR of the next day is calculated at 99% confidence level.

Unit: NTD thousand

Date	Current value	Mean	Max. value	Min. value
2022.12.31	\$30,361	\$16,349	\$82,848	\$231
2021.12.31	67,248	80,506	116,721	32,618

(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

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

- 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 Group'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 Company set the loss ratios of the market values of both equity investments and non-government bonds investments at 12%, the loss ratio of money market funds at 2%, the sharp fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion,

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

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 Group set the loss ratios of the market values of equity investments and non-governmental bond investments at 30% and 10%, respectively, the loss ratio 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 third one is based on the scenario of Typhoon Morakot striking Taiwan in 2009. The Company set the loss ratios of the market values of equity investments and non-government bond investments at 6% and 3%, respectively, the loss ratio of money funds at 2%; reduced the average daily trading volume of the Taiwan stock market to NT\$50 billion; and set 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

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

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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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limit of transaction amount is set based on the counterparties credit ratings.

(6) Loans and non-restricted purpose loans

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.

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

Non-derivative financial liabilities

	Less than 1 year	2–3 years	4–5 years	Over 5 years	Total
<u>2022.12.31</u>					
Short-term borrowings	\$50,019	\$-	\$-	\$-	\$50,019
Payables	1,885,584	-	-	-	1,885,584
Call loans to banks	2,100,819	-	-	-	2,100,819
Corporate bonds payable	-	-	622,900	-	622,900
Lease liabilities (Note)	39,800	57,724	25,915	-	123,439
<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

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>2022.12.31</u>					
Inflow	\$2,074,397	\$-	\$-	\$-	\$2,074,397
Outflow	(666,918)	-	-	-	(666,918)
Net value	<u>\$1,407,479</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,407,479</u>
<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>

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

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

(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
	Transition risk 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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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Risk	Description of risk	Financial impact	Countermeasures
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

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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, 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 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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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 2022:

	Short-term borrowings	Commercial papers payable	Corporate bonds payable	Lease liabilities	Total liabilities from financing activities
2022.1.1	\$50,000	\$149,995	\$763,524	\$66,915	\$1,030,434
Cash flows					
- Inflow	66,031,596	29,979	-	-	66,061,575
- Outflow	(66,031,596)	(180,000)	(62,236)	(65,140)	(66,338,972)
Non-cash changes	-	26	(27,087)	112,578	85,517
2022.12.31	\$50,000	\$-	\$674,201	\$114,353	\$838,554

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

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

<u>Financial assets</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss		
Measured at fair value through income under compulsion	\$2,340,090	\$4,238,739
Financial assets at fair value through other comprehensive profit or loss	153,245	162,840
Financial assets based on cost after amortization (Note)	6,556,827	10,015,834
Total	<u>\$9,050,162</u>	<u>\$14,417,413</u>
<u>Financial liabilities</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities at fair value through profit and loss:		
Financial liabilities mandatorily measured at fair value through profit or loss	\$12,034	\$-
Financial liabilities based on cost after amortization:		
Short-term borrowings	50,000	50,000
Commercial papers payable	-	149,995
Call loans to banks	2,099,446	3,804,392
Futures traders' equity	576,286	519,433
Corporate bonds payable	674,201	763,524
Payables	1,882,947	4,394,703
Lease liabilities	114,353	66,915
Total	<u>\$5,409,267</u>	<u>\$9,748,962</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

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

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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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, 2022					
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	\$2,063,512	\$2,099,446	\$2,063,512	\$2,099,446	\$(35,934)

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

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 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:

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

December 31, 2022

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	\$351,797	\$-	\$351,797	\$351,797	\$-	\$-

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	\$2,099,446	\$-	\$2,099,446	\$2,099,446	\$-	\$-

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

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.

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, 2022

	<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	\$404,595	\$-	\$3,496	\$408,091
Bond investment	1,173,876	594,207	-	1,768,083
Fund investment	15,350	82,579	-	97,929
Unrealized valuation gains or losses of equity instruments investments				
Equity measured at fair value through other comprehensive income	50,040	-	103,205	153,245
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Futures trading margin – proprietary capital	65,843	-	-	65,843
Call option - non-hedging	144	-	-	144

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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	Level 1	Level 2	Level 3	Total
<u>Liabilities</u>				
Financial liabilities at fair value through profit and loss				
Call option - others	-	12,034	-	12,034
 <u>December 31, 2021</u>				
	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	\$1,288,117	\$-	\$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

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

For the years 2022 and 2021, 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
2022.1.1	\$6,130	\$92,460
Total profit or loss recognized for 2022		
Recognized in the profit or loss	(1,878)	-
Recognized in the other	-	10,608

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		Assets	
		Measured at fair values through profit and/or loss	Unrealized valuation gains or losses of equity instruments investments
		Stock	Stock
comprehensive income			
Acquisition		304	137
Disposition		(2,342)	-
Conversion into Level 3		1,282	-
2022.12.31		\$3,496	\$103,205

		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 2022			
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

(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, 2022

	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	20.00%~60.00%	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 Growth Rate	3.15%~3.40%	The higher the dividend growth rate, the higher the estimated fair value.
	Income approach	Return on investment	7.00%	The higher the return on investment, the lower the estimated fair value.

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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	20.00%~60.00%	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 Growth Rate	3.00%~3.50%	The higher the dividend growth rate, the higher the estimated fair value.
	Income approach	Return on investment	7.00%	The higher the return on investment, the lower the estimated fair value.

(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, 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets with only fair value required to be disclosed:				
Financial assets based on cost after amortization	\$-	\$199,999	\$-	\$199,999
Liabilities with only fair value required to be disclosed:				
Corporate bonds payable	-	584,093	-	584,093

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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	-	661,341	-	661,341

16. Information on foreign currency positions held

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

	2022.12.31		
	Foreign currency (NT\$)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$3,595,209	30.7080	\$110,402
HKD	954,122	3.9384	3,758
CNY	622	4.4175	3
GBP	4,508	37.0553	167
EUR	286,220	32.7086	9,362
JPY	14,283,720	0.2324	3,320
AUD	15,769	20.8262	328
<u>Non-Currency</u>			
HKD	10,032,000	3.9384	39,510
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	591,700	30.7080	18,170
HKD	245,693	3.9384	968
	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

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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 2022 and 2021 were NT\$8,671 thousand and NT\$(2,190) 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	2022.12.31		
	Account balance	Profit (loss) on open positions	Net value of account
Taiwan Futures Exchange	\$30,395	\$5,633	\$36,028
Yuanta Futures Co., Ltd.	32,053	(2,238)	29,815
Total	\$62,448	\$3,395	\$65,843

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

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

	2022	2021
Futures contract gain (loss) – net	\$47,249	\$(17,309)

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

	2022	2021
Net gain (loss) from options trade	\$(3,399)	\$(453)

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

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:

