



Horizon Securities Co., Ltd.

2020 Annual Report

Websites for Annual Report Publication

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw/mops/web/index>

Website: <http://www.honsec.com.tw>

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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None.

VI. Website: <http://www.honsec.com.tw>



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I. Letter to Shareholders

In 2020, the large-scale global outbreak of the novel coronavirus (COVID-19) made the stock markets in many countries go wildly up and down. Many countries maintained loose monetary and fiscal policies to form strong support for the stock markets around the world. Taiwan benefited from the success of pandemic control, and the dazzling economic growth further facilitated the relatively outstanding performance of the stock market. According to the statistics from the Taiwan Stock Exchange Corporation, by the end of 2020, the Taiwan Capitalization Weighted Stock Index came to 14,732, an increase of 2,735, or 23% up, for the year, setting a new record high. The total market value of listed stocks reached NT\$44.9 trillion, an increase of NT\$8.5 trillion compared with 2019. The daily trading value of listed stocks was NT\$186.3 billion, and the daily trading value of both listed companies and OTC stocks was NT\$235.7 billion, an increase of 70% and 67%, respectively over the previous year.

Benefiting from the successful pandemic control and the dazzling economic growth, the index rebounded from a low point early in the year to continue setting new highs for the year, and the trading volume also increase significantly. The Company's 2020 operating income totaled NT1,306,107 thousand, net income was NT\$414,718 thousand, and the earnings per share was NT\$1.24. As for the financial structure as of the end of 2020, the total assets were NT\$16.9 billion, and the total liabilities were NT\$12.7 billion. The liabilities were mainly generated by undertaking bond repurchase transactions and settlement accounts payable arising from brokerage-entrusted trading business. The overall financial structure was considered stable. The total shareholders' equity was NT\$4.2 billion, and the net value per share was NT\$12.57. The securities firm's capital adequacy ratio was 350%, indicating that the Company's operation was sound.

A summary of the operating results of each major business in 2020 is shown as follows:

1. Brokerage business: Entrusted trading totaled NT\$871.2 billion, the average daily trading value was NT\$3.6 billion and the average margin debt was NT1.7 billion.
2. The combined sales of securities held-for-trading and valuation gains was NT\$490 million.
3. Underwriting business: Completed 34 cases of IPO and SPO with a role of either sponsor or co-sponsor, the total underwriting amount was approximately NT\$5.1 billion, 3 financial advisory cases, 17 corporate bond underwriting projects totaled NT\$5.9 billion.
4. Stock transfer agency: Served a total of 117 clients as an agent. The clients included 46 companies in either the Taiwan Stock Exchange or Taipei Stock Exchange, 16 companies in the Emerging Stock Market board and a total of 55 in public offering and others, serving approximately 1.8 million shareholder accounts.
5. Approval of the transfer of Kung Lon Securities to expand the market share in brokerage business, fueling the Company's stable growth of business.
6. The Company was awarded the "Taiwan Stocks ETF Trading Contribution Award 3rd Place" by the Taiwan Stock Exchange Corporation.

Looking forward to 2021, Taiwan's investment environment remains sound, and many countries are developing and producing and supplying COVID-19 vaccines. The efforts facilitate the gradual recovery of economy, and some industries are experiencing prosperity, even inventory shortage and price hikes. In the face of the ever-changing international environment and Taiwan's stock market that has been affected by it, the Company will continue to make steady progress and actively develop various business platforms.

1. Continue to invest in the field of financial technology and develop digital platform operations, hoping to enhance customers' digital experience and expand business scale.
2. In order to increase the Company's source of income, the Kung Lon subsidiary was officially merged into part of the service locations in February 2021, further expanding

the market share in brokerage business.

3. In 2019, the Company started the general-purpose loans business. By the end of 2020, the scale has reached NT\$300 million. In 2021, the Company will commit more resources into fast lending services, borrowing and lending in connection with securities business and sub-broker transactions to actively serve customers and expand business scale.
4. Strive for growth in the capital market underwriting, financial advisory and stock transfer agency businesses to increase fee income from diverse services.
5. Facing uncertainties of pandemic and economic growth, it is expected that many countries will maintain loose monetary policies. The Company will actively and flexibly adjust the allocation of risky assets and safe-haven assets in order to increase overall investment and transaction returns.

In addition to sparing no efforts to develop business and achieve operational performance, the Company will actively improve corporate governance and transparency, implement money laundering prevention practices and assume corporate social responsibility. In the future, the Company will continue to adhere to the long-term and stable business strategy, which adopts a business philosophy of “Customer-oriented, value co-creation and co-prosperity; Profit-oriented, active and practical; Stability-oriented, rigorous risk control; Value employees and share the business results; Value integrity and adhere to professionalism and ethics,” to put risk and internal control management into practice and reinforce the Company’s operations and competitiveness in various business areas. The approaches will provide customers with satisfactory financial services and create maximum benefits and value for the Company and shareholders.

Chairman Ke-Chyn Jiang

President Jamie Lin

II. Company Profile

1. Date of Incorporation

December 8, 1961

2. Company History

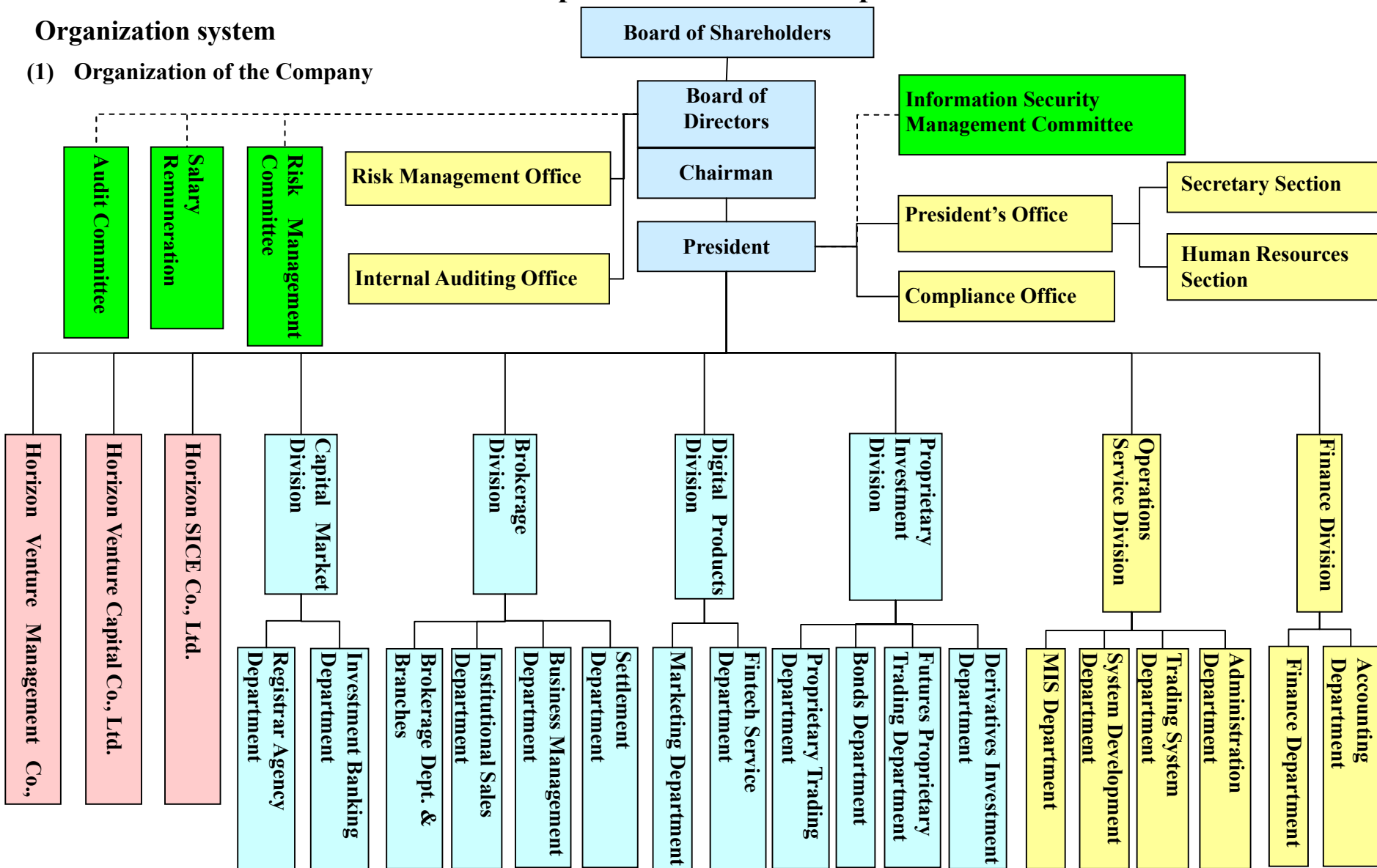
- 1961 ● Founded as “Dashin Securities,” engaging in brokerage business.
- 1990 ● Extended business to underwriting & proprietary trading. Became an integrated securities firm.
- 1996 ● Listed on TPEX on 25th July. (OTC: 6015)
- 2000 ● Head office moved to current location at No. 236, Sec. 4, Xinyi Rd., Taipei City.
- 2001 ● Renamed as “Fortune Securities.”
- 2005 ● Underwent company-wide restructuring. Carried out cash capital increase by private placement. Besides the management team becoming shareholders, Mercuries & Associates Holding Limited became the major shareholder.
- 2006 ● Renamed as “Horizon Securities.”
 - Established “Registrar and Transfer Agency” business, serving multiple public companies and countless shareholders.
 - Business operations extend to Institutional Brokerage, Bonds and Derivative products trading.
- 2008 ● Granted the license for futures proprietary trading business.
- 2009 ● The subsidiary, Horizon SICE Co., Ltd., established master agent platform, and started to engage in wealth management business.
 - Approved to undertake “Accepting Orders to Trade Foreign Securities,” providing clients with channels for overseas investment.
- 2010 ● Completed the merger with Forwin Securities. .
 - Awarded the “2009 Excellent Underwriter in Assisting the Listing of Foreign Companies” by TWSE.
- 2012 ● Launched the self-developed trading system “Hongliwang.”
- 2013 ● Approved to engage in future brokerage and settlement businesses, expanding the scope of futures services.
 - Feb: Horizon SICE Co., Ltd. was approved to engage in discretionary investment business.
- 2014 ● Underwriting business was awarded the “2014 Negotiable Instrument Contribution Award” by TWSE.
 - Apr: Established the subsidiary, Horizon Venture Capital Co., Ltd., through reinvestment, and integrated a complete securities service by direct investment.
- 2015 ● Awarded “IPO Best Partner Award” by TWSE.
 - Aug: Approved to undertake futures consulting business.
 - Aug: Hsinchu Branch moved to Xinhua, and was renamed as Xinhua Branch.
 - Dec: Approved to issue call (put) warrants.
- 2016 ● Awarded “Outstanding Securities Broker Contribution Award” by TPEX.
 - Jun: Granted the “liquidity providers of foreign currency denominated international bonds” license by TPEX.
- 2017 ● Jan: Awarded the First Prize of “Growth Award” for securities of centralized market by FCS and was nominated for two consecutive months.
 - Aug: The subsidiary, Horizon SICE Co., Ltd. established a research team, enhancing investment research.
 - Nov: Granted the “foreign currency denominated international bond underwriter” license by Central Bank of the Republic of China (Taiwan).

- 2018
 - Jan: Approved to establish the “trading room – telephone centralized order center,” improving our service for clients.
 - Mar: The Company’s “accepting orders to trade foreign securities business” has been approved to extend to the US stock market, providing clients with comprehensive services.
 - Jun: Approved to engage in “lending money without specific purposes,” providing clients with their financing needs.
 - Oct: Established the Fintech Service Department, focusing on the smart operation of digital platforms.
 - Dec: Approved to establish Horizon Venture Management Co., Ltd.
- 2019
 - Jan: Opened social media official account, to improve our services to the mass clients. Launched social media channels (FB/YouTube/Instagram), in order to provide clients with articles, videos to update clients with knowledge about investment, financial management, and industrial research, and also to publicize the Company’s major business information.
 - Apr: Launched the “continuous trading simulation platform ahead of our peer companies, to allow clients to experience on our simulation platform the new non-paired trade regulations which was planned to come into effect in March 2020.
 - May: Awarded first place in improvement award of “2019 ETP trading and market making competition for securities brokers” held by TWSE, Taiwan Securities Association and Securities Investment Trust & Consulting Association.
 - Nov: Awarded “Best Digital FinanceService” in the non-finance holding category of the “2019 Outstanding Securities Brokers” held by Excellence Magazine. Enhanced the complementarity of FinTech and physical branches, in the aim to expand the scale of brokerage business through diversified digital transformation.
- 2020
 - The Company was awarded the “Taiwan Stocks ETF Trading Contribution Award 3rd Place” in the Securities Firm ETF and ETN Competition held by the Taiwan Stock Exchange Corporation in October.
- 2021
 - Completed the merger with Kunlun Securities .

III. Corporate Governance Report

1. Organization system

(1) Organization of the Company



(2) Department Functions

Department	Functions
Audit Committee	<ol style="list-style-type: none"> 1. Supervising the fair presentation of the financial statements. 2. Supervising the independence and performance of appointment and discharge of CPAs. 3. Supervising the effectiveness of internal control. 4. Supervising the compliance to relative laws and regulations. 5. Supervising the control of existing and potential risks.
Risk Management Committee	<ol style="list-style-type: none"> 1. Supervising and reviewing the guidelines for risk management policies and the performance of risk management. 2. Reviewing the risk management mechanisms for various businesses and products of the Company and its subsidiaries. 3. Reviewing the Company's overall risk limits and risk limits of individual units. 4. Reviewing and handling matters regarding violation of risk management policies, principles, regulations or goals. 5. Reporting the execution results of risk management to the Board of Directors on a quarterly basis. 6. Other matters required to be reported to the Committee for review according to the regulations.
Information Security Management Committee	<ol style="list-style-type: none"> 1. Verifying and supervising the information security policies. 2. Delegating and coordinating information security responsibilities. 3. Supervising the information security protection matters. 4. Reviewing and supervising information security events. 5. Verifying other information security issues. 6. Coordinating and discussing the overall information security measures. 7. Coordinating and discussing the information security plans. 8. Delegating the information security responsibilities of relative personnel, and formulating general guidelines for responsibility delegation based on the functions of each unit. 9. Coordinating the cross-department information security cooperation. 10. Reviewing and handling matters regarding violation of information security policies, principles, regulations or goals. 11. Verifying the information security policies of subsidiaries.
Salary Remuneration Committee	<ol style="list-style-type: none"> 1. Reviewing the "Salary Remuneration Committee Charter" and proposing amendment suggestions on a regular basis. 2. Stipulating and regularly reviewing the performance of the remuneration of the Company's directors and supervisors, and the annual goal of managers, as well as the remuneration policies. 3. Reviewing regularly the remuneration of individual managers based on the completion of performance objectives.
Internal Auditing Office	<ol style="list-style-type: none"> 1. Auditing the financial, business and accounting matters, and preparing audit reports on a regular or occasional (when required) basis. 2. Following-up on internal control procedures, and evaluating the performance of internal control of each unit. 3. Managing the auditing matters of subsidiaries. 4. Undertaking audit projects assigned by the Board of Directors, Chairman, Supervisors, and President. 5. Supervision and auditing reinvestment projects. 6. Formulating and amending relative auditing regulations.

Department	Functions
Risk Management Office	<ol style="list-style-type: none"> 1. Formulating risk management policies and regulations of each unit. 2. Supervising the execution of risk management of each unit. 3. Supervising the overall risk limits in compliance with external management regulations. 4. Preparing risk management reports. 5. Following-up and evaluating the goal completion and performance of each unit. 6. Planning and executing matters regarding annual credit rating. 7. Evaluating and managing the businesses of domestic subsidiaries and long-term investments. 8. Conducting financial analysis on and evaluating reinvestments. 9. Formulating and amending related charters.
President's Office	<ol style="list-style-type: none"> 1. Planning and researching mid-to-long-term development strategies. 2. Handling M&A of financial companies, or conducting R&D, planning and marketing on products for strategic alliance and cross-industry alliance. 3. Managing corporate identity, and corporate image. 4. Handling matters regarding the Board of Directors. 5. Handling matters regarding registrar agencies. 6. Handling incoming and outgoing documents, proofreading and managing files. 7. Handling company registrations (incl. domestic and overseas reinvestment registration, and license registration and application). 8. Establishing, formulating and amending of personnel regulations and policies. 9. Handling matters regarding hiring, training, assignment, promotion, assessment, rewards and penalties, leave, retirement, layoff, duty rotation, compulsory vacation, etc. 10. Handling matters regarding salary, bonus, and benefit of employees. 11. Formulating and amending related charters.
Compliance Office	<ol style="list-style-type: none"> 1. Planning, managing and supervising the execution of law compliance policies. 2. Reviewing on the amendments on charters of each unit and the releasing and compilation of the revised charters. 3. Undertaking risk management of law compliance, evaluation and training. 4. Announcing of the laws and regulations. 5. Reviewing, consulting or drafting legal matters of each unit. 6. Reviewing and safekeeping of contracts. 7. Handling litigation matters and assisting debt recovery. 8. Handling court documents. 9. Preparing, managing and supervising the plans and execution of anti-money laundering and countering the financing of terrorism. 10. Formulating and amending related charters.
Operations Service Division	<ol style="list-style-type: none"> 1. Planning and executing information security development policies. 2. Planning, building, managing, and maintaining the information system. 3. Planning, building, managing, and maintaining the email and cloud storage system. 4. Planning, building, managing, and maintaining the securities chart reading system and the information sources.

Department	Functions
	<ol style="list-style-type: none"> 5. Evaluation, requesting, managing, and maintaining the hardware and software requirements. 6. Planning, building, managing, and maintaining the computer facilities and the uninterruptible power supply. 7. Formulating and amending charters regarding information security. 8. Planning, developing, building, managing, and maintaining the database system. 9. Planning, developing, building, managing, and maintaining the application system. 10. Planning, developing, building, managing, and maintaining the office automation system. 11. Planning, developing, building, managing, and maintaining the fintech system. 12. Planning, developing, building, managing, and maintaining the proprietary trading, price offering and accounting system. 13. Planning, developing, building, managing, and maintaining the registrar agency system. 14. Planning, developing, building, managing, and maintaining trading operation system. 15. Planning, developing, building, managing, and maintaining trading accounting system. 16. Planning, developing, building, managing, and maintaining institutional trading system. 17. Planning, developing, building, managing, and maintaining the administrative system. 18. Producing, issuing, managing and destroying seals and stamps of personnel. 19. Acquiring, disposing and managing Company assets. 20. Acquiring, disposing and leasing fixed assets and supplies. 21. Repairing, maintaining and managing various office equipment. 22. Handling matters regarding office remodeling. 23. Managing matters regarding internal administrative work of the headquarters and branches. 24. Making and maintaining the corporate identity items (incl. signboards, name cards, office supplies). 25. Formulating and amending related charters.
Finance Division	<ol style="list-style-type: none"> 1. Handling financial matters and preparing the financial statements 2. Formulating and amending accounting policies, and preparing the books of accounts. 3. Submitting financial statements and other matters regarding financial disclosures to the competent authority on a regular basis. 4. Drafting and compiling the statements regarding budgets, settlements, and final accounts. 5. Preparing financial statements on a regular basis. 6. Processing tax cases and administrative remedies, as well as planning and submitting matters related to taxes. 7. Establishing and managing the credit lines, and managing liquidity risks of funds. 8. Proposing long-and-short-term fund and capital planning. 9. Planning, managing and following-up with financial operations of

Department	Functions
	<p>various businesses.</p> <ol style="list-style-type: none"> 10. Calculating and reporting transaction limits of each unit. 11. Managing bills and securities. 12. Receiving and paying out expenses. 13. Managing bank accounts of the Headquarters and branches. 14. Handling matters regarding operational fund transfers and capital movements of Headquarters and branches. 15. Formulating and amending related charters.
<p>Brokerage Division</p>	<ol style="list-style-type: none"> 1. Assisting the promotion of brokerage businesses of Headquarters and branches (incl. securities, futures, credit agency, funds sold under commission, reconsignments, lending money without specific purposes, auctions, applications for purchasing). 2. Assisting the establishment and execution of various management policies of the Headquarters and branches. 3. Managing and reviewing the salary and bonus policies for brokerage agents and concessions to clients. 4. Analyzing and managing the performance and contribution of brokerage agents under categories of company, clients or businesses. 5. Planning, evaluating and executing the establishment of new branches, as well as the acquisition and merger of operating locations. 6. Handling matters regarding reserve, training and assignment of brokerage agents. 7. Coordinating and managing the trading of securities and margin purchase and short sale services from brokerage businesses. 8. Organizing and managing beneficiary certificates, other securities and financial products sold under commission. 9. Serving as the one-stop service for internal and external brokerage business, and as the management unit for law compliance advocacy and risk control of brokerage business related matters. 10. Planning, promoting and managing matters regarding institutional businesses. 11. Providing maintenance and service to matters regarding institutional clients. 12. Planning and hosting institutional investor conferences. 13. Organizing and managing Headquarters' and branches' businesses, (incl. securities, futures, credit agency, under commission, re-consignments, lending money without specific purposes, auctions, applications for purchasing) account opening, depository, and settlements. 14. Handling matters regarding reports of error accounts and breaches of contract from brokerage businesses. 15. Planning the management and operation process of back end regulations of brokerage businesses. 16. Planning and managing of lending money without specific purposes. 17. Undertaking the trading of securities at centralized securities exchange market. 18. Undertaking the trading of securities at operating sites. 19. Handling businesses regarding margin purchase and short sale. 20. Handling businesses regarding centralized custody and transfer of securities.

Department	Functions
	<ol style="list-style-type: none"> 21. Handling businesses regarding securities settlements. 22. Handling matters regarding futures account opening and uploading of centralized custody. 23. Undertaking the trading of futures and option contracts. 24. Undertaking the domestic trading of futures and option contracts. 25. Handling risk control of the domestic trading of futures and option contracts. 26. Undertaking the overseas trading of securities (reconsignment). 27. Undertaking the trading of emerging stocks. 28. Undertaking the sales of beneficiary certificates, other securities and financial products. 29. Assisting Headquarters in the underwriting of securities. 30. Planning, promoting and managing institutional businesses. 31. Providing maintenance and service to institutional clients. 32. Formulating and amending related charters.
Capital Market Division	<ol style="list-style-type: none"> 1. Guiding public companies listings on TPEX and TWSE, as well as underwriting capital increase for TPEX- and TWSE-listed companies. 2. Providing consulting services for issuance and offering of securities. 3. Providing consulting services for planning and execution of the privatization of government-owned enterprises. 4. Providing inquiry services for corporate financial planning and consultation. 5. Providing consulting services for private placement of securities, reorganization, strategic reconstruction (incl. corporatization, merger, acquisition, spin-off and demerger). 6. Providing consulting services for venture investment plans, financial analysis and post-investment management. 7. Promoting the projects of financing activities, acquisitions, direct investments and financial restructuring of domestic enterprises overseas, and the projects of financing activities and investments of foreign enterprises in Taiwan. 8. Evaluating and managing the businesses of overseas subsidiaries and long-term investments. 9. Establishing and coordinating relative businesses of foreign branches. 10. Handling other businesses regarding international finance and securities. 11. Handling proprietary trading, as well as planning and managing brokerage businesses. 12. Handling stock matters as an agent for securities issuing institutions. 13. Handling matters regarding shareholders' meetings or general meetings of beneficiaries of securities issuing institutions. 14. Serving as proxy agents for shareholders' meeting proxy. 15. Handling matters regarding applications of stocks and announcements of securities issuing institutions. 16. Handling matters regarding expansion, consultation and guidance of registrar agency businesses. 17. Formulating and amending related charters.
Proprietary Investment Division	<ol style="list-style-type: none"> 1. Planning securities portfolios for proprietary trading. 2. Trading securities at centralized securities exchange market. 3. Trading securities at operating sites.

Department	Functions
	<ol style="list-style-type: none"> 4. Trading domestic securities related futures contracts, option contracts, and futures option contracts at futures markets. 5. Trading domestic securities related futures contracts, option contracts, and futures option contracts at operating sites. 6. Engaging in hedging transactions at futures markets. 7. Handling matters regarding the offering planning, reverse auctions, and sales of bonds and securities. 8. Trading the aforementioned bonds on the secondary market, and handling matters thereof. 9. Developing and promoting interest rate products. 10. Conducting R&D for new financial products, and formulating and implementing relevant trading and hedging strategies. 11. Issuing, selling and trading various new financial products. 12. Formulating and amending related charters.
Digital Products Division	<ol style="list-style-type: none"> 1. Planning brokerage businesses (incl. securities, futures, credit agency, funds sold under commission, reconsignments, lending money without specific purposes, auctions, applications for purchasing). 2. Promoting and integrating digital product projects. 3. Planning and developing trading platforms and digital service platforms. 4. Planning and promoting marketing activities. 5. Handling business regarding telephone and online customer services. 6. Handling matters regarding centralized order center. 7. Handling matters regarding futures consultation. 8. Planning, applying, development and promotion of the fintech innovative platform. 9. Utilizing and developing big data analysis.

2. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice President, and the Supervisors of All the Company's Divisions and Branch Units

(1) Directors and Supervisors

1. Directors and Supervisors:

Mar. 30, 2021; unit: share; %

Title (Note 1)	Nationality or country of registration	Name	Gender	Date elected	Term	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Current shares held by spouse or minor children		Shares held in the name of others		Experience (education) (Note 3)	Concurrent positions held in the Company and other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship			Remarks (4)
							Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Chairman	ROC	Cheng-Da Investment Consulting Co., Ltd.	Male	2020.6.24	3 yr	2005.10.19	33,800,000	9.99%	33,790,000	10.21%	—	—	—	—	—	—	—	—	—	—
		Legal representative: Ke-Chyn Jiang					3,000,000	0.89%	3,059,101	0.92%	172,710	0.05%	1,100,000	0.33%	Education: MBA, Syracuse University Experience: President of First Securities Co., Ltd.	The Company: Member of Risk Management Committee Other companies: Chairman of Horizon Venture Capital Co., Ltd. Chairman of Horizon Venture Management Co., Ltd. Chairman of Weilin Investment Consulting Co., Ltd.	Vice President	Shao-Chen Chiang	Spouse	None
Director	ROC	Cheng-Da Investment Consulting Co., Ltd.	Male	2020.6.24	3 yr	2005.10.19	33,800,000	9.99%	33,790,000	10.21%	—	—	—	—	—	—	—	—	—	—
		Legal representative: Jamie Lin					312,751	0.09%	252,751	0.08%	—	—	—	—	Education: Graduated with a Master Degree of Economic from Soochow University Experience: Vice President of Capital Market Division of First Securities Inc. Underwriting Department of Grand Cathay Securities Corp.	The Company: President, Member of Risk Management Committee, Member of Information Security Management Committee Other companies: Director of Cheng-Da Investment Consulting Co., Ltd. Director of Horizon Venture Capital Co., Ltd. Director of Horizon Venture Management Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or country of registratio	Name	Gender	Date elected	Term	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Current shares held by spouse or minor children		Shares held in the name of others		Experience (education) (Note 3)	Concurrent positions held in the Company and other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship			Remarks (4)
							Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Director	ROC	Chia-Hung Lee	Male	2020.6.24	3 yr	2011.06.10 (Note 5)	50,000	0.01%	50,000	0.02%	-	-	-	-	Education: MBA, Syracuse University Experience: Vice President of CDIB Partners Investment Holding Corp. Assistant Vice President of Investment Department / Overseas Department / Special Project Department of China Development Financial Holding Corp.	The Company: None Other companies: Chairman of Kunjian Management Consulting Co., Ltd. (Legal representative) Chairman of HH Leasing & Financial Corp. (Legal representative) Chairman of Hungyu Management Consulting Co., Ltd. Chairman of Kunlun Management Consulting Co., Ltd.	None	None	None	None
Director	ROC	Jyun-De Li	Male	2020.6.24	3 yr	2014.05.30 (Note 6)	-	-	-	-	-	-	-	-	Education: Bachelor, Department of Chemical and Materials Engineering, Tamkang University Experience: Vice President of Investment Research Division of Horizon Securities Corp. Senior Assistant Vice President of Underwriting Department of First Securities Inc. Junior Manager of Underwriting Department of Capital Securities Corp.	The Company: Member of Risk Management Committee Other companies: None	None	None	None	None
Independent Director	ROC	Chen-Chi Hsiao	Male	2020.6.24	3 yr	2020.6.24	-	-	-	-	-	-	-	-	Education: Master, Department of Business Administration, Feng Chia University Experience: Partner of Pricewaterhouse Coopers	The Company: Salary Remuneration Committee, Audit Committee member, Member of Risk Management Committee Other companies: Independent Director of Honmyue Enterprise Co. Ltd. (Compensation Committee member) Supervisor of Yeong Chin Machinery Industries Co., Ltd. Vice Director-general of The National Federation of CPA Associations ROC (Taiwan) Independent Director of Best Friend Technology Co., Ltd. (Remuneration Committee member, Audit Committee member) Director of Tons Lightology Inc. Remuneration Committee member of	None	None	None	None

Title (Note 1)	Nationality or country of registration	Name	Gender	Date elected	Term	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Current shares held by spouse or minor children		Shares held in the name of others		Experience (education) (Note 3)	Concurrent positions held in the Company and other companies	Other supervisors, directors or supervisors in a spousal relationship or within the second degree of kinship			Remarks (4)
							Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
																Max Echo Technology Corp.				
Independent Director	ROC	Yuh-Jen Chen	Male	2020.6.24	3 yr	2020.6.24	-	-	-	-	-	-	-	-	Education: PhD, Institute of Manufacturing Information and Systems, National Cheng Kung University Experience: Contracted Professor of Business Intelligence School / Department of Accounting and Information Systems & M.S. Program in Accounting and Information Systems of National Kaohsiung University of Science and Technology Contracted Professor (and Chair) of College of Finance and Banking / Department of Accounting and Information Systems & M.S. Program in Accounting and Information Systems of National Kaohsiung First University of Science and Technology	The Company: Salary Remuneration Committee, Audit Committee member, Member of Risk Management Committee Other companies: Contracted Professor of Business Intelligence School / Department of Accounting and Information Systems & M.S. Program in Accounting and Information Systems of National Kaohsiung University of Science and Technology	None	None	None	None
Independent Director	ROC	Che-Ying Liaw	Female	2020.6.24	3 yr	2020.6.24	-	-	-	-	-	-	-	-	Education: M.L of University of Pennsylvania Experience: CFO of Walsin Technology Corp. Chief of Legal Division of Walsin Lihwa Corp. Attorney of TIPLo Attorneys-at- Law, Also Taiwan International Patent & Law Office	The Company: Salary Remuneration Committee, Audit Committee member, Member of Risk Management Committee Other companies: Partner in charge of Wood & Wu Patent and Trademark Office None	None	None	None	None

Note 1: For institutional shareholders, the names of the institute and representative should be listed separately (institutional shareholders should be marked as institutional shareholders), and listed in the table below.

Note 2: If a supervisor or director discontinued their position after the date they were first elected, such matter shall be explained in the note.

Note 3: If he/she had worked at accounting firms or affiliates during the said period, his/her title and duty shall be explained in the note.

Note 4: Supplementary information on matters regarding the chairman of the board of directors and the general manager or person of an equivalent post (the highest-level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, and necessity thereof, and the measures adopted in response thereto (e.g. additional seats of Independent Directors, no more than half of the seats of directors are serving concurrently as an employee or a manager, or other ways.)

Note 5: Chia-Hung Lee served the position of Supervisor of the Company from 2011.06.10 to 2014.05.30. He then served as legal director representing Kunjian Management Consulting Co., Ltd. From 2017.05.31 to 2020.06.24.

Note 6: Jyun-De Li served the position of Independent Director from 2014.05.30 to 2020.06.24.

2. Major institutional shareholders

Mar. 30, 2021

Name of institutional shareholders (Note 1)	Major institutional shareholders (Note 2)
Cheng-Da Investment Consulting Co., Ltd.	Ke-Chyn Jiang 25.61%, Weilin Investment Consulting Co., Ltd. 15.35%, Hsiang-Li Chen 9.26%, Jamie Lin 6.56%, May Lin 5.24%, Gilbert Chang 3.88%, Christine Chang 3.88%, Frank Liao 3.87%, Wen-Hsun Tsai 3.3%, Pei-Chih Li 2.74%

Note 1: If Directors and Supervisors serve as representatives of institutional shareholders, the names of institutional shareholders must be provided.

Note 2: Name the major shareholders (the top 10 owners) of institutional shareholders and their shareholding percentage. Table 2 below is applicable if any of the major shareholders is an institutional entity.

Note 3: If the institutional shareholder is not a company, the names of shareholders and their shareholding percentage shall be the names of sponsors or donors and their sponsoring percentage.

3. Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders:

Mar. 30, 2021

Name of institutional shareholder (Note 1)	Major shareholders (Note 2)
Weilin Investment Consulting Co., Ltd.	Ke-Chyn Jiang 32%, Shao-Chen Chiang 18%, Ning Jiang 18%, Hsueh-Ying Jiang 17%, Hsueh-Fang Jiang 15%

Note 1: If any of the major shareholders listed in Table 1 is an institution, the name of the institution must be provided.

Note 2: Names the major shareholders (the top 10 owners) of institutional shareholders and their shareholding percentage.

Note 3: If the institutional shareholder is not a company, the names of shareholders and their shareholding percentage shall be the names of sponsors or donors and their sponsoring percentage.

1. Professional Qualifications and Independence Status of Directors

Mar. 30, 2021

Qualifications Name	Work experience of more than five years and the following professional qualification			Independence criteria (Note 4)												Number of other public companies (Note 5)
	(Note 1)	(Note 2)	(Note 3)	1	2	3	4	5	6	7	8	9	10	11	12	
Legal representative of Cheng-Da Investment Consulting Co., Ltd.: Ke-Chyn Jiang			✓	✓		✓			✓	✓		✓	✓			None
Legal representative of Cheng-Da Investment Consulting Co., Ltd.: Jamie Lin			✓			✓	✓		✓	✓		✓	✓	✓		None
Chia-Hung Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Jyun-De Li			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen-Chi Hsiao		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Yuh-Jen Chen	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Che-Ying Liaw		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note1: Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or other fields related to the business.

Note 2: Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business

Note 3: Work experience in commerce, law, finance, accounting or any other fields necessary for our business

Note 4: Place a “✓” in the box if the director or supervisor met the following conditions at any time during active duty and two years prior to the date elected.

- (1) The member was or is not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks as one of its top five shareholders, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a majority of the company’s director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not the same person as the Company’s chairman, President or person with equivalent position, or the director, supervisor or employee of company or institution of the spouse thereof. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company or institute holding above 20% but less than 50% of the shares in the Company, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent two years with an accumulated service compensation of less than NTD 5 million, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers, Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers and Acquisitions Act.
- (10) The member was or is not in a spousal relationship nor a relative within the second degree of kinship.
- (11) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

Note 5: Number of other public companies where the member also serves as an independent director

(2) President, Vice Presidents, Assistant Vice President, and Supervisors of All the Company's Divisions and Branch Units

Mar. 30, 2021

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
President	ROC	Jamie Lin	Male	2017.05.01	252,751	0.08%	0	-	0	-	Graduated with a Master Degree of Economic from Soochow University Vice President of Capital Market Division of First Securities Inc. Manager of Underwriting Department of Grand Cathay Securities Corp.	Note 1	None	None	None	None
Vice President of Internal Auditing Office	ROC	Rogers Huang	Male	2017.11.03	163,311	0.05%	0	-	0	-	Master, Institute of the Law of the Sea, National Taiwan Ocean University Assistant Vice President of Law Compliance Office of Forwin Co., Ltd. Junior Manager of Underwriting Department of Hua Nan Securities	None	None	None	None	None
Vice President of Risk Management Office	ROC	Vicki Chen	Female	2017.08.01	43,867	0.01%	0	-	0	-	Master, Department of Business Administration, National Chung Hsing University Assistant Vice President of Management Head Office of DFI Manager of Management Department of Chunhesheng Co.	None	None	None	None	None
Senior Vice President of Compliance Office	ROC	Lillian Chen	Female	2018.10.01	208,348	0.06%	0	-	0	-	M.Acc., University of Texas at Austin Chairman of Horizon SICE Co., Ltd. Senior Assistant Vice President of President's Office of Horizon Securities Co., Ltd. Assistant Vice President of Capital Market Division of First Securities Inc.	None	None	None	None	None
Vice President of President's Office	ROC	Shao-Chen Chiang	Female	2017.08.01	172,710	0.05%	3,059,101	0.92%	0	-	BL in Law, Fu Jen Catholic University Chairman and President of Ukko Corp.	Note 2	None	None	None	None
Assistant Vice President of President's Office	ROC	John Jiang	Male	2008.04.01	0	-	0	-	0	-	Master, Graduate Institute of Human Resource Management Assistant Manager of Human Resource Office of Capital Securities Corp.	None	None	None	None	None
Vice President of Finance Division	ROC	Chilli Hsieh	Female	2020.03.01	1,255	-	0	-	0	-	Master, Department of Business Administration, National Taiwan University of Science and Technology Finance Manager of Finance Department of Beyond Innovation Technology Co.,	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
											Ltd. Manager of President's Office of System General Limited Junior Manager of Underwriting Department of Hsiang Tai Securities					
Vice President of Digital Products Division	ROC	Liang-Chen Chu	Male	2019.11.08	0	-	0	-	0	-	National Taipei University of Business Assistant Vice President of Business Department of Dah Chang Securities Assistant Manager of Business Department of SinoPac Securities Assistant Manager Vice President of Business Department of The Pacific Securities Co., Ltd.	None	None	None	None	None
Assistant Vice President of Digital Products Division	ROC	Justine Lin	Female	2018.10.01	0	-	0	-	0	-	Bachelor, College of Finance and Banking, National Kaohsiung University of Science and Technology Futures Investment Assistant Manager of Business Department of SinoPac Futures Project Assistant Vice President of Futures Department of Dah Chang Securities Manager of Business Department of Capital Securities	None	None	None	None	None
Assistant Vice President of Digital Products Division	ROC	Kuei-Ching Huang	Female	2010.08.04	0	-	0	-	0	-	Food Processing Department, Songsha High School of Agriculture and Industry Broker of Banqiao Branch of Dah Chang Securities	None	None	None	None	None
Senior Assistant Vice President of Operations Service Division	ROC	Franco Jiang	Male	2019.11.08	795	-	0	-	0	-	Bachelor, Department of Chemical Engineering, Chinese Culture University Programmer of Business & Service Division, Nan Shan Life Senior Programmer of China Chemical & Pharmaceutical Co., Ltd.	None	None	None	None	None
Assistant Vice President of Operations Service Division	ROC	Hank Wang	Male	2007.05.01	8,715	-	0	-	0	-	Fisheries Department, Taipei University of Marine Technology Manager of Futures Management Department of Yuanta Core Pacific Securities Manager of Management Department of Sampo Securities Co., Ltd.	None	None	None	None	None
Assistant Vice President of	ROC	Joyce Lai	Female	2019.7.13	0	-	0	-	0	-	Bachelor, Department of Business Administration, Tamkang University	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Operations Service Division											Chief of Financial Risk Division of SinoPac Securities Specialist of Information Department of Yung Ching Rehouse Co. Specialist of Information Department of Capital Securities Corp.					
Assistant Vice President of Operations Service Division	ROC	Julie Sue	Female	2017.10.05	145,448	0.04%	0	-	0	-	Bachelor, Department of Information Management, Fu Jen Catholic University Specialist of Information Department of Polaris Securities Specialist of Information Department of Da Shun Securities	None	None	None	None	None
Senior Vice President of Proprietary Investment Division	ROC	May Lin	Female	2017.11.03	72,616	0.02%	0	-	0	-	EMBA of National Chengchi University Senior Assistant Vice President of Capital Market Division of First Securities Inc. Underwriting Department of Capital Securities Corp.	None	None	None	None	None
Vice President of Proprietary Investment Division	ROC	Jenny Huang	Female	2010.08.07	0	-	0	-	0	-	Master, Graduate Institute of Finance, National Taiwan University of Science and Technology Senior Assistant Vice President of Fixed Income Product Marketing Division of JihSun Securities Business Assistant Vice President of Bond Department of Barits Securities Corp. Fund Manager of Bonds Department of Cathay Securities Investment Trust	None	None	None	None	None
Senior Assistant Vice President of Proprietary Investment Division	ROC	Alex Tsai	Male	2021.03.03	10,292	-	0	-	0	-	Master, Department of Business Administration, National Chung Hsing University Proprietary Manager of Capital Securities	None	None	None	None	None
Manager of Proprietary Investment Division	ROC	Jui-Ching Wang	Male	2020.03.06	0	-	0	-	0	-	Master, Graduate Institute of Biomedical Electronics and Bioinformatics, National Taiwan University Senior Specialist of Proprietary Trading Department of Capital Futures Researcher of Consulting Department of Jihsun Futures Co., Ltd. Researcher of Research Department of Hua Nan Futures	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Senior Vice President of Capital Market Division	ROC	Gilbert Chang	Male	2017.08.01	0	-	0	-	0	-	Master, Department of Management Science, National ChiaoTung University President of Horizon Venture Capital Co., Ltd. Senior Assistant Vice President of TPEx Department of Horizon Securities Co., Ltd. Senior Assistant Vice President of Underwriting Department of First Securities Inc.	Note 3	None	None	None	None
Vice President of Capital Market Division	ROC	Lingc Huang	Female	2019.04.18	0	-	0	-	0	-	Bachelor, Department of Public Finance, Feng Chia University Senior Manager of Jian Hua Securities	None	None	None	None	None
Vice President of Capital Market Division	ROC	Chih-Sung Jen	Male	2019.04.18	91,526	0.03%	0	-	0	-	National Taipei University of Business Senior Manager of Jian Hua Securities	None	None	None	None	None
Senior Assistant Vice President of Capital Market Division	ROC	Christine Chang	Female	2021.03.03	1,368	-	0	-	0	-	Comprehensive Business Night School, National Taipei University of Business Assistant Vice President of Capital Market Division of First Securities Inc. Assistant Manager of Registrar Agency Department of Yuanta Core Pacific Securities Junior Manager of Registrar Agency Department of Grand Cathay Securities Corp.	Note 4	None	None	None	None
Senior Assistant Vice President of Capital Market Division	ROC	Sophia Liu	Female	2021.03.03	144,610	0.04%	0	-	0	-	Bachelor, Economics Department, Soochow University Manager of Capital Market Division of First Securities Inc.	None	None	None	None	None
Senior Assistant Vice President of Capital Market Division	ROC	Steven Wu	Male	2021.03.03	0	-	0	-	0	-	MBA Program, National Chengchi University Project Manager of Capital Market Division of First Securities Inc. Underwriter of Taiwan Securities Co., Ltd.	None	None	None	None	None
Senior Assistant Vice President of Capital Market Division	ROC	Brian Chiu	Male	2021.03.03	91,303	0.03%	0	-	0	-	Master, Finance Department, National Taiwan University Junior Manager of First Securities Inc.	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Senior Assistant Vice President of Capital Market Division	ROC	Rita Chen	Female	2021.03.03	67,952	0.02%	0	-	0	-	MBA of San Francisco State University Assistant Vice President of Capital Market Division of Horizon Securities Senior Manager of First Securities Inc. Senior Specialist of Yung Chang Securities	None	None	None	None	None
Senior Assistant Vice President of Capital Market Division	ROC	Angela Lin	Female	2021.03.03	0	-	0	-	0	-	M.B.A., National Taiwan University Project Manager of First Securities Inc.	None	None	None	None	None
Assistant Vice President of Capital Market Division	ROC	Alice Wang	Female	2014.03.14	0	-	0	-	0	-	Bachelor, Department of Accounting, Providence University Capital Market Manager of First Securities Inc. Capital Market Project Manager of Jian Hua Securities Capital Market Assistant Manager of Yuanta Core Pacific Securities	None	None	None	None	None
Assistant Vice President of Capital Market Division	ROC	Wan-Ting Huang	Female	2021.03.03	0	-	0	-	0	-	Master's in Business Administration, St. John's University Assistant Project Manager of Capital Market Division of First Securities Inc.	None	None	None	None	None
Assistant Vice President of Capital Market Division	ROC	Hui-Wen Chang	Female	2021.03.03	0	-	0	-	0	-	Bachelor, Department of Accounting, Providence University Specialist in the Underwriting Department of MasterLink Securities Examiner in the Audit Department of Deloitte Taiwan	None	None	None	None	None
Assistant Vice President of Capital Market Division	ROC	Jau-Jiun Yu	Male	2021.03.03	0	-	0	-	0	-	Master Program in the Institute of Business & Management of National Chiao Tung University Level 2 specialist in the Emerging Stock Market Board Underwriting Department of Fubon Securities Specialist in the Underwriting Department of Fuh Hwa Securities Investment Trust Specialist in the Bade branch of Fubon Bank	None	None	None	None	None
Assistant Vice President of Capital Market	ROC	Ya-Shan Wang	Female	2021.03.03	0	-	0	-	0	-	Department of Accounting, Soochow University Junior Manager of Underwriting	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Division											Department of Fubon Securities Assistant Manager in the Underwriting Department of MasterLink Securities Assistant Manager in the Underwriting Department of Chongchong Securities					
Executive Vice President of Brokerage Division	ROC	Frank Liao	Male	2019.11.08	132,000	0.04%	0	-	0	-	Master, Department of Economics, National Tsing Hua University Vice President of President's Office of Horizon Venture Capital Co., Ltd. Assistant Vice President of Information Service Division of Horizon Securities Project Manager of Capital Market Division of First Securities Inc.	Note 5	None	None	None	None
Senior Vice President of Brokerage Division	ROC	Maggie Chen	Female	2018.10.01	0	-	0	-	0	-	Bachelor, Department of International Business, National Chengchi University Assistant Vice President of First Securities Inc.	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Mei-Chien Li	Female	2021.01.01	0	-	0	-	0	-	Bachelor, Department Economics, Fu Jen Catholic University Assistant Vice President of Securities Brokerage Department of ChinaTrust Commercial Bank	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Chen-Yu Yang	Male	2017.11.03	76,138	0.02%	0	-	0	-	Bachelor, Department of Shipping & Transportation Management, National Taiwan Ocean University Junior Manager of Finance Business Department, KGI Securities Assistant Officer of Xinyi Branch of E.Sun Bank Clerk of Rende Branch of Tainan Business Bank	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Hsu-Fu Chang	Male	2009.01.01	923	-	0	-	0	-	Bachelor, Department of Finance, Ming Chuan University Vice President of Securities Brokerage Department of Forwin Co., Ltd. Senior Manager of Business Department of Horizon Securities Co., Ltd.	Note 6	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Chiou-Fan Chen	Male	2015.08.07	86,561	0.03%	0	-	0	-	Bachelor, Department of Oceanography, Chinese Culture University Manager of Nangang Branch of Dashin Securities	None	None	None	None	None

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
											Yuanta Securities					
Assistant Vice President of Brokerage Division	ROC	Chia-Ming, Huang	Male	2004.04.15	0	-	0	-	0	-	Bachelor, Economics Department, Soochow University Sales Manager of Northern Region, Feng Ge Technology	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Chih-Chung Lee	Male	2015.10.01	0	-	0	-	0	-	Department of Electronic Systems Engineering, Tokyo Metropolitan Institute of Technology Assistant Vice President of Zhongxiao Branch of IBT Securities Assistant Vice President of Security Lending Department of First Securities Assistant Vice President of E-Commerce Department of IBF Securities	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Jeff Chen	Male	2007.12.19	0	-	0	-	0	-	Bachelor, Department of Business Administration, Feng Chia University Assistant Vice President of Taichung Branch of First Securities Inc.	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Joe Hu	Male	2017.10.01	30,000	0.01%	0	-	0	-	Bachelor, Department of Public Finance, Feng Chia University Assistant Vice President of Tainan Branch of The Pacific Securities Co., Ltd. Manager of Xinying Branch of Concord Securities Co., Ltd. Assistant Vice President of Tainan Branch of Times Securities	None	None	None	None	None
Assistant Vice President of Brokerage Division	ROC	Ming-Che Tsai	Male	2010.09.01	-	0	-	0	-	-	Department of Business Administration (continuing education) Kao Yuan University Business Assistant Vice President of Fengshan Branch of Hua Nan Securities Manager of Tianxiang Branch of IBF Securities	None	None	None	None	None
Manager of Brokerage Division	ROC	Pei-Shan Li	Female	2010.08.07	0	-	0	-	0	-	Bachelor, College of Tourism, Leisure, and Sports, Aletheia University Broker of Tainan Branch of Horizon Securities Broker of Tainan Branch of The Pacific Securities Co., Ltd. Broker of Xinhua Branch of Shieh He Securities	None	None	None	None	

Title	Nationality	Name	Gender	Date elected	No. of shares held		Shares held by spouse or minor children		Shares held in the name of others No. of shares held		Experience (education)	Concurrent posts in other companies	Managerial officers in a spousal relationship or within the second degree of kinship			Remarks
					Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding			Title	Name	Relation	
Manager of Brokerage Division	ROC	Hui-Chun Yu	Female	2021.02.17	0	-	0	-	0	-	Master, Institute of Law and Inter-Discipline, National Chengchi University Management Trainee of Hua Nan Commercial Bank, Ltd. President Executive Specialist of Kunglon Securities Financial Advisor of Bank SinoPac	None	None	None	None	None

Note 1: Jamie Lin holds concurrent positions as Director of Cheng-Da Investment Consulting Co., Ltd., Director of Horizon Venture Capital Co., Ltd., and Director of Horizon Venture Management Co., Ltd.

Note 2: Shao-Chen Chiang holds concurrent positions as Chairman of Cheng-Da Investment Consulting Co., Ltd., and Director of Weilin Investment Consulting Co., Ltd.

Note 3: Gilbert Chang holds concurrent positions as Director of Cheng-Da Investment Consulting Co., Ltd., Director of Horizon Venture Capital Co., Ltd., and Director of Horizon Venture Management Co., Ltd.

Note 4: Christine Chang holds concurrent positions as Supervisor of Cheng-Da Investment Consulting Co., Ltd., Supervisor of Horizon Venture Capital Co., Ltd., and Supervisor of Horizon Venture Management Co., Ltd.

Note 5: Frank Lia holds concurrent positions as Director of Jia Hong Investment Co., Ltd.

Note 6: Hsu-Fu Chang concurrently serves as an independent director of Trust-Search Corporation.

(3) Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents

1. Remuneration to Directors and Independent Directors

(1) Remuneration to Directors and Independent Directors (Table 1-1 discloses name and remuneration paid for each)

Unit: NTD thousand

Title	Name	Remuneration to Directors								The sum of A, B, C, and D as a percentage of after-tax net income (Note 10)		Remuneration to directors also holding employee positions								The sum of A, B, C, D, E, F and G as a percentage of after-tax net income (Note 10)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 11)		
		Director fees (A) (Note 2)		Severance pay and pension (B)		Remuneration to directors (C) (Note 3)		Fees for performance of works (D) (Note 4)				Salaries, bonuses and special allowances (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)								
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	Cash	Shares	Cash	Shares	The Company	All companies in the consolidated financial statements (Note 7)			
Chairman	Cheng-Da Investment Consulting Co., Ltd. Representative: Han-Tsung Liu (Note 1)	3,470	3,470	0	0	0	0	20	20	0.8414%	0.8414%	0	0	0	0	0	0	0	0	0	0	0.8414%	0.8414%	None
	Cheng-Da Investment Consulting Co., Ltd. Representative: Ke-Chyn Jiang (Note 2)	1,048	1,048	2	2	2,000	2,000	15	15	0.7392%	0.7392%	0	0	0	0	0	0	0	0	0	0	0.7392%	0.7392%	
Director	Cheng-Da Investment Consulting Co., Ltd.	0	0	0	0	9,334	9,334	0	0	2.2507%	2.2507%	0	0	0	0	0	0	0	0	0	0	2.2507%	2.2507%	
	Cheng-Da Investment Consulting Co., Ltd. Representative: Jamie Lin	0	0	0	0	0	0	65	65	0.0157%	0.0157%	5,568	5,568	108	108	0	0	0	0	0	0	1.3843%	1.3843%	
	Cheng-Da Investment Consulting Co., Ltd. Representative: Shao-Chen Chiang (Note 3)	0	0	0	0	0	0	35	35	0.0084%	0.0084%	811	811	47	47	0	0	0	0	0	0	0.2155%	0.2155%	

- Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:
The remuneration to Independent Directors of the Company is determined by the Board of Directors based on the Articles of Incorporation and the pay levels adopted by peer companies. Also, regardless of profit or loss, the Company pays transportation allowances to and takes out liability insurance for Directors. The remuneration to the 15th Independent Directors is resolved by the 14th Board of Directors on the 30th board meeting to be paid out on a monthly basis. Independent Directors also serve as members of Audit Committee, Risk Management Committee and Salary Remuneration Committee, and each serve as the convener of each committee. The remuneration to the conveners is resolved by the 14th Board of Directors on the 30th board meeting to be paid out on a monthly basis. From the above, it is clearly shown that the duties, risks and invested time of each Independent Director are approximately the same. Thus, there is no significant difference in their remuneration.
- Except for those disclosed in the above table, the remuneration of the Company's directors by providing services (e.g., serving as the non-employee consultant) to all companies included in the consolidated financial statements in the most recent year: None.

Note 1: Reelected as a legal person representative on June 24, 2020, and resigned on October 15, 2020.

Note 2: New appointment on October 15, 2020.

Note 3: Dismissed on June 24, 2020.

(2) Remuneration to Directors and Independent Directors (Table 1-2-1 Aggregation by range and disclosure of names)

Unit: NTD thousand

Title	Name	Remuneration to Directors								The sum of A, B, C, and D as a percentage of after-tax net income (Note 10)		Remuneration to directors also holding employee positions						The sum of A, B, C, D, E, F and G as a percentage of after-tax net income (Note 10)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 11)				
		Compensation (A) (Note 2)		Severance pay and pension (B)		Remuneration to Directors (C) (Note 3)		Fees for performance of works (D) (Note 4)		Salaries, bonuses and special allowances (E) (Note 5)		Retirement pension (F)		Employee compensation (G) (Note 6)		The Company	All companies in the consolidated financial statements (Note 7)							
		The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	The Company	All companies in the consolidated financial statements (Note 7)	Cash	Shares			Cash	Shares					
Chairman	Han-Tsung Liu (Note 1)																							
Director	Kunjian Management Consulting Co., Ltd. Representative: Chia-Hung Lee (Note 2)	2,458	2,458	0	0	666	666	135	135	0.7857%	0.7857%	0	0	0	0	0	0	0	0	0.7857%	0.7857%	None		
	Kunjian Management Consulting Co., Ltd.																							
	Chia-Hung Lee (Note 2)																							
	Jyun-De Li (Note 3)																							
Independent Director	Chuen-Min Hsu (Note 4)	2,788	2,788	0	0	0	0	205	205	0.7218%	0.7218%	0	0	0	0	0	0	0	0	0.7218%	0.7218%			
	Chuen-Yun Liao (Note 5)																							
	Jyun-De Li (Note 3)																							
	Chen-Chi Hsiao (Note 4)																							
	Yuh-Jen Chen (Note 5)																							
Che-Ying Liaw (Note 6)																								
<p>1. Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors: The remuneration to Independent Directors of the Company is determined by the Board of Directors based on the Articles of Incorporation and the pay levels adopted by peer companies. Also, regardless of profit or loss, the Company pays transportation allowances to and takes out liability insurance for Directors. The remuneration to the 14th Independent Directors is resolved by the 13th Board of Directors on the 28th board meeting to be paid out on a monthly basis. Independent Directors also serve as members of Audit Committee, Risk Management Committee and Salary Remuneration Committee, and each serve as the convener of each committee. The remuneration to the conveners is resolved by the 13th Board of Directors on the 28th board meeting to be paid out on a monthly basis. From the above, it is clearly shown that the duties, risks and invested time of each Independent Director are approximately the same. Thus, there is no significant difference in their remuneration.</p> <p>2. Except for those disclosed in the above table, the remuneration of the Company's directors by providing services (e.g. serving as the non-employee consultant) to all companies included in the consolidated financial statements in the most recent year: None.</p>																								

* Information of Directors (general directors excluding independent directors) and Independent Directors shall be stated separately.

Note 1: Re-elected as a legal person representative on June 24, 2020, and resigned on October 15, 2020.

Note 2: The former legal person representative of Kun Jian Management Consulting was newly appointed after election on June 24, 2020.

Note 3: The former independent director was newly appointed after election on June 24, 2020.

Note 4: Was newly appointed after election on June 24, 2020.

Note 5: Was newly appointed after election on June 24, 2020.

Note 6: Was newly appointed after election on June 24, 2020.

