

**PRESIDENT SECURITIES CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20004103

To the Board of Directors and Shareholders of President Securities Corporation

Opinion

We have audited the accompanying consolidated balance sheets of President Securities Corporation and subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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

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

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Fair value measurement of unlisted stocks without active market

Description

Please refer to Note 4(8) for the accounting policies on unlisted stocks without active market (shown as “financial assets at fair value through other comprehensive income”) and Note 5(2) for details of critical accounting judgements, estimates and assumption uncertainty. As at December 31, 2020, the unlisted stocks without active market held by the Group totaled 707,616 thousand New Taiwan Dollars and were shown as “financial assets at fair value through other comprehensive income” (Level 3 fair value).

Due to the lack of an active market, the fair value of the unlisted stocks held by the Group was determined using valuation method. Management measured their fair value by using comparable listed companies in the market approach. The main assumptions of the market approach are calculated based on the latest published price-to-book ratio of comparable listed companies in similar industries and considering discounts on market liquidity or assessment of risk.

Above-mentioned estimation of fair value involves various assumptions and material unobservable inputs, which has high uncertainty and relies on the subjective judgement of management. Any changes in judgements and estimates may affect the ultimate result of accounting estimates and have an impact on the financial statements of the Group. Thus, we have included the fair value measurement of unlisted stocks without active market as a key audit matter in our audit.

How our audit addressed the matter

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

1. Obtained an understanding and assessed policy documents, internal control system, fair value measurement models and approval processes that are related to fair value measurement of unlisted stocks;
2. Ascertained whether the measurement methods used by the management is commonly used by the industry;
3. Assessed the reasonableness of parameter of similar companies used by management;
4. Examined inputs and calculation formulas used in valuation models and agreed such data to supporting documents.

Impairment assessment of investments accounted for under the equity method

Description

Please refer to Note 4(14) for accounting policies on investments accounted for under the equity method and its impairment, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on asset impairment, and Note 6(11) for details of investments accounted for under the equity method.

The Group held 42.49% of equity of Uni-President Asset Management Corp. which was accounted for under the equity method, and the excess of the carrying amount over the share of the investee company's net assets is mainly goodwill. As of December 31, 2020, the amount was 602,865 thousand New Taiwan Dollars. Impairment assessment is based on the expected future cash flow of the investee, discounted at an appropriate discount rate, to measure the recoverable amount of the cash generating unit.

The recoverable amount of the investee is based on its expected future cash flows which involve multiple estimates and assumptions on discount rate and financial forecast. These are subjective judgements, have a high degree of uncertainties, and are material to the recoverable amount. Thus, we consider the impairment assessment of investments accounted for under the equity method as one of the matters of most significance to our audit.

How our audit addressed the matter

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

1. Obtained the impairment assessment report prepared by an external valuation expert who was commissioned by the management;
2. Assessed the reasonableness of expected future cash flows, discount rate and other significant assumptions applied in the cash flow model;
3. Inspected valuation model parameters, formula setting and the accuracy of calculation.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of President Securities Corporation, as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Lin, Se-Kai

Independent Auditors

Lo, Chiao-Sen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 23, 2021

The accompanying consolidated financial statements are not intended to present the financial position and financial performance and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and Independent Auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
110000 Current assets					
111100 Cash and cash equivalents	6(1)	\$ 5,124,862	4	\$ 6,520,146	7
112000 Financial assets at fair value through profit or loss - current	6(2)	41,611,722	37	44,512,465	46
113200 Financial assets at fair value through other comprehensive income - current	6(3)	353,510	-	-	-
114030 Margin loans receivable	6(4)	12,248,272	11	10,024,189	10
114040 Refinancing security deposits		51,532	-	102,545	-
114050 Receivables from refinance guaranty		42,889	-	88,759	-
114060 Receivable of securities business money lending		1,288,127	1	517,809	1
114070 Customer margin account	6(5)	21,106,170	19	13,735,712	14
114090 Receivables from security lending		240,796	-	101,043	-
114100 Security lending deposits		1,007,090	1	543,171	1
114110 Notes receivable		737	-	697	-
114130 Accounts receivable	6(6)	18,852,396	17	12,183,585	13
114140 Accounts receivable - related parties	6(6)	875	-	1,003	-
114150 Prepayments		24,300	-	22,557	-
114170 Other receivables	6(7)	23,950	-	105,548	-
114600 Current tax assets		28	-	1,048	-
119000 Other current assets	6(8)	3,344,627	3	1,621,697	2
110000 Total current assets		105,321,883	93	90,081,974	94
120000 Non-current assets					
122000 Financial assets at fair value through profit or loss - non-current	6(2)	67,484	-	71,296	-
123200 Financial assets at fair value through other comprehensive income - non-current	6(3)	707,616	1	591,596	1
124100 Investments accounted for under the equity method	6(11)	3,134,766	3	578,853	1
125000 Property and equipment, net	6(12)	2,453,712	2	2,443,964	3
125800 Right-of-use assets	6(13)	203,579	-	221,669	-
126000 Investment property	6(15)	270,503	-	272,603	-
127000 Intangible assets	6(16)	151,765	-	129,160	-
128000 Deferred tax assets	6(47)	103,749	-	135,265	-
129000 Other assets - non-current	6(17)	1,296,708	1	1,228,020	1
120000 Total non-current assets		8,389,882	7	5,672,426	6
906001 Total Assets		\$ 113,711,765	100	\$ 95,754,400	100

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PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
210000 Current liabilities					
211100 Short-term loans	6(18)	\$ 946,276	1	\$ 2,964,959	3
211200 Commercial papers payable	6(19)	7,298,896	6	9,596,704	10
212000 Financial liabilities at fair value through profit or loss - current	6(20)	2,624,419	2	848,628	1
214010 Bonds sold under repurchase agreements	6(21)	19,096,165	17	20,956,256	22
214040 Deposits on short sales		1,381,470	1	1,558,717	2
214050 Short sale proceeds payable		1,809,955	2	1,888,832	2
214070 Guarantee deposit received on borrowed securities		903,852	1	56,004	-
214080 Futures traders' equity	6(5)	21,087,134	19	13,713,667	14
214090 Equity for each customer in the account		28,105	-	633	-
214130 Accounts payable	6(22)	19,178,484	17	12,456,602	13
214150 Advance receipts		5,142	-	2,373	-
214160 Collections on behalf of third parties		1,101,065	1	378,293	-
214170 Other payables	6(23)	2,116,413	2	1,347,681	2
214200 Other financial liabilities - current	6(24)	6,008,310	5	2,743,866	3
214600 Current tax liability		332,075	-	203,745	-
216000 Current lease liabilities		86,697	-	82,407	-
219000 Other current liabilities		83,230	-	21,893	-
210000 Total current liabilities		84,087,688	74	68,821,260	72
220000 Non-current liabilities					
225100 Non-current provisions		8,627	-	4,180	-
226000 Non-current lease liabilities		111,621	-	134,780	-
228000 Deferred tax liabilities	6(47)	9,933	-	12,894	-
229000 Other liabilities-noncurrent	6(25)	14,414	-	15,514	-
220000 Total non-current liabilities		144,595	-	167,368	-
906003 Total Liabilities		84,232,283	74	68,988,628	72
300000 Equity attributable to owners of the parent company					
301000 Capital					
301010 Common stock	6(27)	13,998,378	12	13,723,900	14
302000 Capital reserve	6(27)	91,261	-	91,261	-
304000 Retained earnings	6(28)				
304010 Legal reserve		3,111,013	3	2,876,769	3
304020 Special reserve		7,600,316	7	7,130,830	7
304040 Unappropriated earnings		3,771,859	3	2,355,105	3
305000 Other equity interest		834,488	1	521,815	1
300000 Total		29,407,315	26	26,699,680	28
306000 Non-controlling interests		72,167	-	66,092	-
906004 Total Equity		29,479,482	26	26,765,772	28
906002 Total liabilities and equity		\$ 113,711,765	100	\$ 95,754,400	100

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
400000 Revenues					
401000 Brokerage handling fee revenue	6(29)	\$ 3,331,030	35	\$ 2,236,426	31
404000 Revenues from underwriting business	6(30)	76,506	1	62,811	1
406000 Net gain on wealth management		22,312	-	22,192	-
410000 Net gain on sale of operating securities	6(31)	3,356,129	35	2,827,800	40
421100 Revenue from providing agency service for stock affairs		77,666	1	75,766	1
421200 Interest income	6(32)	1,118,658	12	1,206,807	17
421300 Dividend income		385,051	4	312,919	4
421500 Net valuation gain on operating securities at fair value through profit or loss	6(33)	989,219	10	741,327	10
421600 Net gain on covering of borrowed securities and bonds with resale agreements-short sales	6(34)	268,439	3	37,413	1
421610 Net valuation loss on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(35)	(117,021)	(1)	(21,418)	-
421750 Net realized gain on financial assets measured at fair value through other comprehensive income - bonds	6(36)	100,358	1	15,309	-
422000 Net loss on issuance of ETNs		(83,151)	(1)	(2,377)	-
422100 Administrative and handling fee revenues from issuance of ETNs		2,870	-	-	-
422200 Net gain from issuance of call (put) warrants	6(37)	95,405	1	93,864	1
424400 Net gain (loss) from derivatives	6(38)	20,120	-	(892,686)	(12)
425300 Impairment loss and reversal of impairment loss	6(39)	(15,979)	-	(6,497)	-
428000 Other operating income	6(40)	(46,340)	(1)	432,741	6
Total revenues		<u>9,581,272</u>	<u>100</u>	<u>7,142,397</u>	<u>100</u>
500000 Expenditures and expenses					
501000/					
502000/					
503000 Handling charges	6(41)	(548,487)	(6)	(534,451)	(8)
507000 ETNs administrative expenses		(5,658)	-	-	-
521200 Interest expenses	6(42)	(276,884)	(3)	(531,821)	(7)
524100 Futures commission expense		(100,691)	(1)	(84,424)	(1)
524300 Expense of clearing and settlement		(123,083)	(1)	(94,747)	(1)
528000 Other operating expenditure		(26)	-	(39)	-
531000 Employee benefits expense	6(43)	(3,202,336)	(33)	(2,394,137)	(34)
532000 Depreciation and amortization	6(44)	(209,839)	(2)	(205,625)	(3)
533000 Other operating expenses	6(45)	(1,507,158)	(16)	(1,235,351)	(17)
Total expenditures and expenses		<u>(5,974,162)</u>	<u>(62)</u>	<u>(5,080,595)</u>	<u>(71)</u>

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PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

				Year ended December 31			
Items		Notes	2020		2019		
			AMOUNT	%	AMOUNT	%	
	Operating profit		\$ 3,607,110	38	\$ 2,061,802	29	
601000	Share of the profit or loss of associates and joint ventures accounted for under the equity method	6(11)	68,825	1	107,016	2	
602000	Other gains and losses	6(46)	306,887	3	388,990	5	
902001	Profit before tax		3,982,822	42	2,557,808	36	
701000	Income tax expense	6(47)	(368,226)	(4)	(183,973)	(3)	
902005	Net income		<u>\$ 3,614,596</u>	<u>38</u>	<u>\$ 2,373,835</u>	<u>33</u>	
	Other comprehensive income						
	Components of other comprehensive income that will not be reclassified to profit or loss						
805510	Remeasurements of defined benefit plans		(\$ 21,997)	-	(\$ 30,217)	-	
805540	Net unrealized gain (loss) from investments in equity instruments at fair value through other comprehensive income		456,748	5	(12,983)	-	
805550	Other comprehensive gain (loss) of associates and joint ventures accounted for under the equity method		8,870	-	(4,150)	-	
805599	Income tax benefit relating to components of other comprehensive income		4,399	-	6,044	-	
	Items may be reclassified to profit or loss subsequently						
805610	Translation gain (loss) on the financial statements of foreign operating entities		27,298	-	(77,467)	(1)	
805615	Net unrealized gain (loss) from investments in debt instruments at fair value through other comprehensive income		28	-	(5,523)	-	
805000	Current other comprehensive income (loss) (post-tax)		<u>\$ 475,346</u>	<u>5</u>	<u>(\$ 124,296)</u>	<u>(1)</u>	
902006	Total current comprehensive income		<u>\$ 4,089,942</u>	<u>43</u>	<u>\$ 2,249,539</u>	<u>32</u>	
	Income attributable to:						
913100	Parent company		<u>\$ 3,607,518</u>	<u>38</u>	<u>\$ 2,368,536</u>	<u>33</u>	
913200	Non-controlling interest		<u>\$ 7,078</u>	<u>-</u>	<u>\$ 5,299</u>	<u>-</u>	
	Current comprehensive income attributable to:						
914100	Parent company		<u>\$ 4,080,025</u>	<u>43</u>	<u>\$ 2,244,912</u>	<u>32</u>	
914200	Non-controlling interests		<u>\$ 9,917</u>	<u>-</u>	<u>\$ 4,627</u>	<u>-</u>	
	Earnings per share	6(48)					
975000	Basic earnings per share (in dollars)		<u>\$</u>	<u>2.58</u>	<u>\$</u>	<u>1.69</u>	
985000	Diluted earnings per share (in dollars)		<u>\$</u>	<u>2.57</u>	<u>\$</u>	<u>1.69</u>	

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
		Retained earnings					Other equity interest				
Notes	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Translation gain and loss on the financial statements of foreign operating entities	Unrealised gain or loss on financial assets measured at fair value through other comprehensive income	Treasury shares	Total	Non-controlling interests	Total equity
For the year ended December 31, 2019											
	\$ 13,904,281	\$ 142,702	\$ 2,755,737	\$ 6,945,453	\$ 1,278,472	\$ 19,251	\$ 600,089	\$ -	\$ 25,645,985	\$ 66,462	\$ 25,712,447
	-	-	-	-	2,368,536	-	-	-	2,368,536	5,299	2,373,835
	-	-	-	-	(26,099)	(77,467)	(20,058)	-	(123,624)	(672)	(124,296)
	-	-	-	-	2,342,437	(77,467)	(20,058)	-	2,244,912	4,627	2,249,539
Appropriations of 2018 earnings:	6(28)										
Legal reserve	-	-	121,032	-	(121,032)	-	-	-	-	-	-
Special reserve	-	-	-	185,377	(185,377)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(959,395)	-	-	-	(959,395)	-	(959,395)
Purchase of treasury shares	-	-	-	-	-	-	-	(231,822)	(231,822)	-	(231,822)
Retirement of treasury share	(180,381)	(51,441)	-	-	-	-	-	231,822	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,997)	(4,997)
Balance at December 31, 2019	\$ 13,723,900	\$ 91,261	\$ 2,876,769	\$ 7,130,830	\$ 2,355,105	(\$ 58,216)	\$ 580,031	\$ -	\$ 26,699,680	\$ 66,092	\$ 26,765,772
For the year ended December 31, 2020											
	\$ 13,723,900	\$ 91,261	\$ 2,876,769	\$ 7,130,830	\$ 2,355,105	(\$ 58,216)	\$ 580,031	\$ -	\$ 26,699,680	\$ 66,092	\$ 26,765,772
	-	-	-	-	3,607,518	-	-	-	3,607,518	7,078	3,614,596
	-	-	-	-	(17,197)	27,298	462,406	-	472,507	2,839	475,346
	-	-	-	-	3,590,321	27,298	462,406	-	4,080,025	9,917	4,089,942
Appropriations of 2019 earnings:	6(28)										
Legal reserve	-	-	234,244	-	(234,244)	-	-	-	-	-	-
Special reserve	-	-	-	469,486	(469,486)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,372,390)	-	-	-	(1,372,390)	-	(1,372,390)
Stock dividends	274,478	-	-	-	(274,478)	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	177,031	-	(177,031)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(3,842)	(3,842)
Balance at December 31, 2020	\$ 13,998,378	\$ 91,261	\$ 3,111,013	\$ 7,600,316	\$ 3,771,859	(\$ 30,918)	\$ 865,406	\$ -	\$ 29,407,315	\$ 72,167	\$ 29,479,482

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 3,982,822	\$ 2,557,808
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(44)	181,478	181,005
Amortization	6(44)	28,361	24,620
Impairment loss and reversal of impairment loss	6(39)	18,181	7,170
Net valuation gain on operating securities at fair value through profit or loss	6(2)(33)	(989,219)	(741,327)
Net valuation loss on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss	6(35)	117,021	21,418
Interest expenses	6(42)	276,884	531,821
Interest income (including financial income)	6(32)(46)	(1,273,261)	(1,395,998)
Dividend income		(407,049)	(339,434)
Share of the profit of associates and joint ventures accounted for under the equity method	6(11)	(68,825)	(107,016)
Loss on disposal of property and equipment	6(12)	154	930
Gain on valuation of non-operating financial instruments	6(46)	(25,279)	(10,859)
Net loss from lease modification		-	(4)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		3,904,263	(16,100,206)
Financial assets at fair value through other comprehensive income - current		(13,884)	290,559
Bonds purchased under resale agreements		-	93,193
Margin loans receivable		(2,239,117)	(2,023,767)
Refinancing security deposits		51,013	(98,143)
Receivables from refinance guaranty		45,870	(80,372)
Receivable of securities business money lending		(770,318)	(517,809)
Customer margin account		(7,370,458)	(2,144,410)
Receivables from security lending		(139,753)	(22,727)
Security lending deposits		(463,919)	242,260
Notes receivable		(40)	488
Accounts receivable		(7,111,640)	(3,032,872)
Accounts receivable - related parties		128	(1,003)
Prepayments		(1,743)	(6,151)
Other receivables		73,236	(74,594)
Other current assets		(1,722,930)	18,526
Changes in operating liabilities			
Bonds sold under repurchase agreements		(1,860,091)	5,889,657
Financial liabilities at fair value through profit or loss - current		1,658,769	(38,887)
Deposits on short sales		(177,247)	(208,552)
Short sale proceeds payable		(78,877)	(118,370)
Guarantee deposit received on borrowed securities		847,848	55,383
Futures traders' equity		7,373,467	2,139,033
Equity for each customer in the account		27,472	633
Accounts payable		7,115,640	3,721,592
Advance receipts		2,769	1,398
Collections on behalf of third parties		722,772	15,715
Other payables		769,620	434,820
Other financial liabilities - current		3,264,444	56,857
Other current liabilities		61,337	612

(Continued)

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31	
		2020	2019
Cash inflow (outflow) generated from operations		\$ 5,809,899	(\$ 10,777,003)
Interest received		1,353,284	1,452,332
Dividends received		505,200	419,418
Income tax paid		(205,923)	(119,414)
Net cash flows from (used in) operating activities		<u>7,462,460</u>	<u>(9,024,667)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property and equipment	6(12)	(36,654)	(49,102)
Proceeds from disposal of property and equipment		177	24
Acquisition of intangible assets	6(16)	(17,887)	(14,353)
Proceeds from disposal of intangible assets		31	-
Acquisition of investments accounted for under the equity method		(2,481,388)	-
(Increase) decrease in other non-current assets		(99,626)	17,017
Increase in prepayment for equipment		(78,687)	(61,939)
Net cash flows used in investing activities		<u>(2,714,034)</u>	<u>(108,353)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term loans		(2,018,684)	2,025,081
(Decrease) increase in commercial papers payable		(2,300,000)	9,600,000
Payments of lease liabilities		(92,782)	(103,551)
(Decrease) increase in other non-current liabilities		(2,965)	2,778
Distribution of cash dividends		(1,372,390)	(959,395)
Acquisition of treasury stocks	6(27)	-	(231,822)
Interest paid		(288,944)	(528,228)
Changes in non-controlling interest		(3,842)	(4,997)
Net cash flows (used in) from financing activities		<u>(6,079,607)</u>	<u>9,799,866</u>
Effect of exchange rate changes		(64,103)	(79,369)
Net (decrease) increase in cash and cash equivalents		(1,395,284)	587,477
Cash and cash equivalents at beginning of year		<u>6,520,146</u>	<u>5,932,669</u>
Cash and cash equivalents at end of year		<u>\$ 5,124,862</u>	<u>\$ 6,520,146</u>

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

PRESIDENT SECURITIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- 1) President Securities Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 17, 1988, and was renamed as President Securities Corporation on March 4, 1989. The Company started commercial operations on April 3, 1989. As of December 31, 2020, the Company had 31 operating branches (including the Head Office), and established Offshore Securities Unit in July 2014.
- 2) The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in underwriting of securities, dealing or brokerage business of securities at the securities exchange markets and business premises, registration and transfer agency service for securities, margin loans and short sales business of securities, securities lending and borrowing business, futures introducing brokerage services, futures dealing, issuance of call (put) warrants, new financial instrument transactions, wealth management business, and trust business.
- 3) The Company’s shares are listed on the Taiwan Stock Exchange.
- 4) The number of employees of the Group were 1,703 and 1,693 as of December 31, 2020 and 2019, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 23, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

Note : Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by FSC effective from 2021 are as follows:

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

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

3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(A) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(B) Financial assets at fair value through other comprehensive income.