		2022.12.31				
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)	Seller	10	\$25,799	\$25,750	
Futures contracts	Financial futures (TF)	Buyer	17	25,189	25,405	
Futures contracts	TAIEX Futures	Buyer	8	22,644	22,616	
Futures contracts	TAIEX Futures	Seller	220	625,664	620,268	
Futures contracts	Mini-DAX	Seller	4	9,151	9,154	
Futures contracts	Euro 10-year bonds	Buyer	1	4,369	4,348	
Futures contracts	FTSE 100 Index	Buyer	3	8,291	8,307	
Futures contracts	UK long-term bonds	Buyer	1	3,913	3,705	
Futures contracts	Hang Seng Index	Buyer	2	7,900	7,843	
Futures contracts	Mini Hang Seng Index	Seller	3	2,369	2,353	
Futures contracts	SGX Nikkei 225 Index	Seller	8	25,249	24,165	
Futures contracts	Light crude oil	Buyer	10	24,642	24,648	
Futures contracts	U.S. Dollar Index	Buyer	25	79,568	79,285	
Futures contracts	EUR	Buyer	6	24,491	24,769	
Futures contracts	3-month EUR and USD	Seller	130	946,506	947,423	
Futures contracts	Mini S&P500	Seller	3	17,826	17,786	
Futures contracts	U.S. 5-year bonds	Buyer	66	220,395	218,758	
Futures contracts	Gold	Buyer	13	72,600	72,907	
Futures contracts	Copper	Seller	6	17,735	17,553	
Futures contracts	Miniature gold coin	Seller	20	11,070	11,217	
Futures contracts	Mini Nasdaq	Seller	2	1,326	1,354	
Futures contracts	Natural gas	Seller	3	4,284	4,123	
Futures contracts	JP-NKY Nikkei Stock Average 225 Index - USD	Buyer	2	8,486	7,914	
Futures contracts	Mini Nasdaq	Seller	1	7,040	6,770	
Futures contracts	Platinum	Buyer	7	11,072	11,640	
Futures contracts	Mini light crude oil	Seller	1	1,143	1,232	
Futures contracts	FTSE Xinhua China A50 Index	Seller	23	9,126	9,242	
Futures contracts	Silver	Buyer	1	3,694	3,691	
Futures contracts	BSE SENSEX	Buyer	10	11,270	11,240	
Futures contracts	U.S. 2-year bonds	Seller	58	366,163	365,281	
Futures contracts	U.S. 10-year bonds	Buyer	38	133,097	131,048	
Futures contracts	U.S. 30-year bonds	Seller	1	3,946	3,849	
Futures contracts	Micro E-mini Dow Jones	Buyer	1	5,099	5,111	
Futures contracts	Industrial Average Index Futures					
Options trading	P013400	Buyer	20	92	64	
Options trading	P013500	Buyer	20	106	80	

		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	\$34,579	\$35,030	
Futures contracts	Financial futures (TF)	Seller	10	16,895	17,136	
Futures contracts	TAIEX Futures	Seller	56	202,354	203,941	

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

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

(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	\$683,788	300.43 times greater	\$623,930	484.42 times greater	≥ 1	Complied
	Total liabilities – futures merchant's equity	\$2,276		\$1,288			
17	Current assets	\$1,154,963	2.00 times greater	\$1,037,535	1.99 times greater	≥ 1	Complied
	Current liabilities	\$578,561		\$520,721			
22	Shareholders' equity	\$683,788	97.68%	\$623,930	89.13%	(1) ≥ 60% (2) ≥ 40%	Complied
	Minimum paid up capital	\$700,000		\$700,000			
22	Adjusted net capital (ANC)	\$644,627	411.09%	\$599,964	407.64%	(1) ≥ 20% (2) ≥ 15%	Complied
	Total margins required for futures traders' outstanding positions	\$156,811		\$147,179			

Embedded derivative instruments

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

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 6.21 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>2022.12.31</u>	<u>2021.12.31</u>
Regulatory capital adequacy ratio	<u>463%</u>	<u>427%</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

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

submit the simulation results to the Risk Management Committee to achieve the performance management and capital allocation goals after risk adjustments.

13. Supplementary disclosure matters

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%	\$123,261	\$45,095	\$2,241	\$2,241	\$-	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	579,420	60,000,000	100.00%	503,140	(1,641)	(13,889)	(13,889)	-	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%	24,908	11,429	3,555	3,555	960	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.	35,160,200	10.00%
Mercury Fu Bao Co., Ltd.	21,503,160	6.12%

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

Items	No./ Index
Statements of assets and liabilities:	
Statement of 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
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 Other Current Assets	Statement 15
Statement of bond liabilities under repurchase agreement	Note 6.20
Accounts payable statement	Statement 16
Statement of liability reserve - current	Note 6.21
Statement of corporate bonds payable	Statement 17
Statement of lease liabilities	Note 6.23
Statement of liability reserve - non-current	Statement 18
Details of deferred income tax liability	Statement 1
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 6.27
Statement of 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, 2022

Unit: NTD thousand

Items	Summary			Amount
Petty cash				\$430
Check deposits				3,965
Current deposits				185,304
Foreign currency demand deposit		Foreign amount		
	Currency	(NT\$)	Exchange rate	
	USD	\$463,820	@ 30.7080	14,243
	HKD	\$509,852	@ 3.9384	2,008
	CNY	\$622	@ 4.4175	3
	AUD	\$15,769	@ 20.8262	328
Subtotal				16,582
			The last maturity date	
Time deposits		Interest rate%		
		0.91%~2.75%	2023.12.19	702,550
			The last maturity date	
Cash equivalents		Interest rate%		
Short term bills		0.85%~1.17%	2023.1.31	1,298,040
Futures excess margin				103,268
Subtotal				1,401,308
Total				\$2,310,139

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, 2022

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:										
Yuanta Global Leaders Balanced Fund		948,767		\$10,000		\$10,000	\$9.92	\$9,411	\$-	
Cathay Asian High Yield Bond Fund		1,000,000		10,000		10,000	5.94	5,939	-	
Total						<u>\$20,000</u>		<u>\$15,350</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, 2022

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									
102 Central government bond A6	2023/03/06			\$100,000	1.125%	\$102,194		\$100,034	-	Domestic investments - government bonds are all transactions under repurchase agreement
104 Central government bond A5	2025/03/13			200,000	1.625%	211,598		201,127	-	
Subtotal						313,792		301,161	-	
Domestic investment — corporate bonds:	Date of repayment of principal and interest									
P11 TSMC 5B	2027/08/25			100,000	1.650%	100,000		98,240	-	Domestic investments - corporate debts are all transactions under repurchase agreement
P10 UNIMICRON 1	2026/01/13			100,000	0.680%	100,000		97,040	-	
P03 Foxconn 1D	2024/03/18			100,000	2.000%	105,473		100,729	-	
P11 Foxconn 3A	2025/10/21			100,000	1.650%	100,000		99,998	-	
P11 Foxconn 3B	2027/10/21			100,000	1.750%	100,000		99,292	-	
P11 Taiwan Power Company 4A	2025/08/15			100,000	1.490%	100,000		99,076	-	
P11 Taiwan Power Company 5A	2027/10/18			100,000	1.650%	100,000		99,998	-	
P11 Taiwan Power Company 7B	2027/12/15			100,000	2.050%	100,000		99,999	-	
P07 TWM 1	2023/04/20			100,000	0.848%	100,000		99,864	-	
P11 Chailase 2A	2025/09/14			100,000	1.850%	100,000		99,996	-	
P09 CDIBH 1A	2025/05/20			100,000	0.750%	100,000		98,072	-	
P11 FBND 4	2026/08/30			100,000	1.650%	100,000		99,997	-	
P08 FFTC 1	2024/05/29			200,000	0.980%	202,167		198,502	-	
Subtotal						1,407,640		1,390,803	-	
Domestic investment — convertible corporate bonds:										
Walsin Technology Corporation 1		200	\$100,000	20,000		20,000	\$96.00	19,200	-	Domestic investments - convertible corporate bonds are all transactions under repurchase agreement
Key Ware 3		200	100,000	20,000		20,000	98.75	19,750	-	
Subtotal						40,000		38,950	-	
Trading in centralized securities exchange market:										
TWSE-listing companies stock:										
Uni-President		235,000	10	2,350		15,186	66.60	15,651	-	
Formosa Plastics Corporation		70,000	10	700		6,202	86.80	6,076	-	
Lotus Pharm		16,000	10	160		3,783	246.00	3,936	-	
Foxconn Technology Group		52,000	10	520		5,491	99.90	5,195	-	
Yageo Corporation		8,000	10	80		3,739	451.00	3,608	-	
Taiwan Semiconductor Manufacturing Co., Ltd.		97,000	10	970		44,994	448.50	43,504	-	
Chunghwa Telecom Co., Ltd.		4,000	10	40		444	113.00	452	-	
Cathay Financial Holding Co., Ltd.		64,000	10	640		2,739	40.00	2,560	-	
Mercuries		70,000	10	700		1,060	15.15	1,061	-	