(3) Range of remuneration to Directors and Independent Directors

The range of remuneration range to Directors of the Company	Name of director			
	The total of A+B+C+D		The total of A+B+C+D+E+F+G	
	The Company (Note 8)	All companies in financial report (Note 9) H	The Company (Note 8)	All companies in financial report (Note 9) I
Less than 1,000,000	Chuen-Min Hsu, Chuen-Yun Liao Chia-Hung Lee, Hsiao, Chen-Chi Chen, Yuh-Jen, Liaw, Che-Ying	Chuen-Min Hsu, Chuen-Yun Liao Chia-Hung Lee, Hsiao, Chen-Chi Chen, Yuh-Jen, Liaw, Che-Ying	Chuen-Min Hsu, Chuen-Yun Liao Chia-Hung Lee, Hsiao, Chen-Chi Chen, Yuh-Jen, Liaw, Che-Ying	Chuen-Min Hsu, Chuen-Yun Liao Chia-Hung Lee, Hsiao, Chen-Chi Chen, Yuh-Jen, Liaw, Che-Ying
NT\$1,000,000 (Incl.) – NT\$2,000,000 (Excl.)	Jyun-De Li, Han-Tsung Liu	Jyun-De Li, Han-Tsung Liu	Jyun-De Li, Han-Tsung Liu	Jyun-De Li, Han-Tsung Liu
NT\$2,000,000 (Incl.) – NT\$3,500,000 (Excl.)	-	-	-	-
NT\$3,500,000 (Incl.) – NT\$5,000,000 (Excl.)	-	-	-	-
NT\$5,000,000 (Incl.) – NT\$10,000,000 (Excl.)	-	-	-	-
NT\$10,000,000 (Incl.) – NT\$15,000,000 (Excl.)	-	-	-	-
NT\$15,000,000 (Incl.) – NT\$30,000,000 (Excl.)	-	-	-	-
NT\$30,000,000 (Incl.) – NT\$50,000,000 (Excl.)	-	-	-	-
NT\$50,000,000 (Incl.) – NT\$100,000,000 (Excl.)	-	-	-	-
More than 100,000,000	-	-	-	-
Total	8 persons	8 persons	8 persons	8 persons

- Note 1: The names of the directors must be listed receptively (for the corporate shareholders, their names and the representatives must be receptively listed), directors and independent directors shall be listed separately, and each payment amount must be disclosed by summarization. The director serving as the president or vice president should be listed in this table and the table below (3-1) or the table below (3-2-1) and (3-2-2).
- Note 2: This refers to the remuneration (incl. compensation to directors, duty allowances, severance pay, bonuses and incentives) to directors in the most recent fiscal year.
- Note 3: This is the amount of remuneration paid out to directors resolved at the board meeting in the most recent fiscal year.
- Note 4: This refers to the related fees for services rendered of the directors in the most recent year (including traveling expenses, special allowance, various allowances and accommodation, and company cars paid or offered). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.
- Note 5: This refers to the salary, duty allowances, severance pay, bonuses, incentives, transportation allowance, special allowance, various allowances and accommodation, and company cars paid or offered to directors who concurrently hold a position as an employee (incl. president, vice president, other managerial officers and employees). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the “Share-Based Payment” of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 6: This refers to the employee remuneration (incl. shares and cash) paid to directors in the most recent fiscal year who concurrently hold a position as an employee (incl. president, vice president, other managerial officers and employees). The amount indicated shall be the amount approved by the board to be paid out. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year, and then Table 1-3 filled out.
- Note 7: Total remuneration paid to the Company’s directors by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.
- Note 8: The name of the director to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.
- Note 9: The name of the directors to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements shall be disclosed in the corresponding remuneration range.
- Note 10: Net income refers to the net income for the most recent fiscal year. If IFRS has been adopted, net income refers to the net income of standalone or individual financial reports in the most recent year.
- Note 11: a. Remuneration received by the directors of the Company from invested companies other than subsidiaries or parent company shall be specified. (If none, please fill in “None.”)
b. If the directors of the Company receive remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the director of the Company from invested companies other than subsidiaries or the parent company shall be included in Column I in the Remuneration Range Table, and the column heading shall be changed to “Parent Company and All Invested Companies.”
c. Remuneration refers to the received salaries, remuneration (including the remuneration to employees, directors and supervisors), fees for services rendered and other relative remuneration paid out to directors of the Company who serve as the directors, supervisors or managerial officers in invested companies other than subsidiaries or the parent company.

※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

2. Remuneration to Supervisors: Not applicable.

3. Remuneration to the President and Vice Presidents

(1) Remuneration to the President and Vice President: Aggregation by range and disclosure of names

Unit: NTD thousand

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and special allowance (C) (Note 3)		Employee compensation (D) (Note 4)				The sum of A, B, C, and D as a percentage of net income (%) (Note 8)		Compensation paid to directors from an invested company other than the Company's subsidiaries or parent company (Note 9)
		The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company	All companies in the consolidated financial statements (Note 5)	The Company		All companies in the consolidated financial statements (Note 5)		The Company	All companies in the consolidated financial statements (Note 5)	
								Cash	Shares	Cash	Shares			
President	Jamie Lin	24,392	24,392	1,290	1,290	17,987	17,987	0	0	0	0	10.5298%	10.5298%	None
Executive Vice President	Frank Liao													
Senior Vice President	Maggie Chen													
	Gilbert Chang													
	May Lin													
	Lillian Chen													
Vice President	Shao-Chen Chiang													
	Rogers Huang													
	Vicki Chen													
	Lingc Huang													
	Chih-Sung Jen													
	Liang-Chen Chu													
	Chilli Hsieh (Note 1)													
Jenny Huang (Note 2)														

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

Note 1: Promoted on March 1, 2020.

Note 2: Promoted on August 7, 2020.

(2) Range of remuneration to President and Vice President

Range of remuneration to President and Vice President	Names of President and Vice President	
	The Company (Note 6)	All companies in financial report (Note 7) E
Less than 1,000,000	—	—
NT\$1,000,000 (Incl.) – NT\$2,000,000 (Excl.)	—	—
NT\$2,000,000 (Incl.) – NT\$3,500,000 (Excl.)	Gilbert Chang, May Lin, Lillian Chen, Rogers Huang, Vicki Chen, Lingc Huang, Chih-Sung Jen, Liang Chen Chu, Chillli Hsieh, Jenny Huang	Gilbert Chang, May Lin, Lillian Chen, Rogers Huang, Vicki Chen, Lingc Huang, Chih-Sung Jen, Liang Chen Chu, Chillli Hsieh, Jenny Huang
NT\$3,500,000 (Incl.) – NT\$5,000,000 (Excl.)	Frank Liao, Maggie Chen	Frank Liao, Maggie Chen
NT\$5,000,000 (Incl.) – NT\$10,000,000 (Excl.)	Jamie Lin	Jamie Lin
NT\$10,000,000 (Incl.) – NT\$15,000,000 (Excl.)	—	—
NT\$15,000,000 (Incl.) – NT\$30,000,000 (Excl.)	—	—
NT\$30,000,000 (Incl.) – NT\$50,000,000 (Excl.)	—	—
NT\$50,000,000 (Incl.) – NT\$100,000,000 (Excl.)	—	—
More than 100,000,000	—	—
Total	14 persons	14 persons

- Note 1: The name of the president and vice president must be listed separately and each payment amount must be aggregated and disclosed. The director serving as the president or vice president should fill in this table and the table above (1-1) or (1-2-1) and (1-2-2).
- Note 2: Salary, duty allowance, and severance pay paid to the president and vice presidents in the most recent fiscal year.
- Note 3: This refers to the bonuses, incentives, transportation allowance, special allowances, various allowances, accommodation, and company cars, and other remuneration paid or offered to the president and vice presidents in the most recent fiscal year. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the “Share-Based Payment” of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 4: This refers to the employee remuneration (incl. shares and cash) paid to the president and vice president in the most recent fiscal year who concurrently hold positions as an employee. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year, and then Table 1-3 filled out. Net income refers to the net income for the most recent fiscal year. If IFRS has been adopted, net income refers to the net income of standalone or individual financial reports in the most recent year.
- Note 5: Total remuneration paid to the Company’s president and vice presidents by all companies (including the Company) listed in the consolidated financial statements shall be disclosed.
- Note 6: The name of the president and vice presidents to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.
- Note 7: The name of the president and vice presidents to whom the total remuneration is paid by all companies (including the Company) listed in the consolidated financial statements shall be disclosed in the corresponding remuneration range.
- Note 8: Net income after tax refers to the net income of the most recent fiscal year. If IFRS has been adopted, net income after tax refers to the net income after tax of standalone or individual financial reports in the most recent year.
- Note 9: a. Remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or the parent company shall be specified. (If none, please fill in “None.”)
b. If the president and vice presidents of the Company receive remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the president and vice presidents of the Company from invested companies other than subsidiaries or the parent company shall be included in Column E in the Remuneration Range Table, and the column heading shall be changed to “Parent Company and All Invested Companies.”
c. Remuneration refers to the received salaries, remuneration (including the remuneration to employees, directors and supervisors), fees for services rendered and other relative remuneration paid out to the president and vice presidents of the Company who serve as the directors, supervisors or managerial officers in invested companies other than subsidiaries or the parent company.

※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

4. Remuneration to managers: None.

Title (Note 1)	Name (Note 1)	Shares	Cash	Total	The total amount as a percentage of net income (%)
—	—	—	—	—	—

Note 1: Individual names and job titles should be disclosed, but profit distribution can be disclosed in aggregated sum.

Note 2: This refers to the employee remuneration (incl. shares and cash) paid to managerial officers in the most recent fiscal year who concurrently hold positions as an employee. If the amount cannot be estimated, the proposed distribution amount of this year should be calculated based on the actual distribution ratio last year, and then table 1-3 filled out. Net income refers to the net income for the most recent fiscal year. If IFRS has been adopted, net income refers to the net income of standalone or individual financial reports in the most recent year.

Note 3: Managerial officers applicable to remunerations are as stipulated in Tai-Cai-Zheng-III-Zi Letter No. 0920001301 dated March 27, 2003 of FSC. The scope is as follows:

- (1) President or equivalent
- (2) Vice President or equivalent
- (3) Assistant Vice President or equivalent
- (4) Chief of Finance Department
- (5) Chief Accounting Department
- (6) Others who have the right to manage affairs and sign for the Company.

Note 4: If directors, president and vice presidents are receiving employee remuneration (incl. shares or cash), please fill in the attached Table 1-2, and also this table.

(4) If the circumstance in item 1 or item 5 of the previous section applies to a company listed on the TWSE or the TPEX, it shall disclose the individual remuneration paid to each of its top five managerial officers.: Not applicable.

(5) Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, paid in the past two fiscal years by the Company and all companies included in the consolidated financial statements to the Company's president and vice presidents. Also, analyze and describe the remuneration policies, standards, and packages, the procedures through which remunerations were determined, and their linkage to business performance and future risks:

1. Remuneration to directors, supervisors, president and vice presidents as a percentage of net income:

Title	The total remuneration as a percentage of net income (%)			
	2019		2020	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	11.9952%	11.9952%	6.9386%	6.9386%
President and Vice President	22.3782%	22.3782%	10.5298%	10.5298%

The total remuneration to the directors, president and vice president for 2020 was approximately NT\$65,910 thousand, an increase of about NT\$23,910 thousand, or 56.93%, from NT\$42,000 thousand in 2019, and the reason was that the Company's profit increase in 2020 led to more remuneration paid.

2. Remuneration policies, standards, and packages, the procedures through which remunerations were determined, and their linkage to business performance and future risks:

Item/personnel	Director (incl. Independent Directors)	Managerial officers
Remuneration policies	Remuneration is determined based on the philosophy of governance and the Articles of Incorporation, while supervised by the Board as authorized by the Board of Shareholders.	A reasonable remuneration is determined based on the responsibilities and duties of the personnel in accordance with the remuneration level on the market and of the peer companies to attract and retain

Item/personnel	Director (incl. Independent Directors)	Managerial officers
Remuneration standards and packages	<p>1. Items and packages of remuneration to directors:</p> <p>(1) Compensation to directors: Compensation to directors is determined based on the compensation level of peer companies, then reviewed by the Salary Remuneration Committee, and approved by the Board. Independent directors are paid with fixed monthly compensation, and do not receive the said compensation to directors.</p> <p>(2) Remuneration to directors: When there is profit, it should be first used to set off accumulated losses, which is defined as the pre-tax profit or loss before deducting remuneration to employees and directors. Except for remuneration to independent directors, the remuneration to directors should not exceed 3% of the total profit, and can only be paid in cash.</p> <p>(3) Fee for services rendered Attendance fees or transportation allowances paid to directors based on actual services rendered or attendance.</p>	<p>management talents.</p> <p>1. Items and packages of remuneration to managerial officers:</p> <p>(1) Salary: Salary is determined in accordance with internal salary management guidelines and the salary level on the market and of the peer companies.</p> <p>(2) Surplus bonus: Surplus bonuses are distributed in accordance with the corporate surplus bonus guidelines and based on the unit performance and individual performance.</p> <p>(3) Employee compensation: When there is profit, it should 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 should not exceed 3% of the total profit, and can be paid in forms of cash or shares.</p> <p>(4) Transportation allowance: It is determined based on internal regulations.</p>
Procedure for determining remuneration	<p>1. The compensation to directors and fee for services rendered are determined by the Salary Remuneration Committee and then resolved by the Board.</p> <p>2. The distribution of remuneration to directors is proposed by the Salary Remuneration Committee based on the performance indicators (incl. business strategies, business decisions, cost control), and then resolved by the Board.</p>	<p>1. Salaries and surplus bonuses to managerial officers and compensations to employees are first proposed by the president, reviewed by the chairman, and then resolved by the Board.</p> <p>2. The transportation allowances to managerial officers are determined in accordance with internal regulations and then approved by the chairman.</p>
Remuneration, linkage to business performance and future risks:	The distribution of remuneration to directors is determined based on the performance indicators (incl. business strategies, business decisions, cost control, and operation performance (pre-tax profit or loss)).	The Company assesses the performance of managerial officers on a regular basis in accordance with the performance assessment guidelines formulated by the Company. The Company distributes surplus bonuses to profit-making units in accordance with the said guidelines, and distributes performance bonuses and compensation to employees based on the risk performance and individual performance.

3. Implementation of Corporate Governance

(1) Board of Directors

1. Information on Board of Directors

The Board held 14 meetings in the year 2020. The attendance of the directors and supervisors was as follows:

Title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance rate (%) [B/A](Note 2)	Remarks
Chairman	Han-Tsung Liu	7	0	100%	Term expires on 2020.06.24
Director	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Shao-Chen Chiang	7	0	100%	Term expires on 2020.06.24
Director	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Jamie Lin	7	0	100%	Term expires on 2020.06.24
Director	Kunjian Management Consulting Co., Ltd. Legal representative: Chia-Hung Lee	7	0	100%	Term expires on 2020.06.24
Independent Director	Chuen-Yun Liao	7	0	100%	Term expires on 2020.06.24
Independent Director	Chuen-Min Hsu	7	0	100%	Term expires on 2020.06.24
Independent Director	Jyun-De Li	7	0	100%	Term expires on 2020.06.24
Chairman	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Han-Tsung Liu	4	0	100%	Elected on 2020.06.24 Resigned on 2020.10.15
Chairman	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Ke-Chyn Jiang	3	0	100%	New on board on 2020.10.15
Director	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Jamie Lin	6	1	86%	Elected on 2020.06.24
Director	Chia-Hung Lee	5	2	71%	Elected on 2020.06.24
Director	Jyun-De Li	7	0	100%	Elected on 2020.06.24
Independent Director	Chen-Chi Hsiao	7	0	100%	Elected on 2020.06.24
Independent Director	Yuh-Jen Chen	7	0	100%	Elected on 2020.06.24
Independent Director	Che-Ying Liaw	7	0	100%	Elected on 2020.06.24

Other matters:

- If any of the following circumstances occurs, the dates, terms and motions of the meetings as well as the opinions of all the independent directors and Company's handling of such opinions shall be described:
 - For issues stated in Article 14-3 of the Securities and Exchange Act, please refer to "Important Resolutions of the Shareholders' Meeting and Board Meeting".
 - Further to the aforementioned matters, other adverse or qualified opinions of the Independent Directors on the resolutions of the Boards on record or in written declaration. No such matter in the Company's Board Meetings.
- Regarding recusals of directors from voting due to conflicts of interests, the names of directors, details of the relevant agendas, reasons for recusals, and the results of voting:
 - 26th meeting of the 14th Board, Jan. 20, 2020.
Motion 11: Distribution of surplus bonuses for second half of 2019.
Resolution: Directors Shao-Chen Chiang and Jamie Lin recused themselves on this motion due to conflict of interest. This motion is passed with no objection by other attending directors.
 - 27th meeting of the 14th Board, Feb. 20, 2020.
Motion 5: 2019 Distribution of remuneration to employees and directors
Resolution: Chairman Han-Tsung Liu, Director Shao-Chen Chiang, Director Jamie Lin, and Director Chia-Hung Lee recused themselves on this motion. This motion is passed with no objection by other attending directors.
 - 28th meeting of the 14th Board, Mar. 11, 2020.
Motion 13: 2020 Promotion and salary raise of president, chief of divisions, as well as rank 10 personnel, including vice presidents, supervisors and above.

Resolution: Director Jamie Lin, and Director Shao-Chen Chiang recused themselves on this motion. This motion is passed with no objection by other attending directors.

(4) 30th meeting of the 14th Board, Apr. 16, 2020.

1. Motion 8: Remuneration to the 15th board of directors.

Resolution: Chairman Han-Tsung Liu, Director Shao-Chen Chiang, Director Jamie Lin, and Director Chia-Hung Lee recused themselves on this motion due to conflicts of interests. This motion is passed with no objection by other attending directors.

2. Motion 9: Remuneration to the 15th Independent Directors.

Resolution: Independent director Chuen-Min Hsu, independent director Chuen-Yun Liao, independent director Jyun-De Li recused themselves on this motion due to conflicts of interests. This motion is passed with no objection by other attending directors.

3. Motion 10: Determining the remuneration and transportation allowances of the next Audit Committee, Risk Management Committee and Salary Remuneration Committee.

Resolution: Independent director Chuen-Min Hsu, independent director Chuen-Yun Liao, independent director Jyun-De Li recused themselves on this motion due to conflicts of interests. This motion is passed with no objection by other attending directors.

(5) 31st meeting of the 14th Board, May. 7, 2020.

Motion 10: Overall election of directors and the Board of Directors, and nomination of candidates for the 15th Board of Directors and Independent Directors.

Resolution: Chairman Han-Tsung Liu, Director Jamie Lin, Director Chia-Hung Lee, and Independent Director Jyun-De Li recused themselves on this motion due to the nomination of candidates for the 15th Board of Directors. This motion is passed with no objection by other attending Independent directors.

(6) 2nd meeting of the 15th Board, Jul. 9, 2020.

Motion 5: Signing of an industry-academia cooperation contract and an academic donation contract with National Kaohsiung University of Science and Technology within 3 months Yuh-Jen Chen assumes his position as an Independent Director, and the said contracts shall retrospectively take effect on the day Chen is elected.

Resolution: Independent Director Yuh-Jen Chen concurrently holds position at National Kaohsiung University of Science and Technology, and thus he recused themselves on this motion. This motion is passed with no objection by other attending Independent directors.

(7) 3rd Meeting of the 15th Board, Aug. 6, 2020.

Motion 14: Distribution of surplus bonuses for first half of 2020.

Resolution: Directors Jamie Lin recused himself on this motion due to conflict of interest. This motion is passed with no objection by other attending directors.

(8) 6th Meeting of the 15th Board, Nov. 5, 2020.

Motion 6: Compensation to new Chairman

Resolution: Chairman Ke-Chyn Jiang recused himself on this motion due to conflict of interest. This motion is passed with no objection by other attending directors.

3. The information on the frequency, period, scope, method and content of TWSE/TPEX listed company's Board of Director self-evaluation (or peer assessment) shall be disclosed. State the status of the Company's Board evaluation in Table 2(2).

4. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. the establishment of an Audit Committee, improving information transparency etc), and the progress of such enhancements.

(1) Pursuant to the laws and regulation as stipulated by Securities and Exchange Act and the competent authority that the seats of independent directors shall not less than 1/5 of the total seats of directors, the Company elected 3 seats of Independent Directors, a total of 7 seats of Directors on the Shareholders' Meeting on May 30, 2014. Also, Audit Committee is established on the same day.

(2) The Board, on occasional basis, informs Directors about the courses related to corporate governance held by Securities and Futures Institute and other external qualified educational training institutes. Also, the Company holds trainings regarding corporate governance on an occasional basis each year.

(3) The Company has formulated relevant internal regulations regarding the functions of the Board and the board meetings through resolutions of the board meetings.

1. Formulated "Procedure for the Election of Directors" on Jun. 15, 2007. (3rd amendment on Jun. 12, 2019)

2. Formulated "Rules of Procedure for Board of Directors Meetings" on Jul. 28, 2005. (10th amendment on May 9, 2019)

3. Formulated "Regulations on Handling Proposals at Board Meetings" on Nov. 29, 2006. (3rd amendment on Aug. 18, 2017)

4. Formulated "Regulations Governing the Scope of Responsibilities of Independent Directors" on Jun. 4, 2008. (3rd amendment on Dec. 3, 2018)

5. Formulated "Regulations Governing the Scope of Responsibilities of Supervisors" on Jun. 10, 2011. (Abolished on May 30, 2014)

(4) For the improvement of transparency, the Company complies with the corporate governance indicators published by the Securities & Futures Institute, and reviews its disclosed information on Market Observation Post System (MOPS), annual report and on company website on a yearly basis. The Company participated in the 2018 Corporate Governance Evaluation, and was rated the top 6-20% among other TPEX-listed companies (total number of TPEX-listed participants: 699) in the "6th Corporate Governance Evaluation" in 2010 by the Securities & Futures Institute. Currently, on the company website is disclosed the complete board meeting minutes, and complete contents of regulations including "Procedure for the Election of Directors" and "Rules of Procedure for Board of Directors Meetings".

Note 1: If Directors and Supervisors are legal persons, the names of institutional shareholders and legal representative must be provided.

Note 2:

(1) If any Directors or Supervisors resigned before the end of the year, the date of resignation shall be stated in the "Remarks" column, and the actual attendance (presence) rate (%) is calculated based on the number of meetings held during their tenure and their actual

number of attendance (presence).

- (2) If any Directors or Supervisors were elected before the end of the year, the names of preceding and succeeding Directors and Supervisors shall be listed, and the date of election or reelection shall also be stated in the “Remarks” column. The actual attendance (presence) rate (%) is calculated based on the number of meetings held during their tenure and their actual number of attendance (presence).

2. Status of Board evaluation:

Frequency (Note 1)	Period (Note 2)	Scope (Note 3)	Method (Note 4)	Content (Note 5)
Once a year	2020.06.24~ 2020.12.31	Board of Directors	Self-evaluation of the board of directors	<ol style="list-style-type: none"> 1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control
Once a year	2020.06.24~ 2020.12.31	Each individual director	Directors Self-evaluation	<ol style="list-style-type: none"> 1. Understand the objectives and missions of the Company 2. Understanding of directors' job responsibilities 3. Participation in the operation of the Company 4. Internal relationship management and communication 5. Professionalism and continuous education of directors 6. Internal control

Note 1: The frequency of board evaluation, e.g. one a year.

Note 2: The period of board evaluation, e.g. the Board's performance from Jan. 1, 2019 to Dec. 31, 2019 is evaluated.

Note 3: The scope covers the evaluation on the performance of the Board, individual Board members and Functional Committee members.

Note 4: Methods of evaluation include: Evaluation is conducted by board self-evaluation, member self-evaluation, peer evaluation, by external institutes, by professionals, or other appropriate methods.

Note 5: The scope of the evaluations shall include at least the following items.

- (1) Performance evaluation of the Board: At least includes the Directors' level of participation in the Company's operations, the quality of the Board's decision-making, the composition and structure of the Board, the selection and continuous training of Directors, internal control, etc.
- (2) Performance evaluation of individual Directors: At least includes the Company's objectives and tasks, Directors' understanding in responsibilities, Directors' level of participation in the Company's operations, internal relationship management and communication, professional and continuous education of Directors, internal control, etc.
- (3) Performance evaluation of functional committees: The committee members' level of participation in the Company's operations, the committee members' understanding in responsibilities, the quality of decision-making of the committee members, the composition of functional committees, the selection of members, and internal control, etc.

(2) The operation of the Audit Committee

The Audit Committee held 9 (A) meetings in the year 2020. The attendance of the Independent Directors was as follows:

Title	Name	Actual attendance	Number of meetings in attendance by proxy	Attendance rate (%) [B/A] (Note)	Remarks
Independent Director	Chuen-Min Hsu	5	0	100%	Term expires on 2020.06.24
Independent Director	Chuen-Yun Liao	5	0	100%	Term expires on 2020.06.24
Independent Director	Jyun-De Li	5	0	100%	Term expires on 2020.06.24
Independent Director	Chen-Chi Hsiao	4	0	100%	Elected on 2020.06.24
Independent Director	Yuh-Jen Chen	4	0	100%	Elected on 2020.06.24
Independent Director	Che-Ying Liaw	4	0	100%	Elected on 2020.06.24

Other matters:

- For the operation of the Audit Committee in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all Auditing Committee members, and the Company's response to the opinions proposed by the Audit members.
 - For issues stated in Article 14-5 of the Securities and Exchange Act, please refer to "Important Resolutions of the Shareholders' Meeting and Board Meeting".
 - Except for the abovementioned matters, others which have not been passed by the Audit Committee but have been approved by more than two-thirds of all directors. No such matter in the Company's Audit Committee.
- Regarding recusals of directors from voting due to conflicts of interests, the names of directors, details of the relevant agendas, reasons for recusals, and the results of voting: No such matter in the Company's Audit Committee in the year 2020.
- Enforcement of Corporate Governance Implemented by the Company and Reasons for Discrepancy (incl. material matters in the communication, method and results of the Company's financial position, sales performance).
 - The Company follows-up on and compiles the deficiencies and improvements of the previous month in digital files, and reports it to the Board for review.
 - The Board of Directors, Independent Directors, audit officers attend the Board Meetings. The audit officers report the audit findings to the Board on a quarterly basis.
 - When reporting semiannual or annual financial reports, the CPAs shall attend the Audit Meetings, and reports the procedure, scope and items of the audit procedure, as well as updates of laws and regulations, and discuss with the Independent Directors.
 - The audit officers and CPAs may contact the Independent Directors directly when matters require, and they shall keep communication channels open.
 - Communications between Independent Directors, and internal audit officers.

Date	Contents	Results
Jan. 20, 2020	1. Amendments to the 2019 "Internal Control Policies". 2. Formulation of the "Codes of Ethical Conduct."	Reported to the Board after approval.
Mar. 11, 2020	1. Drafts of the "Internal Control System Statement" and "Internal Control System Statement for Anti-money Laundering and Countering the Financing of Terrorism." 2. Amendments to the 2019 "Internal Control Policies." 3. Report of the Company's 2019 consolidated and individual financial report. 4. The appointment of 2020 new CPAs and CPA fees. 5. Formulation of the "Procedure for the Preparation of Financial Reports"	Reported to the Board after approval
Apr. 16, 2020	1. Amendments to the 2019 "Internal Control Policies for Concurrently Engaging in Futures Business." 2. Amendments to the 2020 "Internal Control Policies for Service Business".	Reported to the Board after approval
May. 7, 2020	1. Amendments to the 2020 "Internal Control Policies". 2. Acquisition of "Kunglon Securities":	Reported to the Board after approval
Jun. 18, 2020	Amendments to the 2020 "Internal Control Policies."	Reported to the Board after approval
Aug. 6, 2020	1. Amendments to the 2020 "Internal Control Policies". 2. Report of the Company's 2020 Q2 consolidated and individual financial report.	Reported to the Board after approval

Nov. 05, 2020	1. Independence evaluation of the 2020 CPAs. 2. Amendments to the 2020 “Internal Control Policies”.	Reported to the Board after approval
Dec. 10, 2020	Amendments to the 2020 “Internal Control Policies.”	Reported to the Board after approval
(3) Communications between the Independent Directors and CPAs		
Date	Contents	Results
Mar. 11, 2020	1. Explained the independence of CPAs, letter of representation, and scope of audit. 2. The CPAs did not find any major deficiencies through control tests, nor any undisclosed matters regarding major related parties or abnormalities during the audit procedure. 3. Explained the discrepancies between 2019 audit results and significant risks & key audit matters, and explained the updates of regulations regarding securities and taxation. 4. Unqualified opinion for 2019 consolidated and individual financial reports.	The CPAs discussed with the Independent Directors about the financial reports, and reports them to the Board after approval.
Aug. 6, 2020	1. Explained the independence of CPAs, letter of representation, and scope of audit. 2. The CPAs did not find any major deficiencies through control tests, nor any undisclosed matters regarding major related parties or abnormalities during the audit procedure. 3. The auditing based on the generally accepted auditing standards showed no material audit discrepancies. 4. Explained the significant risks and key audit matters, and explained the updates regulations regarding securities. 5. Unqualified opinion for 2020 H1 consolidated and individual financial reports.	The CPAs discussed with the Independent Directors about the financial reports, and reports them to the Board after approval.
4. The main annual duties and operation of Audit Committee: The Company’s Audit Committee is consisted of 3 Independent Directors. The duty of the Audit Committee is to assist the board of directors in supervising the quality and integrity of the Company’s implementation of accounting, auditing, financial reporting processes and financial control. The Audit Committee held 9 meeting in the year 2020. The major audit tasks include: (1) 2019 “consolidated and individual financial reports”, “Internal Control System Statement” and “Internal Control System Statement for Anti-money Laundering and Countering the Financing of Terrorism”. (2) 2020 “Q2 consolidated and individual financial reports”, “appointment of CPAs and CPA fees” and “evaluation of the independence of the CPAs”. (3) Acquisition of “Kunglon Securities”: (4) Formulation of the “Codes of Ethical Conduct”, “Procedure for the Preparation of Financial Reports”. (5) Amendments to the “Internal Control System Policy”, “Internal Control Policies for Concurrently Engaging in Futures Business” and “Internal Control System Statement for Registrar Agency.” For status of operation, please refer to “Important Resolutions of the Shareholders’ Meeting and Board Meeting”.		

Note:

- * If any Independent Directors resigned before the end of the year, the date of resignation shall be stated in the “Remarks” column, and the actual attendance rate (%) is calculated based on the number of meetings during their tenure and their actual number of attendance.
- * If any Independent Directors were elected before the end of the year, the names of preceding and succeeding Independent Directors shall be listed, and the date of election or reelection shall also be stated in the “Remarks” column. The actual attendance rate (%) is calculated based on the number of meetings during their tenure and their actual number of attendance.

(3) Corporate governance and discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
1. Does the Company establish and disclose the corporate governance practices pursuant to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated the “Corporate Governance Best-Practice Principles” in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and “Corporate Governance Best-Practice Principles for Securities Brokers” and disclosed it on the Company’s website and MOPS.	No discrepancy
2. Shareholding structure and shareholders’ equity (1) Does the Company have an internal procedure and act accordingly for handling the suggestions, doubts, disputes, and lawsuits of the shareholders? (2) Does the Company have the lists of major shareholders who actually control the company and the ultimate controller list of major shareholders? (3) Does the Company establish and implement a firewall mechanism to control the risks between the Company and the affiliates?	✓ ✓ ✓		(1) The Company has established a spokesperson and a deputy spokesperson who are responsible for handling shareholder related matters and disputes. The Company also discloses contacts including email, telephone number, and fax numbers on the Company’s website and MOPS. Moreover, the Company has also formulated “Procedures for Handling Material Inside Information” to implement the spokesperson system. (2) The Company has close interaction with its shareholders, and follows up on the changes in major shareholders and the ultimate controlling parties based on the shareholder roster and reported shareholding information. (3) Regarding the risk control and regulation for transactions between the Company and related parties, the Company has established and authorized the Risk Management Committee to formulate and supervise the execution of risk control management policies. Furthermore, the Company has also formulated the “Regulations for Supervising Subsidiaries,” “Guidelines for Financial and Business Operations between Related Parties and Affiliates,” “Procedures for Asset Acquisition & Disposal” and “Procedures for Endorsements & Guarantees.”	No discrepancy
(4) Does the Company have internal regulations to prohibit insiders from using undisclosed information in the market for securities trading?	✓		(4) The Company has formulated the “Procedures for Handling Material Inside Information,” “Procedures for Prevention of Insider Trading,” “Guidelines for Stakeholder Trading,” and “Regulations Governing Insiders for their Securities Brokerage or Futures Trading” to prevent and prohibit insiders from using	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
<p>3. Responsibilities of the Board of Directors and its formation</p> <p>(1) Does the Company have a policy of diversity for the formation of the Board of Directors and implement it thoroughly?</p> <p>(2) Does the Company voluntarily form other functional committees similar to the Remuneration Committee and Audit Committee set up pursuant to relevant laws and regulations?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis? Are the results of the evaluation reported at the Board Meeting and used as reference for remuneration and the nomination for reelection?</p> <p>(4) Does the Company regularly evaluate the independence of the CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>information obtained from their positions to engage in securities or futures trading.</p> <p>(1) It is stipulated in the Company’s “Corporate Governance Best-Practice Principles” that the constitution of the Board should be diverse. Also, the Company formulated the “Procedure for the Election of Directors” to implement the legality directors and selection procedures. In addition to considering the diversity of professional background experience and work expertise, the composition of the Company’s board considers “No more than 1/3 of directors concurrently serve as managers” and “At least one female director” as specific goals. The Company has now 7 seats of Directors (incl. 3 seats of Independent Directors). 14% of the Directors 43% of the Independent Directors concurrently hold positions as an employee, and 14% of the Directors are female. 4 of the Directors are over 60 years old, 3 are under 55. Directors Ke-Chyn Jiang and Jamie Lin specialize in leadership, business judgment, operation management, crisis management, and possess knowledge of industry and international market insights. Directors Chen-Chi Hsiao, Yuh-Jen Chen</p> <p>(2) The Company has established the Risk Management Committee which is directly subordinate to the Board of Directors. The Committee reports the execution of risk control to the Board on a quarterly basis.</p> <p>(3) The Company has formulated the “Guidelines for Board Evaluation,” stipulating that the performance of Directors shall be evaluated internally on a yearly basis, and externally by independent institutions or experts every three years. The results of the evaluation should be reported at the Board Meeting before Q2 of the following year, and should serve as a reference for nomination or election of Directors.</p> <p>(4) The Company’s Board of Directors obtains the CPA’s “Statement of Independence” to evaluate the independence of CPAs. In 2020, the Board Meeting has approved the independence evaluation of CPAs. The evaluation includes</p>	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
4. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications to be in charge of corporate governance affairs including, but not limited to, providing directors and supervisors with required information for business execution, handling relevant matters with board meetings and shareholders' meetings according to the laws, processing corporate registration and amendment registration, and preparing minutes of board meetings and shareholders' meetings?	✓		<p>The Company appointed Shao-Chen Chiang, Vice President of the President's Office, to assume the position as the corporate governance officer through the 31st Board Meeting of the 14th Board in May 8, 2020. Chiang will be in charge of the unit responsible for corporate governance related work. The Company's corporate governance related work is handled jointly by the personnel of relevant units, in accordance with the functions of each unit.</p> <p>(1) Scope of duty: Including but not limited to handling matters related to Board Meetings and shareholders' meetings, assisting Directors in their assuming of positions and continuing education, providing Directors with necessary documents for carry out their duties, and assisting Directors to comply with laws and regulations.</p> <p>(2) Implementation of corporate governance:</p> <ol style="list-style-type: none"> 1. Providing Directors with required company information to maintain a smooth communication between the Directors and supervisors of each department. 2. In accordance with the latest regulations regarding corporate governance, revising and amending corporate governance related internal regulations, and reporting them to the Board Meetings for resolution. 3. In accordance with the policies stipulated by the competent authorities and the insight in the development of the industry, planning and arranging continuing education courses for the Directors. 4. Drafting the agenda of Board Meetings and notifying the Directors seven days prior to the Meeting. Providing documents for the meetings. If Director's recusal is required for the avoidance of conflict of interest, informing the Directors about such matters prior to the meetings. Completing the board meeting minutes on time. 5. Handling matters regarding pre-registration of the date of 	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
			<p>the shareholder’s meetings in accordance with laws. Preparing meeting notices, meeting handbooks, meeting minutes before the legal deadline. Registering any amendments to the Articles of Incorporation and elections of Directors.</p> <p>(3) Continuing education: For relevant information, please refer to page 44–47 of this annual report.</p>	
5. Does the Company establish channels (including but not limited to shareholders, employees, clients and suppliers) for communication with stakeholders, design special web pages for the stakeholders on the website, and appropriately respond to important CSR issues concerned about by the stakeholders?	✓		<p>(1) The Company has established a spokesperson and a deputy spokesperson who are responsible for handling shareholder related matters and disputes. The Company also discloses contacts on the company’s website and MOPS.</p> <p>(2) The Company has set up customer service email and telephone number to answer requests from shareholders swiftly, as well as disclosed the customer service hotline, email, and other contacts. The Company has also formulated the “Procedures for Handling Customers’ Complaints” to handle customers’ complaints in a timely manner.</p> <p>(3) The Company has set up a “Stakeholders” page on the company’s website to service as contact window for suppliers, and channels for whistleblowing or suggestions. The Company also provides complaint channels for stakeholders in accordance with the Company’s “Guidelines for Whistleblowers.”</p> <p>(4) The Company has set up communication channels with stakeholders according to the above, and appropriately responds to the important CSR issues concerning stakeholders. The Company also prepares the “Corporate Social Responsibility Report” and discloses it on the MOPS for stakeholders’ reference. At the same time, the Company also uploads financial and business information to the MOPS regularly, in order to maintain the transparency of information and protect the rights and interests of the stakeholders.</p>	No discrepancy
6. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has a Registrar Agency Department consisting of only professionals who not only are knowledgeable in securities related laws and regulations but also have rich and practical experiences. The Company’s shareholder’s meetings are handled	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
			by the Registrar Agency Department.	
<p>7. Information disclosure</p> <p>(1) Does the Company have a website to disclose the financial and corporate governance information of the Company?</p> <p>(2) Does the Company adopt other information disclosure methods (such as setting up an English website, designating a person for collection and disclosure of information, implementing a spokesperson system, and publishing the process of investor conferences on the website)?</p> <p>(3) Does the company announce and report the annual financial report within two months after the end of the fiscal year, and announce and report Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company website is http://www.honsec.com.tw. The Company discloses information regarding corporate governance on its website on a regular or occasional basis. The Company also delegates personnel to be in charge of the disclosure of the Company's financial information on the MOPS.</p> <p>(2) The Company has a spokesperson in charge of providing information for shareholders and investors. Information regarding the spokesperson is disclosed on the Company's website. The Company has also built an English website to provide information on the company profile, financial and corporate governance.</p> <p>(3) Although the Company has not announced and reported the annual financial report within two months after the end of the fiscal year, it has announced and reported Q1, Q2, Q3 financial reports and the operating status of each month in advance of the prescribed deadline.</p>	No discrepancy
<p>8. Does the company have additional important information that is helpful to understand the operation of the corporate governance (including but not limited to the employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, further education of directors and supervisors, implementation of risk management policies and evaluation measures, implementation of customer policies and liability insurance coverage for directors and supervisors)?</p>	✓		<p>(1) Employee rights: The Company not only takes out group insurance, but also provides regular health examinations for its employees. The Company values the safety and health of its employees and has established the Pension Fund Management Committee, Retirement Reserve Funds Supervising Committee, and Employee Welfare Committee to ensure the rights and interests of employees.</p> <p>(2) Employee wellness: Please refer to "Chapter 5. Operating Highlights – V. Labor Relations" on page 95–97 of this annual report.</p> <p>(3) Investor relations: To ensure the transparency of information and the understanding of investors in the operation of the Company, the Company has set up a spokesperson email, and disclosed relative information on the MOPS and the corporate governance webpage on the Company website. Moreover, the Company website also shows information including company profile, major information, credit rating, individual and</p>	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
			<p>consolidated financial reports, monthly revenue, and the information is updated regularly to ensure the effectiveness.</p> <p>(4) Supplier relations: The Company handles all procurement matters as stipulated in the “Principles of Ethical Corporate Management,” “Procedures for Ethical Management and Guidelines for Conduct” and “Regulations Governing Procurement” in order to ensure fairness and transparency, and prevent dishonest conduct.</p> <p>(5) Rights of stakeholders:</p> <ol style="list-style-type: none"> 1. The Company handles business with stakeholders in accordance with the Company’s “Guidelines for Financial and Business Operations between Related Parties and Affiliates,” to prevent non-arm’s length transactions, and conveyance of unjust interests. 2. The Company has established competent internal control system policies, and imposed them on the execution of business. Internal audits conduct regular examinations, and report the results to the Board Meetings and supervisors of related units for review. 3. The Company has appointed delegated personnel to be in charge of business with banks, suppliers and clients, to provide stakeholders with diverse channels of communication. <p>(6) Further education of directors and supervisors: Please refer to page 44 in the annual report.</p> <p>(7) Implementation of risk management policies and evaluation measures: The Company’s risk management policies are based on the principal of “conservatism.” With the current capital scale and risk capacity of the Board of Directors, the Company aims to create the greatest benefit for shareholders as possible. Besides this, through the Value-at-risk (VaR), the Company estimates potential losses of each position as the reference for risk management and capital allocation. For detailed explanation, please refer to “Chapter 7 Review and Analysis of the Company’s Financial Position and Financial Performance, and Listing of Risks – VII. Risk Management” on page</p>	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
			<p>113–121 of this annual report.</p> <p>(8) Implementation of customer policies: Before entering into an open-account-agreement with the client, the Company informs and delivers the risk disclosure statements regarding risky financial products (such as emerging stocks, call (put) warrants, securities of foreign companies listed on TPEX/TWSE (incl. depositary receipts), day trading). Also, the Company has set up customer service hotlines to handle inquiries of the customers. The telephone number and email address can be found on the company website.</p> <p>(9) Liability insurance coverage for directors and supervisors: The Company has taken out liability insurance coverage for directors and supervisors from “Hotai Insurance” at an insurance amount of USD 5,000 thousand.</p>	
<p>9. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange’s Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved:</p> <p>(1) Already improved:</p> <ol style="list-style-type: none"> 1. The Company has formulated the “Procedures for Prevention of Insider Trading” and “Guidelines for Stakeholder Trading” at the Board Meeting in 2020 to ensure the rights and interests of investors and the Company, in aim to maintain fairness and improve corporate governance. 2. The “Board Performance Appraisal Measures” was established by the 30th board meeting of the 14th batch of the board, which stipulates that the internal performance appraisal and appraisal method of the board shall be implemented in accordance with the regulation every year. <p>(2) Priority for improvement: English version of shareholder related information to be added to the company website and MOPS.</p>				



Further education of directors and supervisors

Title	Name	Date taking office	Training date	Organizer	Course name	Hours
Chairman	Ke-Chyn Jiang	2020/10/15	2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
			2020/11/23	Securities and Futures Institute	Impact on the Rights and Obligations of Directors and Supervisors after the Amendment of the Latest Securities Investor and Futures Trader Protection Act	3 hours
Director	Jamie Lin	2020/06/24	2020/06/18	Horizon Securities/Taiwan Securities Association	The Future of Fintech from the Development of e-Payment in Taiwan	3 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
Director	Chia-Hung Lee	2020/06/24	2020/06/18	Horizon Securities/Taiwan Securities Association	The Future of Fintech from the Development of e-Payment in Taiwan	3 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
Director	Jyun-De Li	2020/06/24	2020/06/18	Horizon Securities/Taiwan Securities Association	The Future of Fintech from the Development of e-Payment in Taiwan	3 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
Independent Director	Chen-Chi Hsiao	2020/06/24	2020/08/12	Taipei Exchange	Briefing on Shareholdings for Insiders of TWSE-listed and Emerging Companies	3 hours
			2020/09/24	Taiwan Stock Exchange Corporation/Taipei Exchange	Summit Agenda of the “Corporate Governance 3.0 – Blueprint for Sustainable Development”	3 hours
			2020/09/25	Taiwan Corporate Governance Association	Necessary Strategic Transformation for SMEs	3 hours
			2020/09/25	Taiwan Corporate Governance Association	Due Diligence Investigation for Business Mergers and Acquisitions Act and Introduction to Commercial Contracts	3 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
Independent Director	Yuh-Jen Chen	2020/06/24	2020/07/28 – 2020/07/29	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (incl. Independent Directors) and Corporate Governance Officers – Taipei session	12 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
			2020/07/28 – 2020/07/29	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (incl. Independent Directors) and Corporate Governance Officers – Taipei session	12 hours
Independent Director	Che-Ying Liaw	2020/06/24	2020/08/26	Taipei Exchange	Briefing on Shareholdings for Insiders of TWSE-listed and Emerging Companies	3 hours
			2020/10/08	Horizon Securities/Taiwan Securities Association	Money Laundering Prevention and Recent Developments	3 hours
			2020/07/28 – 2020/07/29	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (incl. Independent Directors) and Corporate Governance Officers – Taipei session	12 hours



Continuing training regarding Corporate Governance participated by Managers

Title	Name	Training date	Organizer	Course name
President	Jamie Lin	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Executive Vice President	Frank Liao	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/08/18 ~08/19	Securities and Futures Institute	Training for Personnel Anti-Money Laundering and Countering the Financing of Terrorism (12h)
Senior Vice President	May Lin	2020/8/27	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)

Title	Name	Training date	Organizer	Course name
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/09/29 ~09/30	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Senior Vice President	Gilbert Chang	2020/12/2	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
		2020/12/21 ~12/22	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
Senior Vice President	Lillian Chen	2020/9/28	Taiwan Securities Association	Anti-Money Laundering and Countering the Financing of Terrorism Forum for Securities Broke
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
		2020/10/16 ~10/22	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Senior Vice President	Maggie Chen	2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Vice President	Liang-Chen Chu	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
		2020/11/11 ~12/09	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Vice President	Shao-Chen Chiang	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/07/28 ~08/11	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
		2020/08/12 ~12/09	Taiwan Securities Association	Corporate Governance (12 hrs)
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Vice President	Lingc Huang	2020/10/16	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/12/28	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
Vice President	Chih-Sung Jen	2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Vice President	Vicki Chen	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/08/14	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Vice President	Rogers Huang	2020/2/10	Taiwan Securities Association	Seminar on case study of Financial Consumer Protection Act
		2020/11/13	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/12/28	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Vice President	Jenny Huang	2020/11/4	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/11/13	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
Vice President	Chilli Hsieh	2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments

Title	Name	Training date	Organizer	Course name
Senior Assistant Vice President	Franco Jiang	2020/09/14 ~09/16	Taiwan Securities Association	2020 Taipei 1st On-job Training for Securities and Futures Security Officers
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Assistant Vice President	Chen-Yu Yang	2020/2/10	Taiwan Securities Association	Seminar on case study of Financial Consumer Protection Act
		2020/12/28	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/08/10 ~08/11	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Assistant Vice President	John Jiang	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Assistant Vice President	Hsu-Fu Chang	2020/07/29 ~08/11	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Assistant Vice President	Justine Lin	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Assistant Vice President	Kuei-Ching Huang	2020/08/14	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Assistant Vice President	Christine Chang	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
		2020/10/13 ~10/14	Securities and Futures Institute	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Senior Assistant Vice President	Alex Tsai	2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
		2020/10/08	Horizon Securities / Taiwan Securities Association	Corporate Governance - Money Laundering Prevention and Recent Developments
Assistant Vice President	Alice Wang	2020/08/21	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Senior Assistant Vice President	Steven Wu	2020/08/14	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Senior Assistant Vice President	Angela Lin	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
		2020/08/14	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Senior Assistant Vice President	Brian Chiu	2020/11/20	Taiwan Corporate Governance Association	Corporate Governance - Corporate Integrity and International Anti-Corruption and Whistleblow
		2020/08/14	Horizon Securities / Taiwan Securities Association	Domestic and International Laws and Regulations regarding Anti-Money Laundering and Coun
Senior Assistant Vice President	Rita Chen	2020/9/9	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (3hrs)
Senior Assistant Vice President	Sophia Liu	2020/12/02 ~12/08	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Assistant Vice President	Joyce Lai	2020/06/18	Horizon Securities / Taiwan Securities Association	Corporate Governance - The Future of Fintech from the Development of e-Payment in Taiwan
Assistant Vice President	Chiou-Fan Chen	2020/08/10 ~08/11	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/08/18 ~08/19	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
Assistant Vice President	Chih-Chung Lee	2020/12/14	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/12/21 ~12/22	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)

Title	Name	Training date	Organizer	Course name
Assistant Vice President	Jeff Chen	2020/10/15	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
		2020/11/18 ~11/19	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (6hrs)
Assistant Vice President	Joe Hu	2020/11/24 ~12/11	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Assistant Vice President	Chia-Ming, Huang	2020/11/18~12/22	Taiwan Securities Association	On-job Training for Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)
Assistant Vice President	Ming-Che Tsai	2020/11/13~11/27	Taiwan Academy of Banking and Finance	Training for Personnel Anti-Money Laundering and Countering the Financing of Terrorism (24hrs)
Manager	Pei-Shan Li	2020/09/17 ~09/18	Securities and Futures Institute	Training for Personnel Anti-Money Laundering and Countering the Financing of Terrorism (12hrs)

Note 1: Regardless of whether checking the “Yes” or “No” column, disruption must be provided in the “Description” column.

Note 2: The said Corporate Governance Report refers to the Company’s explanation on self-evaluation regarding the Company’s current operation and execution of the Corporate Governance Evaluation Items.

(4) If the Company has a Salary Remuneration Committee, the composition, responsibilities and operation of the Remuneration Committee should be disclosed:

1. Information of the members of the Salary Remuneration Committee

Title (Note 1)	Qualifications Name	Work experience of more than five years and the following professional qualification			Independence criteria (Note 2)										Number of other public companies where the member also serves on a remuneration committee	Remarks (Note 3) (Note 4)	
		A lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or other fields related to the business needs	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business	Has work experience in commerce, law, finance, accounting or any other fields necessary for our business		1	2	3	4	5	6	7	8	9			10
Independent Director	Chuen-Min Hsu	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Qualified
Independent Director	Chuen-Yun Liao	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Qualified
Independent Director	Jyun-De Li	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Qualified
Independent Director	Che-Ying Liaw	—	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Qualified
Independent Director	Yuh-Jen Chen	✓	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Qualified
Independent Director	Chen-Chi Hsiao	—	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Qualified

Note 1: For "Title" please put "Director," "Independent Director" or "others."

Note 2: Please check "✓" in the box below if the member met the following conditions at any time during active duty and two years prior to the date of appointment.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a Director or Supervisor of the Company or any of its affiliates. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a manager of (1), or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of (2) or (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company, or ranks in its top five shareholders, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (6) Not a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (this restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not the chairman, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary.)
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (This restriction does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a company or institute holding above 20% but less than 50% of the shares in the Company, a public company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provided commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company in the most recent two years with an accumulated service compensation of less than NTD 5 million, or a spouse thereof. This restriction does not apply to any member of the Remuneration Committee, public tender offers, Audit Committee or mergers and acquisition special committee, who exercises powers pursuant to relative regulations of the Securities and Exchange Act and Business Mergers And Acquisitions Act.
- (10) The member did or does not meet any of the requirements specified in Article 30 of the Company Act.

Note 3: If the member is a Director, please describe if matters are compliant with Paragraph 5 Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."

Note 4: According to Article 7 in the Charter of the Salary Remuneration Committee, the duties and functions of the Salary Remuneration Committee are as follows: The Committee shall submit its recommendations for deliberation at the Board Meetings.

1. Review and revise the committee charter on a regular basis, and make necessary suggestions.
 2. Stipulating and regularly reviewing the performance of the remuneration of the Company's independent directors, and the annual goal of managerial officers, as well as the remuneration policies.
 3. Reviewing regularly the remuneration of individual managerial officers based on the completion of performance objectives.
- When conducting the aforementioned duties, the Committee shall follow the following principles:
1. Ensuring that the remuneration is compliant with the laws and regulations, and competitive enough to attract excellent talents.
 2. Remuneration to Directors, Independent Directors, and managerial officers should be determined with reference to the salary level of the peer companies.
 3. Never abet Directors and managerial officers in misconduct that exceeds the Company's risk appetite for higher remuneration.
 4. A Committee member should recuse himself/herself from the discussion and voting of his/her own remuneration.
 5. The remuneration mentioned in the first two items are substantial incentives including cash remuneration, share options, stock bonus, retirement benefits, severance pay, allowances. The scope shall be consistent with the remuneration to directors, independent directors and managerial officers stated in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

2. Operational Status of the Salary Remuneration Committee

- (1) The Company's Salary Remuneration Committee is established on Nov. 24, 2011, consisting of three seats of committee members.
- (2) Tenure of the 3rd Committee: Jun. 22, 2017 to May 30, 2020
- (3) Tenure of the 4th Committee: Jul. 9, 2020 to Jun 23, 2023
- (4) The Salary Remuneration Committee held 7 (A) meetings in the year 2020. The attendance of the members was as follows:

Title	Name	Actual attendance	Number of meetings in attendance by proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener – Independent Director	Chuen-Yun Liao	4	0	100%	Term expires on 2020.06.23
Committee member – Independent Director	Chuen-Min Hsu	4	0	100%	Term expires on 2020.06.23
Committee member – Independent Director	Jyun-De Li	4	0	100%	Term expires on 2020.06.23
Convener – Independent Director	Che-Ying Liaw	3	0	100%	Elected on 2020.07.09
Committee member – Independent Director	Yuh-Jen Chen	3	0	100%	Elected on 2020.07.09
Committee member – Independent Director	Chen-Chi Hsiao	3	0	100%	Elected on 2020.07.09

Other matters:

1. If the Board of Directors refuses to adopt or amend a recommendation of the remuneration committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g. if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
2. If there were resolutions of the remuneration committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.

Note 1: If any Salary Remuneration Committee member resigned before the end of the year, the date of resignation shall be stated in the "Remarks" column, and the actual attendance rate (%) is calculated based on the number of meetings during their tenure and their actual number of attendance.

Note 2: If any Salary Remuneration Committee members were elected before the end of the year, the names of preceding and succeeding members shall be listed, and the date of election or reelection shall also be stated in the "Remarks" column. The actual attendance rate (%) is calculated based on the number of meetings during their tenure and their actual number of attendance.

