

**MEGA SECURITIES CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2023 AND 2022**

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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

To the Board of Directors of Mega Securities Co., Ltd.

PWCR23000709

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Mega Securities Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2023 and 2022, 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 Company and its subsidiaries as at December 31, 2023 and 2022, 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, 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 that came into effect as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the "Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants" and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical

responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements of the current period. 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 matter of the year 2023 consolidated financial statements is as follows:

#### ***Securities Recognition of handling fee revenue from brokered trading***

##### Description

For the accounting policy of the securities recognition of revenue from brokerage trade processing fee, please refer to Note 4. For the details of brokerage trade processing fee revenue, please refer Note 6(24). The amount of revenue from brokerage trade processing fee was NT\$2,738,856 thousand for the year ended December 31, 2023.

The Company's handling fee revenue received from brokering trades is calculated based on securities trading amounts and the commission rates filed with the Taiwan Stock Exchange Corporation. Because the amount was material and had a significant impact to the financial statements, we have thus included the recognition of handling fee revenue from brokered trading as the key audit matter in our audit.

##### How our audit addressed the matter

We obtained and gained an understanding of the Company's operation procedure for recognizing revenue. We sample tested the controls for the recognition and authorization of handling fee revenue from brokered trading by responsible management, and matched the related statements for commissioned securities trading and booked amount. For handling fee revenue from brokered trading recognized for the year ended December 31,

2023, we sample tested the accuracy of brokerage commission revenue and reviewed the status of subsequent collections on a sample basis.

***Other matter – Parent company only financial reports***

We have audited and expressed an unmodified opinion on the parent company only financial statements of the Company as at and for the years ended December 31, 2023 and 2022.

***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 that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and its subsidiaries' 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 Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Company's and its subsidiaries' 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 Company's

and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries 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 Company and its subsidiaries 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 auditor's report unless law or regulation precludes public disclosure about the matter

or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kuo, Puo-Ju

Lai, Chung-hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2024

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations 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.

**MEGA SECURITIES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

| ASSETS                    | Notes   | December 31, 2023   |                      | December 31, 2022 |                      |            |
|---------------------------|---|---------------------|----------------------|-------------------|----------------------|------------|
|                           |   | AMOUNT              | %                    | AMOUNT            | %                    |            |
| <b>Current Assets</b>     |   |                     |                      |                   |                      |            |
| 111100                    | Cash and cash equivalents   | 6(1) and 7          | \$ 2,326,906         | 3                 | \$ 2,148,826         | 4          |
| 112000                    | Financial assets at fair value through profit or loss - current                 | 6(2) and 7          | 14,628,933           | 16                | 8,772,215            | 14         |
| 113200                    | Financial assets at fair value through other comprehensive income - current     | 6(3)                | 23,426,433           | 25                | 15,662,202           | 25         |
| 114030                    | Margin loans receivable   | 6(4)                | 19,163,063           | 20                | 13,035,468           | 21         |
| 114040                    | Refinancing margin  |                     | 21,228               | -                 | 13,084               | -          |
| 114050                    | Receivables from refinance guaranty   |                     | 17,452               | -                 | 10,528               | -          |
| 114060                    | Receivable of securities business money lending                                 |                     | 2,842,405            | 3                 | 117,276              | -          |
| 114070                    | Customer margin accounts  | 6(5) and 7          | 5,695,589            | 6                 | 6,928,729            | 11         |
| 114090                    | Receivables from security lending   |                     | -                    | -                 | 29,560               | -          |
| 114100                    | Deposits on securities borrowed   |                     | -                    | -                 | 35,657               | -          |
| 114110                    | Notes receivable  |                     | 505                  | -                 | 342                  | -          |
| 114130                    | Accounts receivable   | 6(6) and 7          | 19,836,771           | 21                | 9,834,168            | 16         |
| 114150                    | Prepayments   | 7                   | 84,710               | -                 | 69,801               | -          |
| 114170                    | Other receivables   | 6(7) and 7          | 194,612              | -                 | 115,442              | -          |
| 114600                    | Current tax assets  | 6(34) and 7         | 8,475                | -                 | -                    | -          |
| 119000                    | Other current assets  | 6(8)                | 329,354              | -                 | 583,338              | 1          |
|                           | <b>Total current assets</b>   |                     | <u>88,576,436</u>    | <u>94</u>         | <u>57,356,636</u>    | <u>92</u>  |
| <b>Non-current assets</b> |   |                     |                      |                   |                      |            |
| 123200                    | Financial assets at fair value through other comprehensive income - non-current | 6(3)                | 1,244,736            | 1                 | 1,157,182            | 2          |
| 124100                    | Investments accounted for using the equity method                               | 6(9)                | 36,065               | -                 | 56,527               | -          |
| 125000                    | Property and equipment  | 6(10)(31)(33) and 8 | 2,328,315            | 3                 | 2,260,241            | 3          |
| 125800                    | Right-of-use assets   | 6(11)(31) and 7     | 163,946              | -                 | 148,640              | -          |
| 126000                    | Investment property   | 6(12)(33) and 8     | 459,424              | 1                 | 463,104              | 1          |
| 127000                    | Intangible assets   |                     | 104,290              | -                 | 98,681               | -          |
| 128000                    | Deferred tax assets   | 6(34)               | 66,983               | -                 | 68,079               | -          |
| 129000                    | Other assets - non-current  | 6(13) and 7         | 1,083,122            | 1                 | 1,068,440            | 2          |
|                           | <b>Total non-current assets</b>   |                     | <u>5,486,881</u>     | <u>6</u>          | <u>5,320,894</u>     | <u>8</u>   |
|                           | <b>Total Assets</b>   |                     | <u>\$ 94,063,317</u> | <u>100</u>        | <u>\$ 62,677,530</u> | <u>100</u> |

(Continued)

**MEGA SECURITIES CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars)

| LIABILITIES AND EQUITY              |  | Notes       | December 31, 2023    |            | December 31, 2022    |            |
|-------------------------------------|--|-------------|----------------------|------------|----------------------|------------|
|                                     |  |             | AMOUNT               | %          | AMOUNT               | %          |
| <b>Current Liabilities</b>          |  |             |                      |            |                      |            |
| 211100                              | Short-term loans   | 6(14)       | \$ 61,382            | -          | \$ -                 | -          |
| 211200                              | Commercial paper payable   | 6(15) and 7 | 13,409,301           | 14         | 119,953              | -          |
| 212000                              | Financial liabilities at fair value through profit or loss - current | 6(2)(16)    | 847,282              | 1          | 321,209              | -          |
| 214010                              | Liabilities for bonds with attached repurchase agreements            | 6(17)       | 28,509,681           | 30         | 20,386,047           | 33         |
| 214040                              | Securities financing refundable deposits                             |             | 1,344,888            | 2          | 2,277,149            | 4          |
| 214050                              | Deposits payable for securities financing                            |             | 1,588,441            | 2          | 2,081,603            | 3          |
| 214070                              | Securities lending refundable deposits                               |             | 1,206,324            | 1          | 1,034,507            | 2          |
| 214080                              | Futures traders' equity  | 6(5) and 7  | 5,674,427            | 6          | 6,906,483            | 11         |
| 214090                              | Equity for each customer in the account                              |             | 5,486                | -          | -                    | -          |
| 214130                              | Accounts payable   | 6(18)       | 19,021,020           | 20         | 9,546,786            | 15         |
| 214150                              | Advance receipts   |             | 6,189                | -          | 1,053                | -          |
| 214160                              | Receipts under custody   |             | 415,236              | 1          | 635,852              | 1          |
| 214170                              | Other payables   | 7           | 1,569,181            | 2          | 1,225,360            | 2          |
| 214200                              | Other financial liabilities - current                                |             | 351,929              | -          | 701,711              | 1          |
| 214600                              | Current tax liabilities  | 6(34) and 7 | 337,339              | -          | 377,938              | 1          |
| 216000                              | Current lease liabilities  | 6(11) and 7 | 61,829               | -          | 63,689               | -          |
| 219000                              | Other current liabilities  |             | 13,794               | -          | 346                  | -          |
|                                     | <b>Total current liabilities</b>                                     |             | <u>74,423,729</u>    | <u>79</u>  | <u>45,679,686</u>    | <u>73</u>  |
| <b>Non-current liabilities</b>      |  |             |                      |            |                      |            |
| 225100                              | Provisions - non-current   | 6(19)(30)   | 84,356               | -          | 69,974               | -          |
| 226000                              | Non-current lease liabilities  | 6(11) and 7 | 102,106              | -          | 84,812               | -          |
| 228000                              | Deferred tax liabilities   | 6(34)       | 10,882               | -          | 5,154                | -          |
| 229000                              | Other liabilities - non-current                                      |             | 4,990                | -          | 5,774                | -          |
|                                     | <b>Total non-current liabilities</b>                                 |             | <u>202,334</u>       | <u>-</u>   | <u>165,714</u>       | <u>-</u>   |
|                                     | <b>Total Liabilities</b>   |             | <u>74,626,063</u>    | <u>79</u>  | <u>45,845,400</u>    | <u>73</u>  |
| <b>Equity</b>                       |  |             |                      |            |                      |            |
| 301000                              | Capital  |             |                      |            |                      |            |
| 301010                              | Common stock   | 6(20)       | 11,600,000           | 13         | 11,600,000           | 18         |
| 302000                              | Capital surplus  | 6(21)       | 1,024,671            | 1          | 971,161              | 1          |
| 304000                              | Retained earnings  |             |                      |            |                      |            |
| 304010                              | Legal reserve  | 6(22)       | 1,632,543            | 2          | 1,598,499            | 3          |
| 304020                              | Special reserve  | 6(22)       | 2,075,081            | 2          | 2,009,423            | 3          |
| 304040                              | Unappropriated retained earnings                                     | 6(23)       | 2,104,302            | 2          | 340,435              | 1          |
| 305000                              | Other equity interest  |             | 1,000,657            | 1          | 312,612              | 1          |
|                                     | <b>Total equity</b>  |             | <u>19,437,254</u>    | <u>21</u>  | <u>16,832,130</u>    | <u>27</u>  |
| <b>TOTAL LIABILITIES AND EQUITY</b> |  |             | <u>\$ 94,063,317</u> | <u>100</u> | <u>\$ 62,677,530</u> | <u>100</u> |

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

MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

|                 | Items   | Notes              | Year ended December 31 |             |                    |             |
|-----------------|---|--------------------|------------------------|-------------|--------------------|-------------|
|                 |   |                    | 2023                   |             | 2022               |             |
|                 |   |                    | AMOUNT                 | %           | AMOUNT             | %           |
| <b>Revenues</b> |   |                    |                        |             |                    |             |
| 401000          | Brokerage handling fee revenue  | 6(24)              | \$ 3,267,595           | 50          | \$ 2,947,873       | 71          |
| 402000          | Handling fee revenues from securities business money lending  |                    | 1,822                  | -           | 319                | -           |
| 403000          | Income from securities lendings   |                    | 225,473                | 3           | 188,472            | 5           |
| 404000          | Revenues from underwriting business   | 6(25) and 7        | 191,409                | 3           | 182,115            | 4           |
| 406000          | Gains on wealth management  | 7                  | 23,354                 | -           | 19,075             | -           |
| 410000          | Gains (losses) on sale of operating securities  | 6(2)               | 702,560                | 11          | (283,053)          | (7)         |
| 421100          | Revenue from providing agency service for stock affairs   |                    | 51,565                 | 1           | 48,330             | 1           |
| 421200          | Interest revenue  | 6(26)              | 1,123,536              | 17          | 916,702            | 22          |
| 421300          | Dividend revenue  |                    | 696,783                | 11          | 406,857            | 10          |
| 421500          | Valuation gains (losses) on operating securities at fair value through profit or loss   | 6(2)               | 878,853                | 14          | (416,021)          | (10)        |
| 421600          | Losses on covering of borrowed securities and bonds with resale agreements-short sales  | 6(2)(16)           | (5,740)                | -           | (2,788)            | -           |
| 421610          | Valuation (losses) gains on borrowed securities and bonds with resale agreements-short sales at fair value through profit or loss | 6(2)(16)           | (3,039)                | -           | 16,907             | -           |
| 421750          | Realised losses on financial assets measured at fair value through other comprehensive income - bonds                             | 6(3)               | (1,996)                | -           | -                  | -           |
| 422002          | (Losses) gains on issuance of ETNs  | 6(2)(16)           | (6,244)                | -           | 7,495              | -           |
| 422100          | Issuance of ETNs revenue  | 6(2)(16)           | 98                     | -           | 125                | -           |
| 422200          | (Losses) gains from issuance of call (put) warrants   | 6(2)(16)           | (164,210)              | (3)         | 150,736            | 4           |
| 424400          | (Losses) gains from derivatives - futures   | 6(2)(16)           | (192,439)              | (3)         | (28,405)           | (1)         |
| 424500          | Losses from derivatives - OTC   | 6(2)(16)           | (276,145)              | (4)         | (11,925)           | -           |
| 424900          | Revenue from advisory   | 7                  | 1,609                  | -           | 2,049              | -           |
| 425300          | Expected credit impairment (losses) and gains on reversal   | 6(27)              | (3,455)                | -           | 2,735              | -           |
| 428000          | Other operating (losses) income   | 6(28)              | (16,766)               | -           | 29,154             | 1           |
| 400000          | <b>Operating Revenues</b>   |                    | <u>6,494,623</u>       | <u>100</u>  | <u>4,176,752</u>   | <u>100</u>  |
| <b>Expenses</b> |   |                    |                        |             |                    |             |
| 501000          | Brokerage handling fee expense  |                    | (305,417)              | (5)         | (289,433)          | (7)         |
| 502000          | Proprietary handling fee expense  |                    | (11,207)               | -           | (6,381)            | -           |
| 503000          | Refinancing processing fee expenses   |                    | (828)                  | -           | (553)              | -           |
| 504000          | Underwriting operation processing fee expenses  |                    | (2,708)                | -           | (1,715)            | -           |
| 507000          | Issuance of ETNs expense  |                    | (510)                  | -           | (960)              | -           |
| 521200          | Finance costs   | 6(11)(29) and 7    | (679,525)              | (11)        | (194,316)          | (5)         |
| 521640          | Loss from security borrowing  |                    | (54)                   | -           | -                  | -           |
| 524100          | Futures commission expense  |                    | (12,403)               | -           | (19,877)           | (1)         |
| 524300          | Expense of clearing and settlement  |                    | (35,702)               | (1)         | (42,597)           | (1)         |
| 528000          | Other operating expenditure   | 7                  | (5,079)                | -           | (1,116)            | -           |
| 531000          | Employee benefits expense   | 6(19)(30) and 7    | (2,289,758)            | (35)        | (1,929,090)        | (46)        |
| 532000          | Depreciation and amortization expense   | 6(10)(11)(31)      | (218,430)              | (3)         | (187,801)          | (5)         |
| 533000          | Other operating expense   | 6(32) and 7        | (999,116)              | (15)        | (850,166)          | (20)        |
| 500000          | <b>Total expenditure and expense</b>  |                    | <u>(4,560,737)</u>     | <u>(70)</u> | <u>(3,524,005)</u> | <u>(85)</u> |
|                 | <b>Operating income</b>   |                    | <u>1,933,886</u>       | <u>30</u>   | <u>652,747</u>     | <u>15</u>   |
| 601000          | Share of profit of associates and joint ventures accounted for using the equity method  | 6(9)               | 1,754                  | -           | 3,138              | -           |
| 602000          | Other gains and losses  | 6(2)(12)(33) and 7 | 272,360                | 4           | 200,542            | 5           |
| 902001          | <b>Profit before tax</b>  |                    | <u>2,208,000</u>       | <u>34</u>   | <u>856,427</u>     | <u>20</u>   |
| 701000          | Income tax expense  | 6(34)              | (205,390)              | (3)         | (253,198)          | (6)         |
| 902005          | <b>Net income</b>   |                    | <u>\$ 2,002,610</u>    | <u>31</u>   | <u>\$ 603,229</u>  | <u>14</u>   |

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MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| Items  | Notes  | Year ended December 31 |              |        |                     |
|--|--|------------------------|--------------|--------|---------------------|
|  |  | 2023                   |              | 2022   |                     |
|  |  | AMOUNT                 | %            | AMOUNT | %                   |
| <b>Other comprehensive income (loss)</b>   |  |                        |              |        |                     |
| <b>Components of other comprehensive (loss) income that will not be reclassified to profit or loss</b> |  |                        |              |        |                     |
| 805510   | Gains on remeasurements of defined benefit plans   | 6(19)                  |              |        |                     |
|  |  |                        | (\$ 23,861)  | -      | \$ 47,854 1         |
| 805540   | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income   | 6(3)                   |              |        |                     |
|  |  |                        | 580,397      | 9 (    | 836,585) ( 20)      |
| 805599   | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss   | 6(34)                  |              |        |                     |
|  |  |                        | 4,772        | -      | ( 9,570) -          |
|  | Total components of other comprehensive income (loss) that will not be reclassified to profit or loss  |                        | 561,308      | 9      | ( 798,301) ( 19)    |
| <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>     |  |                        |              |        |                     |
| 805610   | Exchange differences on translation  |                        | 847          | -      | 5,686 -             |
| 805615   | Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income   | 6(3)                   |              |        |                     |
|  |  |                        | 227,582      | 3 (    | 374,450) ( 9)       |
| 805650   | Share of other comprehensive income of associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(9)                   |              |        |                     |
|  |  |                        | -            | -      | ( 6,941) -          |
|  | Total components of other comprehensive income (loss) that will be reclassified to profit or loss  |                        | 228,429      | 3      | ( 375,705) ( 9)     |
| 805000   | <b>Current other comprehensive income (loss) (post-tax)</b>  |                        | 789,737      | 12     | ( 1,174,006) ( 28)  |
|  | <b>Total current comprehensive income (loss)</b>   |                        | \$ 2,792,347 | 43     | ( \$ 570,777) ( 14) |
|  | Earnings per share (in dollars)  | 6(35)                  |              |        |                     |
|  | Basic and diluted earnings per share   |                        | \$ 1.73      |        | \$ 0.52             |

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

MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

|   | Equity attributable to owners of the parent |                             |                     |                     |                            |   |  |                   | Total equity         |
|---|---|-----------------------------|---------------------|---------------------|----------------------------|---|--|-------------------|----------------------|
|   | Retained Earnings                           |                             |                     |                     |                            | Other Equity  |  |                   |                      |
|   | Common stock                                | Capital Surplus -<br>Others | Legal reserve       | Special reserve     | Unappropriated<br>earnings | Exchange<br>difference on<br>translation of<br>foreign<br>subsidiaries'<br>financial<br>statement | Unrealized gains<br>(losses) on<br>financial assets<br>measured at fair<br>value through<br>other<br>comprehensive<br>income | Other             |                      |
| <u>2022</u>   |   |                             |                     |                     |                            |   |  |                   |                      |
| Balance at January 1, 2022  | \$ 11,600,000                               | \$ 971,161                  | \$ 1,325,782        | \$ 1,465,856        | \$ 2,727,172               | (\$ 5,654)  | \$ 1,227,642   | \$ 1,836          | \$ 19,313,795        |
| Net income for the year   | -   | -                           | -                   | -                   | 603,229                    | -   | -  | -                 | 603,229              |
| Other comprehensive income  | -   | -                           | -                   | -                   | 38,284                     | 5,686   | ( 1,211,035 )  | ( 6,941 )         | ( 1,174,006 )        |
| Total comprehensive income  | -   | -                           | -                   | -                   | 641,513                    | 5,686   | ( 1,211,035 )  | ( 6,941 )         | ( 570,777 )          |
| Appropriations of 2021 earnings:  |   |                             |                     |                     |                            |   |  |                   |                      |
| Legal reserve   | -   | -                           | 272,717             | -                   | ( 272,717 )                | -   | -  | -                 | -                    |
| Special reserve   | -   | -                           | -                   | 543,567             | ( 543,567 )                | -   | -  | -                 | -                    |
| Cash dividends  | -   | -                           | -                   | -                   | ( 1,910,888 )              | -   | -  | -                 | ( 1,910,888 )        |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -   | -                           | -                   | -                   | ( 301,078 )                | -   | 301,078  | -                 | -                    |
| Balance at December 31, 2022  | <u>\$ 11,600,000</u>                        | <u>\$ 971,161</u>           | <u>\$ 1,598,499</u> | <u>\$ 2,009,423</u> | <u>\$ 340,435</u>          | <u>\$ 32</u>  | <u>\$ 317,685</u>  | <u>(\$ 5,105)</u> | <u>\$ 16,832,130</u> |
| <u>2023</u>   |   |                             |                     |                     |                            |   |  |                   |                      |
| Balance at January 1, 2023  | \$ 11,600,000                               | \$ 971,161                  | \$ 1,598,499        | \$ 2,009,423        | \$ 340,435                 | \$ 32   | \$ 317,685   | (\$ 5,105)        | \$ 16,832,130        |
| Net income for the year   | -   | -                           | -                   | -                   | 2,002,610                  | -   | -  | -                 | 2,002,610            |
| Other comprehensive income  | -   | -                           | -                   | -                   | ( 19,089 )                 | 847   | 807,979  | -                 | 789,737              |
| Total comprehensive income  | -   | -                           | -                   | -                   | 1,983,521                  | 847   | 807,979  | -                 | 2,792,347            |
| Appropriations of 2022 earnings:  |   |                             |                     |                     |                            |   |  |                   |                      |
| Legal reserve   | -   | -                           | 34,044              | -                   | ( 34,044 )                 | -   | -  | -                 | -                    |
| Special reserve   | -   | -                           | -                   | 65,658              | ( 65,658 )                 | -   | -  | -                 | -                    |
| Cash dividends  | -   | -                           | -                   | -                   | ( 240,733 )                | -   | -  | -                 | ( 240,733 )          |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -   | -                           | -                   | -                   | 120,781                    | -   | ( 120,781 )  | -                 | -                    |
| Share-based payments transaction  | -   | 53,510                      | -                   | -                   | -                          | -   | -  | -                 | 53,510               |
| Balance at December 31, 2023  | <u>\$ 11,600,000</u>                        | <u>\$ 1,024,671</u>         | <u>\$ 1,632,543</u> | <u>\$ 2,075,081</u> | <u>\$ 2,104,302</u>        | <u>\$ 879</u>   | <u>\$ 1,004,883</u>  | <u>(\$ 5,105)</u> | <u>\$ 19,437,254</u> |