(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, 2022

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:										
President Chain Store Corporation		7,000	\$10	\$70		\$1,862	\$272.00	\$1,904	\$-	
Unimicron Technology Corporation		20,000	10	200		2,471	120.00	2,400	-	
Taiwan Mobile Co., Ltd.		5,000	10	50		467	94.70	474	-	
Jentech Precision Industrial Co., Ltd		10,000	10	100		3,939	376.50	3,765	-	
Alchip		5,000	10	50		4,457	788.00	3,940	-	
Far EasTone		141,000	10	1,410		9,458	65.90	9,292	-	
Golden Union Industrial Co., Ltd.-KY		40,000	10	400		2,244	53.30	2,132	-	
Complex Micro Interconnection Co., Ltd.		57,173	10	571		2,702	39.45	2,255	-	
Subtotal						111,238		108,205	-	
Trading over the counter:										
OTC stocks:										
Yao Sheng		70,000	10	700		3,747	48.80	3,416	-	
Parade-KY		3,000	10	30		2,388	773.00	2,319	-	
GrandTech C.G. Systems Inc.		80,000	10	800		4,433	53.60	4,288	-	
Netronix, Inc.		26,232	10	262		1,660	63.50	1,666	-	
Mars Semiconductor Corp.		14,876	10	149		1,069	63.10	939	-	
E Ink Holdings Inc.		10,000	10	100		1,748	161.00	1,610	-	
Neusys Technology Inc.		102,000	10	1,020		10,600	96.50	9,843	-	
						25,645		24,081	-	
Emerging stock:										
Yield Microelectronics Corp.		20,000	10	200		1,606	84.80	1,696	-	
Lagis Enterprise Co., Ltd.		12,237	10	122		445	32.47	397	-	
SuperAlloy Industrial Co., Ltd.		78,242	10	782		3,465	43.35	3,392	-	
Topgreen		170,620	10	1,706		2,752	14.90	2,542	-	
Miramar Hotel		147,952	10	1,480		1,208	8.34	1,234	-	
Advance Materials Corporation		108,767	10	1,088		835	7.80	848	-	
Chaheng Precision Co., Ltd.		39,868	10	399		2,613	70.20	2,799	-	
Joy Industrial Co., Ltd.		204,816	10	2,048		3,070	11.85	2,427	-	
Chumpower Machinery Corp.		197,317	10	1,973		5,660	22.40	4,420	-	
(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, 2022

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:										
Emerging stock:										
JMicon Technology Corp.		97,235	\$10	\$972		\$7,316	\$66.00	\$6,418	\$-	
ACTi Corporation		100,647	10	1,006		1,056	10.45	1,052	-	
Prolight Opto Technology Corporation		204,368	10	2,044		1,744	9.53	1,948	-	
Jiushun Construction Co., Ltd.		97,606	10	976		2,015	17.80	1,737	-	
Wieson Technologies Co., Ltd.		197,575	10	1,976		2,327	12.05	2,381	-	
SNSplus, Inc.*		53,160	10	532		710	12.60	670	-	
Ttbio Corp.		248,687	10	2,487		6,822	27.05	6,727	-	
Powertip Image Corp.		271,979	10	2,720		6,788	22.25	6,052	-	
DV Biomed Co., Ltd.		63,090	10	631		3,725	55.00	3,470	-	
Perfect Medical Industry Co., Ltd.		512,276	10	5,123		11,173	16.30	8,350	-	
Long Time Tech. Co., Ltd.		221,106	10	2,211		9,716	41.15	9,099	-	
Enimmune Corporation		68,828	10	688		4,407	61.10	4,205	-	
Hroughtek Co., Ltd.		276,004	10	2,760		4,524	12.40	3,423	-	
Nan Juen		45,538	10	455		2,844	61.30	2,792	-	
Han-da Technology Co., Ltd.		50,522	10	505		6,154	123.50	6,239	-	
Energenesis Biomedical Co., Ltd.		127,954	10	1,280		5,488	42.75	5,470	-	
Hua Hsu Silicon Materials Co., Ltd.		247,203	10	2,472		5,220	20.45	5,055	-	
Afastor Corp.		1,323,252	10	13,233		25,049	14.85	19,650	-	
A-SPINE Asia Co., Ltd.		157,861	10	1,579		7,523	38.00	5,999	-	
Ace Edulink Co., Ltd.		98,871	10	989		4,216	36.50	3,609	-	
Ping Ho Environmental Technology Co., Ltd.		79,388	10	794		5,448	58.60	4,652	-	
Entire Technology Co., Ltd.		115,525	10	1,155		2,996	20.00	2,311	-	
Istart-Tek Inc.		96,777	10	968		5,499	60.50	5,855	-	
UnicoCell		471,723	10	4,717		16,050	32.00	15,095	-	
Bio Preventive Medicine Corp.		180,120	10	1,801		6,627	37.05	6,673	-	
Gene Touch Corp.		71,851	10	719		1,017	14.10	1,013	-	
Qbic Technology Co., Ltd.		323,507	10	3,235		13,960	45.10	14,590	-	
Taiwan Microloops Corp.		304,005	10	3,040		17,516	46.25	14,060	-	
Ipevo Corporation		142,557	10	1,426		9,164	47.10	6,714	-	
Tan De Tech Co., Ltd.		175,560	10	1,756		7,004	41.15	7,224	-	
Winstar		74,779	10	748		1,942	32.95	2,464	-	
Forward Science Corporation		100,455	10	1,005		4,774	47.30	4,752	-	
(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, 2022

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:										
Emerging stock:										
Clientron Corp.		122,772	\$10	\$1,228		\$3,149	\$22.50	\$2,762	\$-	
Micro Silicon Electronics Co., Ltd.		114,173	10	1,142		3,993	33.15	3,785	-	
Subtron Technology Co., Ltd.		193,426	10	1,934		6,418	26.10	5,048	-	
ELTA Technology Co., Ltd.		56,103	10	561		1,578	29.95	1,680	-	
Subtotal						<u>247,606</u>		<u>222,779</u>	<u>-</u>	
Others:										
A Plus Biotech		100,000	10	1,000		5,300	53.00	5,300	-	
Overseas exchanges:										
Stocks:										
Semiconductor Manufacturing International Corporation		600,000	HK 1	HK 600,000		39,236	65.85	39,510	-	
Securities - proprietary - total						<u>\$2,190,457</u>		<u>\$2,130,789</u>	<u>\$-</u>	

Horizon Securities Co., Ltd.
4. Statement of financial assets at fair value through profit and loss - current - securities - underwriting
December 31, 2022

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:										
Cathay Financial Holding Co., Ltd.		118,000	\$10	\$1,180		\$4,130	40.00	\$4,720	\$-	
Trading over the counter:										
Convertible corporate bonds:										
Chun Yu 1		93,000	100	9,300		10,352	100.50	9,347	-	
Chun Yu 2		65,000	100	6,500		7,248	100.00	6,500	-	
Chun Yu 3		52,000	100	5,200		5,785	100.00	5,200	-	
Bright Sheland 2		70,000	100	7,000		7,000	96.30	6,741	-	
Key Ware 3		95,000	100	9,500		9,500	98.75	9,381	-	
Securities - underwriting - total						<u>\$44,015</u>		<u>\$41,889</u>	<u>\$-</u>	

Horizon Securities Co., Ltd.
5. Derivatives- Futures trading margin - proprietary capital statement
December 31, 2022

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			\$69,420	\$33,392	\$36,028	\$-	
Yuanta Futures Co., Ltd.	margin for futures trade		USD	\$1,538,807.69	30.7080	47,254	22,661	24,593	-	
			JPY	14,283,720.00	0.2324	3,319	865	2,454	-	
			EUR	286,219.45	32.7086	9,362	8,218	1,144	-	
			GBP	4,508.00	37.0553	167	(434)	601	-	
			HKD	220,692.00	3.9384	869	(154)	1,023	-	
			NTD			23,709	23,709	-	-	
President Futures Corporation	margin for futures trade		USD	(13)	30.7080	-	-	-	-	
			NTD			15,011	15,011	-	-	
Total futures trading margin - proprietary capital						<u>\$169,111</u>	<u>\$103,268</u>	<u>\$65,843</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, 2022

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>	\$27.80	<u>\$50,040</u>	

Horizon Securities Co., Ltd.