3. Information on Salary Remuneration Committee Meetings

Date of meeting	Term	Motions	Resolutions	Status
2020.01.20	16 th meeting 3 rd Committee	Motion 1: Distribution of surplus bonuses for second half of 2019.	Approved	Proceed as proposed
2020.02.20	17 th meeting 3 rd Committee	Motion 1: The distribution of 2019 remuneration to employees and Directors. Motion 2: Promotion and changes of the futures proprietary traders.	Approved	Proceed as proposed
2020.03.11	18 th meeting 3 rd Committee	Motion 1: Amendments to the "Charter of Salary Remuneration Committee." Motion 2: 2020 Promotion and salary raise of president, chief of divisions, as well as rank 10 personnel, including vice presidents, supervisors and above.	Approved	Proceed as proposed
2020.04.16	19 th meeting 3 rd Committee	Motion 1: Amendment to the "Guidelines for Board Evaluation." Motion 2: Remuneration to the 15th Board of Directors. Motion 3: Remuneration to the 15th Independent Directors. Motion 4: Determining the remuneration and transportation allowances of the next Audit Committee, Risk Management Committee and Salary Remuneration Committee.	Approved	Proceed as proposed
2020.08.06	1 st meeting 4 th Committee	Motion 1: Distribution of surplus bonuses for first half of 2020. Motion 2: Promotion of Chief of Proprietary Investment Division Jenny Huang. Motion 3: Changes in the managerial officers of branches.	Approved	Proceed as proposed
2020.11.15	2 nd meeting 4 th Committee	Motion 1: Severance pay to Chairman Han-Tsung Liu. Motion 2: Remuneration to the new Chairman.	Approved	Proceed as proposed
2020.12.10	3 th meeting 4 th Committee	Motion 1: Appointment of managerial officers of Guanglong Branch owing to the acquisition of Kunglon Securities.	Approved	Proceed as proposed

(5) Fulfillment of social responsibility and discrepancy and causes thereof from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary (Note 2)	
1. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? (Note 3)	✓		While pursuing sustainability and profit, the Company practices CSR in accordance with the Company's "Corporate Social Responsibility Best-Practice Principles" and abides by the principles – implement corporate governance, develop a sustainable environment, and maintain social welfare. Moreover, the Company prepares a "Corporate Social Responsibility Report" annually to report a detailed explanation on the Company's policies and results. The Company has formulated the "Guidelines for Risk Management Policies" to prudently quantize activities including recognition, measurement, monitoring and response with quantitative models based on the potential risks in the operating activities. This is done in order to rationalize the asset allocation and maximize shareholders' returns, and to ensure that the Company achieves its strategic and sustainable operation goals within the risk limits.	No discrepancy
2. Does the Company delegate a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and its progress reported to the board of directors?	✓		"Corporate Social Responsibility Best-Practice Principles" is formulated as the Board has approved, and the President's Office is delegated as the responsible unit. The President's Office is responsible for the presentation and implementation of corporate social responsibility policies, systems, or related management policies and specific promotion plans. Every year, the Company participates in social responsibility activities including social contribution, social welfare and community participation. The participation results are compiled and reported to the Board Meeting at the end of each year.	No discrepancy
3. Environmental issues (1) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	✓		(1) The Company is in the securities industry and does not generate pollution and waste from manufacturing. The Company's main source of greenhouse gas emissions is the use of electricity. In order to implement environmental protection, energy conservation and carbon reduction, the Company promotes the replacement of energy-consuming equipment into energy-saving equipment, such as the electronic document management system and electronic balance statements, to effectively reduce and control the use of paper. Furthermore, the Company also regularly promotes the concept of environmental protection and energy conservation to the employees.	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary (Note 2)	
(2) Is the Company committed to enhancing the utilization efficiency of resources and using renewable materials that have low impact on the environmental?	✓		(2) The Company encourages paperless administrative work, including e-Signing (external documents, internal approval procedure, procurement, taking leave, reimbursement), OA equipment (photocopy machines with scanning function, automatic conversion of external faxes into digital files) and digitization of Board Meeting and conference related documents, in the aim to reduce paper use, and expedite the paperless process.	
(3) Does the Company assess the potential risks and possibilities of climate change to the Company now and in the future, and take measures to respond to climate-related issues?	✓		(3) The Company has not conducted assessments on potential risk and possibilities of climate changes to the Company now and in the future. The Company will take measures step by step to respond to climate-related issues.	
(4) Does the Company record the greenhouse gas emissions, water consumption and total weight of waste produced in the past two years, and determine formulate policies on energy conservation and carbon reduction, greenhouse gas reduction, water consumption or other waste management?			(4) The Company is actively engaging in various measures regarding energy conservation and carbon reduction, including reducing the use of air-conditioners, maintaining indoor temperature above 26 degrees Celsius in offices, installing energy-saving lighting and water-saving devices in all offices, and gradually replacing water- or energy-consuming equipment.	
4. Social Issues				
(1) Does the Company have management policies and procedures in accordance with relevant regulations and the International Bill of Human Rights?	✓		(1) The Company formulates related work procedures to protect employees' legal rights accordingly, and also the "Human Right Policy" in accordance with the International Bill of Human Rights. Relative rules and regulations are announced on the Company's internal website.	No discrepancy
(2) Does the Company formulate and implement reasonable employee benefits measures (including remuneration, vacation and other benefits), and appropriately reflect the results of operating performance in employee remuneration?	✓		(2) In addition to providing basic employee benefits in accordance with the Labor Standards Act and other related laws and regulations, the Company provides 12 days of paid sick leave per year, free employee fidelity insurance, and subsidies and health checkups by external health examination clinics biennially. The Employee Welfare Committee also gives out cash gifts for Labor Day and Spring Festival, birthday coupons, cash gifts for weddings, funerals or religious parades, employee group insurance, and other welfare measures, as well as occasional employee-only events and club activities such as badminton and yoga. The Company sets aside a certain percentage of profit as remuneration to employees. When the Company conducts cash capital increase, a certain percentage shall be retained for the employees to subscribe. Starting July 2012, the Company launched the employee stock ownership trust plan. Participating employees deposit a	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary (Note 2)	
(3) Does the Company provide a safe and healthy work environment to its employees? Does the Company regularly provide safety and health education for the employees?	✓		<p>portion of their monthly salary to the trust account, and on the other hand, the Company appropriates a certain amount as incentives to purchase company shares. The aim is to encourage employees to build saving habits in a long-term and stable manner, grow with the Company, and assist them with their retirement plan.</p> <p>(3) In order to provide excellent working environment and provide personal safety, the Company takes relative measures in accordance with laws and regulations regarding occupational safety and health:</p> <ol style="list-style-type: none"> 1. Firefighting and emergency escape equipment, regular maintenance for elevators and automatic power generators, installing surveillance cameras in office buildings, basement, canteens and offices, and connecting to security systems. 2. According to regulations, personnel (total 12) in headquarters and all branches are delegated with responsibility for occupational safety and health. They take part in training, obtain required certificates, and are in charge of occupational safety and health related duties. 3. The Company appoints 13 personnel in total (in headquarters and all branches) to be responsible for emergency medical services. They take part in training, obtain required certificates, and are in charge of emergency medical services at the first instance. 4. The headquarters and branches organize fire prevention training and mental and physical health seminars to advocate the importance of disaster control and health education. Furthermore, the Company has appointed 11 fire prevention managers. <p>Starting in 2018, the Company appoints medical personnel in accordance with the Occupational Safety and Health Act to be in charge of the promotion policies regarding employee health services and annual health plans, in the aim to provide the employees with a safe environment and a happy workplace. In Aug 2019, the Company launched its “Horizon Securities Health Management Magazine (bimonthly)” to provide employees with the latest and most detailed information on health management. Moreover, the Company has also prepared the list of employee emergency contacts, formulated the notification mechanisms for emergencies, measures</p>	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary (Note 2)	
(4) Has the Company established an effective career development training program for the employees?	✓		of prevention, correction of sexual harassment at the workplace, regulations for complaint and punishment, and enrolled in the labor insurance and national health insurance and group insurance. (4) The Company conducts employee performance assessment on a yearly basis, and provides employees with development training plans for the following year. The employees may choose their own training courses based on the operation goals or competency assessment through training or individual guidance from supervisors, the Company enhances work related knowledge and skills of employees, in the aim to improve their performance. Also, the Company also utilizes job rotation to place the right employees at the right position in order to improve their performance.	
(5) Does the Company comply with relevant laws and regulations and international standards for customer health and safety, customer privacy, marketing and labeling of products and services?	✓		(5) The Company engages in securities and futures business. Thus, it handles the marketing of products and sales in accordance with “Regulations governing the methods, content, and other requirements pertaining to the advertisements and solicitation or promotional activities conducted by members of the Chinese National Futures Association and Futures Trust Fund Distributors” and “Regulations governing the methods, content, and other requirements pertaining to the advertisements and solicitation or promotional activities conducted by members of the Taiwan Securities Association.” Also, it has formulated the “Regulations Governing Personal Information Protection and Personal Information File” to protect the rights of clients.	
(6) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation?	✓		(6) Before entrusting businesses to external institutes, the Company prudently evaluates the qualification of the institute based on criteria including business scale, information security system, personnel management, personnel data protection policies and past transaction records, and appoint the Administration Department to compile the information. The Company includes the record of environmental and social impacts in the evaluation criteria, depending on the nature of the external institutes. Besides this, the Company also adds an additional clause to terminate or cancel the contracts if the external institutes were found to violate their own CSR policies and pose significant social and environmental impacts.	
5. Does the Company prepare its non-financial reports such as	✓		The Company prepares its CSR report in accordance with guidelines and	No discrepancy

Item for evaluation	Implementation status (Note 1)		Summary (Note 2)	Discrepancies from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No		
Corporate Social Responsibility Report in accordance with the internationally used reporting standards or guidelines? Have such reports been assured, verified or certified by a third party?			framework of the “Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TPEX Listed Companies,” “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and “Global Reporting Initiative (GRI),” and discloses the report on the company website and MOPS. In the future, depending on actual needs, the Company may consider hiring a third party to assure or certify opinions.	
6. If the Company has established its own CSR principles in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the differences between the actual implementation of CSR and the Company’s own CSR principles: None.				
7. Other important information helpful for understanding the actual implementation of CSR: None.				

Note 1: If the implementation is checked with “Yes,” please explain the important policies, strategies, measures and implementation taken; if the implementation is checked with “No,” please explain the reasons and explain the future relative policies and strategies plan of measures.

Note 2: If the Company has prepared a corporate social responsibility report, a summary may be presented by way of reference to the corporate social responsibility report and the index page instead.

Note 3: The principle of materiality refers to the fact where environmental, social and corporate governance issues possess a significant influence on the company’s investors and other interested parties.

(6) Discrepancy from Ethical Corporate Management Best-Practice Principles for TWSE/TEPx-listed Principles and the reasons thereof.

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TEPx Listed Companies and reasons thereof.
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and plans</p> <p>(1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, and do the board of directors and management work proactively to implement their commitment to those management policies?</p> <p>(2) Has the Company established an evaluation mechanism for the risk of dishonest conducts? Does the Company regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope, and formulate a plan to prevent dishonesty behaviors, which at least covers Paragraph 2 of Article 7 in Ethical Corporate Management Best-Practice Principles for TWSE/TEPx Listed Companies?</p> <p>(3) Has the Company established relevant policies for preventing any unethical conduct in the prevention measures? Are the implementation and reviews of the relevant procedures, guidelines, punishment for violation, and rules for appeal provided in the policies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company announces the policies and plans of ethical management through the “Principles of Ethical Corporate Management” and “Procedures for Ethical Management and Guidelines for Conduct” the Company formulated after them being resolved by the Board. Furthermore, the Company requires Directors and the top management to submit a statement of compliance with the integrity management policies, demonstrating their commitment to the policies.</p> <p>(2) The Company has established an evaluation mechanism for the risk of dishonesty behaviors, and it analyze regularly analyze and evaluate business activities with a higher risk of dishonesty in the business scope. It has also required the supervisors with power of authorization to sign a self-evaluation form in order to prevent dishonest conducts in Paragraph 2 of Article 7 in Ethical Corporate Management Best-Practice Principles for TWSE/TEPx Listed Companies.</p> <p>(3) In order to implement ethical management policies and proactively prevent dishonest conducts, the Company formulates measures specifying the attentions for personnel conducting businesses, and the measures for punishment and appeal in accordance with the “Principles of Ethical Corporate Management” and “Procedures for Ethical Management and Guidelines for Conduct”, and also reviews and amends such measures.</p>	No discrepancy
<p>2. Fulfillment of Ethical Corporate Management</p> <p>(1) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in the business contracts signed with the counterparties?</p>	<p>✓</p>		<p>(1) Before conducting business with other companies, the Company takes into consideration the legality and existence of dishonesty records of the counterparties to prevent business dealings with parties with dishonesty records. When signing contracts with counterparties, the content of contracts should include ethical corporate management policies and clauses indicating that should the counterparties involve in dishonest conducts, the contact may be terminated or canceled.</p>	No discrepancy

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
(2) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board about ethical corporate management policies, prevention of dishonest conduct plans, and the supervision on the operation on a regular basis (at least once a year)?	✓		<p>(2) The Company appoints the President’s Office to be in charge of ethical corporate management, responsible for the formulation of ethical corporation management policies and prevention plans. The audit unit subordinating to the Board audits the implementation of ethical corporate management policies and prepares relevant reports and submit them to the Board Meeting on December 10, 2020. The Company’s fulfillment of ethics management and conducts and the related implementation in 2020:</p> <p>A. Education and training Organize two education and training sessions every year to promote the concept of ethics.</p> <ol style="list-style-type: none"> 1. Whistleblower protection law and grievance system. 2. Communication of handling procedures for internal material information. <p>B. Communicate regulatory compliance The Regulatory Compliance Department put together teaching materials based on topics such as “Operation Directions for Inquiries of Customer Data by Employees of Securities Firms and Personal Information Protection Act,” “Financial industry fair treatment of customers,” “Whistleblowers protection laws and grievance filing practices,” “Case studies related to financial industry consumer protection laws,” and requested all employees to adopt the internal eLearning platform to gain an understanding of the Operation Directions for Inquiries of Customer Data by Employees of Securities Firms and the Personal Information Protection Act, customer equality principles, grievance filing practices and case studies related to financial industry consumer protection laws and the related internal compliance regulations and code of conduct, further improving the Company’s operating synergy and emphasis on the protection of consumer rights.</p> <p>C. Annual examination The regulatory compliance department conducts company-wide online self-directed exams on compliance every</p>	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
			<p>year in accordance with the “Regulatory Compliance Operating Procedures.” The tests cover topics such as the “Ethical Corporate Management Best-Practice Principles”, “Fair treatment of customers”, “Personal Information Protection Act” and others. The tests in 2021 will incorporate concepts such as prohibition of unethical conducts and others.</p> <p>D. Regular audit The Company implements “Unethical conduct risk assessment practices” based on Article 7 of the “Ethical Corporate Management Best-Practice Principles,” and requires all directors and managers to fill out the “Ethical Conduct Self-Evaluation Form.” The self-evaluation verifies whether they comply with the “Ethical Corporate Management Best-Practice Principles” and the “Procedures for Ethical Management and Guidelines for Conduct” when performing their duties. For 2020, the Internal Auditing Office conducted a sampling inspection of the self-evaluation forms signed by directors, supervisor and managers with the approval authority and found no unethical conducts.</p> <p>E. Grievance filing system and whistleblower protection 1. The Company has established the “Grievance Filing Case Handling Guidelines.” Whistleblowers may report their cases in writing, telephone, fax and email, and the Internal Auditing Office will assign responsible personnel to handle the cases. 2. The Company defines the types of grievance matters, handling procedures, non-acceptable circumstances and others in the “Grievance Filing Case Handling Guidelines,” and whistleblower and personnel participating in the investigation are provided with confidentiality and protection. 3. If the incident reported is verified to be true, the Company will take actions in accordance with the relevant internal disciplinary regulations. Before making a disciplinary decision, the Company will provide the accused with</p>	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
(3) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?		✓	<p>opportunities to state their opinions or appeal. The Company has also established relevant confidentiality practices to prevent whistleblowers and personnel participating in investigation from receiving unfair treatment or losing rights and interests.</p> <p>4. The status of the Company's ethical operation practices is not much different from the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies." In 2020, the Company did not have ethics violations or whistleblowing cases.</p> <p>(3) The Directors maintain a high degree of self-discipline. They may present their opinions an answer to questions. However, they should not participate in the discussion or voting but recuse themselves from the discussion or vote, and they should not act for other directors to exercise their voting rights on the motion if the motion has interest in the Director himself/herself or the legal representative he/she represents, where there is a likelihood that the interests of the Company would be prejudiced. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. In order to ensure that the Directors and managerial officers act in line with ethical standards, they have signed the "Statement for Avoidance of Conflict of Interest". Furthermore, to allow stakeholders of the Company have a better understanding in the ethical standards of the Company, it has formulated the "Code of Ethical Conduct".</p>	
(4) Has the Company established effective accounting and internal accounting and control systems for the implementation of ethical corporate management policies, prepared audit plans according to the evaluation results of dishonesty risks, and have they results audited by internal auditors or CPAs?	✓		<p>(4) For the integrity of the Company's ethical Corporate Management, the audit unit includes the compliance of Ethical Corporate Management into audit tasks, and states it clearly in the "Principles of Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct" to established appropriate regulations regarding whistleblowing or penalties. These are published on the company website.</p>	
(5) Does the Company regularly hold internal and external educational	✓		<p>(5) The Company regularly promotes relevant measures for ethical</p>	

Item for evaluation	Implementation status (Note 1)			Discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof.
	Yes	No	Summary	
trainings on ethical corporate management?			corporate management. In 2020, The Company held 2 Corporate management courses and 6 online courses to promote the concept of ethical corporate management.	
3. Operation of the Whistleblowing System (1) Has the Company established both a reward/whistleblowing system and convenient whistleblowing channels? Are appropriate personnel assigned to the accused party?	✓		The Company has formulated the “Guidelines for Whistleblowers.” Regulations are as follows: (1) Establishment of delegated complaint channels: 1. Whistleblowing hotline: +886-02-2700-8899 #8218 2. Whistleblowing fax: +886-02-2700-1390 3. Whistleblowing E-mail: services@honsec.com.tw 3. Whistleblowing mailing address: Please send or deliver the mail to “Internal Auditing Office - Whistleblowing Mailbox”	No discrepancy
(2) Has the Company established standard operating procedures for investigations on reports, follow-up measures to be taken after the investigation is completed, and related confidentiality mechanisms?	✓		(2) The Company has established the handling procedures and relative confidentiality mechanisms for whistleblowing.	
(3) Does the Company provide protection to whistleblowers against receiving improper treatment?	✓		(3) The Company has established protection mechanisms to whistleblowers.	
4. Increasing disclosure of information (1) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	✓		The Company’s Principles of Ethical Corporate Management is disclosed on the MOPS, and Company’s internal and external websites. (Website: www.honsec.com.tw)	No discrepancy
5. If the Company has established its own corporate management principles in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any discrepancies from the Best Practice Principles: None.				
6. Other important information helpful to the understanding of the Company’s ethical corporate management: None.				

Note 1: Regardless of whether checking the “Yes” or “No” column, disruption must be provided in the “Description” column.

(7) If the Company has formulated its corporate governance principles and relevant regulations, the inquiry methods should be disclosed.

1. Taiwan Stock Exchange Market Observation Post System:
Corporate Management \ Formulation of Corporate Management related regulations \ TPEX-listed company, Stock No: 6015
2. Company website:
[http:// www.honsec.com.tw](http://www.honsec.com.tw)

(8) Other information that facilitates the understanding in the Company's corporate governance should also be disclosed:

In order to establish sound mechanisms for the handling and disclosure of material inside information, to prevent improper information disclosures, to ensure the consistency and accuracy of information released, and to implement Article 8 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies," the Company formulated the "Procedures for Handling Material Inside Information" (hereinafter referred to as "the Procedures") through the 22nd Board Meeting of the 11th Board on Dec. 24, 2009 with reference to the template released by the FSC. The Company appoints the President's Office as the delegated unit for handling material inside information. The Company has announced the Procedures on the Company's internal website for all personnel, and set up a spokesperson in accordance with the Procedures. The spokespersons or deputy spokespersons shall not speak beyond the scope of the Company's authorization. Regarding disclosure of material information to the public, records of the person, time and place of disclosure shall be kept. In case where a false report in the media is found, the spokesperson shall immediately clarify it on the MOPS and request the media to correct it.

The Company prepares the "Corporate Social Responsibility Report" on a yearly basis, and uploads it to the MOPS and discloses it on the company website, fully disclosing information related to shareholders' rights, duty of the Board, information transparency, CSR evaluation criteria and the current status thereof, in the aim to fairly represent the status of corporate governance.

(9) Status of Internal Control System

1. Statement of Internal Control System:

Horizon Securities Co., Ltd.
Internal Control System Statement

Date: March 11, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 based on the findings of the self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board and managers, and the Company has already established such an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. Any internal control system has its innate limitations. No matter how robust an internal control system is designed, it can only provide reasonable assurance regarding the achievement of the above three objectives. Moreover, the effectiveness of an internal control system may vary as a result of changes in the environment and circumstances. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective actions once any defects are identified.
- III. The Company uses the assessment items specified in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinafter referred to as the “Regulations”) to determine whether the design and implementation of the internal control system are effective. Based on the procedures of control, the internal control system policy is divided into five categories: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Under each category are assessment items used in the “Regulations.” For more information on such items, refer to the “Regulations.”
- IV. The Company has adopted the aforesaid assessment items for the internal control system to determine whether the design and implementation of the internal control system are effective.
- V. Based on the results of the determination in the preceding paragraph, the Company is of the opinion that, as of December 31, 2020, the internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing goals.
- VI. This statement constitutes the main content of the Company’s annual report and the prospectus and is disclosed to the public. Any falsehood or concealment with regard to the said contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act and under Article 115 of the Futures Trading Act.
- VII. This statement has been approved by the Board on March 11, 2021, and out of seven attending Directors, none posed objection to it, and all consented to the content expressed in this statement.

Horizon Securities Co., Ltd.

Chairman: Ke-Chyn Chiang

President: Jamie Lin

2. Internal Control System Statement for Anti-money Laundering and Countering the Financing of Terrorism:

**Internal Control System Statement for Anti-money Laundering and
Countering the Financing of Terrorism**

We, the Undersigned, hereby on behalf of Horizon Securities Co., Ltd. declared that during the period beginning Jan.01, 2020 until Dec. 31, 2020, we did faithfully build the internal control system policy in accordance with laws and regulations regarding anti-money laundering and countering the financing of terrorism, and implemented risk management. The aforesaid matters are audited by the independent audit unit and reported to the Board and Audit Committee. Through prudent evaluation, we declare that the implementations of anti-money laundering and countering the financing of terrorism and law compliance by each unit during the current fiscal year are all effective, besides the matters stated in the attached “Improvement Plan for Internal Control System Statement for Anti-money Laundering and Countering the Financing of Terrorism.”

Best regards

Financial Supervisory Commission (FSC)

Declarants

Chairman: Ke-Chyn Chiang (Signature)

President: Jamie Lin (Signature)

Chief Auditor: Rogers Huang (Signature)

Chief officer in charge of Prevention of Money Laundering and Combating the Financing Terrorism: Lillian Chen (Signature)

March 11, 2021

3. If review of the internal control system has been conducted by entrusted CPAs, the CPAs’ review report must be disclosed: None.

(10) If there are penalties imposed upon the Company and its employees in accordance with laws, penalties imposed by the Company upon its employees for violating internal control system policy, where the results of the penalties are likely to pose material impact on shareholders’ rights and securities price, the Company should state the content of penalty, principal deficiencies, and improvement status:

No.	Date	Laws or regulations violated	Disciplinary unit, rank	Deficiency	Improvement
1	2020.12.16 Jin-Guan-Cheng-Chi-Zhi Document #1090374204	Paragraph 2, Article 2 of the Regulations Governing Futures Commission Merchants	Correction of the Company	On 2020.03.20, a branch office executed an order at the market price when closing out a trade on behalf of a trader, which was inconsistent with the Company’s internal control protocol, “CA-21320 Margin Call Procedures (V) Entrusted Close-Out Trades 2. Entrusted Close-Out Trades Principles (3) The Company shall specify the order type and sequence when executing entrusted close-out trades at a risk indicator lower than the agreed percentage, and one of the orders shall not be entrusted at the market value....”	1. On 2020.11.09, the Company issued a warning to the personnel who executed the entrusted close-out trade. 2. On 2020.12.28, the Company issued a warning to the supervisor of the personnel who executed the entrusted close-out trade. 3. The Company adopts an e-learning approach to conduct education and training sessions, and will conduct on-site audit one day.

(11) Important resolutions of the shareholders’ meeting and Board Meeting during the most recent fiscal year and as of the printing date of this annual report

1. Important resolutions of the shareholders’ meeting

Date	Motion
2020.06.24 Shareholders’ Meeting	1. Approval of the 2019 Business Report and Financial Statements 2. Approval of the Company’s 2019 profit distribution. 3. Reelection of Directors Election results: Legal representative of Cheng-Da Investment Consulting Co., Ltd.: Han-Tsung Liu Legal representative of Cheng-Da Investment Consulting Co., Ltd.: Jamie Lin Chia-Hung Lee Jyun-De Li Chen-Chi Hsiao (Independent Director) Yuh-Jen Chen (Independent Director) Che-Ying Liaw (Independent Director)

2. Important resolutions of the Board Meeting

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors’ opinions and the Company’s response	Resolutions at the Board Meetings and Audit Committee Meetings
Jan. 20, 2020	1. Ta Ching Bills Finance Corporation providing credits to the Company.	—	None	Approved by resolution of the all attending Directors
	2. 2020 budget plan	—	None	Approved by resolution of the all attending Directors
	3. Amendments to the “Guidelines for Financial and Business Operations between Related Parties and Affiliates”	—	None	Approved by resolution of the all attending Directors
	4. Amendments to the “authorization hierarchy” of the Finance Department of Finance Division	—	None	Approved by resolution of the all attending Directors
	5. Amendments to the 2019 “Internal Control Policies.”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	6. Determining the overall 2020 risk appetite of the Company	—	None	Approved by resolution of the all attending Directors
	7. Amendments to the “information security policies”, “personal information protection and personal information file maintenance plan and processing method for personal	—	None	Approved by resolution of the all attending Directors

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors' opinions and the Company's response	Resolutions at the Board Meetings and Audit Committee Meetings
	information after termination of any business relationship.”			
	8. Relocation of the operation site of Guanqian Branch.	—	None	Approved by resolution of the all attending Directors
	9. Formulation of the “Codes of Ethical Conduct.”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	10. Amendments to the “work rules.”	—	None	Approved by resolution of the all attending Directors
	11. Distribution of surplus bonuses for second half of 2019.	—	None	Approved by resolution of the all attending Directors
Feb. 20, 2020	1. Bank of Taiwan and International Bills Finance Corp. providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	2. Retirement of the Company’s 18th and 19th repurchased shares, and determining the record date of capital reduction.	—	None	Approved by resolution of the all attending Directors
	3. 21st repurchase of Company share.	—	None	Approved by resolution of the all attending Directors
	4. Promotion and changes of the futures proprietary traders.	—	None	Approved by resolution of the all attending Directors
	5. 2019 Distribution of remuneration to employees and directors	—	None	Approved by resolution of the all attending Directors
Mar. 11, 2020	1. Drafts of the “Internal Control System Statement” and “Internal Control System Statement for Anti-money Laundering and Countering the Financing of Terrorism.”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	2. Amendments to the 2019 “Internal Control Policies.”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	3. King's Town Bank and Taishin International Bank providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	4. Report of the Company’s 2019 consolidated and individual financial report.	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	5. The appointment of 2020 new CPAs and CPA fees.	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	6. Formulation of the “Procedure for the Preparation of Financial Reports”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	7. Company’s 2019 business report and profit distribution.	—	None	Approved by resolution of the all attending Directors
	8. Amendments to the “authorization hierarchy” of Compliance Office	—	None	Approved by resolution of the all attending Directors
	9. Amendments to the “Charter of Salary Remuneration Committee.”	—	None	Approved by resolution of the all attending Directors
	10. Amendments to the Company’s “Articles of Incorporation.”	—	None	Approved by resolution of the all attending Directors
	11. Amendment to “Rules of Procedure for Shareholders Meetings.”	—	None	Approved by resolution of the all attending Directors
	12. Time and date, and motions of 2020 Shareholders' Meeting.	—	None	Approved by resolution of the all attending Directors
	13. 2020 Promotion and salary raise of President, chief of divisions, as well as rank 10 personnel, including Vice Presidents, Supervisors and above.	—	None	Approved by resolution of the all attending Directors
	14. 22nd repurchase of Company share.	—	None	Approved by resolution of the all attending Directors
	15. The Company underwrites first unsecured convertible bonds issued by Walsin Technology Corp.	—	None	Approved by resolution of the all attending Directors
Mar. 26, 2020	1. 23rd repurchase of Company share.	—	None	Approved by resolution of the all attending Directors
Apr. 16, 2020	1. The Shanghai Commercial & Savings Bank, Ltd. providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	2. Amendments to the 2019 “Internal Control Policies for Concurrently Engaging in Futures Business.”	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors' opinions and the Company's response	Resolutions at the Board Meetings and Audit Committee Meetings
	3. Amendments to the 2020 "Internal Control Policies for Service Business".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	4. Amendments to the "Corporate Governance Best-Practice Principles", "Corporate Social Responsibility Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct."	—	None	Approved by resolution of the all attending Directors
	5. Formulation of the "Guidelines for Board Evaluation"	—	None	Approved by resolution of the all attending Directors
	6. Amendments to the "Procedures for Prevention of Insider Trading"	—	None	Approved by resolution of the all attending Directors
	7. Retirement of the Company's 20th - 22nd repurchased shares, and determining the record date of capital reduction.	—	None	Approved by resolution of the all attending Directors
	8. Determining the remuneration to the 15th Board of Directors (excl. Independent directors)	—	None	Approved by resolution of the all attending Directors
	9. Determining the remuneration to the 15th Board of Independent Directors	—	None	Approved by resolution of the all attending Directors
	10. Determining the remuneration and transportation allowances of the next Audit Committee, Risk Management Committee and Salary Remuneration Committee.	—	None	Approved by resolution of the all attending Directors
	12. Proposed to have the board grant the chairman the full authority in handling the location of the shareholders' meeting.	—	None	Approved by resolution of the all attending Directors
	May. 7, 2020	1. The Shanghai Commercial & Savings Bank, Ltd. providing FX swap credit to the Company.	—	None
2. Amendments to the 2020 "Internal Control Policies".		v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
3. Starting new business of "Securities Business Money Lending."		—	None	Approved by resolution of the all attending Directors
4. Acquisition of "Kunglon Securities":		v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
5. Amendments to the "Charter of Salary Remuneration Committee."		—	None	Approved by resolution of the all attending Directors
6. Formulation of "Guidelines for Stakeholder Trading"		—	None	Approved by resolution of the all attending Directors
7. Changes in the "Chief Corporate Governance Officer"		—	None	Approved by resolution of the all attending Directors
8. Appointment of Yu-Hsiang Cheng to be the Company's consultant.		—	None	Approved by resolution of the all attending Directors
9. 24th repurchase of Company share.		—	None	Approved by resolution of the all attending Directors
10. Overall election of directors and the Board of Directors, and nomination of candidates for the 15th Board of Directors and Independent Directors.		—	None	Approved by resolution of the all attending Directors
11. Time and date, and motions of 2020 Shareholders' Meeting.		—	None	Approved by resolution of the all attending Directors
Jun. 18, 2020	1. Amendments to the 2020 "Internal Control Policies".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	2. 25th repurchase of Company share.	—	None	Approved by resolution of the all attending Directors
Jun. 24, 2020	1. Election of new Chairman in accordance with the law due to overall Director election of the Company	—	None	Director Han-Tsung Liu was elected the Chairman by all attending Directors.
Jul. 09, 2020	1. KGI Bank and Cathay United Bank providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	2. Appointment of the members of the 2nd Risk Management Committee	—	None	Approved by resolution of the all attending Directors
	3. Appointment of the members of the 4th Salary Remuneration Committee	—	None	Approved by resolution of the all attending Directors
	4. Retirement of the Company's 23rd - 24th repurchased shares, and determining the record date of capital reduction.	—	None	Approved by resolution of the all attending Directors
	5. Signing of an industry-academia cooperation contract and an academic donation contract with National Kaohsiung University of Science and Technology within 3 months Yuh-Jen Chen	—	None	Approved by resolution of the all attending Directors

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors' opinions and the Company's response	Resolutions at the Board Meetings and Audit Committee Meetings
	assumes his position as an Independent Director, and the said contracts shall retrospectively take effect on the day Chen is elected.			
	6. Making changes to the consultation contract with consultant Yu-Hsiang Cheng.	—	None	Approved by resolution of the all attending Directors
Aug. 6, 2020	1. Amendments to the 2020 "Internal Control Policies".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	2. Amendments to the "authorization hierarchy" of Internal Auditing Office	—	None	Approved by resolution of the all attending Directors
	3. Taishin International Bank providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	4. Report of the Company's 2020 Q2 consolidated and individual financial report.	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	5. Changes to the 2020 budget plan.	—	None	Approved by resolution of the all attending Directors
	6. Distribution of the Company's 2019 cash dividend.	—	None	Approved by resolution of the all attending Directors
	7. Reviewing the overall 2020 H2 risk appetite of the Company	—	None	Approved by resolution of the all attending Directors
	8. Appointment of permanent legal adviser.	—	None	Approved by resolution of the all attending Directors
	9. Changes in the managers of branch offices.	—	None	Approved by resolution of the all attending Directors
	10. Appointment of consultants	—	None	Approved by resolution of the all attending Directors
	11. Renewal of the "Liability Insurance for Directors and Important Personnel"	—	None	Approved by resolution of the all attending Directors
	12. Amendments to the "Guidelines for Associated Persons Concurrently Responsible Management Roles."	—	None	Approved by resolution of the all attending Directors
	13. Promotion of Chief of Bonds Department of Proprietary Investment Division.	—	None	Approved by resolution of the all attending Directors
	14. Distribution of surplus bonuses for first half of 2020.	—	None	Approved by resolution of the all attending Directors
Oct. 8, 2020	1. Hua Nan Bank providing credit to the Company.	—	None	Approved by resolution of the all attending Directors
	2. Amendments to the "authorization hierarchy" of Compliance Office.	—	None	Approved by resolution of the all attending Directors
	3. Amendments to the "Attentions to the Countering the Financing of Terrorism"	—	None	Approved by resolution of the all attending Directors
	4. Amendments to the "Procedures for Repurchasing Shares."	—	None	Approved by resolution of the all attending Directors
	5. Retirement of the Company's 25th repurchased shares, and determining the record date of capital reduction.	—	None	Approved by resolution of the all attending Directors
Oct. 15, 2020	1. Election of new Chairman in accordance with the law due to the change in the representative of institutional director.	—	None	Director Ke-Chyn Jiang was elected the Chairman by all attending Directors.
Nov. 05, 2020	1. Independence evaluation of the 2020 CPAs.	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	2. Amendments to the 2020 "Internal Control Policies".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	3. Filling of the vacancy of the member of the 2nd Risk Management Committee	—	None	Approved by resolution of the all attending Directors
	4. Severance pay to Chairman Han-Tsung Liu.	—	None	Approved by resolution of the all attending Directors
	5. Appointment of consultants.	—	None	Approved by resolution of the all attending Directors
	6. Remuneration to the new Chairman.	—	None	Approved by resolution of the all attending Directors
	7. Additional of new business and operations of the new Guanglung Branch.	—	None	Approved by resolution of the all attending Directors
	8. Plans to acquire privately placed common shares of Cameo Corp. (hereinafter referred to as Cameo)	—	None	Approved by resolution of the all attending Directors

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors' opinions and the Company's response	Resolutions at the Board Meetings and Audit Committee Meetings
Dec. 10, 2020	1. Taishin International Bank providing guarantee-free commercial paper facilities to the Company.	—	None	Approved by resolution of the all attending Directors
	2. Replacement of the Futures Chief Accounting Manager	—	None	Approved by resolution of the all attending Directors
	3. Amendments to the 2020 "Internal Control Policies".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	4. Formulation of the Company's 2021 internal audit plan for securities and futures.	—	None	Approved by resolution of the all attending Directors
	5. Determining the record date of business transfer of Kunglon Securities to the Company, and the start of business day of Guanglung Branch.	—	None	Approved by resolution of the all attending Directors
	6. Changes in the managers of Guanglung Branch.	—	None	Approved by resolution of the all attending Directors
	7. Amendments to the "Organizational Rules" of the Company.	—	None	Approved by resolution of the all attending Directors
Jan. 28, 2021	1. 2021 budget plan	—	None	Approved by resolution of the all attending Directors
	2. Application for credit line from Ta Ching Bills Finance Corp. and International Bills Finance Corp. Application for commercial paper facilities from KGI Bank.	—	None	Approved by resolution of the all attending Directors
	3. The appointment of 2021 new CPAs and CPA fees.	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	4. Amendments to the 2020 "Internal Control Policies".	v	None	After being approved by the Audit Committee, approved by resolution of the all attending Directors
	5. Determining the overall 2021 risk appetite of the Company	—	None	Approved by resolution of the all attending Directors
	6. Amendments to the "General Principles of Risk Control."	—	None	Approved by resolution of the all attending Directors
	7. Formulating the "Guidelines for Operations of Securities Borrowing and Lending" and amendments to the "authorization hierarchy" of Brokerage Division.	—	None	Approved by resolution of the all attending Directors
	8. 2020 H2 surplus bonus to President, chief of divisions, as well as rank 10 personnel, including Vice Presidents, Supervisors and above.	—	None	Approved by resolution of the all attending Directors
Mar. 11, 2021	1. The Company applies to Bank of Taiwan for credit extension and Hua Nan Commercial Bank for line of credit.	—	None	Approved by resolution of all attending Directors
	2. Report of the Company's 2020 consolidated and individual financial report.	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	3. Company's 2020 business report, profit distribution and cash dividends distribution.	—	None	Approved by resolution of all attending Directors
	4. Proposed to have the Company's responsible person's authority of signing bookkeeping vouchers granted to the chief of accounting, and at the same time amend the hierarchical responsibility table of financial accounting.	—	None	Approved by resolution of all attending Directors
	5. Proposed to formulate the Company's 2020 "Statement on the Overall Implementation of Information Security Measures."	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	6. Proposed to formulate the Company's 2020 "Statement on Internal Control" and "Statement on Internal Control of Anti-Money Laundering and Countering Terrorism Financing."	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	7. Amendments to the 2020 "Internal Control Policies."	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	8. Amendment to "Rules of Procedure for Shareholders' meetings."	—	None	Approved by resolution of all attending Directors
	9. 2020 Distribution of remuneration to employees and directors	—	None	Approved by resolution of all attending Directors
	10. Time and date, and motions of 2021 Shareholders' Meeting.	—	None	Approved by resolution of all attending Directors

Date	Motion	Issues stated in Article 14-3 or 14-5 of the Securities and Exchange Act	Independent Directors' opinions and the Company's response	Resolutions at the Board Meetings and Audit Committee Meetings
	11. 2021 salary raise of chairman, president, chief of divisions, as well as rank 10 and above personnel, including vice presidents, managers of branch offices.	—	None	Approved by resolution of all attending Directors
Apr. 15, 2021	1. The Company implements the "Fair Treatment of Customers" evaluation form for financial services industry in 2021.	—	None	Approved by resolution of all attending Directors
	2. Revise the "Hierarchy of Responsibility Table" of the Brokerage Division.	—	None	Approved by resolution of all attending Directors
	3. The Company applies to Shanghai Commercial and Savings Bank and King's Town Bank for credit extension.	—	None	Approved by resolution of all attending Directors
	4. The Company applies to KGI Bank for line of credit, limit on issuance of unsecured commercial paper and short-term pre-delivery risk limit on financial instruments transactions.	—	None	Approved by resolution of all attending Directors
	5. The Company plans to handle its first domestic unsecured convertible corporate bonds.	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	6. Amendments to the 2021 "Internal Control Policies for Service Business."	v	None	After being approved by the Audit Committee, approved by resolution of all attending Directors
	7. Appointment of vice president at pay level 10 of the Brokerage Division.	—	None	Approved by resolution of all attending Directors

3. The resolutions of 2020 Shareholders' Meeting and review on implementation

No.	Motion	Status
Reports		
1	2019 Business Report	Resolved after reported
2	Review of 2019 financial statements by the Audit Committee.	Resolved after reported
3	Distribution of 2019 remuneration to employees and Directors.	Resolved after reported
4	Repurchase of the company shares.	Resolved after reported
5	Distribution of cash dividend of the Company's 2019 profit.	Resolved after reported
Proposals		
1	2019 Business Report and Financial Statements	Proceed as proposed
2	2019 profit distribution.	Distribution cash dividends on Sep. 14, 2020 (Cash dividends: NTD 0.15 per share)
Discussions		
1	Amendments to the "Articles of Incorporation."	The Company is operating in accordance with the amended Articles of Incorporation.
2	Amendment to "Rules of Procedure for Shareholders Meetings."	The Company is operating in accordance with the amended Rules of Procedure for Shareholders Meetings.
3	Acquisition of Kunglon Securities.	Completed
Election Matters		
1	Election for all seven seats of Directors (incl. three seats of Independent Directors)	Completed
Extemporary Motions: None.		

In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions passed at the Board Meeting during the most recent fiscal year and up to the date on which this Annual Report was printed, and the opinion was recorded or delivered in writing, please provide its main content: None.

(12) In the event that any director or supervisor expressed a dissenting opinion regarding any of the important resolutions passed at the Board Meeting during the most recent fiscal year and up to the date on which this Annual Report was printed, and the opinion was recorded or delivered in writing, please provide its main content: None.

(13) Summary of resignation or dismissal of the company's chairman, president, accounting manager(s), financial manager(s), internal audit manager(s), corporate governance manager(s) and R&D manager(s) during the most recent fiscal and up to the date on which the annual report was printed: None.

4. Information on CPA Professional Fees

Unit: NTD thousand

Name of accounting firm	Name of CPA	Audit professional fees	Non-audit fees					CPA auditing period	Remarks
			Policy design	Company registration	Human resources	Others (Note)	Subtotal		
Ernst & Young Global Limited	James Huang	2,596	0	0	0	100	100	Jan. 1, 2020 - 2020.12.31	Other non-audit fees include reports on the reasonability evaluation on repurchase of shares.
	Bob Chang								

Matters shall be disclosed in any of the following circumstances.

- (1) **In the event that the non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed.**

N/A. No such matter in 2020.

- (2) **In the event that the accounting firm has been changed and that the amount of audit fees paid during the fiscal year when the change occurs is lower than that paid during the previous fiscal year, the amounts decreased and percentage of decrease must be disclosed.**

N/A. No changing of accounting firm in 2020.

- (3) **In the event that the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10% or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed.**

N/A. There are no such matters in 2020.

5. Information on Replacement of CPAs

N/A. No changing of CPAs in 2020.

6. Company chairman, President, or Any Managerial Officer in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm

7. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent

(1) Share changes by directors, supervisors, managers, and major shareholders

Title	Name	2020		As of Mar. 30, 2021	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Chairman	Ke-Chyn Jiang	0	0	59,101	0
Director	Cheng-Da Investment Consulting Co., Ltd.	0	(800,000)	(10,000)	
Director	Chia-Hung Lee	50,000	0	0	0
Director	Jyun-De Li	0	0	0	0
Independent Director	Chen-Chi Hsiao	0	0	0	0
Independent Director	Yuh-Jen Chen	0	0	0	0
Independent Director	Che-Ying Liaw	0	0	0	0
Director and President	Jamie Lin	0	0	(60,000)	0
Vice president of the Internal Auditing Office	Rogers Huang	0	0	163,311	0
Vice President of Risk Management Office	Vicki Chen	73,867	0	(30,000)	0
Senior Vice President of Compliance Office	Lillian Chen	0	0	208,348	0
Vice President of President's Office	Shao-Chen Chiang	(18,000)	0	71,235	0
Assistant Vice President of President's Office	John Jiang	(65,729)	0	0	0
Vice President of Finance Division	Chilli Hsieh	0	0	0	0
Vice President of Digital Products Division	Liang-Chen Chu	0	0	0	0
Assistant Vice President of Digital Products Division	Kuei-Ching Huang	0	0	0	0
Assistant Vice President of Digital Products Division	Justine Lin	(643)	0	0	0
Senior Assistant Vice President of Operations Service Division	Franco Jiang	795	0	0	0
Assistant Vice President of Operations Service Division	Hank Wang	0	0	0	0
Assistant Vice President of Operations Service Division	Joyce Lai	0	0	0	0
Assistant Vice President of Operations Service Division	Julie Sue	0	0	145,448	0
Senior Vice President of Proprietary Investment Division	May Lin	0	0	(27,000)	0
Vice President of Proprietary Investment Division	Jenny Huang	0	0	0	0
Senior Assistant Vice President of Proprietary Investment Division	Alex Tsai	(20,000)	0	0	0
Proprietary Investment Division Manager	Jui-Ching Wang	0	0	0	0
Senior Vice President of Capital Market Division	Gilbert Chang	0	0	0	0
Vice President of Capital Market Division	Lingc Huang	0	0	0	0

Title	Name	2020		As of Mar. 30, 2021	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Vice President of Capital Market Division	Chih-Sung Jen	91,526	0	0	0
Senior Assistant Vice President of Capital Market Division	Christine Chang	(110,000)	0	0	0
Senior Assistant Vice President of Capital Market Division	Sophia Liu	144,610	0	0	0
Senior Assistant Vice President of Capital Market Division	Steven Wu	0	0	0	0
Senior Assistant Vice President of Capital Market Division	Brian Chiu	0	0	91,303	0
Senior Assistant Vice President of Capital Market Division	Rita Chen	0	0	67,952	0
Senior Assistant Vice President of Capital Market Division	Angela Lin	0	0	0	0
Assistant Vice President of Capital Market Division	Alice Wang	0	0	0	0
Assistant Vice President of Capital Market Division	Wan-Ting Huang	0	0	0	0
Assistant Vice President of Capital Market Division	Hui-Wen Chang	0	0	0	0
Assistant Vice President of Capital Market Division	Jau-Jiun Yu	0	0	0	0
Assistant Vice President of Capital Market Division	Ya-Shan Wang	0	0	0	0
Executive Vice President of Brokerage Division	Frank Liao	0	0	132,000	0
Senior Vice President of Brokerage Division	Maggie Chen	0	0	0	0
Assistant Vice President of Brokerage Division	Mei-Chien Li	0	0	0	0
Assistant Vice President of Brokerage Division	Chen Yu Yang	0	0	76,138	0
Assistant Vice President of Brokerage Division	Hsu Fu Chang	0	0	(12,000)	0
Assistant Vice President of Brokerage Division	Chiou Fan Chen	86,561	0	0	0
Assistant Vice President of Brokerage Division	Chia Ming Huang	0	0	0	0
Assistant Vice President of Brokerage Division	Chih-Chung Lee	(23,500)	0	0	0
Assistant Vice President of Brokerage Division	Jeff Chen	0	0	0	0
Assistant Vice President of Brokerage Division	Joe Hu	0	0	(28,541)	0
Assistant Vice President of Brokerage Division	Ming Che Tsai	0	0	10,000	0
Manager of Brokerage Division	Pei Shan Li	0	0	0	0
Manager of Brokerage Division	Hui-Chun Yu	0	0	0	0

- (2) **Information on share transfers:** The counterparties of shareholding transfers are not related parties.
- (3) **Information on share pledges:** The counterparties of share pledges are not related parties.

8. Relationship information, if among the company's ten largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Mar. 30, 2021

Name (Note 1)	Shareholdings		Shares held by spouse or minor children		Shares held in the name of others		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree. (Note 3)		Remarks
	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Quantity	Percentage of shareholding	Name	Relation	
Cheng-Da Investment Consulting Co., Ltd. Representative: Shao-Chen Chiang	33,790,000	10.21%	0	-	0	-	None	None	-
	172,710	0.05%	3,059,101	0.92%	0	-	Ke-Chyn Jiang	Spouse	-
Mercuries Life Insurance Co. Ltd. Representative: Hsiang-Chieh Chen	23,778,000	7.19%	0	-	0	-	Mercury Fu Bao Co. Ltd. Mercuries F&B Co., Ltd.	Same Parent Company	-
	0	-	0	-	0	-	Chang-Hui Hsu Hsiang-Fen Chen	Mother-son Brothers	-
Mercury Fu Bao Co. Ltd. Representative: Hsien-Chang Wang	20,286,000	6.13%	0	-	0	-	Mercuries Life Insurance Co. Ltd. Mercuries F&B Co., Ltd.	Same Parent Company	-
	0	-	0	-	0	-	None	None	-
Shang Lin Investment Co., Ltd. Representative: Chang-Hui Hsu	17,145,000	5.18%	0	-	0	-	None	None	-
	0	-	0	-	0	-	Hsiang-Chieh Chen Hsiang-Fen Chen	Mother-son Mother-son	-
Shih-Chien Tseng	6,688,000	2.02%	0	-	0	-	None	None	-
Chinatrust Commercial Bank special account for employees entrusted by Horizon Securities Representative: Jamie Lin	6,493,709	1.96%	0	-	0	-	None	None	-
	252,751	0.08%	0	-	0	-	None	None	-
UBS Europe SE	5,219,000	1.58%	0	-	0	-	None	None	-
Mercury Fu Bao Co. Ltd. Representative: Hsiang-Fen Chen	4,736,000	1.43%	0	-	0	-	Mercuries Life Insurance Co. Ltd. Mercury Fu Bao Co. Ltd.	Same Parent Company	-
	0	-	0	-	0	-	Chang-Hui Hsu Hsiang-Chieh Chen	Mother-son Brothers	-
Ke-Chyn Jiang	3,059,101	0.92%	172,710	0.05%	1,100,000	0.33%	Shao-Chen Chiang	Spouse	-
Shih-Hsiung Huang	2,490,000	0.75%	0	-	0	-	None	None	-

Note 1: The Company's ten largest shareholders shall be listed. For institutional shareholders, the name and representative shall be listed separately.

Note 2: Shareholdings include the shareholding percentage held in his/her own name, in the name of spouses and minor children.

Note 3: The aforementioned shareholders include both legal and natural persons, and the relationships between them should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

9. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Dec. 31, 2020

Invested company	Company's investment		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares (shares)	Percentage of shareholding (%)	Number of shares (shares)	Percentage of shareholding (%)	Number of shares (shares)	Percentage of shareholding (%)
Horizon SICE Co., Ltd.	12,000,000	100.00	0	0	12,000,000	100.00
Horizon Venture Capital Co., Ltd.	45,000,000	100.00	0	0	45,000,000	100.00
Horizon Venture Management Co., Ltd.	2,000,000	100.00	0	0	2,000,000	100.00

IV. Capital Overview

1. Capital and Shares

(1) Sources of capital

1. Sources of capital

Mar. 30, 2021; Unit: thousand shares/NTD thousand

Year/month	Issue price	Authorized capital stock		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of capital	Property other than cash as substitute for share price	Others
Dec. 1961	10	99	990	99	990	Founding of the Company	—	—
Mar. 1965	10	600	6,000	600	6,000	Capital increase by cash NTD 5,010 thousand.	—	—
Feb. 1967	10	120	1,200	120	1,200	Capital reduction NTD 4,800 thousand.	—	—
Aug. 1971	10	200	2,000	200	2,000	Capital increase by cash NTD 800 thousand.	—	—
Feb. 1973	10	500	5,000	500	5,000	Capital increase by cash NTD 3,000 thousand.	—	—
Jun. 1977	10	1,000	10,000	1,000	10,000	Capital increase by cash NTD 2,365 thousand. Capitalization of earnings of NTD 2,635 thousand.	—	—
Sep. 1981	10	5,000	50,000	2,290	22,900	Capital increase by cash NTD 12,900 thousand.	—	—
Sep. 1986	10	5,000	50,000	4,580	45,800	Capitalization of earnings of NTD 2,290 thousand. Capital surplus transferred to capital NTD 20,610 thousand.	—	—
May. 1987	10	10,000	100,000	7,328	73,280	Capitalization of earnings of NTD 27,480 thousand.	—	—
Apr. 1989	10	40,000	400,000	25,300	253,000	Capital increase by cash NTD 179,720 thousand.	—	Note 1
78.11	10	135,000	1,350,000	105,000	1,050,000	Capital increase by cash NTD 797,000 thousand.	—	Note 2
Aug. 1991	10	135,000	1,350,000	110,250	1,102,500	Capital surplus transferred to capital NTD 52,500 thousand.	—	Note 3
Aug. 1992	10	135,000	1,350,000	121,275	1,212,750	Capitalization of earnings of NTD 110,250 thousand.	—	Note 4
Aug. 1994	10	135,828	1,358,280	135,828	1,358,280	Capitalization of earnings of NTD 145,530 thousand.	—	Note 5
Nov. 1994	10	250,000	2,500,000	176,000	1,760,000	Capital increase by cash NTD 401,720 thousand.	—	Note 6
Jun. 1995	10	250,000	2,500,000	207,680	2,076,800	Capital increase by cash NTD 316,800 thousand.	—	Note 7
Oct. 1996	10	300,000	3,000,000	262,500	2,625,000	Capital increase by cash NTD 548,200 thousand.	—	Note 8
Oct. 1997	10	600,000	6,000,000	450,000	4,500,000	Capital surplus transferred to capital NTD 78,750 thousand. Capitalization of earnings of NTD 347,250 thousand. Capital increase by cash NTD 1,449,000 thousand.	—	Note 9
Jun. 1998	10	600,000	6,000,000	540,000	5,400,000	Capital surplus transferred to capital NTD 135,000 thousand. Capitalization of earnings of NTD 765,000 thousand.	—	Note 10
Jul. 2005	10	600,000	6,000,000	324,000	3,240,000	Capital reduction NTD 2,160,000 thousand.	—	Note 11
Jul. 2005	10	600,000	6,000,000	359,700	3,597,000	Capital increase by cash NTD 357,000 thousand. (Note 15)	—	Note 12
Aug. 2005	10	600,000	6,000,000	400,785	4,007,850	Capital increase by cash NTD 410,850 thousand. (Note 15)	—	Note 13
Sep. 2005	10	600,000	6,000,000	430,000	4,300,000	Capital increase by cash NTD 292,150 thousand. (Note 15)	—	Note 14
Apr. 2008	10	600,000	6,000,000	429,900	4,299,000	Capital reduction NTD 1,000 thousand.	—	Note 16
Apr. 2010	10	600,000	6,000,000	456,839	4,568,388	Capital increase through merger NTD 269,388 thousand. (Note 17)	—	Note 17
Jul. 2013	10	600,000	6,000,000	444,839	4,448,388	Capital reduction NTD 120,000 thousand.	—	Note 18
Jan. 2014	10	600,000	6,000,000	426,839	4,268,388	Capital reduction NTD 180,000 thousand.	—	Note 19
Apr. 2016	10	600,000	6,000,000	414,881	4,148,808	Capital reduction NTD 119,580 thousand.	—	Note 20
Aug. 2016	10	600,000	6,000,000	405,001	4,050,008	Capital reduction NTD 98,800 thousand.	—	Note 21
Jan. 2017	10	600,000	6,000,000	387,001	3,870,008	Capital reduction NTD 180,000 thousand.	—	Note 22
Mar. 2017	10	600,000	6,000,000	380,001	3,800,008	Capital reduction NTD 70,000 thousand.	—	Note 23
Aug. 2017	10	600,000	6,000,000	370,001	3,700,008	Capital reduction NTD 100,000 thousand.	—	Note 24
Nov. 2017	10	600,000	6,000,000	368,233	3,682,328	Capital reduction NTD 17,680 thousand.	—	Note 25
Dec. 2018	10	600,000	6,000,000	362,501	3,625,008	Capital reduction NTD 57,320 thousand.	—	Note 26
Mar. 2019	10	600,000	6,000,000	358,001	3,580,008	Capital reduction NTD 45,000 thousand.	—	Note 27
Jul. 2019	10	600,000	6,000,000	355,001	3,550,008	Capital reduction NTD 30,000 thousand.	—	Note 28
Nov. 2019	10	600,000	6,000,000	350,501	3,505,008	Capital reduction NTD 45,000 thousand.	—	Note 29
Mar. 2020	10	600,000	6,000,000	347,001	3,470,008	Capital reduction NTD 35,000 thousand.	—	Note 30
Apr. 2010	10	600,000	6,000,000	338,201	3,382,008	Capital reduction NTD 88,000 thousand.	—	Note 31
Jul. 2010	10	600,000	6,000,000	332,501	3,325,008	Capital reduction NTD 57,000 thousand.	—	Notes 32
Oct. 2020	10	600,000	6,000,000	330,817	3,308,168	Capital reduction NTD 16,840 thousand.	—	Notes 33

Note 1: (78) Tai-Cai-Zheng-(1) Letter No. 00834 dated Apr. 19, 1989 from Securities and Exchange Commission (SEC).

Note 2: (78) Tai-Cai-Zheng-(1) Letter No. 29486 dated Nov. 22, 1989 from SEC.

Note 3: (80) Tai-Cai-Zheng-(1) Letter No. 21274 dated Aug. 20, 1991 from SEC.

Note 4: (81) Tai-Cai-Zheng-(1) Letter No. 60928 dated Aug. 11, 1992 from SEC.

Note 5: (83) Tai-Cai-Zheng-(1) Letter No. 34190 dated Aug. 11, 1994 from SEC.
 Note 6: (83) Tai-Cai-Zheng-(2) Letter No. 46207 dated Nov. 25, 1994 from SEC.
 Note 7: (84) Tai-Cai-Zheng-(2) Letter No. 36293 dated Jun. 21, 1995 from SEC.
 Note 8: (85) Tai-Cai-Zheng-(2) Letter No. 58366 dated Oct. 7, 1996 from SEC.
 Note 9: (86) Tai-Cai-Zheng-(2) Letter No. 71501 dated Oct. 9, 1997 from Securities and Futures Institute (SFI).
 Note 10: (87) Tai-Cai-Zheng-(2) Letter No. 47380 dated Jun. 1, 1998 from SFI.
 Note 11: (94) Jin-Guan-Zheng-(2) Letter No. 0940130809 dated Jul. 26, 2005 from Financial Supervisory Commission (FSC).
 Note 12: Jing-Shou-Shang Letter No. 09401152510 dated Aug. 8, 2005 from Ministry of Economic Affairs (MEA).
 Note 13: Jing-Shou-Shang Letter No. 09401181740 dated Sep. 15, 2004 from MEA.
 Note 14: Jing-Shou-Shang Letter No. 09401196090 dated Oct. 6, 2005 from MEA.
 Note 15: Private placement at issue price of NTD 7. Effective retrospectively upon Jin-Guan-Zheng-Quan Letter No. 0980055273 dated Oct. 21, 2009 from FSC, and renewed on Nov. 9, 2009.
 Note 16: Repurchase of 100 thousand shares in the period Dec. 2007 to Feb. 2008. Capital reduction by share repurchase completed in Apr. 2008.
 Note 17: Capital increase by issuance of 26,938,775 common shares through merger with Forwin Securities. Effective upon Jin-Guan-Zheng-Quan Letter No. 0980064331 dated Dec. 9, 2009.
 Note 18: Jing-Shou-Shang Letter No. 10201135540 dated Jul. 12, 2013 from MEA.
 Note 19: Jing-Shou-Shang Letter No. 10301005160 dated Jan. 10, 2014 from MEA.
 Note 20: Jing-Shou-Shang Letter No. 10501071250 dated Apr. 13, 2016 from MEA.
 Note 21: Jing-Shou-Shang Letter No. 10501201510 dated Aug 17, 2016 from MEA.
 Note 22: Jing-Shou-Shang Letter No. 10601002770 dated Jan. 10, 2017 from MEA.
 Note 23: Jing-Shou-Shang Letter No. 10601039930 dated Mar. 27, 2017 from MEA.
 Note 24: Jing-Shou-Shang Letter No. 10601115860 dated Aug 16, 2017 from MEA.
 Note 25: Jing-Shou-Shang Letter No. 10601157860 dated Nov. 20, 2017 from MEA.
 Note 26: Jing-Shou-Shang Letter No. 10701157310 dated Dec. 22, 2018 from MEA.
 Note 27: Jing-Shou-Shang Letter No. 10801030230 dated Mar. 25, 2019 from MEA.
 Note 28: Jing-Shou-Shang Letter No. 10801080340 dated Jul. 8, 2019 from MEA.
 Note 29: Jing-Shou-Shang Letter No. 10801161310 dated Nov. 11, 2019 from MEA.
 Note 30: Jing-Shou-Shang Letter No. 10901031140 dated Mar. 09, 2020 from MEA.
 Note 31: Jing-Shou-Shang Letter No. 10901064860 dated Apr. 23, 2020 from MEA.
 Note 32: Jing-Shou-Shang Letter No. 10901132830 dated Jul. 27, 2020 from MEA.
 Note 33: Jing-Shou-Shang Letter No. 10901198320 dated Oct. 20, 2020 from MEA.

2. Share category:

Mar. 30, 2021; unit: thousand shares

Share category	Authorized capital stock			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	330,817	269,183	600,000	

3. If the company adopts the shelf registration method for the raising and issue of common corporate bonds, relevant information concerning the approved amount, projected total issue amount, and the already issued total amount shall be disclosed:
 N/A.

(2) Shareholder Structure

Mar. 30, 2021

Shareholder Structure Quantity	Government agencies	Financial institution	Other juridical persons	Individual	Foreign institutions and foreign persons	Total
No. of person(s)	-	2	143	42,604	57	42,806
No. of shares held	-	24,054,000	86,936,085	203,901,837	15,924,853	330,816,775
Percentage of shareholding	-	7.27%	26.28%	61.64%	4.81%	100.0%

Note: Primary exchange-listed and primary OTC-listed companies and emerging stock market-listed company at emerging stock market shall disclose the percentage of their shares held by investment from Mainland China. As defined in Article 3 of the "Regulations Governing Permission for People of the Mainland Area to Invest in Taiwan," investment from China refers to any individual, juristic person, organization, or other institution of the Mainland Area, or any company it invests in any third area.