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

MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

|   | Year ended December 31 |                |
|---|------------------------|----------------|
|   | 2023                   | 2022           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                |
| Profit before tax   | \$ 2,208,000           | \$ 856,427     |
| Adjustments   |                        |                |
| Adjustments to reconcile profit (loss)  |                        |                |
| Depreciation expense (including investment property)  | 177,928                | 155,306        |
| Amortization expense  | 44,182                 | 36,175         |
| (Gains) losses on valuation of trading securities   | ( 878,853 )            | 416,021        |
| Valuation losses (gains) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss | 3,039                  | ( 16,907 )     |
| Expected credit impairment losses and (gains on reversal)   | 3,455                  | ( 2,735 )      |
| Finance costs   | 679,525                | 194,316        |
| Interest income (including financial income)  | ( 1,276,243 )          | ( 974,887 )    |
| Dividend income   | ( 733,917 )            | ( 452,639 )    |
| Share of profit of associates and joint ventures accounted for using the equity method  | ( 1,754 )              | ( 3,138 )      |
| Loss on disposal of property and equipment  | -                      | 103            |
| Reversal of impairment loss of non-financial assets   | ( 5,130 )              | ( 7,254 )      |
| Gains from lease modification   | -                      | ( 1 )          |
| Share-based payments transaction  | 53,510                 | -              |
| Changes in operating assets and liabilities   |                        |                |
| Changes in operating assets   |                        |                |
| Financial assets at fair value through profit or loss - current   | ( 4,980,904 )          | 1,109,488      |
| Financial asset measured at fair value through other comprehensive income-current   | ( 7,043,698 )          | ( 96,736 )     |
| Margin loans receivable   | ( 6,130,716 )          | 5,878,227      |
| Refinancing margin  | ( 8,144 )              | ( 9,648 )      |
| Receivables from refinance guaranty   | ( 6,924 )              | ( 7,673 )      |
| Receivable of securities business money lending   | ( 2,725,129 )          | ( 35,394 )     |
| Customer margin accounts  | 1,233,140              | ( 1,704,885 )  |
| Receivables from security lending   | 29,560                 | 59,959         |
| Deposits on securities borrowed   | 35,657                 | 46,305         |
| Notes receivable  | ( 163 )                | 278            |
| Accounts receivable   | ( 10,002,603 )         | 11,950,410     |
| Prepayments   | ( 14,909 )             | ( 10,194 )     |
| Other receivables   | 19,128                 | ( 28,627 )     |
| Other current assets  | 253,984                | 7,489,316      |
| Net defined benefit asset-non current   | 551                    | ( 908 )        |
| Changes in operating liabilities  |                        |                |
| Financial liabilities at fair value through profit or loss - current  | 526,073                | ( 121,739 )    |
| Liabilities for bonds with attached repurchase agreements   | 8,123,634              | 1,853,088      |
| Securities financing refundable deposits  | ( 932,261 )            | 571,319        |
| Deposits payable for securities financing   | ( 493,162 )            | 67,321         |
| Securities lending refundable deposits  | 171,817                | ( 2,619,100 )  |
| Futures traders' equity   | ( 1,232,056 )          | 1,702,673      |
| Equity for each customer in the account   | 5,486                  | -              |
| Accounts payable  | 9,474,234              | ( 11,898,691 ) |
| Advance receipts  | 5,136                  | 677            |
| Receipts under custody  | ( 220,616 )            | ( 8,120,876 )  |
| Other payables  | 271,482                | ( 353,537 )    |
| Other financial liabilities - current   | ( 349,782 )            | ( 208,243 )    |
| Other current liabilities   | 13,448                 | ( 42 )         |
| Provisions - non-current  | ( 9,479 )              | ( 8,688 )      |
| Cash (outflow) inflow generated from operations   | ( 13,713,474 )         | 5,704,867      |
| Interest received   | 1,181,742              | 959,799        |
| Dividends received  | 729,678                | 452,089        |
| Dividends received (acquisition of investments accounted for under the equity method)   | 3,043                  | 442            |
| Interest paid   | ( 617,838 )            | ( 186,526 )    |
| Income taxes paid   | ( 242,868 )            | ( 424,887 )    |
| Net cash flows (used in) from operating activities  | ( 12,659,717 )         | 6,505,784      |

(Continued)

MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

|   | Year ended December 31 |               |
|---|------------------------|---------------|
|   | 2023                   | 2022          |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>                                       |                        |               |
| Proceeds from capital refund of investments accounted for under the equity method | \$ 19,173              | \$ 11,900     |
| Acquisition of property and equipment   | ( 81,629 )             | ( 36,604 )    |
| Acquisition of intangible assets  | ( 38,081 )             | ( 30,476 )    |
| Increase in settlement deposits fund  | ( 11,505 )             | ( 629 )       |
| Increase in refundable deposits   | ( 7,029 )              | ( 628 )       |
| Increase in prepayment for business facility                                      | ( 103,422 )            | ( 57,549 )    |
| Decrease in other non-current assets  | 13,711                 | 10,129        |
| Net cash flows used in investing activities                                       | ( 208,782 )            | ( 103,857 )   |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>                                       |                        |               |
| Increase in short-term loans  | 61,382                 | -             |
| Increase (decrease) in commercial papers payable                                  | 13,300,000             | ( 7,650,000 ) |
| Repayment of principal portion of lease liabilities                               | ( 74,133 )             | ( 75,424 )    |
| (Decrease) increase in other non-current liabilities                              | ( 784 )                | 1,345         |
| Cash dividends paid   | ( 240,733 )            | ( 1,910,888 ) |
| Net cash flows from (used in) financing activities                                | 13,045,732             | ( 9,634,967 ) |
| Effect of exchange rate changes   | 847                    | 5,686         |
| Net increase (decrease) in cash and cash equivalents                              | 178,080                | ( 3,227,354 ) |
| Cash and cash equivalents at beginning of year                                    | 2,148,826              | 5,376,180     |
| Cash and cash equivalents at end of year  | \$ 2,326,906           | \$ 2,148,826  |

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

MEGA SECURITIES CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. ORGANIZATION AND OPERATIONS

The overview of Mega Securities Co., Ltd. (the “Company”) and its subsidiaries, Mega Futures Co., Ltd., and Mega International Investment Services Co., Ltd. (collectively referred herein as the “Company and its subsidiaries”), is set out below:

(1) The Company was incorporated on October 19, 1989. The principal activities of the Company include underwriting of securities, brokerage and proprietary trading of securities, stock register and transfer agent services, margin trading of securities, issuance of stock warrants, brokerage of overseas securities, proprietary trading of futures and trust business. On March 4, 2014, the Offshore Securities Unit was established. The Company’s headquarters is in Taipei, Taiwan with branch offices located in the major cities of Taiwan.

The Company became a wholly-owned subsidiary of Mega Financial Holdings Co., Ltd. on February 4, 2002 through share swap. On October 31, 2002, the Company’s Board of Directors resolved to merge with Barits Securities Co., Ltd. with the Company being the surviving entity, and change its name from International Securities Co., Ltd. to Barits International Securities Co., Ltd. The change of the company name was formally approved by the Ministry of Economic Affairs on December 6, 2002. On December 24, 2002, the Board further resolved to set the effective merger date on January 31, 2003. The Board also resolved to acquire all operations and properties of Chung Hsing Securities Corp. with the effective acquisition date set on January 30, 2003. In order to be consistent with the names within the Group, the Company changed its name to Mega Securities Co., Ltd. on June 26, 2006.

(2) Mega Futures Co., Ltd. (the “MF”) was incorporated in the Republic of China on July 29, 1999. The principal activities of MF include domestic or foreign futures brokerage, domestic futures settlement, and futures consulting services. Further, MF was approved by the former Financial Supervisory Commission to engage in securities introducing broker business in February, 2011. In order to be consistent with the names within the Group, the Company changed its name to Mega Future Co., Ltd. on June 26, 2006.

(3) Mega International Investment Services Co., Ltd. was incorporated in the Republic of China on November 20, 1997. The principal activities of Mega International Securities Investment Consulting Co., Ltd. include accepting the commission of research analysis and advice provision in relation to securities investment, issuing securities investment publication, holding securities investment lectures, and managing other securities investment consulting business approved by Securities and

Futures Bureau. Further, discretionary investment business was initially conducted by Mega International Securities Investment Consulting Co., Ltd. in March, 2001 and terminated on August 20, 2010. In order to be consistent with the names within the Group, the company was approved by the Ministry of Economic Affairs to change its name to Mega International Investment Services Co., Ltd. on July 3, 2006.

- (4) Mega Financial Holding Co., Ltd. holds 100% equity interest in the Company and is the Company and its subsidiaries' ultimate parent company.
- (5) The number of employees of the Company and its subsidiaries were 1,616 and 1,590 as of December 31, 2023 and 2022, 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 February 26, 2024.

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<sup>®</sup>”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC and became effective from 2023 are as follows:

| New Standards, Interpretations and Amendments  | Effective date by International Accounting Standards Board |
|--|--|
| Amendments to IAS 1, ‘Disclosure of accounting policies’   | January 1, 2023  |
| Amendments to IAS 8, ‘Definition of accounting estimates’  | January 1, 2023  |
| Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023  |
| Amendments to IAS 12, ‘International tax reform - pillar two model’                                      | May 23, 2023   |

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

- (2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

| <u>New Standards, Interpretations and Amendments</u>              | <u>Effective date by<br/>International Accounting<br/>Standards Board</u> |
|---|---|
| Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’  | January 1, 2024   |
| Amendments to IAS 1, ‘Classification of liabilities as current or | January 1, 2024   |
| Amendments to IAS 1, ‘Non-current liabilities with covenants’     | January 1, 2024   |
| Amendments to IAS 7 and IFRS 7, ‘Supplier finance arrangements    | January 1, 2024   |

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

| <u>New Standards, Interpretations and Amendments</u>  | <u>Effective date by<br/>International Accounting<br/>Standards Board</u> |
|---|---|
| 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                    |
| IFRS 17, ‘Insurance contracts’  | January 1, 2023   |
| Amendments to IFRS 17, ‘Insurance contracts’  | January 1, 2023   |
| Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’                               | January 1, 2023   |
| Amendments to IAS 21, ‘Lack of exchangeability’   | January 1, 2025   |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s and its subsidiaries’ significant accounting policies are described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These consolidated financial statements are 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, and the International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect 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 plus unrecognized past service cost and unrecognized actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.
- 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 judgment in the process of applying the Company's and its subsidiaries' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the 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 consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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 Company obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Company controls another entity.
  - (B) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company and its subsidiaries are eliminated. Unless there is evidence showing that the values of the assets transferred within the Company and its subsidiaries have been impaired and inter-company unrealized gains or losses have been eliminated.
  - (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 Company, because the Company does not have non-controlling interests.

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary                           | Main business activities  | Ownership (%)     |                   |
|------------------|--|---|-------------------|-------------------|
|                  |  |   | December 31, 2023 | December 31, 2022 |
| The Company      | Mega Futures Co., Ltd.                       | Domestic and foreign futures brokerage, domestic futures settlement, and securities introducing broker business | 100.00%           | 100.00%           |
| The Company      | Mega International Investment Services Corp. | Securities investment consulting  | 100.00%           | 100.00%           |

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

F. Shares of the parent company owned by subsidiaries: None.

(4) Foreign currency translation

Items included in the financial statements of the Company's and its subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Functional currency and bookkeeping currency of the Company and its domestic subsidiaries are all New Taiwan Dollars. The consolidated financial statements are presented in New Taiwan Dollars.

A. Foreign currency transactions and balances

- (A) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (B) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (C) 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. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

## B. Translation of foreign operations

The operating results and financial position of all the component entities, which 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.

## (5) Classification of current and non-current items

### A. Assets that meet one of the following criteria are classified as 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.

The Company and its subsidiaries have reclassified all assets that do not meet the above-mentioned criteria as non-current assets.

### B. Liabilities that meet one of the following criteria are classified as 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.

The Company and its subsidiaries have reclassified all liabilities that do not meet the above-mentioned criteria as non-current liabilities.

## (6) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments:

- A. They are readily convertible to known amounts of cash.
- B. They are subject to an insignificant risk of changes in value.

## (7) Financial assets at fair value through profit or loss - current

- 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 Company and its subsidiaries measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company and its subsidiaries subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.
- D. The Company and its subsidiaries recognize the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries 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 Company and its subsidiaries have 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 Company's and its subsidiaries' 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 Company and its subsidiaries measure the financial assets at fair value plus transaction costs. The Company and its subsidiaries subsequently measure 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.
  - (b) Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably, unless the dividend clearly presented the recovery of some investment cost.
  - (c) 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) Bond investments under resale agreements and liabilities for bonds with attached repurchase agreements

- A. Repo trades include resale agreements and repurchase agreements. 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'. 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'. Any difference between the actual payment/receipt and predetermined redemption (repurchase) price is recognized in interest income or financial cost.
- B. If bonds with reverse repurchase agreements are executed, upon execution, a credit under "Securities invested by reverse repurchase agreements- securities lending" will be recognized and classified as a liability; profit or loss resulting from short-selling transactions will be recognized as "Net income (loss) from recovery of securities lending and securities invested by reverse repurchase agreements". The difference between the cost and market value of "Securities invested by reverse repurchase agreements- securities lending" is recognized as "Securities invested by reverse repurchase agreements-securities lending valuation adjustments", which is evaluated at fair value.

(10) Margin loans, short sale stock loans and securities borrowed

- A. The Company and its subsidiaries handling margin trading of securities business, margin loans extended to stock investors are recorded as "margin loans receivable", and the stocks purchased by the borrowers are held by the Company and its subsidiaries as collateral. The collateral is recorded in the memorandum account and is returned to the borrowers when the loans are repaid.
- B. The Company and its subsidiaries handling margin trading of securities business, guarantee deposits received from stock investors on short sales are recorded as "securities financing refundable deposits". The proceeds from short sales (less the securities transaction tax, consignment handling fee revenues from brokered trading and handling fees from securities financing) are held as guarantee deposits which are recorded as "deposits payable for securities financing". The stocks lent to the customers are recorded in the memorandum account. When the stocks are returned to the Company and its subsidiaries, the margin deposits and proceeds from the short sales are returned to the customers accordingly.
- C. Loans borrowed by the Company and its subsidiaries from other securities lenders when the Company and its subsidiaries have insufficient fund to conduct margin trading are recorded as "refinancing borrowings". When the Company and its subsidiaries have insufficient stocks to conduct short selling, the guarantee deposits and collateral paid for the stocks borrowed from other securities lenders are recorded as "refinancing margin". The proceeds from short sales are then paid to the securities lenders as additional guarantees and are recorded as "refinancing collateral receivable".

(11) Refinance guaranty/Futures traders' equity

Mega Futures Co., Ltd. engages in futures brokerage business and receives guarantee deposits and premium from future traders based on the regulation and accounted for the difference of the fair value settlement as an asset item "customer margin accounts" and a liability item "future traders' equity". "Customer margin accounts" and "future traders' equity" were adjusted based on the difference of daily close-market price and related commission. Except for the same category accounts of the same customer, they cannot be offset. When the future traders' equity has a debit balance, it shall be accounted as futures exchanges margins receivable.

(12) Receivables

Receivables include margin loans receivable, receivable of securities business money lending, notes receivable, accounts receivable, other receivables and various creditors' rights shall be measured at fair value at initial recognition and shall be subsequently measured at amortized cost using effective interest rate method less the expected credit loss. Short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(13) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost, at each reporting date, the Company and its subsidiaries recognize the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognize 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.

The Company and its subsidiaries measure the expected credit impairment losses of financial instruments by reflecting the following:

- A. A non-biased and probability-weighted amount determined by evaluating each possible outcome.
- B. Time value of money.
- C. Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

(14) Derecognition of financial asset

The Company and its subsidiaries derecognize 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 Company and its subsidiaries have 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 Company and its subsidiaries have not retained control of the financial asset.

(15) Investments accounted for using the equity method

- A. Associates are all entities over which the Company and its subsidiaries have 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 Company's and its subsidiaries' 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 Company's and its subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company and its subsidiaries do not recognize further losses, unless it has incurred legal/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 Company's and its subsidiaries' ownership percentage of the associate, the Company and its subsidiaries recognize change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's and its subsidiaries' 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 Company and its subsidiaries.

(16) 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 Company and its subsidiaries 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 apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- 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:

| Item                   | Useful lives |
|------------------------|--------------|
| Buildings              | 35~55 years  |
| Equipments             | 2~12 years   |
| Leasehold improvements | 4~12 years   |

(17) 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 Company and its subsidiaries. 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 comprised of the following:
- (a) Fixed payments, less any lease incentives receivable;
  - (b) Variable lease payments that depend on an index or a rate;
  - (c) Amounts expected to be payable by the lessee under residual value guarantees;
  - (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
  - (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company and its subsidiaries 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 the following:
- (a) The amount of the initial measurement of lease liability;
  - (b) Any lease payments made at or before the commencement date;
  - (c) Any initial direct costs incurred by the lessee; and

- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

(18) Investment property

- A. Investment property of the Company and its subsidiaries 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 Company and its subsidiaries for self-use purpose and the remaining are used to generate rental income or capital appreciation. If the property held by the Company and its subsidiaries can be sold individually, then the accounting treatment should be made respectively. IAS 16 that came into effect as endorsed by the FSC applies to the self-use property, and property used to generate rental income or capital appreciation or both is applicable for investment property set out in IAS 40 that came into effect as endorsed by the FSC.
- C. When the future economic benefit related to the investment property is highly likely to flow into the Company and its subsidiaries 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.

(19) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. Impairment testing for goodwill is conducted on an annual basis and is recorded at cost less accumulated impairment loss. The recognized impairment loss cannot be reversed. For the purpose of impairment testing, goodwill is allocated to cash-generated units. The allocation is based on the operating divisions to identify the goodwill allocated to the cash-generating unit or groups of units expected to be benefit from business combinations.

B. Computer software

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 1~10 years.

(20) Impairment of non-financial assets

- A. The Company and its subsidiaries assess 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. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. 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 amount of goodwill shall be regularly estimated. When the recoverable amount is less than its carrying value, an impairment loss is recognized. The impairment loss recognized cannot be reversed in subsequent years.

(21) Borrowings

Borrowings comprise short-term bank borrowings and notes payable. Borrowings are recognized initially at original value. Borrowings are subsequently recognized interest in profit or loss over the period of the borrowings using the interest rates and coupon rates.

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

- A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. 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. Financial liabilities held for sale shall be classified according to the securities invested by reverse repurchase agreement-securities lending, call (put) warrants, securities borrowing and derivatives.
- B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

(23) Accounts payable

Accounts payable arises from department of securities operations, including payables for settlements and payables for consignment securities businesses. Short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(24) 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.

(25) 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.

(26) 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. Pensions

(A) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined benefit plans

- a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company and its subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company and its subsidiaries use interest rates of government bonds (at the balance sheet date) instead.
- b. Gains or losses on remeasurements of defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- c. Past service costs are recognized immediately in profit or loss if vested immediately.

C. Employees' compensation

Employees' compensation is 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.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(28) Revenue recognition

Revenue is recognized when it was probable that the expected future economic benefits would flow to the Company and its subsidiaries and it can be reliably measured, which mainly include:

- A. Brokerage commission, gains (losses) on sale of securities and related handling fee expenses are recognized on the transaction date.
- B. Interest revenue and expenses from margin purchase and short sale of securities and conditional bonds are recognized on an accrual basis during transactions.
- C. Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.
- D. Stock agency income is recognized on a monthly basis based on contracts.
- E. Dividend income arising from trading securities and equity investment at fair value through other comprehensive income recognised on the ex-dividend date or stockholders' resolution date.
- F. Commission income of futures is commission collected from appointed companies for engaging in futures introducing broker business and is recognized on an accrual basis during transactions.
- G. Futures contract gains or losses: The margin of futures trading is recognized at cost and measured through mark-to-market valuation. The gains or losses from mark-to-market, reversed futures trading or settled contracts are recognized as gains or losses in the current period; dealer handling fee expenditures is recognized on the transaction date of futures trading. The dealing handling fee expense is recognized on the date of settlement.
- H. Premium of options trading: The premium of options trading is recognized at cost and assessed monthly through mark-to-market valuation before the obligation is fulfilled. Any gain and loss occurring due to the option exercise is recognized as gain and loss in the period.

(29) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. 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 Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions 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.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or 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 or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and its subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. 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 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.
- F. The Company has adopted to compute its income tax using the consolidated result under the basis of its parent company Mega Holdings and the subsidiaries since 2003. The consolidated result, either receivables or payables shall be recorded as “current income tax assets (liabilities)”.

(30) Common stock

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(31) Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Company's and its subsidiaries' 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

The preparation of these consolidated financial statements requires management to make critical judgments in applying the Company's and its subsidiaries' accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

A. Fair value measurement of unlisted stocks without active market

If the fair value of unlisted stocks with no active market held by the Company and its subsidiaries are measured using valuation models, it 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 the financial instrument is assessed through appropriate assumptions. When valuation models are adopted to determine fair value, they should be calibrated to ensure that the output reflects actual information and market prices. Fair value measurements should incorporate observable information as much as possible.

The Company and its subsidiaries used market method and net asset method to measure the fair value of unlisted stocks. The key assumptions of the market method were based on the latest price-book ratios of comparable listed companies in the industry or the recent transaction price of the unlisted stocks, and discounts due to market liquidity or particular risk. Any changes in judgments and estimations are likely to affect the measurement of fair value. Refer to Note 13(2) for details on fair values of financial instruments.