7. Statement of bond investment under reverse repurchase agreement

December 31, 2022

Unit: NTD thousand

Name of customer	Terms and conditions			Bonds		Turnover	Remarks
	Start date	Maturity date	Interest rate%	Type	Face value		
Sunny Bank	2022/12/20	2023/01/11	1.0755%	102 Central government bond A6	\$300,000	\$301,700	
Grand Fortune Securities Co., Ltd.	2022/12/21	2023/01/16	1.1295%	P08 SERCOMM 1	50,000	50,097	
Total					<u>\$350,000</u>	<u>\$351,797</u>	

Horizon Securities Co., Ltd.
8. Statement of Other Current Assets
December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Restricted assets-current	Provided bank time deposits pledged for short-term borrowings or settlement advances	\$302,000	Please refer to the Note VIII of the financial report
	Compensating balance	16,000	
Subtotal		<u>318,000</u>	
Other current assets- Other	Pending settlement payment and underwriting money collected	1,828	
	Underwriting money collected	47,270	
Subtotal		<u>49,098</u>	
Total		<u><u>\$367,098</u></u>	

Horizon Securities Co., Ltd.

9. Statement of financial assets at fair value through profit and loss- non-current

2022

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	\$5,370	-	\$2,340	-	\$-	3,000,000	\$7,710	None	
Fuh Hwa New Performance Fund	2,900,000	27,521	247,934	4,808	-	-	3,147,934	32,329	None	
Fuh Hwa New Intelligence Fund	6,000,000	49,260	-	-	-	6,720	6,000,000	42,540	None	
Delisted from emerging stock market:										
Joyin Co., Ltd.	112,553	2,028	20,254	31	-	-	132,807	2,059	None	
Even Systems Co., Ltd.	105,996	4,085	-	-	70,827	3,258	35,169	827	None	
United BioPharma Inc.	309	5	-	-	-	-	309	5	None	
Abroadens International Co., Ltd.	474	2	-	1	-	-	474	3	None	
Geosat Aerospace & Technology Inc.	2,131	6	-	1	-	-	2,131	7	None	
Remotek Corporation	320	4	-	-	-	1	320	3	None	
Smart Displayer Technology Co., Ltd.	-	-	150	3	-	-	150	3	None	
Clean Air Technology Limited	-	-	19,936	589	-	-	19,936	589	None	
Total		\$88,281		\$7,773		\$9,979		\$86,075		

Horizon Securities Co., Ltd.

10. Statement of financial assets at fair value through other comprehensive income – non-current.

January 1 to December 31, 2022

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	839,721	\$80,706	117,560	\$5,909	-	\$-	957,281	\$86,615	None	
Taiwan Depository and Clearing Corporation	101,433	11,754	34,487	4,633	-	-	135,920	16,387	None	
Taiwan Stock Exchange Corporation	-	-	1,686	203	-	-	1,686	203		
Total		<u>\$92,460</u>		<u>\$10,745</u>		<u>\$-</u>		<u>\$103,205</u>		

Horizon Securities Co., Ltd.

11. Statement of changes in financial assets based on cost after amortization - non-current

2022

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	200	<u>\$200,000</u>	-	<u>\$-</u>	-	<u>\$1</u>	200	<u>\$199,999</u>	None	

Horizon Securities Co., Ltd.

12. Statement of Changes in Investment under the equity method

2022

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	\$121,020	-	\$2,241	-	\$-	12,000,000	100%	\$123,261	\$10.27	\$123,261	None	
Horizon Venture Capital Co., Ltd.	60,000,000	517,029	-	-	-	13,889	60,000,000	100%	503,140	8.39	503,140	None	
Horizon Venture Management Co., Ltd.	2,000,000	21,503	-	3,555	-	960	2,000,000	100%	24,098	12.05	24,098	None	
Total		<u>\$659,552</u>		<u>\$5,796</u>		<u>\$14,849</u>			<u>\$650,499</u>				

Horizon Securities Co., Ltd.
 13.1 Statement of Changes in Intangible Assets
 2022

Unit: NTD thousand

Items	Opening balance	Current increase amount	Current decrease amount	Balance, ending	Security or Pledge Provided	Remarks
Buildings and structures	\$227,529	\$119,147	\$39,198	\$307,478	None	
Transportation equipment	9,733	3,826	1,906	11,653	None	
Total	<u>\$237,262</u>	<u>\$122,973</u>	<u>\$41,104</u>	<u>\$319,131</u>		

Horizon Securities Co., Ltd.

13.2. Changes in Accumulated Depreciation of Assets with Right-of-Use Statement
2022

Unit: NTD thousand

Items	Opening balance	Current increase amount	Current decrease amount	Balance, ending	Remarks
Buildings and structures	\$148,387	\$73,231	\$33,058	\$188,560	Note 1
Transportation equipment	4,257	4,002	1,906	6,353	Note 1
Total	<u>\$152,644</u>	<u>\$77,233</u>	<u>\$34,964</u>	<u>\$194,913</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, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Decommissioning cost liability		\$1,697	
Short-term employee benefits		63	
Net determined benefit liability		2,982	
Net valuation gains or losses on financial assets		393	
Estimated litigation indemnity		1,157	
Total		<u>\$6,292</u>	

Horizon Securities Co., Ltd.
15. Statement of bond liabilities under repurchase agreement
December 31, 2022

Unit: NTD thousand

Securities Name	Terms and conditions			Amount		Turnover	Remarks
	Start date	Maturity date	Interest rate%	Type	Face value		
102 Central government bond A6	2022/12/20	2023/01/11	1.0710%	Government bonds	\$300,000	\$301,548	
102 Central government bond A6	2022/12/29	2023/01/11	0.6750%	Government bonds	100,000	110,439	
104 Central government bond A5	2022/12/20	2023/01/03	0.6750%	Government bonds	100,000	100,404	
104 Central government bond A5	2022/12/29	2023/01/11	0.6750%	Government bonds	100,000	110,427	
P03 Foxconn 1D	2022/12/09	2023/01/06	1.1340%	Corporate bonds	100,000	100,172	
P07 TWM 1	2022/12/22	2023/01/10	1.1250%	Corporate bonds	100,000	100,728	
P09 CDIBH 1A P10	2022/12/19	2023/01/16	1.1520%	Corporate bonds	100,000	100,351	
UNIMICRON 1 P10	2022/12/21	2023/01/04	1.1160%	Corporate bonds	70,000	73,324	
UNIMICRON 1 P10	2022/12/28	2023/01/30	1.0980%	Corporate bonds	30,000	30,163	
P08 FFTC 1	2022/12/20	2023/01/05	1.1160%	Corporate bonds	25,000	25,010	
P08 FFTC 1	2022/12/22	2023/01/10	1.1160%	Corporate bonds	10,000	10,063	
P08 FFTC 1	2022/12/28	2023/01/30	1.0980%	Corporate bonds	8,000	8,018	
P08 FFTC 1	2022/12/09	2023/01/12	1.0980%	Corporate bonds	50,000	50,000	
P08 FFTC 1	2022/12/30	2023/01/31	1.1430%	Corporate bonds	57,000	57,119	
P08 FFTC 1	2022/12/19	2023/01/06	1.1340%	Corporate bonds	50,000	50,166	
P11 Taiwan Power Company 4A	2022/12/22	2023/01/10	1.1160%	Corporate bonds	100,000	100,250	
P11 Taiwan Power Company 5A	2022/12/29	2023/01/31	1.1430%	Corporate bonds	100,000	100,000	
P11 Taiwan Power Company 7B	2022/12/15	2023/01/11	1.0980%	Corporate bonds	100,000	100,000	
P11 TSMC 5B	2022/12/21	2023/01/10	1.1520%	Corporate bonds	50,000	50,000	
P11 TSMC 5B	2022/12/21	2023/01/04	1.1160%	Corporate bonds	10,000	10,072	
P11 TSMC 5B	2022/12/21	2023/01/06	1.1160%	Corporate bonds	40,000	40,000	
P11 Foxconn 3A	2022/12/30	2023/01/31	1.1430%	Corporate bonds	100,000	100,265	
P11 Foxconn 3B	2022/12/20	2023/01/05	1.1160%	Corporate bonds	100,000	100,155	
P08 SERCOMM 1	2022/12/21	2023/01/16	1.1250%	Corporate bonds	50,000	50,150	
P11 Chailease 2A	2022/12/22	2023/01/10	1.1250%	Corporate bonds	100,000	100,213	
P11 FBND 4	2022/12/09	2023/01/04	1.1250%	Corporate bonds	100,000	100,274	
Key Ware 3	2022/12/27	2023/01/17	1.1250%	Convertible corporate bonds	20,000	20,135	
Total					<u>\$2,070,000</u>	<u>\$2,099,446</u>	

Horizon Securities Co., Ltd.