(C) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligations.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(A) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(B) Intercompany transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of

subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- (C) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (D) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (E) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2020	December 31, 2019
The Company	President Futures Corp. (President Futures)	Futures brokerage and dealer	96.69%	96.69%
"	President Capital Management Corp. (President Capital Management)	Securities investment consulting	100%	100%
"	President Securities (HK) Ltd.(President Securities (HK)) (Note 1)	Securities dealer, brokerage, underwriting and consulting	100%	5.19%
"	President Securities (BVI) Ltd.(President Securities (BVI)) (Note 2)	Securities investment and holding company	100%	100%

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			December 31, 2020	December 31, 2019
The Company	President Insurance Agency Corp. (President Insurance Agency)	Insurance Agent	100%	100%
"	PSC Venture Capital Investment Company Limited (President Venture Capital)	Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit	100%	100%
"	President Wealth Management(HK) Ltd.(President Wealth Management (HK)) (Note 1)	Wealth management	100%	-
"	President Securities (Nominee) Ltd. (President Securities (Nominee)) (Note 1)	Nominee Service	100%	-
President Securities (BVI)	President Securities (HK) Ltd. (Note 1)	Securities dealer, brokerage, underwriting and consulting	-	94.81%
"	President Wealth Management (HK) Ltd.(President Wealth Management (HK)) (Note 1)	Wealth management	-	100%
"	President Securities (Nominee) Ltd. (President Securities (Nominee)) (Note 1)	Nominee Service	-	100%

Note 1: In July 2020, the Company acquired equity in the overseas reinvestment business invested by President Securities (BVI). Currently, the Company holds 100% equity of President Securities (HK), President Wealth Management (HK) and President Securities (Nominee).

Note 2: The dissolution and liquidation of President Securities (BVI) was approved by the Board of Directors in March 2020.

4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(A) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

- (B) Assets held mainly for trading purposes;
 - (C) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (A) Liabilities that are expected to be paid off within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.
- 5) Translation of foreign currency transactions

A. Foreign currency translation and presentation

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). Functional currency and bookkeeping currency of the Company and its domestic subsidiaries are all New Taiwan Dollars; functional currency and bookkeeping currency of overseas subsidiaries-President Securities (HK), President Wealth Management (HK), and President Securities (Nominee) are Hong Kong Dollars; and functional currency and bookkeeping currency of President Securities (BVI) are US Dollars. The consolidated financial statements are presented in New Taiwan Dollars.

B. Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated by the closing exchange rate at balance sheet date. The closing exchange rate is determined by the market exchange rate. Non-monetary assets and liabilities denominated in foreign currencies which are carried at historical cost are translated by the exchange rates prevailing at the original transaction date. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their

translation differences are recognized in other comprehensive income.

C. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(B) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(C) All resulting exchange differences are recognized in other comprehensive income.

6) Cash and cash equivalents

A. In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

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

7) Financial assets and financial liabilities at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (A) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (B) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- 9) Notes and accounts receivable, other receivables and margin loans receivable
- A. Accounts and notes receivable and margin loans receivables entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
 - B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.
- 10) Bonds sold under repurchase agreements and bonds purchased under resale agreements
- Bond transactions under repurchase or resale agreements are stated at the amount of actual payment or receipt. When transactions of bonds with a condition of resale agreements occur, the actual payment or receipt shall be recognized in ‘bonds purchased under resale agreements’ under current assets. When transactions of bonds with a condition of repurchase agreements occur, the actual payment or receipt shall be recognized in ‘bonds sold under repurchase agreements’ under current liabilities. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized in interest income or interest expense.
- 11) Impairment of financial assets
- For debt instruments measured at fair value through other comprehensive income, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

12) Derecognition of financial instruments

A. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- (A) The contractual rights to receive cash flows from the financial asset expire.
- (B) The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (C) The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

B. Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

13) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

14) Investments accounted for under the equity method

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognizes its share of change in equity of the associate in 'capital reserve' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. When there are objective evidences of impairment at balance sheet date, the Group considers the whole investment carrying amount as single asset, and compares its recoverable amount (value in use or fair value less costs of disposal) with the carrying amount, to test its impairment. Value in use is determined by the present value of the Group's share of the expected future cash flow from the associates. If the recoverable amount is less than its carrying amount, an impairment loss should be recognized. The loss will not be allocated to any of the components (including goodwill), which comprise the carrying amount of the investment. An impairment loss recognized in prior periods shall be reversed if circumstances of impairment no longer exist or have decreased.

15) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property and equipment are subsequently measured using the cost model and depreciated using the straight-line method to allocate their cost over their estimated useful lives.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Buildings	5~50 years
Furniture and fixtures	4~10 years
Computer equipment	3~5 years
Electrical equipment	3~10 years
Leasehold improvements	5 years

- E. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operations.

16) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are mainly comprised of fixed payments.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising mainly the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

17) Investment property

A. Investment property of the Group is the property held either to earn long-term rental income or for capital appreciation or for both.

B. Part of the property may be held by the Group for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Group can be sold individually, then the accounting treatment should be made respectively. If each part of the property cannot be sold individually and the self-use proportion is not material, then the property is deemed as investment property in its entirety.

C. When the future economic benefit related to the investment property is highly likely to flow into the Group and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized in profit or loss as incurred.

D. Investment property is subsequently measured using the cost model. Depreciated cost is used to calculate amortization expense after initial measurement. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

18) Intangible assets

- A. The cost of computer software is amortized using the straight-line method over the useful lives based on acquisition cost, with an amortization period of 4 years.
- B. Membership in a foreign futures exchange is stated at acquisition cost and has an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. It is not amortized, but is tested annually for impairment.
- C. In accordance with IFRS 3 'Business combinations' as endorsed by FSC, goodwill arises when the acquisition cost exceeds the fair value of identifiable assets and liabilities of the consolidated subsidiary on the consolidation date. The goodwill arising from the consolidated subsidiary is included in the intangible asset. Goodwill is tested annually for impairment and any impairment loss will be recognized when impairment occurs. Impairment losses on goodwill are not reversed.

19) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges.

- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.

21) Contingent liabilities

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Group did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employee. The Group recognized expense as it can no longer withdraw an offer of termination benefit or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

C. Pensions

(A) Defined contribution plans

Effective July 1, 2005, the Group established the defined contribution plan for employees of R.O.C. nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount equivalent to 6% of employees' salaries to the employees' personal pension accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. Net defined benefit asset can only be recognized when there is a cash refund or elimination in the future accrued pension liabilities.

(B) Defined benefit plans

- a. In a defined benefit plan, the pension paid is determined based on the amount that an employee shall receive upon retirement, which could vary with age, work

seniority and salary compensations. The Group recognizes the accrued pension obligations in the consolidated balance sheet based on the net amount of actuarial present value of defined benefit obligation less the fair value of fund, which is adjusted with the net of past service cost recognized as liabilities. Defined benefit obligation is assessed annually using projected unit credit method by the actuary. The present value of the defined benefit obligation is determined using the market yield of government bonds of a currency and term consistent with the currency and term of the employment benefit obligations.

- b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

D. Employees' remuneration and directors' remuneration

Employees' and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

23) Revenues and expenses

The Group's revenues and expenses are recognized as incurred, which mainly include:

- A. Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and trading are recognized on the transaction date.
- B. Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.
- C. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost. Costs and expenses are recognized as incurred.
- D. Operating expenses: operating expenses refer to required expenses incurred in the Group's operations, which primarily include employee benefit expense, depreciation and amortization, and other business and administrative expenses.

24) Income tax

A. Current income tax

Income tax payable (refundable) is calculated on the basis of the tax laws enacted in the countries where a company operates and generates taxable income. Except for the transactions or other matters directly recognized in other comprehensive income or equity, in which cases the related income taxes in the period are recognized in other comprehensive income or directly derecognized from equity, all the others should be recognized as income or expense for the period.

B. Deferred income tax

Deferred income tax assets and liabilities are measured based on the tax rate of the anticipated period that the future assets realization or the liabilities settlement requires, which is based on the effective or existing tax rate at the consolidated balance sheet date. The carrying amounts and temporary differences of assets and liabilities included in the consolidated balance sheet are calculated using the liability method and recognized as deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss). Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. If the future taxable income is probable to provide unused loss carryforwards or deferred income tax credit which can be realized in the future, the proportion of realization is deemed as deferred income tax asset.

C. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions for income tax liabilities where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

25) Share capital

A. Incremental costs directly attributable to the issuance of new shares are shown as a deduction, net of tax, from equity. Dividends from common stocks are recognized as equity in the financial period in which they are approved by the Company's shareholders. If the date of dividends declared is later than the consolidated balance sheet date, common stocks are disclosed in the subsequent events.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net

of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

26) Earnings per share

- A. Earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.
- B. When the Group calculates earnings per share, basic earnings per share and diluted earnings per share for all potential ordinary shares shall all be disclosed in accordance with IAS 33 "Earnings per share".

27) Operating segments

The Group's operating segments are reported in a manner consistent with the internal reports provided to the Chief Operating Decision-Maker. The Group's performance of segment profit (loss) is assessed based on the profit (loss) before tax, but not segment income, assets and liabilities. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

- 1) As the consolidated financial statements of the Group may be affected by the adoption of accounting policy, accounting estimate and assumption, the Group's management shall properly exercise its professional judgement, estimates, and assumptions on the information of the key risks that is obtained from other resources and could affect the carrying amounts of financial assets and liabilities in the next fiscal year while adopting critical accounting policies as stated in Note 4. Estimates and assumptions of the Group are the best estimates made in compliance with IFRSs as endorsed by the FSC. Estimates and assumptions are made based on past experience and other factors (including the influence of COVID 19) deemed relevant; however, the actual results may differ from the estimates. The Group evaluates the estimates and assumptions on an ongoing basis and recognizes the adjustment of the estimates only in the period which is affected by the adjustment. If the adjustment simultaneously affects both the current and future periods, it should be recognized in both periods.
- 2) Relevant information on key assumptions to be made in the future, key sources of assumption uncertainty made at balance sheet date, and assumptions and estimates that may cause key risks that could affect the carrying amounts of financial assets and liabilities are as follows:

A. Fair value of financial instruments

Financial instruments with no active market or quoted price use valuation technique to determine the fair value. Under such condition, fair value is assessed through the observable information or models of similar financial instruments. If there is no observable input available in a market, the fair value of financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine the fair value, all the models should be calibrated to ensure that the output can actually reflect actual information and market price. Models should try to take only observable information as much as possible.

B. Expected credit losses

For financial assets, the measurement of expected credit losses uses complex models and multiple assumptions. These models and assumptions take into account future macro-economic conditions and credit behaviors of borrowers (e.g. probability of customer default and loss). Please refer to Note 12(2) for detailed information on parameters, assumptions, and estimation methods used in measuring expected credit losses and disclosure of the sensitivity of credit loss to the aforementioned factors.

The measurement of expected credit losses according to applicable accounting rules involves significant judgement in several areas, for example:

(A) The criteria used to judge whether there is significant increase in credit risk.

(B) The selection of appropriate models and assumptions for measuring expected credit losses.

For judgements and estimations of the above expected credit losses, please refer to Note 12(2).

C. Impairment assessment on investments accounted for under the equity method

When there are impairment indicators that show the investments accounted for under the equity method are impaired and the carrying amount can no longer be recovered, the Group will assess the impairment of the investment. The Group assesses its share of the recoverable amount which is based on the discounted value of expected cash flow, and assess the reasonableness of relevant assumptions, including revenue growth rate, operating profit margin, net profit margin, financial forecast, and discount rate.

D. Impairment assessment of goodwill

The periodic impairment assessment of goodwill includes allocation of assets, liabilities, and goodwill to brokerage segment, and determines the recoverable amount based on brokerage segment's present value of expected future cash flow. The periodic assessment also analyzes reasonableness of relevant assumptions, including expected future trading volumes, market share, segment's operating profit margin, and discount rates.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash	\$ 168	\$ 169
Checking deposits	639,368	1,111,097
Current deposits:		
Deposits denominated in NTD	505,005	287,249
Deposits denominated in foreign currencies	1,256,458	1,091,712
Time deposits	<u>2,723,863</u>	<u>4,029,919</u>
Total	<u>\$ 5,124,862</u>	<u>\$ 6,520,146</u>

As of December 31, 2020 and 2019, the annual interest rates of time deposits, including foreign time deposits were 0.02% ~ 2.95% and 0.04% ~ 3.21%, respectively.

2) Financial assets at fair value through profit or loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss:		
<u>Open-ended funds, money market instruments and securities investment by brokers</u>		
Open-ended mutual funds beneficiary certificates	\$ 170,000	\$ 266,298
Listed (TSE and OTC) stocks	5,799	4,887
Exchange-traded funds	<u>35,148</u>	<u>82,660</u>
Subtotal	210,947	353,845
Adjustment of open-ended funds ,money market instruments and securities investment by brokers	<u>34,433</u>	<u>2,610</u>
Total	<u>245,380</u>	<u>356,455</u>
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	5,610,556	6,276,195
Government bonds	2,699,935	3,364,452
Corporate bonds	3,317,423	6,992,481
Convertible corporate bonds	417,025	146,703
Emerging stocks	125,046	65,207
Overseas stocks	17,722,487	15,829,161
Exchange-traded funds	2,099,505	3,091,765
Unlisted stocks	<u>35,964</u>	<u>48,289</u>
Subtotal	32,027,941	35,814,253
Adjustment of trading securities - dealer	<u>1,114,737</u>	<u>441,238</u>
Total	<u>33,142,678</u>	<u>36,255,491</u>
<u>Trading securities - underwriter</u>		
Listed (TSE and OTC) stocks	469,460	807,209
Convertible corporate bonds	<u>170,407</u>	<u>238,046</u>
Subtotal	639,867	1,045,255
Adjustment of trading securities - underwriter	<u>49,913</u>	<u>101,417</u>
Total	<u>689,780</u>	<u>1,146,672</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Trading securities - hedging</u>		
Listed (TSE and OTC) stocks	\$ 3,535,818	\$ 3,142,111
Convertible corporate bonds	20,561	7,647
Warrants	52,681	47,966
Overseas stocks	-	64,648
Exchange traded funds	12,084	165,249
Subtotal	<u>3,621,144</u>	<u>3,427,621</u>
Adjustment of trading securities - hedging	117,091	83,999
Total	<u>3,738,235</u>	<u>3,511,620</u>
<u>Options bought - futures</u>	<u>37,316</u>	<u>17,136</u>
<u>Futures guarantee deposits receivable</u>	<u>3,748,960</u>	<u>3,224,122</u>
<u>Derivative financial instrument assets - OTC</u>	<u>9,373</u>	<u>969</u>
Total	<u>\$ 41,611,722</u>	<u>\$ 44,512,465</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss:		
Trading securities - dealer - government bonds	\$ 49,947	\$ 49,921
Unlisted stocks	2,609	2,609
Subtotal	<u>52,556</u>	<u>52,530</u>
Adjustment of trading securities	14,928	18,766
Total	<u>\$ 67,484</u>	<u>\$ 71,296</u>

- a. For the years ended December 31, 2020 and 2019, net realized and unrealized gains on financial assets and liabilities at fair value through profit or loss amounted to \$4,532,010 and \$2,783,923, respectively.
 - b. Details of the Group's financial assets at fair value through profit or loss pledged to others as collateral are provided in Note 8.
 - c. Information relating to credit risk is provided in Note 12(2).
- 3) Financial assets at fair value through other comprehensive income

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current items:		
Equity instruments		
<u>Trading securities - dealer</u>		
Listed (TSE and OTC) stocks	\$ 189,812	\$ -
Adjustment of trading securities - dealer	163,698	-
Total	<u>\$ 353,510</u>	<u>\$ -</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 37,565	\$ 37,565
Adjustment of trading securities	670,051	554,031
Total	<u>\$ 707,616</u>	<u>\$ 591,596</u>

- a. The Group has elected to classify stocks investment that are considered to be strategic investments and receive steady dividend as financial assets at fair value through other comprehensive income. The fair value of such investments amounts to \$1,061,126 and \$591,596 as at December 31, 2020 and 2019, respectively.
- b. For the year ended December 31, 2020, the Group sold its stock investments listed on TSE and OTC with fair value of \$1,525,695, and an accumulated gain on disposal of \$177,031, in order to adjust the investment position.
- c. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Equity instruments at fair value through other comprehensive income	Year ended December 31, 2020	Year ended December 31, 2019
Fair value change recognised in other comprehensive income - parent company	\$ 453,860	(\$ 12,186)
Fair value change recognised in other comprehensive income - non-controlling interest	2,888	(797)
Total	<u>\$ 456,748</u>	<u>(\$ 12,983)</u>
Cumulative gains (losses) reclassified to retained earnings due to derecognition	<u>(\$ 177,031)</u>	<u>\$ -</u>
Dividend income recognised in profit or loss		
Held at end of period	\$ 25,486	\$ 24,192
Derecognised during the period	66,894	-
	<u>\$ 92,380</u>	<u>\$ 24,192</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 100,330)	(\$ 20,832)
Due to derecognition	\$ 100,358	\$ 15,309
Interest income recognised in profit or loss	<u>\$ 28,276</u>	<u>\$ 784</u>

- d. Details of the Group's financial assets at fair value through other comprehensive income pledged to others as collateral are provided in Note 8.
 - e. Information relating to credit risk is provided in Note 12(2).
- 4) Margin loans receivable

Margin loans receivable were secured by the securities purchased by customers under margin loans. The annual interest rate was 6.4%.