B. Expected credit losses

For debt instruments measured at fair value through other comprehensive income and financial assets measured at amortized cost, the measurement of expected credit losses uses model evaluations and multiple assumptions. These models and assumptions relate to the overall economic situation in the future and the credit behavior of counterparties (such as the possibility counterparty

default and the resulting losses). Please refer to Note 13(3) for details on the measurement of expected credit losses.

Many significant judgments are involved in the measurement of expected credit losses in accordance with accounting standards, such as:

- (A) Determine the criteria for a significant increase in credit risk;
- (B) Select appropriate models and assumptions to measure expected credit losses;
- (C) Identify the forward-looking factors that are required in measuring expected credit losses for different types of products;
- (D) The financial instruments are grouped for the purpose of measuring expected credit losses, and financial assets with similar credit risk characteristics are included in the same group.

Please refer to Note 13(3) for details on judgment and evaluation of the abovementioned expected credit losses.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Petty cash                                    | \$ 2,250                 | \$ 2,250                 |
| Checking deposits                             | 84,019                   | 60,647                   |
| Demand deposits                               | 318,088                  | 387,760                  |
| Deposits denominated in foreign currencies    | 168,939                  | 553,149                  |
| Time deposits                                 | 1,450,703                | 837,270                  |
| Commercial papers with a three-month maturity | <u>302,907</u>           | <u>307,750</u>           |
|   | <u>\$ 2,326,906</u>      | <u>\$ 2,148,826</u>      |
| (Blank)                                       |                          |                          |

(2) Financial assets at fair value through profit or loss - current

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| <u>Financial assets mandatorily measured at fair value through profit or loss</u> |                          |                          |
| <u>Open-end funds, money market instruments and other securities</u>              |                          |                          |
| Beneficiary certificates  | \$ 34,150                | \$ 220,000               |
| Valuation adjustment  | 139                      | -                        |
|   | <u>34,289</u>            | <u>220,000</u>           |
| <u>Trading securities - dealer</u>  |                          |                          |
| Listed stocks on the TWSE   | 1,194,230                | 466,535                  |
| Listed stocks on the OTC  | 516,654                  | 33,782                   |
| ETFs  | 216,980                  | 32,592                   |
| Emerging stocks   | 772,836                  | 637,839                  |
| Emerging fund   | -                        | 1,680                    |
| Other stocks  | 571                      | 571                      |
| Corporate bonds   | 2,401,076                | 4,205,790                |
| Financial debentures  | 200,000                  | 400,009                  |
| Government bonds  | 2,168,538                | 1,276,371                |
| Convertible corporate bonds   | 865,022                  | 4,900                    |
| Overseas bonds  | 562,128                  | 30,826                   |
| Subtotal  | 8,898,035                | 7,090,895                |
| Valuation adjustment  | 175,412                  | ( 272,238)               |
|   | <u>9,073,447</u>         | <u>6,818,657</u>         |
| <u>Trading securities - underwriter</u>   |                          |                          |
| Convertible corporate bonds   | 514,277                  | 516,826                  |
| Listed stocks on the TWSE   | 236,634                  | 176,992                  |
| Listed stocks on the OTC  | 20,134                   | 69,128                   |
| Other stocks  | 5,000                    | -                        |
| Subtotal  | 776,045                  | 762,946                  |
| Valuation adjustment  | 81,802                   | ( 22,168)                |
|   | <u>857,847</u>           | <u>740,778</u>           |
| <u>Trading securities - hedging</u>   |                          |                          |
| Stocks listed on the TWSE   | 1,255,749                | 359,169                  |
| Stocks listed on the OTC  | 403,778                  | 86,778                   |
| ETFs  | 7,849                    | 40,162                   |
| Warrants  | 21,685                   | 13,805                   |
| Convertible corporate bonds   | 1,923,500                | 3,468                    |
| Subtotal  | 3,612,561                | 503,382                  |
| Valuation adjustment  | 313,990                  | ( 13,242)                |
|   | <u>3,926,551</u>         | <u>490,140</u>           |

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| <u>Derivative financial instrument</u> |                          |                          |
| Futures guarantee deposits receivable  | \$ 503,360               | \$ 340,475               |
| Derivative instruments asset- OTC      | 233,439                  | 162,165                  |
|  | <u>736,799</u>           | <u>502,640</u>           |
|  | <u>\$ 14,628,933</u>     | <u>\$ 8,772,215</u>      |

- A. Gains or (losses) on financial assets and liabilities measured at fair value through profit or loss for the years ended December 31, 2023 and 2022 were \$936,059 and (\$566,992), respectively.
- B. As of December 31, 2023 and 2022, excess margin for futures contracts were \$352,769 and \$307,141, respectively.
- C. As of December 31, 2023 and 2022, none of the financial assets measured at fair value through profit or loss were pledged by the Company and its subsidiaries as collateral.
- D. As of December 31, 2023 and 2022, the bonds with repurchase agreement of above financial assets at fair value were \$7,652,052 and \$5,667,242, respectively.

(3) Financial assets at fair value through other comprehensive income

Current items:

|                      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Equity instruments   |                          |                          |
| Listed stocks        | \$ 1,885,907             | \$ 1,714,334             |
| Unlisted stocks      | 239,203                  | 19,534                   |
| Subtotal             | 2,125,110                | 1,733,868                |
| Valuation adjustment | 126,715                  | ( 241,634)               |
|                      | <u>2,251,825</u>         | <u>1,492,234</u>         |
| Debt instruments     |                          |                          |
| Corporate bonds      | 9,849,662                | 8,851,388                |
| Financial bonds      | 1,499,995                | 1,450,049                |
| Government bonds     | 7,061,675                | 2,529,332                |
| Overseas bonds       | 2,803,241                | 1,612,919                |
| Subtotal             | 21,214,573               | 14,443,688               |
| Valuation adjustment | ( 39,965)                | ( 273,720)               |
|                      | <u>21,174,608</u>        | <u>14,169,968</u>        |
| Total                | <u>\$ 23,426,433</u>     | <u>\$ 15,662,202</u>     |

Non-current items:

|                      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------|--------------------------|--------------------------|
| Equity instruments   |                          |                          |
| Unlisted stocks      | \$ 207,892               | \$ 211,605               |
| Valuation adjustment | <u>1,036,844</u>         | <u>945,577</u>           |
| Total                | <u>\$ 1,244,736</u>      | <u>\$ 1,157,182</u>      |

- A. The Company and its subsidiaries have elected to classify listed stocks which are not held for trading and stocks held for strategic purposes as financial assets measured at fair value through other comprehensive income. The former is held for steady dividend income, and the latter is held as part of the Company's and its subsidiaries' strategic plan.
- B. As of December 31, 2023 and 2022, the fair value of investments in financial assets at fair value through other comprehensive income undertaken for repurchase agreements were \$20,930,254 and \$14,047,705, respectively.
- 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:

|  | <u>Year ended December<br/>31, 2023</u> | <u>Year ended December<br/>31, 2022</u> |
|--|---|---|
| <u>Equity instruments at fair value<br/>through other comprehensive income</u>         |   |   |
| Fair value change recognized in other<br>comprehensive income                          | \$ 459,616                              | (\$ 535,507)                            |
| Cumulative gains (losses) reclassified<br>to retained earnings due to<br>derecognition | <u>120,781</u>                          | <u>( 301,078)</u>                       |
| Net fair value change recognized in<br>other comprehensive income                      | <u>\$ 580,397</u>                       | <u>(\$ 836,585)</u>                     |
| Dividend income recognized in profit<br>or loss  |   |   |
| Held at end of period  | \$ 136,524                              | \$ 124,791                              |
| Derecognized during the period   | <u>419,860</u>                          | <u>269,580</u>                          |
|  | <u>\$ 556,384</u>                       | <u>\$ 394,371</u>                       |

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| <u>Debt instruments at fair value through other comprehensive income</u> |                                 |                                 |
| Fair value change recognized in other comprehensive income               | \$ 225,694                      | (\$ 374,495)                    |
| Cumulative other comprehensive income reclassified to profit or loss     |                                 |                                 |
| Reclassified due to impairment (reversal) reserve                        | ( 108)                          | 45                              |
| Reclassified due to derecognition  | 1,996                           | -                               |
|  | <u>1,888</u>                    | <u>45</u>                       |
| Net fair value change recognized in other comprehensive income           | <u>\$ 227,582</u>               | <u>(\$ 374,450)</u>             |
| Interest income recognized in profit or loss                             | <u>\$ 238,018</u>               | <u>\$ 93,175</u>                |

D. For the year ended December 31, 2023 and 2022, the Company and subsidiaries sold listed stocks with fair value \$6,461,582 and \$5,777,275, respectively due to the consideration of risk control, resulting to an accumulated gains or (losses) on disposal of \$120,781 and (\$301,078), respectively.

E. As of December 31, 2023 and 2022, none of the financial assets measured at fair value through other comprehensive income were pledged by the Company and its subsidiaries as collateral.

(4) Margin loans receivable

|                               | December 31, 2023    | December 31, 2022    |
|-------------------------------|----------------------|----------------------|
| TSE Market                    | \$ 14,303,864        | \$ 9,567,123         |
| OTC Market                    | 4,872,949            | 3,480,009            |
| Subtotal                      | 19,176,813           | 13,047,132           |
| Less: allowance for bad debts | ( 13,750)            | ( 11,664)            |
|                               | <u>\$ 19,163,063</u> | <u>\$ 13,035,468</u> |

Please refer to 13(3) for the movement on allowance of bad debts of margin loans receivables for the years ended December 31, 2023 and 2022.

(5) Customer margin account

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Customer margin account :                     |                          |                          |
| Bank deposit                                  | \$ 3,769,027             | \$ 4,438,973             |
| Futures clearing house                        | 1,451,906                | 1,960,791                |
| Other futures commission merchant             | <u>474,656</u>           | <u>528,965</u>           |
| Total   | 5,695,589                | 6,928,729                |
| Add: Commission expenses                      | 690                      | 1,207                    |
| Others  | 2,424                    | 3,655                    |
| Less: Service fee income pending for transfer | ( 18,604)                | ( 26,013)                |
| Futures exchange tax pending for transfer     | ( 277)                   | ( 370)                   |
| Interest income pending for transfer          | -                        | ( 2)                     |
| Temporary receivable                          | ( 39)                    | ( 33)                    |
| Others  | <u>( 5,356)</u>          | <u>( 690)</u>            |
| Futures traders' equity                       | <u>\$ 5,674,427</u>      | <u>\$ 6,906,483</u>      |

A. Bank deposit :

Futures commission merchants deposit balances of exchanges margins and premium at 'Customer margin account' in various banks.

B. Balance of futures settlement :

Balance of futures settlement is calculated by exchanges margins and premium transferred to futures settlement institutions by futures commission merchants who are qualified as settlement members.

C. Settlement balance of other futures commission merchants :

Settlement balance of other futures commission merchants is calculated by exchanges margins and premium transferred to futures commission merchants who are qualified as settlement members by futures commission merchants who do not hold the settlement member qualification.

(Blank)

(6) Accounts receivable

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Accounts receivable - non-related parties                       |                          |                          |
| Accounts receivable - customers' purchase                       | \$ 39,754                | \$ 36,724                |
| Settlement price receivable                                     | 944,196                  | 5,211                    |
| Accounts receivable for settlement from<br>brokered trading     | 18,123,514               | 9,430,688                |
| Accounts receivable for settlement from<br>non-brokered trading | 384,057                  | 43,369                   |
| Others  | 345,250                  | 318,176                  |
| Subtotal  | <u>19,836,771</u>        | <u>9,834,168</u>         |
| Less: allowance for bad debts                                   | -                        | -                        |
| Net   | <u>\$ 19,836,771</u>     | <u>\$ 9,834,168</u>      |

The aging analysis of accounts receivable were as follows:

|                     | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------|--------------------------|--------------------------|
| Not past due        | \$ 19,830,552            | \$ 9,830,566             |
| 31 days to 90 days  | 5,404                    | 3,093                    |
| 90 days to 180 days | 815                      | 509                      |
|                     | <u>\$ 19,836,771</u>     | <u>\$ 9,834,168</u>      |

(7) Other receivables

|                               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Non-related parties           | \$ 194,380               | \$ 115,277               |
| Less: allowance for bad debts | ( 29)                    | ( 19)                    |
| Non-related parties, net      | 194,351                  | 115,258                  |
| Related parties               | 261                      | 184                      |
|                               | <u>\$ 194,612</u>        | <u>\$ 115,442</u>        |

Please refer to 13(3) for the movements on allowance of bad debts of other receivables for the years ended December 31, 2023 and 2022.

(8) Other current assets

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Temporary payments   | \$ 20                    | \$ -                     |
| Amounts held for settlement  | 140,663                  | 141,446                  |
| Cash and cash equivalents-receipts under custody from exercise of warrant              | 11                       | 11                       |
| Cash and cash equivalents-receipts under custody from customers' security subscription | 183,174                  | 441,881                  |
| Amounts held for each customer in the account  | 5,486                    | -                        |
|  | <u>\$ 329,354</u>        | <u>\$ 583,338</u>        |

(9) Investments accounted for using the equity method

|                                       | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------|--------------------------|--------------------------|
| Mega Growth Venture Capital Co., Ltd. | \$ 36,065                | \$ 56,527                |

A. Individually immaterial associates'(Mega Growth Venture Capital Co., Ltd.) share of the operating results are summarized below:

|  | <u>Year ended December<br/>31, 2023</u> | <u>Year ended December<br/>31, 2022</u> |
|--|---|---|
| Gain for the period                              | \$ 1,754                                | \$ 3,138                                |
| Other comprehensive income<br>(after income tax) | -                                       | ( 6,941)                                |
| Total comprehensive income (loss)                | <u>\$ 1,754</u>                         | <u>(\$ 3,803)</u>                       |

B. The Company's reinvestment in Mega Growth Venture Capital Co., Ltd. accounted for an ownership percentage of 5.51%. However, the comprehensive ownership percentage of the company and the parent company's affiliates was over 20%, thus the investment was accounted for using the equity method starting from 2015.

C. The Company's investment in Mega Growth Venture Capital Co., Ltd. has been resolved a cash capital reduction by the board of directors on May 31, 2022, and the cash capital reduction of \$215,900 has been approved by the FSC on August 26, 2022. The shareholding ratio remains unchanged after the capital reduction.

D. The Company's investment in Mega Growth Venture Capital Co., Ltd. has been resolved a cash capital reduction by the board of directors on June 8, 2023, and the cash capital reduction of \$347,853 has been approved by the FSC on July 26, 2023. The shareholding ratio remains unchanged after the capital reduction.

(10) Property and equipment

|                                       | <u>Land</u>         | <u>Buildings</u>  | <u>Equipment</u>  | <u>Leasehold<br/>improvements</u> | <u>Total</u>        |
|---------------------------------------|---------------------|-------------------|-------------------|-----------------------------------|---------------------|
| <u>January 1, 2023</u>                |                     |                   |                   |                                   |                     |
| Cost                                  | \$ 1,708,735        | \$ 777,965        | \$ 877,872        | \$ 244,205                        | \$ 3,608,777        |
| Accumulated depreciation              | -                   | ( 284,758)        | ( 706,502)        | ( 219,622)                        | ( 1,210,882)        |
| Accumulated impairment                | ( 90,674)           | ( 46,980)         | -                 | -                                 | ( 137,654)          |
|                                       | <u>\$ 1,618,061</u> | <u>\$ 446,227</u> | <u>\$ 171,370</u> | <u>\$ 24,583</u>                  | <u>\$ 2,260,241</u> |
| <u>For the year ended</u>             |                     |                   |                   |                                   |                     |
| <u>December 31, 2023</u>              |                     |                   |                   |                                   |                     |
| January 1, 2023                       | \$ 1,618,061        | \$ 446,227        | \$ 171,370        | \$ 24,583                         | \$ 2,260,241        |
| Additions                             | -                   | -                 | 80,954            | 675                               | 81,629              |
| Disposals-cost                        | -                   | -                 | ( 40,830)         | -                                 | ( 40,830)           |
| Disposals-accumulated<br>depreciation | -                   | -                 | 40,830            | -                                 | 40,830              |
| Transfers-cost (Note)                 | -                   | -                 | 81,302            | -                                 | 81,302              |
| Depreciation                          | -                   | ( 13,838)         | ( 79,843)         | ( 6,306)                          | ( 99,987)           |
| Reversal of loss on<br>impairment     | 1,925               | 3,205             | -                 | -                                 | 5,130               |
| December 31, 2023                     | <u>\$ 1,619,986</u> | <u>\$ 435,594</u> | <u>\$ 253,783</u> | <u>\$ 18,952</u>                  | <u>\$ 2,328,315</u> |
| <u>December 31, 2023</u>              |                     |                   |                   |                                   |                     |
| Cost                                  | \$ 1,708,735        | \$ 777,965        | \$ 999,298        | \$ 244,880                        | \$ 3,730,878        |
| Accumulated depreciation              | -                   | ( 298,596)        | ( 745,515)        | ( 225,928)                        | ( 1,270,039)        |
| Accumulated impairment                | ( 88,749)           | ( 43,775)         | -                 | -                                 | ( 132,524)          |
|                                       | <u>\$ 1,619,986</u> | <u>\$ 435,594</u> | <u>\$ 253,783</u> | <u>\$ 18,952</u>                  | <u>\$ 2,328,315</u> |

(Blank)

|   | Land                | Buildings         | Equipment         | Leasehold<br>improvements | Total               |
|---|---------------------|-------------------|-------------------|---------------------------|---------------------|
| <u>January 1, 2022</u>                              |                     |                   |                   |                           |                     |
| Cost  | \$ 1,811,648        | \$ 777,965        | \$ 862,486        | \$ 239,062                | \$ 3,691,161        |
| Accumulated depreciation                            | -                   | ( 271,118)        | ( 702,053)        | ( 221,719)                | ( 1,194,890)        |
| Accumulated impairment                              | ( 91,981)           | ( 52,927)         | -                 | -                         | ( 144,908)          |
|   | <u>\$ 1,719,667</u> | <u>\$ 453,920</u> | <u>\$ 160,433</u> | <u>\$ 17,343</u>          | <u>\$ 2,351,363</u> |
| <u>For the year ended</u>                           |                     |                   |                   |                           |                     |
| <u>December 31, 2022</u>                            |                     |                   |                   |                           |                     |
| January 1, 2022                                     | \$ 1,719,667        | \$ 453,920        | \$ 160,433        | \$ 17,343                 | \$ 2,351,363        |
| Additions   | -                   | -                 | 31,687            | 4,917                     | 36,604              |
| Disposals-cost                                      | -                   | -                 | ( 53,097)         | ( 7,439)                  | ( 60,536)           |
| Disposals-accumulated<br>depreciation               | -                   | -                 | 53,097            | 7,336                     | 60,433              |
| Transfers-cost (Note)                               | ( 102,913)          | -                 | 36,796            | 7,665                     | ( 58,452)           |
| Depreciation  | -                   | ( 13,640)         | ( 57,546)         | ( 5,239)                  | ( 76,425)           |
| Reversal of loss on<br>impairment (impairment loss) | 1,307               | 5,947             | -                 | -                         | 7,254               |
| December 31, 2022                                   | <u>\$ 1,618,061</u> | <u>\$ 446,227</u> | <u>\$ 171,370</u> | <u>\$ 24,583</u>          | <u>\$ 2,260,241</u> |
| <u>December 31, 2022</u>                            |                     |                   |                   |                           |                     |
| Cost  | \$ 1,708,735        | \$ 777,965        | \$ 877,872        | \$ 244,205                | \$ 3,608,777        |
| Accumulated depreciation                            | -                   | ( 284,758)        | ( 706,502)        | ( 219,622)                | ( 1,210,882)        |
| Accumulated impairment                              | ( 90,674)           | ( 46,980)         | -                 | -                         | ( 137,654)          |
|   | <u>\$ 1,618,061</u> | <u>\$ 446,227</u> | <u>\$ 171,370</u> | <u>\$ 24,583</u>          | <u>\$ 2,260,241</u> |

(Note) Mainly resulted from prepayment of equipment transferred into equipment and land transferred to investment property.

A. There was no interest capitalization for the years ended December 31, 2023 and 2022.

B. Information on property and equipment that were pledged to others as collateral is provided in Note 8.

C. The Company's impairment on property and equipment and reversal of impairment amount were assessed by external valuation experts using comparative approach and income approach.

This is considered to be Level 2 within the fair value hierarchy.

(11) Leasing arrangements – lessee

A. The Company and its subsidiaries lease various assets including buildings and business vehicles. Rental contracts are typically made for periods of 2 to 6 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:

|                          | December 31,<br>2023           | December 31,<br>2022           |
|--------------------------|--------------------------------|--------------------------------|
|                          | <u>Carrying<br/>amount</u>     | <u>Carrying<br/>amount</u>     |
| Buildings                | \$ 155,775                     | \$ 144,448                     |
| Transportation equipment | <u>8,171</u>                   | <u>4,192</u>                   |
|                          | <u>\$ 163,946</u>              | <u>\$ 148,640</u>              |
|                          | <u>December 31,<br/>2023</u>   | <u>December 31,<br/>2022</u>   |
|                          | <u>Depreciation<br/>charge</u> | <u>Depreciation<br/>charge</u> |
| Buildings                | \$ 70,781                      | \$ 71,822                      |
| Transportation equipment | <u>3,480</u>                   | <u>3,379</u>                   |
|                          | <u>\$ 74,261</u>               | <u>\$ 75,201</u>               |

C. For the years ended December 31, 2023 and 2022, the additions to right-of-use assets were \$89,567 and \$107,331, respectively.

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

|                                       | December 31,<br>2023 | December 31,<br>2022 |
|---------------------------------------|----------------------|----------------------|
| <u>Items affecting profit or loss</u> |                      |                      |
| Interest expense on lease liabilities | \$ 1,429             | \$ 1,068             |
| Expense on short-term lease contracts | 1,706                | 715                  |
| Gains from lease modification         | -                    | 1                    |

E. For the years ended December 31, 2023 and 2022, the Company's and its subsidiaries' total cash outflow for leases were \$77,268 and \$77,207, respectively.