16. Statement of Liability Reserve - Current

December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Employee benefits liability	Deferred paid leave reserve	\$313	
Other short-term liability reserve	Litigation indemnity	5,788	
Total		<u>\$6,101</u>	

Horizon Securities Co., Ltd.

17. Lease Liabilities

December 31, 2022

Unit: NTD thousand

Items	Summary	Rental period	Discount rate	Balance, ending	Remarks
Buildings and structures		May 2018–June 2027	1.03%	\$109,042	
Transportation equipment		September 2020– March 2025	1.03%	5,311	
Total				<u>\$114,353</u>	

Horizon Securities Co., Ltd.
18. Deferred income tax liabilities
December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Foreign exchange gain (loss) – net		<u>\$357</u>	

Horizon Securities Co., Ltd.
19. Statement of Brokerage Fee Revenue
2022

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	\$77,390	\$21,244	\$2,954	\$-	\$301	\$101,889	
February	82,909	18,488	2,312	-	138	103,847	
March	116,142	25,749	3,923	-	209	146,023	
April	76,077	20,392	3,016	-	3,134	102,619	
May	67,915	18,476	3,809	-	3,085	93,285	
June	73,243	20,685	4,180	-	5,740	103,848	
July	61,572	18,594	3,499	-	5,406	89,071	
August	63,705	26,362	2,818	-	11,367	104,252	
September	55,127	22,877	3,505	-	4,680	86,189	
October	44,665	13,360	3,745	-	3,174	64,944	
November	64,542	22,862	3,669	-	8,311	99,384	
December	60,475	21,524	3,459	-	6,135	91,593	
Subtotal	843,762	250,613	40,889	-	51,680	1,186,944	
Les: Brokerage fee discount	(376,737)	(113,904)	(343)	-	-	(490,984)	
Total	<u>\$467,025</u>	<u>\$136,709</u>	<u>\$40,546</u>	<u>\$-</u>	<u>\$51,680</u>	<u>\$695,960</u>	

Horizon Securities Co., Ltd.

20. Statement of Underwriting Business Revenue

2022

Unit: NTD thousand

Month	Firm commitment underwriting revenue	Securities proxy sale revenue	Underwriting revenue	Underwriting consulting revenue	Other income	Total	Remarks
January	\$3,772	\$-	\$2,868	\$1,210	\$14,336	\$22,186	
February	164	-	265	1,210	-	1,639	
March	3,704	-	2,072	1,270	9,511	16,557	
April	-	-	52	1,210	270	1,532	
May	70	-	411	1,210	45	1,736	
June	109	-	699	1,320	741	2,869	
July	10	-	23	1,360	3,191	4,584	
August	2,330	-	1,008	1,460	484	5,282	
September	4,375	-	823	1,470	735	7,403	
October	239	-	18	2,620	1,527	4,404	
November	626	-	193	1,250	3,811	5,880	
December	120	-	467	1,310	838	2,735	
Total	<u>\$15,519</u>	<u>\$-</u>	<u>\$8,899</u>	<u>\$16,900</u>	<u>\$35,489</u>	<u>\$76,807</u>	

Horizon Securities Co., Ltd.

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

2022

Unit: NTD thousand

	Items	Revenue from sales of securities	Cost of sales of securities	Gain (loss) on sales of securities	Remarks
Proprietary traders	Trading in centralized securities exchange market:				
	Stock	\$4,756,205	\$4,781,002	\$(24,797)	
	Others	214,647	213,728	919	
	Subtotal	4,970,852	4,994,730	(23,878)	
	Trading over the counter:				
	Stock	697,399	726,856	(29,457)	
	Bonds (government and corporate bonds)	3,562,167	3,615,668	(53,501)	
	Bonds (convertible corporate bonds)	408,286	367,260	41,026	
	Emerging stock market	2,893,311	2,949,443	(56,132)	
	Others	19	-	19	
	Subtotal	7,561,182	7,659,227	(98,045)	
	Overseas trading market:	-	-	-	
Total	<u>\$12,532,034</u>	<u>\$12,653,957</u>	<u>\$(121,923)</u>		
Underwriters	Trading in centralized securities exchange market:				
	Stock	\$274,884	\$267,192	\$7,692	
	Trading over the counter:				
	Stock	31,663	29,502	2,161	
	Bonds (convertible corporate bonds)	98,598	93,516	5,082	
Subtotal	130,261	123,018	7,243		
Total	<u>\$405,145</u>	<u>\$390,210</u>	<u>\$14,935</u>		

Horizon Securities Co., Ltd.
 22. Statement of Interest Income
 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Propriety and bond fructus civiles obtained		\$13,423	
Interest from bond under reverse repurchase agreement		7,423	
Interest from non-restricted purpose loans		13,555	
Interest on securities borrowings		316	
Total		\$34,717	

Horizon Securities Co., Ltd.

23. Statement of employee benefits, depreciation, amortization, and other operating expenses statement
2022 and 2021

Unit: NTD thousand

Items	2022	2021	Remarks
Employee benefits expenses			
Salaries and wages	\$498,629	\$772,322	
Labor insurance and national health insurance	48,490	44,245	
Pension expenses	24,835	23,854	
Remuneration to Directors	11,334	58,052	
Other employee benefits expenses	18,467	18,962	
Subtotal	601,755	917,435	
Depreciation and amortization expenses			
Depreciation	99,507	77,702	
Amortization	16,839	11,710	
Subtotal	116,346	89,412	
Other operating expenses			
Stationery and printings	6,576	6,319	
Postage and phone/fax expense	18,986	18,169	
Entertainment	9,034	7,111	
Utilities	6,481	5,827	
Insurance expenses	606	599	
Taxes	46,919	84,522	
Rents	832	1,056	
Repairs and maintenance	16,458	15,130	
Advertisement	4,666	6,001	
IT expenses	28,863	24,758	
Discretionary donation	2,171	1,718	
Membership fees	1,907	1,644	
Traveling expenses	708	1,084	
Transportation expenses	1,918	1,813	
Miscellaneous purchases	4,967	4,637	
Employee training expense	1,393	1,039	
Professional service expenses	47,944	47,788	
Book, newspaper, and magazine expenses	205	231	
TDCC service fee	19,828	28,594	
Securities lending/borrowing expenses	5	4	
Investor/Trader protection expenses	283	225	
Financial supervision expenses	783	418	
Miscellaneous expenses	21,686	20,606	
Subtotal	243,219	279,293	
Total	\$961,320	\$1,286,140	

Note 1: The number of employees on December 31, 2022 and 2021 was 518 and 475, respectively. Among them, the number of directors not concurrently employees was six and six people, respectively.

Note 2: The average employee benefit expenses for the years ended December 31, 2022 and 2021 were NT\$1,153 thousand (Total employee benefit expenses for 2022 - Total directors' remuneration / Number of employees during 2022 — Number of directors who did not concurrently serve as employees) and NT\$1,832 thousand (Total employee benefit expenses for 2021 - Total directors' remuneration / Number of employees during 2021 — Number of directors who did not concurrently serve as employees), respectively.

Note 3: The average employee salary and wages for the years ended December 31, 2022 and 2021 were NT\$974 thousand (Total employee salary and wages for 2022 / Number of employees during 2022 — Number of directors who did not concurrently serve as employees) and NT\$1,647 thousand (Total employee salary and wages for 2021 / Number of employees during 2021 — Number of directors who did not concurrently serve as employees), respectively.

Note 4: The average employee salary increase was (40.86)% (2022 average employee salary and wages - 2021 average employee salary and wages / 2021 average employee salary and wages).