(3) Status of shareholding distribution

Mar. 30, 2021

Level of holding	No. of shareholders	No. of shares held	Percentage of shareholding
1 – 999	25,879	2,684,851	0.80%
1,000 – 5,000	11,121	25,393,871	7.68%
5,001 – 10,000	2,650	21,448,709	6.48%
10,001 – 15,000	854	10,957,348	3.31%
15,001 – 20,000	712	13,527,724	4.09%
20,001 – 30,000	533	14,020,997	4.24%
30,001 – 50,000	427	17,654,650	5.34%
50,001 – 100,000	334	24,816,006	7.50%
100,001 – 200,000	173	24,929,041	7.54%
200,001 – 400,000	75	21,061,712	6.37%
400,001 – 600,000	23	11,313,301	3.42%
600,001 – 800,000	4	2,574,000	0.78%
800,001 – 1,000,000	2	1,730,000	0.52%
1,000,001 and above (divide into different levels as required)	19	138,704,565	41.93%
Total	42,806	330,816,775	100.00%

Note: This table includes non-voting shares of 1 shareholder of 2,117,000 shares, among which are 2,117,000 treasury shares.

(4) List of major shareholders

Mar. 30, 2021

Shareholding	No. of shares held	Percentage of shareholding
Names of major shareholders		
Cheng-Da Investment Consulting Co., Ltd.	33,790,000	10.21%
Mercuries Life Insurance Co. Ltd.	23,778,000	7.19%
Mercury Fu Bao Co. Ltd.	20,286,000	6.13%
Shang Lin Investment Co., Ltd.	17,145,000	5.18%
Shih-Chien Tseng	6,688,000	2.02%
Chinatrust Commercial Bank special account for employees entrusted by Horizon Securities	6,493,709	1.96%
UBS Europe SE	5,219,000	1.58%
Mercury Fu Bao Co. Ltd.	4,736,000	1.43%
Ke-Chyn Jiang	3,059,101	0.92%
Shih-Hsiung Huang	2,490,000	0.75%

(5) Information on the market price, net value, earnings, and dividends per share in the most recent two years

Unit: thousand shares; NTD
thousand

Items		Year	2019	2020	As of Mar. 31, 2020 (Note 3)
		Market price per share (Note 4)	highest		7.08
lowest			6.13	5.10	11.00
Average			6.61	8.82	13.04
Net value per share	Before dividend distribution		11.25	12.57	(Note 3)
	After dividend distribution		11.10 (Note 1)	12.07	(Note 3)
Earnings per share (Note 5)	Weighted average shares (thousand shares)		353,009	335,149	330,817
	Earnings per share		0.40	1.24	(Note 3)
Dividends per share (NTD) (Note 6)	Cash dividends		0.15	0.50 (Note 1)	(Note 3)
	Stock dividends	Retained earnings	-	(Note 2)	(Note 3)
		Capital reserve	-	(Note 2)	(Note 3)
	Accumulated undistributed dividends (Note 7)		-	(Note 2)	(Note 3)
Return on investment	P/E ratio (Note 8)		16.53	7.13	(Note 3)
	P/D ratio (Note 9)		44.08	17.64	(Note 3)
	Cash dividend yield (%) (Note 10)		2.27	5.67	(Note 3)

Note 1: Distribution of cash dividends has been resolved by the Board, but not yet reported to the Shareholders' Meeting.

Note 2: Distribution of cash dividends has not been approved by the Shareholders' Meeting.

Note 3: The net value per share and earnings per share as of Mar. 31, 2021 has not yet been audited by the CPAs.

Note 4: The table listed highest and lowest market price per share of common stock for each year, and the average market price of each year is calculated based on the annual actual transaction value and volume.

Note 5: Table is filled in based on the number of end of year outstanding shares and the resolution of the shareholders' meeting.

Note 6: If retrospective restatement is required due to stock dividends, EPS both before and after adjustment shall be stated.

Note 7: If the unpaid dividends equity securities of the current year are qualified to be accumulated and paid in the year of earnings, the dividends unpaid as of the current year should be disclosed separately.

Note 8: Price/Earnings ratio = Yearly average closing price/Earnings per share.

Note 9: P/D ratio = Average closing price per share of the current year/cash dividend per share.

Note 10: Cash dividend yield = Cash dividends per share/average closing price per share for the current fiscal year.

(6) Dividend policy of the company and implementation status

1. Dividend policy

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

When allocating the earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, and 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 the 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 earnings depending on the Company's business development and capital requirement.

2. Dividend distribution proposed at the current shareholders' meeting:

On March 11, 2021, the board meeting resolved to distribute a cash of dividends of NT\$165,408,388 to shareholders. Based on the number of shares outstanding, shareholders will receive NT\$0.5 per share (distributed to the closest ones). As stipulated in Paragraph 2, Article 24 of the Article of Incorporation, the Company authorizes the Board to determine whether to distribute all or part of the aforementioned dividends or bonuses in the form of cash and report the resolutions to the shareholders' meeting. After the shareholders' meeting, the Board will determine the record date for dividend allotment, and distribution day. However, the Board is in charge of matters related to any changes in the payout ratios due to a change in outstanding shares from the Company's repurchase, transfer, conversion of shares which causes any increase or decrease in shareholdings.

3. When there is an anticipated significant change in the dividend policy, the Company should provide explanation thereto.

As of the printing date of this Annual Report there is no anticipated significant change in the dividend policy.

(7) The influence of the bonus shares issuance proposed at the current shareholders' meeting on the operation performance and EPS of the Company.

There are no matters of stock dividends proposed in this shareholders' meeting.

(8) Remuneration to Employees, Directors, and Supervisors

1. Percentages or ranges with respect to the remuneration to employees, Supervisors, Directors as set forth in the company's Articles of Incorporation:

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, and both shall sum up to no more than 5%. However, profits must first be taken to offset against cumulative losses if any. The aforementioned profit refers to the pre-tax income minus the amount of remuneration to be distributed to the directors or employees.

2. The basis for estimating the amount of remuneration to employees, Directors, and Supervisors, for calculating the number of shares to be distributed as remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

As stipulated in the Articles of Incorporation, the Company shall appropriate no less than 2% as employee remuneration and no more than 3% as director remuneration, and both shall sum up to no more than 5%. In 2020, the remuneration in cash distributed to

directors was estimated at NT\$12 million and the remuneration in cash distributed to employees was NT\$9 million. The actual amount paid was consistent with the annual estimated amount recognized as expenses.

3. Information on any approval by the Board of Directors of distribution of remuneration:

(1) The amount of any employee remuneration distributed in cash or stocks and remuneration for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

For 2021, the remuneration in cash distributed to directors is NT\$12 million and the remuneration in cash distributed to employees is NT\$9 million. The actual amount paid is consistent with the annual estimated amount recognized as expenses.

(2) The amount of stock dividend paid to employees as employee remuneration, that as a percentage to the sum of the net income as stated in the individual financial statements and the total remunerations to employees:

The Company has not proposed to distribute employee remuneration in the form of stocks, so this does not apply.

4. The actual distribution of remuneration to employees, directors, and supervisors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if any, discrepancy between the actual distribution and the recognized remuneration to employees, directors, or supervisors, additionally the discrepancy, cause, and how it is treated:

The Company's Board of Directors had resolved to distribute the 2020 remuneration to employees and directors at the amount of NTD 3,800 thousand and NTD 3,000 thousand respectively, which has no significant difference from the expenses booked in the 2019 financial report.

(9) Share repurchases:**1. Share repurchases (repurchase completed)**

Mar. 30, 2021

No. of repurchase	20th	21st	22nd
Purpose	Maintaining the Company's credit and shareholder's equity	Maintaining the Company's credit and shareholder's equity	Maintaining the Company's credit and shareholder's equity
Repurchase period	2019.12.20 – 2020.02.19	2020.02.21 – 2020.03.10	2020.03.12 – 2020.03.25
Price range	NTD 5 – NTD 9	NTD 5 – NTD 9	NTD 5 – NTD 9
Type and no. of shares repurchased	1,800 common shares	2,000 thousand common shares	5,000 thousand common shares
Monetary amount of shares repurchased	NTD 12,033,432	NTD 12,617,641	NTD 28,038,324
No. of repurchased shares as a percentage of proposed share repurchase (%)	60%	100%	100%
No. of shares retired or transferred.	1,800 common shares	2,000 thousand common shares	5,000 thousand common shares
Accumulated no. of shares held	0 shares	0 shares	0 shares
Accumulated no. of shares held as a percentage of the total issued shares (%)	0%	0%	0%
No. of repurchase	23rd	24th	25th
Purpose	Maintaining the Company's credit and shareholder's equity	Maintaining the Company's credit and shareholder's equity	Maintaining the Company's credit and shareholder's equity
Repurchase period	2020.03.27 – 2020.05.06	2020.05.08 – 2020.06.17	2020.06.19 – 2020.07.28
Price range	NTD 5 – NTD 9	NTD 5 – NTD 8	NTD 5 – NTD 9
Type and no. of shares repurchased	3,000 thousand common shares	2,700 common shares	1,684 common shares
Monetary amount of shares repurchased	NTD 17,196,469	NTD 16,847,854	NTD 12,532,273
No. of repurchased shares as a percentage of proposed share repurchase (%)	50%	54%	47%
No. of shares retired or transferred.	3,000 thousand common shares	2,700 common shares	1,684 common shares
Accumulated no. of shares held	0 shares	0 shares	0 shares
Accumulated no. of shares held as a percentage of the total issued shares (%)	0%	0%	0%

2. Share repurchases (repurchase in process) None.

Mar. 30, 2021

No. of repurchase	th
Purpose	—
Type of shares to be repurchased	—
Ceiling on total monetary amount of the repurchase	—
Planned period for the repurchase	—
No. of shares to be repurchased	—
Price range of the shares to be repurchased	—
Type and no. of shares repurchased	—
Monetary amount of shares repurchased	—
No. of repurchased shares as a percentage of proposed share repurchase (%)	—

2. Corporate Bonds (incl. overseas bonds): The Company has not issued any corporate bonds.

3. Preferred Shares: The Company has not issued any preferred shares.

4. Global Depository Shares: The Company does not have any global depository shares.

- 5. Employee Stock Options and New Restricted Employee Shares:** The Company has not issued any employee stock options and new restricted employee shares.
- 6. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies:** None.
- 7. Implementation of the Company's Capital Allocation Plans:** None.

V. Operating Highlights

1. Business Activities

(1) Business scope

1. The principal businesses of the Company:

- (1) Undertaking the trading of securities at centralized securities exchange market and its operating sites.
- (2) Trading securities at centralized securities exchange market and its operating sites.
- (3) Underwriting securities
- (4) Registrar agent for securities
- (5) Handling businesses regarding margin purchase and short sale.
- (6) Undertaking the overseas trading of securities
- (7) Handling business regarding short-term bills
- (8) Handling futures brokerage business
- (9) Handling futures proprietary trading business
- (10) Handling futures consulting business
- (11) Other businesses approved by the competent authority

2. Current products (services) and that as a percentage to total business amount:

Unit: NTD thousand

Principal business	2019		2020	
	Operating income	%	Operating income	%
Brokerage business	431,656	50.70	599,843	45.93
Underwriting business	114,783	13.48	176,048	13.48
Proprietary trading business	305,235	35.86	531,125	40.66
Others (Note)	(316)	(0.04)	(909)	(0.07)
Total	851,358	100.00	1,306,107	100.00

Note: Mainly consists of the evaluation of reversal gains on expected credit impairment loss, and profit or loss on foreign exchange.

3. The principal products (services) of the Company:

Services	Main purpose or functions
Brokerage Dept. & Branches	<ul style="list-style-type: none"> . Undertaking the trading of securities at centralized securities exchange market and its operating sites. . Handling businesses regarding margin purchase and short sale. . Businesses regarding centralized custody and transfer of securities. . Handling businesses regarding securities settlements. . Undertaking application service for public lottery of share underwriting. . Handling futures brokerage business. . Undertaking the sales of beneficiary certificates, other securities and financial products. . Undertaking the trading of emerging stocks.
Proprietary Trading Department	<ul style="list-style-type: none"> . Trading securities at centralized securities exchange market and its operating sites. . Trading of futures related products in the futures markets. . Taking due responsibility as a propriety trader to balance the supply and demand in the market, playing the role of market creator with underwriters.
Futures Proprietary Trading Department	<ul style="list-style-type: none"> . Handling futures proprietary trading.
Derivatives Investment	<ul style="list-style-type: none"> . Issuing and promoting call (put) warrants . R&D and trading share derivatives.

Services	Main purpose or functions
Department	. R&D, issuing, selling and trading various new financial products.
Bonds Department	. Handling matters regarding the offering planning, reverse auctions, and sales of bonds and securities. . Trading bonds on the primary and secondary markets, and handling matters thereof. . Developing and promoting derivatives products. . Capital movement of New Taiwan dollars. . Financial management of fixed income products.
Capital Market Division	. Guiding public companies listings on TPEX and TWSE, as well as underwriting capital increase for TPEX- and TWSE-listed companies . Providing consulting services for issuance and offering of securities. . Providing consulting services for planning and execution of the privatization of government-owned enterprises. . Providing planning and execution consultation services for enterprises. . Private placement of securities. . Providing consulting services for reorganization, strategic reconstruction. . Providing consulting services for venture investment plans, financial analysis and post-investment management. . Handling proprietary trading of emerging stocks. . Planning and managing brokerage businesses for emerging stocks.
Registrar Agency Department	. Serving as registrar agent in handling share related matters of public companies. . Serving as proxy agents for shareholder meeting proxy.

4. Proposed development of new products (services) and improvements to E-platforms for transactions.

- (1) Building order placement App and PC platform for AI-selected Taiwan stock/programming strategy/intelligent analysis.
- (2) Optimizing Horizon online account opening system, opening of settlement account connected to the Bank, and addition of reconsignment settlement banks, to provide a comprehensive account opening function.
- (3) Building an order placement MultiCharts system for securities and futures, to facilitate the speed of order placement through customers' self-built programs or built-in programs.
- (4) Optimizing and launching a new version of the official site in the social community, Line@, and building new functions for order placement and strategic stock selection.
- (5) Optimizing of various platforms based on customer needs.
- (6) Building customer-use reconsignment (incl. US and HK markets) E-platform and order placement functions.
- (7) Improving the content, updating "experience sharing from investment experts" on official websites on FB, IG and YouTube, in order to provide customers with all-round knowledge on financial management.

(2) Status of the industry

1. Status and development of the industry

The Taiwanese securities industry is becoming more and more liberalized and internationalized. With the Government inviting securities firms to expand their business scales, and integrated securities firms having a greater advantage in market risk response and providing multi-faceted customer services, the integrated securities firms and complex securities firms with integrated brokerage, underwriting or proprietary trading services are becoming the trend of the securities industry.

According to the data provided by the Financial Supervisory Commission (FSC), in Dec 2020, there was a total of 105 securities firms, and 848 branches in Taiwan. Among them, 36 are integrated securities firms, 4 brokerage and proprietary trading firms, 5 brokerage and underwriting firms, 16 proprietary trading and underwriting firms, 25 brokerage firms, 18 proprietary trading firms and 1 underwriting firm.² The statistics clearly shows that the securities firms are developing toward large-scale securities firms or complex securities firms. On the other hand, due to the development of Fintech and increasing use of e-transactions in recent years, the FSC approved that for the optimization of operating locations of securities firms, the branches may provide only wealth management services and need not set up facilities regarding brokerage business, in the aim to decrease the operational costs of securities firms. Also, the securities firms are allowed to sub-lease their operating locations to lessors of other industries. This not only helps to increase customer flow, but also adds to extra income.

Due to the increase in the competitiveness and level of internationalization in the securities industry, assets around the world are less and less locally restricted. To meet capital needs, enterprises have diversified their channels to raise capital. They may choose traditional ways such as issuance of shares, corporate bonds and securities to raise capital, or they may turn to issuance of overseas corporate bonds, overseas depositary receipts or foreign shares in foreign countries. Furthermore, the government's New Southbound Policy and the FSC's promotion of "Counseling Taiwanese Companies regarding Capital Raise from Domestic Market" have encouraged the diversification of Taiwanese TPEX-/TWSE-listed companies, in order to vitalize the domestic capital market. As a result, the market's demand for consultation services for securities underwriters has increased. Besides this, due to the innovation of financial products, the competent authority's opening up of cross-strait business dealing, accelerating integration between domestic financial institutions and cross-industry alliance, cross-marketing, and expansion of bank businesses, the domestic securities firms are becoming more and more diversified, thus providing more comprehensive and professional products and services to the investors. Moreover, as the international financial market opens up, the information is transmitted more rapidly, and investment instruments diversify, the economic trend and the choices for investment portfolios will become more and more complex. Thus, an increase in demand for professional consultation is expected, and this demand is also the driving force of the business scale expansion of securities firms. In the future, the enterprises and investors are expected to have higher demand for information regarding securities, and thus demand for services provided by securities firms will so increase.

Number of Securities Firms in the Most Recent Five Years

Year/month	Total securities firms		Securities brokers	Propriety traders	Underwriters
	Headquarters	Branch Offices			
Dec. 2016	116	910	78	79	59
Dec. 2017	111	883	74	77	58
Dec. 2018	108	871	72	76	58
Dec. 2019	106	853	71	75	58
Dec. 2020	105	848	70	74	58

Source: Key indicators of securities and futures market, FSC, Dec. 2020

(1) Trading market

Products traded on the Taiwan Exchange Market are mainly stocks, beneficiary certificates, government bonds and corporate bonds. Among them,

stocks are the most well-known and understood investment instruments in Taiwan. Taiwanese stock markets are divided into three categories based on the requirements for listing-application. Among the categories, TWSE-listed shares are shares listed on Taiwan Securities Exchange Corporation (TWSE), or otherwise called the centralized securities exchange market. TWSE is responsible for processing listing applications and supervising daily transactions. It is the most important stock exchange center in Taiwan. For companies that do not meet the requirements to be listed on TWSE, the government has set up an over-the-counter (OTC) market for them. Taipei Exchange (TPEX) is in charge of processing listing applications and supervising daily transactions for these companies. Furthermore, a legal, safe, transparent exchange market is established by the government to provide institutionalized management over non-TWSE/TPEX-listed companies. This exchange market is specially established to handle the emerging stocks. This market is situated in various recommending securities firms, where clients may negotiate the stock price directly with the recommending securities firms, or be referred to a recommending securities firm by a securities broker to conduct negotiation. The abovementioned markets are three different exchange markets with three different risks of transactions, providing enterprises and investors with diverse choices of investments.

Moreover, besides the existing exchange market, in order to encourage liberation and internationalization of the financial activities, the government put forth the for-capital-raising-only “Go Incubation Board for Startup and Acceleration Firms (equity-based crowd-funding)” and “Innovation Venture Fund” (initiated jointly by ten major peripheral financial institutions, including TWSE, Taiwan Futures Exchange, TPEX, Taiwan Depository & Clearing Corp., Securities and Futures Institute, Taiwan Securities Association, Securities Investment Trust & Consulting Association, Chinese National Futures Association, National Credit Card Center, and Joint Credit Information Center. Raised capital funds for start-ups through investment. Launched on Mar. 3, 2017) in response to the policies supporting development of small-sized innovative companies and vitalizing the capital market.

ETF products of TWSE have diversified into products that track Shanghai and Shenzhen stock markets, Tokyo Stock Price Index, S&P 500 index and Hang Seng Index through proactive cooperation with foreign markets. Besides this, the products have extended from the traditional market cap and thematic ETFs to overseas, leveraged/inverse, and futures ETF products. Trading is intensive, and shows a certain growth in the total market transaction amount. In recent years, the FSC has set an amount limit on overseas investment of the life insurance firms. Therefore, life insurance firms, an industry needing stable cash flow, turn their investment to NTD denominated international bond ETFs, resulting in an outstanding performance of ETF products in the market.

If the global economic market maintains a steady growth, and the government loosens restrictions on the securities industry and the cross-strait financial industry and continues to approve new financial products and services, from the changes in the total trading volume in the centralized exchange market and Taipei Exchange Market, we are expecting a promising future of the Taiwanese capital market.

Total Trading Volume in the Securities Market in the Most Recent Five Years

Unit: NTD billions

Year	2016	2017	2018	2019	2020
TWSE					
Stock	16,771.14	23,972.24	29,608.87	26,464.63	45,654.29
ETF	1,707.40	1,231.73	1,834.05	2,080.52	2,838.64
ETN	-	-	-	1.99	5.57
Closed end funds	0.00	0.00	0.00	0.00	0
Beneficial Securities	7.11	4.26	4.22	10.02	11.55
Call (Put) Warrants	425.54	584.46	712.55	497.09	509.2
TDR	4.43	6.18	2.68	2.40	163.29
Subtotal	18,915.62	25,798.88	32,162.38	29,056.65	49,182.54
TPEX					
Stock	5,050.32	7,683.51	8,145.51	7,607.48	12,087.07
Call (Put) Warrants	128.52	226.52	211.71	145.44	154.6
ETF	0.13	68.10	316.77	854.03	415.35
ETN	-	-	-	0.66	1.95
Bonds	49,696.43	45,815.33	48,217.46	44,677.05	40,604.16
Subtotal	54,875.40	53,793.46	56,891.45	53,284.00	53,263.13
Total	73,791.02	79,592.34	89,053.83	82,341.31	102,445.67
TAIEX	9,253.50	10,642.86	9,727.41	11,997.14	14,732.53

Source: Key indicators of securities and futures market, FSC, Dec. 2020 and trading information, Taiwan Stock Exchange Corp., Dec. 2020.

(1) Primary market

With Taiwan's thriving economy, the domestic securities market is also growing. As of Dec 2020, there are 984 domestic TWSE-listed companies with a total capital of NTD 7,238.36 billion and 948 domestic TPEX-listed companies with a total capital of NTD 742.24 billion. The number of listed companies is still increasing year by year. On the other hand, there are 708 non-listed companies (incl. emerging stock companies) with a total capital of NTD 1,375.52 billion as of Dec. 2020. This shows that there is still room for more companies to be listed on the TWSE and TPEX markets. Moreover, the monetary amount scale of financing activities, including cash capital increase and issuance of convertible corporate bonds of the TWSE/TPEX-listed companies are also at a significant level. Therefore, activities such as companies applying for a listing in the TWSE or TPEX through securities underwriters or raising funds in the open market contributes to a steady growth of securities firms.

Number of TWSE/TPEX-Listed Companies and their Total Capital in the Most Recent Five Years

Unit: NTD billions

Year/month	TWSE-listed company			TPEX-listed company		
	Number of	Total capital	Growth rate	Number of	Total capital	Growth rate
Dec. 2016	892	7,021.70	1.02	732	715.26	1.28
Dec. 2017	907	7,136.19	1.63	744	722.36	0.99
Dec. 2018	928	7,158.89	0.32	766	738.50	2.23
Dec. 2019	942	7,155.64	-0.05	775	746.66	1.10
Dec. 2020	948	7,238.36	1.16	782	742.24	-0.59

Source: Key indicators of securities and futures market, FSC, Dec. 2020

Due to the internationalization and liberation of the financial market in the most recent 10 years, companies are no longer restricted to be listed in the original founding or operating countries. They may evaluate and choose to be listed in the market that is most beneficial to their corporate development. At present, exchange houses in the world are simultaneously evolving toward global financing platforms.

With the rapid rise of the Chinese economy, Taiwan, bearing the proximity to China and intricate trading network with Southeast Asia, has become one of the best choices for entering the Asian market, and the first choice for enterprise financing.

From the following data provided by the FSC, in 2018 and 2019, due to the intensifying trading conflict between China and the US, the uncertainties possess a significant impact on the global capital market. The Taiwanese enterprises located abroad are proactively adjusting their strategic planning, capitals in the world are shifting, and the cash flow of domestic capital market is also affected, resulting in a mere satisfactory performance in domestic enterprise financing activities. In 2020, the world suffered from COVID-19, and the economy slumped. Although Taiwan has effectively minimized the impact of pandemic on Taiwan, the lifestyle has nonetheless changed. The rise of the stay-at-home-economy has unexpectedly fueled the orders for PCs and peripheral devices. In response to the demand, many electronic manufacturers issue bonds to raise funds for new machinery and equipment, factory expansion, and for operating purposes. Also, due to low interest rates, some enterprises took the opportunity to issue new bonds to pay off old bonds, in the aim to reduce costs of capital. These show a positive growth in the domestic economic environment, and enterprises are expanding their operation and production scale.

In Taiwan, issuing ordinary corporate bonds has been the main method of enterprise financing, with a total monetary amount issued consisting of nearly 80% of the entire financing market, which soared to 88.98% in 2020. The second common financing method is cash capital increase and issuance of convertible corporate bonds. The monetary amount of issued convertible bonds is relatively stable in recent years, but cash capital increase is prone to fluctuation due to overall economic environment and stock markets.

Cash Capital Increase, Issuance of Corporate Bonds and TDR in the Capital Market

Unit: NTD billions

Year	Cash capital increase by TWSE-listed company (Note 1)	Cash capital increase by TPEx-listed company (Note 1)	Issuance of ordinary corporate bonds	Issuance of convertible (exchangeable) bonds (Note 2)	TDR	Total	Total percentage growth (%)
2016	109.63	19.45	1,677.64	148.31	7.54	1,962.57	(3.95)
2017	200.71	36.59	1,743.66	117.26	7.13	2,105.35	7.28
2018	190.65	33.37	1,812.00	117.35	5.84	2,159.21	2.56
2019	157.46	23.13	1,901.20	118.61	5.83	2,206.11	2.17
2020	109.81	33.19	2,350.56	133.82	14.34	2,641.72	19.75

Source: Key indicators of securities and futures market, FSC, Dec. 2020

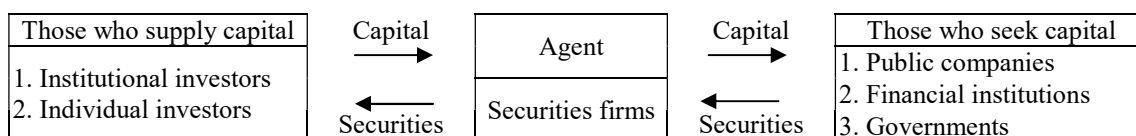
Note 1: Actual financing monetary amount with completion date as the reference date.

Note 2: Monetary issuance amount of corporate bonds with warrants

2. Association between upstream, midstream, and downstream industry participants:

The securities market is the connecting bridge between those who seek capital (such as public companies, financial institutions, and governments) and those who supply capital (such as individual investors, institutional investors). In this case, enterprises raise capital from investors directly at a reasonable price to enhance their financial robustness. With the growth of enterprises, investors enjoy not only capital gains but also dividends, creating a win-win situation between both parties.

The securities market, serving as the connecting bridge between the two parties, channels social funds and savings of the general public to effective investment. Thus, there is no distinct structure of upstream, midstream, and downstream industry participants. The supply and demand of capital can be illustrated as follows:



3. Development trends and competition among products:

(1) Brokerage business

With increasing economy and financing cross-strait interactions and comprehensiveness of laws, regulations and supporting measures, the domestic securities market is anticipating more investments from abroad, which brings positive effect on the mid/long-term growth of the domestic capital market. Our brokerage business upholds its principles of passion and professionalism in serving its clients. With the Company's advantage of R&D in the field of investment, we offer the most comprehensive services and research reports to attract domestic and foreign institutions and professional investment institutions to the stock market, thereby encouraging the growth of our brokerage business.

Currently, the brokerage business has 10 operating locations. In 2020, in the centralized exchange market and Taipei Exchange Market, our brokerage share was 0.7% and Brokerage per Branch was 0.078%. The brokerage business focuses on profitability. With complete brokerage business system and well-trained back-end staff, we provide our sales personnel with the best business platform allowing each branch to have its opportunity in creating profits. Thus, the current key emphasis of the brokerage business is to perk up the profitability of each operating location in phases. Moreover, the Company has a diverse order placement platform for investors. Through providing clients with the fastest and most convenient order placement services, we anticipate that the overall competitiveness of our brokerage business may be improved.

(2) Underwriting business

As the Taiwanese economy grows and the competitiveness within the industry heightens, enterprises have a burgeoning demand for capital for robust operation and sustainable development. Moreover, with the loosening of securities and finance related laws and regulations and surging trading volume in the secondary market, the primary market has matured in aspects including business types and acceptance from the investors. As the financing environment becomes well-developed, the public companies are experiencing a growing reliance on direct access to capital through the capital markets.

In recent years, the competent authorities have been working proactively to expand the scale of the domestic capital market. They continue to invite domestic and overseas investors and assist the listing of excellent enterprises. At present, Taiwanese merchants in China are considering moving operation locations, and merchants in Southeast Asia are seeking opportunities to expand their businesses. TWSE has devoted itself in these two places for a long time, providing full-on services in the locations included in the New Southbound Policy. In addition, Taiwan has an enormous advantage in the robustness of the company listing mechanism, and thus it is expected to be ideal when overseas Taiwanese enterprises undergo transformation. We believe that these contribute greatly to the future growth and development of domestic underwriting business.

As of the printing date of the 2020 and 2021 annual reports, we have completed the underwriting for issuance of convertible bonds of three TWSE/TPEX-listed companies (Cyber Power Systems, Inc., TUL Corp., and Walsin Technology Corp.) and for capital increase by cash for two companies (HannStar Board Corp. and Optvision Technology Inc.). We have also completed the domestic application process for GDR issued by Alchip Technologies, Ltd. Apart from the aforementioned, we have also successfully completed the acquisition of shareholding of Sixxon Precision Machinery Co., Ltd., by Global PMX Co., Ltd., and the case of Giga Solar Materials Corp.'s acquisition of Exojet Technology Corp. The Company has also successfully assisted Lextar Electronics Corp. in the establishment of Ennostar Inc. through stock swap. These examples fully demonstrate that we possess a highly integrated level of professionalism, and that we are able to provide enterprises with all-round capital market services and help enterprises to have sound development.

(3) Proprietary trading business

Proprietary trading refers to investments in the domestic centralized exchange market with private capital. As profitability is highly sensitive to the fluctuation on the market, risk management is thus more important than optimizing profits. With the diversification and internationalization of trading environment, in order to expand its business, the proprietary trading focuses on better understanding in the current corporate operation status and improve the timeliness and the integrity of information. Moreover, how to scale down the risk exposure and to ensure completion of transactions through prudent planning and adoption of relevant risk management measures are also an indispensable part of the proprietary trading business.

(4) Futures proprietary trading business

The Taiwan Futures Exchange has launched a few new products in recent years. The products not only serve as diverse investment instruments, but also help internationalize the futures markets, as well as offering more investment and hedging options. While planning and implementing dynamic price banding mechanism and risk control policies, we also strengthened the market risk control and stability.

Besides hedging and control of investment risks, futures proprietary trading business is devoted to the development of more innovative trading strategies. Under acceptable risk limits, we aim to boost the Company's proprietary trading profit, and to create more profitability opportunities for our clients.

(5) Bonds business

We focus on the analysis on the macro-economy and corporate management, and look into factors causing fluctuations in interest rates. At the same time, we also study new interest products, and do not miss out on any opportunities to make profit from interest products, in order to grasp the market interest fluctuation and corporate management performance, thereby optimizing the proprietary performance of bonds and convertible bonds.

(3) Technology and R&D: N/A. The Company is a securities firm.

(4) Long/Short-Term Business Development Plan

1. Short-term business development plan

- (1) Building order placement App and PC platform for AI-selected Taiwan stock/programming strategy/intelligent analysis.
- (2) Optimization of Horizon online account opening system, opening of settlement account connected to the Bank, and addition of reconsignment settlement banks, to provide a comprehensive account opening function.

- (3) Building order placement MultiCharts system for securities and futures, to facilitate the speed of order placement through customers' self-built programs or built-in programs.
- (4) Optimizing and launching new version of official site in the social community, Line@, and building new functions for order placement and strategic stock selection.
- (5) Optimizing of various platforms based on customer needs.
- (6) Building customer-use reconsignment (incl. US and HK markets) E-platform and order placement functions.
- (7) Improving the content, updating "experience sharing from investment experts" on official websites on FB, IG and YouTube, in order to provide customers with all-round knowledge on financial management.

2. Long-term business development plan:

- (1) Increasing the market share of our brokerage business, actively developing new domestic and overseas institutional clients, and improving communication platform, in order to provide all-round services.
- (2) Seeking opportunities for overseas strategic alliance, developing network for sales and services for the global Chinese capital market.
- (3) Emphasizing on interest rate analysis, further studying new interest rate products, utilizing all opportunities to make profits from interest products, and building relative sales channels for interest rate related products.
- (4) Developing bond strategic trading mechanism.
- (5) Organizing and co-organizing business work for clients, focusing on clients' requests.
- (6) Reinforcing cooperation with investment and R&D department, seeking corporates with potential in the emerging market.
- (7) Strengthening the potential of the R&D team and improving R&D quality to optimize profitability of investment portfolio.
- (8) Identifying accurately the trend of the market and level of risk to improve the Company's contribution to EPS.
- (9) Reducing operating costs and increasing operating revenue.
- (10) Strengthening risk control and improving operating performance.
- (11) Enhancing process transformation and increasing work efficiency, in order to perfect back-end support and facilitate smooth operation of the Company and various business units.

2. Analysis of the Market as well as Production and Marketing Situation

(1) Market analysis

1. Regions where the main products (services) are provided (supplied)

We are a professional integrated securities firm, with main business focus on brokerage, proprietary trading and underwriting securities as well as providing registrar agent service for public companies. We serve the general investors, institutional investors, public companies as well as approved professional investment institutes and individuals. The domestic market is the main service region of the Company.

2. Market share

2020 Brokerage service fees received by the Company and market share by regions:

Region	Brokerage service fees (NTD thousand)	Market share (%)
Northern Taiwan	423,289	0.53%
Central & Southern Taiwan	167,612	0.17%
Total	590,901	0.70%

3. Demand and supply conditions for the market in the future:

(1) Supply

The domestic securities firms are facing rising pressure from the dominating large-scale securities firms and increasing market shares from overseas securities firms. However, with the competent authorities' loosening of laws and regulations regarding securities finance firms, and their approval of new financial products, there is an increase in the types of products that are sold in the domestic securities market. Thus, the services and products the securities firms are able to provide are more comprehensive and diverse. Especially since the competent authorities allowed securities firm brokers to handle wealth management trusts, securities firms may expand their wealth management service scope. In recent years, the government has been eagerly promoting the liberation and internationalization of securities markets. This has increased the willingness of domestic enterprises to raise capital in overseas markets, and also extended securities firms' service regions.

(2) Demand

With the development of new financial products and the diversifying market, the concept for financial management in the domestic securities market is also changing. The traditional share sale and purchase has been replaced by multifaceted wealth management, and share brokerage business is no longer the main source of income of securities brokers. Services of non-brokerage trading orders are increasing and becoming the focus of the future securities firm development. In the face of the ever-changing trading environment and trading instruments, the securities firms must proactively provide more professional and profound wealth management services in order to satisfy clients' needs. With the increasing cross-strait interaction in the securities markets, the domestic securities firms have a chance to extend their businesses into the China market, which is more profitable.

4. The Company's competitive niche:

- (1) The changes and uncertainty caused by the trend of consolidation in the securities industry are beneficial to our hiring of talents and development of new clients.
- (2) Under the intense market competition, small-scale securities firms are facing difficulties of survival, while large-scale securities firms are suffering from excess

operating locations. Therefore, it is our niche to expand through mergers and acquisitions.

- (3) We insist on upholding our professionalism as a securities firm. With our flexible and practical business model and the absence of cross-marketing between securities firms under a finance holding company, we are blessed to focus on attracting outstanding talents in this business.
- (4) The managerial officers are also the Company's major shareholders, and thus the Company weighs opinions from both the Company's and the employees' perspectives. This is exceptionally beneficial to attracting new talents.
- (5) The improvements in the brokerage trading system and informatization of administrative work, increased the efficiency of our business operation.
- (5) With the rapid growth of underwriting and registrar businesses, we have a wider range of business opportunities.
- (6) Unlike other mid/small-scale securities firms that have restricted businesses, we have balanced development in all areas. We are able to satisfy the multifaceted needs of clients in the capital market, without the rigidity and bureaucratic structure of large-scale securities firms.
- (7) Our major shareholder, Mercuries & Associates Holding, Ltd., has plentiful resources to provide us for extra growth potential.

5. Positive and negative factors for future development:

(1) Positive factors

A. Business model:

- a. Professional team led leadership; professional knowledge-based decision making.
- b. Clear and defined chain of command; flexible and efficient operation.
- c. Sales personnel are not responsible for cross-selling, which is beneficial to the dismissal of professionals and improvement of quality.
- d. No cross-marketing requirements from the parent company which is a finance holding company. The Company may choose financial products that are more profitable to customers, and customize more effective wealth management plans according to clients' needs.

B. Major shareholder (Mercuries & Associates Holding, Ltd.):

- a. Positive corporate image; plentiful corporate business resources.
- b. Major shareholder and managerial officers of the Company have a total shareholding of 33.90%, showing a robust management structure.
- c. Affiliated companies include medium/large life insurance companies (Mercuries Life Insurance) and securities investment trust companies (Fuh Hwa Securities Investment Trust). We work closely yet independently with our affiliates. We enjoy business resources no less than that of subsidiaries of financial holding companies, but without the intervention, restrictions or cumbrance from a financial holding company.

C. Operating team:

- a. Committed to the capital market, we have a huge customer base.
- b. Our team members have been working with each other for a long time. They share the same philosophy and have excellent cooperation.
- c. A total shareholding of 12.03% in the Company; high level of coherence and stability.

(2) Negative factors

- A. COVID-19 ravaged the whole world, causing a global economic recession, which adds uncertainty to the business of securities.
- B. Cut-throat horizontal competition; price war on the service fees.
- C. Domestic industry shifting to overseas; demand in domestic capital market

nearing saturation.

(3) Response to such factors

- A. We are proactively developing new businesses, and with optimizing investment R&D and institutional investment services, we plan to develop institutional investment services as it has higher profitability.
- B. We prudently select our core client group based on available resources, and we differentiate ourselves from our peers through timely services provided by our professional and well-trained teams. In this way, we can steer away from a resource war with major finance groups, while establishing our own niche market through service word-of-mouth.
- C. By providing multifaceted professional wealth management planning service, we will proactively develop new clients while reinforcing loyalty of current clients through sound management, clear business model, professional and experienced management team.

(2) Usage and manufacturing processes for the company's main products

1. Usage for the company's main products or services:

Main services:	Major purpose
Brokerage business	Undertaking the trading of securities in centralized securities exchange market and over-the-counter market, reconsignment of overseas securities, and brokerage of domestic futures and options.
Underwriting business	Assisting issuers' offering and issuing of securities, application for company listing, or financial consultation. We serve as an investing bank.
Proprietary trading business	Trading securities in the centralized securities exchange market, over-the-counter market and securities exchange market. We are not only responsible for the Company's profit but also the stability of the share prices and the balance of demand and supply in the market.

2. Manufacturing processes: The Company belongs to the securities service industry. There are no manufacturing processes.

(3) Supply situation for the company's major raw materials: N/A.

(4) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the two most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each, and an explanation of the reason for increases or decreases in the above figures.

The Company is a company providing securities related services. Our operating income consists of mainly brokerage fees from general investors, underwriting fees, and service fees from public companies. Besides the above, the Company's income also includes profits from the Proprietary Trading Department and Underwriting Department from securities trading. The source of the Company's income is dispersed, and income from each individual client accounts for only a small proportion of the total operating income. Thus, it is not possible to identify the top ten clients to whom the Company has the highest sales volume. Also, there is no procurement of raw materials. Thus, not applicable.

(5) Production volume for the two most recent fiscal years: N/A.

(6) Volume of units sold for the two most recent fiscal years N/A.

(7) Industry-specific Key Performance Indicators (KPIs):

By business	2018		2019		2020	
	Value	Ranking	Value	Ranking	Value	Ranking
Brokerage market share	0.82%	21	0.85%	21	0.70%	21
Electronic transaction market share	0.82%	28	0.87%	27	0.64%	28
Financing market share	0.97%	Note 1	0.90%	Note 1	0.94%	Note 1
Futures market share	0.269%	24	0.19%	26	0.15%	25
Options market share	0.509%	19	0.12%	23	0.11%	23
Underwriting market share	16	22	17	22	34	17
Bonds market share	0.70%	31	0.66%	34	0.82%	32
No. of issuance of warrants	52	19	—	—	—	—

Note 1: The Company undertake businesses for securities lending/borrowing.

3. Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels (Including Percentage of Employees at Each Level)

Year		2019	2020	As of Mar. 30, 2021
No. of employees	Sales personnel	173	180	189
	Staff	260	262	269
	Total	433	442	458
Average age		46	46	47
Average seniority		10.83	10.75	10.89
Education background (%)	PhD	0.00%	0.00%	0.00%
	Master	13.16%	13.35%	13.32%
	College graduate	70.44%	70.59%	69.43%
	High school	16.40%	16.06%	17.25%
	Below high school	0.00%	0.00%	0.00%

4. Disbursements for Environmental Protection : As of the printing date of this Annual Report, there is no matter of losses due to environmental pollution in the year 2020.

5. Labor Relations

(1) Labor relations

1. Employee benefits

(1) In addition to the compulsory basic insurance as stipulated by the laws and regulations related to the Labor Standards Act, the Company provides various welfare superior to the requirement of laws for our employees. This shows that we value each and every employee of ours. Details as follows:

- A. 12 days of sick leave every year.
- B. Free fidelity insurance for all employees, eliminating the cumbersome process of seeking a corporate or personal guarantor.
- C. Provide health examination by external high-quality health centers and health management for our employees.
- D. Hire visually impaired masseurs and masseuses to provide stress-relieving massages for employees to relieve their stress at a discounted price in a comfortable therapy room with equipment offered by the Company.

(2) Current employee benefits

- A. Besides the compulsory Labor insurance and National Health Insurance, the Company also takes out life insurance, group medical and cancer insurances for our employees. The Employee Welfare Committee takes out group accident insurance for the employees, in order to ensure them an overall protection. We aim to be our employees' strongest support, and thus spend more than NTD 1 million on insurance expenses annually.
- B. Starting July 2012, the Company launched the employee stock ownership trust plan. Participating employees deposit a portion of their monthly salary to the trust account, and on the other hand the Company appropriates a certain amount as incentives to purchase company shares. The aim is to encourage employees to build saving habits in a long-term and stable manner, grow with the Company, and assist them with their retirement plan.
- C. We signed a service contract with Hess International Educational Group, that provides nursery care for the children of our employees.
- D. The Company sets aside a certain percentage of profit as remuneration to employees. When the Company conducts cash capital increase, a certain percentage shall be retained for the employees to subscribe.

(3) Established the Employee Welfare Committee to handle matters related to employee benefits.

- A. Cash gifts for wedding, births or religious parades, such as NTD 5,000 gift money for weddings, NTD 2,000 for employees' children's weddings, NTD 10,000 for new babies.
- B. NTD 1,000 bonus for Labor Day, NTD 1,000 PX Mart voucher for birthdays.
- C. NTD 3,000 subsidy for employee group tour.
- D. NTD 1,000 to 20,000 daily medical subsidy when hospitalized.
- E. NTD 3,000 grant for in-service bachelor program per semester and NTD 4,000 grant for in-service master program per semester, to encourage our employees to pursue further studies.
- F. NTD 20,000 subsidy for new established clubs to encourage employees' establishment of clubs of recreation, cultural, educational and amusement.
- G. Disaster relief at a maximum of NTD 30,000 per case.

H. Gifts or cash gifts on Dragon Boat Festival, Mid-Autumn Festival and Spring Festival depending on the Company's earnings.

2. Further education and trainings

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

Important education training:

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

Launched the internal lecturer system in March 2010.

Starting 2011, a minimum of 10-hour training annually is required, and such was included into performance assessment criteria.

Training courses are divided into internal and external training based on the organizer.

Details as follows:

- (1) Internal training includes training for senior-level managerial employees, seminars given by scholars and experts, and other professional training courses.
- (2) External training courses include pre-employment and on-job securities training, pre-employment and on-job futures training, and other training regarding wealth management, internal audits, margin purchase and short sale, corporate governance, anti-money laundering, occupational safety and health, and first aid. These courses are organized as required by the competent authorities of finance and occupational safety.
- (3) In the year 2020, there were 860 participants in training, with a total 5,829 training hours, an average of 12.32 hours per person; annual training expenses of NTD 744,960, an average of NTD 1,595 per person. The Company was awarded Bronze Award for the year 2014 by the Talent Quality-Management System (TTQS).
- (4) An additional 16 training courses were added to the e-learning platform in 2020, with a total 10,839 participants, and accumulated learning hours of 8,933.30.

3. Work environment and employee safety protection measures:

In order to provide excellent working environment and provide personal safety, the Company takes relative measures in accordance with laws and regulations regarding occupational safety and health. The execution focus points of measures regarding firefighting equipment, safety management, environmental hygiene and personal safety are as follows:

- (1) Firefighting equipment: The indoor decoration of the headquarters and branches is designed built in accordance with the Regulations Governing the Indoor Decoration of Buildings released by the Ministry of the Interior. Firefighting and escape equipment is regularly renewed, and a fire escape plan is prepared according to the fire inspection. The Company has taken out public liability insurance for the headquarters and branches.
- (2) Safety management: Controlling all persons in or out of the company building by security guards, regular maintenance for elevators and automatic power generators, installing surveillance cameras in office buildings, basement, canteens and offices, and connecting to security systems.
- (3) Environmental hygiene: The Company cleans the water tank regularly, changes filters of water dispensers to ensure the drinking water quality. The air-conditioners are maintained regularly. The Company prohibits smoking in all school buildings, and carries out waste separation and recycling.
- (4) Personal safety:
 - A. According to regulations related to occupational safety and health, personnel (total 10) in headquarters and all branches are delegated with the responsibility for

occupational safety and health. They take part in profession related training, obtain required certificates, and are in charge of occupational safety and health related duties. Moreover, the Company appoints 14 personnel in total (in headquarters and all branches) to be responsible for emergency medical services. They take part in training, obtain required certificates, and are in charge of emergency medical services at the first instance.

- B. The Company has also prepared the list of employee emergency contacts, formulated the notification mechanisms for emergencies and measures for sexual harassment, as well as established channels for whistleblowing.
- C. The employees are enrolled in labor insurance and national health insurance in accordance with the law. The Company also provides health examinations biennially at selected medical institutes, or the employees may choose to take the health examination at medical institutes of their choice.
- D. In 2018, the Company hired part-time medical personnel in accordance with the Occupational Safety and Health Act. The Company provides a mentally and physically healthy workplace through the chief of occupational safety and health's formulating annual safety plans and safety policies focusing on the Company's overall occupational health and safety and employees' health management.

4. Certifications and Qualifications Acquired by Personnel Regarding Financial Transparency

Jan. 22, 2021

Certifications and Qualifications	Finance Division (12 persons)	Percentage (%)	Risk Management Office (3 persons)	Percentage (%)	Internal Auditing Office (8 persons)	Percentage (%)
Agents of Securities Firms	2	16.67%	1	33.33%	7	87.50%
Senior Agents of Securities Firms	8	66.67%	2	66.67%	6	75.00%
Securities Trading Margin Purchase and Short Sale Operations by Securities Firms Business Staff Members	2	16.67%	1	33.33%	7	87.50%
Advanced Calculation Method for the Regulatory Capital Adequacy Ratio for Securities Firms	6	50.00%	3	100.00%	2	25.00%
Workshop for Internal Audit Operations of Securities Firms	0	0.00%	1	33.33%	6	75.00%
Wealth Management Agents of Securities Firms	0	0.00%	0	0.00%	2	25.00%
Agents of Futures Commission Merchants	2	16.67%	3	100.00%	7	87.50%
Agents of Securities Investment Trust and Consulting	5	41.67%	0	0.00%	5	62.50%
Agents of Trust	3	25.00%	0	0.00%	4	50.00%
Agents of Life Insurance Policies	0	0.00%	0	0.00%	4	50.00%
Agents of Investment-linked Insurance Products	0	0.00%	0	0.00%	1	12.50%
Agents of None-Life Insurance Policies	0	0.00%	0	0.00%	2	25.00%
Financial Planning Personnel	1	8.33%	0	0.00%	3	37.50%
Stock Affair Specialist Certification	1	8.33%	0	0.00%	2	25.00%
Corporate Internal Control	2	16.67%	0	0.00%	2	25.00%
Bank Internal Control	1	8.33%	0	0.00%	2	25.00%
Chief Accounts and Finance Officer Certification for Public Companies	2	16.67%	1	33.33%	0	0.00%
Financial Risk Manager (FRM [®])	0	0.00%	1	33.33%	0	0.00%

5. Pension system and implementation:

(1) Pension appropriation amount and pension account

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

Currently, the Company appropriates pension to pension account on a monthly basis. As of end of Mar. 2020, the Company had appropriated a total of NTD 61,356,715.

(2) Retirement

A. Voluntary retirement

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

B. Forced retirement

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

(3) Since the launch of the "Labor Pension Act" on Jul. 1, 2015, the Company's standards for workers' pension payment are as follows:

A. For employees, who opted for the pension system of the "Labor Standards Act" and who are subject to the pension system of the "Labor Pension Act," with employment starting date starting before Jul. 1, 2015, their seniority before they are subject to the acts:

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

B. For employees, who opted for the pension system of the "Labor Pension Act," with employment starting date starting after Jul. 1, 2015, their seniority before they are subject to the acts:

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

6. Status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

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

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

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

7. Formulation of Code of Ethical Conducts for Employees:

The Company is committed to the establishment of business ethics and professional ethics. We work closely together with our employees for the prosperity of our business. We have not only established comprehensive operational and management systems, but also work rules. Furthermore, we require all employees to sign an employment agreement upon the start of their employment, and obey the following rules with due responsibilities.

- (1) Uphold the Company’s honor, develop team spirit, and carry out tasks diligently and with due responsibility.
- (2) Obey the laws and all company regulations and announcements, obey reasonable supervision and orders from supervisors, and pay attention to work safety.
- (3) No conduct of arrogance, willfulness, greed, sloth and others that may harm the reputation of individuals or the Company.
- (4) Do not accept gifts and invitation from others through connection due to one’s position and authority, resulting in losses to the Company.
- (5) Do not perform non-company-related businesses under the Company’s name.
- (6) Absolute obligation to maintaining the confidentiality of the Company’s information.
- (7) If a certain qualification is required for a position, such qualification shall be obtained, and be effective before first day of duty.
- (8) Matters prohibited in the “Regulations Governing Responsible Persons and Associated Persons of Securities Firms” are not allowed.
- (9) Accept duty, task and work location arrangements according to Company’s operation requirements.
- (10) Use only legal software provided by the Company for work, and no downloading, installation and use of unauthorized software on Company’s computers.

The Company always has harmonious labor relations; all matters are handled in accordance with the laws. Also, we care for improvements of employee benefits and workplaces, and maintain good interaction with our employees.

- (2) List any losses suffered by the company in the most recent two fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: As of the printing date of this Annual Report, there is no matter of losses due to labor relation disputes in the year 2020.

6. Important Contracts

Nature of contracts	Counterparty	Term	Major contents	Restrictions
Lease contract	Cathay Life Insurance	Sep. 19, 2017 – Sep. 18, 2022	Leasing 3-5F and 7F of Xinyi Anhe Building	None
Securities investment advisor retainer agreement	Horizon SICE Co., Ltd.	Jan. 1, 2021 – Dec. 31, 2021	Retaining Horizon SICE as an advisor for suggestions and analysis of domestic and overseas securities.	None

VI. Financial Information

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

(1) Condensed Balance Sheets and Statements of Comprehensive Income

1. Consolidated Condensed Balance Sheets – IAS

Unit: NTD thousand

Items	Year	2016 - 2020				
		2016	2017	2018	2019	2020
Current assets		8,825,978	10,738,220	10,760,056	10,560,405	15,834,117
Property, plant, and equipment		27,371	40,816	44,759	43,827	40,522
Intangible assets		17,728	15,723	15,210	24,798	29,429
Other assets		734,591	717,964	755,925	926,466	970,217
Total assets		9,605,668	11,512,723	11,575,950	11,555,496	16,874,285
Current liabilities	Before dividend distribution	5,212,385	7,081,288	7,716,792	7,562,467	12,632,094
	After dividend distribution (Note 1)	(Note 2)	6,948,724	(Note 2)	7,510,687	(Note 3)
Non-current liabilities		11,365	11,431	8,288	93,361	82,825
Total liabilities	Before dividend distribution	5,223,750	7,092,719	7,725,080	7,655,828	12,714,919
	After dividend distribution (Note 1)	(Note 2)	6,960,155	(Note 2)	7,604,048	(Note 3)
Equity attributable to Shareholders of the Company		-	-	-	-	-
Share capital		3,870,008	3,682,328	3,625,008	3,505,008	3,308,168
Capital reserve		187,595	245,066	266,816	237,869	312,359
Retained earnings	Before dividend distribution	260,700	460,197	(72,432)	133,968	477,667
	After dividend distribution (Note 1)	(Note 2)	327,633	(Note 2)	82,188	(Note 3)
Other equity		63,615	32,413	45,876	48,459	61,172
Treasury stock		-	-	(14,398)	(25,636)	-
Non-controlling interests		-	-	-	-	-
Total equity	Before dividend distribution	4,381,918	4,420,004	3,850,870	3,899,668	4,159,366
	After dividend distribution (Note 1)	(Note 2)	4,287,440	(Note 2)	(Note 3)	(Note 3)

Note 1: The amount determined at the Shareholders' Meeting in the following year.

Note 2: The Company had a loss in year 2016 and 2018, and thus no dividend was distributed.

Note 3: The profit distribution for 2020 has not been approved by the annual general meeting.

Note 4: The above financial information of each year was audited by the CPA.

2. Individual Condensed Balance Sheets – IAS

Unit: NTD thousand

Items	Year	2016 - 2020				
		2016	2017	2018	2019	2020
Current assets		8,500,021	10,460,496	10,449,241	10,283,908	15,647,677
Property, plant, and equipment		27,301	40,447	44,463	43,595	40,185
Intangible assets		17,033	15,410	15,204	24,798	29,429
Other assets		1,057,477	986,084	1,060,303	1,188,070	1,141,544
Total assets		9,601,832	11,502,437	11,569,211	11,540,371	16,858,835
Current liabilities	Before dividend distribution	5,208,554	7,071,190	7,710,111	7,550,336	12,617,814
	After dividend distribution (Note 1)	(Note 2)	6,938,626	(Note 2)	7,498,556	(Note 3)
Non-current liabilities		11,360	11,243	8,230	90,367	81,655
Total liabilities	Before dividend distribution	5,219,914	7,082,433	7,718,341	7,640,703	12,699,469
	After dividend distribution (Note 1)	(Note 2)	6,949,869	(Note 2)	7,588,923	(Note 3)
Equity attributable to Shareholders of the Company		-	-	-	-	-
Share capital		3,870,008	3,682,328	3,625,008	3,505,008	3,308,168
Capital reserve		187,595	245,066	266,816	237,869	312,359
Retained earnings	Before dividend distribution	260,700	460,197	(72,432)	133,968	477,667
	After dividend distribution (Note 1)	(Note 2)	327,633	(Note 2)	82,188	(Note 3)
Other equity		63,615	32,413	45,876	48,459	61,172
Treasury stock		-	-	(14,398)	(25,636)	-
Non-controlling interests		-	-	-	-	-
Total equity	Before dividend distribution	4,381,918	4,420,004	3,850,870	3,899,668	4,159,366
	After dividend distribution (Note 1)	(Note 2)	4,287,440	(Note 2)	3,847,888	(Note 3)

Note 1: The amount determined at the Shareholders' Meeting in the following year.

Note 2: The Company had a loss in year 2016 and 2018, and thus no dividend was distributed.

Note 3: The profit distribution for 2020 has not been approved by the annual general meeting.

Note 4: The above financial information of each year was audited by the CPA.

3. Condensed Statements of Comprehensive Income – IAS

Unit: NTD thousand

Items	Year	2016 - 2020				
		2016	2017	2018	2019	2020
Operating income		505,523	912,344	297,721	851,358	1,306,107
Gross profit margin		442,449	839,528	222,041	773,638	1,215,951
Net operating income (loss)		(301,484)	49,876	(518,563)	36,534	322,850
Non-operating income and expenses		161,717	139,681	77,070	102,369	94,364
Profit before tax		(139,767)	189,557	(441,493)	138,903	417,214
Net income for the year from the continuing department		(163,685)	212,410	(440,991)	140,833	414,718
Loss from the discontinued department		-	-	-	-	-
Net profit (loss) for the period		(163,685)	212,410	(440,991)	140,833	414,718
Other comprehensive income for the period (net after tax)		2,785	(44,115)	18,082	(4,282)	(6,526)
Total comprehensive loss for the period		(160,900)	168,295	(422,909)	136,551	408,192
Net profit attributable to the owner of the parent company		(163,685)	212,410	(440,991)	140,833	414,718
Net profit attributable to non-controlling interest		-	-	-	-	-
Comprehensive income attributable to the owner of the parent company		(160,900)	168,295	(422,909)	136,551	408,192
Comprehensive income attributable to non-controlling interest		-	-	-	-	-
Earnings per share		(0.40)	0.57	(1.20)	0.40	1.24

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

4. Individual Condensed Statements of Comprehensive Income – IAS

Unit: NTD thousand

Items	Year	2014 - 2020				
		2016	2017	2018	2019	2020
Operating income		492,252	899,094	350,416	798,442	1,329,949
Gross profit margin		429,228	826,347	277,796	721,758	1,240,871
Net operating income (loss)		(302,040)	53,276	(452,342)	(2,123)	365,026
Non-operating income and expenses		162,215	136,177	11,117	142,629	53,057
Profit before tax		(139,825)	189,453	(441,225)	140,506	418,083
Net income for the year from the continuing department		(163,685)	212,410	(440,991)	140,833	414,718
Loss from the discontinued department		-	-	-	-	-
Net profit (loss) for the period		(163,685)	212,410	(440,991)	140,833	414,718
Other comprehensive income for the period (net after tax)		2,785	(44,115)	18,082	(4,282)	(6,526)
Total comprehensive loss for the period		(160,900)	168,295	(422,909)	136,551	408,192
Net profit attributable to the owner of the parent company		-	-	-	-	-
Net profit attributable to non-controlling interest		-	-	-	-	-
Comprehensive income attributable to the owner of the parent company		-	-	-	-	-
Comprehensive income attributable to non-controlling interest		-	-	-	-	-
Earnings per share		(0.40)	0.57	(1.20)	0.40	1.24

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

(2) Auditors' Opinions for the Most Recent Five Years

Year	Name of accounting firm	Name of CPA	Audit opinion
2016	Ernst & Young Global Limited	Bob Chang and Wen-Fang Fu	Unqualified opinion
2017	Ernst & Young Global Limited	James Huang and Bob Chang	Unqualified opinion
2018	Ernst & Young Global Limited	James Huang and Bob Chang	Unqualified opinion
2019	Ernst & Young Global Limited	James Huang and Bob Chang	Unqualified opinion
2020	Ernst & Young Global Limited	James Huang and Bob Chang	Unqualified opinion

(3) Reasons and description of replacement:

- In 2017, due to internal job rotation of Ernst & Young Global Limited, the original CPAs, Bob Chang and Wen-Fang Fu, are replaced by James Huang and Bob Chang.