F. Variable lease payments

- (a) The ratio of the Company's and its subsidiaries' lease contracts containing variable lease payment terms was 8.04% and was related with the Consumer Price Index adjustment range.
- (b) A 1% increase in the Consumer Price Index and the public employees adjustment range with the Company's and its subsidiaries' variable lease contracts would increase total lease payments by approximately 0.09%.

(12) Investment property

|                           | <u>Land</u>       | <u>Buildings</u>  | <u>Total</u>      |
|---------------------------|-------------------|-------------------|-------------------|
| <u>January 1, 2023</u>    |                   |                   |                   |
| Cost                      | \$ 358,973        | \$ 188,806        | \$ 547,779        |
| Accumulated depreciation  | -                 | ( 84,675)         | ( 84,675)         |
|                           | <u>\$ 358,973</u> | <u>\$ 104,131</u> | <u>\$ 463,104</u> |
| <u>For the year ended</u> |                   |                   |                   |
| <u>December 31, 2023</u>  |                   |                   |                   |
| January 1, 2023           | \$ 358,973        | \$ 104,131        | \$ 463,104        |
| Depreciation              | -                 | ( 3,680)          | ( 3,680)          |
| December 31, 2023         | <u>\$ 358,973</u> | <u>\$ 100,451</u> | <u>\$ 459,424</u> |
| <u>December 31, 2022</u>  |                   |                   |                   |
| Cost                      | \$ 358,973        | \$ 188,806        | \$ 547,779        |
| Accumulated depreciation  | -                 | ( 88,355)         | ( 88,355)         |
|                           | <u>\$ 358,973</u> | <u>\$ 100,451</u> | <u>\$ 459,424</u> |
|                           | <u>Land</u>       | <u>Buildings</u>  | <u>Total</u>      |
| <u>January 1, 2022</u>    |                   |                   |                   |
| Cost                      | \$ 256,060        | \$ 188,806        | \$ 444,866        |
| Accumulated depreciation  | -                 | ( 80,995)         | ( 80,995)         |
|                           | <u>\$ 256,060</u> | <u>\$ 107,811</u> | <u>\$ 363,871</u> |
| <u>For the year ended</u> |                   |                   |                   |
| <u>December 31, 2022</u>  |                   |                   |                   |
| January 1, 2022           | \$ 256,060        | \$ 107,811        | \$ 363,871        |
| Transfers-cost (Note)     | 102,913           | -                 | 102,913           |
| Depreciation              | -                 | ( 3,680)          | ( 3,680)          |
| December 31, 2022         | <u>\$ 358,973</u> | <u>\$ 104,131</u> | <u>\$ 463,104</u> |
| <u>December 31, 2022</u>  |                   |                   |                   |
| Cost                      | \$ 358,973        | \$ 188,806        | \$ 547,779        |
| Accumulated depreciation  | -                 | ( 84,675)         | ( 84,675)         |
|                           | <u>\$ 358,973</u> | <u>\$ 104,131</u> | <u>\$ 463,104</u> |

(Note) Mainly resulting from property and equipments transferred into investment property

- A. The fair values of investment properties held by the Company and its subsidiaries as of December 31, 2023 and 2022 were \$861,917 and \$835,658, respectively, which were assessed by external valuation experts using comparison approach and income approach. This is considered to be Level 2 within the fair value hierarchy.

B. For the years ended December 31, 2023 and 2022, the rental incomes from the lease of the investment properties were \$18,875 and \$18,780, respectively, and direct operating expenses arising from the investment properties both were \$3,680. There were no direct operating expenses arising from the investment property that did not generate rental income for the years ended December 31, 2023 and 2022.

C. Information on investment property that were pledged to others as collateral is provided in Note 8.

(13) Other assets - non-current

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Operation guaranteed deposits            | \$ 685,000               | \$ 685,000               |
| Clearing and settlement fund             | 247,513                  | 236,008                  |
| Issuance of Exchange Traded Notes        | 700                      | 700                      |
| Refundable deposits                      | 77,806                   | 70,777                   |
| Deferred expenses                        | 1,956                    | 2,005                    |
| Defined benefit asset-non-current        | 5,855                    | 6,406                    |
| Claim reserve from trust fund            | 50,000                   | 50,000                   |
| Overdue receivables                      | 1,282                    | 4,322                    |
| Allowance for loss — overdue receivables | ( 1,282)                 | ( 4,322)                 |
| Prepayment for equipment                 | 14,292                   | 17,544                   |
|  | <u>\$ 1,083,122</u>      | <u>\$ 1,068,440</u>      |

A. Operations guarantee deposits was based on R.O.C. Securities and Exchange Act, Futures Trading Act, Regulations Governing Securities Firms, Regulations Governing Futures Commission Merchants, Regulations Governing Futures Advisory Enterprises and Regulations Governing Securities Investment Consulting Enterprises, and was drawn from designated banks after the establishment of the Company. The Company's and its subsidiaries' time deposits were deposited in the financial institutions which were designated by the Securities and Futures Bureau of Financial Supervisory Commission.

B. Deposits for clearings and settlements of the Taiwan Stock Exchange, Taiwan Future Exchange, Taipei Exchange are conducted pursuant to the Securities and Exchange Act, Taiwan Futures Exchange's Criteria of Clearing Membership, and Regulations Governing Securities Firms.

C. Please refer to Note 13(3) for the movements on allowance of bad debts of overdue receivables for the years ended December 31, 2023 and 2022.

(14) Short-term loans

|                                  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|--------------------------|--------------------------|
| Unsecured bank borrowings (Note) | \$ 61,382                | \$ -                     |
| Borrowing interest rates         | 6.08%                    | -                        |

(Note) It is the foreign currency borrowings (USD 2,000,000).

(15) Commercial papers payable

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Commercial papers payable                   | \$ 13,420,000            | \$ 120,000               |
| Less: discount on commercial papers payable | ( 10,699)                | ( 47)                    |
| Total                                       | <u>\$ 13,409,301</u>     | <u>\$ 119,953</u>        |
| Interest rates                              | <u>1.46%-1.545%</u>      | <u>1.30%</u>             |

Above-mentioned commercial papers were secured by bills finance company and financial institutions or non-guaranteed commercial paper underwriting for short-term financing.

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

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Financial liabilities held for trading                      |                          |                          |
| Liabilities for issuance of call (put) warrants             |                          |                          |
| Proceeds from issued call (put) warrants                    | \$ 4,888,806             | \$ 3,426,750             |
| Gain on price fluctuation                                   | 1,486,959                | ( 989,560)               |
| Market value (A)  | <u>6,375,765</u>         | <u>2,437,190</u>         |
| Warrants redeemed   | 4,666,704                | 3,022,509                |
| (Loss) and gain on price fluctuation                        | 1,386,674                | ( 696,892)               |
| Market value (B)  | <u>6,053,378</u>         | <u>2,325,617</u>         |
| Liabilities for issuance of call (put) warrants (A-B)       | <u>322,387</u>           | <u>111,573</u>           |
| Liabilities on sale of borrowed securities - hedged         | -                        | 29,832                   |
| Valuation adjustment  | -                        | ( 3,040)                 |
|   | <u>-</u>                 | <u>26,792</u>            |
| Derivative financial Instruments - OTC                      |                          |                          |
| Value of interest rate swap                                 | 113,787                  | 171,916                  |
| Value of foreign exchange swap                              | 299                      | 330                      |
| Asset swap options  | 407,566                  | 63                       |
| Structured instruments                                      | 409                      | 715                      |
|   | <u>522,061</u>           | <u>173,024</u>           |
| Outstanding liabilities - issuance of exchange traded notes | 2,593                    | 10,783                   |
| Valuation adjustment  | 241                      | ( 963)                   |
|   | <u>2,834</u>             | <u>9,820</u>             |
|   | <u>\$ 847,282</u>        | <u>\$ 321,209</u>        |

Call (put) warrants issued by the Company and its subsidiaries are American warrants and European warrants. The warrants have six to twelve months exercise period from the date of issuance. The Company and its subsidiaries can choose to settle the warrants either by cash or bond delivery.

(17) Bonds sold under repurchase agreements

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Government bonds                       | \$ 9,267,816             | \$ 3,967,464             |
| Corporate bonds                        | 12,249,120               | 13,077,416               |
| Financial debentures                   | 1,701,994                | 1,852,748                |
| Convertible bonds                      | 2,137,426                | -                        |
| Overseas bonds and international bonds | 3,153,325                | 1,488,419                |
|  | <u>\$ 28,509,681</u>     | <u>\$ 20,386,047</u>     |

The above bonds sold under repurchase agreements as of December 31, 2023 and 2022 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 \$28,697,987 and \$20,462,435, respectively.

(18) Accounts payable

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Accounts payable - non-related parties                    |                          |                          |
| Prices payable of securities sold for customers           | \$ 51,009                | \$ 30,657                |
| Accounts payable for settlement from brokered trading     | 18,904,000               | 9,473,899                |
| Accounts payable for settlement from non-brokered trading | 42,733                   | 31,846                   |
| Others  | 23,278                   | 10,384                   |
|   | <u>\$ 19,021,020</u>     | <u>\$ 9,546,786</u>      |

(19) Pension plan

A.(A) The Company and its domestic subsidiaries have 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. 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. 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. The Company and Mega Futures Co., Ltd. contributes monthly an amount to 3.15% and 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March. In accordance with Lao-Zi-Zi Letter

No. 1126016879, Mega Futures Co., Ltd. will cease to contribute pension until February 2024.

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

|   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--------------------------|--------------------------|
| Present value defined benefit obligations | \$ 319,593               | \$ 318,202               |
| Fair value of plan assets                 | ( 245,460)               | ( 258,641)               |
| Net defined benefit liability             | <u>\$ 74,133</u>         | <u>\$ 59,561</u>         |

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

|   | <u>Present value of<br/>funded defined<br/>benefit obligations</u> | <u>Fair value of plan<br/>assets</u> | <u>Net defined benefit<br/>liability</u> |
|---|--|--------------------------------------|--|
| Year ended December 31, 2023  |  |                                      |  |
| Balance at January 1, 2023  | \$ 318,202   | (\$ 258,641)                         | \$ 59,561                                |
| Current service cost  | 1,107  | -                                    | 1,107                                    |
| Interest expense (income)   | 5,440  | ( 4,348)                             | 1,092                                    |
| Expect return on plan assets  | -  | ( 127)                               | ( 127)                                   |
|   | <u>324,749</u>   | <u>( 263,116)</u>                    | <u>61,633</u>                            |
| Remeasurements:   |  |                                      |  |
| Return on plan assets<br>(excluding amounts<br>included in interest<br>income or expense) | -  | 1,696                                | 1,696                                    |
| Change in financial<br>assumptions  | 11,967   | -                                    | 11,967                                   |
| Experience adjustments  | <u>10,198</u>  | <u>-</u>                             | <u>10,198</u>                            |
|   | <u>22,165</u>  | <u>1,696</u>                         | <u>23,861</u>                            |
| Pension fund contribution   | -  | ( 11,361)                            | ( 11,361)                                |
| Paid pension  | <u>( 27,321)</u>   | <u>27,321</u>                        | <u>-</u>                                 |
| Balance at December 31, 2023  | <u>\$ 319,593</u>  | <u>(\$ 245,460)</u>                  | <u>\$ 74,133</u>                         |

|   | Present value of<br>funded defined<br>benefit obligations | Fair value of plan<br>assets | Net defined benefit<br>liability |
|---|---|------------------------------|----------------------------------|
| Year ended December 31, 2022  |   |                              |                                  |
| Balance at January 1, 2022  | \$ 370,796  | (\$ 253,425)                 | \$ 117,371                       |
| Current service cost  | 1,515   | -                            | 1,515                            |
| Interest expense (income)   | 1,833   | ( 1,225)                     | 608                              |
| Expect return on plan<br>assets   | -   | ( 62)                        | ( 62)                            |
|   | <u>374,144</u>  | <u>( 254,712)</u>            | <u>119,432</u>                   |
| Remeasurements:   |   |                              |                                  |
| Return on plan assets<br>(excluding amounts<br>included in interest<br>income or expense) | -   | ( 19,969)                    | ( 19,969)                        |
| Change in financial<br>assumptions  | ( 38,199)   | -                            | ( 38,199)                        |
| Experience adjustments  | <u>10,314</u>   | <u>-</u>                     | <u>10,314</u>                    |
|   | <u>( 27,885)</u>  | <u>( 19,969)</u>             | <u>( 47,854)</u>                 |
| Pension fund contribution   | -   | ( 12,017)                    | ( 12,017)                        |
| Paid pension  | <u>( 28,057)</u>  | <u>28,057</u>                | <u>-</u>                         |
| Balance at December 31, 2022  | <u>\$ 318,202</u>   | <u>(\$ 258,641)</u>          | <u>\$ 59,561</u>                 |

(D) The Bank of Taiwan was commissioned to manage the Fund of the Company'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 Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2023 and 2022 are given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

|                         | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|-------------------------|---------------------------------|---------------------------------|
| Discount rate           | 1.28%-1.30%                     | 1.30%-1.75%                     |
| Future salary increases | 1.25%-2.00%                     | 1.25%-1.50%                     |

Assumptions regarding future mortality rate are set based on the 6th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises Taiwan Standard Ordinary Experience Mortality Table.

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%      |
| December 31, 2023  |               |          |                         |            |
| Effect on present value of<br>defined benefit obligation | (\$ 6,727)    | \$ 6,943 | \$ 6,618                | (\$ 6,450) |
| December 31, 2022  |               |          |                         |            |
| Effect on present value of<br>defined benefit obligation | (\$ 6,988)    | \$ 7,218 | \$ 6,934                | (\$ 6,751) |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (F) Expected contributions to the defined benefit pension plans of the Company and its subsidiaries within one year from December 31, 2024 amounts to \$11,515.
- B.(A) Effective July 1, 2005, the Company and its subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (B) The pension costs under defined contribution pension plans of the Company and its subsidiaries for the years ended December 31, 2023 and 2022 were \$67,777 and \$71,727, respectively.
- C. For the years ended December 31, 2023 and 2022, Mega Future’s Chairman and Chief Executive Officer pension expenses were both \$360.

(20) Common stock

As of December 31, 2023 and 2022, the Company's authorized capital were both \$14,500,000, the contributed capital were all \$11,600,000 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(21) Capital surplus

- A. Pursuant to the R.O.C. Company Act, capital surplus 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 stockholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.
- B. In accordance with Letter No. 1010029627 of the Financial Supervisory Commission and Article 241 of the Company Act, the legal reserve and capital reserve distributed as cash to the stockholders in proportion to their share ownership shall be approved by the FSC, and shall comply with the letter of the relevant regulations before the stockholders' meeting.
- C. The share-based payment is generated due to the parent company, Mega Financial Holdings Co., Ltd., which increased capital by issuing new shares and reserved 15% of the total number of issued shares for employee pre-emption of the Group in accordance with Company Act Article 267, paragraph 1.

(22) Legal reserve and special reserve

- A. In accordance with the Company Act, except for covering accumulated deficit or issuing new stocks or cash to stockholders 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 stockholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid in capital.
- B. In accordance with Letter No. 1010029627 of the Financial Supervisory Commission and Article 241 of the Company Act, the legal reserve and capital reserve distributed as cash to the stockholders in proportion to their share ownership shall be approved by the FSC, and shall comply with the letter of the relevant regulations before the stockholders' meeting.
- C. According to the Rules Governing the Administration of Securities Firms, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve, 20% of the current year's earnings, until the cumulative balance equals the total amount of paid-in capital. Special reserve can be used to offset accumulated deficit. In addition, when the special reserve reaches 25% of amount of paid-in capital, it may be used for capitalization. The Company also set aside special reserve for debit balance on other equity in accordance with other regulations.

An equivalent amount of special reserve should be set aside from after-tax net profit for the current period and other items included in the current year's unappropriated earnings other than after-tax net profit for the current period based on the debit balance on other equity. Prior year's unappropriated earnings shall be set aside if there remains any insufficiency. When debit balance on other equity is reversed subsequently, the amount could be reversed from special reserve and included in the distributable earnings.

- D. According to Order No. Financial-Supervisory-Securities-Firms-10500278285 by the Financial Supervisory Commission, Executive Yuan effective as of August 5, 2016, from fiscal year 2016 to 2018, the Company shall provide 0.5% to 1% of net income after tax as special reserve before distributing earnings. From fiscal year 2017, the amount of employees' training for transition, transfer or arrangement expenditure arising from financial technology development can be reversed within the amount of the abovementioned special reserve. However, under the regulations of Financial-Supervisory-Securities-Firms Letter No. 1080321644 promulgated on July 10, 2019, securities firms are no longer required to provide special reserve starting from 2019. And the special reserve, within the balance of special reserve set aside in the previous years, may be reversed in the amount for the aforementioned expenditures.

(23) Unappropriated earnings

- 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 and special reserve. The remaining earnings plus prior years' accumulated unappropriated earnings are subject to the Board of Directors' decision to propose a distribution plan and to be submitted for approval of the stockholders at the stockholders' meeting.
- B. When distributing dividends for the Company's stockholders, cash dividends shall be no less than 50% of total dividends distributed. The remainder shall be distributed as stock dividends. However, the proportion of cash dividends and stock dividends distributed may be adjusted by a resolution by the stockholders' meeting.
- C. Appropriation of 2022 and 2021 earnings were resolved by the Board of Directors on behalf of the stockholders on April 26, 2023 and April 27, 2022, respectively, as follows:

|   | 2022      |                                   | 2021       |                                   |
|---|-----------|-----------------------------------|------------|-----------------------------------|
|   | Amount    | Dividend per share<br>(in dollar) | Amount     | Dividend per share<br>(in dollar) |
| Appropriation of legal reserve                      | \$ 34,044 |                                   | \$ 272,717 |                                   |
| Appropriation of special reserve                    | 68,087    |                                   | 545,434    |                                   |
| Reversal of special reserve according to regulation | ( 2,429)  |                                   | ( 1,867)   |                                   |
| Cash dividends                                      | 240,733   | \$ 0.2075                         | 1,910,888  | \$ 1.6473                         |

(24) Brokerage handling fee revenue

|   | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|---|---------------------------------|---------------------------------|
| Handling fee revenues from brokered trading-TWSE    | \$ 2,041,424                    | \$ 1,881,650                    |
| Handling fee revenues from brokered trading-OTC     | 697,432                         | 589,847                         |
| Handling fee revenues from brokered trading-futures | 264,914                         | 338,312                         |
| Handling fees from re-consigned business            | 241,112                         | 111,638                         |
| Handling fees from securities financing             | 19,492                          | 23,761                          |
| Income from dealing with securities borrowings      | 3,221                           | 2,665                           |
|   | <u>\$ 3,267,595</u>             | <u>\$ 2,947,873</u>             |

(25) Revenues from underwriting business

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Revenues from underwriting securities on a firm commitment basis         | \$ 62,939                       | \$ 57,566                       |
| Handling fee revenues from underwriting securities on best-efforts basis | 4,171                           | 5,078                           |
| Processing fee revenues from underwriting operations                     | 107,879                         | 105,567                         |
| Revenues from underwriting consultation                                  | 8,460                           | 5,175                           |
| Other revenues from underwriting business                                | 7,960                           | 8,729                           |
|  | <u>\$ 191,409</u>               | <u>\$ 182,115</u>               |

(26) Interest income

|                                   | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|-----------------------------------|---------------------------------|---------------------------------|
| Interest income from margin loans | \$ 766,561                      | \$ 779,273                      |
| Interest income from bonds        | 329,565                         | 132,899                         |
| Others                            | 27,410                          | 4,530                           |
|                                   | <u>\$ 1,123,536</u>             | <u>\$ 916,702</u>               |

(27) Expected credit impairment losses and gains on reversal

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Margin loans receivable  | (\$ 3,121)                      | \$ 6,523                        |
| Other receivables  | ( 10)                           | ( 2)                            |
| Overdue (Note)   | ( 432)                          | ( 3,741)                        |
| Financial assets at fair value through other<br>comprehensive income | 108                             | ( 45)                           |
|  | <u>(\$ 3,455)</u>               | <u>\$ 2,735</u>                 |

Note: It was mainly due to the default from the customer failed to make up financing margin. After ineffective collection, the Company assessed that the customer cannot repay the loss and the amount was fully provisioned as allowance. The default case has entered into legal processes.