Note 5: The Company has established an Audit Committee to exercise supervisory powers and responsibilities in accordance with regulations, so no supervisor has been engaged.

Note 6: 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 2% 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.

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Horizon Securities Co., Ltd.
Disclosure by the Futures Department
2022 and 2021

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Financial Statements of Futures Department

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Horizon Securities Co., Ltd. — Futures Department
Balance Sheet
December 31, 2022 and 2021

Unit: NTD thousand

Assets			December 31, 2022		December 31, 2021	
Code	Accounting titles	Note	Amount	%	Amount	%
	Current assets					
111100	Cash and cash equivalents	4, 6.1 and 18	\$510,695	40	\$485,514	43
112000	Financial assets at fair value through profit or loss-current	4, 6.2, 11 and 18	65,987	5	31,600	3
114070	Customers' margin accounts	4, 6.3, 6.7 and 18	577,152	46	519,617	45
114150	Prepayments		792	-	673	-
114170	Other receivables	18	337	-	131	-
110000	Total current assets		<u>1,154,963</u>	<u>91</u>	<u>1,037,535</u>	<u>91</u>
	Non-Current assets					
125000	Property, plant, and equipment – net	4	970	-	1,247	-
127000	Intangible assets	4	2,448	-	3,686	-
129010	Business guarantee	6.4 and 18	80,000	7	80,000	7
129020	Settlement / clearance fund	6.5 and 18	22,073	2	21,320	2
129030	Refundable deposits	18	660	-	660	-
129110	Inter-department debits		1,235	-	203	-
120000	Total of Non-Current Assets		<u>107,386</u>	<u>9</u>	<u>107,116</u>	<u>9</u>
906001	Total assets		<u>\$1,262,349</u>	<u>100</u>	<u>\$1,144,651</u>	<u>100</u>

(See Notes to Financial Statements of Futures Department)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd. — Futures Department
Balance Sheet (Continued)
December 31, 2022 and 2021

Unit: NTD thousand

Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Accounting titles	Note	Amount	%	Amount	%
	Current liabilities					
214080	Futures traders' equity	4, 6.7 and 18	\$576,285	46	\$519,433	45
214130	Accounts payable	4 and 18	109	-	9	-
214160	Agency Receipts		79	-	80	-
214170	Other payables	18	1,391	-	1,184	-
219000	Other current liabilities		697	-	15	-
210000	Total current liabilities		578,561	46	520,721	45
906003	Total liabilities		578,561	46	520,721	45
	Equity					
301000	Share capital					
301110	Appropriation working fund	4 and 6.6	700,000	55	700,000	61
304000	Retained earnings					
304040	Losses to be covered		(16,212)	(1)	(76,070)	(6)
906004	Total equity		683,788	54	623,930	55
906002	Total Liabilities and Equity		\$1,262,349	100	\$1,144,651	100

(See Notes to Financial Statements of Futures Department)

Chairman: Ke-Chyn Jiang

Managerial officers: Jamie Lin

Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd. — Futures Department
Statement of Comprehensive Income
2022 and 2021

Unit: NTD thousand

Code	Items	Note	2022		2021	
			Amount	%	Amount	%
	Income					
401000	Brokerage fee revenue	4	\$40,546	48	\$35,363	201
424400	Net gains (losses) in the derivative financial instruments	4 and 11	43,850	52	(17,762)	(101)
428000	Other operating revenue		-	-	(1)	-
400000	Total revenues		<u>84,396</u>	<u>100</u>	<u>17,600</u>	<u>100</u>
	Expense					
501000	Brokerage fee expenses		(8,185)	(10)	(6,642)	(38)
502000	Proprietary trade service commission expenses		(828)	(1)	(503)	(3)
521200	Financial costs		(136)	-	(3)	-
524300	Clearance and settlement service expenses		(9,155)	(11)	(9,383)	(53)
531000	Employee benefits expenses		(5,836)	(7)	(5,597)	(32)
532000	Depreciation and amortization expenses		(1,903)	(2)	(1,906)	(11)
533000	Other operating expenses		(8,681)	(10)	(7,167)	(40)
500000	Total Expense		<u>(34,724)</u>	<u>(41)</u>	<u>(31,201)</u>	<u>(177)</u>
	Operating profit (loss)		49,672	59	(13,601)	(77)
602000	Other profits and losses		10,186	12	287	1
902001	Net income before tax (net loss)		59,858	71	(13,314)	(76)
902005	Net income (net loss) for the current period		59,858	71	(13,314)	(76)
902006	Total comprehensive income in current period		<u>\$59,858</u>	<u>71</u>	<u>\$(13,314)</u>	<u>(76)</u>

(See Notes to Financial Statements of Futures Department)

Chairman: Ke-Chyn Jiang Managerial officers: Jamie Lin Accounting Manager: Meng-Wei Lu

Horizon Securities Co., Ltd.
Notes to Financial Statements of Futures Department
January 1 to December 31, 2022
and January 1 to December 31, 2021
(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 2022 and 2021 were approved by the board of directors on February 23, 2023 before release.

3. Application of new and revised standards and interpretation

Please refer to Note 3 from pages 12–15 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, 2022 and 2021 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.

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, 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 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 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.

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).

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 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.

(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.

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.

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.

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. 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:

Office equipment	3–5 years
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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.

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.

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

No such event

6. Summary of significant accounting titles

1. Cash and cash equivalents

	<u>2022.12.31</u>	<u>2021.12.31</u>
Current deposits	\$19,260	\$18,590
Time deposits	217,000	145,000
Cash equivalents – short-term notes and bills	171,167	244,764
Cash equivalents – futures excess margin	103,268	77,160
Total	<u>\$510,695</u>	<u>\$485,514</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, 2022 and 2021 was 1.175%–1.440% and 0.130%–0.780%, 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>2022.12.31</u>	<u>2021.12.31</u>
<u>Derivatives</u>		
Futures trading margin – proprietary capital	\$65,843	\$31,600
Call option - non-hedging	144	-
Total	<u>\$65,987</u>	<u>\$31,600</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>2022.12.31</u>	<u>2021.12.31</u>
Bank deposits	\$436,953	\$363,736
Settlement institution settlement balance	140,199	155,881
Total	<u>\$577,152</u>	<u>\$519,617</u>

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>2022.12.31</u>	<u>2021.12.31</u>
Proprietary futures trading guarantee	\$10,000	\$10,000
Futures brokerage guarantee	70,000	70,000
Total	<u>\$80,000</u>	<u>\$80,000</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>2022.12.31</u>	<u>2021.12.31</u>
Clearance fund in Taiwan Futures Exchange	<u>\$22,073</u>	<u>\$21,320</u>

6. Appropriation working fund

As of December 31, 2022 and 2021, 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>2022.12.31</u>	<u>2021.12.31</u>
Margin accounts – bank deposits	\$436,953	\$363,736
Margin accounts – settlement institution settlement balance	140,199	155,881
Customer margin account balance	<u>577,152</u>	<u>519,617</u>
Less: Processing fee income pending reclassification	(103)	(89)
Futures transaction tax to be transferred out	(68)	(80)
Temporary receipts	<u>(696)</u>	<u>(15)</u>
Futures traders' equity	<u>\$576,285</u>	<u>\$519,433</u>

7. Related party transactions

No such event

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:

Items	type of trade	2022.12.31		Contract amount or premium paid (collected)	Fair value	Remarks
		Unsettled position Buyer and sellers	number of contracts			
Futures contracts	Electronics futures (TE)	Seller	10	\$25,799	\$25,750	
Futures contracts	Financial futures (TF)	Buyer	17	25,189	25,405	
Futures contracts	TAIEX Futures	Buyer	8	22,644	22,616	
Futures contracts	TAIEX Futures	Seller	220	625,664	620,268	
Futures contracts	Mini-DAX	Seller	4	9,151	9,154	
Futures contracts	Euro 10-year bonds	Buyer	1	4,369	4,348	
Futures contracts	FTSE 100 Index	Buyer	3	8,291	8,307	
Futures contracts	UK long-term bonds	Buyer	1	3,913	3,705	
Futures contracts	Hang Seng Index	Buyer	2	7,900	7,843	
Futures contracts	Mini Hang Seng Index	Seller	3	2,369	2,353	
Futures contracts	SGX Nikkei 225 Index	Seller	8	25,249	24,165	
Futures contracts	Light crude oil	Buyer	10	24,642	24,648	
Futures contracts	U.S. Dollar Index	Buyer	25	79,568	79,285	
Futures contracts	EUR	Buyer	6	24,491	24,769	
Futures contracts	3-month Eurodollar	Seller	130	946,506	947,423	
Futures contracts	Mini S&P500	Seller	3	17,826	17,786	
Futures contracts	U.S. 5-year bonds	Buyer	66	220,395	218,758	
Futures contracts	Gold	Buyer	13	72,600	72,907	
Futures contracts	Copper	Seller	6	17,735	17,553	
Futures contracts	Miniature gold coin	Seller	20	11,070	11,217	
Futures contracts	Mini Nasdaq	Seller	2	1,326	1,354	
Futures contracts	Natural gas	Seller	3	4,284	4,123	
Futures contracts	JP-NKY Nikkei Stock Average 225 Index - USD	Buyer	2	8,486	7,914	
Futures contracts	Mini Nasdaq	Seller	1	7,040	6,770	

contracts					
Futures	Platinum	Buyer	7	11,072	11,640
contracts					
Futures	Mini light crude oil	Seller	1	1,143	1,232
contracts					
Futures	FTSE Xinhua China A50	Seller	23	9,126	9,242
contracts	Index				
Futures	Silver	Buyer	1	3,694	3,691
contracts					
Futures	BSE SENSEX	Buyer	10	11,270	11,240
contracts					
Futures	U.S. 2-year bonds	Seller	58	366,163	365,281
contracts					
Futures	U.S. 10-year bonds	Buyer	38	133,097	131,048
contracts					
Futures	U.S. 30-year bonds	Seller	1	3,946	3,849
contracts					
Futures	Micro E-mini Dow Jones	Buyer	1	5,099	5,111
contracts	Industrial Average Index				
	Futures				
Options trading	P013400	Buyer	20	92	64
Options trading	P013500	Buyer	20	106	80

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	Electronics futures (TE)	Buyer	10	\$34,579	\$35,030	
contracts						
Futures	Financial futures (TF)	Seller	10	16,895	17,136	
contracts						
Futures	TAIEX Futures	Seller	56	202,354	203,941	
contracts						
Futures	DAX	Buyer	2	24,663	24,830	
contracts						
Futures	Mini-DAX	Buyer	2	4,884	4,966	
contracts						
Futures	Euro 10-year bonds	Seller	1	5,376	5,367	
contracts						
Futures	Euro 5-year bonds	Seller	4	16,737	16,692	
contracts						
Futures	FTSE 100 Index	Buyer	4	10,682	10,927	
contracts						
Futures	UK long-term bonds	Buyer	2	9,471	9,318	
contracts						
Futures	Hang Seng Index	Seller	2	8,184	8,323	
contracts						
Futures	SGX Nikkei 225 Index	Buyer	2	6,943	6,917	
contracts						
Futures	Light crude oil	Buyer	5	9,918	10,409	
contracts						
Futures	U.S. Dollar Index	Buyer	65	173,040	171,991	
contracts						
Futures	EUR	Seller	1	3,933	3,945	
contracts						
Futures	Mini S&P500	Buyer	2	13,199	13,172	
contracts						
Futures	U.S. 5-year bonds	Buyer	80	267,526	267,891	
contracts						
Futures	Gold	Buyer	23	115,126	116,416	
contracts						

Futures contracts	Copper	Seller	9	26,995	27,799
Futures contracts	Miniature gold coin	Seller	2	1,012	1,012
Futures contracts	Natural gas	Seller	1	1,014	1,032
Futures contracts	Mini Nasdaq	Buyer	1	8,871	9,035
Futures contracts	Platinum	Buyer	2	2,698	2,674
Futures contracts	Mini light crude oil	Buyer	1	1,043	1,041
Futures contracts	Unleaded gasoline	Seller	1	2,588	2,586
Futures contracts	Mini Russell 2000 Index	Buyer	1	3,064	3,104
Futures contracts	FTSE Xinhua China A50 Index	Buyer	5	2,185	2,173
Futures contracts	Silver	Buyer	2	6,416	6,464
Futures contracts	BSE SENSEX	Buyer	4	3,832	3,862
Futures contracts	SGX FTSE Taiwan Index	Buyer	5	8,795	8,877
Futures contracts	U.S. 10-year bonds	Buyer	17	61,363	61,393
Futures contracts	U.S. 30-year bonds	Seller	5	22,062	22,205
Futures contracts	Micro E-mini Dow Jones Industrial Average Index	Buyer	4	19,985	20,055

2. The details of the department's futures trading margin – proprietary capital as of December 31, 2022 and 2021 are as follows:

Futures brokerage	2022.12.31		
	Account balance	Profit (loss) on open positions	Net value of account
Taiwan Futures Exchange	\$30,395	\$5,633	\$36,028
Yuanta Futures Co., Ltd.	32,053	(2,238)	29,815
Total	\$62,448	\$3,395	\$65,843

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

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:

	2022	2021
Futures contract profit and loss:		
Futures contract gain – realized	\$388,449	\$220,204
Futures contract gain – unrealized	5,803	111
Subtotal	394,252	220,315
Futures contract loss – realized	(345,221)	(238,021)
Futures contract loss – unrealized	(1,782)	397
Subtotal	(347,003)	(237,624)
Net profit (loss)	\$47,249	\$(17,309)
Options trading profit and loss:		
Gain from options trade – realized	\$4,988	\$519
Loss from options trade – realized	(8,333)	(972)
Loss from options trade – unrealized	(54)	-
Subtotal	(8,387)	(972)
Net profit (loss)	\$(3,399)	\$(453)

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	\$683,788	300.43 times greater	\$623,930	484.42 times greater	≥ 1	Complied
	Total liabilities – futures merchant's equity	\$2,276		\$1,288			
17	Current assets	\$1,154,963	2.00 times greater	\$1,037,535	1.99 times greater	≥ 1	Complied
	Current liabilities	\$578,561		\$520,721			
22	Shareholders' equity	\$683,788	97.68%	\$623,930	89.13%	(1) ≥ 60% (2) ≥ 40%	Complied
	Minimum paid up capital	\$700,000		\$700,000			
22	Adjusted net capital (ANC)	\$644,627	411.09%	\$599,964	407.64%	(1) ≥ 20% (2) ≥ 15%	Complied
	Total margins required for futures traders' outstanding positions	\$156,811		\$147,179			

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.

(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>2022.12.31</u>	<u>2021.12.31</u>
Financial assets measured at fair value through profit or loss		
Measured at fair value through income under compulsion	\$65,987	\$31,600
Financial assets based on cost after amortization (Note)	<u>1,190,917</u>	<u>1,107,242</u>
Total	<u>\$1,256,904</u>	<u>\$1,138,842</u>

Note: Including cash and cash equivalents, customers' margin accounts, other receivables, business guarantee, settlement/clearance fund, and refundable deposits.

Financial liabilities

	<u>2022.12.31</u>	<u>2021.12.31</u>
Financial liabilities based on cost after amortization:		
Futures traders' equity	\$576,285	\$519,433
Payables	1,500	1,193
Total	<u>\$577,785</u>	<u>\$520,626</u>

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 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:

December 31, 2022

	<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	\$65,843	\$-	\$-	\$65,843
Call option - non-hedging	144	-	-	144

December 31, 2021

	<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

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

For the years 2022 and 2021, the department's assets and liabilities measured at fair value on a recurring basis did not experience transfer between Level 1 and Level 2 fair value.