2. Financial Analyses for the Past Five Fiscal Years**1. Consolidated financial position analysis**

Items	Year	2014 - 2020					
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	54.38	61.61	66.73	66.25	75.35	
	Ratio of long-term capital to property and equipment	16,051.07	10,857.23	8,622.01	9,110.78	10,468.86	
Debt service ability (%)	Current ratio	169.33	151.64	139.44	139.64	125.35	
	Quick ratio	169.24	151.41	139.23	139.37	124.67	
Profitability	Asset return ratio (%)	(1.57)	2.01	(3.82)	1.22	2.92	
	Equity return ratio (%)	(3.57)	4.83	(10.66)	3.63	10.29	
	Ratio to paid-in capital (%)	Operating profit	(7.77)	1.27	(14.27)	1.04	9.74
		Income before tax	(3.60)	4.83	(12.15)	3.95	12.58
	Net profit ratio (%)	(32.38)	23.28	(148.12)	16.54	31.75	
	Earnings per share (NTD) (Note 2)	(0.40)	0.57	(1.20)	0.40	1.24	
Cash Flow	Cash flow ratio (%)	Note 3	Note 3	Note 3	2.89	Note 3	
	Cash flow sufficiency ratio (%)	50.68	28.31	51.14	24.29	Note 3	
	Cash reinvestment ratio (%)	Note 4	Note 4	Note 4	5.22	Note 4	
Ratios of other special requirements (%)	Ratio of debt to equity (Note 5)	119.21	160.47	200.61	196.32	305.69	
	Ratio of property and equipment to assets	2.62	1.82	1.84	1.76	1.21	
	Ratio of total amount of underwriting to quick assets	2.36	0.46	1.08	1.13	6.13	
	Ratio of total amounts of margin loan to equity	-	-	-	-	-	
	Ratio of total amount of short sales to equity	-	-	-	-	-	

Analysis on changes:

- The various aspects of profitability are higher than that in the previous year. This is due to the Company's profit in the current year.
- The current cash flow ratio and the cash reinvestment ratio are both down from the same period last year, mainly due to the decrease in net cash flow from operating activities during the current period.
- The debt to equity ratio of the current period increases over last year, mainly due to the increase in total liabilities in the current period.
- The real estate and equipment to total assets ratio of the current period decreases over last year, mainly due to the increase in total assets in the current period.
- The ratio of total underwriting to quick assets increases over last year, mainly due to the increase in total amount of underwriting securities during the current period.

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

Note 2: EPS is calculated based on retrospectively adjusted weighted-average shares.

Note 3: The “Net cash flow from operating activities” was outflow, thus not applicable.

Note 4: The “Net cash flow from operating activities - cash dividends” was outflow, thus not applicable.

Note 5: Formulas for financial ratios and financial ratio analysis:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets
 - (2) Ratio of long-term funds to property and equipment = (Total equity + Long-term liability)/Net property and equipment
2. Debt service ability
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Prepaid expenses)/Current liabilities
3. Profitability
 - (1) Asset return ratio = (Profit or loss after tax)/Average total assets
 - (2) Equity return ratio = Profit or loss after tax/Average total equity
 - (3) Net profit ratio = Profit or loss after tax/Income
 - (4) Earnings per share = (Net profit after tax - Preferred shares dividends)/Weighted average number of shares issued
4. Cash flow
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
 - (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Cash dividends) for the most recent five years
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property and equipment + Long-term investment + Other non-current assets + Working capital)
5. Ratios of other special requirements
 - (1) Ratio of debt to equity = Total liabilities/Total equity
 - (2) Ratio of property and equipment to assets = Total property and equipment/Total assets
 - (3) Ratio of total amount of underwriting to quick assets = total amount of underwriting/(Current assets - Current liabilities)
 - (4) Ratio of total amounts of margin loan to equity = Total amounts of margin loan/Total equity
 - (5) Ratio of total amount of short sales to equity = Total amount of short sales/Total equity

2. Individual financial position analysis

		2016 - 2020					
		2016	2017	2018	2019	2020	
Financial structure (%)	Ratio of liabilities to assets	54.36	61.57	66.71	66.21	75.33	
	Ratio of long-term capital to property and equipment	16,092.28	10,955.72	8,679.38	9,152.59	10,553.80	
Debt service ability (%)	Current ratio	163.19	147.93	135.53	136.20	124.01	
	Quick ratio	163.12	147.88	135.33	135.94	123.34	
Profitability	Asset return ratio (%)	(1.57)	2.01	(3.82)	1.22	2.92	
	Equity return ratio (%)	(3.57)	4.83	(10.66)	3.63	10.29	
	Ratio to paid-in capital (%)	Operating profit	(7.79)	1.44	(12.45)	(0.06)	11.01
		Income before tax	(3.60)	5.13	(12.14)	4.00	12.61
	Net profit ratio (%)	(33.25)	23.62	(125.85)	17.64	31.18	
Earnings per share (NTD) (Note 1)	(0.40)	0.57	(1.20)	0.40	1.24		
Cash Flow	Cash flow ratio (%)	Note 3	Note 3	Note 3	3.27	0.13	
	Cash flow sufficiency ratio (%)	68.21	84.26	87.39	11.20	Note 3	
	Cash reinvestment ratio (%)	Note 4	Note 4	Note 4	6.17	Note 4	
Ratios of other special requirements (%)	Ratio of debt to equity (Note 4)	119.12	160.24	200.43	195.93	305.32	
	Ratio of property and equipment to assets	2.61	1.82	1.84	1.76	1.20	
	Ratio of total amount of underwriting to quick assets	2.45	0.48	1.11	1.16	6.20	
	Ratio of total amounts of margin loan to equity	-	-	-	-	-	
	Ratio of total amount of short sales to equity	-	-	-	-	-	

1. The various aspects of profitability are higher than that in the previous year. This is due to the Company's profit in the current year.

2. The current cash flow ratio and the cash reinvestment ratio are both down from the same period last year, mainly due to the decrease in net cash flow from operating activities during the current period.
3. The debt to equity ratio of the current period increases over last year, mainly due to the increase in total liabilities in the current period.
4. The real estate and equipment to total assets ratio of the current period decreases over last year, mainly due to the increase in total assets in the current period.
5. The ratio of total underwriting to quick assets increases over last year, mainly due to the increase in total amount of underwriting securities during the current period.

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

Note 2: EPS is calculated based on retrospectively adjusted weighted-average shares.

Note 3: The "Net cash flow from operating activities" was outflow, thus not applicable.

Note 4: The "Net cash flow from operating activities – cash dividends" was outflow, thus not applicable.

Note 5: Formulas for financial ratios and financial ratio analysis:

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets
 - (2) Ratio of long-term funds to property and equipment = (Total equity + Long-term liability)/Net property and equipment
2. Debt service ability
 - (1) Current ratio = Current assets/Current liabilities
 - (2) Quick ratio = (Current assets - Prepaid expenses)/Current liabilities
3. Profitability
 - (1) Asset return ratio = (Profit or loss after tax)/Average total assets
 - (2) Equity return ratio = Profit or loss after tax/Average total equity
 - (3) Net profit ratio = Profit or loss after tax/Income
 - (4) Earnings per share = (Net profit after tax - Preferred shares dividends)/Weighted average number of shares issued
4. Cash flow
 - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities
 - (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Cash dividends) for the most recent five years
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property and equipment + Long-term investment + Other non-current assets + Working capital)
5. Ratios of other special requirements
 - (1) Ratio of debt to equity = Total liabilities/Total equity
 - (2) Ratio of property and equipment to assets = Total property and equipment/Total assets
 - (3) Ratio of total amount of underwriting to quick assets = total amount of underwriting/(Current assets - Current liabilities)
 - (4) Ratio of total amounts of margin loan to equity = Total amounts of margin loan/Total equity
 - (5) Ratio of total amount of short sales to equity = Total amount of short sales/Total equity

3. Audit Committee's Report for the Most Recent Fiscal Year's Financial Statement

Approved

The 2020 standalone and consolidated financial reports (including balance sheet, comprehensive income statement, cash flow statement, statement of changes in equity, etc.) prepared by the board have been audited by accounts James Huang and Bob Chang of Ernst & Young Taiwan. The reports, together with the business report and profit distribution form, have been reviewed and determined to be correct and accurate by the audit committee. According to Article 14-4 and Article 36 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Sincerely,

2021 Horizon Securities Co., Ltd. Annual General Meeting

Audit Committee of Horizon Securities Co., Ltd.

Convener: HSIAO, CHEN-CHI

March 11, 2021

4. For 2020 consolidated financial statements and auditor's report: Please refer to page 125-224 of this Annual Report.

5. Individual Financial Statement for the Most Recent Fiscal Year, Certified by the CPA

For 2020 individual financial statements and auditor's report: Please refer to page 225-314 of this Annual Report.

6. If the Company or Its Affiliates Have Encountered Any Financial Difficulties in the Most Recent Fiscal Year and as of the Printing Date of the Annual Report, the Impact on the Company's Financial Situation Shall Be Set Forth.

The Company or its affiliates have not encountered matters of financial difficulties in the most recent fiscal year or as of the printing date of the annual report.

VII. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

1. Financial Position

The annual report shall list the main reasons for any material change (any increase or decrease greater than 20% or monetary amount larger than NTD 10 million) in the Company's assets, liabilities, or equity during the most recent two fiscal years, the effect thereof, and the measures to be taken in response:

Unit: NTD thousand

Items	Year	2019	2020	Difference	
				Amount	Percentage
Current assets		\$10,283,908	\$15,647,677	\$5,363,769	52.16%
Property and equipment		43,595	40,185	(3,410)	(7.82)%
Intangible assets		24,798	29,429	4,631	18.67%
Other assets		1,188,070	1,141,544	(46,526)	(3.91)%
Total assets		11,540,371	16,858,835	5,318,464	46.09%
Current liabilities		7,550,336	12,617,814	5,067,478	67.12%
Non-current liabilities		90,367	81,655	(8,712)	(9.64)%
Total liabilities		7,640,703	12,699,469	5,058,766	66.21%
Share capital		3,505,008	3,308,168	(196,840)	(5.62)%
Capital reserve		237,869	312,359	74,490	31.31%
Retained earnings		133,968	477,667	343,699	256.55%
Other items under equity		22,823	61,172	38,349	168.03%
Total equity		3,899,668	4,159,366	259,698	6.66%

Analysis for any increase or decrease greater than 20% or monetary amount larger than NTD 10 million.

1. The current assets and total assets of the period increased over 2019, mainly due to the increase in bond investments reverse repurchase over the previous period.
2. The current liabilities and total liabilities of the period increased over 2019, mainly due to the increase in bond repurchase over the previous period.
3. The paid-in capital of the period increases over 2019, mainly due to the cancellation of treasury stocks of the current period.
4. The retained earnings of the period increases over 2019, mainly due to more profits in the current period.
5. Other equity items of the current period increases over 2019, mainly due to that the treasury stocks bought back in 2019 have not been cancelled.

2. Financial Performance

(1) Financial Performance Analysis

Unit: NTD thousand

Items	Year	2019	2020	Change, by	
				monetary amount	percentage
Income		\$798,442	\$1,329,949	\$531,507	66.57%
Operating expense		(800,565)	(964,923)	164,358	20.53%
Operating profit (loss)		(2,123)	365,026	367,149	17,293.88%
Non-operating profit or loss		142,629	53,057	(89,572)	(62.80)%
Net profit before tax (loss)		140,506	418,083	277,577	197.56%
Tax income		327	(3,365)	(3,692)	(1,129.05)%
Net income (loss) for the year from the continuing department		140,833	414,718	273,885	194.48%

Analysis for any increase or decrease greater than 20%.

1. The current income, operating profit, net profit before tax and net profit all increase over the same period last year, mainly due to the increase in brokerage fee income, net gains on sale of securities held for operations and net gains on securities held for operation at fair value through profit or loss over 2019.
2. The operating expenses of the current period increase over the same period last year, mainly due to the increase in employee welfare expenses.
3. The non-operating gains and losses decrease over the same period of last year, mainly due to the decrease in the investment gains or losses recognized with the equity method over 2019.
4. The income tax expense of the current period increases over the same period of last year, mainly due to the difference between the income tax recognized for 2018 and 2019.

(2) Sales volume forecast and the basis therefor, effect upon the Company's financial operations as well as measures to be taken in response:

The Company belongs to the securities service industry, and is not involved in manufacturing. Thus, N/A.

3. Cash flows

(1) Analysis of changes in cash flow in the most recent year

Year	2019	2020	Change, by percentage
Cash flow ratio (%)	3.27	0.13	(95.94)%
Cash flow sufficiency ratio (%)	11.20	Note 1	—
Cash reinvestment ratio (%)	6.17	Note 1	(93.76)%

Note 1: The "Net cash flow from operating activities" was outflow, and thus not applicable. The cash flow sufficiency ratio has decreased. This is due to the decrease in net cash inflow from operating activities in the most recent five years.

(2) Cash flow analysis for the future year

Unit: NTD thousand

Beginning cash balance (1)	Cash flow from operating activities for the whole year (2)	Net cash outflow for the whole year (3)	Cash surplus (deficit) (1)+(2)-(3)	Remedies for cash deficit	
				Investment plans	Financing plans
1,080,637	(303,146)	452,000	1,229,491	—	—

Cash flow analysis for the future year: N/A. No cash deficit expected in the future year.

4. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year

- (1) Utilization and source of major capital expenditure: None.
- (2) Expected benefit: None.

5. The Company's Policy for the Most Recent Fiscal Year on Investments in Other Companies, the Main Reasons for Profits/Losses Resulting therefrom, Plans for Improvement, and Investment Plans for the Coming Fiscal Year.

(1) Policy on Investments in Other Companies

Most of the Company's invested companies are in the securities industry. Though each invested company is autonomous, they provide clients with multifaceted services through business cooperation to optimize shareholders' profit.

(2) Profits/Losses Resulting from the Aforementioned Investments and Plans for Improvement

Unit: NTD thousand; Dec. 31, 2020

Investee	Cost of investment	Book value	Gain or loss in current period (Note 1)	Main reasons for profits/losses	Improvement plans
Horizon SICE Co., Ltd.	114,282	137,573	(1,350)	Mainly due to the increase in personnel costs and system maintenance cost.	Increase profitability and reduce expenses.
Horizon Venture Capital Co., Ltd.	429,420	357,391	(38,750)	Mainly due to losses of valuation of positions.	Choose positions carefully and plan to increase capital.
Horizon Venture Management Co., Ltd.	20,000	20,650	217	Mainly due to the receipt of consulting income from Horizon Securities Venture Capital.	—

Note 1: The profit/loss for the current period is the profit/loss of the investee company in the year 2020 under equity method.

(3) Investment Plans for the Coming Fiscal Year

The Company has no investment plans for the coming fiscal year.

6. Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report

(1) The effect upon the company's profits/losses of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

1. Interest Rate:

(1) Effects upon profit or loss

Unit: NTD thousand

Items	Inventory cost	Market value	Average duration	Profit/loss per 1bp fluctuation
2020.12.31	2,186,673	2,181,264	3.56	763

(2) Measures to be taken in the future

Though the bonds (corporate and government bonds) with repurchase agreement held by the Company are directly affected by fluctuations in interest rate, such effect does not pose material impact on the Company's profitability, as the bonds are purchased to be owned until maturity.

2. Change in exchange rate:

(1) Effects upon profit or loss

Unit: NTD thousand

Date	Profit/loss per 1% fluctuation
2020.12.31	283

(2) Measures to be taken in the future

The Company is a securities firm, with its main source of income from domestic investors and public companies, and transactions denominated in domestic currency. Thus, fluctuations of exchange rate have only limited impact on the Company's profit or loss. Besides this, the Company's international bonds have

foreign currency repurchase agreements, in the aim to effectively reduce the risk of foreign currency capital movement and exchange rate fluctuation.

3. Inflation:

As the Company is a securities firm, the impact of inflation on income is positively correlated to that on costs, and the Company has taken the effects of inflation into consideration when handling related businesses to prevent the Company's profitability from being eroded by inflation. Thus, inflation has no significant influence on the Company's profitability.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future.

1. As of the most recent fiscal year and the printing date of the Annual Report, the Company is not engaged in high-risk investments, highly leveraged investments, loans to other parties, endorsements, and guarantees.
2. In the Company's promotion of derivatives businesses, the Company has taking the market situation and predictable risks into consideration when designing such products. At the same time, for the robustness of operation, the Company has also placed reasonable hedging positions based on the market situation to reduce risk exposure, and streamlining costs and expenses in order to increase the return on equity.
3. The Company only involves in derivatives that are approved by the competent authorities. The Company has formulated the "Procedures for Derivative Trading" as an internal control mechanism. The Company has also established the Risk Management Office to manage risks of derivatives trading.

(3) Research and development plans for the future, and expenditures expected for research and development work.

The Company belongs to the securities service industry. Thus, N/A.

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

Changes in the legal environment at home and abroad.	The effect upon the Company's financial operations	Measures to be taken in response
1. Starting Mar. 23, 2020, all securities intraday trades adopt continuous trading method. 2. Allowing intraday odd-lot trading. 3. The FSC launched Capital Market Roadmap, aiming to achieve four main objectives – sustainable development, financial inclusion, enhanced competitiveness, and investor protection – through 82 measures under the five major strategies.	1. Due to the introduction of continuous trading mechanism, there is increased investors demand for the new trading system, causing an increase in the securities firms' cost to boost the speed of price offering and transaction. 2. The Company improves investor protection, strengthens business and product supervision, and enhances environmental, social, corporate governance (ESG) responsibilities.	1. Improves the efficiency of e-transaction system, increases speed of price offering and transaction, meets requirements of trading mechanism, and customizes transaction and accounting functions, in order to attract young and petite bourgeoisie clients. 2. In response to economic substances including business model and nature of startups, the Company continues to engage in the "Taiwan Innovation Board" and "Pioneer Stock Board," to determine appropriate standards and conditions for company listing. 3. The Company signed the "Stewardship Principles for Institutional Investors" to enhance the implementation of Fintech, retirement financial plans, financial fraud prevention, and important investor protection,

(5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response.

1. Effects: The new 5G of mobile communication, ultra-high-speed network transmission, and improvements of hardware performances have boosted the applications of innovative technologies that require massive computing resources and high internet transmission speed. Such technologies include AI, machine learning, big data, SDN, IOT and others. Technology innovation capability has become a key competitive advantage. To utilize these innovative technologies on a digital transformation or reinforcement of Fintech application have become a mutual goal of securities firms. The business model and services of securities firms are under a transition driven by the rapid development of innovative technologies. Not only has the monetary amount of order placement on the E-platform exceeded half of all order placements, traditional over-the-counter account opening services are also moving to online platforms. The traditional in-person investment or accounting consultation services provided only during rigid office hours are replaced by various Apps that clients have access to 24-7, providing faster and more accurate services.

In the office automation and paperless trend, the Company has to reform various work procedures to be in line with the latest technology, in the aim to increase work efficiency, to improve decision analysis models and to reduce operation expenses. The Company has introduced robotic process automation (RPA) artificial intelligence (AI) to improve workflow, reduce human errors, and promote digitalization. Through the promotion of a paperless office, we aim to save energy and carbon, and make contributions to prevent global climate change.

Due to the popularizing of smart mobile devices and thriving Fintech applications, the level of information security required has increased greatly. As the financial firms are developing convenient electronic transaction tools, they are continuously attacked by new types of internet hackers, including DDos, zombie, Trojan horse, phishing, and social engineering. Therefore, securities firms require more professional information security personnel and the latest equipment to enhance information security protection.

2. Response to such factors:

- (1) Continuing the development and optimization of service software including digital account opening, online account opening, electronic order placement system.
- (2) Increasing the number of information security personnel and enhancing new information technology training.
- (3) Continuing the update and replacement of information software and hardware.
- (4) Seeking new industry-academia cooperation to facilitate the development of innovative applications.
- (5) Continuing the development of latest FinTech software, to provide clients with more convenient and friendly services.
- (6) Continuing the introduction of robotic process automation (RPA) to facilitate or replace detailed and complicated manual work.

(6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response.

The Company is committed to providing investors with the best quality services based on our business philosophy of robustness and practicality, and earn clients' trust through providing our professionalism. Moreover, the Company has existing measures and responses for such matters and is capable of managing crises in an appropriate and timely manner.

(7) Expected benefits and possible risks associated with any merger and acquisitions (M&A), and mitigation measures being or to be taken

On Dec. 2, 2020, the Company's acquisition of operated business and assets of Kunglon Securities Co., Ltd. (Hereinafter referred to as Kunglon Securities) was approved by the competent authority. As the Company and Kunglon Securities have similar natures in business, the acquisition has not only benefited the integration of businesses, but also ensured the rights of the clients. Moreover, the increase in operating locations for brokerage business is beneficial to expanding service regions and clients. It has also positive impact on the Company's financial, business and shareholders' equity. However, the brokerage business of Kunglon Securities was mainly conducted in the traditional ways. In the future, the intensifying competition will pose a greater challenge to the transfer of Kunglon Securities and increase the cost of service fee discounts.

Based on the above, the Company retains all sales personnel of Kunglon Securities and keep the original business model and arrangement of personnel unchanged, in order to maintain the business efficiency and capacity, and minimize the impact of acquisition.

(8) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken

The Company belongs to the securities service industry. Thus, N/A.

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken.

The Company belongs to the securities service industry. The counterparties are general and institutional investors, and there is no risk of sales or purchasing operations. Thus, N/A.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken.

The Directors or shareholders holding greater than a 10 percent stake in the company are holding the Company's shares in long and stable terms. Thus, there are no major changes in the shareholding structure, showing that there are no relevant risks.

(11) Effect upon and risk to the company associated with any change in governance personnel or top management, and mitigation measures being or to be taken

There were no matters of material changes in governance personnel or top management in the year 2020. Thus, N/A. Moreover, the management of the Company consists of mainly professional managerial officers, and strictly follows through the rules and regulations formulated by the Company. Thus, there are no expected impacts or risks from the changes in governance personnel or top management.

(12) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, any president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

1. Any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent

two fiscal years or during the current fiscal year up to the prospectus publication date: None.

2. Any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a company director, supervisor, president, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending during the most recent two fiscal years or during the current fiscal year up to the prospectus publication date: None.
3. If there has been any material impact upon shareholders' equity or prices for the subsidiaries' securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the company that was finalized or remained pending during the most recent two fiscal years or during the current fiscal year up to the prospectus publication date, the prospectus shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case: None.

7. Risk Management

1. Policy and procedures of risk management

(1) Risk policy, goal and model

A. Risk policy

Based on the current capital scale, the Company prudently quantize activities including recognition, measurement, monitoring and response with quantitative models based on the potential risks in the operating activities. This is done in order to rationalize the asset allocation and maximize shareholders' returns, and to ensure that the Company achieves its strategic operation goals within the risk appetite approved by the Board.

B. Risk Goals

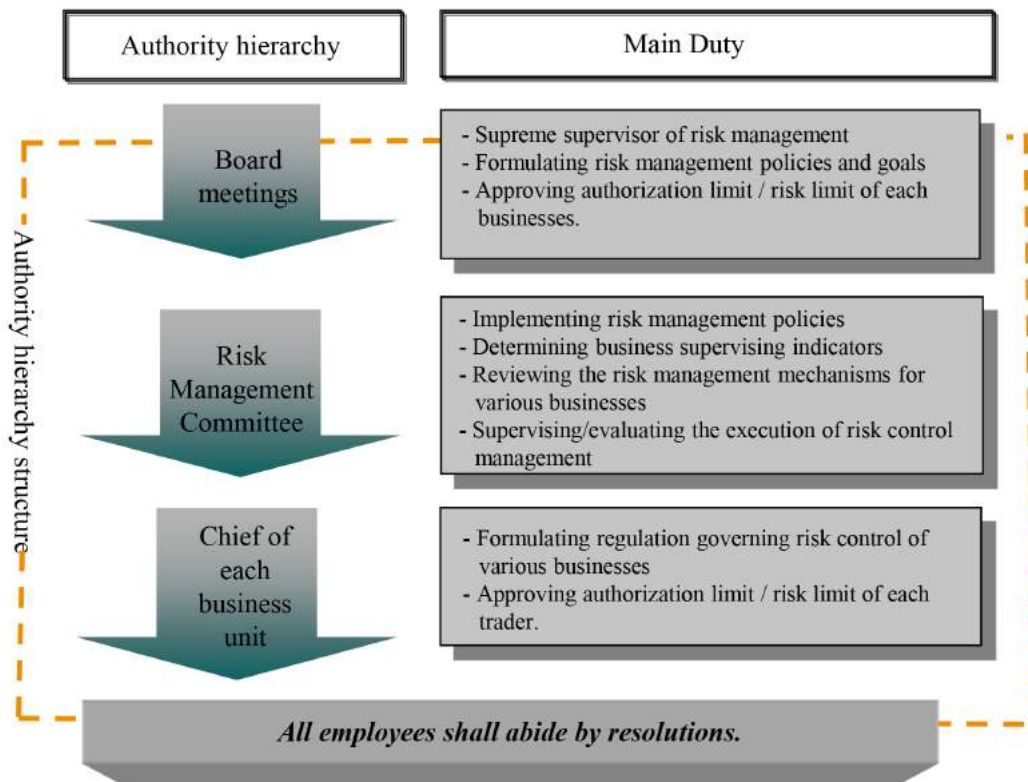
- a. Providing effective identification, measurement and monitoring of risks when the Company or the subsidiaries are handling businesses.
- b. Establishing timely, accurate and effective risk management indicators for the Company's operating activities in response to the fluctuations in the market.
- c. Controlling the overall risk within the risk limit of shareholders, and providing the basis of capital allocation for the Company's operating activities.

C. Risk management model

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.

(2) Formulation and approval procedures of risk policy

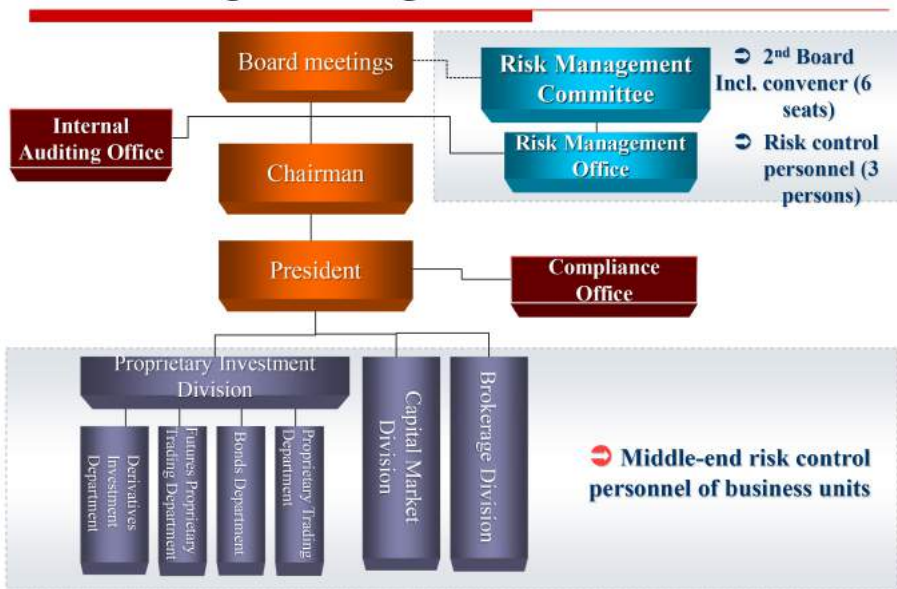
The Company adopts the authorization hierarchy system for risk management. Procedures of formulations and Approval of relevant policies are as follows:



2. Risk management organization chart

(1) The Company’s risk management organization structure includes the Board of Directors, “Risk Management Committee,” top management, Risk Management Office, Internal Auditing Office, Compliance Office, and other business unites. The organizational chart is as follows:

Risk management organizational structure



(2) “Risk Management Committee” is the 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”

A. The organizational chart of the current (2nd) Risk Management Committee:

The organizational chart of the Risk Management Committee <2nd> :



B. The operation of Risk Management Committee

The term of the 2nd Risk Management Committee: 2020.07.09 – 2023.06.23 (as of 2020.12.31)

Title	Name	Qualifications (Note)	Actual attendance	Number of meetings in attendance by proxy	Actual attendance rate (%)	Remarks
Independent Director	Yuh-Jen Chen	1	2	0	100.00	Convener
Independent Director	Chen-Chi Hsiao	2	2	0	100.00	—
Independent Director	Che-Ying Liaw	2	2	0	100.00	—
Chairman	Ke-Chyn Jiang	3	1	0	100.00	Appointed on Nov. 5, 2020
Chairman	Han-Tsung Liu	3	1	0	100.00	Resigned on Oct. 15, 2020
Director	Jamie Lin	3	2	0	100.00	—
Director	Jyun-De Li	3	2	0	100.00	—

(Note) Qualifications:

Note 1. Lecturer or higher position at a public or private university/college in the department of commerce, law, finance, accounting or other fields related to the business.

Note 2. Judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who have passed a national examination and received a certificate in a profession necessary for our business.

Note 3. Work experience in commerce, law, finance, accounting or any other fields necessary for our business.

3. Risk reporting/measurement system scope and characteristics

(1) The description of the measurement of risks faced by the Company are market risk, liquidity risk, credit risk, operational risk, legal risk and model risk:

A. Market risk:

The management of market risk is stipulated in the regulations governing risk control of each business. The methods of management (including acceptable scope of transactions, quantitative measurement of market risk, market risk limits of overall and individual position, authorization hierarchy and methods for handling over-limit risks) are monitored by the Risk Management Office. 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.

B. Liquidity risk:

Liquidity risk includes market liquidity risk and capital liquidity risk of the positions held. For market liquidity risk, the Company determines the cap of individual positions based on the nature of each business and the concentration of the positions, and monitors the positions. For capital liquidity risk, the Company authorizes the Finance Department to be responsible for the capital movements, and has formulated the “Regulations Governing Capital Liquidity Risk Control.” In the risk control system, the Company has established the capital liquidity indicators for simulation analysis for capital liquidity risk, and measures the Company’s risk tolerance for capital liquidity risk based on the stress test on monetary losses, in aim to enhance liquidity risk control.

C. Credit Risk:

The Company has different credit risk management methods for different financial products. For example, a certain level of credit rating is required to hold securities. For the brokerage business, the credit risk of margin purchase and short sale is borne by the securities firms. The credit ratio and rating of the collaterals are handled in accordance with the standards and requirements of securities firms. Moreover, the Company’s matters regarding lending money without specific purposes are managed and monitored in accordance with the “Guidelines for Lending Money Without Specific Purposes,” “Regulations Governing Risk Control,” and other regulations governing assessment of credits and credit lines. The review of financing lines, the approval of the quality of collateral and the liquidity ratio is handled in accordance with the Company’s authority hierarchy.

The trading of futures and options in the proprietary trading of derivatives are conducted through the open market, so there is no credit risk. Besides this, the risk control responsibilities in the trading of convertible bond asset swap (incl. options) have different limits depending on the credit rating. Besides strengthening the pre-trading credit evaluation, business units are required to monitor and evaluate the credit status of counterparties, in order to reduce credit risk exposure.

D. Operational Risk:

The Company has formulated the Internal Control System Policy and 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 the Taiwan Securities Exchange Corporation. All businesses of the Company are conducted in accordance with relevant regulations released by the competent authorities, regulations regarding operational risks in the Company’s regulations of risk control, and the standard operations stipulated in the Company’s internal control system, in the aim to effectively control operational risk.

E. Legal Risk:

The Company has newly established the Compliance Office, serving as the Company’s supervising unit, and providing legal consultation for each business unit. 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.

F. Model Risk:

In order to maintain the operation and management of models and enhance the risk control of financial products, the Company 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.

(2) Information scope, frequency and procedures of risk management report

A. Information scope of risk management report

a. The Risk Management Office is responsible for the monitoring of the Company's overall and business unit's individual risk exposures. Besides understanding the responses to risk management from each business unit, disclosures of the daily position gains on the asset risk control system and losses and daily overview of VaR, the Company's 2020 annual capital adequacy ratio, overall risk equivalent, interest and exchange rate sensitivity analysis, and Value-at-risk are as follows:

① Dec. 31, 2020 Capital Adequacy Ratio

Capital adequacy ratio	That day	Annual average	Max. value	Min. value
	350%	354%	431%	290%

② Dec. 31, 2020 Overall Risk Equivalent Unit: (NTD thousand, %)

Overall risk equivalent	Market risk	Credit risk	Operational risk	Total
	554,444	213,450	109,554	877,447
	63%	24%	12%	100%

③ Dec. 31, 2020 Interest Rate Sensitivity Analysis Unit: (NTD thousand)

Bond position	Face value	Inventory cost	Market value	Duration	Profit/loss per 1bp fluctuation
Government bonds	600,000	619,896	620,018	3.03	182
State-owned corporate bonds	100,000	103,056	101,423	1.29	13
Unsecured corporate bonds	1,300,000	1,309,940	1,312,043	4.23	550
Foreign currency denominated bonds	142,540	153,781	147,779	1.32	19
Total (NTD)	2,142,540	2,186,673	2,181,264	3.56	763

④ Dec. 31, 2020 Exchange Rate Sensitivity Analysis Unit: (NTD thousand, %)

Foreign currency positions	Original currency amount	Exchange rate on that day	Profit/loss per 1% fluctuation
Foreign currency savings – USD	482	28.5080	137
Foreign currency savings – RMB	1	4.3592	0
Foreign currency savings – HKD	64	3.6775	2
Foreign currency denominated bonds – USD	5,116	28.5080	1,458
Foreign currency denominated bonds-RP – USD	(4,610)	28.5080	(1,314)
Total (NTD)	—	—	283

⑤ The Company's quantized market risk model is measured based on value-at-risk, and the quantized calculation is based on parametric methods (variance-covariance method), historical simulation method. The values-at-risk at 99% confidence level are as follows:

Unit: (NTD thousand)

Value-at-risk (99% VaR)	2020.12.31	Annual average	Max. value	Min. value
	76,840	58,161	87,341	23,849

b. Regular back test

- ① The Company back tested the models to ensure the accuracy and reliability of models which are based on statistics. This is performed in accordance with “Risk Management Best-Practice Principles For Securities Firms” and “The Draft for Rules of Internal Model Approach for Market Risk Capital Charge.” The competent authority divides the 99% VaR back test into three zones, green, yellow and red, each representing difference response levels. Please refer to the table below.
- ② Green zone indicates that no problem is showing in the quality of model or accuracy through the back test, that all qualitative standards are met, and that multiplier factor 3 can be used without any additional factors.
- ③ Yellow zone indicates that there are doubts in the models through the back test. However, the results are not conclusive, and multiplier factor 3 can be used with additional factors.
- ④ Red zone indicates that it is almost certain that there are underlying problems in the model.

Zones	No. of exceptions (No. of times exceeding limits)	Additional factors
Green zone	0	0.00
	1	0.00
	2	0.00
	3	0.00
	4	0.00
Yellow zone	5	0.40
	6	0.50
	7	0.65
	8	0.75
	9	0.85
Red zone	> 10	1.00

- ⑤ 99% VaR back test results for the year 2019 (by actual gain or loss and static gain or loss)

By products	VaR methods	back test period	Region	
			Actual gain or loss	Static gain or loss
Company overall	Aggregation	2019.01.01 – 2019.12.31	Green zone	Green zone
Domestic shares	Variance-covariance method	2019.05.01 – 2020.04.30	Yellow zone	Yellow zone
Domestic bond	Historical simulation method	2019.12.09 – 2020.12.08	Green zone	Green zone
Domestic convertible corporate bonds	Historical simulation method	2019.09.01 – 2020.08.31	Yellow zone	Yellow zone
Domestic futures and options	Variance-covariance method	2019.11.01 – 2020.10.31	Yellow zone	Yellow zone
Overseas futures	Variance-covariance method	2019.11.01 – 2020.10.31	Green zone	Green zone
Funds	Variance-covariance method	2019.09.01 – 2020.08.31	Yellow zone	Yellow zone
Domestic shares of Horizon Venture Capital	Variance-covariance method	2019.09.01 – 2020.08.31	Green zone	Green zone
Funds of Horizon SICE	Variance-covariance method	2019.05.01 – 2020.04.30	Green zone	Green zone

c. Regular stress test

① 2020 Q4 Stress test conditions – Hypothetical scenario analysis

- I. 50% decrease in the market value of equity investments (incl. options, equity funds, balanced funds, and other positions) (incl. subsidiaries)
- II. 2% credit loss in the money funds (incl. subsidiaries)
- III. 10% credit loss in non-government bonds (incl. bond funds) (incl. subsidiaries)
- IV. Transaction volume of Taiwanese stock market dropped to a daily average of NTD 50 billion.
- V. If all the above happens, the Company will have an estimated loss of NTD 1.425 billion. Ratio of shareholders' equity to assets will drop to 17.8% from 24.8% in Dec. 31, 2020. Capital adequacy ratio will be lowered to 245% from 350% in Dec. 31, 2020, and is still in line with the requirement by law.

② 2020 Q4 Stress test conditions – Historical scenario (I)

From January to March 2020, the global stock market crashed due to COVID-19. The hypothesis is based on the Taiwanese stock market decline two months after the pandemic outbreak, taking into consideration the largest average decline of 30.91% of the Dow Jones, PHLX Semiconductor and Korea Composite. Thus, the hypothesis of this stress test is 30% loss in the equity investment, 10% loss in non-government bond investment, and 2% loss in money investment. The Target of the stress test are the Company's positions including:

- I. 30% decrease in the market value of equity investments (incl. options, equity funds, balanced funds, and other positions) (incl. subsidiaries)
- II. 2% credit loss in the money funds (incl. subsidiaries)
- III. 10% credit loss in non-government bonds (incl. bond funds)
- IV. Transaction volume of Taiwanese stock market dropped to a daily average of NTD 50 billion.
- V. If all the above happens, the Company will have an estimated loss of NTD 1.023 billion. Ratio of shareholders' equity to assets will drop to 19.9% from 24.8% in Dec. 31, 2020. Capital adequacy ratio will be lowered to 280% from 350% in Dec. 31, 2020, and is still in line with the requirement by law.

③ 2020 Q4 Stress test conditions – Historical scenario (II)

The historical share market crash in the beginning of Feb, 2018, where Dow Jones plunged, fearing an early increase of interest rate by FED. The largest accumulated intraday and closing decline in Dow Jones and major Asian share markets in 15 days, based on the closing price on Jan. 26, 2018. Among the stock markets, Heng Seng Index and Dow Jones dived an accumulative 11.14% in closing and 12.23% in intraday trading, respectively. Thus, the hypothesis of this stress test is a 12% loss. The Target of the stress test are the Company's positions including:

- I. 12% decrease in the market value of equity investments (incl. options, equity funds, balanced funds, and other positions) (incl. subsidiaries)
- II. 2% credit loss in the money funds (incl. subsidiaries)
- III. 12% credit loss in non-government bonds (incl. bond funds)
- IV. Transaction volume of Taiwanese stock market dropped to a daily average of NTD 50 billion.
- V. If all the above happens, the Company will have an estimated loss of NTD 0.714 billion. Ratio of shareholders' equity to assets will drop to 21.5% from 24.8% in Dec. 31, 2020. Capital adequacy ratio will be lowered to 295% from 350% in Dec. 31, 2020, and is still in line with the requirement by law.

B. Frequencies of risk management reports

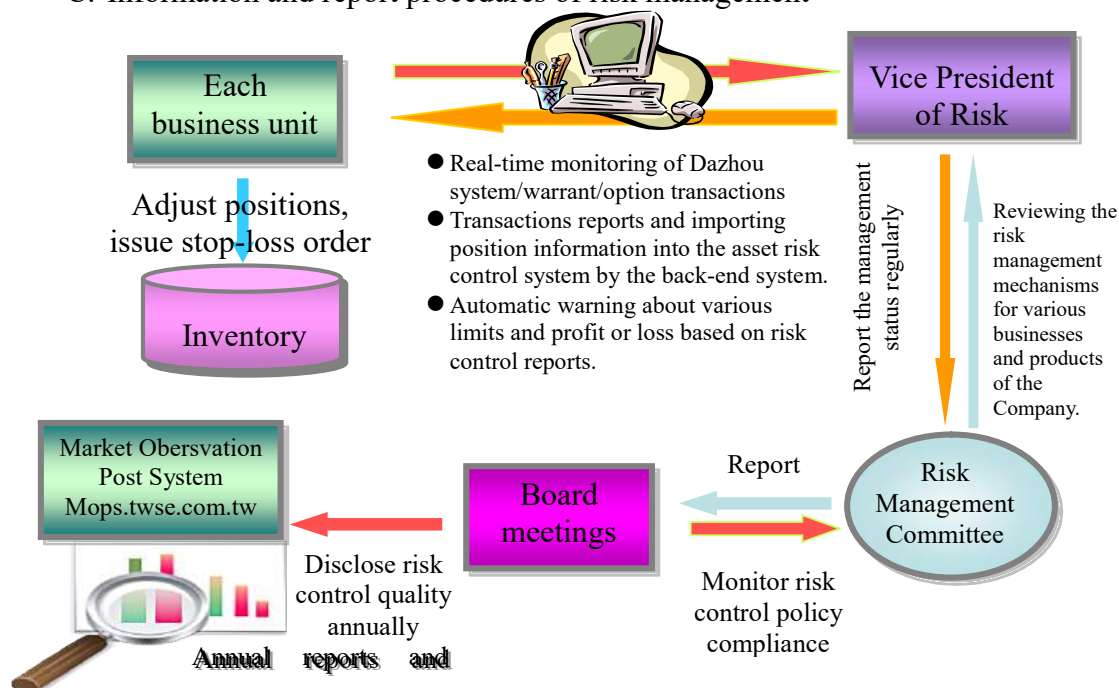
a. Regular reports

- ① Each unit should prepare a daily risk control report indicating the execution results in the asset risk control system (including inventory position on-hand, exceeding limits, overstepping of authority, reaching warning and stop-loss threshold, counterparty ratings, and exception management, etc.) The Risk Management Office compiles and reviews the reports and reports them to senior management.
- ② The Risk Management Office presents the risk control reports to each business unit and their management at management meetings, and reports to the Risk Management Committee at board meetings on a quarterly basis.
- ③ As required by the competent authority, the Risk Management Office discloses relative quality information of risk control management in Annual Reports, company website and other places.

b. Reports when necessary

- ① The temporary suspension report of a business unit must be approved by the President before it is included in the exception management. Then, such matter is reported to the Risk Management Committee by the Risk Management Office on a regular basis.
- ② The Risk Management Office may request each unit to present the research report or explanation on specific positions or an individual stock.

C. Information and report procedures of risk management



4. Risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk monitoring, hedging and mitigation tools

(1) The Company carries out analysis based on the severity of loss, and assesses the pros and cons of each countermeasure. Potential hedging and mitigation policies include:

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

risks.

- (2) 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.
 - (3) The Company's hedged items of the call (put) warrants issued by the Derivatives Investment Department are mainly spot commodities, convertible corporate bonds, and call (put) warrants of other issuers. The Black-Scholes valuation model is used to estimate the Delta, Gamma and Vega values of the issuing positions and its hedging positions of derivatives, and the values are also used as a reporting parameter for the capital adequacy ratio. However, there have been no call (put) warrants issued since Jun. 2019.
5. The Company has also established the Futures Proprietary Trading Department, responsible for future 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.
 6. Evaluation of risk control
 - (1) The Company's risk control evaluation for the year 2017 was Level 3 (Satisfactory).
 - (2) The Company's risk control evaluation for the year 2018 was Level 2 (Good).
 - (3) No risk control evaluation is required for the year 2019 and 2020.

8. Other important disclosures

The Company's relevant risk assessment analysis and its response measures, etc., please refer to this annual report "6. Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Date of Publication of the Annual Report (5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response": Page 111.

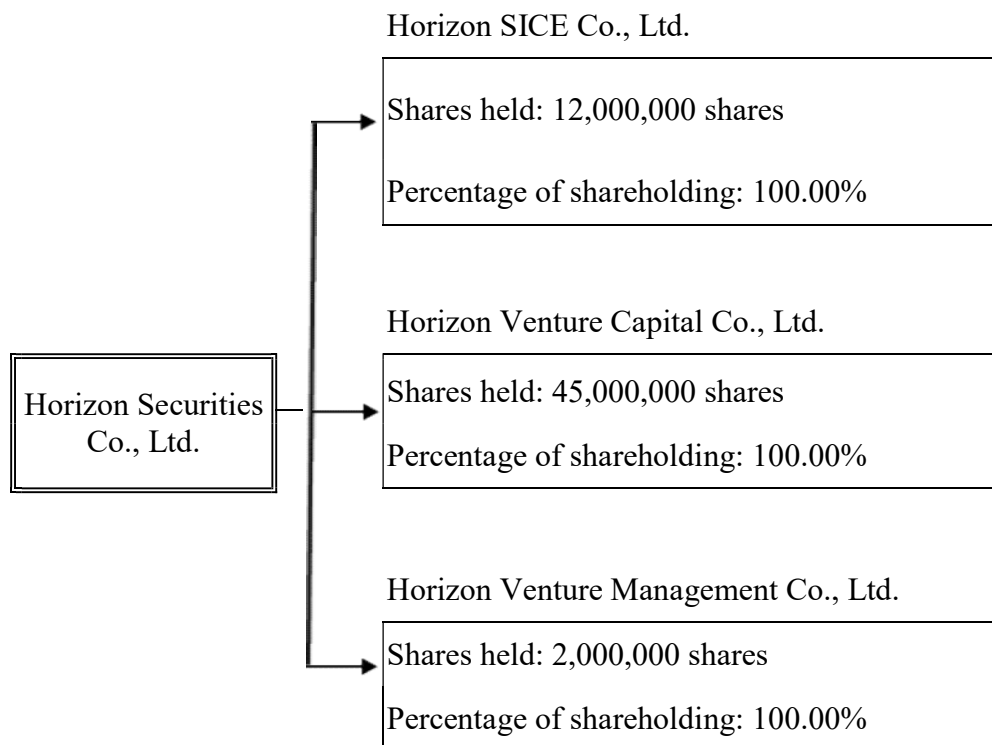
VIII. Special Disclosure

1. Information on the Company Affiliates

(1) Consolidated business reports of affiliates

1. Corporate Organization Chart

Dec. 31, 2020



2. Basic information on affiliates

Company name	Date of Incorporation	Address	Paid-in Capital	Principal business or production
Horizon Securities Co., Ltd. (hereinafter referred to as "Horizon Securities")	1961.12.08	3-5F., 7F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan	3,308,168	H301011 Securities Brokerage 1. Securities broker 2. Securities propriety traders 3. Securities underwriters 4. Futures Brokerage (H401011) 5. Futures Consultation Services (H405011) 6. Other businesses approved by the competent authority
Horizon SICE Co., Ltd. (hereinafter referred to as "Horizon SICE")	1993.07.02	4F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan	120,000	H304011 Security-investing Advices (Limited to the businesses approved by the competent authority)
Horizon Venture Capital Co., Ltd. (hereinafter referred to as "Horizon Venture Capital")	2014.04.08	7F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan	450,000	H202010 Venture Investment ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
Horizon Venture Management Co., Ltd. (hereinafter referred to as "Horizon Venture Management")	2019.03.13	7F., No. 236, Sec. 4, Xinyi Rd., Xinyi Dist., Taipei City 110, Taiwan	20,000	I102010 Investment Consultancy I103060 Management Consulting Services H202010 Venture Investment H201010 Investment ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

3. Where there is considered to be a controlled and subordinate relation, the information of the same shareholders
Less than half of the number of executive shareholders or directors in the Company are temporarily acting as executive shareholders or directors in another company, and less than half of the total number of outstanding voting shares or the total amount of the capital stock of the Company and another company are held by the same shareholders. Thus, it is concluded that there is no existence of the controlling and subordinate relation.
4. Description of businesses covered by all the affiliates
The description of the mutual dealings and division of work among such affiliates:
(1) Horizon SICE: It provides the Company with investment analysis or consultation services, and acts as an agent for overseas fund sales and discretionary investment business.
(4) Horizon Venture Capital: It is mainly engaged in venture capital business. It assists the Company's underwriting team in the collection of information on promising industries, markets and technologies. It also assesses potential companies in various industries and recommends them to the underwriting team for further development and consultation.
(5) Horizon Venture Management: It manages venture funds for Horizon Venture Capital and other companies.
5. Information on directors, supervisors, and presidents of affiliates

Dec. 31, 2020; unit: share

Company name	Title	Names or representative	Shareholdings	
			Number of shares	Percentage of shareholding
Horizon Securities	Chairman	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Ke-Chyn Jiang	33,800,000	10.22%
	Director	Cheng-Da Investment Consulting Co., Ltd. Legal representative: Jamie Lin	33,800,000	10.22%
	Director	Chia-Hung Lee	50,000	0.02%
	Director	Jyun-De Li	0	0.00%
	Independent Director	Chen-Chi Hsiao	0	0.00%
	Independent Director	Yuh-Jen Chen	0	0.00%
	Independent Director	Che-Ying Liaw	0	0.00%
	President	Jamie Lin	312,751	0.09%
Horizon SICE	Chairman Director Director Supervisor President	Representative of Horizon Securities: Hung-Da Chen Chan-Mei Liu Kuo-Ching Chen Meng-Wei Lu Chan-Mei Liu	12,000,000	100.000%
Horizon Venture Capital	Chairman Director Director Supervisor President	Representative of Horizon Securities: Ke-Chyn Jiang Jamie Lin Gilbert Chang Christine Chang Hsu-Lun Chen	45,000,000	100.000%
Horizon Venture Management	Chairman Director Director Supervisor President	Representative of Horizon Securities: Ke-Chyn Jiang Jamie Lin Gilbert Chang Christine Chang Hsu-Lun Chen	2,000,000	100.000%

6. Operation summary of affiliates

Dec. 31, 2020; Unit: NTD thousand

Company name	Paid-in Capital	Total assets	Total liabilities	Net worth	Operating income	Net operating income (loss)	Current income (loss) (after tax)	Earnings per share (NTD) (after tax)
Horizon Securities	3,308,168	16,858,835	12,699,469	4,159,366	1,329,949	365,026	414,718	1.24
Horizon SICE	120,000	150,995	13,422	137,573	42,286	(2,940)	(1,350)	(0.11)
Horizon Venture Capital	450,000	357,411	20	357,391	(30,108)	(39,445)	(38,750)	(0.86)
Horizon Venture Management	20,000	20,659	2,009	20,650	8,571	183	217	0.11

(2) For consolidated financial statements of the affiliates: Please refer to page 125-224 of this Annual Report.

(3) Affiliation reports: None.

(4) The information on guarantees & endorsement, loans to others, and derivatives of affiliates:

As of the most recent fiscal year and the printing date of this Annual Report, there is no matters of guarantees & endorsement, and loans to others. Except for the Company having established the Futures Proprietary Trading Department to handle products such as futures and options, other affiliates do not engage in derivatives trading.

2. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

As of the most recent fiscal year and the printing date of this Annual Report, the Company has plans on private placement of new shares.

3. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report

As of the most recent fiscal year and the printing date of this Annual Report, the subsidiaries do not hold or dispose of shares in the Company.

4. Other Supplementary Information

None.

IX. Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

Statement of Declaration

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2020 (January 1 to December 31, 2020) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the Statements of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of the parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

Hereby declare

Company name: Horizon Securities Co., Ltd.

Chairman: Ke-Chin Chiang

March 11, 2021

Auditor's Report

To: Horizon Securities Co., Ltd.

Audit opinion

We have audited the accompanying consolidated balance sheet of Horizon Securities Co., Ltd. and subsidiary (collectively referred to as the “Group”) as of December 31, 2020 and 2019, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Notes of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019 and for the years then ended, and its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, as well as 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.

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 used their professional judgment to audit the most important matters on the 2020 consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Evaluation of financial instruments—no active market

Horizon Securities Co., Ltd. and its subsidiaries invest 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, Horizon Securities Co., Ltd. and its subsidiaries 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 Horizon Securities Co., Ltd. and its subsidiaries, 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 consolidated financial statements.

Brokerage fee revenue

The brokerage fee revenue of Horizon Securities Co., Ltd. and its subsidiaries is from the fees charged for brokerage trading of securities and futures, which had a material impact on the consolidated financial statements. Therefore, we determined to list the brokerage fee revenue as a key audit matter.

We implemented but were not limited to the following audit procedures for brokerage fee revenue: assess whether the accounting policy of brokerage fee revenue is appropriate, understand the transaction flow of the brokerage fee revenue recognition process and test whether the control points are effective when performing audit of internal control, select samples to recalculate the brokerage fee revenue, perform analytical review procedures, and verify relevant transaction receipts for transactions before and after the balance sheet date to ensure that the brokerage fee revenue is recognized in the correct accounting period. We also considered the appropriateness of the disclosure of brokerage fee revenue in Notes 4 and 6 of the consolidated financial statements.

Responsibilities of Management and Those in Charge of Governance of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and applicable IFRS, IAS, SIC, and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design, and perform audit procedures responsive to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control effective in Horizon Securities Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Horizon Securities Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are 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 conditions may cause Horizon Securities Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated 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 consolidated 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, based on the communications with the governing unit, determined the key audit matters to be performed on the 2020 consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries. 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.

Other

Horizon Securities Co., Ltd. has compiled its 2020 and 2019 individual financial statements, for which we issued unqualified opinion.