(28) Other operating (loss) income

|                                 | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|---------------------------------|---------------------------------|---------------------------------|
| Foreign exchange (losses) gains | (\$ 13,795)                     | \$ 23,676                       |
| Other (losses) gains            | ( 2,971)                        | 5,478                           |
|                                 | <u>(\$ 16,766)</u>              | <u>\$ 29,154</u>                |

(29) Financial expenses

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Financing interest                                 | \$ 5,484                        | \$ 6,479                        |
| Repurchase agreement interest                      | 472,962                         | 138,838                         |
| Commercial paper interest                          | 127,912                         | 30,942                          |
| Bank borrowings interest                           | 6,063                           | 1,669                           |
| Securities lending refundable deposits<br>interest | 49,949                          | -                               |
| Others   | 17,155                          | 16,388                          |
|  | <u>\$ 679,525</u>               | <u>\$ 194,316</u>               |

(30) Employee benefits

|                            | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|----------------------------|---------------------------------|---------------------------------|
| Salaries                   | \$ 1,999,404                    | \$ 1,639,924                    |
| Labor and Health insurance | 143,870                         | 144,416                         |
| Pension                    | 70,209                          | 74,148                          |
| Other employee benefit     | 76,275                          | 70,602                          |
|                            | <u>\$ 2,289,758</u>             | <u>\$ 1,929,090</u>             |

- A. According to the Articles of Incorporation of the Company, ratio of distributable profit of the current year (income before tax and employees' compensation), after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall be 0.4%-5% for employees' compensation.
- B. For the year ended December 31, 2023 and 2022, the Company's estimated employees' compensation were based on 1.18% and 1.68% of the year-end earnings, respectively.
- C. For the years ended December 31, 2023 and 2022, the Company's estimated employees' compensation recognized in salary expenses were \$26,255 and \$9,877, respectively.
- D. The actual distributed amount of employees' remuneration for 2022 resolved at the Board of Directors' annual meeting was the same as in the 2022 financial statements. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(31) Depreciation and amortization

|                      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|----------------------|---------------------------------|---------------------------------|
| Depreciation expense | \$ 174,248                      | \$ 151,626                      |
| Amortization expense | 44,182                          | 36,175                          |
|                      | <u>\$ 218,430</u>               | <u>\$ 187,801</u>               |

(32) Other operating expenses

|                                | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--------------------------------|---------------------------------|---------------------------------|
| Rentals                        | \$ 1,706                        | \$ 715                          |
| Taxes                          | 305,427                         | 222,591                         |
| Postage and phone/fax expense  | 75,611                          | 82,824                          |
| Repair and maintenance expense | 47,211                          | 43,839                          |
| TDCC service fee               | 88,484                          | 79,867                          |
| Computer information expense   | 129,331                         | 126,331                         |
| Professional service fees      | 26,370                          | 20,632                          |
| Others                         | 324,976                         | 273,367                         |
| Total                          | <u>\$ 999,116</u>               | <u>\$ 850,166</u>               |

(33) Other gains and losses

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Financial income   | \$ 152,707                      | \$ 58,185                       |
| Gain on open-end funds, money market instruments at fair value and other securities at fair value through profit or loss | 139                             | -                               |
| Gain (loss) on disposal of investments   | 2,545 (                         | 63)                             |
| Loss on disposal of property and equipment   | -                               | ( 103)                          |
| Net currency exchange (loss) gain  | ( 499)                          | 2,658                           |
| Rental income  | 18,875                          | 18,780                          |
| Grant revenue for office premises and reward from deposits   | 53,275                          | 51,434                          |
| Reversal of impairment loss on non-financial assets  | 5,130                           | 7,254                           |
| Dividend income  | 37,134                          | 45,782                          |
| Depreciation of investment property  | ( 3,680)                        | ( 3,680)                        |
| Others   | 6,734                           | 20,295                          |
| Total  | <u>\$ 272,360</u>               | <u>\$ 200,542</u>               |

(34) Income tax

A. Income tax expense

(A) Components of income tax expense:

|   | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|---|---------------------------------|---------------------------------|
| Current tax:                                      |                                 |                                 |
| Current tax on profits for the year               | \$ 232,142                      | \$ 241,465                      |
| Prior year income tax overestimation              | ( 38,348)                       | ( 4,695)                        |
| Total current tax                                 | <u>193,794</u>                  | <u>236,770</u>                  |
| Deferred taxes:                                   |                                 |                                 |
| Origination and reversal of temporary differences | <u>11,596</u>                   | <u>16,428</u>                   |
| Total deferred taxes                              | <u>11,596</u>                   | <u>16,428</u>                   |
| Income tax expense                                | <u>\$ 205,390</u>               | <u>\$ 253,198</u>               |

(B) The income tax charge relating to components of other comprehensive income is as follows:

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Remeasurement of defined benefit obligations | (\$ 4,772)                      | \$ 9,570                        |

B. Reconciliation between income tax expense and accounting profit:

|  | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--|---------------------------------|---------------------------------|
| Tax calculated based on profit before tax and statutory tax rate | \$ 441,600                      | \$ 171,285                      |
| Effects from items disallowed by tax regulation                  | ( 197,862)                      | 86,608                          |
| Prior year income tax overestimation                             | ( 38,348)                       | ( 4,695)                        |
| Income tax expense   | <u>\$ 205,390</u>               | <u>\$ 253,198</u>               |

C. Amounts of deferred tax assets and liabilities as a result of temporary difference are as follows:

|  | Year ended December 31, 2023 |  |  |                  |
|--|------------------------------|--|--|------------------|
|  | January 1                    | Items<br>recognized in<br>profit or loss | Items<br>recognized in<br>other<br>comprehensive<br>income | December 31      |
| Temporary differences:                       |                              |  |  |                  |
| Deferred income tax assets                   |                              |  |  |                  |
| Loss on valuation of financial instruments   | \$ 6,595                     | (\$ 3,042)                               | \$ -   | \$ 3,553         |
| Unrealized loss on currency                  | 2,504                        | ( 1,467)                                 | -  | 1,037            |
| Remeasurement of defined benefit obligations | 13,624                       | -  | 4,645  | 18,269           |
| Loss on impairment of property and equipment | 27,533                       | ( 1,028)                                 | -  | 26,505           |
| Provision of pension in excess of limit      | 795                          | 75                                       | -  | 870              |
| Unused compensated absences                  | <u>17,028</u>                | <u>( 279)</u>                            | <u>-</u>   | <u>16,749</u>    |
| Total  | <u>\$ 68,079</u>             | <u>(\$ 5,741)</u>                        | <u>\$ 4,645</u>  | <u>\$ 66,983</u> |

|  | Year ended December 31, 2023 |  |  |                    |
|--|------------------------------|--|--|--------------------|
|  | January 1                    | Items<br>recognized in<br>profit or loss | Items<br>recognized in<br>other<br>comprehensive<br>income | December 31        |
| Deferred income tax liabilities              |                              |  |  |                    |
| Gain on valuation of financial instruments   | \$ -                         | (\$ 3,932)                               | \$ -   | (\$ 3,932)         |
| Unrealized gain on currency exchange         | ( 259)                       | 193                                      | -  | ( 66)              |
| Remeasurement of defined benefit obligations | ( 841)                       | -  | 127  | ( 714)             |
| Book-tax difference on depreciation expense  | ( 3,179)                     | ( 256)                                   | -  | ( 3,435)           |
| Provision of pension adjustment              | ( 875)                       | ( 1,860)                                 | -  | ( 2,735)           |
| Total  | <u>(\$ 5,154)</u>            | <u>(\$ 5,855)</u>                        | <u>\$ 127</u>  | <u>(\$ 10,882)</u> |

|  | Year ended December 31, 2022 |  |  |                  |
|--|------------------------------|--|--|------------------|
|  | January 1                    | Items<br>recognized in<br>profit or loss | Items<br>recognized in<br>other<br>comprehensive<br>income | December 31      |
| Temporary differences:                       |                              |  |  |                  |
| Deferred income tax assets                   |                              |  |  |                  |
| Loss on valuation of financial instruments   | \$ 8,178                     | (\$ 1,583)                               | \$ -   | \$ 6,595         |
| Unrealized loss on currency exchange         | 13,652                       | ( 11,148)                                | -  | 2,504            |
| Remeasurement of defined benefit obligations | 23,021                       | -  | ( 9,397)   | 13,624           |
| Loss on impairment of property and equipment | 28,982                       | ( 1,449)                                 | -  | 27,533           |
| Provision of pension in excess of limit      | 2,270                        | ( 1,475)                                 | -  | 795              |
| Provision of bad debt                        | 204                          | ( 204)                                   | -  | -                |
| Unused compensated absences                  | 16,629                       | 399                                      | -  | 17,028           |
| Total  | <u>\$ 92,936</u>             | <u>(\$ 15,460)</u>                       | <u>(\$ 9,397)</u>  | <u>\$ 68,079</u> |

| Year ended December 31, 2022                 |                   |  |  |                   |
|--|-------------------|--|--|-------------------|
|  | January 1         | Items<br>recognized in<br>profit or loss | Items<br>recognized in<br>other<br>comprehensive<br>income | December 31       |
| Deferred income tax liabilities              |                   |  |  |                   |
| Unrealized gain on currency exchange         | (\$ 30)           | (\$ 229)                                 | \$ -   | (\$ 259)          |
| Remeasurement of defined benefit obligations | ( 668)            | -  | ( 173)   | ( 841)            |
| Book-tax difference on depreciation expense  | ( 2,884)          | ( 295)                                   | -  | ( 3,179)          |
| Provision of pension adjustment              | ( 431)            | ( 444)                                   | -  | ( 875)            |
| Total  | <u>(\$ 4,013)</u> | <u>(\$ 968)</u>                          | <u>(\$ 173)</u>  | <u>(\$ 5,154)</u> |

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. Income tax returns of the subsidiaries, Mega Futures and Mega International Securities Investment Consulting Corp., have also been assessed through 2021.

E. The Company jointly files profit-seeking enterprise income tax returns with its parent company starting from 2003.

(35) Earnings per share

The Company has a simple capital structure. The calculation of EPS in a simple capital structure for the years ended December 31, 2023 and 2022 were as follow:

| Year ended December 31, 2023                   |                     |  |                                       |
|--|---------------------|--|---------------------------------------|
|  | After tax           | Weighted-average<br>outstanding<br>common shares<br>(In thousands) | Earnings per<br>share<br>(In dollars) |
| <u>Basic earnings per share</u>                |                     |  |                                       |
| Net income attributable to common stockholders | <u>\$ 2,002,610</u> | <u>1,160,000</u>   | <u>\$ 1.73</u>                        |

|   | Year ended December 31, 2022 |  |                                       |
|---|------------------------------|--|---------------------------------------|
|   | After tax                    | Weighted-average<br>outstanding<br>common shares<br>(In thousands) | Earnings per<br>share<br>(In dollars) |
|   |                              |  |                                       |
| <u>Basic earnings per share</u>                   |                              |  |                                       |
| Net income attributable to<br>common stockholders | \$ 603,229                   | 1,160,000  | \$ 0.52                               |

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

| Names of related parties                      | Short form    | Relationship with the Group   |
|---|---------------|---|
| Mega Financial Holding Co., Ltd.              | Mega Holding  | The Company's parent company  |
| Chunghwa Post Co., Ltd.                       | Chunghwa Post | Director of the Company's parent<br>company   |
| Bank of Taiwan                                | BOT           | Director of the Company's parent<br>company   |
| Mega International Commercial Bank Co., Ltd.  | MICB          | Subsidiary of Mega Holding  |
| Mega Bills Finance Co., Ltd.                  | MBF           | Subsidiary of Mega Holding  |
| Chung Kuo Insurance Co., Ltd                  | C.K.I.        | Subsidiary of Mega Holding  |
| Mega International Investment Trust Co., Ltd. | MIIT          | Subsidiary of Mega Holding  |
| Mega Growth Venture Capital Co., Ltd          | MGVC          | Equity investees  |
| Mega Charity Foundation                       | MCF           | A foundation jointly contributed<br>by the Company's parent<br>company and subsidiaries |

### (2) Significant related party transactions and balances

#### A. Bank deposits, operating guarantee deposit and others

|      | Detail of transaction | December 31, 2023 | December 31, 2022 |
|------|-----------------------|-------------------|-------------------|
| BOT  | Bank deposit          | \$ 2,767          | \$ 2,273          |
| MICB | Bank deposit          | 326,860           | 594,616           |
|      |                       | <u>\$ 329,627</u> | <u>\$ 596,889</u> |

#### B. Financial assets at fair value through profit or loss-current

|            | Detail of transaction | December 31, 2023 | December 31, 2022 |
|------------|-----------------------|-------------------|-------------------|
| MIIT(Note) | ETF                   | \$ 6,695          | \$ 31,229         |

(Note) The counterparties were the fund managed by MIIT.

C. Customer margin account/ Futures traders' equity

|            | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------|--------------------------|--------------------------|
| MICB       | \$ 50                    | \$ 50                    |
| MIIT(Note) | 36,854                   | 28,445                   |
|            | <u>\$ 36,904</u>         | <u>\$ 28,495</u>         |

(Note) The counterparties were the fund managed by MIIT.

D. Other receivables

|      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------|--------------------------|--------------------------|
| MICB | \$ 261                   | \$ 184                   |

E. Current tax assets

|              | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------|--------------------------|--------------------------|
| Mega Holding | \$ 8,057                 | \$ -                     |

F. Other assets - non-current

(A) Refundable deposits

|               | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------|--------------------------|--------------------------|
| Chunghwa Post | \$ 5                     | \$ 5                     |
| MICB          | 4,685                    | 4,685                    |
|               | <u>\$ 4,690</u>          | <u>\$ 4,690</u>          |

(B) Operation guarantee deposits

|      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------|--------------------------|--------------------------|
| MICB | \$ 10,000                | \$ 10,000                |

G. Commercial paper payable

|     | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----|--------------------------|--------------------------|
| MBF | \$ 1,099,502             | \$ -                     |

H. Other payables

|              | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------|--------------------------|--------------------------|
| Mega Holding | \$ 16                    | \$ 9                     |
| MICB         | 3,977                    | 4,687                    |
|              | <u>\$ 3,993</u>          | <u>\$ 4,696</u>          |

I. Current tax liability

|              | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------|--------------------------|--------------------------|
| Mega Holding | \$ 335,456               | \$ 370,575               |

The abovementioned payables to the parent company are net payables due to the Company electing to jointly file profit-seeking enterprise income tax returns with its parent company.

J. Underwriting fees income

|              | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--------------|---------------------------------|---------------------------------|
| Mega Holding | \$ 8,700                        | \$ -                            |
| MIIT         | 1,580                           | 1,876                           |
|              | <u>\$ 10,280</u>                | <u>\$ 1,876</u>                 |

K. Revenue from wealth management

|      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|------|---------------------------------|---------------------------------|
| MIIT | <u>\$ 2,053</u>                 | <u>\$ 2,312</u>                 |

L. Revenue from advisory

|        | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--------|---------------------------------|---------------------------------|
| MICB   | \$ 720                          | \$ 720                          |
| MBF    | 360                             | 360                             |
| C.K.I. | 20                              | 120                             |
|        | <u>\$ 1,100</u>                 | <u>\$ 1,200</u>                 |

M. Interest expenses

|      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|------|---------------------------------|---------------------------------|
| MICB | \$ 352                          | \$ -                            |
| MBF  | 9,681                           | 681                             |
|      | <u>\$ 10,033</u>                | <u>\$ 681</u>                   |

N. Other operating expenditure

|      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|------|---------------------------------|---------------------------------|
| MIIT | <u>\$ 173</u>                   | <u>\$ 194</u>                   |

O. Other operating expenses

|              | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--------------|---------------------------------|---------------------------------|
| Mega Holding | \$ 197                          | \$ 92                           |
| MICB         | 24,034                          | 25,505                          |
| MBF          | 484                             | 72                              |
| C.K.I.       | 925                             | 840                             |
| MCF          | 650                             | 1,500                           |
|              | <u>\$ 26,290</u>                | <u>\$ 28,009</u>                |

P. Other gains and losses

|        | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|--------|---------------------------------|---------------------------------|
| MICB   | \$ 40,631                       | \$ 38,175                       |
| MBF    | -                               | 52                              |
| C.K.I. | 752                             | 1,552                           |
| MIIT   | 1,587                           | 1,662                           |
|        | <u>\$ 42,970</u>                | <u>\$ 41,441</u>                |

Q. Lease transactions – lessee

The Company and its subsidiaries lease office premises from related parties for the operation of branches, monthly payment in accordance with the lease contract.

(A) Acquisition of right-of-use assets:

|      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|------|---------------------------------|---------------------------------|
| MICB | \$ 17,546                       | \$ 23,128                       |

(B) Lease liabilities

(i) Outstanding balance:

|      | December 31, 2023 | December 31, 2022 |
|------|-------------------|-------------------|
| MICB | \$ 43,268         | \$ 47,462         |

(ii) Interest expense

|      | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|------|---------------------------------|---------------------------------|
| MICB | \$ 415                          | \$ 296                          |

R. Terms and conditions of the related party transactions are the same as those of transactions with third parties.

(3) Key management compensation

|   | Year ended December<br>31, 2023 | Year ended December<br>31, 2022 |
|---|---------------------------------|---------------------------------|
| Salary and short-term employee benefits | \$ 44,782                       | \$ 46,436                       |
| Retirement benefits                     | 914                             | 1,032                           |
|   | <u>\$ 45,696</u>                | <u>\$ 47,468</u>                |

## 8. PLEDGED ASSETS

The Company's and its subsidiaries' assets pledged or restricted for use were as follows,

| <u>Underlying collateral</u>                  | <u>Purpose</u>   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---|--|--------------------------|--------------------------|
| Property and equipment-<br>land and buildings | Collaterals for settlement<br>facilities and short-term loan | \$ 2,044,014             | \$ 1,926,505             |
| Investment property                           | Collaterals for settlement<br>facilities and short-term loan | 453,642                  | 583,411                  |
|   |  | <u>\$ 2,497,656</u>      | <u>\$ 2,509,916</u>      |

Note: As of December 31, 2023 and 2022, there was no drawn facility of secured borrowing.

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

### (1) Contingencies

The Company had several proxy delivery agreements with certain securities companies. In accordance with these agreements, these securities companies have agreed to be the Company's first and second proxy. If the Company is unable to fulfill its obligations to the Taiwan Stock Exchange Corporation (hereinafter "TWSE"), the proxies must then act pursuant to said obligations and responsibilities. Additionally, the Company has reciprocated by agreeing to act as the proxy for the securities firms.

### (2) Commitments

A. As of December 31, 2023 and 2022, the Company's and its subsidiaries' did not have any capital expenditure contracted for but not yet incurred.

#### B. Lease agreements

(A) For the details of the Company's and its subsidiaries' leased buildings and business vehicles under non-cancellable lease agreement, please refer to Note 6(11).

(B) The Company and its subsidiaries leased to others under non-cancellable operating lease agreements. The future aggregate minimum lease payments receivable and the maturity analysis under non-cancellable operating leases are as follows:

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Not later than one year                              | \$ 14,312                | \$ 18,800                |
| Later than one year but not later than two years     | 6,721                    | 13,655                   |
| Later than two years but not later than three years  | 5                        | 6,073                    |
| Later than three years but not later than four years | -                        | 5                        |
| Total  | <u>\$ 21,038</u>         | <u>\$ 38,533</u>         |

10. SIGNIFICANT LOSS FROM NATURAL DISASTER

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

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12. 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.

(1) Futures Proprietary Trading Business

| Article | Calculation formula  | December 31, 2023 |         | December 31, 2022 |          | Standard | Enforcement |
|---------|--|-------------------|---------|-------------------|----------|----------|-------------|
|         |  | Calculation       | Ratio   | Calculation       | Ratio    |          |             |
| 17      | Owners' equity   | 411,157           | 1070.72 | 407,536           | 954.42   | ≥ 1      | Satisfied   |
|         | (Total liabilities-Futures traders' equity)  | 384               |         | 427               |          |          |             |
| 17      | Current assets   | 806,063           | 2099.12 | 657,260           | 1539.25  | ≥ 1      | Satisfied   |
|         | Current liabilities  | 384               |         | 427               |          |          |             |
| 22      | Owners' equity   | 411,157           | 102.79% | 407,536           | 101.88%  | ≥ 60%    | Satisfied   |
|         | Minimum paid-in capital  | 400,000           |         | 400,000           |          | ≥ 40%    |             |
| 22      | Adjusted net capital (ANC)   | 324,136           | 219.24% | 382,212           | 1188.54% | ≥ 20%    | Satisfied   |
|         | The total amount of customer margin required by the non-offset position for the futures dealer | 147,845           |         | 32,158            |          | ≥ 15%    |             |

(2) Mega Futures Co., Ltd.

| Article | Calculation formula  | December 31, 2023 |         | December 31, 2022 |         | Standard | Enforcement |
|---------|--|-------------------|---------|-------------------|---------|----------|-------------|
|         |  | Calculation       | Ratio   | Calculation       | Ratio   |          |             |
| 17      | Owners' equity   | 808,713           | 13.11   | 779,424           | 10.93   | ≥ 1      | Satisfied   |
|         | (Total liabilities-Futures traders' equity)  | 61,672            |         | 71,330            |         |          |             |
| 17      | Current assets   | 6,671,965         | 1.07    | 7,740,954         | 1.06    | ≥ 1      | Satisfied   |
|         | Current liabilities  | 6,229,159         |         | 7,301,262         |         |          |             |
| 22      | Owners' equity   | 808,713           | 202.18% | 779,424           | 194.86% | ≥ 60%    | Satisfied   |
|         | Minimum paid-in capital  | 400,000           |         | 400,000           |         | ≥ 40%    |             |
| 22      | Adjusted net capital (ANC)   | 760,499           | 49.92%  | 735,095           | 41.51%  | ≥ 20%    | Satisfied   |
|         | The total amount of customer margin required by the non-offset position for the futures dealer | 1,523,389         |         | 1,770,859         |         | ≥ 15%    |             |

### (3) The prospective risk for futures trading

Brokerage department of MF, which is under the consignment of futures' traders, conducts brokerage services pursuant to the laws and regulations. Uncovered positions are daily adjusted by mark-to-market price of Taiwan Futures Exchange. If margin call is lower than certain level, additional margin calls are requested to maintain limits of guarantee deposits. The Company controls credit risk by constantly monitoring the balance of performance bonds based on market price of positions held by each client, regulations of Taiwan Stock Exchange and the Company to minimize the risk. Futures' trading and futures option trading are with high financial leverage risk. When MS and MF purchase options, the maximum loss arising from fluctuation on futures index is limited to the paid premium; hence, market price risk is insignificant. When MS and MF sell options, market price risk is the fluctuation of TAIEX Index Option contracts. Futures department of MS and MF have established relevant risk control mechanism, in order to monitor changes on positions held and their prices, and loss incurred would be controlled.

## 13. OTHERS

### (1) Capital structure

In order to establish an evaluation process for capital adequacy and maintain proper self-owned capital structure, and also to develop business and control risk for better improvement of capital utilization, the Company set up Enforcement Rules of Capital Adequacy Ratio Management to implement capital strategies of the senior management and report the related information to the competent authority.