5) Customer margin account

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposit	\$ 15,149,252	\$ 10,020,199
Futures clearing house	2,372,222	1,346,810
Other futures commission merchant	3,584,333	2,368,427
Securities	<u>363</u>	<u>276</u>
Total	<u>\$ 21,106,170</u>	<u>\$ 13,735,712</u>

The difference between the customer margin deposits accounts and futures traders' equity as of December 31, 2020 and 2019 were outlined below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Customer margin deposits accounts	\$ 21,106,170	\$ 13,735,712
Futures trading margins receivable	-	32
Add: Early customer margin deposits	2,202	7,078
Less: Service fee income pending for transfer	(12,815)	(16,998)
Futures exchange tax pending for transfer	(967)	(696)
Net interest income pending for transfer	(1,549)	(3,078)
Temporary receipts	(5,907)	(8,383)
Futures traders' equity	<u>\$ 21,087,134</u>	<u>\$ 13,713,667</u>

6) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable - related parties	<u>\$ 875</u>	<u>\$ 1,003</u>
Accounts receivable - non related parties		
Settlement price receivable-brokers	\$ 16,022,037	\$ 9,135,975
Settlement price receivable-dealer	132,304	857,731
Accounts receivable-foreign bonds	4,454	601,111
Spot exchange receivable, foreign currencies	55,001	435,180
Interest receivable	244,723	301,206
Settlement price	2,287,777	777,031
Others	<u>106,725</u>	<u>76,007</u>
Subtotal	18,853,021	12,184,241
Less: Allowance for uncollectable accounts	(625)	(656)
Total	<u>\$ 18,852,396</u>	<u>\$ 12,183,585</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2020					
	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 12	More than 12	Total
				months	months	
<u>Accounts receivable</u>						
Accounts receivable - related parties	\$ 875	\$ -	\$ -	\$ -	\$ -	\$ 875
Accounts receivable - non related parties	<u>18,627,147</u>	<u>44,729</u>	<u>86,828</u>	<u>62,638</u>	<u>31,679</u>	<u>18,853,021</u>
	<u>\$ 18,628,022</u>	<u>\$ 44,729</u>	<u>\$ 86,828</u>	<u>\$ 62,638</u>	<u>\$ 31,679</u>	<u>\$ 18,853,896</u>
	December 31, 2019					
	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 12	More than 12	Total
				months	months	
<u>Accounts receivable</u>						
Accounts receivable - related parties	\$ 1,003	\$ -	\$ -	\$ -	\$ -	\$ 1,003
Accounts receivable - non related parties	<u>11,890,629</u>	<u>69,156</u>	<u>102,519</u>	<u>75,034</u>	<u>46,903</u>	<u>12,184,241</u>
	<u>\$ 11,891,632</u>	<u>\$ 69,156</u>	<u>\$ 102,519</u>	<u>\$ 75,034</u>	<u>\$ 46,903</u>	<u>\$ 12,185,244</u>

Note : The above ageing analysis was based on invoice date.

B. Information relating to credit risk is provided in Note 12(2).

7) Other receivables

	December 31, 2020	December 31, 2019
Interest receivable	\$ 6,121	\$ 13,812
Others	<u>18,554</u>	<u>91,790</u>
Subtotal	24,675	105,602
Less: Allowance for uncollectible accounts	(725)	(54)
Total	<u>\$ 23,950</u>	<u>\$ 105,548</u>

Information relating to credit risk is provided in Note 12(2).

8) Other current assets

	December 31, 2020	December 31, 2019
Pending settlements	\$ 1,489,800	\$ 950,487
Pledged time deposits	525,249	531,251
Deposits-in for foreign currency securities	647,622	-
Underwriting share proceeds collected on behalf of customers	651,290	18
Temporary payments	1,841	138,591
Others	<u>28,825</u>	<u>1,350</u>
Total	<u>\$ 3,344,627</u>	<u>\$ 1,621,697</u>

9) Transfer of financial assets

A. During the Group's activities, the transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or debt instruments lent out in accordance with securities borrowing and lending agreement. The cash flow of the contract has been transferred and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Group may not use, sell or pledge the transferred financial assets during the valid

period of the transaction. The financial assets were not derecognized as the Group is still exposed to interest rate risk and credit risk.

- B. Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed below:

December 31, 2020		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreement	\$ 20,375,875	\$ 19,096,165
December 31, 2019		
Financial assets category	Carrying amount of transferred financial assets	Carrying amount of related financial liabilities
Financial assets measured at fair value through profit or loss		
Repurchase agreement	\$ 21,964,175	\$ 20,956,256

10) Offsetting financial assets and financial liabilities

- A. The Group has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria, i.e. derivative financial instruments, resale and repurchase agreements. If one party breaches the contract, the counterparty can choose to use net settlement for the above transactions.
- B. The offsetting of financial assets and financial liabilities are set as follows:

(Blank below)

(1) Financial assets

December 31, 2020						
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheet		
				Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	<u>\$ 9,303</u>	<u>\$ -</u>	<u>\$ 9,303</u>	<u>\$ 9,303</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2019						
Description	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheet		
				Financial instruments	Cash collateral received	Net amount
Derivative financial instruments	<u>\$ 938</u>	<u>\$ -</u>	<u>\$ 938</u>	<u>\$ 938</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Financial liabilities

December 31, 2020						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments	\$ 26,252	\$ -	\$ 26,252	\$ 9,303	\$ -	\$ 16,949
Bonds sold under repurchase agreements	14,051,616	-	14,051,616	14,051,616	-	-
Total	<u>\$ 14,077,868</u>	<u>\$ -</u>	<u>\$ 14,077,868</u>	<u>\$ 14,060,919</u>	<u>\$ -</u>	<u>\$ 16,949</u>
December 31, 2019						
Description	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral received	
Derivative financial instruments	\$ 8,371	\$ -	\$ 8,371	\$ 938	\$ -	\$ 7,433
Bonds sold under repurchase agreements	11,622,022	-	11,622,022	11,622,022	-	-
Total	<u>\$ 11,630,393</u>	<u>\$ -</u>	<u>\$ 11,630,393</u>	<u>\$ 11,622,960</u>	<u>\$ -</u>	<u>\$ 7,433</u>

11) Investments accounted for under the equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Uni-President Asset Management Corp.	\$ 602,865	\$ 578,853
Jin Yuan President Securities Co.,Ltd.	2,531,901	-
	<u>\$ 3,134,766</u>	<u>\$ 578,853</u>

- A. The Group's share of its associates' profits or losses recognized in long-term equity investment accounted for under the equity method for the years ended December 31, 2020 and 2019 were \$68,825 and \$107,016, respectively.
- B. The Group holds 42.49% of the equity of Uni-President Asset Management Corp., making it the single largest shareholder of the associate, while the other equity is mainly held by the other 15 shareholders. Half of the voting rights of the shareholders attending the shareholders meeting exceeds the voting rights of the Group, and the Group does not take an active role in the management of the associate. This shows that the Group has no actual ability to direct relevant activities. The Group has no control over Uni-President Asset Management Corp., but has significant influence over it.
- C. The financial information of the Group's principal associates is summarized as follows:
 (a) The basic information of the associates that are material to the Group is as follows:

Company name	Princial place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2020	December 31, 2019		
Uni-President Asset Management Corp.	Taipei city	42.49%	42.49%	Associate	Equity method
Jin Yuan President Securities Co.,Ltd.	Xiamen	49%	-	Associate	Equity method

Note: The Company participated in the establishment of Jin Yuan President Securities Co., Ltd. since May 2020.

- (b) The summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	<u>Uni-President Asset Management Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current assets	\$ 656,152	\$ 543,681
Non-current assets	687,024	627,350
Current liabilities	(292,750)	(176,271)
Non-current liabilities	(54,266)	(55,102)
Total net assets	<u>\$ 996,160</u>	<u>\$ 939,658</u>

	<u>Uni-President Asset Management Corp.</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Share in associate's net assets	\$ 423,343	\$ 399,331
Goodwill and others	179,522	179,522
Carrying amount of the associate	<u>\$ 602,865</u>	<u>\$ 578,853</u>

Balance sheet

	<u>Jin Yuan President Securities Co.,Ltd.</u>	
	<u>December 31, 2020</u>	
Current assets	\$	5,083,846
Non-current assets		174,020
Current liabilities	(	85,687)
Non-current liabilities	(	5,034)
Total net assets	\$	<u>5,167,145</u>
Share in associate's net assets	\$	<u>2,531,901</u>
Carrying amount of the associate	\$	<u>2,531,901</u>

Statement of comprehensive income

	<u>Uni-President Asset Management Corp.</u>	
	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Revenue	\$ 941,595	\$ 831,987
Profit for the period from continuing operations	\$ 258,096	\$ 251,386
Other comprehensive income (loss) - net of tax	20,871	(9,768)
Total comprehensive income	<u>\$ 278,967</u>	<u>\$ 241,618</u>
Dividends received from associates	<u>\$ 94,542</u>	<u>\$ 93,706</u>

	<u>Jin Yuan President Securities Co.,Ltd.</u>	
	<u>Eight months ended December 31, 2020</u>	
Net income	\$	<u>74,454</u>
Loss for the period from continuing operations	(\$	<u>83,388)</u>
Total comprehensive loss	(\$	<u>83,388)</u>
Dividends received from associates	\$	<u>-</u>

12) Property and equipment

2020					
January 1	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	\$ 1,680,129	\$ 1,060,323	\$ 259,114	\$ 48,000	\$ 3,047,566
Accumulated depreciation and impairment	-	(428,805)	(143,409)	(31,388)	(603,602)
Total	\$ 1,680,129	\$ 631,518	\$ 115,705	\$ 16,612	\$ 2,443,964
January 1	\$ 1,680,129	\$ 631,518	\$ 115,705	\$ 16,612	\$ 2,443,964
Additions	-	4,262	30,779	1,613	36,654
Disposal	-	-	(244)	(87)	(331)
Reclassifications	-	37,170	19,213	-	56,383
Depreciation	-	(29,748)	(46,964)	(6,246)	(82,958)
December 31	\$ 1,680,129	\$ 643,202	\$ 118,489	\$ 11,892	\$ 2,453,712
2019					
December 31	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	\$ 1,680,129	\$ 1,098,380	\$ 277,347	\$ 39,669	\$ 3,095,525
Accumulated depreciation and impairment	-	(455,178)	(158,858)	(27,777)	(641,813)
Total	\$ 1,680,129	\$ 643,202	\$ 118,489	\$ 11,892	\$ 2,453,712
2019					
January 1	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	\$ 1,680,129	\$ 1,053,129	\$ 234,426	\$ 57,963	\$ 3,025,647
Accumulated depreciation and impairment	-	(410,315)	(132,048)	(40,914)	(583,277)
Total	\$ 1,680,129	\$ 642,814	\$ 102,378	\$ 17,049	\$ 2,442,370
January 1	\$ 1,680,129	\$ 642,814	\$ 102,378	\$ 17,049	\$ 2,442,370
Additions	-	6,019	40,808	2,275	49,102
Disposal	-	-	(172)	(782)	(954)
Reclassifications	-	7,293	13,084	6,030	26,407
Depreciation	-	(24,608)	(40,393)	(7,960)	(72,961)
December 31	\$ 1,680,129	\$ 631,518	\$ 115,705	\$ 16,612	\$ 2,443,964
2019					
December 31	Land	Buildings	Equipment	Leasehold improvements	Total
Cost	\$ 1,680,129	\$ 1,060,323	\$ 259,114	\$ 48,000	\$ 3,047,566
Accumulated depreciation and impairment	-	(428,805)	(143,409)	(31,388)	(603,602)
Total	\$ 1,680,129	\$ 631,518	\$ 115,705	\$ 16,612	\$ 2,443,964

A. No interest was capitalized for property and equipment for the years ended December 31, 2020 and 2019.

B. The information on property and equipment pledged or restricted as of December 31, 2020 and 2019, is described in Note 8.

13) Leasing arrangements – lessee

A. The Group leases various assets including buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Carrying Amount</u>	<u>Carrying Amount</u>
Buildings	\$ 174,624	\$ 202,057
Transportation equipment (Business vehicles)	17,350	18,384
Office equipment (Photocopiers)	11,605	1,228
Total	<u>\$ 203,579</u>	<u>\$ 221,669</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	\$ 88,224	\$ 96,820
Transportation equipment (Business vehicles)	6,440	7,326
Office equipment (Photocopiers)	1,756	1,798
Total	<u>\$ 96,420</u>	<u>\$ 105,944</u>

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amounted to \$84,449 and \$147,604, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended</u>	<u>Year ended</u>
Items affecting profit or loss	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest expense on lease liabilities	\$ 2,293	\$ 2,461
Expense on short-term lease contracts	3,567	3,843
Expense on variable lease payment	224	317

E. For the years ended December 31, 2020 and 2019, the Group’s total cash outflow for leases amounted to \$98,866 and \$110,172, respectively.

F. The Group has applied the practical expedient to “Covid-19-related rent concessions”, and recognized the other gains or losses from changes in lease payments arising from the rent concessions amounting to \$116 by decreasing rent expense for the year ended December 31, 2020.

14) Leasing arrangements – lessor

- A. The Group leases various assets including office and parking space. Rental contracts are typically made for periods of 1 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. For the years ended December 31, 2020 and 2019, the Group recognized rent income in the amount of \$18,836 and \$19,071, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
2020	\$ -	\$ 19,003
2021	17,584	17,620
2022	17,284	17,284
2023	17,284	17,284
2024	4,195	4,195
Total	<u>\$ 56,347</u>	<u>\$ 75,386</u>

15) Investment property

	<u>2020</u>		
<u>January 1</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(32,572)	(32,572)
Total	<u>\$ 198,099</u>	<u>\$ 74,504</u>	<u>\$ 272,603</u>
January 1	\$ 198,099	\$ 74,504	\$ 272,603
Depreciation	-	(2,100)	(2,100)
December 31	<u>\$ 198,099</u>	<u>\$ 72,404</u>	<u>\$ 270,503</u>
	<u>2020</u>		
<u>December 31</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(34,672)	(34,672)
Total	<u>\$ 198,099</u>	<u>\$ 72,404</u>	<u>\$ 270,503</u>
	<u>2019</u>		
<u>January 1</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(30,472)	(30,472)
Total	<u>\$ 198,099</u>	<u>\$ 76,604</u>	<u>\$ 274,703</u>
January 1	\$ 198,099	\$ 76,604	\$ 274,703
Depreciation	-	(2,100)	(2,100)
December 31	<u>\$ 198,099</u>	<u>\$ 74,504</u>	<u>\$ 272,603</u>
	<u>2019</u>		
<u>December 31</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost	\$ 198,099	\$ 107,076	\$ 305,175
Accumulated depreciation and impairment	-	(32,572)	(32,572)
Total	<u>\$ 198,099</u>	<u>\$ 74,504</u>	<u>\$ 272,603</u>

A. For the years ended December 31, 2020 and 2019, rental income from the lease of the investment property were \$16,570 and \$17,652, respectively, and direct operating expenses arising from the investment property were \$3,864, and \$3,609, respectively.

B. Details of fair value of investment property are provided in Note 12(5).

16) Intangible assets

	2020			
January 1	Computer software	Goodwill	Customer relationships and others	Total
Cost	\$ 153,387	\$ 42,004	\$ 89,929	\$ 285,320
Accumulated depreciation and impairment	(101,997)	-	(54,163)	(156,160)
Total	\$ 51,390	\$ 42,004	\$ 35,766	\$ 129,160
January 1	\$ 51,390	\$ 42,004	\$ 35,766	\$ 129,160
Additions	17,887	-	-	17,887
Reclassifications	32,640	-	-	32,640
Disposals	(31)	-	-	(31)
Depreciation	(27,873)	-	(18)	(27,891)
December 31	\$ 74,013	\$ 42,004	\$ 35,748	\$ 151,765
	Customer relationships and others			
December 31	Computer software	Goodwill	Customer relationships and others	Total
Cost	\$ 196,733	\$ 42,004	\$ 89,929	\$ 328,666
Accumulated depreciation and impairment	(122,720)	-	(54,181)	(176,901)
Total	\$ 74,013	\$ 42,004	\$ 35,748	\$ 151,765
	2019			
January 1	Computer software	Goodwill	Customer relationships and others	Total
Cost	\$ 138,619	\$ 42,004	\$ 89,829	\$ 270,452
Accumulated depreciation and impairment	(92,082)	-	(54,160)	(146,242)
Total	\$ 46,537	\$ 42,004	\$ 35,669	\$ 124,210
January 1	\$ 46,537	\$ 42,004	\$ 35,669	\$ 124,210
Additions	14,253	-	100	14,353
Reclassifications	14,475	-	-	14,475
Depreciation	(23,875)	-	(3)	(23,878)
December 31	\$ 51,390	\$ 42,004	\$ 35,766	\$ 129,160

December 31	Computer software	Goodwill	Customer relationships and others	Total
Cost	\$ 153,387	\$ 42,004	\$ 89,929	\$ 285,320
Accumulated depreciation and impairment	(101,997)	-	(54,163)	(156,160)
Total	<u>\$ 51,390</u>	<u>\$ 42,004</u>	<u>\$ 35,766</u>	<u>\$ 129,160</u>

- A. No interest was capitalized for intangible assets for the years ended December 31, 2020 and 2019.
- B. Goodwill and customer relationships were acquired through acceptance of transfer of the securities brokerage business of Standard Chartered (Taiwan) Bank's retail banking business, and were all allocated to the Group's brokerage segment.
- C. The recoverable amount of goodwill was periodically determined based on its value in use. Calculations of value in use after-tax cash flow projections are based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.
- The recoverable amount calculated based on the value in use exceeded the carrying amount, thus the goodwill was not impaired. The key assumptions used for calculation of value in use are as follows:

	<u>Brokerage Segment</u> 2020	<u>Brokerage Segment</u> 2019
Growth rate	0.00%	0.00%
Discount rate	9.79%	11.16%

Management determined the growth rate based on past performance and its expectations of market development. The discount rates were based on the weighted average financing cost rates determined by the Company's capital asset pricing model. The discount rates also reflect specific risks related to relevant operating segments.