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

Chien-Tse Huang

CPA:

Cheng-Tao Chang

March 11, 2021

Horizon Securities Co., Ltd. and its subsidiaries

Consolidated Balance Sheet

December 31, 2020 and 2019

Unit: NTD thousand

Assets			December 31, 2020		December 31, 2019	
Code	Account titles	Note	Amount	%	Amount	%
	Current assets					
111100	Cash and cash equivalents	IV, VI.1 and XII	\$1,219,126	7	\$1,431,483	13
112000	Financial assets at fair value through profit or loss- current	IV, V, VI.2, VIII and XII	4,523,292	27	4,088,614	35
113200	The financial assets measured for the fair values through other comprehensive income- current	IV, V, VI.3 and XII	48,420	-	32,480	-
114010	Bond investment under reverse repurchase agreement	IV, VI.4 and XII	5,105,012	30	2,122,547	18
114066	Loan receivable - non-restricted purpose	IV, V, VI.5 and XII	301,218	2	98,024	1
114070	Customers' margin accounts	IV, VI.6, VI.29 and XII	301,112	2	183,786	2
114080	Futures trading margin receivable	V and XII	-	-	331	-
114110	Notes receivable-net	IV, V, VI.7 and XII	313	-	484	-
114130	Accounts receivable-net	IV, V, VI.7, VII and XII	3,747,482	22	2,195,795	19
114150	Prepayments	VII	85,687	1	20,638	-
114170	Other receivables	IV, V, VI.8, VII and XII	14,437	-	11,079	-
114600	Current income tax asset	IV and V	10,869	-	15,064	-
119000	Other current assets	VIII and XII	477,149	3	360,080	3
110000	Total current assets		<u>15,834,117</u>	<u>94</u>	<u>10,560,405</u>	<u>91</u>
	Non-Current assets					
122000	Financial assets that are measured at fair value through profit or loss-non-current	IV, V, VI.2 and XII	388,617	2	325,184	3
123200	The financial assets measured for the fair values through other comprehensive income- non-current	IV, V, VI.3 and XII	57,364	-	57,409	1
125000	Property, plant, and equipment - net	IV, V.9 and VII	40,522	-	43,827	1
125800	Right-of-use assets- Net	IV and VI.23	127,296	1	148,688	1
127000	Intangible assets	IV and VI.10	29,429	-	24,798	-
128000	Deferred income tax assets	IV, V and VI.27	8,561	-	8,063	-
129010	Business guarantee	VI.11 and XII	260,000	2	260,000	2
129020	Settlement / clearance fund	VI.12 and XII	106,418	1	89,492	1
129030	Refundable deposits	VIII and XII	18,461	-	31,613	-
129070	Net determined benefit asset-non-current	IV, V and VI.17	-	-	2,517	-
129130	Prepayments for equipment		3,500	-	3,500	-
120000	Total of Non-Current Assets		<u>1,040,168</u>	<u>6</u>	<u>995,091</u>	<u>9</u>
906001	Total assets		<u>\$16,874,285</u>	<u>100</u>	<u>\$11,555,496</u>	<u>100</u>

(Refer to Note to the consolidated financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Hsieh Pei-Jung

Horizon Securities Co., Ltd. and its subsidiaries
Consolidated Balance Sheet (Continued)
December 31, 2020 and 2019

Unit: NTD thousand

Liabilities and equity			December 31, 2020		December 31, 2019	
Code	Account titles	Additional notes	Amount	%	Amount	%
	Current liabilities					
211200	Commercial papers payable	VI.14 and XII	\$199,936	1	\$99,948	1
214010	Call loans to banks	IV, VI.15 and XII	8,005,393	48	4,869,804	42
214080	Futures traders' equity	IV, VI.29 and XII	300,965	2	183,263	2
214110	Payable notes	IV, VI.16 and XII	163	-	81	-
214130	Accounts payable	IV, VI.16, VII and XII	3,704,728	22	2,201,438	19
214150	Advances		9,156	-	9	-
214170	Other payables	VII and XII	182,257	1	99,169	1
214600	Current Tax Liability	IV and V	-	-	1,140	-
215100	Liability reserve-Current	IV and VI.18	5,886	-	3,553	-
216000	Lease liabilities - current	IV, VI.23 and XII	59,017	-	58,605	1
219000	Other current liabilities		164,593	1	45,457	-
210000	Total current liabilities		<u>12,632,094</u>	<u>75</u>	<u>7,562,467</u>	<u>66</u>
	Non-current liabilities					
225100	Liabilities reserve- non-current	IV and VI.18	3,478	-	7,287	-
226000	Lease liabilities - noncurrent	IV, VI.23 and XII	59,925	-	85,887	1
228000	Deferred tax liabilities	IV, V and VI.27	761	-	187	-
229070	Net determined benefit liability-non-current	IV, V and VI.17	18,661	-	-	-
220000	Total of non-current liabilities		<u>82,825</u>	<u>-</u>	<u>93,361</u>	<u>1</u>
906003	Total liabilities		<u>12,714,919</u>	<u>75</u>	<u>7,655,828</u>	<u>67</u>
	Equity attributable to Shareholders of the Company	IV and VI.19				
301000	Capital stock					
301010	Common stock capital		3,308,168	20	3,505,008	30
302000	Capital reserve		312,359	2	237,869	2
304000	Retained earnings					
304010	Statutory surplus reserves		13,397	-	-	-
304020	Special surplus reserves		28,167	-	-	-
304040	Undistributed earnings		436,103	3	133,968	1
305000	Other equity		61,172	-	48,459	-
305500	Treasury stock		-	-	(25,636)	-
906004	Total equity		<u>4,159,366</u>	<u>25</u>	<u>3,899,668</u>	<u>33</u>
906002	Total Liabilities and Equity		<u>\$16,874,285</u>	<u>100</u>	<u>\$11,555,496</u>	<u>100</u>

(Refer to Note to the consolidated financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Hsich Pei-Jung

Horizon Securities Co., Ltd. and its subsidiaries
Consolidated Income Statement
2020 and 2019

Unit: NTD thousand

Code	Item	Additional notes	2020		2019	
			Amount	%	Amount	%
	Revenue					
401000	Brokerage fee revenue	IV, VI.20 and VII	\$590,901	45	\$426,272	50
404000	Underwriting business revenue	IV, VI.20 and VII	66,215	5	26,220	3
410000	Operating gain on sale of securities	VI.20 and VII	309,373	24	179,039	21
421100	Stock affairs agency revenue	IV and VII	70,057	5	66,973	8
421200	Interest revenue	IV and VI.20	46,301	4	54,344	6
421300	Dividend income	IV	23,624	2	26,361	3
421500	Net profit of securities trade measured at the fair value through profit or loss	VI.20	178,601	14	66,705	8
422200	Net loss on issuance of call (put) warrants	VI.20	-	-	(978)	-
424400	Net gains (losses) in the derivative financial instruments- Futures	IV, VI.20 and XII	6,129	-	(206)	-
425300	Expected credit impairment loss and reversal benefit	IV, V and VI.20	(140)	-	(119)	-
428000	Other operating revenue	VI.21 and VII	15,046	1	6,747	1
400000	Total revenues		<u>1,306,107</u>	<u>100</u>	<u>851,358</u>	<u>100</u>
	Expense					
501000	Brokerage fee expenses		(51,517)	(4)	(38,041)	(5)
502000	Proprietary trade service commission expenses		(2,636)	-	(2,042)	-
521200	Financial costs	VI.22	(27,361)	(2)	(31,194)	(4)
524300	Clearance and settlement service expenses		(7,603)	(1)	(5,463)	(1)
528000	Other operating expenses	VII	(1,039)	-	(980)	-
531000	Employee benefits expenses	VI.17, VI.24 and VII	(610,694)	(47)	(483,515)	(57)
532000	Depreciation and amortization expenses	VI.23 and VI.24	(82,279)	(6)	(80,544)	(9)
533000	Other operating expenses	VII	(200,128)	(15)	(173,045)	(20)
500000	Total Expense		<u>(983,257)</u>	<u>(75)</u>	<u>(814,824)</u>	<u>(96)</u>
5xxxxx	Operating profit		322,850	25	36,534	4
602000	Other profits and losses	IV and VI.25	94,364	7	102,369	12
902001	Net profit before tax		417,214	32	138,903	16
701000	Income tax (expense) profit	IV, V and VI.27	(2,496)	-	1,930	1
902005	Current net income		<u>414,718</u>	<u>32</u>	<u>140,833</u>	<u>17</u>
805000	Other comprehensive income	VI.26				
805500	The items that are not re-classified as profit or loss					
805510	Reevaluation of determined benefit plan		(22,680)	(2)	(7,411)	(1)
805540	Investment of equity instruments at fair value through other comprehensive income					
	Net unrealized valuation gain		16,154	1	3,129	-
805000	Other comprehensive income for the period (post-tax profit or loss)		<u>(6,526)</u>	<u>(1)</u>	<u>(4,282)</u>	<u>(1)</u>
902006	Total comprehensive income in current period		<u>\$408,192</u>	<u>31</u>	<u>\$136,551</u>	<u>16</u>
913000	Profit attributable to:					
913100	Owners of parent		<u>\$414,718</u>		<u>\$140,833</u>	
914000	Total comprehensive income attributable to:					
914100	Owners of parent		<u>\$408,192</u>		<u>\$136,551</u>	
975000	Base earnings per share (\$):					
975010	Current net income	VI.28	<u>\$1.24</u>		<u>\$0.40</u>	
985000	Diluted earnings per share (NTS):					
985010	Current net income	VI.28	<u>\$1.23</u>		<u>\$0.40</u>	

(Refer to Note to the consolidated financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Hsieh Pei-Jung

Horizon Securities Co., Ltd. and its subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

Item	Shareholders equity attributable to the parent company							Total equity
	Capital stock	Capital reserve	Retained earnings			Other equity	Treasury stock	
	Common stock capital		Statutory surplus reserves	Special surplus reserves	Undistributed earnings (Losses to be covered)	Unrealized gain on financial assets at fair value through other comprehensive profit or loss		
Code	3100	3200	3310	3320	3350	3420	3500	3XXX
Balance as at January 1, 2019	\$3,625,008	\$266,816	\$21,973	\$303,512	\$(397,917)	\$45,876	\$(14,398)	\$3,850,870
Dividend allocation and distribution for 2018								
Legal reserve offset against loss	-	-	(21,973)	-	21,973	-	-	-
Special reserves offset against loss	-	-	-	(303,512)	303,512	-	-	-
Capital reserve offset against loss	-	(72,432)	-	-	72,432	-	-	-
2019 net income	-	-	-	-	140,833	-	-	140,833
Other comprehensive net income in 2019	-	-	-	-	(7,411)	3,129	-	(4,282)
Total comprehensive income in current period	-	-	-	-	133,422	3,129	-	136,551
Redemption of treasury stock	-	-	-	-	-	-	(87,753)	(87,753)
Cancellation of Treasury stock	(120,000)	43,485	-	-	-	-	76,515	-
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	546	(546)	-	-
Balance as of December 31, 2019	\$3,505,008	\$237,869	\$-	\$-	\$133,968	\$48,459	\$(25,636)	\$3,899,668
Balance as at January 1, 2020	\$3,505,008	\$237,869	\$-	\$-	\$133,968	\$48,459	\$(25,636)	\$3,899,668
Dividend allocation and distribution for 2019:								
Legal reserve appropriated	-	-	13,397	-	(13,397)	-	-	-
Special reserve appropriated	-	-	-	28,167	(28,167)	-	-	-
Common stock cash dividends	-	-	-	-	(51,780)	-	-	(51,780)
2020 net income	-	-	-	-	414,718	-	-	414,718
Other comprehensive net income in 2020	-	-	-	-	(22,680)	16,154	-	(6,526)
Total comprehensive income in current period	-	-	-	-	392,038	16,154	-	408,192
Redemption of treasury stock	-	-	-	-	-	-	(96,714)	(96,714)
Cancellation of Treasury stock	(196,840)	74,490	-	-	-	-	122,350	-
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	3,441	(3,441)	-	-
Balance as at December 31, 2020	\$3,308,168	\$312,359	\$13,397	\$28,167	\$436,103	\$61,172	\$-	\$4,159,366

(Refer to Note to the consolidated financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Hsieh Pei-Jung

Horizon Securities Co., Ltd. and its subsidiaries
Consolidated cash flow statement
2020 and 2019

Unit: NTD thousand

Code	Item	2020	2019
	Cash flow from operating activities:		
A10000	Current year net profit before taxation	\$417,214	\$138,903
A20000	Adjustments:		
A20010	Revenue, expense and loss that do not affect the cash flows		
A20100	Depreciation expenses	73,589	73,529
A20200	Amortization expenses	8,690	7,015
A20300	Expected credit impairment loss and reversal benefit	140	119
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(178,601)	(66,705)
A20900	Interest expenses	27,361	31,194
A21200	Interest income (including financial income)	(54,125)	(66,025)
A21300	Dividend income	(25,785)	(29,129)
A23100	Gain on disposal of investments	(14,873)	(52,115)
A23300	Loss on non-operating financial products at fair value	12,575	42,494
A29900	Other items	(3,748)	(940)
A60000	Changes in operating activities related assets/liabilities		
A61110	(Increase) decrease in Financial assets at fair value through profit and loss	(307,051)	377,816
A61130	(Increase) decrease in bond investment under reverse repurchase agreement	(2,982,465)	780,217
A61180	Increase in securities borrowings receivable	(203,198)	(98,026)
A61190	(Increase) decrease in customers' margin accounts	(117,326)	78,696
A61200	Decrease in futures trading margin receivable	331	900
A61230	Decrease (increase) in notes receivable	159	(173)
A61250	Increase in accounts receivable	(1,556,321)	(830,498)
A61270	Increase in Advance	(67,665)	(4,803)
A61280	Increase in net interest on the net defined benefit asset	(1,502)	(1,394)
A61290	Increase (decrease) in other accounts receivable	(3,760)	3,225
A61365	Financial assets at fair value through other comprehensive profit or loss (decrease)	259	38,288
A61370	Increase (decrease) in other current assets	(117,069)	15,000
A62110	Increase (decrease) in bond liabilities under repurchase agreement	3,135,589	(1,085,664)
A62130	Decrease in financial liabilities at fair value through profit and loss	-	(3,394)
A62200	Increase (decrease) in futures traders' equity	117,702	(78,990)
A62210	Increase (decrease) in notes payable	82	(48)
A62230	Increase in accounts payable	1,503,453	842,827
A62250	Increase (decrease) in advance receipts	9,147	(556)
A62270	Increase in other payables	83,088	14,235
A62300	Increase in liability reserve	2,272	117
A62320	Increase (decrease) in other current liabilities	119,136	(1,996)
A33000	Cash (outflow) inflow generated from operations	<u>(122,702)</u>	<u>124,119</u>
A33100	Interest received	59,083	66,469
A33200	Dividends received	25,739	29,268
A33300	Interest payment	(644)	(314)
A33500	Income tax refund (payment)	635	(641)
AAAA	Net cash inflow (outflow) from operating activities	<u>(37,889)</u>	<u>218,901</u>
	Cash flow from investing activities:		
B02700	Acquisition of property, plant, and equipment	(12,150)	(13,564)
B03500	Increase in settlement/clearance fund	(16,926)	(4,626)
B03800	Decrease in Refundable deposits	2,992	45
B04500	Acquisition of Intangible assets	(10,705)	(16,603)
B07200	Decrease in prepayments for equipment	-	10,919
BBBB	Net cash outflow from investing activities	<u>(36,789)</u>	<u>(23,829)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES:		
C00100	Increase of short-term loans	130,738,430	117,085,580
C00200	Decrease in short-term loans	(130,738,430)	(117,085,580)
C00700	Increase in commercial papers payable	869,369	159,948
C00800	Decrease in commercial papers payable	(770,000)	(60,000)
C04020	Repayments of principal portion of the lease	(63,613)	(64,978)
C04500	Cash dividend released	(51,780)	-
C04900	Cost of treasury stock repurchase	(96,714)	(87,753)
C05600	Interest payment	(24,941)	(29,457)
CCCC	Net cash outflow from financing activities	<u>(137,679)</u>	<u>(82,240)</u>
EEEE	Current cash and cash equivalents increase (decrease)	(212,357)	112,832
E00100	Balance of cash and cash equivalents, beginning of period	1,431,483	1,318,651
E00200	Balance of cash and cash equivalent, end of period	<u>\$1,219,126</u>	<u>\$1,431,483</u>

(Refer to Note to the consolidated financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Hsieh Pei-Jung

Horizon Securities Co., Ltd. and its subsidiaries
Consolidated Notes to financial statements
January 1 to December 31, 2020
And January 1 to December 31, 2019
(In thousand New Taiwan dollars, unless otherwise specified)

1. Company History

Horizon Securities Co., Ltd. (hereinafter referred to as the “Company”) was established in December 1961. It was originally a brokerage firm. Later in 1990, with business expansion, it was approved to function as a comprehensive securities firm, to trade securities as an agent, trade securities on its own, and underwrite securities. It launched the securities lending and borrowing business in November 1992. Since July 25, 1996, it has been listed for trading in Taipei Exchange. On June 8, 1998, it was approved to conduct the business within the scope of H408011 Futures Trading Assistance. Since December 2000, it has been changed to operate the securities lending and borrowing business as an agent. On September 26, 2008, it was approved to operate the business under H401011 Futures Commission Merchants; later, on April 29, 2013, it was approved to operate the futures brokerage business, and on August 6, 2015, it was approved to run the business under H405011 Futures Advisory Enterprises. As of December 31, 2020, the Company has eight branches.

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

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

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

2. Financial reporting date and procedures

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for 2020 and 2019 were approved by the board of directors on March 11, 2021 before release.

3. Application of new and revised standards and interpretation

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

The Group 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

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

Commission (FSC) of the Republic of China and applied to the fiscal year beginning on or after January 1, 2020. The first-time adoption of the new standards and amendments does not have a material impact on the Group.

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

Item No.	New releases/amendments/revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

- (1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – “Interest Rate Benchmark Reform – Phase 2”

The amendments at this final stage mainly focus on the impact of changes in the interest rate benchmark on corporate financial statements, including:

- A. For changes in the basis for determining the contractual cash flow of financial instruments that are in line with the requirement for the change of the interest rate benchmark, the book value of financial instruments will not be derecognized or adjusted, and a more effective interest rate method will be adopted to reflect changes in the alternative benchmark interest rate.
- B. When hedging still meets the requirements of hedging accounting, the application of hedging accounting will not be cancelled just because of the changes required by the amendments; and
- C. Disclosure of information is required for new risks arising from the change and how to manage the transition to an alternative benchmark interest rate.

The Group assessed that the above-mentioned amendments applicable to the fiscal year beginning on and after January 1, 2021, and the amendments did not have a material impact on the Group.

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

Item No.	New releases/amendments/revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” – Assets sold or invested in by investors and their associates or joint ventures.	To be determined by the “International Accounting Standards Board (IASB).”
2	IFRS 17 “Insurance Contracts”	January 1, 2023
3	Liabilities are classified as current or non-current (amendments to IAS 1)	January 1, 2023
4	Amendments to the limited scope of IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements	January 1, 2022
5	Disclosure of Accounting Policies (amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (amendments to IAS 8)	January 1, 2023

(In thousand New Taiwan dollars, unless otherwise specified)

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

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

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

- (2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model of insurance contract, including all accounting related parts (recognition, measurement, expression, and disclosure principles). The core of the standard is a general model. Regarding this model, the original recognition is based on the total amount of the contractual cash flow and contractual services margin to measure the insurance contracts, of which, the contractual cash flow includes:

- A. Estimated future cash flow
- B. Discount rate: Adjustments that reflect the time value of money and the financial risks (within the estimation range of the future cash flow that does not include financial risk) associated with future cash flows; and
- C. Adjustment of non-financial risks

The book value of the insurance contracts at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, it provides:

- A. Specific applicable method (variable fee approach) for the contracts with a direct participation characteristic
- B. Simplification of short-term contracts (Premium Allocation Approach)

This standard was promulgated in May 2017, and an amendment was issued in June 2020. This amendment, except for the postponement of the effective date by 2 years in

(In thousand New Taiwan dollars, unless otherwise specified)

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

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

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

B. Property, plant, and equipment: Proceeds before intended use (amendments to IAS 16)

The amendments are related to items from the sales of assets when a company prepares assets for its intended use, prohibiting the company from deducting the sale amount from the cost of property, plant and equipment; conversely, the company shall recognize such sales revenue and relevant costs in profit or loss.

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

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

D. Annual Improvements to IFRSs: 2018-2020 Cycle

Amendment to IFRS 1

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

(In thousand New Taiwan dollars, unless otherwise specified)

Amendment to IFRS 9 “Financial Instruments”

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

Amendment to IFRS 16 “Leases”

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

Amendment to IAS 41

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

(5) 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.

(6) 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.

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 Group’s consolidated financial statements for the years ended December 31, 2020 and 2019 were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

2. Basis of preparation

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

3. Consolidation

The basis of preparation for consolidated financial statements

Control is achieved when the Company is exposed to variable returns due to the participation in the invested company or from the right in such variable returns, and through its ability over the invested company to influence such variable returns. In particular, the Company only controls the invested company when the Company has had the following three control elements:

- (1) The power over the invested company (i.e. having the vested rights to lead the relevant activities)
- (2) The risk exposure or right of the variable returns from participating in the invested company, and
- (3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

When the Company directly or indirectly holds less than a majority of the voting rights or similar rights of the invested company, the Company considers all relevant facts and circumstances to assess whether it has power over the invested company, including:

- (1) Contractual agreements with other voting rights holders of the invested company;
- (2) Rights arising from other contractual agreements;
- (3) Voting rights and potential voting rights

When facts and circumstances indicate that one or more of the three control elements have changed, the Company reassesses whether it still has control over the invested company.

Subsidiaries are all compiled into the consolidated statements from the date of acquisition (i.e. the date on which the Group obtains control) until the date of losing control over the subsidiaries. The accounting period and accounting policies for the financial statements of the subsidiaries are consistent with that of the parent company. The Company's internal account balances, transactions, unrealized internal gains and losses, and dividends arising from intra-group transactions are fully written-off.

Changes in the shareholding of a subsidiary, if the control over the subsidiary is not lost, the change in the equity is treated as an equity transaction.

The total comprehensive income of the subsidiaries is attributable to the shareholders and non-controlling equity of the Company, even if the non-controlling equity results in a loss.

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

If the Group loses control over the subsidiary, then

- (1) The assets (including goodwill) and liabilities of the subsidiaries are derecognized.
- (2) The book value of any non-controlling equity is derecognized.
- (3) Recognize the fair value of the considerations obtained.
- (4) Recognize the fair value of any investment retained.
- (5) Recognize any gain or loss as current profit or loss.
- (6) The amount of items recognized in other comprehensive income previously by the parent company is reclassified in the profit or loss.

The main business entity of the consolidated financial statements is as follows:

Investor	Subsidiary name	Main business	Equity ratio held	
			2020.12.31	2019.12.31
The Company	Horizon SICE Co., Ltd.	Securities Investment Advisor	100%	100%
The Company	Horizon Venture Capital Co., Ltd.	Investment	100%	100%
The Company	Horizon Venture Management Co., Ltd.	Investment and Management Consulting	100%	100%

4. Foreign currency transactions

The consolidated financial statements of the Group are expressed in the Company's functional currency (New Taiwan Dollars). Each subsidiary of the Group determines its own functional currency and measures its financial statements in that functional currency.

The foreign currency transactions of each subsidiary of the Group 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.

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.

(In thousand New Taiwan dollars, unless otherwise specified)

- (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.

5. 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.

6. Cash and cash equivalents

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

7. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 Group are handled with the trade date accounting.

The Group 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, loan receivable-non-restricted purposes, futures trading margin receivable, 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.

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

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

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

Financial assets at fair value through other comprehensive profit or loss

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

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

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

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

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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 Group recognizes and measures allowance losses based on expected credit losses.

The Group 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

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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 Group measured the allowance for loss with the expected credit loss amount of the duration.

On each balance sheet date, the Group 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 Group 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 Group 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 Group after the asset deducts the liabilities. The equity instruments issued by the Group 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

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

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

Derecognition of financial liabilities

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

When the Group 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

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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.

8. Derivatives

Derivatives held or issued by the Group are used to hedge exchange rate risk and interest rate risk, of which, the designated and effective hedging items are reported as hedging derivative 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.

9. 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 Group 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.

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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 Group 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.

10. 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."

11. Securities business lending and securities lending

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

When the Group 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 Group 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.”

12. 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.

13. 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.”

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 Group 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.

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Other repair and maintenance expenses are recognized in profit or loss.

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

Type	Useful life
Office equipment	3–10 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. Lease

The Group 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 Group assesses whether it meets both of the following conditions during the entire period of use:

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

For the agreement that belongs to (or includes) a lease arrangement, the Group 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 Group 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 Group maximizes the use of observable information to estimate the standalone price.

The Group is the lessee

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

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

On the commencement date, the Group 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 Group when the lease period expires, or if the cost of the right-of-use assets reflects that the Group 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 Group depreciates the right-of-use assets from the commencement date to the end of the useful life of the right-of-use assets

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or to the expiration of the lease period, whichever is earlier.

The Group 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 Group 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 Group 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 Group is the lessor

The Group 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 Group recognizes the assets held under the finance leases in the balance sheet and presents them as financial lease receivables based on the net lease investment.

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

The Group 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.

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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 Group'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 Group 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 Group 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 Group 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 Group 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 Group expects that some or all of the liability reserve can be reimbursed, only when the reimbursement is almost completely certain, it will be recognized as a separate asset. If the time value of money has a material impact, the liability reserve discounted at the current pre-tax interest rate can appropriately reflect the specific risks of the liability. When liability is discounted, the increase in the amount of liability due to the passage of time is recognized as borrowing cost.

Liability reserve for decommissioning, restoration, and rehabilitation costs

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

19. Treasury stock

When the Group obtains the shares (Treasury Stocks) of the parent company, it is recognized at the acquisition cost and is debited to the equity. The spread of treasury stock transactions is recognized in the equity.

20. Recognition of revenue

The revenue from labor services provided by the Group 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, underwriting processing fee revenue, and stock affairs agency revenue.

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

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

21. Retirement benefits plan

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

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statements in the preceding paragraph.

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

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

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

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

22. Income tax

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

Income tax expenses in the current period

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

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

Deferred tax

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

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

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

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

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

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

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

23. Business combination and goodwill

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

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

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

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

The original measurement of goodwill is the total amount of the transferred consideration plus non-controlling interests, which exceeds the fair value of the identifiable assets and liabilities obtained by the Group; 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 consolidated financial statements are prepared by the Group, 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 Group has included the economic impact caused by the COVID-19 pandemic into the consideration of major accounting estimates. The management will continue to evaluate its financial position, financial performance, ability to continue as a going concern, asset impairment, and disclosure of financing risks, and other matters.

Estimation and assumption

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

1. The fair value of financial instruments

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

2. Impairment of non-financial assets

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

3. Retirement benefits plan

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

4. Income tax

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

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the country where an individual enterprise of the Group operates.

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

5. Accounts receivable – estimation of impairment loss

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

6. Summary of significant accounting titles

1. Cash and cash equivalents

	2020.12.31	2019.12.31
Cash on hand and petty cash	\$400	\$400
Check deposits	7,518	4,518
Current deposits	258,246	227,029
Time deposits	458,935	567,081
Cash equivalents – short-term notes and bills	366,830	544,546
Cash equivalents – futures excess margin	127,197	87,909
Total	<u>\$1,219,126</u>	<u>\$1,431,483</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, 2020 and 2019 was 0.150%–1.065% and 0.230%–3.030%, respectively.

The cash and cash equivalents above are not secured.

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2. Financial assets at fair value through profit and loss

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
<u>Measured at fair value through income under compulsion</u>		
Open-end funds and money market instruments	\$33,587	\$88,250
Securities – proprietary	4,392,474	3,911,180
Securities – underwriting	90,920	84,913
<u>Derivatives</u>		
Futures trading margin – proprietary capital	6,311	4,271
Total	<u>\$4,523,292</u>	<u>\$4,088,614</u>

Non-current items

Measured at fair value through income under compulsion

Open-end funds and money market instruments	\$86,669	\$65,580
Securities – proprietary	301,948	259,604
Total	<u>\$388,617</u>	<u>\$325,184</u>

(1) Open-end funds and money market instruments

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Open-type fund	\$32,006	\$82,005
Add (less): Valuation adjustment	1,581	6,245
Net	<u>\$33,587</u>	<u>\$88,250</u>
<u>Non-current items</u>		
Open-type fund	\$119,000	\$90,000
Add (less): Valuation adjustment	(32,331)	(24,420)
Net	<u>\$86,669</u>	<u>\$65,580</u>

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(2) Securities – proprietary

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Government bonds	\$619,896	\$1,334,327
Corporate bond	1,566,778	1,314,673
Convertible corporate bonds	741,012	85,831
TWSE-listing companies stock	820,449	708,938
Funds traded in TWSE	4,675	28,543
GTSM-listing companies stock	66,084	115,505
Companies stock in emerging stock market	388,045	343,685
Non-TWSE/GTSM-listing companies stock	4,362	11,851
Subtotal	<u>4,211,301</u>	<u>3,943,353</u>
Add (less): Valuation adjustment	181,173	(32,173)
Net	<u>\$4,392,474</u>	<u>\$3,911,180</u>
<u>Non-current items</u>		
Non-TWSE/GTSM-listing companies stock	\$340,513	\$265,302
Convertible corporate bonds	20,000	20,000
Subtotal	<u>360,513</u>	<u>285,302</u>
Add (less): Valuation adjustment	(58,565)	(25,698)
Net	<u>\$301,948</u>	<u>\$259,604</u>

(3) Securities – underwriting

	<u>2020.12.31</u>	<u>2019.12.31</u>
TWSE-listing companies stock	\$1,000	\$-
GTSM-listing companies stock	9,100	37,894
Convertible corporate bonds	72,171	37,039
Subtotal	<u>82,271</u>	<u>74,933</u>
Add (less): Valuation adjustment	8,649	9,980
Net	<u>\$90,920</u>	<u>\$84,913</u>

(4) Futures trading margin – proprietary capital

	<u>2020.12.31</u>	<u>2019.12.31</u>
Futures trading margin – proprietary capital	<u>\$6,311</u>	<u>\$4,271</u>

For the details of the Group's futures trading margin – proprietary capital, please refer to Note 12.12.

For the details of 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 Group's financial assets measured at fair value through profit and loss, please refer to Notes 6.20, 6.25, and 12.12.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
TWSE-listing companies stock	<u>\$48,420</u>	<u>\$32,480</u>
<u>Non-current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
Non-TWSE/GTSM-listing companies stock	<u>\$57,364</u>	<u>\$57,409</u>

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

4. Bond investment under reverse repurchase agreement

	<u>2020.12.31</u>	<u>2019.12.31</u>
Government bonds	\$3,602,882	\$1,501,409
Corporate bond	1,502,130	621,138
Total	<u>\$5,105,012</u>	<u>\$2,122,547</u>

The bond investments under reverse repurchase agreement conducted by the Group as of December 31, 2020 and 2019 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\$5,105,857 thousand and NT\$2,123,382 thousand, respectively, with the annual interest rates of 0.1620%–0.2475% and 0.4860%–0.5580%, respectively.

5. Loan receivable – non-restricted purpose

	<u>2020.12.31</u>	<u>2019.12.31</u>
Loan receivable – non-restricted purpose	\$301,224	\$98,026
Less: Allowance for losses	(6)	(2)
Total	<u>\$301,218</u>	<u>\$98,024</u>

The aforementioned loans 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 Group assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.20, and for information related to credit risk, please refer to Note 12.

6. Customers’ margin accounts

	<u>2020.12.31</u>	<u>2019.12.31</u>
Bank deposits	\$120,678	\$72,605
Settlement institution settlement balance	180,434	111,181

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Total	<u>\$301,112</u>	<u>\$183,786</u>
7. Note receivable and account receivable – net		
	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable		
Stock affairs agency fee receivable	\$326	\$484
Less: Allowance for losses	(13)	-
Subtotal	<u>313</u>	<u>484</u>
Accounts receivable		
Accounts receivable – related parties	613	721
Accounts receivable – non-related parties		
Settlement receivable – brokerage	3,397,600	2,095,715
Settlement receivable – non-brokerage	70,058	11,801
Settlement price	256,324	62,894
Interests receivable	16,565	21,111
Others	6,788	3,886
Less: Allowance for losses	(466)	(333)
Subtotal	<u>3,747,482</u>	<u>2,195,795</u>
Total	<u>\$3,747,795</u>	<u>\$2,196,279</u>

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

The Group assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.20, and for information related to credit risk, please refer to Note 12.

8. Other receivables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables – related parties	\$1,855	\$327
Less: Allowance for losses	-	-
Subtotal	<u>1,855</u>	<u>327</u>
Other receivables – non-related parties		
Settlement receivable – sub-brokerage	887	280
Stock affairs agency fee receivable	9,767	8,677
Interests receivable	390	802
Others	1,789	1,254
Less: Allowance for losses	(251)	(261)
Subtotal	<u>12,582</u>	<u>10,752</u>
Total	<u>\$14,437</u>	<u>\$11,079</u>

The Group assesses impairment in accordance with IFRS 9. For information on allowance for losses, please refer to Note 6.20, and for information related to credit risk, please refer to Note 12.

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9. Property and equipment

	Office equipment	Leasehold improvement	Total
Cost:			
2020.1.1	\$140,510	\$62,860	\$203,370
Additions	10,348	1,802	12,150
Disposition	(8,079)	-	(8,079)
Other changes	(140)	(3,809)	(3,949)
2020.12.31	<u>\$142,639</u>	<u>\$60,853</u>	<u>\$203,492</u>
2019.1.1	\$139,207	\$74,170	\$213,377
Additions	13,449	115	13,564
Disposition	(12,146)	(10,482)	(22,628)
Other changes	-	(943)	(943)
2019.12.31	<u>\$140,510</u>	<u>\$62,860</u>	<u>\$203,370</u>
Accumulated depreciation and impairment:			
2020.1.1	\$110,516	\$49,027	\$159,543
Depreciation	9,522	5,933	15,455
Disposition	(8,079)	-	(8,079)
Other changes	(140)	(3,809)	(3,949)
2020.12.31	<u>111,819</u>	<u>51,151</u>	<u>162,970</u>
2019.1.1	\$115,159	\$53,459	\$168,618
Depreciation	7,503	6,993	14,496
Disposition	(12,146)	(10,482)	(22,628)
Other changes	-	(943)	(943)
2019.12.31	<u>\$110,516</u>	<u>\$49,027</u>	<u>\$159,543</u>
Net book value:			
2020.12.31	<u>\$30,820</u>	<u>\$9,702</u>	<u>\$40,522</u>
2019.12.31	<u>\$29,994</u>	<u>\$13,833</u>	<u>\$43,827</u>

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

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10. Intangible assets

	Goodwill	Business right	Computer software	Total
Cost:				
2020.1.1	\$52	\$32,488	\$101,445	\$133,985
Additions – separate acquisition	-	-	10,705	10,705
Disposition	-	-	(36)	(36)
Transfer (Note)	-	-	2,616	2,616
Other changes	-	-	(655)	(655)
2020.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$114,075</u>	<u>\$146,615</u>
2019.1.1	\$52	\$32,488	\$85,807	\$118,347
Additions – separate acquisition	-	-	16,603	16,603
Disposition	-	-	(965)	(965)
2019.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$101,445</u>	<u>\$133,985</u>
Cumulative amortization and impairment:				
2020.1.1	\$52	\$32,488	\$76,647	\$109,187
Amortization	-	-	8,690	8,690
Disposition	-	-	(36)	(36)
Other changes	-	-	(655)	(655)
2020.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$84,646</u>	<u>\$117,186</u>
2019.1.1	\$52	\$32,488	\$70,597	\$103,137
Amortization	-	-	7,015	7,015
Disposition	-	-	(965)	(965)
2019.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$76,647</u>	<u>\$109,187</u>
Net book value:				
2020.12.31	<u>\$-</u>	<u>\$-</u>	<u>\$29,429</u>	<u>\$29,429</u>
2019.12.31	<u>\$-</u>	<u>\$-</u>	<u>\$24,798</u>	<u>\$24,798</u>

Note: The computer software system is reclassified from other prepayments.

11. 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, the Regulations Governing Futures Advisory Enterprises, and the Regulations Governing Securities Investment Consulting Enterprises. The Group deposits guarantees in financial institutions designated by the Securities and Futures Bureau, FSC, with certificates of deposit. The details are as follows:

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	2020.12.31	2019.12.31
Brokerage business guarantee	\$90,000	\$90,000
Underwriting business guarantee	40,000	40,000
Proprietary trading business guarantee	10,000	10,000
Proprietary futures trading guarantee	10,000	10,000
Futures brokerage guarantee	65,000	65,000
Futures advisory guarantee	10,000	10,000
Securities investment advice guarantee	35,000	35,000
Total	<u>\$260,000</u>	<u>\$260,000</u>

12. 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:

	2020.12.31	2019.12.31
Clearance fund in Taiwan Stock Exchange	\$52,742	\$37,941
Clearance fund in Taipei Exchange	32,550	30,457
Clearance fund in Taiwan Futures Exchange	21,126	21,094
Total	<u>\$106,418</u>	<u>\$89,492</u>

13. Short-term borrowings

As of December 31, 2020 and 2019, the unused loan facilities where the Group has signed agreements with financial institutions were NT\$1,870,000 thousand and NT\$1,380,000 thousand, respectively.

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

14. Commercial papers payable

	2020.12.31	2019.12.31
Commercial papers payable	\$200,000	\$100,000
Less: Discounted commercial paper payable	(64)	(52)
Net value	<u>\$199,936</u>	<u>\$99,948</u>
Interest rate collars	0.26%~0.41%	0.60%~0.73%

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As of December 31, 2020 and 2019, the unused commercial paper facilities where the Group has signed agreements with financial institutions were NT\$1,460,000 thousand and NT\$600,000 thousand, respectively.

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

15. Call loans to banks

	2020.12.31	2019.12.31
Government bonds	\$4,242,039	\$2,864,445
Corporate bonds	3,034,683	1,922,216
Convertible corporate bonds	728,671	83,143
Total	<u>\$8,005,393</u>	<u>\$4,869,804</u>

The bond liabilities investments under repurchase agreement conducted by the Group as of December 31, 2020 and 2019 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\$8,007,110 thousand and NT\$4,871,710 thousand, respectively, with the annual interest rates of 0.1485%–0.6000% and 0.4230%–0.5580%, respectively.

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

16. Note and account payables

	2020.12.31	2019.12.31
Notes payable – non-related party		
Securities transaction tax payable	\$163	\$81
Accounts payable		
Accounts payable – related parties	188	191
Accounts payable – non-related parties		
Settlement price	696,383	685,096
Settlement payable – brokerage	2,936,477	1,462,589
Settlement payable – non-brokerage	22,411	31,186
Processing fee payable discounts	48,372	21,396
Interest payable	817	980
Commissions and management fees payable	80	-
Subtotal	<u>3,704,728</u>	<u>2,201,438</u>
Total	<u>\$3,704,891</u>	<u>\$2,201,519</u>

17. Retirement benefits plan

Defined contribution pension plan

The Group 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 and domestic subsidiaries’ monthly labor pension contribution rate shall not be less than 6% of the monthly salary of employees.

The Group 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 Group for 2020 and 2019 was NT\$20,594 thousand and NT\$19,221 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, 2020, the Company’s defined benefit plan is expected to appropriate NT\$1,482 thousand in the next year.

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

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	2020	2019
Current service cost	\$-	\$-
Net interest of the net defined benefit liabilities (assets)	(20)	(96)
Total	<u>\$(20)</u>	<u>\$(96)</u>

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

	2020.12.31	2019.12.31	2019.1.1
Present value of the defined benefit obligations	\$78,504	\$55,371	\$46,190
The fair value of plan assets	(59,843)	(57,888)	(54,724)
Net determined benefit liability (asset) – non-current	<u>\$18,661</u>	<u>\$(2,517)</u>	<u>\$(8,534)</u>

Adjustments of net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	The fair value of plan assets	Defined benefit liabilities (assets)
2019.1.1	\$46,190	\$(54,724)	\$(8,534)
Current service cost	-	-	-
Interest expenses (revenues)	522	(618)	(96)
Subtotal	46,712	(55,342)	(8,630)
Defined benefit liabilities/assets remeasurement amount			
Actuarial gains and losses resulting from changes in demographic assumption	119	-	119
Actuarial gains and losses resulting from changes in financial assumption	2,488	-	2,488
Experience adjustments	6,643	-	6,643
Defined benefit assets remeasurement amount	-	(1,839)	(1,839)
Subtotal	9,250	(1,839)	7,411
Payment of benefits	(591)	591	-
Contributions of employer	-	(1,298)	(1,298)
2019.12.31	55,371	(57,888)	(2,517)
Current service cost	-	-	-
Interest expenses (revenues)	432	(452)	(20)
Subtotal	55,803	(58,340)	(2,537)
Defined benefit liabilities/assets remeasurement amount			
Actuarial gains and losses resulting from changes in demographic assumption	470	-	470
Actuarial gains and losses resulting from changes in financial assumption	3,292	-	3,292
Experience adjustments	20,850	-	20,850
Defined benefit assets remeasurement amount	-	(1,932)	(1,932)
Subtotal	24,612	(1,932)	22,680
Payment of benefits	(1,911)	1,911	-
Contributions of employer	-	(1,482)	(1,482)
2020.12.31	<u>\$78,504</u>	<u>\$(59,843)</u>	<u>\$18,661</u>

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
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(In thousand New Taiwan dollars, unless otherwise specified)

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

	2020.12.31	2019.12.31
Discounted rate	0.41%	0.78%
Expected salary increase rate	1.00%	1.00%

Sensitivity analysis of each major actuarial hypothesis:

	2020		2019	
	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%	\$-	\$4,465	\$-	\$3,517
Discount rate decreased by 0.5%	6,026	-	4,030	-
Expected salary increase by 0.5%	5,958	-	3,996	-
Expected salary decrease by 0.5%	-	4,461	-	3,526

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.

18. Liability reserve

	Employee benefits liability	Decommissioni ng liability	Others	Total
2020.1.1	\$353	\$7,287	\$3,200	\$10,840
Increase	517	-	2,169	2,686
Reversed	(353)	(3,809)	-	(4,162)
2020.12.31	\$517	\$3,478	\$5,369	\$9,364
Current	\$517	\$-	\$5,369	\$5,886
Non-current	-	3,478	-	3,478
2020.12.31	\$517	\$3,478	\$5,369	\$9,364
Current	\$353	\$-	\$3,200	\$3,553
Non-current	-	7,287	-	7,287
2019.12.31	\$353	\$7,287	\$3,200	\$10,840

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19. Equity

(1) Common stock

As of December 31, 2019 and 2020, the Company's registered capital was NT\$6,000,000 thousand, and the outstanding share capital was NT\$3,308,168 thousand and NT\$3,505,008 thousand, respectively, with par value of NT\$10 per share, i.e. 330,817 thousand shares and 350,501 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends. The stock is listed for trading at Taipei Exchange.

(2) Capital reserve

	2020.12.31	2019.12.31
Issuance premium	\$7,839	\$8,305
Treasury stock trade	304,520	229,564
Total	<u>\$312,359</u>	<u>\$237,869</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, and a certain proportion can be distributed to shareholders annually.

(3) Treasury stock

As of December 31, 2020 and 2019, the Company's treasury shares amounted to NT\$0 and NT\$25,636 thousand, respectively, and the number of shares was 0 thousand shares and 3,867 thousand shares, respectively.

The Company's treasury stock repurchases in 2020 are as follows:

Cause	Number of shares-beginni ng of year	Increase	Decrease	Number of shares-end of year
Maintaining company credit and stakeholders' equity	3,867 thousand shares	15,817 thousand shares	19,684 thousand shares	0 thousand shares

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

The Company's cancellation of 4,500 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801030230 dated March 25, 2019, and the registration of capital reduction was completed.

The Company's cancellation of 3,000 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801080340 dated July 8, 2019, and the registration of capital reduction was

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completed.

The Company's cancellation of 4,500 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801161310 dated November 11, 2019, and the registration of capital reduction was completed.

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

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

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

The Company's cancellation of 1,684 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10901198320 dated October 20, 2020, and the registration of capital reduction was completed.

(4) Retained earnings

Statutory surplus reserves

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

Special surplus reserves

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

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

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

When the Company distributes earnings, it shall set a special surplus reserve for the net deduction of other shareholder's equity in the current year in accordance with laws. If the deduction balance of other shareholder's equity is subsequently reversed, part of the earnings may be reversed to distribute the earnings.

Earnings allocation and dividend policy

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

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

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

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

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

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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 2020 and 2019 proposed by the Company's board of directors on March 11, 2021 and resolved by the shareholders' meeting on June 24, 2020 are listed as follows:

	2020		2019	
	Earnings appropriation and distribution plan	Dividend Per Share (NTD)	Earnings appropriation and distribution plan	Dividend Per Share (NTD)
Legal reserve appropriated	\$39,548		\$13,397	
Appropriation of special reserve	82,944		28,166	
Common stock cash dividends (Note)	165,408	\$0.50	51,780	\$0.15

Note: The board of directors of the Company was authorized by the Articles of Incorporation and passed a special resolution of the 2020 common stock cash dividend proposal on March 11, 2021.

Please refer to Note 6.24 for the relevant information on the estimation basis and recognition amount of the employee compensation and the remuneration to directors.

20. Operating income

(1) Brokerage fee revenue

	2020	2019
Brokerage for centralized securities exchange market	\$427,251	\$304,060
Over-the-counter brokerage	137,431	100,608
Futures brokerage fee revenue	25,750	21,032
Other service fee revenue	469	572
Total	\$590,901	\$426,272

(2) Underwriting business revenue

	2020	2019
Firm commitment underwriting revenue	\$24,687	\$4,376
Underwriting revenue	13,594	1,916
Underwriting consulting revenue	12,150	14,750
Others	15,784	5,178
Total	\$66,215	\$26,220

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(In thousand New Taiwan dollars, unless otherwise specified)

(3) Operating gain on sale of securities

	2020	2019
Gain on sale of securities – Proprietary trading	\$267,467	\$165,640
Gain on sale of securities – Proprietary trading	41,906	10,978
Gain on sale of securities – Hedging	-	2,421
Total	<u>\$309,373</u>	<u>\$179,039</u>

(4) Interest revenue

	2020	2019
Bonds interest revenue	\$41,771	\$53,140
Interest revenue – non-restricted purpose loans	4,530	1,204
Total	<u>\$46,301</u>	<u>\$54,344</u>

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

	2020	2019
Securities – proprietary	\$179,932	\$53,645
Securities – underwriting	(1,331)	11,374
Securities – hedging	-	1,686
Total	<u>\$178,601</u>	<u>\$66,705</u>

(6) Net loss on issuance of call (put) warrants

	2020	2019
Net loss on changes in the value of liabilities from issuance of call (put) warrants	\$-	\$(11,865)
Net gain on repurchase value changes from issuance of call (put) warrants	-	10,887
Total	<u>\$-</u>	<u>\$(978)</u>

(7) Net gains (losses) on the derivative financial instruments- futures

	2020	2019
Futures contract gain (loss) – net	\$5,202	\$(204)
Net gain (loss) from options trade	927	(2)
Total	<u>\$6,129</u>	<u>\$(206)</u>

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(8) Expected credit impairment loss and reversal benefit

	<u>2020</u>	<u>2019</u>
Income – expected credit impairment loss and reversal benefit		
Note receivable and account receivable	\$(146)	\$144
Other receivables	10	(261)
Others	(4)	(2)
Total	<u>\$(140)</u>	<u>\$(119)</u>

Please refer to Note 12 for credit risk related information.

The Group's accounts receivable (including loan receivables – non-restricted purpose, futures trading margin receivable, notes receivable, accounts receivable, and other receivables) is 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, 2020 is as follows:

Accounts receivable

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

	Not overdue (Note)	Number of days overdue			Total
		Within 30 days	31–60 days	Over 61 days	
Total book value	\$4,062,070	\$268	\$186	\$1,662	\$4,064,186
Loss rate	0.0043%	9.5941%	14.4880%	20.0000%~	100.0000%
Anticipated credit loss within the perpetuity of the financial assets	(174)	(26)	(27)	(509)	(736)
Subtotal	<u>\$4,061,896</u>	<u>\$242</u>	<u>\$159</u>	<u>\$1,153</u>	<u>\$4,063,450</u>

Note: The Group's loan receivables – non-restricted purpose, futures trading margin receivable, and notes receivable are not overdue.

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
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(In thousand New Taiwan dollars, unless otherwise specified)

The changes in the Group's and notes receivable, accounts receivable, other receivables, and other allowances for losses for the years ended December 31, 2020 and 2019 are as follows:

	Note receivable and account receivable	Other receivables	Others
2020.1.1	\$333	\$261	\$2
Increase (reversed)	146	(10)	4
2020.12.31	<u>\$479</u>	<u>\$251</u>	<u>\$6</u>
2019.1.1	\$477	\$-	\$-
Increase (reversed)	(144)	261	2
2019.12.31	<u>\$333</u>	<u>\$261</u>	<u>\$2</u>

21. Other operating revenue

	2020	2019
Management fee income	\$2,914	\$2,942
Consultancy fee income	4,282	621
Net loss on out-trades	(489)	(204)
Commission revenue	1,219	1,428
Account maintenance fee income	4,074	3,597
Foreign exchange gain (loss) – net	2,992	(1,664)
Others	54	27
Total	<u>\$15,046</u>	<u>\$6,747</u>

22. Financial costs

	2020	2019
Repo bond interest	\$24,766	\$29,112
Funding interest	644	314
Interest from commercial paper	619	-
Interest on lease liabilities	1,320	1,746
Others	12	22
Total	<u>\$27,361</u>	<u>\$31,194</u>

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23. Lease

(1) The Group is the lessee

The Group 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 Group'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

	2020.12.31	2019.12.31
Buildings and structures	\$121,134	\$146,990
Transportation equipment	6,162	1,698
Total	<u>\$127,296</u>	<u>\$148,688</u>

The Group increased the right-of-use assets in the amount of NT\$36,743 thousand and NT\$7,731 thousand in 2020 and 2019, respectively.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities	<u>\$118,942</u>	<u>\$144,492</u>
Current	\$59,017	\$58,605
Non-current	59,925	85,887

Please refer to Note 6.22 for the interest expenses of the Group's lease liabilities in 2020 and 2019; please refer to Note 12.4—liquidity risk management—for the maturity analysis of lease liabilities as of December 31, 2020.

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2020	2019
Buildings and structures	\$55,439	\$55,649
Transportation equipment	2,695	3,384
Total	<u>\$58,134</u>	<u>\$59,033</u>

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
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C. Lessee's income and expenses related to leasing activities

	<u>2020</u>	<u>2019</u>
Short-term lease expense	\$324	\$340
Lease of low-value assets (excluding the expenses of short-term lease of low-value assets)	581	581

D. Lessee's cash outflow from leasing activities

The Group's total cash outflow from the leases in 2020 and 2019 was NT\$64,518 thousand and NT\$65,899 thousand, respectively.

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

	<u>2020</u>	<u>2019</u>
Employee benefits expenses		
Salaries and wages	\$515,906	\$404,258
Labor insurance and national health insurance	35,230	33,363
Pension expenses	20,574	19,125
Remuneration to Directors	22,241	10,484
Other employee benefits expenses	16,743	16,285
Total	<u>\$610,694</u>	<u>\$483,515</u>
Depreciation and amortization expenses		
Depreciation expenses	\$73,589	\$73,529
Amortization expenses	8,690	7,015
Total	<u>\$82,279</u>	<u>\$80,544</u>

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

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

According to the profitability of the Company in 2020, the employee remuneration and the director remuneration were estimated at NT\$9,000 thousand and NT\$12,000 thousand,

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
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respectively, and the amounts of NT\$9,000 thousand and NT\$12,000 thousand were recognized under salaries and wages. Based on the profitability in 2019, the employee remuneration and director remuneration were estimated at NT\$3,800 thousand and NT\$3,000 thousand, respectively, and the amounts of NT\$3,800 thousand and NT\$3,000 thousand were recognized under salaries and wages.

The subsidiary Horizon SICE Co., Ltd. suffered a loss in 2020, so it did not estimate employee remuneration and director remuneration. In the year of 2019, the company's employee remuneration and the remuneration to directors were estimated at NT\$40 thousand and NT\$0, respectively, and the employee remuneration of NT\$40 thousand and the remuneration to directors of NT\$0 were recognized under salaries and wages, respectively.

The subsidiary Horizon Venture Capital Co., Ltd. suffered a loss in 2020, so the employee remuneration and director remuneration were not estimated; it still had cumulative losses in 2019, so employee remuneration and the remuneration to directors were not estimated.

According to the profitability of the Horizon Venture Management Co., Ltd. in 2020, the employee remuneration and the director remuneration were estimated at NT\$5 thousand and NT\$0, respectively, and the amounts of NT\$5 thousand and NT\$0 were recognized under salaries and wages. Based on the profitability in 2019, the employee remuneration and the director remuneration were estimated at NT\$60 thousand and NT\$0, respectively, and the amounts of NT\$60 thousand and NT\$0 were recognized under salaries and wages.

The Company's board of directors had resolved on March 11, 2020, to distribute the 2019 remuneration to employees and directors in the amount of NT\$ 3,800 thousand and NT\$ 3,000 thousand, respectively, which had no significant difference from the expenses booked in the 2019 financial report.

The subsidiary Horizon SICE's board of directors had resolved on March 25, 2020, to distribute the 2019 remuneration to employees as well as directors and supervisors in the amount of NT\$40 thousand and NT\$0, respectively, which had no significant difference from the expenses booked in the 2019 financial report.

The subsidiary Horizon Venture Management's board of directors had resolved on February 27, 2020, to distribute the 2019 remuneration to employees as well as directors and supervisors in the amount of NT\$60 thousand and NT\$0, respectively, which had no significant difference from the expenses booked in the 2019 financial report.

25. Other profits and losses

	2020.12.31	2019.12.31
Financial income	\$7,824	\$11,681
Net gain on investment disposal	14,873	52,115
Net loss on open-end funds and money market instruments at fair value through profit or loss	(12,575)	(42,494)
Dividend income	2,161	2,768
Rent revenue	15,552	15,028
Agency fee income	58,266	54,541
Others	8,263	8,730

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Total	<u>\$94,364</u>	<u>\$102,369</u>
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26. Other comprehensive income

2020

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

2019

	<u>Accrued in current year</u>	<u>Current reclassification adjustment</u>	<u>Other comprehensive income</u>	<u>Income tax expenses</u>	<u>After-tax amount</u>
The items that are not reclassified as profit or loss					
Reevaluation of determined benefit plan	\$(7,411)	\$-	\$(7,411)	\$-	\$(7,411)
Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI	2,583	546	3,129	-	3,129
Total current period other comprehensive income	<u>\$(4,828)</u>	<u>\$546</u>	<u>\$(4,282)</u>	<u>\$-</u>	<u>\$(4,282)</u>

27. Income tax

The main composition of income tax expenses (income) is as follows:

Income tax recognized in profit or loss

	<u>2020</u>	<u>2019</u>
Current income tax expenses (benefit):		
Payable income tax for the current period	\$847	\$1,214
Previous income taxes adjusted into the current year	1,573	(1,359)
Deferred income tax income:		
Deferred income tax expense related to the original generation of the temporary difference and its reversal	76	(1,785)
Income tax expense (income)	<u>\$2,496</u>	<u>\$(1,930)</u>

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

	2020	2019
Net income before tax of the continuing business units	\$417,214	\$138,903
Income tax calculated at the Company's statutory income tax rate	\$83,670	\$27,780
Income tax effect of the tax-free income	(84,195)	(35,793)
Income tax effect of non-deductible expenses on tax returns	579	9,227
Income tax effect of deferred income tax assets/liabilities	77	(1,785)
Surtax of profit-seeking enterprise income tax on undistributed earnings	767	-
Previous income taxes adjusted into the current year	1,573	(1,359)
Other Income tax effects adjusted according to tax laws	25	-
Total income tax expense (income) recognized in profit and loss	\$2,496	\$(1,930)

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

2020

	Opening balance	Recognized in the profit or loss	Balance, ending
Temporary difference			
Unrealized allowance for bad debts	\$(162)	\$(491)	\$(653)
Unrealized decommissioning cost liability	1,174	(628)	546
Unrealized short-term employee benefits	71	33	104
Unrealized net defined benefit liability	2,924	(4)	2,920
Unrealized foreign exchange loss or gain	386	52	438
Unrealized valuation gains or losses on financial assets	2,843	528	3,371
Unrealized estimated litigation indemnity	640	434	1,074
Deferred income tax expenses		\$(76)	
Deferred income tax assets (liabilities), net	\$7,876		\$7,800
The information expressed on the balance sheet is as follows:			
Deferred income tax assets	\$8,063		\$8,561
Deferred tax liabilities	\$(187)		\$(761)

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2019

	Opening balance	Recognized in the profit or loss	Balance, ending
Temporary difference			
Unrealized allowance for bad debts	\$-	\$(162)	\$(162)
Unrealized decommissioning cost liability	1,179	(5)	1,174
Unrealized short-term employee benefits	44	27	71
Unrealized net defined benefit liability	2,944	(20)	2,924
Unrealized foreign exchange loss or gain	(52)	438	386
Unrealized valuation gains or losses on financial assets	218	2,625	2,843
Unrealized estimated litigation indemnity	640	-	640
Effects of profit or loss on unrealized option warrants of the temporary difference and its reversal	1,118	(1,118)	-
		<u>\$1,785</u>	
Deferred income tax assets (liabilities), net	\$6,091		\$7,876
The information expressed on the balance sheet is as follows:			
Deferred income tax assets	<u>\$6,143</u>		<u>\$8,063</u>
Deferred tax liabilities	<u>\$(52)</u>		<u>\$(187)</u>

The unused tax loss carryforwards of the entities of the Group are summarized as follows:

Year of occurrence	Amount of loss	Unused balance		Final credit year
		2020.12.31	2019.12.31	
<u>The Company:</u>				
2015-approved	\$126,928	\$-	\$80,592	2025
2016-approved	57,285	33,520	57,285	2026
<u>Subsidiary – Horizon SICE:</u>				
2014-approved	6,709	-	-	2024
2017-approved	1,084	276	296	2027
<u>Subsidiary – Horizon Venture Capital:</u>				
2014-approved	1,628	1,628	1,628	2024
2015-approved	1,368	1,368	1,368	2025
2017-approved	5,013	5,013	5,013	2027
2018-filed	5,259	5,259	5,259	2028
2019-filed	21,154	21,154	21,154	2029
2020-filed	11,734	11,734	-	2030
		<u>\$79,952</u>	<u>\$172,595</u>	

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Unrecognized deferred income tax asset

As of December 31, 2020 and 2019, the total amount of the Group's unrecognized deferred income tax assets was NT\$41,305 thousand and NT\$53,378 thousand, respectively.

Income tax declaration and audit

As of December 31, 2020, the filings of the Company's and its subsidiaries' profit-seeking enterprise income tax up to 2018 were as follows:

	<u>Income tax declaration and audit</u>
The Company	Audited up to the year of 2018
Subsidiary – Horizon SICE Co., Ltd.	Audited up to the year of 2018
Subsidiary – Horizon Venture Capital Co., Ltd.	Audited up to the year of 2018

28. Earnings per share

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

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

	<u>2020</u>	<u>2019</u>
(1) Basic earnings per share		
Net income attributable to the holders of common stock of the parent company	<u>\$414,718</u>	<u>\$140,833</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>335,149</u>	<u>353,009</u>
Base earnings per share (\$)	<u>\$1.24</u>	<u>\$0.40</u>
(2) Diluted earnings per share		
Net income attributable to the holders of common stock of the parent company after adjustment to the dilution effect	<u>\$414,178</u>	<u>\$140,833</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>335,149</u>	<u>353,009</u>
Dilution effect:		
Employee remuneration – stock (thousand shares)	<u>957</u>	<u>545</u>
Weighted average number of common stock shares (thousand shares) after adjusting the dilution effect	<u>336,106</u>	<u>353,554</u>
Diluted earnings per share (NT\$)	<u>\$1.23</u>	<u>\$0.40</u>

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(continued)
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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.