#### A. Objectives of capital management

Per instruction of the competent authority, the Company calculates capital adequacy ratio using advanced approach with regular declaration of the Company's capital adequacy ratio in accordance with Regulations Governing Securities Firms. The capital adequacy ratio for 2014 shall not be lower than 250% as the objective of capital management. When the capital adequacy ratio reaches warning value of 270%, it is necessary to convene risk management committee and discuss self-owned positions held by business segment with adjustment to make the capital adequacy ratio top the warning indicator.

#### B. Policies and procedures of capital management

Through calculation of various equivalent amounts of operating risk (equivalent amounts of credit risk, market risk and operating risk) and qualifying self-owned capital, the Company assesses overall risk tolerance and appropriateness of risk management, which are used as basis for adjustment to risk position and risk management policy.

#### C. Capital adequacy ratio

As of December 31, 2023 and 2022, capital adequacy ratios filed with TWSE were 349 % and 459%, respectively.

### (2) Information on the fair values and hierarchy of the financial instruments

#### A. Fair values

Fair value is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable, willing parties in an arm's length transaction.

Financial instruments are initially recognized at fair value, which is transaction price in most cases. Subsequent recognitions are measured at fair value except that certain financial instruments are recognized at amortized cost. The best evidence of fair value is the quoted market price in an active market. If the market in which financial instruments traded is not active, the Company and its subsidiaries then adopts valuation technique or takes reference to Bloomberg, Reuters or the fair value of financial instrument from counterparties.

- (A) In relation to financial instruments such as cash and cash equivalents, bonds investments under resale agreements, margin loans receivable, refinancing margin, receivables from refinance guaranty, receivable of securities business money lending, customer margin account, receivables from security lending, deposits on securities borrowed, notes and accounts receivable, other receivables, other current assets, short-term loans, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, futures traders' equity, notes and account payable, receipts under custody, other payables, other financial liabilities, and other current liabilities, as the maturities are quite closed or the future payment/receipt is closed to the carrying amount, the carrying amount at the balance sheet date is used to estimate the fair value. Thus their fair values are not disclosed.
- (B) For financial instruments such as financial assets or financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, the fair value is the quoted market price if the financial instrument has a quoted market price in an active market; if the financial instrument does not have a quoted market price in an active market, the fair value is measured using valuation technique with consistency of valuation basis maintained.
- a. NTD Central government bonds: daily market price is adopted for valuation. If daily market price is not available, formula price will be adopted. Market price adopted prices across different contract length or one-hundred price and formula price bulletined by Taipei Exchange.
  - b. NTD Corporate bonds, financial debentures, and local government bonds: formula price is adopted for valuation. The yield curves bulletined by OTC are adopted to discount future cash flows and calculate the present value of valuation. Value of fixed rate bonds and floating rate bonds is the present value of future cash flows. Value of other floating rate bonds is the sum of zero coupon bonds' cash flows and present value of options across different periods in the future.
  - c. International bonds: Pricing based on formula price, the estimated present value were calculated by discounting future cash flow by international bond yield curve of Taipei Exchange.
  - d. Overseas bonds: Second market and primary market were evaluated by the quoted value of Bloomberg, in the order of 1.BVAL 2.BGN 3.CBBT. If there was no market value on current date, adopting the BVAL value of yesterday for second market, market quoted value of current date for primary market.
  - e. Listed stocks and exchange traded funds: referring to closing price.
  - f. Emerging stocks: If the emerging stocks are traded in active market, fair value is the transaction price of current month.  
If trading in the market is not active but the number of completed transactions and total transaction amounts reach certain levels, then the average transaction price of 30 business days before the fifth business day on the balance sheet date (the "The average transaction price of 30 days") will be adopted; if neither conditions are met but underlying stocks have significant transactions recently, the transaction price of such transactions will be adopted; if there is little trading activity and no significant transactions, then the fair value is measured by The average transaction price of 30 days and considering the liquidity discount level.
  - g. Unlisted stock: fair value valuation model is the price/book ratio which is based on calculations of market prices and net assets of comparable listed companies or industries and discounts are adjusted according to individual circumstances; if the invested companies are venture capital, then the net asset method is used for valuation as the fair

- value is approximately the same as the book value prepared under IFRS, EAS or US GAAP.
- h. Open-end funds: the net fund values are adopted.
  - i. Derivatives:
    - (a) Interest rate swaps: discounted future cash flow method is adopted.
    - (b) Options: Black-Scholes model is mainly adopted for valuation.
    - (c) Foreign exchange swaps: linear interpolation of forward rates across different periods in the market is adopted for calculation.
    - (d) Some structured derivative financial instruments are valued by using Standard Barrier model.
  - j. Overseas ETF: referring to closing price.
  - k. Domestic convertible corporate bonds: daily closing price bulletined by OTC is adopted for valuation. However, for underlying bonds with low liquidity, formula price is adopted for valuation, which uses Trinomial Tree Model.
  - l. Liabilities for issuance of call (put) warrants, security lending payable - hedging, security lending payable - non-hedging, and bonds purchased under resale agreements-short sale: quoted market price in active market is used as fair value basis. Market price of liabilities for issuance of call (put) warrants is determined by reference to relevant transaction price or reference price of initial public offering as stipulated in GreTai Securities Market Regulations Governing the Trading of Call (Put) Warrants and Taiwan Stock Exchange Corporation Rules Governing Trading of Call (Put) Warrants.
  - m. Issuance of outstanding liabilities of index investment securities: were valued at index value which were calculated by the increase and decrease range of targeted index investment securities, accrued income and expense payable of investor.
- (C) In respect of other non-current assets or liabilities such as operating guarantee deposit, deposits settlement fund, refundable deposit, guarantee deposits received, trust enterprise compensation reserve, and performance bond for issuance of ETNs since effect of present value is immaterial, fair value is measured based on carrying amount. As a result, the fair value is not disclosed.
- B. Fair value hierarchy of financial instruments measured at fair value
- (A) Definition for the hierarchy classification of financial instruments measured at fair value
- a. Level 1
 

The quoted price (unadjusted) of the same asset or liability available to the active market at the measurement date. An active market is a market in which an asset or liability transaction with sufficient frequency and volume occurs to provide pricing information on an ongoing basis. The fair value of the Company and its subsidiaries' investments, such as listed stocks investment, beneficiary certificates, popular government bonds, derivatives and convertible corporate bonds with a quoted price in an active market, overseas ETF, certain emerging stocks meeting definition of active market, bonds purchased under resale agreements-short sale, security lending payable - hedging, security lending payable - non-hedging, and liabilities for issuance of call (put) warrants, are deemed as Level 1.
  - b. Level 2
 

Inputs, either directly or indirectly, of assets or liabilities, except those quoted in Level 1. Investment of the Company and its subsidiaries such as non-popular government bonds, corporate bonds, financial debentures, international bonds, overseas bonds, convertible corporate bonds, interest rate swap, asset swap, foreign exchange swap of derivative, investments in bonds under resale agreements - short sales, and certain emerging stocks are all classified within Level 2.

c. Level 3

Inputs for level 3 instruments' fair value are data that cannot be obtained in the market. The Company and its subsidiaries' investments in certain emerging stocks, derivatives and structured products are all classified within Level 3.

(B) Hierarchy of fair value estimation of financial instruments

a. Information on fair value hierarchy

The Company's and its subsidiaries' financial instruments measured at fair value are all based on recurring fair value measurements. Information on the Company's and its subsidiaries' fair value hierarchy is as shown in the following table:

|  | December 31, 2023 |              |            |           |
|--|-------------------|--------------|------------|-----------|
|  | Total             | Level 1      | Level 2    | Level 3   |
| <u>Recurring fair value</u>  |                   |              |            |           |
| <u>Non-derivative instruments</u>  |                   |              |            |           |
| <u>Assets</u>  |                   |              |            |           |
| Financial assets at fair value through profit or loss                      |                   |              |            |           |
| Financial assets mandatorily measured at fair value through profit or loss |                   |              |            |           |
| Stock investments  | \$ 4,717,147      | \$ 4,173,333 | \$ 543,814 | \$ -      |
| Bond investments   | 8,891,515         | 3,578,481    | 5,313,034  | -         |
| Others   | 283,472           | 283,472      | -          | -         |
| Financial assets at fair value through other comprehensive income          |                   |              |            |           |
| Stock investments  | 3,496,561         | 2,251,825    | -          | 1,244,736 |
| Bond investments   | 21,174,608        | -            | 21,174,608 | -         |
| <u>Liabilities</u>   |                   |              |            |           |
| Financial liabilities at fair value through profit or loss                 |                   |              |            |           |
| Financial liabilities held for trading                                     | ( 325,221)        | ( 325,221)   | -          | -         |
| <u>Derivative instruments</u>  |                   |              |            |           |
| <u>Assets</u>  |                   |              |            |           |
| Financial assets at fair value through profit or loss                      | 736,799           | 503,360      | 233,400    | 39        |
| <u>Liabilities</u>   |                   |              |            |           |
| Financial liabilities at fair value through profit or loss                 | ( 522,061)        | -            | ( 521,652) | ( 409)    |

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|  | December 31, 2022 |              |            |           |
|--|-------------------|--------------|------------|-----------|
|  | Total             | Level 1      | Level 2    | Level 3   |
| <u>Recurring fair value</u>  |                   |              |            |           |
| <u>Non-derivative instruments</u>  |                   |              |            |           |
| <u>Assets</u>  |                   |              |            |           |
| Financial assets at fair value through profit or loss                      |                   |              |            |           |
| Financial assets mandatorily measured at fair value through profit or loss |                   |              |            |           |
| Stock investments  | \$ 1,720,987      | \$ 1,264,936 | \$ 456,051 | \$ -      |
| Bond investments   | 6,242,260         | 497,227      | 5,745,033  | -         |
| Others   | 306,328           | 306,328      | -          | -         |
| Financial assets at fair value through other comprehensive income          |                   |              |            |           |
| Stock investments  | 2,649,416         | 1,492,234    | -          | 1,157,182 |
| Bond investments   | 14,169,968        | -            | 14,169,968 | -         |
| <u>Liabilities</u>   |                   |              |            |           |
| Financial liabilities at fair value through profit or loss                 |                   |              |            |           |
| Financial liabilities held for trading                                     | ( 148,185)        | ( 148,185)   | -          | -         |
| <u>Derivative instruments</u>  |                   |              |            |           |
| <u>Assets</u>  |                   |              |            |           |
| Financial assets at fair value through profit or loss                      | 502,640           | 340,475      | 162,039    | 126       |
| <u>Liabilities</u>   |                   |              |            |           |
| Financial liabilities at fair value through profit or loss                 | ( 173,024)        | -            | ( 172,309) | ( 715)    |

b. Fair value adjustment

(a) Limitations of valuation models and uncertainty in inputs

The output of valuation models are estimated values and valuation techniques may not be able to reflect all relevant factors of the Company's and its subsidiaries' held financial instruments and non-financial instruments. Thus, the estimated values of valuation models are appropriately adjusted for additional parameters; for example, model risk or liquidity risk etc. Based on the Company's and its subsidiaries' fair value valuation model management policies and related control procedures, management believes in order to fairly present the fair value of financial assets and non-financial assets within the consolidated balance sheet, valuation adjustments are appropriate and necessary. Pricing information and parameters used in the valuation process are carefully assessed and appropriately adjusted based on the current market conditions; in addition in the assessment process, assessment information on the credit risk of the counterparty and the Company and its subsidiaries is also considered.

(b) Movements of financial assets and liabilities classified into Level 3 of fair value are as follows:

| Year ended December 31, 2023                                      |                   |                              |  |                     |                        |                           |                              |                |
|---|-------------------|------------------------------|--|---------------------|------------------------|---------------------------|------------------------------|----------------|
|   | Beginning balance | Gains and losses             |  | Addition            |                        | Reduction                 |                              | Ending balance |
|   |                   | Recognized in profit or loss | Recognized in other comprehensive profit or loss | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred out from Level 3 |                |
| <u>Non-derivative instruments</u>                                 |                   |                              |  |                     |                        |                           |                              |                |
| <u>Assets</u>   |                   |                              |  |                     |                        |                           |                              |                |
| Financial assets at fair value through other comprehensive income |                   |                              |  |                     |                        |                           |                              |                |
| Stock investments   | \$ 1,157,182      | \$ -                         | \$ 88,308  | \$ -                | \$ -                   | (\$ 754)                  | \$ -                         | \$ 1,244,736   |
| <u>Derivative instruments</u>                                     |                   |                              |  |                     |                        |                           |                              |                |
| <u>Assets</u>   |                   |                              |  |                     |                        |                           |                              |                |
| Financial assets at fair value through profit or loss             | 126               | ( 82)                        | -  | 314                 | -                      | ( 319)                    | -                            | 39             |
| <u>Liabilities</u>  |                   |                              |  |                     |                        |                           |                              |                |
| Financial liabilities at fair value through profit or loss        | ( 715)            | 59                           | -  | ( 4,197)            | -                      | 4,444                     | -                            | ( 409)         |
| Year ended December 31, 2022                                      |                   |                              |  |                     |                        |                           |                              |                |
|   | Beginning balance | Gains and losses             |  | Addition            |                        | Reduction                 |                              | Ending balance |
|   |                   | Recognized in profit or loss | Recognized in other comprehensive profit or loss | Purchased or issued | Transferred to Level 3 | Sold, disposed or settled | Transferred out from Level 3 |                |
| <u>Non-derivative instruments</u>                                 |                   |                              |  |                     |                        |                           |                              |                |
| <u>Assets</u>   |                   |                              |  |                     |                        |                           |                              |                |
| Financial assets at fair value through other comprehensive income |                   |                              |  |                     |                        |                           |                              |                |
| Stock investments   | \$ 1,232,696      | \$ -                         | (\$ 121,749)                                     | \$ 50,000           | \$ -                   | (\$ 3,765)                | \$ -                         | \$ 1,157,182   |
| <u>Derivative instruments</u>                                     |                   |                              |  |                     |                        |                           |                              |                |
| <u>Assets</u>   |                   |                              |  |                     |                        |                           |                              |                |
| Financial assets at fair value through profit or loss             | 28                | 139                          | -  | 429                 | -                      | ( 470)                    | -                            | 126            |
| <u>Liabilities</u>  |                   |                              |  |                     |                        |                           |                              |                |
| Financial liabilities at fair value through profit or loss        | ( 325)            | ( 14)                        | -  | ( 6,033)            | -                      | 5,657                     | -                            | ( 715)         |

(Blank)

- I. The Company and its subsidiaries' financial assets and liabilities experienced a decline in market trading volume and the measurable price information was more difficult obtain, thus those were transferred from Level 1 to Level 2. On the contrary, those that experienced an increase in market trading volume and measurable price information was more easily obtainable, thus those were transferred from Level 2 to Level 1. For the years ended December 31, 2023 and 2022, the Company and its subsidiaries have no material transfers between Level 1 and Level 2.
- II. Transfers into or out from level 3 (for example, transfers resulted from changes in the observability of market data) and the reasons for those transfers: significant transfers out from level 3 mainly resulted from certain emerging stocks whose trading volume of current month did not meet the definition of active market and being transferred from level 2. Significant transfers out from level 3 mainly resulted from certain emerging stocks whose trading volume of current month meets the definition of active market and being transferred into level 2.
- III. The abovementioned valuation gains and losses were recognised in profit or loss for the year, of which the net (losses) gains attributable to the held assets amounted to (\$82) and \$139, respectively, and the net gains (losses) attributable to the held liabilities amounted to \$88 and (\$146), respectively, as of December 31, 2023 and 2022.
- IV. The abovementioned valuation gains and losses were recognised in other comprehensive income, of which the net gains (losses) attributable to the held assets amounted to \$92,147 and (\$119,917), respectively, as of December 31, 2023 and 2022.
- V. Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value. The fair value measurement that the Company and its subsidiaries made onto the financial instruments is deemed reasonable; however, different valuation model or input could result in different valuation result. Specifically, if the valuation input of financial instrument classified in Level 3 moves upward or downward by 10%, the effects on gain and loss in the period or the effects on other comprehensive income are as follows:

| December 31, 2023   | Change in fair value recognized in current profit and loss |                       | Change in fair value recognized in current other comprehensive profit and loss |                       |
|---|--|-----------------------|--|-----------------------|
|   | Favorable movements  | Unfavorable movements | Favorable movements  | Unfavorable movements |
| Financial assets at fair value through profit or loss             |  |                       |  |                       |
| Derivative instruments  | \$ 2   | (\$ 2)                | \$ -   | \$ -                  |
| Financial assets at fair value through other comprehensive income |  |                       |  |                       |
| Stock investments   | -  | -                     | 124,474  | ( 124,474)            |

| December 31, 2022   | Change in fair value recognized in current profit and loss |                       | Change in fair value recognized in current other comprehensive profit and loss |                       |
|---|--|-----------------------|--|-----------------------|
|   | Favorable movements  | Unfavorable movements | Favorable movements  | Unfavorable movements |
| Financial assets at fair value through profit or loss             |  |                       |  |                       |
| Derivative instruments  | \$ 4   | (\$ 4)                | \$ -   | \$ -                  |
| Financial assets at fair value through other comprehensive income |  |                       |  |                       |
| Stock investments   | -  | -                     | 115,718  | ( 115,718)            |

- (c) Summarizes quantitative information of significant unobservable inputs of the evaluation model used in the level 3 fair value measurement as follows:

| December 31, 2023  | Fair value   | Valuation technique   | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value                         |
|--|--------------|---|--------------------------------|--------------------------|--|
| Non-derivative financial assets  |              |   |                                |                          |  |
| Financial assets measured at fair value through other comprehensive income |              |   |                                |                          |  |
| Equity investment  | \$ 1,194,909 | Market Approach   | (P/B) multiplier               | 1.16-1.81                | The higher of P/B, the higher the fair value.                |
|  |              |   | Lack of liquidity discount     | 10%-30%                  | The higher of liquidity reduction, the lower the fair value. |
|  | 49,827       | Net Asset Approach  | NA                             | NA                       |  |
| Derivative financial assets  |              |   |                                |                          |  |
| Structured products  | 39           | Determined using the Option Pricing Model verified by the Company | Price volatility               | 25%-27%                  | The higher the volatility, the higher the fair value.        |
| Derivative financial liabilities   |              |   |                                |                          |  |
| Structured products  | ( 409)       | Determined using the Option Pricing Model verified by the Company | Price volatility               | 20%                      | The higher the volatility, the lower the fair value.         |

| December 31, 2022  | Fair value   | Valuation technique   | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value                         |
|--|--------------|---|--------------------------------|--------------------------|--|
| Non-derivative financial assets  |              |   |                                |                          |  |
| Financial assets measured at fair value through other comprehensive income |              |   |                                |                          |  |
| Equity investment  | \$ 1,102,990 | Market Approach   | (P/B) multiplier               | 1.24-1.80                | The higher of P/B, the higher the fair value.                |
|  |              |   | Lack of liquidity discount     | 10%-30%                  | The higher of liquidity reduction, the lower the fair value. |
|  | 54,192       | Net Asset Approach  | NA                             | NA                       |  |
| Derivative financial assets  |              |   |                                |                          |  |
| Structured products  | 126          | Determined using the Option Pricing Model verified by the Company | Price volatility               | 35%-45%                  | The higher the volatility, the higher the fair value.        |
| Derivative financial liabilities   |              |   |                                |                          |  |
| Structured products  | ( 715)       | Determined using the Option Pricing Model verified by the Company | Price volatility               | 20%                      | The higher the volatility, the lower the fair value.         |

(d) Fair value measurement process for instruments classified in Level 3

When evaluating the fair value of Level 3 financial instruments, the valuation segment has to confirm valuation model, parameter, the source of parameter and calculation method with verification segment, confirming the source of data are independent and reliable, a periodically aligning valuation model, and adjusting parameter and calculation method to ensure that the valuation results are reasonable.

(3) Risk management

The Company's risk management policies aim to balance profit and risk-taking. Regarding asset-liability allocation, the Company should carefully identify risky assets, disclose sufficient information to the management team, evaluate the amount of risk taken and responses to risks when they occur based on the overall economic environment, and allow the management team to grow its business without taking on excessive risk. The Company's operations strategy seeks to pursue additional earnings from the flexible allocation of risky assets in addition to increasing its steady source of income.

The Company establishes risk management policy, objectives of risk management, risk management rules and by-law for risk management committee, sets appropriate risk limit and enforcement rules of risk management, and uses risk management system to analyze, monitor, and report details of risk management. The Company also performs regular review of risk management system to deal with increase in new product lines, changes in regulations, and measurement adjustment.

Financial risks faced by the Company mainly comprise credit risk, market risk, market liquidity risk and funding liquidity risk, among which, market risk includes interest rate risk, foreign exchange

risk, and price risk of equity securities. Non-financial risk exposure includes operational risk and legal risk.

#### A. Risk management organizational structure

The Company's risk management organizational structure and duty segregation are as follows:

- (A) The "Board of Directors" is the decision-making unit for the Company's risk management operations and is responsible for approving policies and ensuring effectiveness of risk management, and holds ultimate accountability with respect to risk management.
- (B) "Risk Management Committee" (Committee) is the highest authority of risk management set under the Board of Directors. The Risk Management Committee comprehensively deals with firm-wide matters regarding planning, supervision and work effectiveness of risk management policies, as well as asset allocation decision, approves setting and adjustment in relation to objectives of risk tolerance, and reviews various regulations related to risk management. The Risk Management Committee also keeps monitoring enforcement of risk management system, performs early warning and stop-loss tracking, and reports enforcement of risk management business to the Board of Directors.
- (C) "Office of Risk Management" implements matters related to market and credit risk management with authorization of "Board of Directors". It is in charge of supervision, management and reporting of overall risk positions, establishes and provides assistance in risk management information system, and performs necessary model verification. Additionally, the Office of Risk Management conducts stress testing and back-test and reports to the committee on a quarterly basis.
- (D) The "Office of Legal Compliance" assists in matters related to laws and regulations on risk and legal compliance in accordance with the Company's "Risk Management Policy".
- (E) "Auditing Office" performs functions in accordance with relevant regulations of internal audit and internal control.
- (F) "Finance Department" performed liquidity management and periodically prepared related reports and contacted risk management office, in line with 'Enforcement rules of borrowing from financial institutions', 'Enforcement rules of self-owned capital' and 'Enforcement rules of liquidity risk of capital'.
- (G) Each "Business Sector" has its own middle office personnel and legal compliance personnel, who are in charge of the business sector's implementation and supervision of risk management and legal compliance.
- (H) The Company's risk management supervision operations for its subsidiaries are handled in accordance with the Company's "Subsidiary company supervision and operation methods".