17) Other noncurrent assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operation guaranteed deposits	\$ 655,000	\$ 660,000
Clearing and settlement fund	346,349	343,866
Refundable deposits	238,840	173,210
Deferred expenses	15,564	16,373
Net defined benefit assets	17,625	904
Prepayment for equipment	22,610	32,947
Overdue receivables	39,388	240,073
Others	720	720
	<u>1,336,096</u>	<u>1,468,093</u>
Less: Allowance for uncollectible accounts	(39,388)	(240,073)
Total	<u>\$ 1,296,708</u>	<u>\$ 1,228,020</u>

18) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured loans	\$ 946,276	\$ 2,964,959
Interest rates	<u>0.590%~1.154%</u>	<u>0.880%~3.000%</u>

19) Commercial papers payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Face value	\$ 7,300,000	\$ 9,600,000
Less: discount on commercial papers payable	(1,104)	(3,296)
Total	<u>\$ 7,298,896</u>	<u>\$ 9,596,704</u>
Interest rates	<u>0.200%~0.340%</u>	<u>0.530%~0.695%</u>

20) Financial liabilities at fair value through profit or loss - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Liabilities on sale of borrowed securities		
- hedged	\$ 243,446	\$ 192,174
Valuation adjustment on liabilities on sale of borrowed securities - hedged	28,741	8,617
Liabilities on sale of borrowed securities - non-hedged	688,401	208,143
Valuation adjustment on liabilities on sale of borrowed securities - non-hedged	<u>79,206</u>	<u>(17,707)</u>
Subtotal	<u>1,039,794</u>	<u>391,227</u>
Issuance of call (put) warrants	10,937,977	6,639,919
Gain on price fluctuation	<u>(912,291)</u>	<u>(945,819)</u>
Market value (A)	<u>10,025,686</u>	<u>5,694,100</u>
Warrants redeemed	<u>(9,807,568)</u>	<u>(5,473,503)</u>
Loss on price fluctuation	<u>461,682</u>	<u>163,564</u>
Market value (B)	<u>(9,345,886)</u>	<u>(5,309,939)</u>
Warrants - net (A+B)	<u>679,800</u>	<u>384,161</u>
Options sold - TAIEX	<u>17,683</u>	<u>17,753</u>
Outstanding Liability for Issuance of ETNs	683,685	19,222
Valuation adjustment on outstanding Liability for Issuance of ETNs	<u>52,029</u>	<u>549</u>
Subtotal	<u>735,714</u>	<u>19,771</u>
Derivative financial liabilities - OTC	<u>151,428</u>	<u>35,716</u>
Total	<u>\$ 2,624,419</u>	<u>\$ 848,628</u>

Among the warrants issued by the Group, except for contract-based warrants which are European-style warrants, all other warrants are American-style warrants. Warrants are stated as liabilities for issuance of warrants at issuance price prior to expiration. Upon repurchase of warrants after issuance, the repurchased amounts are recognized as warrants repurchase and charged as a deduction to

liabilities for issuance of warrants. The warrants have six to twelve months exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

21) Bonds sold under repurchase agreements

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Government bonds	\$ 2,856,072	\$ 3,445,144
Corporate bonds	951,350	1,601,547
Bank debentures	200,000	400,889
International bonds	1,037,127	3,886,654
Foreign bonds	14,051,616	11,622,022
Total	<u>\$ 19,096,165</u>	<u>\$ 20,956,256</u>

The above bonds sold under repurchase agreements as of December 31, 2020 and 2019 were due within one year and were contracted to be repurchased at the agreed-upon price plus interest charge on the specific date after the transaction. The total repurchase amounts were \$19,112,268 and \$21,035,116, respectively, and the annual interest rates in every currency were shown as follows:

<u>Currency</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
NTD	0.17%~0.26%	0.47%~0.62%
Foreign currencies (Note)	-0.40%~3.10%	-0.50%~3.40%

Note : Foreign currencies include AUD, EUR, USD, GBP, RMB and SGD.

22) Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Settlement accounts payable - brokered trading	\$ 17,947,954	\$ 9,370,880
Settlement proceeds	471,589	1,223,127
Settlement accounts payable - operating	519,434	616,917
Accounts payable - foreign bonds	14,454	709,611
Accounts payable - international bonds	27,575	223
Spot exchange payable, foreign currencies	54,719	434,980
Others	142,759	100,864
Total	<u>\$ 19,178,484</u>	<u>\$ 12,456,602</u>

23) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and bonus payable	\$ 1,329,809	\$ 788,324
Employees' and directors' remuneration payable	175,255	113,140
Others	611,349	446,217
Total	<u>\$ 2,116,413</u>	<u>\$ 1,347,681</u>

24) Other financial liabilities - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity-linked notes (ELN) - Options	\$ 17,000	\$ 4,000
Principal guaranteed notes (PGN) - fixed income	5,991,310	2,739,866
Total	<u>\$ 6,008,310</u>	<u>\$ 2,743,866</u>

The Group deals in equity-linked products and combines fixed income instruments with call or put options. These products are categorized into ELN (Equity-Linked Notes) and PGN (Principal Guaranteed Notes). On trade date, the contracted amounts are collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts and be calculated as trading price less option strike price on maturity. All the linked products are financial instruments under the supervision of the SFB (Securities and Futures Bureau).

25) Other liabilities-non-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantee deposits received	\$ 7,802	\$ 8,396
Net defined benefit obligation	<u>6,612</u>	<u>7,118</u>
Total	<u>\$ 14,414</u>	<u>\$ 15,514</u>

26) Pension plan

A. Defined benefit plans

(A) The Group has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. The Group contributes monthly an amount which ranges between 2.0% and 7.2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the supervisory committee of workers' retirement reserve fund, and with Cathay United Bank, under the name of the management committee of employees' retirement fund. Also, the Group would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Group will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Net present value of defined benefit liabilities	\$ 829,660	\$ 850,830
Fair value of plan assets	<u>(840,673)</u>	<u>(844,616)</u>
Net defined benefit (assets) liabilities	<u>(\$ 11,013)</u>	<u>\$ 6,214</u>

(C) Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 850,830	(\$ 844,616)	\$ 6,214
Current service cost	4,678	-	4,678
Interest expense (income)	<u>5,982</u>	<u>(5,933)</u>	<u>49</u>
	<u>861,490</u>	<u>(850,549)</u>	<u>10,941</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(10,504)	(10,504)
Change in financial assumptions	28,169	-	28,169
Experience adjustments	<u>4,332</u>	<u>-</u>	<u>4,332</u>
	<u>32,501</u>	<u>(10,504)</u>	<u>21,997</u>
Pension fund contribution	-	(43,951)	(43,951)
Paid pension	<u>(64,331)</u>	<u>64,331</u>	<u>-</u>
	<u>(64,331)</u>	<u>20,380</u>	<u>(43,951)</u>
Balance at December 31	<u>\$ 829,660</u>	<u>(\$ 840,673)</u>	<u>(\$ 11,013)</u>
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 826,184	(\$ 816,313)	\$ 9,871
Current service cost	5,006	-	5,006
Interest expense (income)	<u>9,089</u>	<u>(8,979)</u>	<u>110</u>
	<u>840,279</u>	<u>(825,292)</u>	<u>14,987</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(8,275)	(8,275)
Change in financial assumptions	29,946	-	29,946
Experience adjustments	<u>8,546</u>	<u>-</u>	<u>8,546</u>
	<u>38,492</u>	<u>(8,275)</u>	<u>30,217</u>
Pension fund contribution	-	(38,990)	(38,990)
Paid pension	<u>(27,941)</u>	<u>27,941</u>	<u>-</u>
	<u>(27,941)</u>	<u>(11,049)</u>	<u>(38,990)</u>
Balance at December 31	<u>\$ 850,830</u>	<u>(\$ 844,616)</u>	<u>\$ 6,214</u>

(D) The Bank of Taiwan was commissioned to manage the Fund of the Group's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator.

The Group has no right to participate in managing and operating that fund and hence the Group is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilization Report published by the government. In addition, for retirement fund deposits with Cathay United Bank, under the name of the management committee of employees' retirement fund, the fund invests in time deposit accounts under Cathay United Bank.

(E) The principal actuarial assumptions used were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Discount rate	0.30%	0.70%~0.80%
Future salary increases	2.00%~3.00%	2.00%~3.00%

Assumptions regarding future mortality rate are set based on the Taiwan Standard Ordinary Experience Mortality Table (2011).

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 17,560)	\$ 18,115	\$ 15,634	(\$ 15,264)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 19,094)	\$ 19,719	\$ 17,201	(\$ 16,773)

B. Defined contribution plans:

Effective from July 1, 2005, the Group established a defined contribution plan pursuant to the "Labor Pension Act", which covers employees with R.O.C. nationality and those who chose or are required to apply the "Labor Pension Act". The contributions are made monthly based on not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts. The employees can choose to receive such pension benefits monthly or in lump sum. The pension

costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were \$70,873 and \$64,134, respectively.

- C. President Securities (HK), President Wealth Management (HK), and President Securities (Nominee) have defined benefit pension plans in accordance with local laws, and recognized the current pension expenses by contributing to the accrued pension assets. President Securities (HK) recognized pension expenses of \$1,778 and \$1,780, respectively, for the years ended December 31, 2020 and 2019.

27) Equity

A. Common stock

- (A) As of December 31, 2020, the Company's authorized capital was \$15,000,000 with a par value of \$10 (in dollars) per share. As of December 31, 2020 and 2019, the outstanding common stocks were 1,399,838 and 1,372,390 thousand shares, respectively.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Expressed in thousands)	
	Year ended December 31, 2020	Year ended December 31, 2019
January 1	1,372,390	1,390,428
Acquisition of treasury stocks	-	(18,038)
Stock dividends	27,448	-
December 31	<u>1,399,838</u>	<u>1,372,390</u>

The Company was approved by the board of directors on March 26, 2020 and the shareholders' meeting resolved on June 19, 2020 to increase capital with an undistributed surplus of \$274,478, and issue 27,448 thousand ordinary shares with a par value of \$10 (in dollars) per share. The capital increase base date is at August 10, 2020, the total issued share capital after the capital increase was \$13,998,378, divided into 1,399,838 thousand shares, each with a denomination of \$10 (in dollars) per share.

(B) Treasury shares

In order to maintain the Company's credit and stockholders' rights and interests, the Company bought back outstanding shares. The movement of the number of treasury shares is as follows:

	(Expressed in thousands)				
	Year ended December 31, 2019				
Reason for buyback	Shares at the beginning of the period	Period increase	Period decrease	Shares at the end of the period	Period-end amount
To maintain the Company's credit and stockholders' rights and interests	-	18,038	(18,038)	-	\$ -

In accordance with Article 28-2 of the Securities and Exchange Act, whenever the buyback is required to maintain the company's credit and shareholders' rights and interests, the shares so purchased shall be cancelled and the amendment registration shall be effected within six months from the date of buyback. In May, 2019, the Board of Directors resolved to retire the treasury shares and completed the registration of changes in capital.

B. Capital reserve

	Share premium	Treasury share transactions	Expired stock options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
December 31, 2020	\$ 24,663	\$ 65,675	\$ 483	\$ 440	\$ 91,261
December 31, 2019	\$ 24,663	\$ 65,675	\$ 483	\$ 440	\$ 91,261

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided it should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

C. Legal reserve

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

D. Special reserve

In accordance with the "Rules Governing the Administration of Securities Firms", 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company had already accumulated a special reserve of at least 25% of its paid-in capital stock and only quarter of such special reserve may be capitalized.

In accordance with the regulations, the Company shall set aside an equivalent amount of special reserve from accumulated unappropriated retained earnings of the current year based on the decreased amount of equity. If there is any subsequent reversal of the decrease in equity, the earnings may be distributed based on the reversal proportion.

In accordance with Jing-Guan-Zheng-Chuang Letter No. 10500278285 dated August 5, 2016, securities firms should set aside 0.5% to 1% of net income after tax as special reserve, upon the distribution of earnings from 2016 to 2018. From fiscal year 2017, special reserve as mentioned above may be reversed based on an amount equal to employees' transformation training expenditure, transfer and arrangement expenditure arising from the development of Fintech. Further, according to Jing-Guan-Zheng-Chuang Letter No. 1080321644 dated July 10, 2019, securities firms are no longer required to set aside special reserve starting from 2019. And the special reserve, within the balance of special reserve set aside in the previous years, could be reversed at the same amount for the aforementioned expenditures.

28) Unappropriated earnings and dividends policy

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall be used to pay all taxes and offset prior years' operating losses first, and then set aside as legal reserve, accounted for as 10% of the remaining amount, and special reserve, accounted for as 20% of the remaining amount. Upon provision or reversal of special reserve in accordance with the law, any remaining amount together with unappropriated earnings at beginning of the period shall be distributed according to the following resolution adopted at the stockholders' meeting: Distribution shall not be made if the balance of distributable earnings is less than 5% of paid-in capital.
- B. In addition, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50% and cash dividends shall be lower than 50%.
- C. The Company may determine a better proportion of cash and stock dividends distribution based on its actual operating conditions and capital utilization plan for the following year.
- D. The earnings distribution for 2019 as resolved by the shareholders on June 19, 2020; the appropriation of 2018 earnings was resolved by the shareholders on June 18, 2019. Details are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Provision of legal reserve	\$ 234,244		\$ 121,032	
Provision of special reserve	473,707		242,064	
Provision of special reserve (Note 1)	-		6,052	
Reversal of special reserve (Notes 1&3)	(4,221)		(4,365)	
Reversal of special reserve (Note 2)	-		(58,374)	
Cash dividends	1,372,390	\$ 1.00	959,395	\$ 0.69
Stock dividends	274,478	0.20	-	-
Total	<u>\$ 2,350,598</u>		<u>\$ 1,265,804</u>	

Note 1 : Special reserve was provided for employees' transition for financial technology development according to Jing-Guan-Zheng-Chuang Letter No. 10500278285 and can be reversed for employees' transition.

Note 2 : Special reserve shall be set aside in the same amount of net debit amount of other equity interest recorded in current year from the profit or loss of current year and the accumulated unappropriated earnings pursuant to paragraph 1 of Article 41 of Securities and Exchange Act and Jing-Guan-Zheng-Chuang Letter No. 1010028514.

Note 3 : Special reserve was reversed according to Jing-Guan-Zheng-Chuang Letter No. 10800321644.

E. The earnings distribution for 2020 as resolved by the Board of Directors on March 23, 2021 is set forth below:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Provision of legal reserve	\$ 376,735	
Provision of special reserve	721,504	
Reversal of special reserve (Note 4)	(7,620)	
Cash dividends	2,099,756	\$ 1.50
Stock dividends	559,935	0.40
Total	<u>\$ 3,750,310</u>	

Note 4 : Special reserve was provided for employees' transition for financial technology development according to Jing-Guan-Zheng-Chuang Letter No. 1080321644 and can be reversed for employees' transition.

29) Brokerage handling fee revenue

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from brokered trading - TWSE	\$ 1,787,310	\$ 1,069,390
Revenues from brokered trading - OTC	617,121	426,700
Revenues from brokered trading - Futures	790,960	604,329
Others	135,639	136,007
Total	<u>\$ 3,331,030</u>	<u>\$ 2,236,426</u>

30) Revenues from underwriting business

	Year ended December 31, 2020	Year ended December 31, 2019
Revenues from underwriting securities on a firm commitment basis	\$ 25,222	\$ 25,139
Others	51,284	37,672
Total	<u>\$ 76,506</u>	<u>\$ 62,811</u>

31) Net gain on sale of operating securities

	Year ended December 31, 2020	Year ended December 31, 2019
Dealers:		
-TAIEX	\$ 1,750,883	\$ 1,684,876
-OTC	32,375	124,807
-Overseas trading	1,232,261	515,109
Subtotal	<u>3,015,519</u>	<u>2,324,792</u>

	Year ended December 31, 2020	Year ended December 31, 2019
Underwriters:		
-TAIEX	\$ 59,566	\$ 47,543
-OTC	65,373	73,592
Subtotal	<u>124,939</u>	<u>121,135</u>
Hedging:		
-TAIEX	159,062	340,461
-OTC	53,329	52,232
-Overseas trading	3,280	(10,820)
Subtotal	<u>215,671</u>	<u>381,873</u>
Total	<u>\$ 3,356,129</u>	<u>\$ 2,827,800</u>

32) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from margin loans	\$ 566,024	\$ 525,291
Interest income from bonds	535,601	674,048
Others	17,033	7,468
Total	<u>\$ 1,118,658</u>	<u>\$ 1,206,807</u>

33) Net valuation gain on trading securities at fair value through profit or loss

	Year ended December 31, 2020	Year ended December 31, 2019
Gain on sale of securities - dealer	\$ 1,007,647	\$ 685,896
Loss on sale of securities - underwriting	(51,505)	(22,420)
Gain on sale of securities - hedging	33,077	77,851
Total	<u>\$ 989,219</u>	<u>\$ 741,327</u>

34) Net gain on covering of borrowed securities and bonds with resale agreements - short sales

	Year ended December 31, 2020	Year ended December 31, 2019
Loss from the bond investments under resale agreements	(\$ 5,861)	(\$ 6,528)
Gain from securities borrowing transactions - dealer	262,471	46,294
Gain (loss) from covering - warrants	8,731	(3,919)
Loss from securities borrowing transactions - PGN	(147)	(1,295)
Gain from covering - PGN	1,504	2,861
Gain from covering - equity options	1,540	-
Gain from securities borrowing transactions - equity options	201	-
Total	<u>\$ 268,439</u>	<u>\$ 37,413</u>

35) Net valuation loss on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Valuation loss from securities borrowing transactions - dealer	(\$ 92,095)	(\$ 5,546)
Valuation gain (loss) from covering - warrants	5,292	(10,607)
Valuation loss from the bond investments under resale agreements	-	(5,265)
Valuation gain from securities borrowing transactions - equity options	2	-
Valuation loss from covering - equity options	(30,220)	-
Total	<u>(\$ 117,021)</u>	<u>(\$ 21,418)</u>

36) Net realized gain on financial assets measured at fair value through other comprehensive income – bonds

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Foreign bonds	<u>\$ 100,358</u>	<u>\$ 15,309</u>

37) Net gain from issuance of call (put) warrants

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Net gain on changes in fair value of call (put) warrant liabilities and redemption	\$ 367,407	\$ 203,893
Loss on exercise of call (put) warrants before maturity	(114,508)	(31,156)
Expenses arising out of issuance of call (put) warrants	(157,494)	(78,873)
Total	<u>\$ 95,405</u>	<u>\$ 93,864</u>

38) Net gain (loss) from derivatives

	Year ended <u>December 31, 2020</u>	Year ended <u>December 31, 2019</u>
Futures contract gain (loss)	\$ 450,510	(\$ 774,499)
Option trading loss	(203,770)	(57,745)
(Loss) gain on foreign exchange derivatives	(43,196)	18,870
Others	(183,424)	(79,312)
Total	<u>\$ 20,120</u>	<u>(\$ 892,686)</u>

39) Impairment loss and reversal of impairment loss

	Year ended December 31, 2020	Year ended December 31, 2019
Provision for impairment	(\$ 18,181)	(\$ 7,170)
Recovery of bad debts	2,202	673
Total	<u>(\$ 15,979)</u>	<u>(\$ 6,497)</u>

40) Other operating income

	Year ended December 31, 2020	Year ended December 31, 2019
Income from securities lending	\$ 151,265	\$ 113,544
Net currency exchange (loss) gain	(316,918)	191,648
Handling fee revenues from funds	46,873	45,384
Others	72,440	82,165
Total	<u>(\$ 46,340)</u>	<u>\$ 432,741</u>

41) Handling charges

	Year ended December 31, 2020	Year ended December 31, 2019
Brokerage handling fee expense	\$ 378,899	\$ 255,994
Dealer handling fee expense	164,884	276,157
Refinancing processing fee expense	4,704	2,300
Total	<u>\$ 548,487</u>	<u>\$ 534,451</u>

42) Interest expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Interest expense from repurchase agreements	\$ 180,657	\$ 382,546
Loans interest expense	82,378	130,026
Other interest expense	13,849	19,249
Total	<u>\$ 276,884</u>	<u>\$ 531,821</u>

43) Employee benefits expense

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries	\$ 2,872,161	\$ 2,097,446
Labor and health insurance	137,785	124,249
Pension	77,378	71,030
Other employee benefits	115,012	101,412
Total	<u>\$ 3,202,336</u>	<u>\$ 2,394,137</u>

- A. In accordance with the Company's Article of Incorporation, the remainder of the year-end income before taxes less income before appropriating employees' compensation and directors' remuneration, if any, shall appropriate an employees' compensation no less than 1.6% and directors' remuneration no more than 2%. However, when the Company has an accumulated deficit, earnings to cover the deficit shall first be retained before appropriating employees' compensation and directors' remuneration.
- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$81,804 and \$52,103, respectively; directors' remuneration was accrued at \$81,804 and \$52,103, respectively. The aforementioned amounts were recognized in salary expenses.
- C. For the year ended December 31, 2020, employees' compensation was estimated at 2% and directors' remuneration at 2%, based on the period-end income before taxes less income before appropriating employees' compensation and directors' remuneration.
- D. The actual distributed amount of employees' and directors' remuneration for 2019 as resolved by the Board of Directors was in agreement with the estimates in the 2019 financial statements.
- E. Information on the appropriation of the Company's earnings as resolved by the Board of Directors would be posted in the "Market Observation Post System" on the Taiwan Stock Exchange official website.