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

	2020.12.31	2019.12.31
Margin accounts – bank deposits	\$120,678	\$72,605
Margin accounts – settlement institution settlement balance	180,434	111,181
Customer margin account balance	301,112	183,786
Less: Processing fee income pending reclassification	(87)	(58)
Futures transaction tax to be transferred out	(42)	(20)
Temporary receipts	(18)	(445)
Futures traders' equity	<u>\$300,965</u>	<u>\$183,263</u>

7. Related party transactions

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

Name and relationship of related parties

Name	Relationship with the Group
Mercuries & Associates Holding, LTD.	Entities with joint control or significant influence on the Group
Mercuries Life Insurance Co. Ltd.	Entities with joint control or significant influence on the Group
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
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

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

Major transactions with related parties

1. Brokerage fee revenue

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

	<u>2020</u>	<u>2019</u>
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	\$39,436	\$48,449
Others	7	131
Other related parties		
Others	62	130
Total	<u>\$39,505</u>	<u>\$48,710</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>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts payable</u>		
Entities with joint control or significant influence on the Company		
Others	<u>\$2</u>	<u>\$-</u>

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

2. Underwriting business revenue

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

	<u>2020</u>	<u>2019</u>
Entities with joint control or significant influence on the Company		
Others	\$294	\$-
Other related parties		
Others	-	250
Total	<u>\$294</u>	<u>\$250</u>

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

The details of the claims and liabilities incurred when the Group and the above-mentioned related parties engaged in the underwriting advisory business are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts receivable</u>		
Other related parties		
Others	\$-	\$150

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 Group serves as a stock affairs agency entrusted by the related parties to handle general stock affairs and special stock affairs is as follows:

	<u>2020</u>	<u>2019</u>
Entities with joint control or significant influence on the Group		
Others	\$3,204	\$3,115
Other related parties		
Others	2,117	2,088
Total	<u>\$5,321</u>	<u>\$5,203</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Other receivables</u>		
Entities with joint control or significant influence on the Group		
Others	\$1,621	\$83
Other related parties		
Others	234	244
Total	<u>\$1,855</u>	<u>\$327</u>

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

4. Other operating revenue

The income generated from the Group's discretionary investment business is as follows:

	<u>2020</u>	<u>2019</u>
<u>Discretionary investment management fee income</u>		
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	\$2,630	\$2,942

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The details of the claims and liabilities incurred when the Group and the above-mentioned related parties engaged in the discretionary investment business are as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts receivable</u>		
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	<u>\$230</u>	<u>\$247</u>

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

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

	<u>2020</u>	<u>2019</u>
<u>Account maintenance fee income</u>		
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	<u>\$4,074</u>	<u>\$3,597</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts receivable</u>		
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	<u>\$383</u>	<u>\$324</u>

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

5. Asset trade

2020

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

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

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

2019

Counterparties	Transaction object	Trade value
<u>Equipment</u>		
Other related parties		
Others	Office equipment	\$3,450

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 Group's disposal of stocks held by the above-mentioned related parties are as follows:

	2020	2019
Entities with joint control or significant influence on the Group		
Mercuries Life Insurance Co. Ltd.	\$3,118	\$588
Other related parties		
Others	1,861	5,329
Total	\$4,979	\$5,917

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

	2020	2019
<u>Insurance expenses</u>		
Entities with joint control or significant influence on the Group		
Others	\$-	\$144
<u>Commission expense</u>		
Entities with joint control or significant influence on the Group		
Others	\$733	\$778

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

Other operating expenses – advertising expense

Other related parties

Others	\$900	\$200
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2020	2019
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Other operating expenses – miscellaneous expenses

Entities with joint control or significant influence on the Group

Others	\$-	\$26
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Other related parties

Others	\$47	12
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Total

\$47	\$38
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2020.12.31	2019.12.31
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Accounts payable

Entities with joint control or significant influence on the Group

Others	\$185	\$192
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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 Group are as follows:

	2020.12.31		2019.12.31	
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount
Entities with joint control or significant influence on the Group				
Others	-	\$-	2,800	\$32,480
Other related parties				
Others	497	\$45,792	642	\$62,416

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

	2020	2019
Other related parties		
Others	\$323	\$1,225

8. Remuneration of key management personnel of the Group

	2020	2019
Short-term employee benefits	\$118,891	\$90,781
Retirement benefits	5,621	7,114
Total	\$124,512	\$97,895

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8. Pledged assets

The Group has the following assets provided as collateral:

Items	Secured debt or restricted content	2020.12.31	2019.12.31
<u>Financial assets at fair value through profit and loss</u>			
Securities – proprietary (government bonds)	Call loans to banks	\$620,018	\$1,333,547
Securities – proprietary (corporate bonds)	Call loans to banks	1,561,245	1,314,397
Securities – proprietary (convertible bonds)	Call loans to banks	800,838	84,994
<u>Other current assets</u>			
Restricted assets (certificate of deposit)	Short-term borrowings and commercial paper	120,000	120,000
Restricted assets (certificate of deposit)	Settlement advance	240,000	240,000
<u>Other non-current assets</u>			
Refundable deposits (government bonds)	Government bond bid bond	-	10,160

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

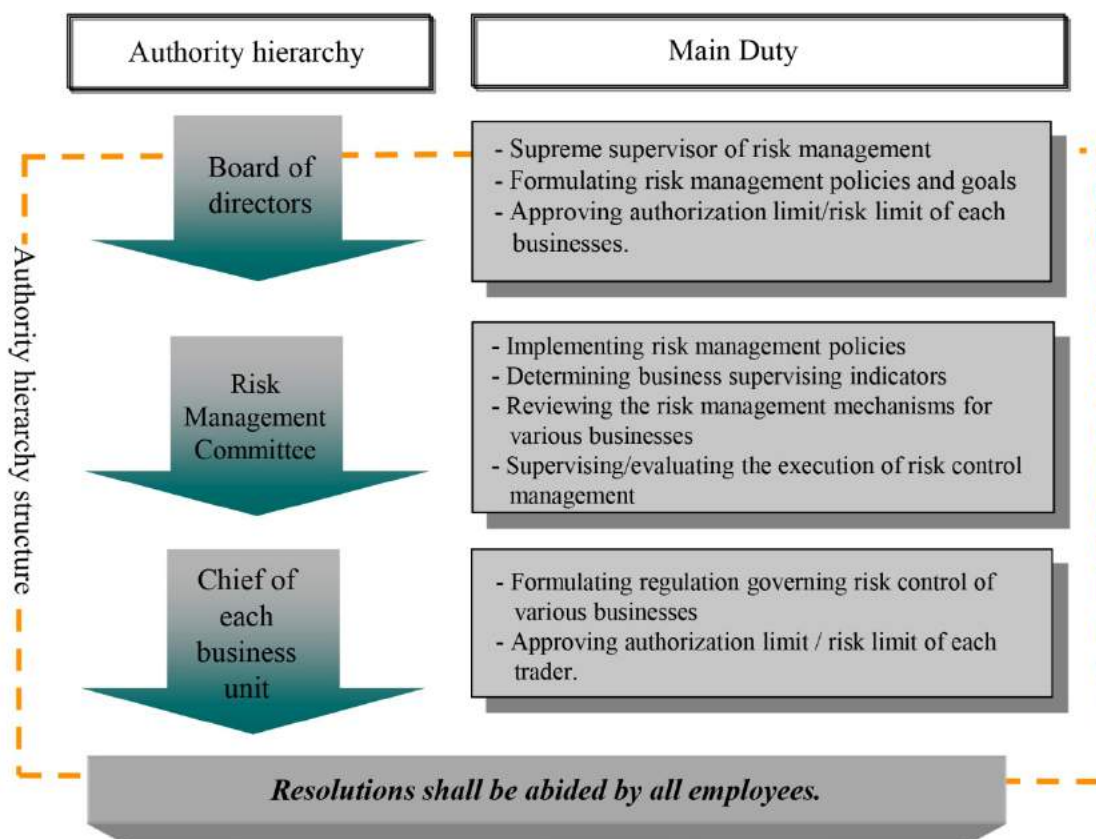
The Group's risk management policy is based on the current capital scale and the risk appetite determined by the board of directors to create the greatest return for shareholders, and to achieve the following goals:

(In thousand New Taiwan dollars, unless otherwise specified)

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



The Group 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.

(In thousand New Taiwan dollars, unless otherwise specified)

(3) Risk management organizations

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

(4) Risk management procedure

The Group’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:

The management of market risk is stipulated in the regulations governing risk control of each business. The methods of management (including acceptable scope of transactions, quantitative measurement of market risk, market risk limits of overall and individual position, authorization hierarchy and methods for handling over-limit risks) are monitored by the Risk Management Office. The Group 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

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to market price fluctuation.

B. Liquidity risk:

Liquidity risk includes market liquidity risk and capital liquidity risk of the positions held. For market liquidity risk, the cap of individual positions is determined based on the nature of each business and the concentration of the positions, and the positions are monitored daily. For 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.

C. Credit Risk:

The Group has formulated credit risk control methods for each financial product in the regulations governing risk control, to regulate the authorization structure, reporting process, and operation content of each level of the business, and evaluates the credit risk exposure on a daily basis according to its credit rating. The Group needs to conduct a credit evaluation before each transaction. Counterparties must reach a certain credit rating or above to buy specific securities. The Company also regularly monitors and evaluates counterparties’ credit status regularly. In addition, for counterparties with increased risks, the Company adopts measures for reducing credit risk limits or increasing collateral, and for positions that have been downgraded, it will draw up a sanction plan and restrict new positions in order to reduce credit risk exposure.

D. Operational Risk:

The Group 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 businesses of the Group are conducted in accordance with relevant regulations released by the competent authorities, relevant regulations regarding operational risks in the Company’s regulations governing risk control, and the standard operations stipulated in the Company’s internal control system, with the aim of effectively controlling operational risk.

E. Legal Risk:

The Group has established the Compliance Office, serving as the supervising unit, and providing legal consultation for each business units. The Group 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.

F. Model Risk:

In order to maintain the operation and management of models and enhance the risk

(In thousand New Taiwan dollars, unless otherwise specified)

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.

(5) Strategies and procedures for hedging and mitigating risks

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

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

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

The Group’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 Group 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

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

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foreign company's shares held, and total cost of holding any foreign company's securities), stop-loss and take-profit mechanism, trader account suspension mechanism, stop-loss mechanism, margin limit, overrun response, VaR calculation, and control of VaR limits.

- (1) The Group'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 Group'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
2020.12.31	350%	354%	431%	290%
2019.12.31	481%	446%	492%	396%

B. Sensitivity analysis

(a) Interest rate sensitivity analysis

The Group 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)
2020.12.31	3.56	\$763
2019.12.31	4.42	1,148

(b) Exchange rate sensitivity analysis

The Group assesses the impact of exchange rate change by 1% on the profit and loss on foreign currency positions.

Unit: NTD thousand

Date \ Items	Change by 1% in exchange rate: Amount of profit or loss affected
2020.12.31	\$283
2019.12.31	120

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(In thousand New Taiwan dollars, unless otherwise specified)

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

Unit: NTD thousand

Date	Current value	Mean	Max. value	Min. value
2020.12.31	\$76,840	\$58,161	\$87,341	\$23,849
2019.12.31	19,071	31,074	65,743	1,760

(2) Back test

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

(3) Stress test

A. Stress tests are carried out on a regular basis in accordance with the Group'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.

(In thousand New Taiwan dollars, unless otherwise specified)

D. The Group'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 Group set the loss rate of the market value of both equity investments and non-government bonds investments at 12%, the loss rate of money market funds at 2%, and the sharp fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. 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 rate of the market value of equity investments and non-governmental bond investments at 30% and 10%, respectively, the loss rate of money market funds at 2%, and fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. The loss estimated in the aforementioned historical scenarios in the stress test had a limited impact on the Group'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%, and a fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. Under the hypothetical scenario, the loss estimated had a limited impact on the Group'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 Group's credit risk control measures include TCRI credit rating, bond rating control, RS counterparty setting, counterparty credit evaluation, certain securities held at a certain credit rating or higher, etc., while regular updating and monitoring counterparties' credit status and nominal principal of positions held. The credit rating system adopted by the Group based on various financial products is as follows:

(1) Convertible (exchangeable) corporate bonds

It applies to 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

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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 Group must meet certain credit rating standards.

(5) Swaption of convertible corporate bond asset

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

(6) Non-restricted purpose loans

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

4. Liquidity risk management

The Group maintains financial flexibility through contracts, including cash and cash equivalents, highly liquid securities, bank borrowings, and bond liabilities under repurchase agreement. The table below summarizes the maturity of the payments contained in the contracts of the Group'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.

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(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>2020.12.31</u>					
Commercial papers payable	\$200,000				\$200,000
Payables	3,896,409	\$-	\$-	\$-	3,896,409
Call loans to banks	8,007,110	-	-	-	8,007,110
Lease liabilities (Note)	63,835	55,217	12,958	-	132,010
<u>2019.12.31</u>					
Commercial papers payable	\$100,000				\$100,000
Payables	2,301,273	\$-	\$-	\$-	2,301,273
Call loans to banks	4,871,710	-	-	-	4,871,710
Lease liabilities (Note)	62,088	89,851	6,102	1,204	159,245

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>2020.12.31</u>					
Inflow	\$69,716	\$-	\$-	\$-	\$69,716
Outflow	(353,684)	-	-	-	(353,684)
Net	<u>\$(283,968)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(283,968)</u>
<u>2019.12.31</u>					
Inflow	\$116,452	\$-	\$-	\$-	\$116,452
Outflow	(9,506)	-	-	-	(9,506)
Net value	<u>\$106,946</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$106,946</u>

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

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

5. Reconciliation of liabilities from financing activities

Information on reconciliation of liabilities for the year ended December 31, 2020:

	Short-term borrowings	Commercial papers payable	Lease liabilities	Total liabilities from financing activities
2020.1.1	\$-	\$99,948	\$144,492	\$244,440
Cash flows				
- Inflow	130,738,430	869,369	-	131,607,799
- Outflow	(130,738,430)	(770,000)	(63,613)	(131,572,043)
Non-cash changes	-	619	38,063	38,682
2020.12.31	\$-	\$199,936	\$118,942	\$318,878

Information on reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Commercial papers payable	Lease liabilities	Total liabilities from financing activities
2019.1.1	\$-	\$-	\$199,923	\$199,923
Cash flows				
- Inflow	117,085,580	159,948	-	117,245,528
- Outflow	(117,085,580)	(60,000)	(64,978)	(117,210,558)
Non-cash changes	-	-	9,547	9,547
2019.12.31	\$-	\$99,948	\$144,492	\$244,440

6. Categories of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$4,911,909	\$4,413,798
Financial assets at fair value through other comprehensive profit or loss	105,784	89,889
Financial assets based on cost after amortization (Note)	11,433,179	6,784,234
Total	\$16,450,872	\$11,287,921

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
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(In thousand New Taiwan dollars, unless otherwise specified)

Financial liabilities

	<u>2020.12.31</u>	<u>2019.12.31</u>
Financial liabilities based on cost after amortization:		
Commercial papers payable	\$199,936	\$99,948
Call loans to banks	8,005,393	4,869,804
Futures traders' equity	300,965	183,263
Payables	3,887,148	2,300,688
Total	<u>\$12,393,442</u>	<u>\$7,453,703</u>

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

7. The fair value of financial instruments

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

- (1) The Book Value of short-term financial instruments stated in the balance sheet shall be the fair value of such instruments. The reason is that the maturity date of these instruments is close and it would be reasonable to use the Book Value in the valuation of fair value. This method is applied to cash and cash equivalents, bond investments under reverse repurchase agreement, loan receivables – non-restricted purpose, customer margin account, futures trading margin receivable, 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, 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.

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

- 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.

8. Transfer of financial assets

Transferred financial assets not being removed in all

In the daily trading activities of the Group, the transferred financial assets that do not meet the conditions for being removed in all are mostly debt securities as collateral under a repurchase agreement held by trading counterparties or equity securities lent under a securities lending agreement. Such transactions are essentially secured borrowings and reflect the Group's liabilities from repurchasing the obligation of the transferred financial assets at a fixed price in the future. For such transactions, the Group is unable to use, sell, or pledge the transferred financial assets during the effective period of the transaction, but the Group still bears the interest rate risk and credit risk. Therefore, it has not been derecognized entirely.

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

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

December 31, 2019					
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	\$4,855,485	\$4,869,804	\$4,855,485	\$4,869,804	\$(14,319)

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

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

The Group'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:

December 31, 2020

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

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

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

December 31, 2019

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 (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received	
Reverse repurchase agreement	\$2,122,547	\$-	\$2,122,547	\$2,122,547	\$-	\$-

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

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 (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received	
Repurchase agreement	\$4,869,804	\$-	\$4,869,804	\$4,869,804	\$-	\$-

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

10. 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 Group 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:

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

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Non-derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Stock investment	\$1,382,223	\$-	\$287,633	\$1,669,856
Bond investment	2,603,780	491,707	20,000	3,115,487
Fund investment	33,586	86,669	-	120,255
Unrealized valuation gains or losses of equity instruments investments				
Equity measured at fair value through other comprehensive income	48,420	-	57,364	105,784
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Futures trading margin – proprietary capital	6,311	-	-	6,311

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Non-derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Stock investment	\$1,216,755	\$-	\$243,126	\$1,459,881
Bond investment	2,573,028	202,788	20,000	2,795,816
Fund investment	88,250	65,580	-	153,830
Unrealized valuation gains or losses of equity instruments investments				
Equity measured at fair value through other comprehensive income	32,480	-	57,409	89,889
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Futures trading margin – proprietary capital	4,271	-	-	4,271

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

For the years ended December 31, 2020 and 2019, the Group's assets and liabilities measured at fair value on a recurring basis did not experience transfer between Level 1 and Level 2 fair value.

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

(4) Changes in Repetitive Fair Value Level 3 Statement

If the assets measured with the Group'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
2020.1.1	\$263,126	\$57,409
Total profit or loss recognized for 2020		
Recognized in the profit or loss	(30,715)	-
Recognized in the other comprehensive income	-	1,908
Acquisition	95,211	-
Disposition	(20,000)	(1,953)
Conversion into Level 3	11	-
2020.12.31	<u>\$307,633</u>	<u>\$57,364</u>

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

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

December 31, 2020

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

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(In thousand New Taiwan dollars, unless otherwise specified)

December 31, 2019

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input value and fair value
<u>Financial assets</u>				
Financial assets at fair value through profit and loss				
Stock	Market Approach	Discount for lack of marketability	20.0%~60.0%	The higher the discount for marketability, the lower the estimated fair value.
Financial assets at fair value through other comprehensive profit or loss				
Stock	Income approach	Dividend Growth Rate	1.2%~2.5%	The higher the dividend growth rate, the higher the estimated fair value.
	Income approach	Return on investment	4.0%~6.5%	The higher the return on investment, the lower the estimated fair value.

(6) Evaluation process for Level 3 fair value

The Group'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 Group's accounting policies at each balance date, to ensure that the evaluation results are reasonable.

11. Information on foreign currency positions held

The Group's foreign currency financial assets and liabilities with significant impact are as follows:

	2020.12.31		
	Foreign currency (NT\$)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$3,033,132	28.5080	\$86,469
HKD	822,616	3.6775	3,025
CNY	620	4.3592	3
GBP	1,754	38.9277	68
EUR	190,626	35.0563	6,683
JPY	12,111,320	0.2765	3,349
AUD	181	21.9740	4

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

	2020.12.31		
	Foreign currency (NT\$)	Exchange rate	NTD
<u>Non-Currency</u>			
USD	\$6,416,733	28.5080	\$182,928
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	4,645,924	28.5080	132,446
HKD	16,106	3.6775	59
	2019.12.31		
	Foreign currency (NT\$)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$1,963,389	30.1060	\$59,110
HKD	853,970	3.8661	3,302
CNY	619	4.3217	3
GBP	22,463	39.5563	889
EUR	212,839	33.7488	7,183
JPY	2,522,380	0.2771	699
AUD	181	21.0998	4
<u>Financial liabilities</u>			
<u>Monetary items</u>			
HKD	73,201	3.8661	283

Due to the wide variety of foreign currencies of the Group, 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 Group's net gains (losses) on foreign currency exchange in 2020 and 2019 were NT\$2,992 thousand and NT\$(1,664) thousand, respectively.

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

12. Presentation of derivative instruments in the financial statements

Derivatives

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

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

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

Futures brokerage	2019.12.31		
	Account balance	Profit (loss) on open positions	Net value of account
Taiwan Futures Exchange	\$3,235	\$1,036	\$4,271

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

	2020	2019
Futures contract gain (loss) – net	\$5,202	\$(204)

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

	2020	2019
Net gain (loss) from options trade	\$927	\$(2)

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 Group's open positions of futures contracts and options and open contract values are as follows:

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

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

		2019.12.31				
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	5 lots	\$10,550	\$10,545	
Futures contracts	Financial futures (TF)	Seller	7 Lots	9,506	9,509	
Futures contracts	TAIEX Futures	Seller	44 lots	105,902	105,527	

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries
(continued)

(In thousand New Taiwan dollars, unless otherwise specified)

(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 Total liabilities – futures merchant's equity	\$637,244 \$1,045	609.87 times greater	\$631,062 \$1,240	508.92 times greater	≥ 1	(5) Complied
17	Current assets Current liabilities	\$836,590 \$302,010	2.77 times greater	\$712,442 \$184,503	3.86 times greater	≥ 1	(6) Complied
22	Shareholders' equity Minimum paid up capital	\$637,244 \$700,000	91.03%	\$631,062 \$700,000	90.15%	(1) ≥ 60% (2) ≥ 40%	(7) Complied
22	Adjusted net capital (ANC) Total margins required for futures traders' outstanding positions	\$623,993 \$58,449	1,067.59%	\$619,889 \$42,986	1,442.07%	(1) ≥ 20% (2) ≥ 15%	(8) Complied

13. 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:

	2020.12.31	2019.12.31
Regulatory capital adequacy ratio	<u>350%</u>	<u>481%</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 ratio calculation

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

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

13. Notes of disclosure

1. Information about important transactions:

- (1) Loans to others: none.
- (2) Endorsements/guarantees for others: none.
- (3) The acquisition of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
- (4) The disposal of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital: None.
- (5) Total discount of service charges in transaction with stakeholder reaching more than NTD 5,000 thousand: None.
- (6) Amounts receivable from related parties totaling more than NTD100 million or 20% of paid-up capital: none.
- (7) Others- The business relationship between the parent company and its subsidiaries and among subsidiaries, and important intercompany transactions and amounts: Attachment 3.

2. Information regarding investees:

Name of investees, locations, and other relevant information (excluding the investees in mainland China): See attached Attachment 4.

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 Attachment 5.

14. Segment information

Types of products as the source of income and labor services of the segments to be reported

For management purposes, the Group classifies operating units based on different business and services and is divided into the following five reporting and operations departments:

1. Proprietary segment: The segment is mainly responsible for proprietary trading of securities.
2. Brokerage segment: The segment is mainly responsible for brokerage and proprietary trading of securities.
3. Underwriting segment: The segment is mainly responsible for underwriting of securities.
4. Bond segment: The segment is mainly responsible for proprietary trading of bonds, bond repo trading, and trading of interest rate-related financial products.
5. Derivatives segment: The segment is mainly responsible for proprietary of futures options, operation of asset exchange options, securities lending transactions, and issuance of warrant products.

The aforementioned segments to be reported are aggregated in one or more segments.

The executive management supervises the operating results of individual segments, and allocates resources based on performance. Segment performance is assessed based on operating profits and losses, which are consistent with the operating profits and losses presented in the consolidated financial statements. However, the amount of financial cost, financial income, and income tax presented in the consolidated financial statements are managed at group level, and are not allocated to individual segments. Inter-segment transactions are priced based on arms length transactions with outside parties.

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2020

	Proprietary Trading Department	Brokerage Department	Investment Banking Department	Bonds Department	Derivative Instruments Department	Others	Write-off	Total
Income:								
Income from external customers	\$485,881	\$595,333	\$176,048	\$23,499	\$4,992	\$(25,928)	\$(19)	\$1,259,806
Inter-segment income	-	-	-	-	-	44,571	(44,571)	-
Interest revenue	-	4,530	-	40,573	-	1,198	-	46,301
Total revenue	485,881	599,863	176,048	64,072	4,992	19,841	(44,590)	1,306,107
Expenses:								
Interest expenses	-	1,294	-	24,765	-	1,302	-	27,361
Depreciation expenses	244	22,808	1,342	77	551	48,567	-	73,589
Amortization expenses	492	4,624	9	66	1,354	2,145	-	8,690
Other expenses/expenditure	55,630	410,754	98,759	6,576	12,590	333,926	(44,618)	873,617
Total expenses	56,366	439,480	100,110	31,484	14,495	385,940	(44,618)	983,257
Operating profit	429,515	160,383	75,938	32,588	(9,503)	(366,099)	28	322,850
Other profits and losses	-	85,883	117	-	529	(32,022)	39,857	94,364
Profit or loss before tax by department	\$429,515	\$246,266	\$76,055	\$32,588	\$(8,974)	\$(398,121)	\$39,885	\$417,214

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

2019

	Proprietary Trading Department	Brokerage Department	Investment Banking Department	Bonds Department	Derivative Instruments Department	Others	Write-off	Total
Income:								
Income from external customers	\$183,386	\$430,496	\$114,783	\$13,840	\$2,338	\$52,215	\$(44)	\$797,014
Inter-segment income	-	-	-	-	-	47,867	(47,867)	-
Interest revenue	9,656	1,203	-	43,055	-	430	-	54,344
Total revenue	193,042	431,699	114,783	56,895	2,338	100,512	(47,911)	851,358
Expenses:								
Interest expenses	-	1,712	-	29,112	-	370	-	31,194
Depreciation expenses	179	22,734	1,462	44	466	48,644	-	73,529
Amortization expenses	353	2,733	5	32	1,188	2,704	-	7,015
Other expenses/expenditure	43,654	341,446	84,050	6,815	12,550	262,539	(47,968)	703,086
Total expenses	44,186	368,625	85,517	36,003	14,204	314,257	(47,968)	814,824
Operating profit	148,856	63,074	29,266	20,892	(11,866)	(213,745)	57	36,534
Other profits and losses	-	76,999	248	-	765	67,431	(43,074)	102,369
Profit or loss before tax by department	\$148,856	\$140,073	\$29,514	\$20,892	\$(11,101)	\$(146,314)	\$(43,017)	\$138,903

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

The table below lists the information related to the assets and liabilities of the Group's departments as of December 31, 2020 and 2019:

	Proprietary Trading Department	Brokerage Department	Investment Banking Department	Bonds Department	Derivative Instruments Department	Others	Write-off	Total
2020.12.31 Segment assets	\$2,322,350	\$4,786,385	\$192,982	\$7,316,708	\$71,842	\$2,699,633	\$(515,615)	\$16,874,285
2019.12.31 Segment assets	\$1,268,324	\$2,766,031	\$142,695	\$4,814,171	\$119,361	\$3,015,388	\$(570,474)	\$11,555,496
	Proprietary Trading Department	Brokerage Department	Investment Banking Department	Bonds Department	Derivative Instruments Department	Others	Write-off	Total
2020.12.31 Segment liabilities	\$22,649	\$4,191,438	\$43,560	\$8,006,513	\$72	\$450,688	\$(1)	\$12,714,919
2019.12.31 Segment liabilities	\$31,263	\$2,411,479	\$39,352	\$4,871,268	\$112	\$308,651	\$(6,297)	\$7,655,828

Horizon Securities Co., Ltd. — Futures Department
Balance Sheet
For the Years Ended December 31, 2020 and 2019

Attached table 1
Unit: NTD thousand

Assets		December 31, 2020		December 31, 2019	
Code	Account titles	Amount	%	Amount	%
	Current assets				
111100	Cash and cash equivalents	\$527,744	56	\$522,829	64
112000	Financial assets at fair value through profit or loss- current	6,311	1	4,271	-
114070	Customers' margin accounts	301,112	32	183,786	23
114080	Futures trading margin receivable	-	-	331	-
114150	Prepayments	959	-	795	-
114170	Other receivables	464	-	430	-
110000	Total current assets	<u>836,590</u>	<u>89</u>	<u>712,442</u>	<u>87</u>
	Non-Current assets				
125000	Property, plant, and equipment - net	1,098	-	1,006	-
127000	Intangible assets	3,609	1	4,629	1
129010	Business guarantee	75,000	8	75,000	9
129020	Settlement / clearance fund	21,126	2	21,094	3
129030	Refundable deposits	360	-	360	-
129130	Prepayments for equipment	490	-	490	-
129110	Inter-department debits	981	-	544	-
120000	Total of Non-Current Assets	<u>102,664</u>	<u>11</u>	<u>103,123</u>	<u>13</u>
906001	Total assets	<u>\$939,254</u>	<u>100</u>	<u>\$815,565</u>	<u>100</u>

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Lu Meng-Wei

Horizon Securities Co., Ltd. — Futures Department
Balance Sheet (Continued)
For the Years Ended December 31, 2020 and 2019

Attached table 1
Unit: NTD thousand

Liabilities and equity		December 31, 2020		December 31, 2019	
Code	Account titles	Amount	%	Amount	%
	Current liabilities				
214080	Futures traders' equity	\$300,965	32	\$183,263	22
214130	Accounts payable	42	-	8	-
214160	Agency Receipts	62	-	20	-
214170	Other payables	923	-	768	-
219000	Other current liabilities	18	-	444	-
210000	Total current liabilities	<u>302,010</u>	<u>32</u>	<u>184,503</u>	<u>22</u>
	Non-current liabilities				
220000	Total of non-current liabilities	-	-	-	-
906003	Total liabilities	<u>302,010</u>	<u>32</u>	<u>184,503</u>	<u>22</u>
	Equity				
301000	Capital stock				
301110	Appropriation working fund	700,000	75	700,000	86
304000	Retained earnings				
304040	Losses to be covered	(62,756)	(7)	(68,938)	(8)
906004	Total equity	<u>637,244</u>	<u>68</u>	<u>631,062</u>	<u>78</u>
906002	Total Liabilities and Equity	<u>\$939,254</u>	<u>100</u>	<u>\$815,565</u>	<u>100</u>

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Lu Meng-Wei

Horizon Securities Co., Ltd. — Futures Department

Income Statement

2020 and 2019

Attached table 2

Unit: NTD thousand

Code	Item	2020		2019	
		Amount	%	Amount	%
	Revenue				
401000	Brokerage fee revenue	\$25,750	81	\$21,032	101
424400	Net gains (losses) in the derivative financial instruments	6,129	19	(206)	(1)
428000	Other operating revenue	(48)	-	-	-
400000	Total revenues	31,831	100	20,826	100
	Expense				
501000	Brokerage fee expenses	(5,049)	(16)	(4,316)	(21)
502000	Proprietary trade service commission expenses	(808)	(3)	(777)	(4)
521200	Financial costs	(12)	-	(22)	-
524300	Clearance and settlement service expenses	(7,603)	(24)	(5,463)	(26)
531000	Employee benefits expenses	(5,006)	(16)	(5,819)	(28)
532000	Depreciation and amortization expenses	(1,879)	(6)	(1,579)	(8)
533000	Other operating expenses	(8,106)	(25)	(6,575)	(31)
500000	Total Expense	(28,463)	(90)	(24,551)	(118)
	Operating profit (loss)	3,368	10	(3,725)	(18)
602000	Other profits and losses	2,814	9	5,466	26
902001	Net profit before tax	6,182	19	1,741	8
902005	Current net income	6,182	19	1,741	8
805000	Other comprehensive income	-	-	-	-
902006	Total comprehensive income in current period	\$6,182	19	\$1,741	8

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Lu Meng-Wei

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. and its subsidiaries (continued)

(In Thousands of New Taiwan Dollars, unless otherwise specified)

Attached table 3: Business relationship and significant transactions between the parent company and subsidiaries:

Unit: NTD thousand

No. (Note 1)	Trader's name	Counterparty	Relationship with the trader (Note 2)	Transactions			The ratio of consolidated total income or assets (Note 3)
				Item	Amount	Terms and conditions	
0	Horizon Securities	Horizon SICE	1	Professional service expenses	\$36,000	Note 4	2.76%
0	Horizon Securities	Horizon Venture	1	Brokerage fee revenue - over the counter	46	"	0.00%
0	Horizon Securities	Horizon Venture	1	Brokerage fee discount - over the	26	"	0.00%
0	Horizon Securities	Horizon Venture	1	Payable	1	"	0.00%
2	Horizon Venture	Horizon Securities	2	Receivable	1	"	0.00%
2	Horizon Venture	Horizon Securities	2	Other operating expenses	46	"	0.00%
2	Horizon Venture	Horizon Securities	2	Other gains and losses - brokerage fee	26	"	0.00%
2	Horizon Venture	Horizon Venture	3	Professional service expenses	8,571	"	0.66%
3	Horizon Venture	Horizon Venture	3	Consultancy fee income	8,571	"	0.66%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2: The relationship with the trade party is classified into three categories as follows:

1. Parent Company to subsidiaries.
2. Subsidiaries to Parent Company.
3. Subsidiaries to subsidiaries.

Note 3: As for the calculation of the proportion of the transaction amount to the combined total operating income or total assets, where it is an asset-liability item, the ending balance shall be calculated as a percentage of the total combined assets.

Where it is a profit-loss item, the cumulative amount in the interim period shall be calculated as a percentage of the total combined operating income.

Note 4: The revenue from the aforementioned services for related parties and consulting service fees provided by related parties are treated at regular prices.

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

(In Thousands of New Taiwan Dollars, unless otherwise specified)

Attached table 4: Relevant information on the investees over which the Company has significant influence or control directly or indirectly:

Unit: Shares; NTS thousand

Investor	Name of investee	Location	Date of Incorporation	FSC approval date and Case No.	Principal business	Sum of initial investment		Ending shareholding			Investee Operating income - current	Investee Net income (loss)	Investment gains (losses) recognized in the current	Current cash dividend	Remarks
						Current period-end	The end of last year	Number of shares	Ratio	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%	\$137,573	\$42,286	\$(1,350)	\$(1,350)	\$(4,800)	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	429,420	429,420	45,000,000	100.00%	357,391	(30,108)	(38,750)	(38,750)	-	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%	20,650	8,571	217	217	(3,880)	Subsidiaries

Notes to the consolidated financial statements of Horizon Securities Co., Ltd. (continued)
(In Thousands of New Taiwan Dollars, unless otherwise specified)

Attached table 5: Information on major shareholders

Unit: shares

Names of major shareholders	No. of shares held	Percentage of shareholding
Cheng-Da Investment Consulting Co., Ltd.	33,800,000	10.21%
Mercuries Life Insurance Co. Ltd.	28,570,000	8.63%
Mercury Fu Bao Co., Ltd.	20,286,000	6.13%
Shang Lin Investment Co., Ltd.	17,145,000	5.18%

Auditor's Report

To: Horizon Securities Co., Ltd.

Audit opinion

We have audited the accompanying individual balance sheet of Horizon Securities Co, Ltd. (“the Company”) as of December 31, 2020 and 2019, 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, 2020 and 2019 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 2020 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.

Brokerage fee revenue

The brokerage fee revenue of the Company is from the fees charged for brokerage trading of securities and futures, which had a material impact on the individual financial statements. Therefore, we determined to list the brokerage fee revenue as a key audit matter.

We implemented but were not limited to the following audit procedures for brokerage fee revenue: assess whether the accounting policy of brokerage fee revenue is appropriate, understand the transaction flow of the brokerage fee revenue recognition process and test whether the control points are effective when performing audit of internal control, select samples to recalculate the brokerage fee revenue, perform analytical review procedures, and verify relevant transaction receipts for transactions before and after the balance sheet date to ensure that the brokerage fee revenue is recognized in the correct accounting period. We also considered the appropriateness of the disclosure of brokerage fee revenue in Notes 4 and 6 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 or supervisors) 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 to those risks, and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
2. Obtain 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 2020 individual financial statements of Horizon Securities Co., Ltd. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

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

James Huang

CPAs:

Bob Chang

March 11, 2021

Horizon Securities Co., Ltd.
Individual balance sheet
December 31, 2020 and 2019

Unit: NTD thousand

Assets			December 31, 2020		December 31, 2019	
Code	Account titles	Additional notes	Amount	%	Amount	%
Current assets						
111100	Cash and cash equivalents	IV, VI.1 and XII	\$1,080,637	6	\$1,236,350	11
112000	Financial assets at fair value through profit or loss- current	IV, V, VI.2, VIII and XII	4,482,284	27	4,010,101	35
113200	The financial assets measured for the fair values through other comprehensive income- current	IV, V, VI.3 and XII	48,420	-	32,480	-
114010	Bond investment under reverse repurchase agreement	IV, VI.4 and XII	5,105,012	30	2,122,547	18
114066	Loan receivable - non-restricted purpose	IV, V, VI.5 and XII	301,218	2	98,024	1
114070	Customers' margin accounts	IV, VI.6, VI.30 and XII	301,112	2	183,786	2
114080	Futures trading margin receivable	V and XII	-	-	331	-
114110	Notes receivable-net	IV, V, VI.7 and XII	313	-	484	-
114130	Accounts receivable-net	IV, V, VI.7, VII and XII	3,742,534	22	2,193,948	19
114150	Prepayments	VII	84,479	1	19,877	-
114170	Other receivables	IV, V, VI.8, VII and XII	14,300	-	10,878	-
114600	Current income tax asset	IV and V	10,227	-	15,027	-
119000	Other current assets	VIII and XII	477,141	3	360,075	3
110000	Total current assets		<u>15,647,677</u>	<u>93</u>	<u>10,283,908</u>	<u>89</u>
Non-Current assets						
122000	Financial assets that are measured at fair value through profit or loss-non-current	IV, V, VI.2 and XII	86,669	1	65,580	1
123200	The financial assets measured for the fair values through other comprehensive income- non-current	IV, V, VI.3 and XII	57,364	-	57,409	-
124100	Investment under the equity method	IV and VI.9	515,614	3	564,177	5
125000	Property, plant, and equipment - net	IV, VI.10 and VII	40,185	-	43,595	1
125800	Right-of-use assets- Net	IV and VI.24	123,878	1	143,691	1
127000	Intangible assets	IV and VI.11	29,429	-	24,798	-
128000	Deferred income tax assets	IV, V and VI.28	4,640	-	5,091	-
129010	Business guarantee	VI.12 and XII	225,000	1	225,000	2
129020	Settlement / clearance fund	VI.13 and XII	106,418	1	89,492	1
129030	Refundable deposits	VIII and XII	18,461	-	31,613	-
129070	Net determined benefit asset-non-current	IV, V and VI.18	-	-	2,517	-
129130	Prepayments for equipment		3,500	-	3,500	-
120000	Total of Non-Current Assets		<u>1,211,158</u>	<u>7</u>	<u>1,256,463</u>	<u>11</u>
906001	Total assets		<u>\$16,858,835</u>	<u>100</u>	<u>\$11,540,371</u>	<u>100</u>

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Chillli Hsieh

Horizon Securities Co., Ltd.
Individual balance sheet (Continued)
December 31, 2020 and 2019

Unit: NTD thousand

Liabilities and equity			December 31, 2020		December 31, 2019	
Code	Account titles	Additional notes	Amount	%	Amount	%
	Current liabilities					
211200	Commercial papers payable	VI.15 and XII	\$199,936	1	\$99,948	1
214010	Call loans to banks	IV, VI.16 and XII	8,005,393	48	4,869,804	42
214080	Futures traders' equity	IV, VI.30 and XII	300,965	2	183,263	2
214110	Payable notes	IV, VI.17 and XII	163	-	81	-
214130	Accounts payable	IV, VI.17, VII and XII	3,704,463	22	2,201,248	19
214150	Advances		9,156	-	9	-
214170	Other payables	12	170,185	1	90,307	1
215100	Liability reserve-Current	IV and VI.19	5,870	-	3,549	-
216000	Lease liabilities - current	IV, VI.24 and XII	57,193	-	56,800	-
219000	Other current liabilities		164,490	1	45,327	-
210000	Total current liabilities		<u>12,617,814</u>	<u>75</u>	<u>7,550,336</u>	<u>65</u>
	Non-current liabilities					
225100	Liabilities reserve- non-current	IV and VI.19	3,478	-	7,287	-
226000	Lease liabilities - noncurrent	IV, VI.24 and XII	58,755	-	82,893	1
228000	Deferred tax liabilities	IV, V and VI.28	761	-	187	-
229070	Net determined benefit liability-non-current	IV, V and VI.18	18,661	-	-	-
220000	Total of non-current liabilities		<u>81,655</u>	<u>-</u>	<u>90,367</u>	<u>1</u>
906003	Total liabilities		<u>12,699,469</u>	<u>75</u>	<u>7,640,703</u>	<u>66</u>
	Equity	IV and VI.20				
301000	Capital stock					
301010	Common stock capital		3,308,168	20	3,505,008	30
302000	Capital reserve		312,359	2	237,869	2
304000	Retained earnings					
304010	Statutory surplus reserves		13,397	-	-	-
304020	Special surplus reserves		28,167	-	-	-
304040	Undistributed earnings		436,103	3	133,968	1
305000	Other equity		61,172	-	48,459	1
305500	Treasury stock		-	-	(25,636)	-
906004	Total equity		<u>4,159,366</u>	<u>25</u>	<u>3,899,668</u>	<u>34</u>
906002	Total Liabilities and Equity		<u>\$16,858,835</u>	<u>100</u>	<u>\$11,540,371</u>	<u>100</u>

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Income Statement
2020 and 2019

Unit: NTD thousand

Code	Item	Additional notes	2020		2019	
			Amount	%	Amount	%
	Revenue					
401000	Brokerage fee revenue	IV, VI.21 and VII	\$590,921	44	\$426,316	54
404000	Underwriting business revenue	IV, VI.21 and VII	66,215	5	26,220	3
410000	Operating gain on sale of securities	VI.21 and VII	295,903	22	160,211	20
421100	Stock affairs agency revenue	IV and VII	70,057	5	66,973	8
421200	Interest revenue	IV and VI.21	45,103	3	53,915	7
421300	Dividend income	IV	23,240	2	25,164	3
421500	Net profit of securities trade measured at the fair value through profit or loss	VI.21	223,761	17	38,302	5
422200	Net loss on issuance of call (put) warrants	VI.21	-	-	(978)	-
424400	Net gains (losses) in the derivative financial instruments- futures	IV, VI.21 and XII	6,129	1	(206)	-
425300	Expected credit impairment loss and reversal benefit	IV, V and VI.21	(110)	-	(47)	-
428000	Other operating revenue	VI.22 and VII	8,730	1	2,572	-
400000	Total revenues		1,329,949	100	798,442	100
	Expense					
501000	Brokerage fee expenses		(51,517)	(4)	(38,041)	(5)
502000	Proprietary trade service commission expenses		(2,636)	-	(2,042)	-
521200	Financial costs	VI.23	(27,322)	(2)	(31,138)	(4)
524300	Clearance and settlement service expenses		(7,603)	(1)	(5,463)	-
531000	Employee benefits expenses	VI.18, VI.25 and VII	(568,193)	(43)	(445,326)	(56)
532000	Depreciation and amortization expenses	VI.24 and VI.25	(80,609)	(6)	(78,932)	(10)
533000	Other operating expenses	VII	(227,043)	(17)	(199,623)	(25)
500000	Total Expense		(964,923)	(73)	(800,565)	(100)
	Operating profit (loss)		365,026	27	(2,123)	-
601100	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	IV	(39,883)	(3)	43,017	5
602000	Other profits and losses	IV and VI.26	92,940	7	99,612	13
902001	Net profit before tax		418,083	31	140,506	18
701000	Income tax (expense) profit	IV, V and VI.28	(3,365)	-	327	-
902005	Current net income		414,718	31	140,833	18
805000	Other comprehensive income	VI.27				
805500	The items that are not re-classified as profit or loss					
805510	Revaluation of determined benefit plan		(22,680)	(2)	(7,411)	(1)
805540	Investment of equity instruments at fair value through other comprehensive income					
	Net unrealized valuation gain		16,154	1	3,129	-
805000	Other comprehensive income for the period (post-tax profit or loss)		(6,526)	(1)	(4,282)	(1)
902006	Total comprehensive income in current period		\$408,192	30	\$136,551	17
975000	Base earnings per share (\$):					
975010	Current net income	VI.29	\$1.24		\$0.40	
985000	Diluted earnings per share (NT\$):					
985010	Current net income	VI.29	\$1.23		\$0.40	

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Statements of Changes in Shareholders' Equity
January 1 to December 31, 2020 and 2019

Unit: NTD thousand

	Capital stock		Retained earnings			Other equity		Treasury stock	3XXX
	Common stock capital	Capital reserve	Statutory surplus reserves	Special surplus reserves	Undistributed earnings (Losses to be covered)	Unrealized gain on financial assets at fair value through other comprehensive profit or loss			
Code	3100	3200	3310	3320	3350	3420	3500		
Balance as at January 1, 2019	\$3,625,008	\$266,816	\$21,973	\$303,512	\$(397,917)	\$45,876	\$(14,398)	\$3,850,870	
Dividend allocation and distribution for 2018									
Legal reserve offset against loss	-	-	(21,973)	-	21,973	-	-	-	
Special reserves offset against loss	-	-	-	(303,512)	303,512	-	-	-	
Capital reserve offset against loss	-	(72,432)	-	-	72,432	-	-	-	
2019 net income	-	-	-	-	140,833	-	-	140,833	
Other comprehensive net income in 2019	-	-	-	-	(7,411)	3,129	-	(4,282)	
Total comprehensive income in current period	-	-	-	-	133,422	3,129	-	136,551	
Redemption of treasury stock	-	-	-	-	-	-	(87,753)	(87,753)	
Cancellation of Treasury stock	(120,000)	43,485	-	-	-	-	76,515	-	
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	546	(546)	-	-	
Balance as of December 31, 2019	<u>\$3,505,008</u>	<u>\$237,869</u>	<u>\$-</u>	<u>\$-</u>	<u>\$133,968</u>	<u>\$48,459</u>	<u>\$(25,636)</u>	<u>\$3,899,668</u>	
Balance as at January 1, 2020	\$3,505,008	\$237,869	\$-	\$-	\$133,968	\$48,459	\$(25,636)	\$3,899,668	
Dividend allocation and distribution for 2019:									
Legal reserve appropriated	-	-	13,397	-	(13,397)	-	-	-	
Appropriation of special reserve	-	-	-	28,167	(28,167)	-	-	-	
Common stock cash dividends	-	-	-	-	(51,780)	-	-	(51,780)	
2020 net income	-	-	-	-	414,718	-	-	414,718	
Other comprehensive net income in 2020	-	-	-	-	(22,680)	16,154	-	(6,526)	
Total comprehensive income in current period	-	-	-	-	392,038	16,154	-	408,192	
Redemption of treasury stock	-	-	-	-	-	-	(96,714)	(96,714)	
Cancellation of Treasury stock	(196,840)	74,490	-	-	-	-	122,350	-	
Equity instrument at fair value through other comprehensive income statement	-	-	-	-	3,441	(3,441)	-	-	
Balance as at December 31, 2020	<u>\$3,308,168</u>	<u>\$312,359</u>	<u>\$13,397</u>	<u>\$28,167</u>	<u>\$436,103</u>	<u>\$61,172</u>	<u>\$-</u>	<u>\$4,159,366</u>	

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Cash Flow Statement
2020 and 2019

Unit: NTD thousand

Code	Item	2020	2,019
	Cash flow from operating activities:		
A10000	Current year net profit before taxation	\$418,083	\$140,506
A20000	Adjustments:		
A20010	Revenue, expense and loss that do not affect the cash flows		
A20100	Depreciation expenses	71,919	71,923
A20200	Amortization expenses	8,690	7,009
A20300	Expected credit impairment loss and reversal benefit	110	47
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	(223,761)	(38,302)
A20900	Interest expenses	27,322	31,138
A21200	Interest income (including financial income)	(51,913)	(63,511)
A21300	Dividend income	(25,401)	(27,932)
A22400	Shareholdings in the subsidiaries, affiliated companies and joint ventures under the equity method	39,883	(43,017)
A23100	Gain on disposal of investments	(14,163)	(51,872)
A23300	Loss on non-operating financial products at fair value	12,266	42,907
A29900	Other items	(3,748)	(943)
A60000	Changes in operating activities related assets/liabilities		
A61110	(Increase) decrease in Financial assets at fair value through profit and loss	(257,454)	423,401
A61130	(Increase) decrease in bond investment under reverse repurchase agreement	(2,982,465)	780,217
A61180	Increase in securities borrowings receivable	(203,198)	(98,026)
A61190	(Increase) decrease in customers' margin accounts	(117,326)	78,696
A61200	Decrease in futures trading margin receivable	331	900
A61230	Decrease (increase) in notes receivable	159	(173)
A61250	Increase in accounts receivable	(1,553,280)	(831,082)
A61270	Increased in Advance	(67,218)	(4,902)
A61280	Increase in net interest on the net defined benefit asset	(1,502)	(1,394)
A61290	Increase (decrease) in other accounts receivable	(3,733)	3,238
A61365	Financial assets at fair value through other comprehensive profit or loss (decrease)	259	38,288
A61370	Increase (decrease) in other current assets	(117,066)	14,738
A62110	Increase (decrease) in bond liabilities under repurchase agreement	3,135,589	(1,085,664)
A62130	Decrease in financial liabilities at fair value through profit and loss	-	(3,394)
A62200	Increase (decrease) in futures traders' equity	117,702	(78,990)
A62210	Increase (decrease) in notes payable	82	(48)
A62230	Increase in accounts payable	1,503,378	842,833
A62250	Increase (decrease) in advance receipts	9,147	(556)
A62270	Increase in other payables	79,878	11,699
A62300	Increase in liability reserve	2,260	133
A62320	Increase (decrease) in other current liabilities	119,163	(1,997)
A33000	Cash (outflow) inflow generated from operations	(76,007)	155,870
A33100	Interest received	56,770	64,446
A33200	Dividends received	34,135	27,772
A33300	Interest payment	(644)	(314)
A33500	Income tax refund (payment)	2,460	(541)
AAAA	Net cash inflow from operating activities	16,714	247,233
	Cash flow from investing activities:		
B01800	Acquisition of investment under the equity method	-	(20,000)
B02700	Acquisition of property, plant, and equipment	(11,953)	(13,564)
B03500	Increase in settlement/clearance fund	(16,926)	(4,626)
B03800	Decrease in Refundable deposits	2,992	45
B04500	Acquisition of Intangible assets	(10,705)	(16,603)
B07200	Decrease in prepayments for equipment	-	10,919
BBBB	Net cash outflow from investing activities	(36,592)	(43,829)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
C00100	Increase of short-term loans	130,738,430	117,085,580
C00200	Decrease in short-term loans	(130,738,430)	(117,085,580)
C00700	Increase in commercial papers payable	869,369	159,948
C00800	Decrease in commercial papers payable	(770,000)	(60,000)
C04020	Repayments of principal portion of the lease	(61,769)	(63,179)
C04500	Cash dividend released	(51,780)	-
C04900	Cost of treasury stock repurchase	(96,714)	(87,753)
C05600	Interest payment	(24,941)	(29,457)
CCCC	Net cash outflow from financing activities	(135,835)	(80,441)
EEEE	Current cash and cash equivalents increase (decrease)	(155,713)	122,963
E00100	Balance of cash and cash equivalents, beginning of period	1,236,350	1,113,387
E00200	Balance of cash and cash equivalent, end of period	\$1,080,637	\$1,236,350

(Refer to Note to the individual financial statements)

Chairman: Ke-Chyn Jiang

Manager: Jamie Lin

Accounting Supervisor: Chilli Hsieh

Horizon Securities Co., Ltd.
Individual Notes to financial statements
January 1 to December 31, 2020
And January 1 to December 31, 2019
(In thousand New Taiwan dollars, unless otherwise specified)

1. Company History

Horizon Securities Co., Ltd. (hereinafter referred to as the “Company”) was established in December 1961. It was originally a brokerage firm. Later in 1990, with business expansion, it was approved to function as a comprehensive securities firm, to trade securities as an agent, trade securities on its own, and underwrite securities. It launched the securities lending and borrowing business in November 1992. Since July 25, 1996, it has been listed for trading in Taipei Exchange. On June 8, 1998, it was approved to conduct the business within the scope of H408011 Futures Trading Assistance. Since December 2000, it has been changed to operate the securities lending and borrowing business as an agent. On September 26, 2008, it was approved to operate the business under H401011 Futures Commission Merchants; later, on April 29, 2013, it was approved to operate the futures brokerage business, and on August 6, 2015, it was approved to run the business under H405011 Futures Advisory Enterprises. As of December 31, 2020, the Company has eight branches.

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

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

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

2. Financial reporting date and procedures

The Company’s individual financial statements for 2020 and 2019 were approved by the board of directors on March 11, 2021 before release.

3. Application of new and revised standards and interpretation

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

The Company has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China and applied to the fiscal year beginning on or after January 1, 2020. The first-time adoption of the new standards and amendments does not have a material impact on the Company.

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

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

Item No.	New releases/amendments/revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

- (2) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 – “Interest Rate Benchmark Reform – Phase 2”

The amendments at this final stage mainly focus on the impact of changes in the interest rate benchmark on corporate financial statements, including:

- A. For changes in the basis for determining the contractual cash flow of financial instruments that are in line with the requirement for the change of the interest rate benchmark, the book value of financial instruments will not be derecognized or adjusted, and a more effective interest rate method will be adopted to reflect changes in the alternative benchmark interest rate.
- B. When hedging still meets the requirements of hedging accounting, the application of hedging accounting will not be cancelled just because of the changes required by the amendments; and
- C. Disclosure of information is required for new risks arising from the change and how to manage the transition to an alternative benchmark interest rate.

The Company assessed that the above-mentioned amendments applicable to the fiscal year beginning on and after January 1, 2021, and the amendments did not have a material impact on the Company.

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, 2023
4	Amendments to the limited scope of IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements	January 1, 2022
5	Disclosure of Accounting Policies (amendments to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (amendments to IAS 8)	January 1, 2023

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

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

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

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

- (2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model of insurance contract, including all accounting related parts (recognition, measurement, expression, and disclosure principles). The core of the standard is a general model. Regarding this model, the original recognition is based on the total amount of the contractual cash flow and contractual services margin to measure the insurance contracts, of which, the contractual cash flow includes:

- A. Estimated future cash flow;
- B. Discount rate: Adjustments that reflect the time value of money and the financial risks (within the estimation range of the future cash flow that does not include financial risk) associated with future cash flows; and
- C. Adjustment of non-financial risks

The book value of the insurance contracts at the end of each reporting period is the sum of the remaining security liabilities and the claims liabilities incurred.

In addition to the general model, it provides:

- A. Specific applicable method (variable fee approach) for the contracts with a direct participation characteristic
- B. Simplification of short-term contracts (Premium Allocation Approach)

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

This standard was promulgated in May 2017, and an amendment was issued in June 2020. This 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) Amendments to the limited scope of IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements

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

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

B. Property, plant, and equipment: Proceeds before intended use (amendments to IAS 16)

The amendments are related to items from the sales of assets when a company prepares assets for its intended use, prohibiting the company from deducting the sale amount from the cost of property, plant and equipment; conversely, the company shall recognize such sales revenue and relevant costs in profit or loss.

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

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

D. Annual Improvements to IFRSs: 2018-2020 Cycle

Amendment to IFRS 1

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

Amendment to IFRS 9 “Financial Instruments”

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

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

Amendment to IFRS 16 “Leases”

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

Amendment to IAS 41

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

(5) Disclosure of Accounting Policies (amendment 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.

(6) Definition of Accounting Estimates (amendment 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.

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, 2020 and 2019 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

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

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.

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

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

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

5. Cash and cash equivalents

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

6. Financial instruments

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

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

(1) Recognition and measurement of financial assets

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

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

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

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

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, loan receivable-non-restricted purposes, futures trading margin receivable, and other receivables on the balance sheet:

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

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

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

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

Financial assets at fair value through other comprehensive profit or loss

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

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

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

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

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

Financial assets at fair value through profit and loss

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

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

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(2) Impairment of Financial Assets

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

The Company measures expected credit losses to reflect the following:

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

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

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

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

(3) Derecognized financial assets

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

- A. The contractual right from the cash flow of financial assets is terminated.
- B. The financial asset has been transferred and almost all of the risks and rewards of asset ownership have been transferred to others.

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- C. Almost all risks and rewards of asset ownerships have not been transferred or retained, but the control of assets has been transferred.

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

(4) Financial liabilities and equity instruments

Classification of liabilities or equity

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

Equity instruments

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

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).

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

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

Derecognition of financial liabilities

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

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

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

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

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

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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 “loan receivables,” and at the end of the period, the recovery probability of the receivables is recognized in expected credit losses and the allowance loss is measured. The collateral obtained from the securities business lending shall be recognized in a memo account.

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

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

11. Customers’ margin accounts and futures traders’ equity

Customers’ margin accounts

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

Futures trader’s equity

The margin and royalties collected from futures traders, and the differences settled based on

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

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daily market prices are futures trader's equity and belong to the category of current liabilities in the balance sheet. Except for the accounts of the same type of the same customer, they shall not offset each other. Where a debit balance occurs to a futures trader's equity, it shall be accounted for in futures trading margin receivable.

12. Futures trade

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

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

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

13. Investment under the equity method

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

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

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

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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 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

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

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

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

Type	Useful life
Office equipment	3–10 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. Lease

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

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

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

The Company is the lessee.

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

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

- (1) Fixed payment (including substantive fixed payment) less any lease incentives that can be collected;
- (2) Lease payment that depends on changes in an index or rate (using the index or rate on the inception date for initial measurement);
- (3) The amount expected to be paid by the lessee under the residual value guarantee;
- (4) If the Company can reasonably determine the exercise price of call option, it will exercise the option; and
- (5) The penalty payable for the termination of a lease, if there is sign that the lessee, in the lease period, will exercise the option of terminating the lease.

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

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

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

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

If the ownership of the underlying asset is transferred to the Company when the lease period expires, or if the cost of the right-of-use assets reflects that the Company will exercise the call

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

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option, the right-of-use assets will be depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use assets from the commencement date to the end of the useful life of the right-of-use assets or to the expiration of the lease period, whichever is earlier.