#### B. Risk management procedures

The Company's risk management procedures comprise risk identification, risk measurement, risk monitoring, risk reporting and risk response measures. Assessment and analysis on each type of risk are as follows:

##### (A) Credit risk

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

Credit risk refers to the customers and counterparties (including issuers of securities, counterparties to a contract, or debtors) that are unable to fulfill their obligation, and their default results in risk of financial loss, which risk is mainly attributable to the fact that the counterparty is unable to pay off the accounts receivable on the basis of the payment terms, and contractual cash flows of investments in debt instruments measured at amortized cost and fair value through other comprehensive income.

###### b. Policies and procedures of credit risk management

The Company and its subsidiaries shall check the credit status of counterparties for

positions subsequent to transaction on a regular basis according to “Enforcement Rules of Credit Monitoring and Management”. The Company and its subsidiaries also need to evaluate and monitor various credit enhancement measures (including collateral) on a regular basis. Each product line should set up appropriate enforcement rules for its risk management, which should at least include the delegation structure at each level, cascading reporting procedure and operating content, credit assessments prior to transactions, credit management by level, credit monitoring subsequent to transactions and handling methods for those exceeding limitations etc., as well as ensuring their implementations are carried out.

Risk management department in respect to brokerage business, provides a warning list on stocks that appear unusual. As to the customer side, it is required for all customers to provide certificate of financial strength and credit checks. Customers engaged in businesses such as credit transactions undertook, money and securities lending, are required to obtain excess collaterals. It is to effectively reduce the credit risk in the brokerage business.

c. Maximum credit risk exposure

The maximum exposure to credit risk of assets in the consolidated balance sheet, without consideration of the collateral or other credit strengthening instruments, is equivalent to the carrying amount. Information on financial instruments pledged to others as collateral and other credit strengthening tools is provided in section B. Policies and Procedures of Credit Risk Management.

d. Credit risk concentration

As the Company and its subsidiaries have a wide range of clients and associates with various financial institutions for the purpose of risk dispersion, there is no credit risk concentration.

e. Credit quality rating

The correspondence of the Company's and its subsidiaries' internal and external credit ratings were as follows:

| Asset quality rating | Equivalent to S&P rating | Equivalent to Taiwan rating (long-term) |
|----------------------|--------------------------|---|
| Sound                | AAA ~ BBB-               | twAAA ~ twA                             |
| Good                 | BB+ ~ BB-                | twA- ~ twBBB-                           |
| Fair                 | B+                       | twBB+                                   |
| Weak                 | B and below              | twBB and below                          |

The Company's financial assets exposed to credit risk include cash and cash equivalents, debt securities, derivatives trading in OTC, bond investments under resale agreements transactions, securities lending business, margin loans receivable, customer margin account, other receivables, refundable deposits, and futures exchanges margins. Information on credit risk of major financial assets is as follows:

(a) Bank deposits

Bank deposits refer to time deposits, demand deposits, check deposit, and commercial papers which matured within three months, etc. The Company's credit risk exposure mainly comes from domestic banks and farmers' associations. A portion of commercial papers have been provided as guarantees through banks.

(b) Margin loans receivables

Margin loans receivable are financing provided to customers by the Company when

undertaking security financing and short-selling businesses. Margin loans receivable use stock purchased by customers through margin financing as collateral. The Company controls customers' collateral maintenance ratio through its daily information system, and in accordance with Operating Rules for Securities Firms Handling Margin Purchases and Short Sales of Securities, collateral maintenance ratio is set at 130%. Thus, credit risk for margin loans receivable is remote.

(c) Securities-debt instruments

Debt instruments are comprised of government bonds, corporate bonds and convertible corporate bonds. Issuers are primarily the government of the R.O.C., domestic legal institutions and foreign legal institutions, all corporate bonds were issued by listed companies with good financial status.

(d) Derivatives-OTC trading

The Company enters into ISDA contracts with counterparties for all undertaken OTC derivative transactions, which are agreed-upon documents by both parties for such transactions; such agreements are provided as the main contract model for various OTC derivative transactions. If a party defaults or prematurely terminates a transaction, then both parties are bound by the contract to settle all open positions by the net amount. When both parties sign the ISDA master agreement, a Credit Support Annex (CSA) is also signed. According to the CSA, collateral will be provided by one party to the other in order to mitigate the counterparty risk of open positions.

(e) Investments in bonds sold under reverse repurchase agreements

Bonds sold under reverse repurchase agreements refer to bonds sold to the Company by bondholders where both parties have agreed on the transaction price, interest and duration, and upon maturity the customer repurchases the bonds with the price agreed-upon in advance; when the Company conducts such businesses, because funds must be delivered to the counterparty, the Company must endure the credit risk of the counterparty. Under the circumstance that collateral are excellent, net credit risk exposure of the counterparty may be effectively mitigated. In addition, the Company's counterparties are all financial institutions with good credit. Therefore, the credit risks of counterparties are remote.

(f) Other receivables

The other receivables mainly arise from transactions with banks due to demand for funding and the interest receivable from self-owned bonds and margin loans generated by the brokerage business. Credit risk is extremely low as the Company conducts business with banks with good credit ratings. The self-owned bonds are all government bonds or investment-grade domestic or foreign bonds, so the counterparty credit risk is low; the credit risk of the margin loan interest receivable from the brokerage business is maintained at an acceptable level through the strict control of margin requirements.

(g) Guarantee deposits

This is the cash or other assets that the Company have deposited as a form of security. As the deposits are with multiple parties and the amount of each deposit is not high, the credit risk is diversified so the overall credit risk from guarantee deposits is very low.

(h) Futures trading security deposits

When engaging in the futures trading, the Company and its subsidiaries must deposit funds into an account designated by the futures company as a guarantee of fulfillment of the contract in the future. The account is separate from the assets of the futures

company. According to the Futures Trading Act, the futures company cannot seize or exercise any right over the account and hence the credit risk is low.

f. Recognition and measurement of expected credit losses

The measurement of expected credit losses as part of the impairment assessment takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that includes forward-looking information. At the balance sheet date, it is determined whether there has been significant increase in credit risk since initial recognition or whether credit impairment has occurred. The assessed financial assets are categorized into one of the following three stages; no significant increase in credit risk or low credit risk (Stage 1), significant increase in credit risk (Stage 2) or credit impaired (Stage 3). And the company shall measure the loss allowance for each stage at an amount equal to 12-month expected credit losses (Stage 1) and lifetime expected credit losses (Stages 2 and 3) respectively.

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

|  | Stage 1   | Stage 2   | Stage 3  |
|--|---|---|--|
| Definition                             | Financial assets with no significant deterioration in credit quality since recognition or at the balance sheet date and these are classified as low | Financial assets with significant deterioration in credit quality since initial recognition but not yet credit-impaired | Credit-impaired financial assets at the balance sheet date |
| Recognition for expected credit losses | 12-month expected credit losses   | Lifetime expected credit losses   | Recognition for expected credit losses                     |

(a) Determining whether there has been significant increase in credit risk since initial recognition:

The Company and its subsidiaries determined whether there had been a significant increase in credit risk on that instrument since initial recognition in accordance with the following:

- (A) Contract payments are over 30 days past due.
- (B) Credit rating of bond investments at balance sheet date is of non-investment grade and has decreased by more than 2 scales since initial recognition or has decreased to CCC/C rating.

(b) Definition of a default or credit-impaired financial asset

When one or more events of the company and its subsidiaries have adverse influence on the estimated future cash flows of financial assets, the financial assets are credit impaired. The basis of whether credit risk of financial assets have been impaired since initial recognition include but are not limited to the following:

- (A) Contract payments are over 90 days past due.
- (B) Financial difficulties of the issuer or debtor.
- (C) Amendments to contractual terms resulting from financial difficulties.
- (D) Filed for bankruptcy or may file for bankruptcy.
- (E) In the process of reorganisation or may file for reorganization.

- (F) The credit rating of issuer is D at balance sheet date.
- (c) Write-off policy  
The Company and its subsidiaries write off their non-accrual loans as bad debt, less the estimated recoverable amount, if any of the following conditions apply:
- (A) The debt cannot be fully or partially recovered due to the dissolution of, disappearance of, settlement with, or declaration of bankruptcy by the debtor.
- (B) The collateral and assets of the primary and secondary debtors cannot be used to recover the debt due to low appraisals of such assets, more senior claims on such assets, low value of such assets or the amount of executory cost is close or more than the compensation that the company and its subsidiaries can claim.
- (C) The collateral and assets of the primary and secondary debtors could not be auctioned off after multiple attempts, and the Company and its subsidiaries have not benefited.
- (d) Measurement of expected credit losses  
The expected credit loss (ECL) model of debt instruments is primarily based on the following three parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).
- (e) Consideration of forward-looking information
- (A) Debt instruments measured at fair value through other comprehensive income: Consider data published by external credit rating agencies, whose credit ratings already incorporate forward-looking information.
- (B) Financial assets measured at amortized cost: Consider the economic growth rate prepared by Directorate General of Budget, Accounting and Statistics.
- g. Movements in the Company's and its subsidiaries' loss allowance
- (a) The Company's and its subsidiaries used forward-looking information to adjust historical and current information to assess the default possibility of investments in debt instruments on December 31, 2023 and 2022, and used debt instruments held by the Company's and its subsidiaries to estimate expected loss.  
The Company's and its subsidiaries' investments in debt instruments at fair value through other comprehensive income pertains to Stage 1, the credit rating levels are presented below:

|  | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--|--------------------------|--------------------------|
| Financial assets measured at fair value through other comprehensive income |                          |                          |
| - Sound  | \$ 20,685,507            | \$ 13,289,926            |
| - Good   | 489,101                  | 880,042                  |
| - Fair   | -                        | -                        |
| - Weak   | -                        | -                        |
| - Not rated  | -                        | -                        |
|  | <u>\$ 21,174,608</u>     | <u>\$ 14,169,968</u>     |

The movement in loss allowance of debt instruments as follows:

|                                    | Year ended December 31, 2023 |                         |                      |                 |
|------------------------------------|------------------------------|-------------------------|----------------------|-----------------|
|                                    | Stage 1                      | Stage 2                 | Stage 3              | Total           |
|                                    | 12 months                    | Increase in credit risk | Impairment of credit |                 |
| January 1, 2023                    | \$ 4,761                     | \$ -                    | \$ -                 | \$ 4,761        |
| Reversal of expected credit losses | ( 108)                       | -                       | -                    | ( 108)          |
| December 31, 2023                  | <u>\$ 4,653</u>              | <u>\$ -</u>             | <u>\$ -</u>          | <u>\$ 4,653</u> |
|                                    | Year ended December 31, 2022 |                         |                      |                 |
|                                    | Stage 1                      | Stage 2                 | Stage 3              | Total           |
|                                    | 12 months                    | Increase in credit risk | Impairment of credit |                 |
| January 1, 2022                    | \$ 4,716                     | \$ -                    | \$ -                 | \$ 4,716        |
| Expected credit losses             | 45                           | -                       | -                    | 45              |
| December 31, 2022                  | <u>\$ 4,761</u>              | <u>\$ -</u>             | <u>\$ -</u>          | <u>\$ 4,761</u> |

(b) Movements in loss allowance of margin loans receivables, other receivables and other non-current assets-overdue receivables are as follows:

(A) Margin loans receivables

|                                    | Year ended December 31, 2023 |                         |                      |                  |
|------------------------------------|------------------------------|-------------------------|----------------------|------------------|
|                                    | Stage 1                      | Stage 2                 | Stage 3              | Total            |
|                                    | 12 months                    | Increase in credit risk | Impairment of credit |                  |
| January 1, 2023                    | \$ 11,664                    | \$ -                    | \$ -                 | \$ 11,664        |
| Expected credit losses             | 3,121                        | -                       | -                    | 3,121            |
| December 31, 2023                  | <u>\$ 14,785</u>             | <u>\$ -</u>             | <u>\$ -</u>          | <u>\$ 14,785</u> |
|                                    | Year ended December 31, 2022 |                         |                      |                  |
|                                    | Stage 1                      | Stage 2                 | Stage 3              | Total            |
|                                    | 12 months                    | Increase in credit risk | Impairment of credit |                  |
| January 1, 2022                    | \$ 18,187                    | \$ -                    | \$ -                 | \$ 18,187        |
| Reversal of expected credit losses | ( 6,523)                     | -                       | -                    | ( 6,523)         |
| December 31, 2022                  | <u>\$ 11,664</u>             | <u>\$ -</u>             | <u>\$ -</u>          | <u>\$ 11,664</u> |

(B) Other receivables

|                        | Year ended December 31, 2023 |             |             | Total        |
|------------------------|------------------------------|-------------|-------------|--------------|
|                        | Stage 1                      | Stage 2     | Stage 3     |              |
|                        |                              | Increase in | Impairment  |              |
|                        | 12 months                    | credit risk | of credit   |              |
| January 1, 2023        | \$ 19                        | \$ -        | \$ -        | \$ 19        |
| Expected credit losses | 10                           | -           | -           | 10           |
| December 31, 2023      | <u>\$ 29</u>                 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29</u> |
|                        | Year ended December 31, 2022 |             |             | Total        |
|                        | Stage 1                      | Stage 2     | Stage 3     |              |
|                        |                              | Increase in | Impairment  |              |
|                        | 12 months                    | credit risk | of credit   |              |
| January 1, 2022        | \$ 17                        | \$ -        | \$ -        | \$ 17        |
| Expected credit losses | 2                            | -           | -           | 2            |
| December 31, 2022      | <u>\$ 19</u>                 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19</u> |

Note: Expected credit losses is recognized based on interest receivable on the underlying bonds.

(C) Other non-current assets- overdue receivables

|  | Year ended December 31, 2023 |             |                 | Total           |
|--|------------------------------|-------------|-----------------|-----------------|
|  | Stage 1                      | Stage 2     | Stage 3         |                 |
|  |                              | Increase in | Impairment      |                 |
|  | 12 months                    | credit risk | of credit       |                 |
| January 1, 2023                              | \$ -                         | \$ -        | \$ 4,322        | \$ 4,322        |
| Expected credit losses                       | -                            | -           | 432             | 432             |
| Write off                                    | -                            | -           | ( 3,472)        | ( 3,472)        |
| December 31, 2023                            | <u>\$ -</u>                  | <u>\$ -</u> | <u>\$ 1,282</u> | <u>\$ 1,282</u> |
|  | Year ended December 31, 2022 |             |                 | Total           |
|  | Stage 1                      | Stage 2     | Stage 3         |                 |
|  |                              | Increase in | Impairment      |                 |
|  | 12 months                    | credit risk | of credit       |                 |
| January 1, 2022                              | \$ -                         | \$ -        | \$ 2,454        | \$ 2,454        |
| Expected credit losses                       | -                            | -           | 3,741           | 3,741           |
| Reversal of expected<br>for bad debt expense | -                            | -           | ( 1,873)        | ( 1,873)        |
| December 31, 2022                            | <u>\$ -</u>                  | <u>\$ -</u> | <u>\$ 4,322</u> | <u>\$ 4,322</u> |

Movements on total carrying amount of the Company's and its subsidiaries' margin loans receivable, other receivables and other non-current assets-overdue receivables have no significant impact to their loss allowance.

h. Transfer of financial assets

Transferred financial assets that are not derecognized in their entirety :

The Company's and its subsidiaries' transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or equity securities lent out based on security lending agreements. The financial assets have been transferred when collecting the cash flow of the contract, and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Company and its subsidiaries 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 consolidated company is still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analyzed as follows:

| December 31, 2023  |   |   |
|--|---|---|
| Financial assets category  | The carrying amount of financial assets have been transferred | The carrying amount of associated financial liabilities |
| Financial assets measured at fair value through profit or loss<br>Repurchase agreement             | \$ 3,949,464  | \$ 3,628,379  |
| Financial assets measured at fair value through other comprehensive income<br>Repurchase agreement | 6,660,195   | 6,382,932   |
| December 31, 2022  |   |   |
| Financial assets category  | The carrying amount of financial assets have been transferred | The carrying amount of associated financial liabilities |
| Financial assets measured at fair value through profit or loss<br>Repurchase agreement             | \$ 1,044,343  | \$ 1,064,315  |
| Financial assets measured at fair value through other comprehensive income<br>Repurchase agreement | 3,892,245   | 3,893,556   |

i. Offsetting financial assets and financial liabilities

The Company and its subsidiaries have financial instruments that meet the offsetting criteria in paragraph 42 of IAS 32, the gross financial liability is set off against the gross financial asset, resulting in the presentation of a net amount presented in the balance sheet. The Company's and its subsidiaries' financial assets and financial liabilities do not meet the offsetting criteria. However, as net settled master netting arrangements or similar agreements are signed with counterparties, transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; otherwise, transactions are settled on a gross basis. However, if one party breaches the contract, the counterparty can choose to use net settlement.

The offsetting of financial assets and financial liabilities are set as follows:

| December 31, 2023  |  |   |  |                                     |                          |                        |
|--|--|---|--|-------------------------------------|--------------------------|------------------------|
| Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements |  |   |  |                                     |                          |                        |
| Description  | Gross amounts of recognized financial assets (a) | Gross amounts of recognized financial liabilities offset in the balance sheet (b) | Net amounts of financial assets presented in the balance sheet (c)=(a)-(b) | Not offset in the balance sheet (d) |                          | Net amount (e)=(c)-(d) |
|  |  |   |  | Financial instruments (Note)        | Cash collateral received |                        |
| Derivative instruments   | \$ 745,542                                       | \$ 8,743  | \$ 736,799   | \$ 70,801                           | \$ -                     | \$ 665,998             |

(Note) Including net settlement master netting arrangements and non-cash collaterals.

| December 31, 2023   |   |  |   |                                     |                          |                        |
|---|---|--|---|-------------------------------------|--------------------------|------------------------|
| Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements |   |  |   |                                     |                          |                        |
| Description   | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets offset in the balance sheet (b) | Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b) | Not offset in the balance sheet (d) |                          | Net amount (e)=(c)-(d) |
|   |   |  |   | Financial instruments (Note)        | Cash collateral received |                        |
| Derivative instruments  | \$ 530,804  | \$ 8,743   | \$ 522,061  | \$ 70,801                           | \$ -                     | \$ 451,260             |
| Repurchase agreement  | 3,153,325   | -  | 3,153,325   | 3,153,325                           | -                        | -                      |

(Note) Including net settlement master netting arrangements and non-cash collaterals.

| December 31, 2022  |  |   |  |                                     |                          |                        |
|--|--|---|--|-------------------------------------|--------------------------|------------------------|
| Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements |  |   |  |                                     |                          |                        |
| Description  | Gross amounts of recognized financial assets (a) | Gross amounts of recognized financial liabilities offset in the balance sheet (b) | Net amounts of financial assets presented in the balance sheet (c)=(a)-(b) | Not offset in the balance sheet (d) |                          | Net amount (e)=(c)-(d) |
|  |  |   |  | Financial instruments (Note)        | Cash collateral received |                        |
| Derivative instruments   | \$ 514,956                                       | \$ 12,316   | \$ 502,640   | \$ 108,843                          | \$ -                     | \$ 393,797             |

(Note) Including net settlement master netting arrangements and non-cash collaterals.

| December 31, 2022   |   |  |   |                                     |                          |                        |
|---|---|--|---|-------------------------------------|--------------------------|------------------------|
| Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements |   |  |   |                                     |                          |                        |
| Description   | Gross amounts of recognized financial liabilities (a) | Gross amounts of recognized financial assets offset in the balance sheet (b) | Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b) | Not offset in the balance sheet (d) |                          | Net amount (e)=(c)-(d) |
|   |   |  |   | Financial instruments (Note)        | Cash collateral received |                        |
| Derivative instruments  | \$ 185,340  | \$ 12,316  | \$ 173,024  | \$ 108,843                          | \$ -                     | \$ 64,181              |
| Repurchase agreement  | 1,488,419   | -  | 1,488,419   | 1,484,959                           | -                        | 3,460                  |

(Note) Including net settlement master netting arrangements and non-cash collaterals.

## (B) Market risk

### a. Definition of market risk

Market risk refers to possible risk of loss to items on and off the balance sheet arising from uncertain movement in market price in respect of values of financial assets in certain period of time such as changes in interest rate, exchange rate, and prices of equity securities. Interest rate risk mainly comes from fixed income securities and their derivatives, and refers to risk of decrease in values (such as bonds, interest rate swaps, asset swaps, and bond options) arising from changes in interest rate. Risk of equity securities mainly comes from equity securities and their derivatives, and refers to risk of loss to values of investment positions (such as stocks, exchangeable/convertible corporate bonds, beneficiary certificates, futures, and warrants) arising from changes in market price. Additionally, foreign exchange risk refers to risk undertaken in exchange market for foreign currency positions held for operation of foreign equity securities, foreign fixed income securities and derivatives.

### b. Market risk management policy

To effectively control the market risk, each segment's and product line's authorization facilities, limit of loss, limit of risk and other quantitative indicators were based on capital adequacy ratio. The Company and its subsidiaries controlled each market risk through risk management system and effectively controlled market risk by related enforcement rules of market risk.

The Company's overall position and each product line should set a warning and stop-loss mechanism and appropriate enforcement rules for risk management within the risk management regulations based on their characteristics, which should at least include the delegation structure at each level, cascading reporting procedure and operating content, scope of transaction, market risk measurement method, market risk limitations, authorization stratification and handling means for those that exceed limitations, as well as ensuring their implementations are carried out.