44) Depreciation and amortization

	Year ended December 31, 2020	Year ended December 31, 2019
Depreciation	\$ 181,478	\$ 181,005
Amortization	28,361	24,620
Total	<u>\$ 209,839</u>	<u>\$ 205,625</u>

45) Other operating expenses

	Year ended December 31, 2020	Year ended December 31, 2019
Taxes	\$ 771,087	\$ 569,152
Computer information expenses	161,286	158,719
Postage	85,087	74,844
Security lending expenses	93,702	85,186
Others	395,996	347,450
Total	<u>\$ 1,507,158</u>	<u>\$ 1,235,351</u>

46) Other gains and losses

	Year ended December 31, 2020	Year ended December 31, 2019
Financial income	\$ 154,603	\$ 189,277
Net (loss) gain on disposal of investments	(49,665)	21,629
Gain on valuation of non-operating financial instruments	25,279	10,859
Net currency exchange loss	(6,149)	(5,400)
Other net non-operating revenues	182,819	172,625
Total	<u>\$ 306,887</u>	<u>\$ 388,990</u>

47) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2020	Year ended December 31, 2019
Current tax:		
Current tax on profits for the periods	\$ 354,773	\$ 203,253
Prior year income tax overestimation	(19,501)	(12,328)
Total current tax	<u>335,272</u>	<u>190,925</u>
Deferred taxes:		
Temporary differences	32,954	(6,952)
Total deferred taxes	<u>32,954</u>	<u>(6,952)</u>
Income tax expense	<u>\$ 368,226</u>	<u>\$ 183,973</u>

(b) The income tax expense relating to components of other comprehensive income is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Remeasurement of defined benefit obligations	(\$ 4,399)	(\$ 6,044)

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2020	Year ended December 31, 2019
Tax calculated based on profit before tax and statutory tax rate	\$ 840,916	\$ 549,033
Expenses disallowed by tax regulation	23,050	93,358
Prior year income tax overestimation	(19,501)	(12,328)
Tax exempt income by tax regulation	(772,176)	(601,162)
Effect from Alternative Minimum Tax	<u>295,937</u>	<u>155,072</u>
Income tax expense	<u>\$ 368,226</u>	<u>\$ 183,973</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2020			
	January 1	Recognized in		December 31
		Recognized in profit or loss	other comprehensive income	
Deferred tax assets:				
-Temporary differences:				
Losses on doubtful debts	\$ 39,479	(\$ 39,479)	\$ -	\$ -
Pension	90,543	-	4,404	94,947
Other	5,243	3,559	-	8,802
Subtotal	<u>\$ 135,265</u>	<u>(\$ 35,920)</u>	<u>\$ 4,404</u>	<u>\$ 103,749</u>
Deferred tax liabilities:				
-Temporary differences:				
Unrealised exchange gain	(\$ 12,148)	\$ 12,148	\$ -	\$ -
Valuation gain from financial instruments	-	(8,950)	-	(8,950)
Other	(746)	(232)	(5)	(983)
Subtotal	<u>(\$ 12,894)</u>	<u>\$ 2,966</u>	<u>(\$ 5)</u>	<u>(\$ 9,933)</u>
Total	<u>\$ 122,371</u>	<u>(\$ 32,954)</u>	<u>\$ 4,399</u>	<u>\$ 93,816</u>

	Year ended December 31, 2019			
	January 1	Recognized in		December 31
		Recognized in profit or loss	other comprehensive income	
Deferred tax assets:				
-Temporary differences:				
Losses on doubtful debts	\$ 29,635	\$ 9,844	\$ -	\$ 39,479
Other	95,813	(5,912)	5,885	95,786
Subtotal	<u>\$ 125,448</u>	<u>\$ 3,932</u>	<u>\$ 5,885</u>	<u>\$ 135,265</u>
Deferred tax liabilities:				
-Temporary differences:				
Unrealised exchange gain	(\$ 15,044)	\$ 2,896	\$ -	(\$ 12,148)
Other	(1,029)	124	159	(746)
Subtotal	<u>(\$ 16,073)</u>	<u>\$ 3,020</u>	<u>\$ 159</u>	<u>(\$ 12,894)</u>
Total	<u>\$ 109,375</u>	<u>\$ 6,952</u>	<u>\$ 6,044</u>	<u>\$ 122,371</u>

- D. As of December 31, 2020, the Company's income tax returns have been approved by the Tax Authority until 2018, except for 2017.
- E. With respect to the income tax returns of the Company for 2016, the Tax Authority assessed to increase income tax payable by \$2,822. The Company disagreed with the assessment and had filed for administrative remedy and had recognized the income tax expense based on the assessment.

48) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 3,607,518	1,399,838	\$ <u>2.58</u>
<u>Dilutive effect of common stock equivalents</u>			
Employee bonus	-	4,446	
	<u>\$ 3,607,518</u>	<u>1,404,284</u>	<u>\$ 2.57</u>
	Year ended December 31, 2019		
	Amount after tax	Weighted-average outstanding common shares (In thousands)	Earnings per share (In dollars)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 2,368,536	1,400,927	\$ <u>1.69</u>
<u>Dilutive effect of common stock equivalents</u>			
Employee bonus	-	3,678	
	<u>\$ 2,368,536</u>	<u>1,404,605</u>	<u>\$ 1.69</u>

The above-mentioned weighted average number of outstanding shares has been adjusted based on the proportion of capital increase on August 4, 2020, and the earnings per share for the year ended December 31, 2019 have been recalculated.

7. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

Names of related parties	Relationship with the Company
Uni-President Enterprises Corp.	Entity having significant influence on the Company
Uni-President Asset Management Corp.	Associate
President Tokyo Co., Ltd.	Other related party
ScinoPharm Taiwan, Ltd.	Other related party
Ton Yi Industrial Corp.	Other related party
President Chain Store Corp. (PCSC)	Other related party
Kai Yu (BVI) Investment Co., Ltd	Other related party
Cayman President Holdings, Ltd.	Other related party
President Life Sciences Cayman Co., Ltd	Other related party
President (BVI) International Investment Holdings Ltd.	Other related party
Fund managed by Uni-President Asset Management Corp.	Security investment trust fund raised by the Uni-President Assets Management Corp.

2) Significant related party transactions and balances

A. Accounts receivable

	December 31, 2020	December 31, 2019
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 25	\$ 274
Other related party:		
ScinoPharm Taiwan, Ltd.	399	515
President Chain Store Corp. (PCSC)	378	161
Others	73	53
Total	\$ 875	\$ 1,003

B. Other receivables

	December 31, 2020	December 31, 2019
Other related party:		
Others	\$ 18	\$ -

C. Guarantee deposit received

	December 31, 2020	December 31, 2019
Associate:		
Uni-President Assets Management Corp.	\$ 1,044	\$ 1,044
Other related party:		
President Tokyo Co., Ltd.	1,434	1,434
Total	\$ 2,478	\$ 2,478

D. Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> -</u>	\$ <u> 452</u>

E. Lease transactions — lessee

(A) The Group leases business vehicles and multifunction printers, etc., from President Tokyo Co., Ltd. Rental contracts periods are typically 1 to 5 years. Rents are paid monthly.

(B) Right-of-use assets:

a. Acquisition of right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> 15,818</u>	\$ <u> 8,599</u>

b. Disposition of right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> -</u>	\$ <u> 1,887</u>

(C) Lease liabilities

a. Lease liabilities — current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> 8,004</u>	\$ <u> 5,775</u>

b. Lease liabilities — non-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> 18,108</u>	\$ <u> 11,325</u>

c. Interest expense

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> 154</u>	\$ <u> 135</u>
Other	<u> -</u>	<u> 1</u>
Total	\$ <u> 154</u>	\$ <u> 136</u>

d. Net gain on lease modification

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Other related party:		
President Tokyo Co., Ltd.	\$ <u> -</u>	\$ <u> 26</u>

F. Bonds sold under repurchase agreements

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related party:		
President Life Sciences Cayman Co., Ltd	\$ -	\$ 24,475
Kai Yu (BVI) Investment Co., Ltd	148,096	-
Cayman President Holdings, Ltd.	489,856	-
Total	<u>\$ 637,952</u>	<u>\$ 24,475</u>

G. Handling fee revenue

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Security investment trust fund raised by the Uni-President Asset Management Corp.:		
Uni-President Asset Management Corp.	\$ 47,845	\$ 33,529
Other related party:		
Other	2,354	810
Total	<u>\$ 50,199</u>	<u>\$ 34,339</u>

Terms of handling fee revenue mentioned above are similar to those of transactions with third parties.

H. Net gain on wealth management - trust income from sales of funds

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Associates:		
Uni-President Assets Management Corp.	\$ 5,260	\$ 9,817

The revenues were collected on a monthly basis in accordance with contract terms.

I. Other operating revenue - consultation revenue

	<u>Year ended December 31, 2020</u>
Associates:	
Uni-President Assets Management Corp.	<u>\$ 2,400</u>

There were no transactions with related party for the year ended December 31, 2019.

J. Other operating revenue - handling fee revenues from underwriting funds

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Associates:		
Uni-President Assets Management Corp.	\$ 45,022	\$ 43,792

The revenues were collected on a monthly basis in accordance with contract terms.

K. Rent income

	<u>Period</u>	<u>Deposit</u>	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Associates:				
Uni-President Assets Management Corp.	2016.01.01~2024.03.31	\$ 1,044	\$ 6,811	\$ 7,045
Other related party:				
President Tokyo Co., Ltd.	2018.04.01~2024.03.31	1,434	9,422	9,422
Total			<u>\$ 16,233</u>	<u>\$ 16,467</u>

Rental income mentioned above is derived from leasing part of the Group's office space and business premises to various related parties and calculated as agreed by both parties. Lease payments are collected on schedule in accordance with the terms of the lease contracts.

L. Revenues from underwriting business

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	<u>\$ 300</u>	<u>\$ -</u>

M. Stock custodian income

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Entity having significant influence on the company:		
Uni-President Enterprises Corp.	\$ 3,697	\$ 3,506
Associate:		
Uni-President Assets Management Corp.	135	133
Other related party:		
ScinoPharm Taiwan, Ltd.	2,635	2,371
Ton Yi Industrial Corp.	1,220	1,225
President Chain Store Corp. (PCSC)	2,097	1,929
Others	663	663
Total	<u>\$ 10,447</u>	<u>\$ 9,827</u>

Terms of stock custodian income mentioned above are similar to third parties.

N. Net loss from derivatives

	<u>Year ended December 31, 2020</u>	<u>Year ended December 31, 2019</u>
Other related party:		
Cayman President Holdings, Ltd.	(\$ 1,189)	\$ -
Kai Yu (BVI) Investment Co., Ltd	(36)	(240)
Total	<u>(\$ 1,225)</u>	<u>(\$ 240)</u>

O. Other operating expenses - equipment rental and copy expense

	Year ended December 31, 2020	Year ended December 31, 2019
Other related party:		
President Tokyo Co., Ltd.	\$ 1,889	\$ 544

P. Financial expense

	Year ended December 31, 2020	Year ended December 31, 2019
Other related party:		
Cayman President Holdings, Ltd.	\$ 1,134	\$ 1,477
Kai Yu (BVI) Investment Co., Ltd	155	-
President Life Sciences Cayman Co., Ltd	212	528
President (BVI) International Investment Holdings Ltd.	564	-
Total	\$ 2,065	\$ 2,005

Q. Purchases of trading securities – dealer

	December 31, 2020		Year ended December 31, 2020
	Ending Shares (In thousands)	Ending Balance	Gain (loss)
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	5	\$ 338	(\$ 2,029)
Security investment trust fund raised by the Uni-President Asset Management Corp.:			
Uni-President Asset Management Corp.	-	10,315	-
Other related parties:			
President Chain Store Corp.	-	-	(119)
ScinoPharm Taiwan, Ltd.	-	-	(47)
Other	-	-	(1)
Total		\$ 10,653	(\$ 2,196)

	December 31, 2019		Year ended December
	Ending Shares (In thousands)	Ending Balance	31, 2019 Gain (loss)
Entity having significant influence on the company:			
Uni-President Enterprises Corp.	76	\$ 5,639	(\$ 2,458)
Security investment trust fund raised by the Uni-President Asset Management Corp.:			
Uni-President Asset Management Corp.	-	10,277	-
Other related parties:			
President Chain Store Corp.	-	-	(209)
Total		<u>\$ 15,916</u>	<u>(\$ 2,667)</u>

R. Compensation of key management personnel

The compensation of key management such as directors, general managers, vice general managers were as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Salary and short-term employee benefits	\$ 328,118	\$ 203,207
Retirement benefits	1,379	1,437
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	<u>\$ 329,497</u>	<u>\$ 204,644</u>

(Blank below)

8. PLEDGED ASSETS

The Company's assets pledged or restricted for use were as follows:

Assets	December 31, 2020	December 31, 2019	Purposes
Financial assets at fair value through profit or loss - current:			
Trading securities (par value)			
- Corporate bonds	\$ 950,000	\$ 1,600,000	Securities for bonds sold under repurchase agreements
- Government bonds	2,634,800	3,330,800	Securities for bonds sold under repurchase agreements
- Bank debentures	200,000	400,000	Securities for bonds sold under repurchase agreements
- Overseas bonds	15,119,396	12,421,911	Securities for bonds sold under repurchase agreements
- International bonds	1,034,879	4,110,169	Securities for bonds sold under repurchase agreements
Other current assets:			
- Demand deposits	652,010	735	Collections on behalf of third parties and reimbursement for wages and stocks
- Pledged time deposits	525,249	531,251	Securities for short-term loans and guarantees for issuance of commercial papers
Financial assets at fair value through profit or loss - non-current:			
- Government bonds (par value)	50,000	50,000	Trust fund deposit-out
Property and equipment			
- Land and buildings (book value)	1,101,768	1,107,127	Securities for short-term loans and guarantees for issuance of commercial papers
Pledged time deposits			
- Operating guarantee deposits	655,000	660,000	Security deposits
- Refundable deposits	2,181	2,000	Security deposits

9. SIGNIFICANT COMMITMENTS

None.

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENT

None.

12. OTHER

1) Management objective and policy of financial risks

A. Risk management objective

The Group continually strengthens risk culture to every employee and makes sure that the Group can actively develop various businesses under a healthy and effective risk management system. At the same time, by creating value of an entity and continually increasing profit, profit maximization may be achieved within appropriate risk tolerance.

B. Risk management system

In order to ensure the completeness of risk management system, run the balancing mechanism of risk management, and improve the division efficiency of risk management, the Group sets up “Risk Management Policy”. Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Group and enable every layer of the Group engaged in different tasks to identify, evaluate, monitor, and control various risks with establishment of consistent compliance rules for risks of each business so that the risks can be controlled within the limits set in advance.

The Group’s risk management system covers risks incurred from businesses on and off the balance sheet, such as market risk, credit risk, liquidity risk, operating risk, legal risk, model risk which are all included in the risk management.

C. Risk management organization

Risk management organization: Board of Directors, Risk Management Committee, Risk Control Office, Business units and other related segments (such as Office of Auditing, Office of General Manager, Compliance segment, Legal segment, Finance segment and Settlement segment) are in charge of planning, supervising and execution.

- (A) The Board of Directors should ensure the effectiveness of risk management and be responsible for the ultimate result and the following duties:
 - a. To establish proper risk management system, operating process, and risk management culture in the Group with allocation of necessary resource for better execution and operation.
 - b. Policy of risk management review
 - c. Review and approval of business application, transaction authorization and risk limit.
- (B) The Risk Management Committee reports to the Board of Directors and is responsible for the following:
 - a. Review risk management policy
 - b. Review the highest risk tolerance
 - c. Submit regular reports to the Board of Directors in relation to the risk management status of the whole Group
- (C) The General Manager supervises daily risk management of the entire Group and is responsible for the following:
 - a. Supervise and monitor daily risk management of the entire Group
 - b. Approval of management exceptions
- (D) Assets and Liabilities Committee reports to the General Manager and is responsible for the following:
 - a. Set up the ultimate guidelines for assets and liabilities management of the entire Group
 - b. Analyze and control the entire Group’s assets and liabilities portfolio
 - c. Approval of various businesses’ quotas
 - d. Gather and analyze information on domestic and offshore interest rate, exchange rate, prosperity fluctuation, political and economic environmental changes, and predict the financial trend in the future
- (E) Risk Control Office implements risk management policy and related regulations and reports to the Risk Management Committee. Risk Control Office also reports daily risk management to the General Manager and is responsible for the following:
 - a. Establish Risk Management Policy of the entire Group
 - b. Develop effective method for measurement and risk management in an entity
 - c. Review risk management system of business units
 - d. Generate risk report through information gathering and consolidation
 - e. Analyze various business risks and report to the General Manager

- f. Report the risk management situation to the Risk Management Committee according to a meeting's nature and needs
- g. Carry out duties as designated by the Risk Management Committee and control risks of business units
- (F) Auditing Office is responsible for the following:
 - a. Execute operating risk control
 - b. Include the risk management system into internal audit program and carry out the daily audit schedule.
 - c. Assess the effectiveness of internal control and verify the executed result.
- (G) Compliance segment and legal segment under the Office of General Manager are responsible for the following:
 - a. Compliance segment should make sure that the business operation and risk management system are in compliance with relevant regulations.
 - b. Legal segment is responsible for legal risk control
 - c. Compliance segment also provides services of Anti-Money Laundering and Counter Terrorism Financing, including designs specification and internal control, establishes transaction monitoring, oversees the effective implementation of business units, conducts the employee training and reports any suspicion of money laundering.
- (H) Finance segment is responsible for the following:
 - a. Verify the correctness of position information and reasonability of profit and loss calculation.
 - b. Control and analyze self-owned capital adequacy ratio.
 - c. Analyze the appropriateness of structures of the assets and liabilities.
- (I) Business units are responsible for the following:
 - a. Set up risk management details of various businesses according to the risk management policy and other related regulations.
 - b. Provide sufficient position information and risk control information to the Risk Control Office.
- (J) Settlement division is responsible for:
 - a. Clearing and settlement; risk control and management of margin purchase and short sale of securities.
 - b. Risk control and management of trading middle office and enforcement of rules governing risk management of business segments.

D. Risk management policy

In order to ensure the completeness of risk management system, run the balancing mechanism of risk management, and improve the division efficiency of risk management, the Group sets up "Risk Management Policy". Such policy aims to establish internal system compliance and the guiding tools for policies communication within the Group and enable every layer of the Group engaged in different tasks to identify, evaluate, monitor, and control various risks with establishment of consistent compliance rules for risks of each business so that the risks can be controlled within the limits set in advance.

Risk management processes include risk identification, risk evaluation, risk supervision and various risk control. Each kind of risk evaluations and responding strategies are described as follows:

(A) Market risk management

The Group has implemented risk management information system (Risk Manager) in relation to market risk control. All trading positions of the Group have been included in the daily risk control system for the calculation of Value at Risk (VaR). Limit exceeding

indicators are mainly the nominal principal, stop-loss, sensitivity (Greeks) and VaR. The risk management report is presented on a daily basis for implementation of regular control and limit exceeding handling procedures.

(B) Credit risk management

In relation to risk control, the quantitative model of default rate adopts KMV model to calculate the default rate of issuers with credit exposure of the issuing company and the trading counterparties, and credit risk of securities disclosed in the report. The credit exposure is mitigated through regular review of credit status.