Horizon Securities Co., Ltd. — Futures Department

1. Statement of cash and cash equivalent list

December 31, 2022

Unit: NTD thousand

Items	Summary		Amount
Current deposits			\$19,260
	<u>Interest rate%</u>	<u>The last maturity date</u>	
Time deposits	0.940%~1.320%	2023.12.19	217,000
Cash equivalents			
	<u>Interest rate%</u>	<u>The last maturity date</u>	
Short term bills	1.140%~1.170%	2023.1.30	171,167
Futures excess margin			103,268
Total			<u>\$510,695</u>

Horizon Securities Co., Ltd. — Futures Department
 2. Financial assets at fair value through profit and loss list
 December 31, 2022

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				\$65,843				\$65,843	\$-	
Call option - non-hedging				<u>144</u>				<u>144</u>	-	
Total				<u><u>\$65,987</u></u>				<u><u>\$65,987</u></u>	<u><u>\$-</u></u>	

Horizon Securities Co., Ltd. — Futures Department

3. Futures trading margin - proprietary capital statement

December 31, 2022

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			\$36,028	
Yuanta Futures Co., Ltd.	margin for futures trade	NTD			<u>29,815</u>	
Total					<u>\$65,843</u>	

Horizon Securities Co., Ltd. — Futures Department

4.1 Customers' margin account balance statement

December 31, 2022

Unit: NTD thousand

Items	Current period		Previous period	
	Amount	%	Amount	%
Bank deposits	\$436,953	76	\$363,736	70
Settlement institution settlement balance	140,199	24	155,881	30
Total	<u>\$577,152</u>	<u>100</u>	<u>\$519,617</u>	<u>100</u>

Horizon Securities Co., Ltd. — Futures Department

4.2 Customers' margin accounts - bank deposits statement

December 31, 2022

Unit: NTD thousand

Bank	Account No.	Currency	Foreign currency amount	Exchange rate	Taiwan Dollar Amount	Remarks
CTBC Bank City Hall Branch	00000054354014239 6	NTD			\$289	
Taishin International Commercial Bank Co., Ltd. Jianbei Branch	00002068010015283 3	NTD			405,782	
Cathay United Bank Guanqian Branch	00000000103500526 5	NTD			<u>30,882</u>	
Total					<u><u>\$436,953</u></u>	

Horizon Securities Co., Ltd. — Futures Department

4.3 Customers' margin accounts - Settlement institution settlement balance statement

December 31, 2022

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>\$140,199</u>	

Horizon Securities Co., Ltd. — Futures Department

5.1 Property and equipment statement

January 1 to December 31, 2022

Unit: NTD thousand

Items	Opening balance	Current increase amount	Current decrease amount	Balance, ending	Security or Pledge Provided	Remarks
Office equipment	<u>\$3,037</u>	<u>\$88</u>	<u>\$-</u>	<u>\$3,125</u>	None	

Horizon Securities Co., Ltd. — Futures Department

5.2 Real property and equipment accumulated depreciation statement

January 1 to December 31, 2022

Unit: NTD thousand

Items	Opening balance	Current increase amount	Current decrease amount	Balance, ending	Remarks
Office equipment	<u>\$1,790</u>	<u>\$365</u>	<u>\$-</u>	<u>\$2,155</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, 2022

Unit: NTD thousand

Items	Opening balance	Current increase amount	Current decrease amount	Balance, ending	Remarks
Computer software	<u>\$3,686</u>	<u>\$300</u>	<u>\$1,538</u>	<u>\$2,448</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, 2022

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	22,073	
Refundable deposits	Self-discipline deposit of Chinese National Futures Association	360	
	Deposit for computer connection with futures exchange	300	
Inter-department debits		<u>1,235</u>	
Total		<u><u>\$103,968</u></u>	

Horizon Securities Co., Ltd. — Futures Department

8. Futures Trader Equity Statement

December 31, 2022

Unit: NTD thousand

Customer code	Currency	Foreign currency amount	Exchange rate	Taiwan Dollar Amount	Remarks
280138-9	NTD			\$86,030	Accounted for less than 5% of the balance of the item
Others	NTD			<u>490,255</u>	
Total				<u><u>\$576,285</u></u>	

Horizon Securities Co., Ltd. — Futures Department

9. Accounts payable statement

December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Non-related parties:			
National Taxation Bureau	Futures and options transaction tax payable	\$1	
Others	Processing fee payable discounts	108	
Total		<u>\$109</u>	

Horizon Securities Co., Ltd. — Futures Department

10. Other payables statement

December 31, 2022

Unit: NTD thousand

Items	Summary	Amount
Other payables		
Non-related parties:		
	Futures or option settlement fees	\$492
	Futures exchange processing fees	735
	Business tax	138
	Futures investor protection fund	26
Total		<u>\$1,391</u>

Horizon Securities Co., Ltd. — Futures Department

11. Statement of net gains (losses) in the derivative financial instruments

January 1 to December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Gains on derivative instruments			
Futures contract gain – non-hedging	Realized	\$388,449	
Futures contract gain – non-hedging	Unrealized	4,021	
Gain from options trade – non-hedging	Realized	4,988	
Subtotal		<u>397,458</u>	
Losses on derivative instruments			
Futures contract loss– non-hedging	Realized	(345,221)	
Loss from options trade – non-hedging	Realized	(8,333)	
Loss from options trade – non-hedging	Unrealized	(54)	
Subtotal		<u>(353,608)</u>	
Total		<u>\$43,850</u>	

Horizon Securities Co., Ltd. — Futures Department
12. Statement of employee benefits, depreciation, amortization, and other operating expenses
statement
2022 and 2021

Unit: NTD thousand

Items	2022	2021	Remarks
Employee benefits expenses			
Salaries and wages	\$4,794	\$4,523	
Labor insurance and national health insurance	524	502	
Pension expenses	297	284	
Other employee benefits expenses	221	288	
Subtotal	<u>5,836</u>	<u>5,597</u>	
Depreciation and amortization expenses			
Depreciation	365	352	
Amortization	1,538	1,554	
Subtotal	<u>1,903</u>	<u>1,906</u>	
Other operating expenses			
Stationery and printings	1	2	
Postage and phone/fax expense	447	453	
Utilities	72	63	
Insurance expenses	1	1	
Taxes	4,050	2,802	
Rents	300	300	
Repairs and maintenance	866	835	
Advertisement	-	2	
IT expenses	2,386	2,198	
Membership fees	204	178	
Miscellaneous purchases	23	43	
Employee training expense	9	5	
Investor/Trader protection expenses	283	225	
Miscellaneous expenses	39	60	
Subtotal	<u>8,681</u>	<u>7,167</u>	
Total	<u><u>\$16,420</u></u>	<u><u>\$14,670</u></u>	

Note 1: The department's number of employees as of December 31, 2022 and 2021 were both 6. Among them, the number of directors not serving as employees concurrently both totaled 0.

Note 2: The average employee benefit expenses for the years ended December 31, 2022 and 2021 were NT\$934 thousand (Total employee benefit expenses for 2022 - Total directors' remuneration / Number of employees during 2022 — Number of directors who did not concurrently serve as employees) and NT\$933 thousand (Total employee benefit expenses for 2021 - Total directors' remuneration / Number of employees during 2021 — Number of directors who did not concurrently serve as employees), respectively

Note 3: The average employee salary and wages for the years ended December 31, 2022 and 2021 were NT\$767 thousand (Total employee salary and wages for 2022 / Number of employees during 2022 — Number of directors who did not concurrently serve as employees) and NT\$754 thousand (Total employee salary and wages for 2021 / Number of employees during 2021 — Number of directors who did not concurrently serve as employees), respectively

Note 4: The average employee salary increase was 1.76% (2022 average employee salary and wages - 2021 average employee salary and wages / 2021 average employee salary and wages).

Note 5: The disclosure of supervisor remuneration does not apply to the Company's Futures Department

Note 6: Salary and remuneration policy:

Please refer to page 124 of the Company's individual financial statements.

Horizon Securities Co., Ltd. — Futures Department

13. Other profits and losses statement

January 1 to December 31, 2022

Unit: NTD thousand

Items	Summary	Amount	Remarks
Other profits			
Financial income	Deposit interest, short-term bills interest, margin interest, etc.	\$4,583	
Other non-operating revenue	Futures transactions tax credits and futures trading marketing subsidy	<u>928</u>	
Subtotal		<u>5,511</u>	
Other losses			
Exchange loss		<u>4,675</u>	
Total		<u><u>\$10,186</u></u>	