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

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

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

The Company is the lessor.

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

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

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

16. Intangible assets

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

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

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

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

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

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

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

17. Impairment of non-financial assets

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

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

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

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

18. Liability reserve

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

Liability reserve for decommissioning, restoration, and rehabilitation costs

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

19. Treasury stock

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

20. Recognition of revenue

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

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

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

21. Retirement benefits plan

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

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

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

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

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

22. Income tax

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

Income tax expenses in the current period

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

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

Deferred tax

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

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

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

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

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

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

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

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

23. Business combination and goodwill

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

When the Company acquires business, it evaluates whether the classification and designation of assets and liabilities are appropriate based on the contractual conditions, economic conditions, and other relevant conditions existing on the acquisition date, including the

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

(In thousand New Taiwan dollars, unless otherwise specified)

consideration for separation of derivative financial instruments embedded in the master contract held by the acquiree.

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

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

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

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

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

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

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

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

Estimation and assumption

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

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

1. The fair value of financial instruments

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

2. Impairment of non-financial assets

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

3. Retirement benefits plan

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

4. Income tax

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

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

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

5. Accounts receivable – estimation of impairment loss

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

6 Summary of significant accounting titles

1. Cash and cash equivalents

	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand and petty cash	\$340	\$340
Check deposits	6,998	4,269
Current deposits	205,594	133,800
Time deposits	373,678	465,486
Cash equivalents – short-term notes and bills	366,830	544,546
Cash equivalents – futures excess margin	127,197	87,909
Total	<u>\$1,080,637</u>	<u>\$1,236,350</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, 2020 and 2019 was 0.230%–1.065% and 0.230%–3.030%, 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>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
<u>Measured at fair value through income under compulsion</u>		
Open-end funds and money market instruments	\$26,890	\$81,245
Securities – proprietary	4,358,163	3,839,672
Securities – underwriting	90,920	84,913
<u>Derivatives</u>		
Futures trading margin – proprietary capital	6,311	4,271
Total	<u>\$4,482,284</u>	<u>\$4,010,101</u>

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Non-current items</u>		
<u>Measured at fair value through income under compulsion</u>		
Open-end funds and money market instruments	\$86,669	\$65,580

(1) Open-end funds and money market instruments

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Open-type fund	\$25,000	\$75,000
Add (less): Valuation adjustment	1,890	6,245
Net value	<u>\$26,890</u>	<u>\$81,245</u>
<u>Non-current items</u>		
Open-type fund	\$119,000	\$90,000
Add (less): Valuation adjustment	(32,331)	(24,420)
Net value	<u>\$86,669</u>	<u>\$65,580</u>

(2) Securities – proprietary

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Government bonds	\$619,896	\$1,334,327
Corporate bond	1,566,778	1,314,673
Convertible corporate bonds	741,012	85,831
TWSE-listing companies stock	812,910	691,864
Funds traded in TWSE	4,675	28,543
GTSM-listing companies stock	63,554	97,043
Companies stock in emerging stock market	361,638	317,279
Non-TWSE/GTSM-listing companies stock	4,362	11,851
Subtotal	4,174,825	3,881,411
Add (less): Valuation adjustment	183,338	(41,739)
Net value	<u>\$4,358,163</u>	<u>\$3,839,672</u>

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

(3) Securities – underwriting

	<u>2020.12.31</u>	<u>2019.12.31</u>
Convertible corporate bonds	\$72,171	\$37,039
TWSE-listing companies stock	1,000	-
GTSM-listing companies stock	<u>9,100</u>	<u>37,894</u>
Subtotal	82,271	74,933
Add (less): Valuation adjustment	<u>8,649</u>	<u>9,980</u>
Net value	<u><u>\$90,920</u></u>	<u><u>\$84,913</u></u>

(4) Futures trading margin – proprietary capital

	<u>2020.12.31</u>	<u>2019.12.31</u>
Futures trading margin – proprietary capital	<u>\$6,311</u>	<u>\$4,271</u>

For the details of the Company's futures trading margin – proprietary capital, please refer to Note 12.12.

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

For the details of the net income (loss) from the Company's financial assets measured at fair value through profit and loss, please refer to Notes 6.21 and 12.12.

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
TWSE-listing companies stock	<u>\$48,420</u>	<u>\$32,480</u>
<u>Non-current items</u>		
Investment of equity instruments at fair value through other comprehensive income		
Non-TWSE/GTSM-listing companies stock	<u>\$57,364</u>	<u>\$57,409</u>

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

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

4. Bond investment under reverse repurchase agreement

	<u>2020.12.31</u>	<u>2019.12.31</u>
Government bonds	\$3,602,882	\$1,501,409
Corporate bonds	<u>1,502,130</u>	<u>621,138</u>
Total	<u><u>\$5,105,012</u></u>	<u><u>\$2,122,547</u></u>

The bond investments under reverse repurchase agreement conducted by the Company as of December 31, 2020 and 2019 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\$5,105,857 thousand and NT\$2,123,382 thousand, respectively, with the annual interest rates of 0.1620%–0.2475% and 0.4860%–0.5580%, respectively.

5. Loan receivable – non-restricted purpose

	<u>2020.12.31</u>	<u>2019.12.31</u>
Loan receivable – non-restricted purpose	\$301,224	\$98,026
Less: Allowance for losses	<u>(6)</u>	<u>(2)</u>
Total	<u><u>\$301,218</u></u>	<u><u>\$98,024</u></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 6.21, and for information related to credit risk, please refer to Note 12.

6. Customers' margin accounts

	<u>2020.12.31</u>	<u>2019.12.31</u>
Bank deposits	\$120,678	\$72,605
Settlement institution settlement balance	<u>180,434</u>	<u>111,181</u>
Total	<u><u>\$301,112</u></u>	<u><u>\$183,786</u></u>

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

7. Note receivable and account receivable – net

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes receivable		
Stock affairs agency fee receivable	\$326	\$484
Less: Allowance for losses	(13)	-
Subtotal	<u>313</u>	<u>484</u>
Accounts receivable		
Accounts receivable – related parties	383	474
Accounts receivable – non-related parties		
Settlement receivable – brokerage	3,397,600	2,095,715
Settlement receivable – non-brokerage	70,058	11,801
Settlement price	256,324	62,894
Interests receivable	16,138	20,682
Others	2,333	2,588
Less: Allowance for losses	(302)	(206)
Subtotal	<u>3,742,534</u>	<u>2,193,948</u>
Total	<u>\$3,742,847</u>	<u>\$2,194,432</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 6.21, and for information related to credit risk, please refer to Note 12.

8. Other receivables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Other receivables – related parties	\$1,855	\$327
Less: Allowance for losses	-	-
Subtotal	<u>1,855</u>	<u>327</u>
Other receivables – non-related parties		
Settlement receivable – sub-brokerage	887	280
Stock affairs agency fee receivable	9,767	8,677
Interests receivable	347	661
Others	1,691	1,183
Less: Allowance for losses	(247)	(250)
Subtotal	<u>12,445</u>	<u>10,551</u>
Total	<u>\$14,300</u>	<u>\$10,878</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 6.21, and for information related to credit risk, please refer to Note 12.

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

9. Investment under the equity method

Name of investee	2020.12.31	
	Amount	Percentage of shareholding
<u>Investment in subsidiaries</u>		
Horizon SICE Co., Ltd.	\$137,573	100.00%
Horizon Venture Capital Co., Ltd.	357,391	100.00%
Horizon Venture Management Co., Ltd.	20,650	100.00%
Total	<u>\$515,614</u>	
	2019.12.31	
Name of investee	Amount	Percentage of shareholding
<u>Investment in subsidiaries</u>		
Horizon SICE Co., Ltd.	\$143,723	100.00%
Horizon Venture Capital Co., Ltd.	396,141	100.00%
Horizon Venture Management Co., Ltd.	24,313	100.00%
Total	<u>\$564,177</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, 2020, 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\$129,420 thousand in cash on June 29, 2018, and issued 12,942 thousand new shares, which were fully subscribed to by the Company. As of December 31, 2020, the Company had accumulated investment in the total amount of NT\$429,420 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, 2020, the Company had accumulated investment in the total amount of NT\$20,000 thousand.

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

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

10. Property and equipment

	Office equipment	Leasehold improvement	Total
Cost:			
2020.1.1	\$139,979	\$62,669	\$202,648
Additions	10,151	1,802	11,953
Disposition	(8,061)	-	(8,061)
Other changes	(140)	(3,808)	(3,948)
2020.12.31	<u>\$141,929</u>	<u>\$60,663</u>	<u>\$202,592</u>
2019.1.1	\$138,653	\$73,979	\$212,632
Additions	13,449	115	13,564
Disposition	(12,123)	(10,482)	(22,605)
Other changes	-	(943)	(943)
2019.12.31	<u>\$139,979</u>	<u>\$62,669</u>	<u>\$202,648</u>
Accumulated depreciation and impairment:			
2020.1.1	\$110,216	\$48,837	\$159,053
Depreciation	9,431	5,932	15,363
Disposition	(8,061)	-	(8,061)
Other changes	(140)	(3,808)	(3,948)
2020.12.31	<u>\$111,446</u>	<u>\$50,961</u>	<u>\$162,407</u>
2019.1.1	\$114,900	\$53,269	\$168,169
Depreciation	7,439	6,993	14,432
Disposition	(12,123)	(10,482)	(22,605)
Other changes	-	(943)	(943)
2019.12.31	<u>\$110,216</u>	<u>\$48,837</u>	<u>\$159,053</u>
Net book value:			
2020.12.31	<u>\$30,483</u>	<u>\$9,702</u>	<u>\$40,185</u>
2019.12.31	<u>\$29,763</u>	<u>\$13,832</u>	<u>\$43,595</u>

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

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

11. Intangible assets

	Goodwill	Business right	Computer software	Total
Cost:				
2020.1.1	\$52	\$32,488	\$99,170	\$131,710
Additions – separate acquisition	-	-	10,705	10,705
Disposition	-	-	(36)	(36)
Transfer (Note)	-	-	2,616	2,616
Other changes	-	-	(655)	(655)
2020.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$111,800</u>	<u>\$144,340</u>
2019.1.1	\$52	\$32,488	\$83,532	\$116,072
Additions – separate acquisition	-	-	16,603	16,603
Disposition	-	-	(965)	(965)
2019.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$99,170</u>	<u>\$131,710</u>
Cumulative amortization and impairment:				
2020.1.1	\$52	\$32,488	\$74,372	\$106,912
Amortization	-	-	8,690	8,690
Disposition	-	-	(36)	(36)
Other changes	-	-	(655)	(655)
2020.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$82,371</u>	<u>\$114,911</u>
2019.1.1	\$52	\$32,488	\$68,328	\$100,868
Amortization	-	-	7,009	7,009
Disposition	-	-	(965)	(965)
2019.12.31	<u>\$52</u>	<u>\$32,488</u>	<u>\$74,372</u>	<u>\$106,912</u>
Net book value:				
2020.12.31	<u>\$-</u>	<u>\$-</u>	<u>\$29,429</u>	<u>\$29,429</u>
2019.12.31	<u>\$-</u>	<u>\$-</u>	<u>\$24,798</u>	<u>\$24,798</u>

Note: The computer software system is reclassified from other prepayments.

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

12. Business guarantee

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Brokerage business guarantee	\$90,000	\$90,000
Underwriting business guarantee	40,000	40,000
Proprietary trading business guarantee	10,000	10,000
Proprietary futures trading guarantee	10,000	10,000
Futures brokerage guarantee	65,000	65,000
Futures advisory guarantee	<u>10,000</u>	<u>10,000</u>
Total	<u>\$225,000</u>	<u>\$225,000</u>

13. 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>2020.12.31</u>	<u>2019.12.31</u>
Clearance fund in Taiwan Stock Exchange	\$52,742	\$37,941
Clearance fund in Taipei Exchange	32,550	30,457
Clearance fund in Taiwan Futures Exchange	21,126	21,094
Total	<u>\$106,418</u>	<u>\$89,492</u>

14. Short-term borrowings

As of December 31, 2020 and 2019, the unused loan facilities where the Company has signed agreements with financial institutions were NT\$1,870,000 thousand and NT\$1,380,000 thousand, respectively.

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

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

15. Commercial papers payable

	<u>2020.12.31</u>	<u>2019.12.31</u>
Commercial papers payable	\$200,000	\$100,000
Less: Discounted commercial paper payable	(64)	(52)
Net value	<u>\$199,936</u>	<u>\$99,948</u>
Interest rate collars	0.26%~0.41%	0.60%~0.73%

As of December 31, 2020 and 2019, the unused commercial paper facilities where the Company has signed agreements with financial institutions were NT\$1,460,000 thousand and NT\$600,000 thousand, respectively.

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

16. Call loans to banks

	<u>2020.12.31</u>	<u>2019.12.31</u>
Government bonds	\$4,242,039	\$2,864,445
Corporate bonds	3,034,683	1,922,216
Convertible corporate bonds	728,671	83,143
Total	<u>\$8,005,393</u>	<u>\$4,869,804</u>

The bond liabilities investments under repurchase agreement conducted by the Company as of December 31, 2020 and 2019 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\$8,007,110 thousand and NT\$4,871,710 thousand, respectively, with the annual interest rates of 0.1485%–0.6000% and 0.4230%–0.5580%, respectively.

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

17. Note and account payables

	<u>2020.12.31</u>	<u>2019.12.31</u>
Notes payable – non-related party		
Securities transaction tax payable	\$163	\$81
Accounts payable		
Accounts payable – related parties	3	1
Accounts payable – non-related parties		
Settlement price	696,383	685,096
Settlement payable – brokerage	2,936,477	1,462,589
Settlement payable – non-brokerage	22,411	31,186
Processing fee payable discounts	48,372	21,396
Interest payable	817	980
Subtotal	<u>3,704,463</u>	<u>2,201,248</u>
Total	<u>\$3,704,626</u>	<u>\$2,201,329</u>

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

18. Retirement benefits plan

Defined contribution pension plan

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

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

The amount of expenses of the defined contribution pension plan recognized by the Company for 2020 and 2019 was NT\$19,301 thousand and NT\$17,950 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, 2020, the Company’s defined benefit plan is expected to appropriate NT\$1,482 thousand in the next year.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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The cost of the defined benefit plan recognized in profit or loss is summarized as follows:

	2020	2019
Current service cost	\$-	\$-
Net interest of the net defined benefit liabilities (assets)	(20)	(96)
Total	<u>\$(20)</u>	<u>\$(96)</u>

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

	2020.12.31	2019.12.31	2019.1.1
Present value of the defined benefit obligations	\$78,504	\$55,371	\$46,190
The fair value of plan assets	(59,843)	(57,888)	(54,724)
Net determined benefit liability (asset) – non-current	<u>\$18,661</u>	<u>\$(2,517)</u>	<u>\$(8,534)</u>

Adjustments of net defined benefit liabilities (assets):

	Present value of the defined benefit obligations	The fair value of plan assets	Defined benefit liabilities (assets)
2019.1.1	\$46,190	\$(54,724)	\$(8,534)
Current service cost	-	-	-
Interest expenses (revenues)	522	(618)	(96)
Subtotal	46,712	(55,342)	(8,630)
Defined benefit liabilities/assets remeasurement amount			
Actuarial gains and losses resulting from changes in demographic assumption	119	-	119
Actuarial gains and losses resulting from changes in financial assumption	2,488	-	2,488
Experience adjustments	6,643	-	6,643
Defined benefit assets remeasurement amount	-	(1,839)	(1,839)
Subtotal	9,250	(1,839)	7,411
Payment of benefits	(591)	591	-
Contributions of employer	-	(1,298)	(1,298)
2019.12.31	55,371	(57,888)	(2,517)
Current service cost	-	-	-
Interest expenses (revenues)	432	(452)	(20)
Subtotal	55,803	(58,340)	(2,537)
Defined benefit liabilities/assets remeasurement amount			
Actuarial gains and losses resulting from changes in demographic assumption	470	-	470
Actuarial gains and losses resulting from changes in financial assumption	3,292	-	3,292
Experience adjustments	20,850	-	20,850
Defined benefit assets remeasurement amount	-	(1,932)	(1,932)
Subtotal	24,612	(1,932)	22,680
Payment of benefits	(1,911)	1,911	-
Contributions of employer	-	(1,482)	(1,482)
2020.12.31	<u>\$78,504</u>	<u>\$(59,843)</u>	<u>\$18,661</u>

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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The following key assumptions are used to determine the Company's defined benefit plan:

	2020.12.31	2019.12.31
Discounted rate	0.41%	0.78%
Expected salary increase rate	1.00%	1.00%

Sensitivity analysis of each major actuarial hypothesis:

	2020		2019	
	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%	\$-	\$4,465	\$-	\$3,517
Discount rate decreased by 0.5%	6,026	-	4,030	-
Expected salary increase by 0.5%	5,958	-	3,996	-
Expected salary decrease by 0.5%	-	4,461	-	3,526

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.

19. Liability reserve

	Employee benefits liability	Decommissioning liability	Others	Total
2020.1.1	\$349	\$7,287	\$3,200	\$10,836
Increase	501	-	2,169	2,670
Reversed	(349)	(3,809)	-	(4,158)
2020.12.31	<u>\$501</u>	<u>\$3,478</u>	<u>\$5,369</u>	<u>\$9,348</u>
Current	\$501	\$-	\$5,369	\$5,870
Non-current	-	3,478	-	3,478
2020.12.31	<u>\$501</u>	<u>\$3,478</u>	<u>\$5,369</u>	<u>\$9,348</u>
Current	\$349	\$-	\$3,200	\$3,549
Non-current	-	7,287	-	7,287
2019.12.31	<u>\$349</u>	<u>\$7,287</u>	<u>\$3,200</u>	<u>\$10,836</u>

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

(1) Common stock

As of December 31, 2019 and 2020, the Company's registered capital was NT\$6,000,000 thousand, and the outstanding share capital was NT\$3,308,168 thousand and NT\$3,505,008 thousand, respectively, with par value of NT\$10 per share, i.e. 330,817 thousand shares and 350,501 thousand shares, respectively. Each share is entitled to one voting right and the right to receive dividends. The stock is listed for trading at Taipei Exchange.

(2) Capital reserve

	2020.12.31	2019.12.31
Issuance premium	\$7,839	\$8,305
Treasury stock trade	304,520	229,564
Total	<u>\$312,359</u>	<u>\$237,869</u>

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

(3) Treasury stock

As of December 31, 2020 and 2019, the Company's treasury shares amounted to NT\$0 and NT\$25,636 thousand, respectively, and the number of shares was 0 shares and 3,867 thousand shares, respectively.

The Company's treasury stock repurchases in 2020 are as follows:

Cause	Number of shares- beginning of year	Increase	Decrease	Number of shares-end of year
Maintaining company credit and stakeholders' equity	3,867 thousand shares	15,817 thousand shares	19,684 thousand shares	0 thousand shares

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

The Company's cancellation of 4,500 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801030230 dated March 25, 2019, and the registration of capital reduction was completed.

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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The Company's cancellation of 3,000 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801080340 dated July 8, 2019, and the registration of capital reduction was completed.

The Company's cancellation of 4,500 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10801161310 dated November 11, 2019, and the registration of capital reduction was completed.

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

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

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

The Company's cancellation of 1,684 thousand treasury shares was approved by the Department of Commerce, Ministry of Economic Affairs, reference Jing-Shou-Shang No.10901198320 dated October 20, 2020, and the registration of capital reduction was completed.

(4) Retained earnings

Statutory surplus reserves

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

Special surplus reserves

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

In accordance with the regulations of Jin-Guan-Zheng-Quan No. 10500278285 dated August 5, 2016, in order to respond to the development of financial technology and protect the rights and interests of securities firms and futures firms' staff, the Company shall set aside 0.5% to 1% of the net income after tax for special surplus reserve when distributing earnings for the fiscal years of 2016 to 2018. Also, since the fiscal year of

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

(In thousand New Taiwan dollars, unless otherwise specified)

2017, for the amount of the expenses for employee transformation education and training, employee transfer, or placement caused by the development of financial technology, the same amount shall be reversed in the aforementioned special surplus reserve balance.

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

When the Company distributes earnings, it shall set a special surplus reserve for the net deduction of other shareholder's equity in the current year in accordance with laws. If the deduction balance of other shareholder's equity is subsequently reversed, part of the earnings may be reversed to distribute the earnings.

Earnings allocation and dividend policy

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

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

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

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

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

(In thousand New Taiwan dollars, unless otherwise specified)

Company's business development and capital requirement.

The earnings appropriation and distribution plan and dividends per share for 2020 and 2019 proposed by the Company's board of directors on March 11, 2021 and resolved by the shareholders' meeting on June 24, 2020 are listed as follows:

	2020		2019	
	Earnings appropriation and distribution plan	Dividend Per Share (NTD)	Earnings appropriation and distribution plan	Dividend Per Share (NTD)
Legal reserve appropriated	\$39,548		\$13,397	
Appropriation of special reserve	82,944		28,166	
Common stock cash dividends (Note)	165,408	\$0.50	51,780	\$0.15

Note: The board of directors of the Company was authorized by the Articles of Incorporation and passed a special resolution of the 2020 common stock cash dividend proposal on March 11, 2021.

Please refer to Note 6.25 for the relevant information about employee remuneration and directors' remuneration assessment basis and recognized amount.

21. Operating income

(1) Brokerage fee revenue

	2020	2019
Brokerage for centralized securities exchange market	\$427,251	\$304,060
Over-the-counter brokerage	137,451	100,652
Futures brokerage fee revenue	25,750	21,032
Other service fee revenue	469	572
Total	\$590,921	\$426,316

(2) Underwriting business revenue

	2020	2019
Firm commitment underwriting revenue	\$24,687	\$4,376
Underwriting revenue	13,594	1,916
Underwriting consulting revenue	12,150	14,750
Others	15,784	5,178
Total	\$66,215	\$26,220

(3) Operating gain on sale of securities

	2020	2019
Gain on sale of securities – Proprietary trading	\$253,997	\$146,812
Gain on sale of securities – Proprietary trading	41,906	10,978
Gain on sale of securities – Hedging	-	2,421

Notes to the individual financial statements of Horizon Securities Co., Ltd. (continued)
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Total	<u>\$295,903</u>	<u>\$160,211</u>
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(4) Interest revenue

	<u>2020</u>	<u>2019</u>
Bonds interest revenue	\$40,573	\$52,711
Interest revenue – non-restricted purpose loans	4,530	1,204
Total	<u>\$45,103</u>	<u>\$53,915</u>

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

	<u>2020</u>	<u>2019</u>
Securities – proprietary	\$225,092	\$25,242
Securities – underwriting	(1,331)	11,374
Securities – hedging	-	1,686
Total	<u>\$223,761</u>	<u>\$38,302</u>

(6) Net loss on issuance of call (put) warrants

	<u>2020</u>	<u>2019</u>
Net loss on changes in the value of liabilities from issuance of call (put) warrants	\$-	\$(11,865)
Net gain on repurchase value changes from issuance of call (put) warrants	-	10,887
Total	<u>\$-</u>	<u>\$(978)</u>

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

	<u>2020</u>	<u>2019</u>
Futures contract gain (loss) – net	\$5,202	\$(204)
Net gain (loss) from options trade	927	(2)
Total	<u>\$6,129</u>	<u>\$(206)</u>

(8) Expected credit impairment loss and reversal benefit

	<u>2020</u>	<u>2019</u>
Income – expected credit impairment loss and reversal benefit		
Note receivable and account receivable	\$(109)	\$205
Other receivables	3	(250)
Others	(4)	(2)
Total	<u>\$(110)</u>	<u>\$(47)</u>

Please refer to Note 12 for credit risk related information.

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

The Company's accounts receivable (including loan receivables – non-restricted purpose, futures trading margin receivable, notes receivable, accounts receivable, and other receivables) is 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, 2020 is as follows:

Accounts receivable

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

	Not overdue (Note)	Number of days overdue			Total
		Within 30 days	31–60 days	Over 61 days	
Total book value	\$4,057,206	\$186	\$112	\$1,429	\$4,058,933
Loss rate	0.0020%	6.0735%	10.8246%	20.0000%~ 100.0000%	
Anticipated credit loss within the perpetuity of the financial assets	(82)	(11)	(12)	(463)	(568)
Subtotal	\$4,057,124	\$175	\$100	\$966	\$4,058,365

Note: The Company's loan receivables – non-restricted purpose and futures trading margin receivable are not overdue.

The changes in the Company's accounts receivable, other receivables, and other allowances for losses for the years ended December 31, 2020 and 2019 are as follows:

	Note receivable and account receivable	Other receivables	Others
2020.1.1	\$206	\$250	\$2
Increase (reversed)	109	(3)	4
2020.12.31	\$315	\$247	\$6
2019.1.1	\$411	\$-	\$-
Increase (reversed)	(205)	250	2
2019.12.31	\$206	\$250	\$2

22. Other operating revenue

	2020	2019
Consultancy fee income	\$6	\$9
Net loss on out-trades	(489)	(204)
Account maintenance fee income	4,074	3,597
Foreign exchange gain (loss) – net	5,085	(857)
Others	54	27
Total	\$8,730	\$2,572

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

	2020	2019
Repo bond interest	\$24,766	\$29,112
Funding interest	644	287
Interest from commercial paper	619	27
Interest on lease liabilities	1,281	1,690
Others	12	22
Total	<u>\$27,322</u>	<u>\$31,138</u>

24. 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

	2020.12.31	2019.12.31
Buildings and structures	\$117,716	\$141,993
Transportation equipment	6,162	1,698
Total	<u>\$123,878</u>	<u>\$143,691</u>

The Company increased the right-of-use assets in the amount of NT\$36,743 thousand and NT\$7,549 thousand in 2020 and 2019, respectively.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liabilities	<u>\$115,948</u>	<u>\$139,693</u>
Current	\$57,193	\$56,800
Non-current	58,755	82,893

Please refer to Note 6.23 for the interest expenses of the Company's lease liabilities in 2020 and 2019; please refer to Note 12.4—liquidity risk management—for the maturity analysis of lease liabilities as of December 31, 2020.

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

B. Amount recognized in the statement of comprehensive income

Depreciation of right-of-use assets

	2020	2019
Buildings and structures	\$53,860	\$54,107
Transportation equipment	2,696	3,384
Total	<u>\$56,556</u>	<u>\$57,491</u>

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

	2020	2019
Short-term lease expense	\$324	\$316
Lease of low-value assets (excluding the expenses of short-term lease of low-value assets)	557	581

D. Lessee's cash outflow from leasing activities

The Company's total cash outflow from the leases in 2020 and 2019 was NT\$62,650 thousand and NT\$64,076 thousand, respectively.

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

Items	2020	2019
Employee benefits expenses		
Salaries and wages	\$478,018	\$370,645
Labor insurance and national health insurance	32,919	31,078
Pension expenses	19,281	17,854
Remuneration to Directors	22,241	10,484
Other employee benefits expenses	15,734	15,265
Total	<u>\$568,193</u>	<u>\$445,326</u>
Depreciation and amortization expenses		
Depreciation expenses	\$71,919	\$71,923
Amortization expenses	8,690	7,009
Total	<u>\$80,609</u>	<u>\$78,932</u>

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

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The number of employees on December 31, 2020 and 2019 was 442 and 441 people respectively. Among them, the number of directors not concurrently employees totaled five people.

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

According to the profitability of the Company in 2020, the employee remuneration and the director remuneration were estimated at NT\$9,000 thousand and NT\$12,000 thousand, respectively, and the amounts of NT\$9,000 thousand and NT\$12,000 thousand were recognized under salaries and wages. Based on the profitability of the Company in 2019, the employee remuneration and the director remuneration were estimated at NT\$3,800 thousand and NT\$3,000 thousand, respectively, and the amounts of NT\$3,800 thousand and NT\$3,000 thousand were recognized under salaries and wages.

26. Other profits and losses

	2020	2019
Financial income	\$6,810	\$9,596
Net gain on investment disposal	14,163	51,872
Open-end funds and money market instruments at fair value through profit or loss		
Net loss measured	(12,266)	(42,907)
Dividend income	2,161	2,768
Rent revenue	15,552	15,028
Agency fee income	58,266	54,541
Others	8,254	8,714
Total	<u>\$92,940</u>	<u>\$99,612</u>

27. Other comprehensive income

2020

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

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

2019

	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	\$(7,411)	\$-	\$(7,411)	\$-	\$(7,411)
Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI	2,583	546	3,129	-	3,129
Total current period other comprehensive income	<u>\$(4,828)</u>	<u>\$546</u>	<u>\$(4,282)</u>	<u>\$-</u>	<u>\$(4,282)</u>

28. Income tax

The main composition of income tax expenses (income) is as follows:

Income tax recognized in profit or loss

	2020	2019
Current income tax expenses (benefit):		
Payable income tax for the current period	\$767	\$-
Previous income taxes adjusted into the current year	1,573	(1,354)
Deferred income tax expenses:		
Deferred income tax expense related to the original generation of the temporary difference and its reversal	1,025	1,027
Income tax expense (income)	<u>\$3,365</u>	<u>\$(327)</u>

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

	2020	2019
Net income before tax of the continuing business units	<u>\$418,083</u>	<u>\$140,506</u>
Income tax calculated at the Company's statutory income tax rate	\$83,616	\$28,101
Income tax effect of the tax-free income	(84,195)	(37,320)
Income tax effect of non-deductible expenses on tax returns	579	9,219
Income tax effect of temporary deferred income tax assets/liabilities	1,025	1,027
Surtax of profit-seeking enterprise income tax on undistributed earnings	767	-
Previous income taxes adjusted into the current year	1,573	(1,354)
Total income tax expense (income) recognized in profit and loss	<u>\$3,365</u>	<u>\$(327)</u>

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

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

2020

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

2019

	Opening balance	Recognized in the profit or loss	Balance, ending
Temporary difference			
Unrealized allowance for bad debts	\$-	\$(187)	\$(187)
Unrealized decommissioning cost liability	1,179	(5)	1,174
Unrealized short-term employee benefits	43	27	70
Unrealized net defined benefit liability	2,944	(20)	2,924
Unrealized foreign exchange loss or gain	7	276	283
Unrealized estimated litigation indemnity	640	-	640
Effects of profit or loss on unrealized option warrants	1,118	(1,118)	-
Deferred income tax expenses		\$(1,027)	
Deferred income tax assets (liabilities), net	\$5,931		\$4,904
The information expressed on the balance sheet is as follows:			
Deferred income tax assets	\$5,931		\$5,091
Deferred tax liabilities	\$-		\$(187)

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

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

Year of occurrence	Amount of loss	Unused balance		Final credit year
		2020.12.31	2019.12.31	
2015-approved	\$126,928	\$-	\$80,592	2025
2016-approved	57,285	33,520	57,285	2026
		<u>\$33,520</u>	<u>\$137,877</u>	

Unrecognized deferred income tax asset

As of December 31, 2020 and 2019, the total amount of the Company's unrecognized deferred income tax assets was NT\$32,019 thousand and NT\$53,319 thousand, respectively.

Income tax declaration and audit

As of December 31, 2020, the filings of the Company's profit-seeking enterprise income tax up to 2018 were approved by the tax collection authority.

29. Earnings per share

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

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

	2020	2019
(1) Basic earnings per share		
Current net income	<u>\$414,718</u>	<u>\$140,833</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	<u>335,149</u>	<u>353,009</u>
Base earnings per share (NT\$)	<u>\$1.24</u>	<u>\$0.40</u>
	2020	2019
(2) Diluted earnings per share		
Net income attributable to the holders of common stock of the parent company after adjustment to the dilution effect	<u>\$414,718</u>	<u>\$140,833</u>
Weighted average number of common stock shares (thousand shares) of the earnings per share	335,149	353,009
Dilution effect:		
Employee remuneration – stock (thousand shares)	<u>957</u>	<u>545</u>
Weighted average number of common stock shares (thousand shares) after adjusting the dilution effect	<u>336,106</u>	<u>353,554</u>
Diluted earnings per share (NT\$)	<u>\$1.23</u>	<u>\$0.40</u>

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

(In thousand New Taiwan dollars, unless otherwise specified)

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

	2020.12.31	2019.12.31
Margin accounts – bank deposits	\$120,678	\$72,605
Margin accounts – settlement institution settlement balance	180,434	111,181
Customer margin account balance	301,112	183,786
Less: Processing fee income pending reclassification	(87)	(58)
Futures transaction tax to be transferred out	(42)	(20)
Temporary receipts	(18)	(445)
Futures traders' equity	<u>\$300,965</u>	<u>\$183,263</u>

7. Related party transactions

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

Name and relationship of related parties

Name	Affiliation
Horizon SICE CO., LTD.	Subsidiary of the Bank
Horizon Venture Capital Co., Ltd.	Subsidiary of the Bank
Horizon Venture Management Co., Ltd.	Subsidiary of the Bank
Mercuries & Associates Holding, LTD.	Entities with joint control or significant influence on the Company
Mercuries Life Insurance Co. Ltd.	Entities with joint control or significant influence on the Company
Mercuries Data Systems Ltd.	Other related parties
Mercuries & Associates Holding, Ltd.	Other related parties
Simple Mart Retail Co., Ltd.	Other related parties
Mercury Fu Bao Co., Ltd.	Other related parties
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

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

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>2020</u>	<u>2019</u>
Subsidiaries		
Others	\$20	\$44
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	39,436	48,449
Others	7	131
Other related parties		
Others	<u>62</u>	<u>130</u>
Total	<u>\$39,525</u>	<u>\$48,754</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>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts payable</u>		
Subsidiaries		
Others	\$1	\$1
Entities with joint control or significant influence on the Company		
Others	<u>2</u>	<u>-</u>
Total	<u>\$3</u>	<u>\$1</u>

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

2. Underwriting business revenue

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

	<u>2020</u>	<u>2019</u>
Entities with joint control or significant influence on the Company		
Others	\$294	\$-
Other related parties		
Others	<u>-</u>	<u>250</u>
Total	<u>\$294</u>	<u>\$250</u>

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

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts receivable</u>		
Other related parties		
Others	\$-	\$150
	<u> </u>	<u> </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>2020</u>	<u>2019</u>
Entities with joint control or significant influence on the Company		
Others	\$3,204	\$3,115
Other related parties		
Others	2,117	2,088
Total	<u>\$5,321</u>	<u>\$5,203</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>2020.12.31</u>	<u>2019.12.31</u>
<u>Other receivables</u>		
Entities with joint control or significant influence on the Company		
Others	\$1,621	\$83
Other related parties		
Others	234	244
Total	<u>\$1,855</u>	<u>\$327</u>

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

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

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>2020</u>	<u>2019</u>
<u>Account maintenance fee income</u>		
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$4,074</u>	<u>\$3,597</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>2020.12.31</u>	<u>2019.12.31</u>
<u>Accounts receivable</u>		
Entities with joint control or significant influence on the Company		
Mercuries Life Insurance Co. Ltd.	<u>\$383</u>	<u>\$324</u>

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

5. Asset trade

2020

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

Stock sale

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

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

2019

Counterparties	Transaction object	Trade value
<u>Equipment</u>		
Other related parties		
Others	Office equipment	\$3,450
<u>Stock purchase</u>		
Subsidiaries		
Others	TDCC stocks	\$35,049
Other related parties		
Others	TDCC stocks	61,864
Total		\$96,913
<u>Stock sale</u>		
Entities with joint control or significant influence on the Company		
Others	TDCC stocks	\$43,415
Other related parties		
Others	TDCC stocks	68,909
Total		\$112,324

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 stocks held by the above-mentioned related parties are as follows:

	2020	2019
Entities with joint control or significant influence on the Company		
Others	\$3,118	\$588
Other related parties		
Others	1,861	5,329
Total	\$4,979	\$5,917

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

	2020	2019
<u>Insurance premium</u>		
Entities with joint control or significant influence on the Company		
Others	\$-	\$121

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

	<u>2020</u>	<u>2019</u>
<u>Other operating expenses – labor service expense</u>		
Subsidiaries		
Horizon SICE Co., Ltd.	<u>\$36,000</u>	<u>\$36,000</u>
<u>Other operating expenses – entertainment expense</u>		
Other related parties		
Others	<u>\$-</u>	<u>\$23</u>
<u>Other operating expenses – advertising expense</u>		
Other related parties		
Others	<u>\$900</u>	<u>\$200</u>
<u>Other operating expenses – miscellaneous expenses</u>		
Other related parties		
Others	<u>\$47</u>	<u>\$12</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>2020.12.31</u>		<u>2019.12.31</u>	
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount
Entities with joint control or significant influence on the Company				
Others	-	<u>\$-</u>	2,800	<u>\$32,480</u>
Other related parties				
Others	497	<u>45,792</u>	642	<u>62,416</u>

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

	<u>2020</u>	<u>2019</u>
Other related parties		
Others	<u>\$323</u>	<u>\$1,225</u>
Total	<u>\$323</u>	<u>\$1,225</u>

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

8. Remuneration of key management personnel of the Company

	2020	2019
Short-term employee benefits	\$106,072	\$79,601
Retirement benefits	5,346	6,866
Total	<u>\$111,418</u>	<u>\$86,467</u>

8. Pledged assets

The Company has the following assets provided as collateral:

Items	Secured debt or restricted content	2020.12.31	2019.12.31
<u>Financial assets at fair value through profit and loss</u>			
Securities – proprietary (government bonds)	Call loans to banks	\$620,018	\$1,333,547
Securities – proprietary (corporate bonds)	Call loans to banks	1,561,245	1,314,397
Securities – proprietary (convertible bonds)	Call loans to banks	800,838	84,994
<u>Other current assets</u>			
Restricted assets (certificate of deposit)	Short-term borrowings and commercial paper	120,000	120,000
Restricted assets (certificate of deposit)	Settlement advance	240,000	240,000
<u>Other non-current assets</u>			
Refundable deposits (government bonds)	Government bond bid bond	-	10,160

9. Significant contingent liabilities and unrecognized contractual commitments

No such event

10. Significant disaster loss

No such event

11. Significant subsequent events

No such event

12. Others

1. Purpose and policy of financial risk management

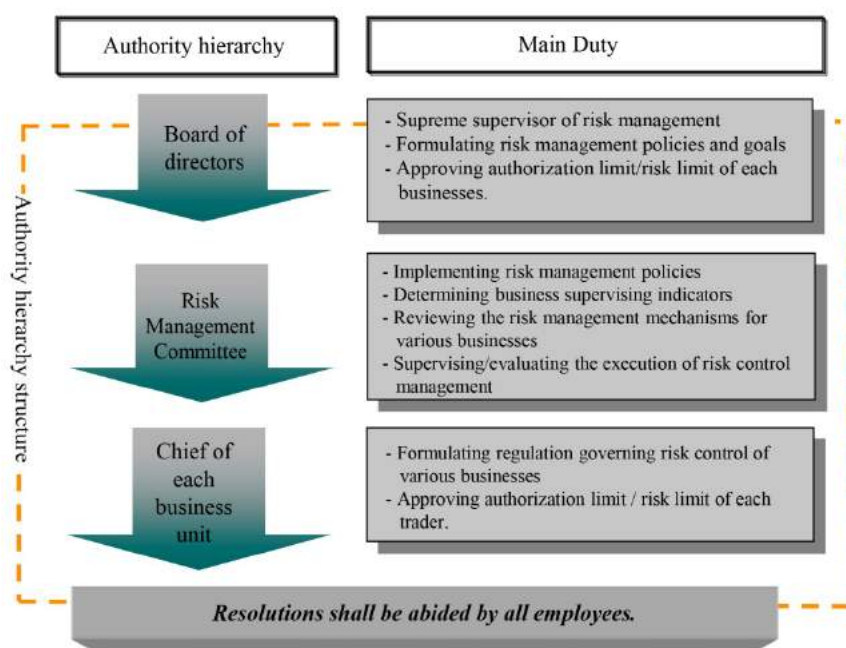
(1) Risk management objectives and policies

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

- A. Providing effective identification, measurement and monitoring of risks when engaging in various businesses.
- B. Establishing timely, accurate and effective risk management indicators for the Company's operating activities in response to the fluctuations in the market.
- C. Controlling the overall risk within the risk limit of shareholders, and providing the basis of capital allocation for operating activities.

(2) Risk management system

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

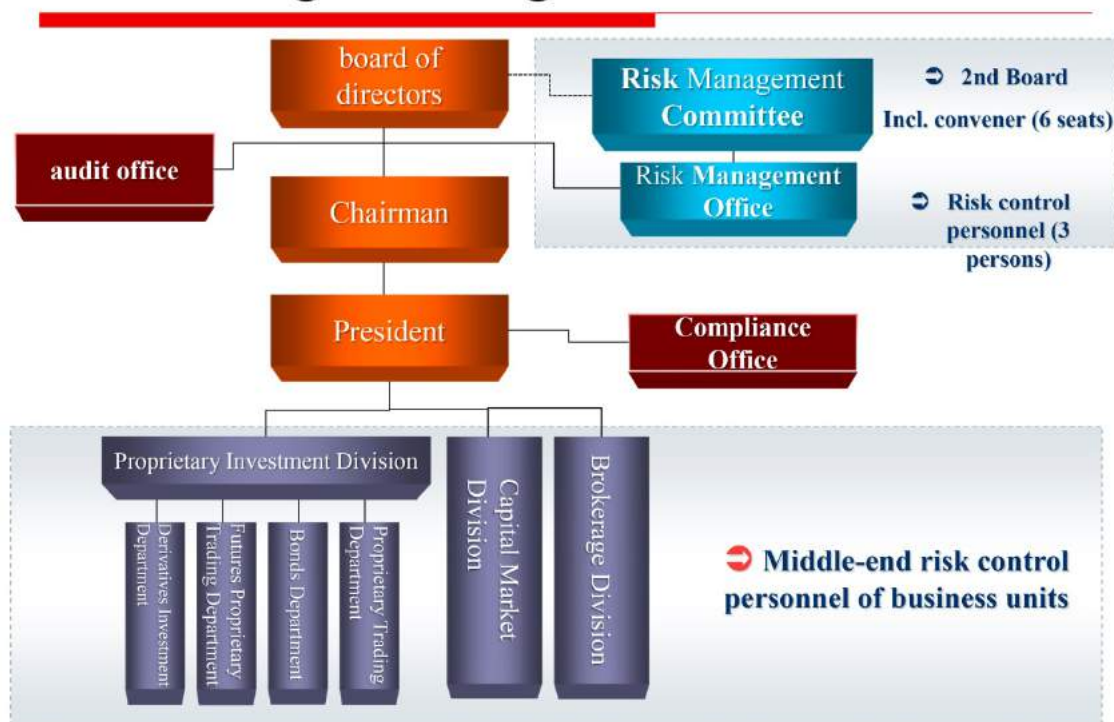


The Company adopts both top-down and bottom-up approaches. First, the Company determines the overall economic capital and risk appetite with the top-down approach. After the overall economic capital is determined, the economic capital of each unit is then determined based on the bottom-up approach to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

(3) Risk management organizations

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

Risk management organizational structure



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

(4) Risk management procedure

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

A. Market Risk:

The management of market risk is stipulated in the regulations governing risk control of each business. The methods of management (including acceptable scope of transactions, quantitative measurement of market risk, market risk limits of overall and individual position, authorization hierarchy and methods for handling over-limit risks) are monitored by the Risk Management Office. 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.

B. Liquidity risk:

Liquidity risk includes market liquidity risk and capital liquidity risk of the positions held. For market liquidity risk, the cap of individual positions is determined based on the nature of each business and the concentration of the positions, and the positions are monitored daily. For 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.

C. Credit Risk:

The Company has formulated credit risk control methods for each financial product in the regulations governing risk control, to regulate the authorization structure, reporting process, and operation content of each level of the business, and evaluates the credit risk exposure on a daily basis according to its credit rating. The Company needs to conduct a credit evaluation before each transaction. Counterparties must reach a certain credit rating or above to buy specific securities. The Company also regularly monitors and evaluates counterparties’ credit status regularly. In addition, for counterparties with increased risks, the Company adopts measures for reducing credit risk limits or increasing collateral, and for positions that have been downgraded, it will draw up a sanction plan and restrict new positions in order to reduce credit risk exposure.

D. Operational Risk:

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 businesses of the Company are conducted in accordance with relevant regulations released by the competent authorities, relevant regulations regarding operational risks in the Company’s regulations governing risk control, and the standard operations stipulated in the Company’s internal control system, with the aim of effectively controlling operational risk.

E. Legal Risk:

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.

F. Model Risk:

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.

(5) Strategies and procedures for hedging and mitigating risks

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

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

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

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

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

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

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

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 mechanism, trader account suspension mechanism, stop-loss mechanism, margin limit, overrun response, VaR calculation, and control of VaR limits.

- (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
2020.12.31	350%	354%	431%	290%
2019.12.31	481%	446%	492%	396%

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)
2020.12.31	3.56	\$763
2019.12.31	4.42	1,148

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

(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%
2020.12.31		\$283
2019.12.31		120

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

Unit: NTD thousand

Date	Current value	Mean	Max. value	Min. value
2020.12.31	\$76,840	\$58,161	\$87,341	\$23,849
2019.12.31	19,071	31,074	65,743	1,760

(2) Back test

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

(3) Stress test

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

B. Two goals of stress test

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

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

C. Available countermeasures

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

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

- (a) The historical scenarios mainly focus on specific extreme events in the past financial market that caused the market to plunge, such as the 921 earthquake, the dot-com bubble in 2000, the U.S. 911 terrorist attack, the March 19 shooting incident in Taiwan, the Eurozone debt storm, the 311 Eastern Japan Earthquake, Standard & Poor's downgrading of U.S. debt credit ratings, and other events, to simulate extreme stress to estimate the losses. The Company's historical scenarios are based on two incidents. One is the US Dow Jones Industrial Average index crashed due to concerns about the accelerated speed of increase in interest rates on February 2, 2018. The Company set the loss rate of the market value of both equity investments and non-government bonds investments at 12%, the loss rate of money market funds at 2%, and the sharp fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. The second one is based on the global stock market crash caused by the global pandemic of COVID-19 in the first quarter of 2020. The Company set the loss rate of the market value of equity investments and non-governmental bond investments at 30% and 10%, respectively, the loss rate of money market funds at 2%, and fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. 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%, and a fall of the daily average trading volume of the Taiwan stock market to NT\$50 billion. 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's credit risk control measures include TCRI credit rating, bond rating control, RS counterparty setting, counterparty credit evaluation, certain securities held at a certain credit rating or higher, etc., while regular updating and monitoring counterparties' credit status

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

(In thousand New Taiwan dollars, unless otherwise specified)

and nominal principal of positions held. The credit rating system adopted by the Company based on various financial products is as follows:

(1) Convertible (exchangeable) corporate bonds

It applies to TEJ TCRI's credit ratings of levels 1–7, except for securities lending (borrowing) transactions. For TCRI level 8 or above, it must be combined with securities lending and shorting.

(2) Securities lending (borrowing)

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

(3) Bonds under reverse repurchase agreement

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

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

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

(5) Swaption of convertible corporate bond asset

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

(6) Non-restricted purpose loans

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

4. Liquidity risk management

The Company maintains financial flexibility through contracts, including cash and cash equivalents, highly liquid securities, bank borrowings, and bond liabilities under repurchase agreement. 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)
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Non-derivative financial liabilities

	Less than 1 year	2–3 years	4–5 years	Over 5 years	Total
<u>2020.12.31</u>					
Commercial papers payable	\$200,000				\$200,000
Payables	3,884,072	\$-	\$-	\$-	3,884,072
Call loans to banks	8,007,110	-	-	-	8,007,110
Lease liabilities (Note)	61,991	54,044	12,958	-	128,993
<u>2019.12.31</u>					
Commercial papers payable	\$100,000				\$100,000
Payables	2,292,220	\$-	\$-	\$-	2,292,220
Call loans to banks	4,871,710	-	-	-	4,871,710
Lease liabilities (Note)	60,796	86,833	6,102	1,204	154,935

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>2020.12.31</u>					
Inflow	\$69,716	\$-	\$-	\$-	\$69,716
Outflow	(353,684)	-	-	-	(353,684)
Net value	<u>\$(283,968)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(283,968)</u>
<u>2019.12.31</u>					
Inflow	\$116,452	\$-	\$-	\$-	\$116,452
Outflow	(9,506)	-	-	-	(9,506)
Net value	<u>\$106,946</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$106,946</u>

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

5. Reconciliation of liabilities from financing activities

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

Information on reconciliation of liabilities for the year ended December 31, 2020:

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

Information on reconciliation of liabilities for the year ended December 31, 2019:

	Short-term borrowings	Commercial papers payable	Lease liabilities	Total liabilities from financing activities
2019.1.1	\$-	\$-	\$193,633	\$193,633
Cash flows				
- Inflow	117,085,580	159,948	-	117,245,528
- Outflow	(117,085,580)	(60,000)	(63,179)	(117,208,759)
Non-cash changes	-	-	9,239	9,239
2019.12.31	\$-	\$99,948	\$139,693	\$239,641

6. Categories of financial instruments

Financial assets

	2020.12.31	2019.12.31
Financial assets measured at fair value through profit or loss		
Measured at fair value through income under compulsion	\$4,568,953	\$4,075,681
Financial assets at fair value through other comprehensive profit or loss	105,784	89,889
Financial assets based on cost after amortization (Note)	11,254,665	6,552,113
Total	\$15,929,402	\$10,717,683

Financial liabilities

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

	2020.12.31	2019.12.31
Financial liabilities based on cost after amortization:		
Commercial papers payable	\$199,936	\$99,948
Call loans to banks	8,005,393	4,869,804
Futures traders' equity	300,965	183,263
Payables	3,874,811	2,291,636
Total	<u>\$12,381,105</u>	<u>\$7,444,651</u>

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

7. The fair value of financial instruments

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

- (1) The Book Value of short-term financial instruments stated in the balance sheet shall be the fair value of such instruments. The reason is that the maturity date of these instruments is close and it would be reasonable to use the Book Value in the valuation of fair value. This method is applied to cash and cash equivalents, bond investments under reverse repurchase agreement, loan receivables – non-restricted purpose, customer margin account, futures trading margin receivable, 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, 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.

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

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.

8. Transfer of financial assets

Transferred financial assets not being removed in all

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

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

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

December 31, 2019					
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	\$4,855,485	\$4,869,804	\$4,855,485	\$4,869,804	\$(14,319)

9. 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

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

(In thousand New Taiwan dollars, unless otherwise specified)

net amount. If not, the total amount will be adopted for settlement. However, if either party violates the agreement, the other party may choose to settle in a net amount.

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

December 31, 2020

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

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

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

December 31, 2019

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 (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received	
Reverse repurchase agreement	\$2,122,547	\$-	\$2,122,547	\$2,122,547	\$-	\$-

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 (e)= (c)- (d)
				Financial instruments (Note)	Cash collateral received	
Repurchase agreement	\$4,869,804	\$-	\$4,869,804	\$4,869,804	\$-	\$-

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

10. Fair value hierarchy

(1) Fair value hierarchy

All assets and liabilities measured or disclosed at fair value is the lowest level input that is

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

(In thousand New Taiwan dollars, unless otherwise specified)

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, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Non-derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Stock investment	\$1,347,911	\$-	\$5,685	\$1,353,596
Bond investment	2,603,780	491,707	-	3,095,487
Fund investment	26,890	86,669	-	113,559
Unrealized valuation gains or losses of equity instruments investments				
Equity measured at fair value through other comprehensive income	48,420	-	57,364	105,784
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Futures trading margin – proprietary capital	6,311	-	-	6,311

December 31, 2019

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

	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	\$1,145,246	\$-	\$3,523	\$1,148,769
Bond investment	2,573,028	202,788	-	2,775,816
Fund investment	81,245	65,580	-	146,825
Unrealized valuation gains or losses of equity instruments investments				
Equity measured at fair value through other comprehensive income	32,480	-	57,409	89,889
<u>Derivatives</u>				
<u>Assets</u>				
Financial assets at fair value through profit and loss				
Futures trading margin – proprietary capital	4,271	-	-	4,271

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

For the years ended December 31, 2020 and 2019, the Company's assets and liabilities measured at fair value on a recurring basis did not experience transfer between Level I and Level II 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
2020.1.1	\$3,523	\$57,409
Total profit or loss recognized for the year ended December 31, 2020:		
Recognized in the profit or loss	2,151	-
Recognized in the other comprehensive income	-	1,908
Disposition	-	(1,953)
Conversion into Level 3	11	-
2020.12.31	\$5,685	\$57,364

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

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

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, 2020

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

December 31, 2019

	Valuation technique	Significant unobservable input value	Quantitative information	Relationship between input value and fair value
<u>Financial assets</u>				
Financial assets at fair value through profit and loss				
Stock	Market approach	Discount for lack of marketability	20.0%~60.0%	The higher the discount for marketability, the lower the estimated fair value.
Financial assets at fair value through other comprehensive profit or loss				
Stock	Income approach	Dividend Growth Rate	1.2%~2.5%	The higher the dividend growth rate, the higher the estimated fair value.
	Income approach	Return on investment	4.0%~6.5%	The higher the return on investment, the lower the estimated fair value.

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

(6) Evaluation process for Level 3 fair value

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

11. Information on foreign currency positions held

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

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

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

	2019.12.31		
	Foreign currency (NT\$)	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$679,758	30.1060	\$20,465
HKD	853,970	3.8661	3,302
CNY	619	4.3217	3
GBP	22,463	39.5563	889
EUR	212,839	33.7488	7,183
JPY	2,522,380	0.2771	699
<u>Financial liabilities</u>			
<u>Monetary items</u>			
HKD	73,201	3.8661	283

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 2020 and 2019 were NT\$5,085 thousand and NT\$(857) thousand, respectively.

12. Presentation of derivative instruments in the financial statements

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

Futures brokerage	2019.12.31		
	Account balance	Profit (loss) on open positions	Net value of account
Taiwan Futures Exchange	\$3,235	\$1,036	\$4,271

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

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

	2020	2019
Futures contract gain (loss) – net	<u>\$5,202</u>	<u>\$(204)</u>

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

	2020	2019
Net gain (loss) from options trade	<u>\$927</u>	<u>\$(2)</u>

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

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

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

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

		2019.12.31					
Item	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	5 lots	\$10,550	\$10,545		
Futures contracts	Financial futures (TF)	Buyer	7 lots	9,506	9,509		
Futures contracts	TAIEX Futures	Seller	44 lots	105,902	105,527		

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

Legal basis: Regulations governing futures Commission Merchants

Article No.	Calculation formula	Current period		Previous period		Compliance	Status
		Calculation	Percentage	Calculation	Percentage		
17	Shareholders' equity	\$637,244	609.87	\$631,062	508.92	≥ 1	Compl ied
	Total liabilities – futures merchant's equity	\$1,045	times greater	\$1,240	times greater		
17	Current assets	\$836,590	2.77	\$712,442	3.86 times greater	≥ 1	Compl ied
	Current liabilities	\$302,010	times greater	\$184,503			
22	Shareholders' equity	\$637,244	91.03%	\$631,062	90.15%	(1) $\geq 60\%$ (2) $\geq 40\%$	Compl ied
	Minimum paid up capital	\$700,000		\$700,000			
22	Adjusted net capital (ANC)	\$623,993	1,067.59%	\$619,889	1,442.07%	(1) $\geq 20\%$ (2) $\geq 15\%$	Compl ied
	Total margins required for futures traders' outstanding positions	\$58,449		\$42,986			

13. 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:

	2020.12.31	2019.12.31
Regulatory capital adequacy ratio	<u>350%</u>	<u>481%</u>

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

- Capital adequacy ratio=
$$\frac{\text{Net eligible regulatory capital}}{\text{Overall risk equivalent}}$$
- Net eligible regulatory capital = Tier 1 capital + Tier 2 capital + Tier 3 capital – Deductions from capital
- Overall risk equivalent = Market risk equivalent + Credit risk equivalent + Operational risk equivalent

(2) Capital adequacy management

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

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

13 Notes of disclosure

1. Information about important transactions:

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

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

2. Information regarding investees:

Name of investees, locations, and other relevant information (excluding the investees in mainland China): See 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 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 Thousands of New Taiwan Dollars, unless otherwise specified)

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

Unit: Shares: NTS thousand

Investor	Name of investee	Location	Date of Incorporation	FSC approval date and Case No.	Principal business	Sum of initial investment		Ending shareholding			Investee Operating income - current	Investee Net income (loss)	Investment gains (losses) recognized in the current period	Current cash dividend	Additional notes
						Current period-end	The end of last year	Number of shares	Ratio	Book value					
Horizon Securities Co., Ltd.	Horizon SICE Co., Ltd.	Taiwan	1993/7/2	-	curities investment adv	\$114,282	\$114,282	12,000,000	100.00%	\$137,573	\$42,286	\$(1,350)	\$(1,350)	\$(4,800)	Subsidiaries
Horizon Securities Co., Ltd.	Horizon Venture Capital Co., Ltd.	Taiwan	2014/4/8	2014/2/20 Guan-Cheng-Quan-Zi No.: 1030004	Venture Investment	429,420	429,420	45,000,000	100.00%	357,391	(30,108)	(38,750)	(38,750)	-	Subsidiaries
Horizon Securities Co., Ltd.	Horizon Venture Management Co., Ltd.	Taiwan	2019/3/13	2018/12/3 Guan-Cheng-Quan-Zi No.: 1070340	Management Consulting Services	20,000	20,000	2,000,000	100.00%	20,650	8,571	217	217	(3,880)	Subsidiaries

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

Attachment II: Information on major shareholders

Unit: shares

Shares	No. of shares held	Percentage of shareholding
Names of major shareholders		
Cheng-Da Investment Consulting Co., Ltd.	33,800,000	10.21%
Mercuries Life Insurance Co. Ltd.	28,570,000	8.63%
Mercury Fu Bao Co., Ltd.	20,286,000	6.13%
Shang Lin Investment Co., Ltd.	17,145,000	5.18%

Horizon Securities Co., Ltd.

Chairman: Ke-Chyn Jiang