(C) Fund liquidity risk

Unit in charge of fund procurement regularly predicts future fund demand and supply, and consolidates company guarantee or endorsement and capital lending businesses to monitor the condition of fund procurement on a daily basis.

E. Hedging and risk-offsetting strategy

(A) Policies of hedging and risk mitigating are parts of the Group's risk management policies, and the hedging position and hedged trading position are supposed to be one portfolio, of which the gain and loss and risk information are measured on a consolidated basis.

(B) The overall position (hedging position and trading position) is included in the daily risk management system to calculate Value at Risk and other relevant information. Limit exceeding indicators mainly include nominal principal, stop-loss point, price sensitivity and VaR. With the presentation of daily risk management report, routine control and limit exceeding treatment can be executed.

(C) The continued effectiveness of hedging and risk-offsetting strategy is measured by the gain and loss of overall position (hedging position and trading position), in order to track reasonableness of the profit or loss of hedging position and the offsetting relationship with the profit or loss of trading position, and to control them within a reasonable range.

2) Credit risk

A. Source and definition of credit risk

The credit risk exposure of the Group as a result of engagement in financial transactions include issuer's credit risk, credit risk of counterparty and credit risk of underlying assets:

(A) Credit risk of the issuer refers to the issuers of financial debt instruments held by the Group failing to repay its obligation due to the fact that the issuer breaches the contract resulting in the risk of financial loss to the Group.

(B) Credit risk of counterparty refers to risk of financial loss to the Group arising from default by the counterparty of financial instruments on the settlement or payment obligation.

(C) Credit risk of the underlying assets happens when the credit rating of the underlying assets linked to the financial instrument is downgraded by the rating agency or when the losses occur as a result of contract default.

The financial assets held by the Group which could result in credit risk include bank deposit, debt securities, derivatives transactions in OTC, bonds purchased/sold under resale/repurchase agreements, refundable deposit of securities lending, futures trade margins, other refundable deposits and receivables.

B. Maximum credit risk exposure and credit risk concentration

The maximum exposure to credit risk of financial assets in the consolidated balance sheet, without consideration of the collateral or other credit enhancements, is equivalent to the carrying amount. In Taiwan, the sources of credit risk of the Group are primarily resulting from cash deposited with banks or other financial institutions, debt securities issued or guaranteed by a bank, derivative instruments transaction underwritten by the Group, and all counterparties of customer margin deposits accounts being financial institutions. Credit risks of various financial assets are as follows:

- (A) Cash and cash equivalents
Cash and cash equivalents include time deposit, demand deposits and checking deposits. Correspondent institutions are mainly domestic financial institutions.
- (B) Financial assets at fair value through profit and loss -current
- a. Fund
The funds held by the Group are bond funds. As the positions held are not significant, credit risk is deemed low.
- b. Commercial papers
The commercial papers held by the Group are under resale agreements. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.
- c. Debt securities
Debt securities are mainly positions like government bonds, convertible corporate bonds and foreign bonds and the issuers are primarily R.O.C. government, domestic and foreign legal entities. 31% of convertible corporate bond is guaranteed by banks. Details are as follows:
- (a)Government bonds
The bonds held by the Group are mostly government bonds (inclusive of central and local government). As a whole, the credit risk of the bonds held by the Group is low.
- (b)Corporate bonds
The corporate bonds held by the Group are mainly underlying investment with good credit rating and those with rating above (S&P BB).
- (c)Convertible corporate bond
The convertible corporate bonds held by the Group are mostly issued by the domestic legal entities. The Group mitigates highly risky credit exposure of the issuers by control through Taiwan Corporate Credit Risk Index (TCRI).
- (d)Foreign bonds
The foreign bonds held by the Group are mainly underlying investment with good credit rating and those with rating above (S&P BB).
- (C) Financial assets at fair value through other comprehensive income - current
The foreign government bonds held by the Group are classified as debt instruments at fair value through other comprehensive income. In general, the bonds held by the Group are with lower credit risk.
- (D) Derivatives- futures trade margin
When engaging in futures trades in stock exchange market, the Group needs to deposit margin into a margin deposit account of a financial institution designated by the futures merchants as a guarantee to fulfil contractual obligation in the future. As a result, the credit risk is low.
- (E) Derivatives-OTC
The Group signs International Swaps and Derivatives Association (ISDA) agreements with each counterparty when engaging in OTC derivatives as an agreement regarding such transactions for both parties. In the agreement, it provides a fundamental contractual model for OTC derivative transactions. If any party breaches the contract or terminates the transactions early, then all the open interest covered in the agreement should be settled by net amount as bound in the contract. When the ISDA agreement is signed, the Credit Support Annex (CSA) is also signed. According to the CSA, collateral will be transferred from a party to the other during transaction process to mitigate the risk of counterparty in open interest. Please refer to Note 6(10).

Types of OTC derivative transactions in which the Group is engaged include PGN and swap transaction. The counterparties are all from financial service industry and mainly located in Taiwan, United States and United Kingdom.

- (F) Bonds investment under a resale agreement
Bonds sold under a resale agreement are the bonds that the client sold to the Group at a price, interest rate, length of period as agreed by two parties and the client shall repurchase the bonds at the specified price upon maturity. The Group needs to assume credit risk from counterparties when underwriting such business, as the payment being delivered to the other party. With consideration of good collateral obtained, the net of credit risk exposure from counterparties can be effectively reduced. As all the counterparties are financial institutions with good credit rating, the credit risks from counterparties are extremely low. Please refer to Note 6(10).
- (G) Margin loans receivable
Margin loans receivable are the loans provided to the client in order to process businesses of margin trading and short sale using the securities purchased through financing as collateral. The Group monitors the clients' margin ratio through information system on a daily basis. As the margin ratio of margin trading is set at 130% according to Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, the credit risk is extremely low.
- (H) Receivables of securities business money lending
Receivables of securities business money lending are the non-restricted purpose loan business and monetary financing business, pursuant to an agreement between a securities firm and a customer, using customer securities and other commodities as collateral. The Group regularly assesses its customer line of credit and implements appropriate credit control. As the margin ratio of margin trading is set at 130% according to Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms, the credit risk is extremely low.
- (I) Guaranteed price for securities lending
Guaranteed price for securities lending is the sale price of the Group's securities sold by other securities firms through margin trading after deduction of securities transactions tax and service fee, which is deposited in other securities firms as collateral. As all the counterparties are financial institutions with good credit rating, the credit risk from counterparties is extremely low.
- (J) Refundable deposits for securities lending
Refundable deposits for securities lending are the margins deposited in other securities firm as collateral when the Group's securities are sold. As all the counterparties are financial institutions with good credit, the credit risk from counterparties is extremely low.
- (K) Receivables
Receivables are the credit rights arising from the securities business including settlement receivables of consignment trading, settlement receivables of operating securities sold, financing interest receivables of self-operating credit transaction, receivables of consignment trading for securities, and receivables from banks' underwriting on foreign exchange transactions and foreign fund demand. As the majority of the Group's receivables from the consignment businesses and self-operating businesses are settlement of securities from OCT or TWSE, the credit risk is extremely low. As the foreign exchange transactions are simply the receipt or payment of different currencies and the correspondent banks are of good credit rating, the credit risk is extremely low.

(L) Other current assets

Other current assets are mainly the collateral deposited in the bank for application for short-term debt limit and guarantee for application for issuance of commercial papers. As the correspondent banks are all financial institutions with good credit rating, the credit risk is extremely low.

(M) Financial assets at fair value through profit and loss – non-current

In order to underwrite trust business, the Group deposits central government bonds in the Central Bank as collateral. Regardless of the bonds themselves or the financial institutions where the bonds are deposited, the credit risk is extremely low.

(N) Other non-current assets

Other non-current assets mainly comprise operating guarantee deposits, settlement funds, and refundable deposits. Operating guarantee deposits are mainly deposited in domestic banks with good credit rating. Settlement funds are deposited in securities exchange. Settlement funds are used as compensation when a party to a marketable securities transaction fails to fulfil the settlement obligation. The credit risks from the institutions where these two assets are deposited are extremely low. The refundable deposits refer to cash or other assets which are deposited externally by the Group and can be used as refundable deposits. Because deposits are placed in various financial institutions and each deposit amount is small, the credit risk is dispersed and the credit exposure of overall refundable deposit is extremely low.

C. Expected credit loss assessment

In the assessment of impairment and calculation of expected credit losses, the Group considers reasonable and supporting information about past events, current conditions and future economic conditions. The Group determines at the balance sheet date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognizes expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognized for assets in Stage 1, and lifetime expected credit losses are recognized for assets in Stage 2 and Stage 3.

The definition of and expected credit losses recognized for each stage are as follows:

Item	Stage 1	Stage 2	Stage 3
Definition	No significant deterioration of credit quality of the financial asset since initial recognition, or the financial asset is considered low-risk at the balance sheet date.	Significant deterioration of credit quality of the financial asset since initial recognition, but the asset is not yet credit impaired.	The financial asset is credit impaired at the financial reporting date.
Expected credit losses recognition	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(A) Judgements of the significant increase in credit risk since initial recognition

Judgements and assumptions used to determine whether the credit risk has a significant increase since initial recognition when the Group calculates expected credit loss under IFRS 9 are as follows:

- a. If contractual payments are over 30 days past due according to the payment terms, the financial asset is considered to have significant increase in credit risk since initial recognition.
- b. There is significant increase in credit risk at the reporting date if the credit rating of the issuer has been downgraded by more than 2 grades and the final external credit rating at the reporting date is non-investment grade, if the interest payments are over 30 days past due, or if there has been a default in the past.

(B) Definition of default and credit-impaired financial assets

According to the definition of credit impairment set by IFRS 9, a financial asset is credit-impaired when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset. The criteria used to judge whether a financial asset is credit-impaired since initial recognition includes but is not limited to the following:

- a. Contractual payments or principal or interest payments on bonds are over 3 months (90 days) past due.
- b. Bond investment is rated as “in default” by external credit rating agencies.
- c. Bond issuer has filed for bankruptcy, restructure, or other debt clearance procedures.
- d. Issuer or counterparty has financial difficulties.

(C) Writing-off policy

If any of the following condition applies, the Group will write off the non-recoverable portion of the overdue receivables as bad debt.

- a. Debt cannot be fully or partially recovered due to dissolution of, disappearance of, settlement with, bankruptcy declaration by the debtor, or any other reason.
- b. The collateral and the assets of the primary and secondary debtors could not be auctioned off after multiple attempts and multiple price discounts, and the Company has not received any real benefits in assuming the collateral.
- c. Payments are over two years past due and could not be recovered after attempts to collect.

(D) Measurement of expected credit losses

The Group considers reasonable supporting information which shows significant increase in credit risk since initial recognition when calculating expected credit losses. Main indexes include: internal/external credit rating, information of past due, credit spread, other market information in relation to the borrower, issuer or counterparty, and significant increase in credit risk of other financial instrument of the same borrower.

- a. Investments in bills and bonds

(a) Probability of default was based on external credit rating, which include forward-looking information.

(b) Loss given default was based on the average loss given default of external credit rating of investment position and counterparties.

(c) Exposure at default

Stage 1, Stage 2 and Stage 3: Total carrying amount (including interest receivable).

(E) Consideration of forward-looking information

Historical loss rate (based on the historical experience in the past 3 to 5 years) as obtained and compared with economic environment in the past, nowadays and future (forward-looking factor) to see whether there is any significant change, and then to properly adjust future loss rate standards. If any significant default event occurs, the loss rate in the current year will be included in the calculation of future loss rate standard.

D. Table of movements in loss provision of the Group

(A) At December 31, 2020 and 2019, there were no changes in the loss allowance for investments in debt instruments measured at fair value through other comprehensive income.

(B) Except for bond interest receivable which was evaluated along with debt investments, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for marginal receivables, accounts receivable, other receivable-others and overdue receivables. The movements in loss provision of marginal receivables, accounts receivable, other receivables-others and other non-current assets-overdue receivables of the Group are as follows:

	Year ended December 31, 2020				
	Marginal receivable	Accounts receivable	Other receivables	Other non- current assets- overdue receivables	Total
At January 1 Provision	\$ 43,806	\$ 656	\$ 54	\$ 240,073	\$ 284,589
(reversal of provision) for impairment	15,034	(31)	671	2,507	18,181
Write-offs	-	-	-	(203,192)	(203,192)
At December 31	<u>\$ 58,840</u>	<u>\$ 625</u>	<u>\$ 725</u>	<u>\$ 39,388</u>	<u>\$ 99,578</u>

	Year ended December 31, 2019				
	Marginal receivable	Accounts receivable	Other receivables	Other non- current assets- overdue receivables	Total
At January 1	\$ 61,669	\$ 2,661	\$ 11,333	\$ 213,075	\$ 288,738
Provision (reversal of Reversal of impairment	20,067	528	(234)	(13,191)	7,170
Write-offs	-	-	(10,532)	-	(10,532)
Derecognized	-	-	(498)	(274)	(772)
Effect of foreign exchange	-	-	(15)	-	(15)
Transfers	(37,930)	(2,533)	-	40,463	-
At December 31	<u>\$ 43,806</u>	<u>\$ 656</u>	<u>\$ 54</u>	<u>\$ 240,073</u>	<u>\$ 284,589</u>

3) Liquidity risk

A. Definition and source of liquidity risk

Liquidity risk refers to possible financial losses arising from the inability to realize the asset or to obtain sufficient fund to fulfil the financial liabilities soon to be matured. Above situations may weaken the sources of cash from the Group's trading and investment activities.

B. Liquidity risk management procedure and stimulation test

In order to prevent operational crisis as a result of liquidity risk, the Group has established responding crisis process with regular monitoring over liquidity gap of fund.

(A) Procedure

In addition to the operating capital for various business and long-term investment, the Group needs to maintain revolving funds at a certain level for daily operation. The use of remaining fund shall avoid high concentration and should be based on the principle of holding sound earning assets with high liquidity and treated in compliance with policies of the Group.

The responsive unit for fund procurement adjusts the liquidity gap to ensure proper liquidity according to the daily volume and movement in the market.

(B) Stimulation test

- The Group reviews fund liquidity risk from a perspective of supply and demand of fund every month with simulation analysis of available fund for emergency including scenario analysis of cash, funding limit of financial institutions, margin loans and short sale, and value of disposal of position in order to compute maximum available fund and fund demand. Finally, safety stock of fund is reviewed to monitor liquidity risk.
- Above liquidity risk is generally reviewed monthly. However, if the available limit of increment banking credit risk in financing limit of a financial institution is lower than a certain amount (that is, the amount may be timely adjusted according to the fund liquidity in the market and the actual fund demand and supply in an entity), the safety stock will be reviewed weekly. After the early warning report for fund is submitted, the head of finance segment will call for a fund control meeting.
- Other than individual funding liquidity risk of an entity, stress test of minimization funding supply and maximization funding demand in the event of significant crisis is simulated, including:

- (a) When there is a significant crisis in the market, the financing limit of the financial institutions and the value of disposal of position can be deemed the minimized ratio of fund supply which is then adjusted according to actual condition to compute the total fund supply under maximum stress.
 - (b) Except for the operating expense, the stock concept is adopted for the calculation of total fund demand under maximum stress.
 - (c) The Group should conduct a review to see whether the total minimized fund supply is more than maximized total fund demand. The Group should further review how long (by month) the difference may cover the operating expenses so that the safety stock of fund (by month) under stress test can be computed.
 - (d) The minimum safety stock of fund under stress test (by month) may be adjusted according to the crisis itself and only operating expense for at least 6 months under a normal stimulation can be deemed safe.
- C. Maturity analysis for the financial assets and financial liabilities held for liquidity risk management
- (A) The Group holds cash and sound earning assets with high liquidity in order to fulfil the payment obligation and potential emergency fund demand in the market. Financial assets held for liquidity risk management are mainly cash and cash equivalents, among which, all time deposits mature within a year. Financial assets at fair value through profit and loss are mainly listed stocks, convertible bonds and debt securities. As all of them have positions in active market, the liquidity risk is deemed low.

(Blank below)

(B) Maturity analysis for the financial liabilities is as follows:

	December 31, 2020				
	Immediately	Less than 3 months	3-12 months	1-5 years	Total
Short-term loans	\$ -	\$ 946,276	\$ -	\$ -	\$ 946,276
Commercial papers payable	-	7,300,000	-	-	7,300,000
Financial liabilities at fair value through profit or loss-current					
Non-derivative financial liabilities	1,039,794	-	-	-	1,039,794
Derivative financial liabilities	1,552,957	-	31,668	-	1,584,625
Bonds sold under repurchase agreements	-	19,112,268	-	-	19,112,268
Deposits on short sales	1,381,470	-	-	-	1,381,470
Deposits payable for securities financing	1,809,955	-	-	-	1,809,955
Securities lending refundable deposits	-	803,016	100,836	-	903,852
Futures traders' equity	21,087,134	-	-	-	21,087,134
Accounts payable (includes notes payable)	19,128,785	49,699	-	-	19,178,484
Collections on behalf of third parties	1,010,210	10,071	-	80,784	1,101,065
Other payables	985	343,998	1,771,430	-	2,116,413
Other financial liabilities -current	-	2,017,803	3,990,507	-	6,008,310
Lease liabilities	-	25,683	61,014	111,621	198,318
Total	<u>\$ 47,011,290</u>	<u>\$ 30,608,814</u>	<u>\$ 5,955,455</u>	<u>\$ 192,405</u>	<u>\$ 83,767,964</u>

December 31, 2019

	Immediately	Less than 3 months	3-12 months	1-5 years	Total
Short-term loans	\$ 600,000	\$ 2,364,959	\$ -	\$ -	\$ 2,964,959
Commercial papers payable	350,000	9,250,000	-	-	9,600,000
Financial liabilities at fair value through profit or loss-current					
Non-derivative financial liabilities	391,227	-	-	-	391,227
Derivative financial liabilities	457,402	-	-	-	457,402
Bonds sold under repurchase agreements	-	21,035,116	-	-	21,035,116
Deposits on short sales	1,558,717	-	-	-	1,558,717
Deposits payable for securities financing	1,888,832	-	-	-	1,888,832
Securities lending refundable deposits	-	56,004	-	-	56,004
Futures traders' equity	13,713,667	-	-	-	13,713,667
Accounts payable (includes notes payable)	12,397,124	59,478	-	-	12,456,602
Collections on behalf of third parties	284,082	8,286	-	85,925	378,293
Other payables	-	272,368	1,075,313	-	1,347,681
Other financial liabilities -current	-	1,797,292	946,574	-	2,743,866
Lease liabilities	-	7,690	24,678	184,819	217,187
Total	\$ 31,641,051	\$ 34,851,193	\$ 2,046,565	\$ 270,744	\$ 68,809,553

4) Market risk

A. Definition of market risk

Market risk refers to the risk of decrease in the Group's revenue or value of investment portfolio as a result of the changes in exchange rate, commodity price, interest rate, and stock price or other market risk factors.

The Group continually exercises risk management tools such as sensitivity analysis, Value at Risk, stress test and so on to completely and effectively measure, monitor and manage market risk.

B. Value at Risk (VaR)

Value at Risk is used to measure the possible maximum potential losses in investment portfolio as a result of movement in market risk factor in a specified period and confidence level. The Group currently uses confidence level of 95% to calculate Value at Risk of one day.

A VaR model must reasonably, completely and accurately measure the maximum potential risks of financial instruments or investment portfolio before being adopted as a risk management model by the Group. The VaR model used in risk management is continually certified and retrospectively tested to demonstrate that the model can reasonably and effectively measure the maximum potential risks of financial instruments or investment portfolios.

Statistical table for one-day VaR of transactions		Statistical table for one-day VaR of transactions	
Year ended December 31, 2020		Year ended December 31, 2019	
	Amount		Amount
December 31, 2020	\$ 173,104	December 31, 2019	\$ 100,535
VaR Maximum	276,264	VaR Maximum	170,328
VaR Average	161,107	VaR Average	93,998
VaR Minimum	77,219	VaR Minimum	27,505

Statistical table for VaR of various risk indicators of transactions

Year ended			
December 31, 2020	Foreign exchange	Interest	Share ownership
December 31, 2020	\$ 3,433	\$ 24,026	\$ 176,351
VaR Maximum	55,596	91,620	268,560
VaR Average	7,221	39,296	158,394
VaR Minimum	1,495	15,428	73,478
Year ended			
December 31, 2019	Foreign exchange	Interest	Share ownership
December 31, 2019	\$ 5,455	\$ 17,268	\$ 102,709
VaR Maximum	29,951	72,934	171,470
VaR Average	6,897	35,173	91,793
VaR Minimum	1,479	8,308	24,906

C. Information on gap of foreign exchange risk

The following table summarizes financial instruments of foreign assets or liabilities by currency and the foreign exchange exposure presented by book value as of December 31, 2020 and 2019 :

	December 31, 2020						
	USD	EUR	AUD	RMB	HKD	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 443,058	\$ 4,174	\$ 2,247	\$ 455,155	\$ 560,409	\$ 173,237	\$ 1,638,280
Financial assets at fair value through profit or loss	13,300,410	3,486,806	1,006,892	1,267,289	404,502	428,144	19,894,043
Investments accounted for under equity method	-	-	-	2,531,901	-	-	2,531,901
Others	7,745,156	23,028	1,918	55,006	2,553,641	96,586	10,475,335
<u>Financial liabilities in foreign currencies</u>							
Short-term loans	318,976	-	-	-	367,300	-	686,276
Financial liabilities at fair value through profit or loss	50,740	3,898	3,441	3,426	172	5,422	67,099
Bonds sold under repurchase agreements	9,996,698	3,080,106	853,836	871,401	-	286,703	15,088,744
Others	9,879,276	12,626	240	282,393	1,286,407	95,701	11,556,643

Note: As of December 31, 2020, foreign exchange rates of the above currencies to TWD were 1 USD = 28.480 TWD; 1 EUR= 35.020 TWD; 1 AUD= 21.950 TWD; 1 RMB= 4.377 TWD; and 1 HKD= 3.673 TWD, respectively.

	December 31, 2019						
	USD	EUR	AUD	RMB	HKD	Others	Total
<u>Financial assets in foreign currencies</u>							
Cash and cash equivalents	\$ 1,266,500	\$ 2,084	\$ 2,447	\$ 472,541	\$ 886,968	\$ 177,172	\$ 2,807,712
Financial assets at fair value through profit or loss	16,127,328	1,834,006	852,473	1,299,213	185,712	238,446	20,537,178
Others	5,828,140	42,691	3,593	142,811	1,617,554	35,456	7,670,245
<u>Financial liabilities in foreign currencies</u>							
Short-term loans	2,364,960	-	-	-	-	-	2,364,960
Financial liabilities at fair value through profit or loss	12,434	2,749	1,710	13,715	465	1,072	32,145
Bonds sold under repurchase agreements	12,219,296	1,445,146	700,804	1,023,554	-	119,876	15,508,676
Others	7,757,580	40,361	5,729	386,181	1,098,824	67,505	9,356,180

Note: As of December 31, 2019, foreign exchange rates of the above currencies to TWD were 1 USD = 29.980 TWD; 1 EUR= 33.590 TWD; 1 AUD= 21.005 TWD; 1 RMB= 4.305 TWD; and 1 HKD= 3.849 TWD, respectively.

D. The total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to (\$323,067) and \$186,248, respectively.

5) Fair values and hierarchy information

A. Financial instruments and non-financial instruments not measured at fair value.

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, bonds purchased under resale agreements, margin loans receivable, refinancing guaranty deposits, guaranteed proceeds receivable from refinancing, guaranteed price deposits for security borrowing, security borrowing deposits, customer margin deposit account, notes and accounts receivable, other receivables, short-term loans, commercial paper payable, bonds sold under repurchase agreements, guarantee deposit received from short sales, guaranteed price deposits received from securities borrowers, security borrowing deposits, equity of futures traders, accounts payable, collection for others, and other payables) approximate their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(5)3.

	Total	Quoted prices of		
		the same assets in active markets (level 1)	Other significant observable inputs (level 2)	Significant non-observable inputs (level 3)
<u>Non-financial assets</u>				
<u>December 31, 2020</u>				
Investment property	\$ 667,546	\$ -	\$ 667,546	\$ -
<u>December 31, 2019</u>				
Investment property	665,646	-	665,646	-

The fair value of investment property held by the Group was assessed by external valuation experts using comparison approach and income approach, or the fair value can be assessed based on the market price of the area adjacent to the location where the Group's investment property is located.

B. Valuation techniques

(A) For financial instruments held for trading purposes which are classified as non-derivative instruments, their fair values are based on their quoted prices in an active market. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. Estimates and assumptions of valuation technique adopted by the Group are in agreement with the information of estimates and assumptions adopted by market users for financial instrument pricing and the said information shall be accessible to the Group. For those classified as derivative instruments, their fair values are based on their market prices if their quoted prices are available from an active market. If quoted market prices in an active market are not available, SWAP and IRS are valued at the discounted cash flow method, and options are valued at the Black-Scholes model.

(B) When available-for-sale financial assets have quoted market prices available in an active market, the fair value is determined using the market price.

C. Fair value hierarchy of the financial instruments

(A) Definitions for the hierarchy classifications of financial instruments measured at fair value

a. Level 1

Level 1, are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. An active market has to satisfy all the following conditions: a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Group's investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices, are deemed as level 1.

b. Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Investments of the Group such as emerging stock without active markets, off-the-run issue of government bonds, corporate bonds, bank debentures, convertible corporate bonds, currency swaps, interest rate swaps, options, asset swaps, and most derivatives are all classified within level 2. For the years ended December 31, 2020 and 2019, there was no significant transfer of financial instruments between Level 1 and Level 2.

c. Level 3

Unobservable inputs for the assets or liability. The unlisted stocks invested by the Group are included in Level 3. For the year ended December 31, 2020, part of the unlisted stocks became the emerging stocks, therefore these stocks were transferred from Level 3 to Level 2.

(Blank below)

(B) Hierarchy of fair value estimation of financial instruments

Financial instrument items measured at fair value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Recurring fair value</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	\$ 12,062,758	\$ 12,027,789	\$ 23,187	\$ 11,782
Bond investments	23,302,082	1,170,822	22,131,260	-
Others	2,451,233	2,451,233	-	-
Financial assets at fair value through other comprehensive income-current				
Stock investments	353,510	353,510	-	-
Financial assets at fair value through profit or loss - non-current				
Stock investments	16,991	-	-	16,991
Bond investments	50,493	-	50,493	-
Financial assets at fair value through other comprehensive income-non-current				
Stock investments	707,616	-	-	707,616
Liabilities				
Financial liabilities at fair value through profit or loss -current				
	1,039,794	1,039,794	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current				
	3,795,649	3,786,276	9,373	-
Liabilities				
Financial liabilities at fair value through profit or loss - current				
	1,584,625	1,433,197	151,428	-

Financial instrument items
measured at fair value

December 31, 2019

	Total	Level 1	Level 2	Level 3
<u>Recurring fair value</u>				
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current				
Stock investments	\$ 12,152,248	\$ 12,087,400	\$ 23,617	\$ 41,231
Bond investments	25,159,729	870,587	24,289,142	-
Others	3,958,261	3,958,261	-	-
Financial assets at fair value through profit or loss - non-current				
Stock investments	21,180	-	-	21,180
Bond investments	50,116	-	50,116	-
Financial assets at fair value through other comprehensive income-non-current				
Stock investments	591,596	-	-	591,596
Liabilities				
Financial liabilities at fair value through profit or loss - current				
	391,227	391,227	-	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss-current				
	3,242,227	3,241,258	969	-
Liabilities				
Financial liabilities at fair value through profit or loss - current				
	457,401	421,685	35,716	-

(C) The following table is the movement of financial assets at Level 3:

	Year ended December 31, 2020							
	Valuation amount		Increased			Decreased		
	January 1	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Acquired/ Issued	Transfers into level 3	Sold/ Settled	Transfers out from level 3	December 31
Financial assets at fair value through profit or loss- current								
Unlisted stocks	\$ 41,231	(\$ 5,554)	\$ -	\$ 2,500	\$ -	\$ -	(\$ 26,395)	\$ 11,782
Financial assets at fair value through profit or loss - non-current								
Equity investments	21,180	(4,189)	-	-	-	-	-	16,991
Financial assets at fair value through other comprehensive income - non-current								
Unlisted stocks	591,596	-	116,020	-	-	-	-	707,616
	Year ended December 31, 2019							
	Valuation amount		Increased			Decreased		
	January 1	Recorded in profit or loss	Recorded in other comprehensive income (loss)	Acquired/ Issued	Transfers into level 3	Sold/ Settled	Transfers out from level 3	December 31
Financial assets at fair value through profit or loss- current								
Unlisted stocks	\$ 16,974	(\$ 3,768)	\$ -	\$ 28,025	\$ -	\$ -	\$ -	\$ 41,231
Financial assets at fair value through profit or loss - non-current								
Equity investments	16,445	4,735	-	-	-	-	-	21,180
Financial assets at fair value through other comprehensive income - non-current								
Unlisted stocks	604,579	-	(12,983)	-	-	-	-	591,596

(D) The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

December 31, 2020	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets at fair value through profit or loss - current					
Unlisted stocks	\$ 11,782	Market approach	Price to earnings ratio multiple	28.45	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Financial assets at fair value through profit or loss - non-current					
Equity investments	16,991	Net asset value	Not applicable	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	707,616	Market approach	Price to earnings ratio multiple	1.46~1.90	The higher the multiple, the higher the fair value
			Discount for lack of marketability	6.99%~9.65%	The higher the discount for lack of marketability, the lower the fair value
December 31, 2019	Fair value	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets at fair value through profit or loss - current					
Unlisted stocks	\$ 41,231	Market approach	Price to earnings ratio multiple	18.19~21.63	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25%	The higher the discount for lack of marketability, the lower the fair value
Financial assets at fair value through profit or loss - non-current					
Equity investments	21,180	Net asset value	Not applicable	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income - non-current					
Unlisted stocks	591,596	Market approach	Price to earnings ratio multiple	1.32~1.76	The higher the multiple, the higher the fair value
			Discount for lack of marketability	7.93%~9.75%	The higher the discount for lack of marketability, the lower the fair value

(E) Valuation process for fair value at Level 3

The parent company's risk management department is responsible for the verification of fair value categorized in Level 3. The department assesses the independence, reliability, consistency and representativeness of the source information, regularly verifies the valuation models and calibrates the parameters to ensure the valuation process and results are in compliance with IFRSs.

(F) For the fair value measurement of Level 3, the sensitivity analysis of the fair value to the reasonable alternative hypothesis shows that the fair value measurement of the financial assets by the Group is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the impact to profit or loss or to other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used in valuation models have changed up or down by 1%:

December 31, 2020	Recognised in profit or loss		Recognised in other comprehensive income	
	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets at fair value through profit or loss - current				
Unlisted stocks	\$ 118	(\$ 118)	\$ -	\$ -
Financial assets at fair value through profit or loss -non-current				
Venture capital shares	Not applicable	Not applicable	-	-
Financial assets at fair value through other comprehensive income - non-current				
Unlisted stocks	-	-	7,076	(7,076)
December 31, 2019	Recognised in profit or loss		Recognised in other comprehensive income	
	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets at fair value through profit or loss - current				
Unlisted stocks	\$ 412	(\$ 412)	\$ -	\$ -
Financial assets at fair value through profit or loss -non-current				
Venture capital shares	Not applicable	Not applicable	-	-
Financial assets at fair value through other comprehensive income - non-current				
Unlisted stocks	-	-	5,916	(5,916)

6) Capital management

A. Objective of capital management

- (A) The represented capital adequacy ratio basically shall not be lower than 200% in compliance with the warning standard addressed in the “Rules Governing Securities Firms”.
- (B) The Company includes all risks involved in the investment position as a part of risk management, such as market risk, credit risk, liquidity risk, operating risk, legal risk, and model risk and so on. Each risk management responsive unit should identify, evaluate, monitor and control various risks in order to enable the Company to defend impact from financial market, reflect the current operating strategies and make the investment portfolio applied to business planning and development.

B. Capital management policy and procedure

In order to secure the long-term and stable development of various businesses and effectively assume risks, the Company manages capital based on the business development, related regulations and financial market environment. Major capital evaluation processes include:

- (A) Each segment should provide accurate and valid source of information to maintain calculation accuracy of capital adequacy ratio.
- (B) After the reporting at the 10th of each month, capital adequacy ratio should be computed by the end of every month. If the result is close to the legal standard, every unit will be called to attend a meeting for discussion and strategic planning to ensure that the basic objective of capital adequacy ratio is not less than 200%.
- (C) Both the risk limits and economic capital of the Company should be agreed by the Board of Directors. The Company should quarterly report details of risk control with disclosure of investment condition in order to assess whether the risk position exceeds the limit and whether the investment direction is in line with the market trend. Within the authorized risk limits, the Company is actively engaged in development of various businesses and continually increases profit, creates company value, and complies with the capital management objective.

The Company calculates and reports the capital adequacy ratio according to “Rules Governing Securities Firms”. As of December 31, 2020 and 2019, the capital adequacy ratios were 339% and 378%, respectively, as required by the regulations.

7) Assets and liabilities of trust accounts

Pursuant to Article 17 of Enforcement Rules of the Trust Enterprise Act, balance sheet, income statement, and property list of trust accounts shall be disclosed in the consolidated financial statements on a semiannual basis.

A. Balance sheet of trust accounts

BALANCE SHEETS

Trust assets	December 31, 2020	December 31, 2019
Bank savings	\$ 492,979	\$ 283,288
Structured notes	664,243	347,256
Stock	928,705	135,196
Bond	423,452	402,246
Repurchase bond	21,794	115,006
Fund	3,877,584	3,270,575
Securities lending	-	71,047
Accounts receivable	36,087	74,063
Total of trust assets	\$ 6,444,844	\$ 4,698,677
Trust liabilities		
Accounts payable	\$ 1,699	\$ 53,204
Trust capital	5,562,920	4,586,918
Net income	1,099,366	100,346
Accumulated deficit	(219,141)	(41,791)
Total of trust liabilities	\$ 6,444,844	\$ 4,698,677

B. Income statement of trust accounts

STATEMENTS OF INCOME

Item	Year ended December 31, 2020	Year ended December 31, 2019
Trust income		
Interest income	\$ 20,430	\$ 17,631
Cash dividends received	47,788	5,780
Income from stock lending	587	6,145
Investment gains-realised	225,435	7,188
Investment gains-unrealised	806,875	64,616
Subtotal	1,101,115	101,360
Trust expenses		
Administrative expenses	(1,099)	-
Service fee	(526)	(227)
Borrowing costs	(134)	(764)
Remittance fee	-	(1)
Income before income tax	1,099,356	100,368
Income tax benefit (expense)	10	(22)
Net income	\$ 1,099,366	\$ 100,346

C. Property list of trust accounts

PROPERTY LIST OF TRUST ACCOUNTS

DECEMBER 31, 2020 AND 2019

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank savings	\$ 492,979	\$ 283,288
Structured notes	664,243	347,256
Stock	928,705	135,196
Bond	423,452	402,246
Bonds under repurchase agreements	21,794	115,006
Fund	3,877,584	3,270,575
Securities lending	-	71,047
Others	36,087	74,063
Total	<u>\$ 6,444,844</u>	<u>\$ 4,698,677</u>

(Blank below)

8) Status of the Company is future department in the limitations on financial ratios imposed by futures trading act, and the related implementation

The table below is prepared according to “Regulations Governing Futures Commission Merchants”.

Article	Calculation formula	December 31, 2020		December 31, 2019		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	2,846,449	39.35	3,379,420	38.45	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	72,340		87,895			
17	Current assets	4,227,508	58.44	4,272,473	48.61	≥ 1	Met the requirement
	Current liabilities	72,340		87,895			
22	Stockholders' equity	2,846,449	711.61%	3,379,420	844.86%	≥ 60%	Met the requirement
	Minimum paid-in capital	400,000		400,000				≥ 40%
22	Adjusted net capital	2,578,686	634.60%	3,152,768	842.71%	≥ 20%	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	406,350		374,121				≥ 15%

9) Status of the subsidiary in the limitations on financial ratios imposed by the futures trading act and the related implementation

The table below is prepared according to “Regulations Governing Futures Commission Merchants”.

Article	Calculation formula	December 31, 2020		December 31, 2019		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	2,173,904	10.62	1,990,192	11.57	≥ 1	Met the requirement
	(Total liability – futures trader's equity)	204,613		172,048			
17	Current assets	25,273,422	1.05	16,970,531	1.07	≥ 1	Met the requirement
	Current liabilities	24,066,160		15,857,926			
22	Stockholders' equity	2,173,904	337.04%	1,990,192	308.56%	≥ 60%	Met the requirement
	Minimum paid-in capital	645,000		645,000				≥ 40%
22	Adjusted net capital	1,833,493	45.15%	1,622,656	59.11%	≥ 20%	Met the requirement
	Total amount of customer margins required for the open positions of futures traders	4,060,614		2,744,966				≥ 15%

10) Prospective risk for futures trading

The main risk for futures merchants engaging in futures trading is credit risk, which could happen if the margin call cannot be made when it should have been made. While being consigned to conduct the futures trading, the Group pays attention to the individual margin account on a daily basis and request additional margin call or reduction in trading volume when necessary according to the condition of individual customer transactions in order to control the credit risk accordingly. The main risk faced by the Group while engaging in self-operating businesses is market price risk- that is risk of changes in market prices of futures or options contracts as a result of fluctuation in underlying investment index. Losses may occur if the market index price and underlying investment move adversely. However, the Group has set up stop-loss point to control such risk for reasons of risk management.

(Blank below)

13. OTHER DISCLOSURE ITEMS

1) Information about significant transactions

- A. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.
- B. Endorsements and guarantees for others : None.
- C. Acquisitions of real estate exceeding \$300 million or 20 percent of contributed capital : None.
- D. Disposals of real estate exceeding \$300 million or 20 percent of contributed capital : None.
- E. Purchases or sales transactions discount on brokers' charges with related parties in excess of \$5,000,000 : None.
- F. Receivables from related parties exceeding \$100 million or 20 percent of contributed capital : None.
- G. Significant transactions between parent company and subsidiaries

No.(Note1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	President Securities Corp.	President Futures Corp.	1	Futures Margin - Own Funds	\$ 2,825,942	Note 4	2.49%
0	President Securities Corp.	President Futures Corp.	1	Deposit-out	34,000	Note 4	0.03%
0	President Securities Corp.	President Futures Corp.	1	Accounts receivable	3,384	Note 4	0.00%
0	President Securities Corp.	President Futures Corp.	1	Deposit-in	16,000	Note 4	0.01%
0	President Securities Corp.	President Futures Corp.	1	Future commission revenue	40,206	Note 4	0.42%
0	President Securities Corp.	President Futures Corp.	1	Clearing charges	11,731	Note 4	0.12%
0	President Securities Corp.	President Futures Corp.	1	Other non-operating revenues	3,539	Note 4	0.04%
0	President Securities Corp.	President Insurance Agency Corp.	1	Other non-operating revenues	1,077	Note 4	0.00%
0	President Securities Corp.	President Capital Management Corp.	1	Expense from investment advisory	50,400	Note 4	0.53%
0	President Securities Corp.	President Capital Management Corp.	1	Other non-operating revenues	3,644	Note 4	0.04%

Note 1 : The numbers in the No. column are represented as follows:

1. The number zero is for parent company.
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2 : There are three kinds of transactions between related parties and numbered from 1 to 3 were shown as follows (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.)

1. Parent company to subsidiaries.
2. Subsidiaries to parent company.
3. Subsidiaries to subsidiaries.

Note 3 : The calculation basis of the trading amount accounting for the total consolidated net revenues or assets is that the account ending balance is divided by the total consolidated assets if it is attributed to the balance sheet accounts, and the accumulated trading amount of the interim period is divided by the total consolidated net revenues if it is attributed to the profit or loss accounts.

Note 4 : All the prices of the service revenues and consulting service provided between related parties were traded by contracts.

Note 5 : Based on materiality, only the amounts of the transactions that were above \$1 million would be shown in the table.

2) Related information of investee companies

A. Related information of investee companies

Name of the investor	Name of the investee company	Location	Date of registration	Reference number and the date of approval letter issued by FSC	Major operating activities	Original investment		Ending Balance			Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
						Balance on December 31, 2020	Balance on December 31, 2019	Shares	Percentage	Book value					
President Securities Corp.	President Futures Corp.	Taipei	1994.03.01	1994.03.01 Jing-Tou-Shen (83) Gong-Shang Letter No.1114 (Note 1)	Futures brokerage and dealer	\$ 644,650	\$ 644,650	63,817,303	96.69%	\$ 2,102,027	\$ 943,742	\$ 214,024	\$ 206,956	\$ 112,318	Subsidiary of the Company
	President Capital Management Corp.	Taipei	1997.04.15	1997.02.25 (86) Tai-Cai-Zheng (4) Letter No.17769	Securities investment consulting	326,000	326,000	30,000,000	100.00%	320,169	70,759 (	2,095) (	2,061)	-	Subsidiary of the Company
	President Securities (HK) Ltd.	Hong Kong	1994.07.26	1993.11.4 (82) Tai-Cai-Zheng (2) Letter No.40913	Securities dealer, brokerage, underwriting and consulting	848,735	34,030	192,600,000	100.00%	1,361,333	139,983	21,051	28,615	-	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	2002.03.31	2001.12.11 (90) Tai-Cai-Zheng (2) Letter No.166728	Wealth management	92,091	-	23,400,000	100.00%	56,002	-	362	209	-	Subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	1999.08.06	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Nominee Service	3,403	-	1,000,000	100.00%	1,672	- (	73) (	40)	-	Subsidiary of the Company

Note 1 : As FSC was established in July, 2004, President Futures Corp. was approved by the Investment Commission, Ministry of Economic Affairs.

Name of the investor	Name of the investee company	Location	Date of registration	Reference number and the date of approval letter issued by FSC	Major operating activities	Original investment		Ending Balance			Revenue of investee company	Net income (loss) of investee company	Investment income (loss) recognised by the Company	Cash dividends	Notes
						Balance on December 31, 2020	Balance on December 31, 2019	Shares	Percentage	Book value					
President Securities Corp.	President Securities (BVI) Ltd.(Note 3)	British Virgin Islands	1998.02.26	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Securities investment and holding company	-	2,264,573	67,746,000	100.00%	-	-	5,644	5,644	-	Subsidiary of the Company
	Uni-President Asset Management Corp.	Taipei	1992.09.03	2000.07.19 (89) Tai-Cai-Zheng (2) Letter No.56407	Investment Trust	667,622	667,622	14,904,630	42.46%	602,375	941,595	258,096	109,597	94,466	Associates
	President Insurance Agency Corp.	Taipei	2008.04.29	(Note2)	Insurance Agent	10,000	10,000	1,000,000	100.00%	29,698	45,243	9,489	9,493	8,363	Subsidiary of the Company
	PSC Venture Capital Investment Limited Company	Taipei	2013.10.29	2013.08.08 Jing-Guan-Zheng-Chuan Letter No.1020028529	Consultation of investment management and venture capital; other unprohibited or unrestricted businesses beyond the permit	300,000	300,000	30,000,000	100.00%	242,139	2,331 (	6,411) (	6,410)	-	Subsidiary of the Company
President Insurance Agency Corp.	Uni-President Asset Management Corp.	Taipei	1992.09.03	2000.07.19 (89) Tai-Cai-Zheng (2) Letter No.56407	Investment Trust	478	478	12,000	0.03%	490	941,595	258,096	88	76	Associates
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	1994.07.26	1993.11.4 (82) Tai-Cai-Zheng (2) Letter No.40913	Securities dealer, brokerage, underwriting and consulting	-	814,705	-	-	-	139,983	21,051 (	7,564)	-	Subsidiary of the Company
	President Wealth Management (HK) Ltd.	Hong Kong	2002.03.31	2001.12.11 (90) Tai-Cai-Zheng (2) Letter No.166728	Wealth management	-	92,091	-	-	-	-	362	153	-	Subsidiary of the Company
	President Securities (Nominee) Ltd.	Hong Kong	1999.08.06	1997.10.27 (86) Tai-Cai-Zheng (2) Letter No.04840	Nominee Service	-	3,403	-	-	-	- (	73) (	33)	-	Subsidiary of the Company

Note 2 : When securities corporations invest in domestic business within FSC's limitation, there is no need to obtain the approval from FSC in advance, according to Tai-Cai-Zheng (2) Letter No.0930000005. Therefore, there was no reference numbers for President Insurance Agency Corp.

Note 3 : President Securities (BVI) Ltd. was approved by the board of directors in March 2020 to deal with the dissolution and liquidation matters, and the Group has received the original investment funds from President Securities (BVI) Ltd. on July 31, 2020. The liquidation process is currently in progress.

B. Lending to others: Excluding security margin trading and conditional bond trading business, there is no lending of funds to either the shareholders or other parties.

C. Endorsements and guarantees for others : None.

D. Acquisitions of real estate exceeding \$300 million or 20 percent of contributed capital : None.

E. Disposals of real estate exceeding \$300 million or 20 percent of contributed capital : None.

F. Purchases or sales transactions discount on brokers' charges with related parties in excess of \$5,000,000 : None.

G. Receivables from related parties exceeding \$100 million or 20 percent of contributed capital : None.

H. Accordance with Jing-Guan-Zheng-Chuang Letter No. 10300375782, the Company is required to disclose details of businesses run by foreign enterprises that were incorporated in the countries identified as non-signatories to the IOSCO MMoU or have not obtained securities or futures license of signatories to the IOSCO MMoU:

a) Securities held as of December 31, 2020 of President Securities (BVI) Ltd : None.

b) Derivative financial instrument transactions and the source of capital of President Securities (BVI) Ltd.: None.

c) Revenue from engagement in consultation on assets management business, service contents and litigation : None.

(Blank below)

d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.

BALANCE SHEETS

December 31, 2019

Assets	December 31, 2019		Liabilities and shareholders' equity	Expressed in U.S. dollars December 31, 2019	
	Amount	%		Amount	%
Current assets			Current liabilities		
Cash and cash equivalents	\$ 30,135,890	39	Other payables	\$ 3,565	-
Financial assets at fair value through profit or loss - current-	-	-	Total liabilities	3,565	-
Other receivables	195,869	1	Shareholders' equity		
Total current assets	30,331,759	40	Share capital	67,746,000	88
Investment in associates	46,447,436	60	Capital reserve	757,813	1
			Retained earnings		
			Accumulated deficit	7,702,523	10
			Other equity		
			Exchange differences on translation of foreign financial statements	569,294	1
			Total shareholders' equity	76,775,630	100
Total assets	\$ 76,779,195	100	Total liabilities and shareholders' equity	\$ 76,779,195	100

Note: President Securities (BVI) Ltd. was approved by the board of directors in March 2020 to deal with the dissolution and liquidation matters, and the Group has received the original investment funds from President Securities (BVI) Ltd. on July 31, 2020. The liquidation process is currently in progress.

PRESIDENT WEALTH MANAGEMENT (HK) LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

Expressed in HK dollars

Assets	December 31, 2020		December 31, 2019		Liabilities and shareholders' equity	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 15,254,818	100	\$ 15,116,479	100	Other payables	\$ 20,400	-	\$ 20,075	-
Other receivables	12,553	-	55,378	-	Total liabilities	20,400	-	20,075	-
Total current assets	<u>15,267,371</u>	<u>100</u>	<u>15,171,857</u>	<u>100</u>	Shareholders' equity				
					Share capital	23,400,000	153	23,400,000	154
					Retained earnings				
					Accumulated deficit	(8,153,029)	(53)	(8,248,218)	(54)
					Total shareholders' equity	<u>15,246,971</u>	<u>100</u>	<u>15,151,782</u>	<u>100</u>
Total assets	<u>\$ 15,267,371</u>	<u>100</u>	<u>\$ 15,171,857</u>	<u>100</u>	Total liabilities and shareholders' equity	<u>\$ 15,267,371</u>	<u>100</u>	<u>\$ 15,171,857</u>	<u>100</u>

PRESIDENT SECURITIES (NOMINEE) LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

Expressed in HK dollars

Assets	December 31, 2020		December 31, 2019		Liabilities and shareholders' equity	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets					Current liabilities				
Cash and cash equivalents	\$ 472,052	100	\$ 491,537	100	Other payables	\$ 16,800	3	\$ 17,190	4
Other receivables	6	-	109	-	Total liabilities	16,800	3	17,190	4
Total current assets	<u>472,058</u>	<u>100</u>	<u>491,646</u>	<u>100</u>	Shareholders' equity				
					Share capital	1,000,000	212	1,000,000	203
					Retained earnings				
					Accumulated deficit	(544,742)	(115)	(525,544)	(107)
					Total shareholders' equity	<u>455,258</u>	<u>97</u>	<u>474,456</u>	<u>96</u>
Total assets	<u>\$ 472,058</u>	<u>100</u>	<u>\$ 491,646</u>	<u>100</u>	Total liabilities and shareholders' equity	<u>\$ 472,058</u>	<u>100</u>	<u>\$ 491,646</u>	<u>100</u>

e) Statements of comprehensive income

PRESIDENT SECURITIES (BVI) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
SEVEN MONTHS ENDED JULY 31, 2020 AND FOR THE YEAR ENDED DECEMBER 31, 2019

Expressed in U.S. dollars

Accounts	Seven months ended July 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Expenditures				
Employee benefits	\$ 15,501	63	(\$ 49,953)	(3)
Other operating expenses	<u>9,039</u>	<u>37</u>	<u>(18,574)</u>	<u>(1)</u>
Total expenditures and expenses	<u>24,540</u>	<u>100</u>	<u>(68,527)</u>	<u>(4)</u>
Non-operating gains and losses				
Share of the profit or loss of associates and joint ventures accounted for using the equity method	-	-	916,448	54
Other gains and losses	<u>49</u>	<u>-</u>	<u>838,335</u>	<u>50</u>
Total non-operating gains and losses	<u>49</u>	<u>-</u>	<u>1,754,783</u>	<u>104</u>
Profit before tax	24,589	100	1,686,256	100
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income	<u>\$ 24,589</u>	<u>100</u>	<u>\$ 1,686,256</u>	<u>100</u>

PRESIDENT WEALTH MANAGEMENT (HK) LTD
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Accounts	December 31, 2020		Expressed in HK dollars December 31, 2019	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 41,435)	(44)	(\$ 43,730)	(25)
Total expenditures and expenses	(41,435)	(44)	(43,730)	(25)
Non-operating gains and losses				
Other gains and losses	136,625	144	222,028	125
Profit before tax	95,190	100	178,298	100
Income tax expense	-	-	-	-
Net income	<u>\$ 95,190</u>	<u>100</u>	<u>\$ 178,298</u>	<u>100</u>

PRESIDENT SECURITIES (NOMINEE) LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Accounts	December 31, 2020		Expressed in HK dollars December 31, 2019	
	Amount	%	Amount	%
Expenditures				
Other operating expenses	(\$ 23,535)	123	(\$ 25,071)	129
Total expenditures and expenses	(23,535)	123	(25,071)	129
Non-operating gains and losses				
Other gains and losses	4,337	(23)	5,662	(29)
Loss before tax	(19,198)	100	(19,409)	100
Income tax expense	-	-	-	-
Net loss	<u>(\$ 19,198)</u>	<u>100</u>	<u>(\$ 19,409)</u>	<u>100</u>

f) Dealings with foreign businesses in related party transactions: None

3) Information of overseas branches and representative office

Overseas branches and representative office	Nationality	Date of registration	Reference number and the date of approval letter given by Securities and Futures Bureau of FSC	Main business activities	Operating income	(Loss) profit before tax (Note 1)	Assignment of working capital				Material transaction account with head office	Note
							Balance on January 1, 2020	Increase of working capital	Deduction of working capital	Balance on December 31, 2020		
Representative office of President Securities Corp. in Xiamen	Xiamen	2008.08.22	2008.01.21 Jing-Guan-Zheng-Chuan Letter No.0960073542	Non-operating activities of securities business consultation, contact, and market survey	-	(\$ 5,339)	-	-	-	-	-	-

Note 1 : Operating expenses generated by the representative office.

Note 2 : The office in Xiamen was permitted to cancel the registration by Market and Quality Supervision Commission of Xiamen Municipality at August 24, 2020.

4) Disclosure of investment in Mainland China

a) Information of investment in Mainland China

Investee in Mainland China	Main business activities	Paid-in capital (Note 4)	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee as of December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
					Remitted to Mainland China	Remitted back to Taiwan						
Jin Yuan President Securities Co.,Ltd.	Securities brokering, securities dealing, securities underwriting and sponsoring service	\$ 5,252,400	Directly invest in a company in Mainland China	\$ -	\$ 2,481,388	\$ -	\$ 2,481,388	(\$ 83,388)	49%	(\$ 40,860) The financial statements that are audited by international accounting firm which has cooperative relationship with accounting firm in R.O.C.	\$ 2,531,901	\$ -

b) Limitation on investment in Mainland China (expressed in thousands of dollars)

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Jin Yuan President Securities Co.,Ltd.	\$ 2,481,388	\$ 2,481,388	\$ 17,644,389

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- (1) Directly invest in a company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee in Mainland. (Please indicate investment company in the third area.)
- (3) Others.

Note 2: In the 'Investment income (loss) recognized by the Company for the year ended December 31, 2020' column:

- (1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

- (2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
- The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
 - The financial statements that are audited and attested by R.O.C. parent company's CPA.
 - Others.

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

Note 4: The paid-in capital of Jin Yuan President Securities Co.,Ltd is CNY 1.2 billion.

5) Major shareholder information

Major shareholder	Number of shares held (thousands)	Shareholding ratio
Uni-President Enterprises Corp.	401,458	28.67%

Note 1: The information of major shareholders in this table is based on the last business day of the end of each quarter by Taiwan Depository and Clearing Corp., which determines shareholders holding more than 5% of ordinary shares and special shares of securities firms that have completed unregistered delivery (including treasury shares). As for the share capital recorded in the financial report of the securities firm and the actual number of shares delivered by the securities firm without physical registration, there may be differences due to different calculation bases.

Note 2: In the case of the above information, if a shareholder delivers shares to the trust, it is disclosed in individual accounts by the trustee who opened the trust account by the trustee. As for the shareholders' declaration of insider's shareholding in accordance with the Securities and Exchange Act, their shareholding includes their own shareholding plus the shares delivered to the trust and the right to use the trust property. For information on insider's equity declaration, please refer to the Market Observation Post System.

14. SEGMENTS INFORMATION

1) General information

Financial information by the Group's segments is disclosed in accordance with IFRS 8. Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker (CODM) that are used to make strategic decisions. The Group's operating segments are classified into Brokerage, Quantitative Trading, Proprietary Trading, Fixed Income and Reinvestment according to the sources of income. The remaining operating results which have not reached the threshold requirements are consolidated in 'other operating segments'. Sources of income from products and services rendered by each segment are as follows:

- A. Brokerage segment: consigned trading of the listed securities, margin trading and short sale, assistance in futures trading and other instruments trading as approved by the regulations.
- B. Quantitative Trading segment: trading of domestic/overseas futures and options, ETF arbitrage, market maker, liquidity provider, hedging, spot/futures arbitrage as approved by Law.
- C. Proprietary Trading segment: using the self-owned equity to conduct securities trading such as stocks and bonds trading, and futures and options hedging in Stock Exchange and OTC.
- D. Fixed Income segment: bonds segment is engaged in central government bonds, ordinary corporate bonds, convertible corporate bonds, and bills and bonds under repurchase or resale agreements transactions in OTC.
- E. Reinvestment segment: companies reinvested by the consolidated entities.
- F. Other operating segments include Capital Market segment, Financial Product segment, and Shareholder Services segment.

2) Segments information

The accounting policies applied to the Group's operating segments and summary of accounting policies disclosed in the notes to the financial statements are consistent and identical. The operating gains and losses are measured by the amount before tax and used as basis for performance appraisal. Income and expense attributable to each operating segment are attributed to the segmental gains and losses. Non-attributable indirect expenses and expenses from logistic support segment are amortized to each operating segment based on reasonable calculation standards and the expense nature. Those that cannot be reasonably amortized are listed under "Others".

3) Profit or loss of segments information

		Year ended December 31, 2020						
	Brokerage segment	Quantitative Trading segment	Proprietary Trading segment	Fixed income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	\$ 3,188,195	\$ 1,053,299	\$ 1,816,970	\$ 1,588,659	\$ 1,211,542	\$ 908,496	(\$ 185,889)	\$ 9,581,272
Segment profit or loss	\$ 776,046	\$ 535,516	\$ 1,227,947	\$ 1,155,823	\$ 877,943	\$ 321,457	(\$ 911,910)	\$ 3,982,822
		Year ended December 31, 2019						
	Brokerage segment	Quantitative Trading segment	Proprietary Trading segment	Fixed income segment	Reinvestment segment	Other operating segments	Others	Total
Segment revenues	\$ 2,190,228	\$ 652,568	\$ 1,157,345	\$ 1,673,421	\$ 1,007,566	\$ 598,641	(\$ 137,372)	\$ 7,142,397
Segment profit or loss	\$ 282,369	\$ 165,663	\$ 689,190	\$ 997,884	\$ 266,187	\$ 213,503	(\$ 56,988)	\$ 2,557,808

Note 1: As operating income (loss) in total is consistent with consolidated statement of comprehensive income, there is no need for adjustment.

Note 2: The Company measures the performance of reportable operating segment based on specific performance indicators instead of assets and liabilities. The performance of reportable operating segment is regularly reviewed and assessed by the CODM as a reference for making resources allocation decision.

4) Information on products and services

The Group's segments are based on different products and services, and had disclosed in general information. It discloses the types of products and services of the Group's segments' source of income. There is no additional disclosure requirement on the income information of products and services.

5) Geographical information

The Group's external customer income from a single foreign country is immaterial, so it would not be disclosed.

6) Major customer information

The Group did not have any significant customers that account for more than 10% of its revenue, so it would not be disclosed.