For product lines that engage in hedging, positions that require hedging are assessed and daily examinations are conducted to ensure that hedging are conducted within the delegated range. In addition, as a response to spontaneous events, derivative interest and equity securities are engaged to decrease loss positions due to market irregular fluctuations.

The Risk Management Office periodically or non-periodically analyzes each financial product's position, assessed gains or losses, analysis on sensitivity risk factors and stress-test data etc., in order to carry out controls and reports to the Board of Directors and the General Manager to act as a point of reference for their operating decisions.

### c. Measurement technique and limit on market risk

The Company and its subsidiaries sets up a risk quantification model to measure market risk, which not only includes information on limits and gains or losses of traditional positions/nominal principal, but also covers analysis on risk factors and VaR calculations and management. The risk quantification model also sets the delegated quota, loss limitation, risk limitation and other related quantitative indicators of each business unit and product line based on capital adequacy, and controls risk limits of the market based on the risk management system, where business units in accordance with related market risk enforcement rules handle (or deal with) risks in order to effectively control market risks.

### d. Sensitivity analysis

Except for stress testing, sensitivity analysis on changes in various market risk factors with respect to each product line of self-owned positions is performed to simulate the changes

and impact on overall net position value when exchange rate, interest rate and stock price respectively changes by 1%, 1bp and 1%.

December 31, 2023

| Major market risk-related instruments | Extent of Variation   | Effect                       |                            |
|---------------------------------------|---|------------------------------|----------------------------|
|                                       |   | Profit or loss in the period | Other comprehensive income |
| Foreign- exchange-rate instruments    | Exchange rate of NTD to USD, to HKD, to RMB etc depreciated by 1% | \$ 3,508                     | \$ -                       |
| Foreign- exchange-rate instruments    | Exchange rate of NTD to USD, to HKD, to RMB etc appreciated by 1% | ( 3,508)                     | -                          |
| Interest-rate instruments             | Major declines in interest rates 1BP                              | 2,671                        | 7,119                      |
| Interest-rate instruments             | Major increases in interest rates 1BP                             | ( 2,668)                     | ( 7,114)                   |
| Equity securities                     | Stock price increased by 1%                                       | 52,598                       | 13,547                     |
| Equity securities                     | Stock price decreased by 1%                                       | ( 53,239)                    | ( 13,547)                  |

December 31, 2022

| Major market risk-related instruments | Extent of Variation   | Effect                       |                            |
|---------------------------------------|---|------------------------------|----------------------------|
|                                       |   | Profit or loss in the period | Other comprehensive income |
| Foreign- exchange-rate instruments    | Exchange rate of NTD to USD, to HKD, to RMB etc depreciated by 1% | \$ 2,917                     | \$ -                       |
| Foreign- exchange-rate instruments    | Exchange rate of NTD to USD, to HKD, to RMB etc appreciated by 1% | ( 2,917)                     | -                          |
| Interest-rate instruments             | Major declines in interest rates 1BP                              | 2,147                        | 3,749                      |
| Interest-rate instruments             | Major increases in interest rates 1BP                             | ( 2,146)                     | ( 3,746)                   |
| Equity securities                     | Stock price increased by 1%                                       | 11,566                       | 7,735                      |
| Equity securities                     | Stock price decreased by 1%                                       | ( 11,845)                    | ( 7,735)                   |

(Blank)

e. The Company's and its subsidiaries' businesses involve some non-functional currency operations. (The functional currency of the Company and its subsidiaries is NTD.) The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations was as follows:

|  | December 31, 2023 |  |  |                       |
|--|-------------------|--|--|-----------------------|
|  | Currency          | Amount in<br>foreign<br>currencies<br>(in thousands) | Exchange<br>rate at the end<br>of the year | NTD<br>(in thousands) |
| <b>Financial assets</b>  |                   |  |  |                       |
| Cash and cash equivalents  | USD               | 37,413   | 30.6910                                    | \$ 1,148,253          |
|  | EUR               | 484  | 33.9995                                    | 16,440                |
|  | AUD               | 118  | 20.9957                                    | 2,470                 |
| Financial assets at fair value<br>through profit or loss             | USD               | 20,100   | 30.6910                                    | 616,900               |
|  | EUR               | 263  | 33.9995                                    | 8,938                 |
| Financial assets at fair value<br>through other comprehensive income | USD               | 92,474   | 30.6910                                    | 2,838,114             |
|  | AUD               | 3,320  | 20.9957                                    | 69,696                |
| Accounts receivable  | USD               | 822  | 30.6910                                    | 25,238                |
|  | AUD               | 1  | 20.9957                                    | 25                    |
| Customer margin accounts   | USD               | 17,366   | 30.6910                                    | 532,995               |
|  | EUR               | 796  | 33.9995                                    | 27,060                |
| Other assets (Note 1)  | USD               | 3,006  | 30.6910                                    | 92,265                |
| <b>Financial Liabilities</b>   |                   |  |  |                       |
| Financial liabilities at fair value<br>through profit or loss        | AUD               | 14   | 20.9957                                    | 299                   |
| Liabilities for bonds with attached<br>repurchase agreements         | USD               | 100,581  | 30.6910                                    | 3,086,919             |
|  | AUD               | 3,163  | 20.9957                                    | 66,405                |
| Accounts payable   | USD               | 2,562  | 30.6910                                    | 78,626                |
|  | AUD               | 21   | 20.9957                                    | 432                   |
| Short-term loans   | USD               | 2,000  | 30.6910                                    | 61,382                |
| Futures traders' equity  | USD               | 17,315   | 30.6910                                    | 531,416               |
|  | EUR               | 794  | 33.9995                                    | 27,002                |
| Other liabilities (Note 2)   | USD               | 37,906   | 30.6910                                    | 1,163,382             |

Note 1: Other assets comprised pending settlements

Note 2: Other liabilities comprised securities lending refundable deposits and receipts under custody.

| December 31, 2022  |          |  |  |                       |
|--|----------|--|--|-----------------------|
|  | Currency | Amount in<br>foreign<br>currencies<br>(in thousands) | Exchange<br>rate at the end<br>of the year | NTD<br>(in thousands) |
| <b>Financial assets</b>  |          |  |  |                       |
| Cash and cash equivalents  | USD      | 22,829   | 30.7050                                    | \$ 700,972            |
|  | EUR      | 8,002  | 32.7285                                    | 261,894               |
|  | AUD      | 230  | 20.7750                                    | 4,787                 |
| Financial assets at fair value<br>through profit or loss             | USD      | 1,447  | 30.7050                                    | 44,434                |
|  | EUR      | 377  | 32.7285                                    | 12,323                |
|  | AUD      | -  | 20.7750                                    | 1                     |
| Financial assets at fair value<br>through other comprehensive income | USD      | 51,383   | 30.7050                                    | 1,577,722             |
|  | AUD      | 3,194  | 20.7750                                    | 66,365                |
| Accounts receivable  | USD      | 412  | 30.7050                                    | 12,638                |
|  | AUD      | 1  | 20.7750                                    | 25                    |
| Customer margin accounts   | USD      | 33,352   | 30.7050                                    | 1,024,062             |
|  | EUR      | 932  | 32.7285                                    | 30,487                |
| Other assets (Note 1)  | USD      | 2,085  | 30.7050                                    | 64,032                |
|  | EUR      | 7  | 32.7285                                    | 233                   |
| <b>Financial Liabilities</b>   |          |  |  |                       |
| Financial liabilities at fair value<br>through profit or loss        | AUD      | 16   | 20.7750                                    | 330                   |
| Liabilities for bonds with attached<br>repurchase agreements         | USD      | 46,201   | 30.7050                                    | 1,418,594             |
|  | AUD      | 3,361  | 20.7750                                    | 69,826                |
| Accounts payable   | USD      | 199  | 30.7050                                    | 6,125                 |
|  | AUD      | 7  | 20.7750                                    | 151                   |
| Futures traders' equity  | USD      | 33,257   | 30.7050                                    | 1,021,158             |
|  | EUR      | 929  | 32.7285                                    | 30,414                |
| Other liabilities (Note 2)   | USD      | 23,137   | 30.7050                                    | 710,423               |
|  | EUR      | 7,507  | 32.7285                                    | 245,696               |

Note 1: Other assets comprised pending settlements and other prepayments.

Note 2: Other liabilities comprised securities lending refundable deposits and receipts under custody.

For the years ended December 31, 2023 and 2022, because the Company and its subsidiaries engaged in foreign currency transactions with various currencies, the incident foreign exchange gains or losses have been summarized and disclosed in Note 6(28) and (33).

(C) Liquidity risk

a. Definition and source of liquidity risk

Liquidity risk of capital is the risk that the Company may not obtain capital at a reasonable cost to maintain liquidity and ensure the ability to make the payment in a certain period. Liquidity risk exists in all operations, which may be given rise by specific event of various industries or overall market movement, including but not limited to credit event, merging or acquisition activities, systematic impact and natural disasters.

b. Procedures and evaluation method used for liquidity risk management

In order to respond to business funding requirements and to ensure the ability to make the payment, the Company has set up an enforcement rules in relation to liquidity risk management of capital to manage cash flow gaps in order to maintain appropriate liquidity and to control the ratio within the defined range.

(a) Procedures

Risk Management Committee is the supervisory unit of the Company's fund utilisation risk, and the Finance Department is the executive unit. Measurement and control of market liquidity are conducted by the Office of Risk Management in accordance with the risk management policy.

(b) Evaluation method

To manage liquidity risks, the Company is required to maintain the lowest liquidity ratio by the competent authorities and make "Structural Analysis on Maturities of Assets and Liabilities" by month. The liquidity gap is computed based on the remaining time before maturities of assets and liabilities and is submitted to the responsible manager for approval.

c. Maturity analysis for the financial liabilities

The amounts of financial liabilities disclosed in the table are made on the basis of contractual cash flow; therefore, certain disclosed amounts may not be consistent with the corresponding accounts in the balance sheet. Financial liabilities held by the Company and its subsidiaries which remaining period of balance sheet date to contract expiration date within the most recent period of time or a period of time the settlement is expected to be made. Please refer to the disclosures in the following table:

(Blank)

|  | December 31, 2023    |                     |                     |                     |                   |              |                      |
|--|----------------------|---------------------|---------------------|---------------------|-------------------|--------------|----------------------|
|  | 0-30 days            | 31-90 days          | 91-180 days         | 181 days-<br>1 year | 1 year-5 years    | Over 5 years | Total                |
| Primary funds outflow upon maturity                        |                      |                     |                     |                     |                   |              |                      |
| Short-term loans   | \$ -                 | \$ 62,315           | \$ -                | \$ -                | \$ -              | \$ -         | \$ 62,315            |
| Commercial papers payable                                  | 11,800,000           | 1,620,000           | -                   | -                   | -                 | -            | 13,420,000           |
| Financial liabilities at fair value through profit or loss |                      |                     |                     |                     |                   |              |                      |
| Non-derivative instruments                                 | -                    | -                   | 2,155               | -                   | 679               | -            | 2,834                |
| Derivative instruments                                     | 764,279              | 11,183              | 19,634              | 34,638              | 49,256            | -            | 878,990              |
| Liabilities for bonds with attached repurchase agreements  | 24,529,387           | 978,343             | -                   | 3,190,257           | -                 | -            | 28,697,987           |
| Securities financing refundable deposits                   | 7,173                | 1,047               | 40,399              | 944,312             | 354,930           | -            | 1,347,861            |
| Securities lending refundable deposits                     | 13,771               | 274,909             | 916,876             | 31,119              | -                 | -            | 1,236,675            |
| Futures traders' equity                                    | 5,674,427            | -                   | -                   | -                   | -                 | -            | 5,674,427            |
| Equity for each customer in the account                    | -                    | 5,486               | -                   | -                   | -                 | -            | 5,486                |
| Accounts payable (Note)                                    | 19,580,761           | 933,742             | 62,340              | 1,110,864           | 430,497           | -            | 22,118,204           |
| Receipts under custody                                     | 389,294              | 9,423               | 16,519              | -                   | -                 | -            | 415,236              |
| Other financial liabilities - current                      | 351,929              | -                   | -                   | -                   | -                 | -            | 351,929              |
| Other current liabilities                                  | 13,794               | -                   | -                   | -                   | -                 | -            | 13,794               |
| Lease liability  | 5,966                | 11,497              | 18,080              | 27,690              | 103,654           | -            | 166,887              |
| Other liabilities-non-current                              | -                    | -                   | -                   | -                   | 4,990             | -            | 4,990                |
| <b>Total</b>   | <b>\$ 63,130,781</b> | <b>\$ 3,907,945</b> | <b>\$ 1,076,003</b> | <b>\$ 5,338,880</b> | <b>\$ 944,006</b> | <b>\$ -</b>  | <b>\$ 74,397,615</b> |

Note: Accounts payable comprised short sale proceeds payable, accounts payable and other payables.

|  | December 31, 2022    |                     |                   |                     |                     |              |                      |
|--|----------------------|---------------------|-------------------|---------------------|---------------------|--------------|----------------------|
|  | 0-30 days            | 31-90 days          | 91-180 days       | 181 days-<br>1 year | 1 year-5 years      | Over 5 years | Total                |
| Primary funds outflow upon maturity                        |                      |                     |                   |                     |                     |              |                      |
| Commercial papers payable                                  | \$ 120,000           | \$ -                | \$ -              | \$ -                | \$ -                | \$ -         | \$ 120,000           |
| Financial liabilities at fair value through profit or loss |                      |                     |                   |                     |                     |              |                      |
| Non-derivative instruments                                 | 26,792               | -                   | -                 | 7,615               | 2,205               | -            | 36,612               |
| Derivative instruments                                     | 118,159              | 27,093              | 21,215            | 37,596              | 108,927             | -            | 312,990              |
| Liabilities for bonds with attached repurchase agreements  | 17,296,727           | 1,638,690           | -                 | 1,527,018           | -                   | -            | 20,462,435           |
| Securities financing refundable deposits                   | 3,766                | 1,869               | 58,450            | 1,419,658           | 798,583             | -            | 2,282,326            |
| Securities lending refundable deposits                     | 29,882               | 415,729             | 547,119           | 54,769              | -                   | -            | 1,047,499            |
| Futures traders' equity                                    | 6,906,483            | -                   | -                 | -                   | -                   | -            | 6,906,483            |
| Accounts payable (Note)                                    | 10,007,613           | 660,564             | 90,484            | 1,301,159           | 785,192             | -            | 12,845,012           |
| Receipts under custody                                     | 619,761              | 8,424               | 7,667             | -                   | -                   | -            | 635,852              |
| Other financial liabilities - current                      | 701,711              | -                   | -                 | -                   | -                   | -            | 701,711              |
| Other current liabilities                                  | 346                  | -                   | -                 | -                   | -                   | -            | 346                  |
| Lease liability  | 5,806                | 11,913              | 18,719            | 28,125              | 85,668              | -            | 150,231              |
| Other liabilities-non-current                              | -                    | -                   | -                 | -                   | 5,774               | -            | 5,774                |
| Total  | <u>\$ 35,837,046</u> | <u>\$ 2,764,282</u> | <u>\$ 743,654</u> | <u>\$ 4,375,940</u> | <u>\$ 1,786,349</u> | <u>\$ -</u>  | <u>\$ 45,507,271</u> |

Note: Accounts payable comprised short sale proceeds payable, accounts payable and other payables.

d. Maturity analysis on lease contract and capital expense commitment

Operating lease commitment is the minimum rental that the Company should make as a lessee or lessor under the lease term not revocable. Refer to Note 9(2) for details.

(D) Climate-related risks

The Company established a Sustainable Development Committee and Risk Management Committee, of which meeting is held at least quarterly and reports to the Board of Directors for its execution. The Sustainable Development Committee is headed by the Planning Office, which is responsible for reviewing sustainable financial policies, evaluating sustainable development plans, and promoting and implementing sustainable development-related matters. The Risk Management Committee is headed by the Office of Risk Management, which is responsible for reviewing the execution of climate risk management and related regulations.

Since October 2021, the Company has set a cap of 30% on the total cost of marketable securities held by the Company's proprietary trading and underwriting in high-carbon emission industries. In accordance with the 2050 Net-Zero Emissions policy, the cap will be lowered to 28% in 2023 and will be reduced by 1% annually from 2024 onwards. The climate risk will be added to the risk management target in 2024, and the total position included in the risk management of proprietary trading and underwriting in high-carbon emission industrial securities is capped at 27% of total investment position. In accordance with the decarbonisation strategy of the Group, the Company will not make any new investments in coal and carbon mining and non-traditional oil and gas companies, and will not make any new investments in coal-fired power generation accounts for more than 50% of the power plant, unless the customers can provide clear evidence of sustainable transformation or the fund is used for the purpose of sustainable development.

In April 2023, the Group signed the Science Based Targets initiative (SBTi), committing to set a carbon reduction pathway based on the Science Based Targets (SBTs), of which the recommended position percent of target setting of the SBT is 39.56% in 2028 and net-zero emissions will be achieved by 2050. The Company will implement the carbon reduction action plan in accordance with the Group's target.

(4) Trust assets and liabilities

- A. The Company conducts wealth management business by trust, which is to conduct trust business concerning specific and separate money management, specific and separate securities management and separately managed securities trust (securities lending business) specified in the operating range or methods as designated by the clients according to Securities and Exchange Act, Trust Enterprise Act, and other relevant regulations.
- B. As of December 31, 2023 and 2022, the balance sheet and income statement of trust business and trust property list of the Company disclosed in accordance with Article 17 of Enforcement Rules of the Trust Enterprise Act were as follows:

## (A) Balance sheet of trust accounts

|                            | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------|--------------------------|--------------------------|
| <u>Trust assets</u>        |                          |                          |
| Bank savings               | \$ 166,022               | \$ 133,949               |
| Funds                      | 15,546,620               | 13,056,095               |
| Stock                      | 2,972,159                | 2,129,765                |
| Accounts receivable        | <u>20,702</u>            | <u>9,403</u>             |
| Total of trust assets      | <u>\$ 18,705,503</u>     | <u>\$ 15,329,212</u>     |
| <u>Trust liabilities</u>   |                          |                          |
| Accounts payable           | \$ 1,120                 | \$ 1,298                 |
| Taxes payable              | 68                       | 145                      |
| Trust capital              | 17,004,610               | 14,877,167               |
| Retained earnings          |                          |                          |
| Profit in the period       | 1,313,757                | 180,469                  |
| Retained earnings          | 450,266                  | 325,944                  |
| Income distribution        | ( 65,168)                | ( 55,744)                |
| Deferred carry forward     | <u>850</u>               | <u>( 67)</u>             |
| Total of trust liabilities | <u>\$ 18,705,503</u>     | <u>\$ 15,329,212</u>     |

## (B) Income statement of trust accounts

|                              | <u>Year ended December<br/>31, 2023</u> | <u>Year ended December<br/>31, 2022</u> |
|------------------------------|---|---|
| <u>Trust income</u>          |   |   |
| Interest income              | \$ 874                                  | \$ 237                                  |
| Rental income                | 12,970                                  | 14,504                                  |
| Cash dividends received      | 139,210                                 | 127,606                                 |
| Realized capital gain        | 180,311                                 | 116,751                                 |
| Unrealized capital gain      | 1,581,129                               | 829,223                                 |
| Other revenues               | 95,944                                  | 92,484                                  |
| <u>Trust expenses</u>        |   |   |
| Management fee               | ( 2,409)                                | ( 2,719)                                |
| Service fee                  | ( 5,898)                                | ( 3,378)                                |
| Taxes                        | ( 703)                                  | ( 733)                                  |
| Realized capital loss        | ( 55,211)                               | ( 77,915)                               |
| Unrealized capital loss      | ( 561,552)                              | ( 858,066)                              |
| Other expenses               | <u>( 70,908)</u>                        | <u>( 57,525)</u>                        |
| Gain before income tax       | 1,313,757                               | 180,469                                 |
| Income tax benefit (expense) | <u>-</u>                                | <u>-</u>                                |
| Net gain                     | <u>\$ 1,313,757</u>                     | <u>\$ 180,469</u>                       |

(C) Property list of trust accounts

|                     | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------|--------------------------|--------------------------|
| <u>Items</u>        |                          |                          |
| Bank savings        | \$ 166,022               | \$ 133,949               |
| Funds               | 15,546,620               | 13,056,095               |
| Stock               | 2,972,159                | 2,129,765                |
| Accounts receivable | 20,702                   | 9,403                    |
| Total               | <u>\$ 18,705,503</u>     | <u>\$ 15,329,212</u>     |

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## 14. ADDITIONAL DISCLOSURES

### (1) INFORMATION REGARDING SIGNIFICANT TRANSACTIONS

- A. Funding to other entities: None. The Company and its subsidiaries are a comprehensive securities commission merchant. Margin loans and stock loans business are part of main businesses. Except for margin loans and stock loans, no funds lent to others.
- B. Acting as guarantor for others: None.
- C. Real estate for which accumulated purchases during the year exceeded NTD300 million or 20% of the Company's and its subsidiaries' paid up capital: None.
- D. Real estate for which accumulated sales during the year exceeded NTD300 million or 20% of the Company's and its subsidiaries' paid up capital: None.
- E. The service charge discount with related party reaching NTD5 million and above: None.
- F. Receivables from related parties exceeded NTD100 million or 20% of paid up capital: None.
- G. Significant inter-company transactions during the year ended December 31, 2023:

| Number<br>(Note 1) | Company name                 | Counterparty           | Relationship<br>(Note 2) | Transaction                              |            |  |   |
|--------------------|------------------------------|------------------------|--------------------------|--|------------|--|---|
|                    |                              |                        |                          | General ledger account                   | Amount     | Transaction terms                            | Percentage of<br>consolidated total operating revenues or<br>total assets<br>(Note 3) |
| 0                  | Mega Securities Co.,<br>Ltd. | Mega Futures Co., Ltd. | 1                        | Futures guarantee deposits<br>receivable | \$ 503,360 | Approximately the same<br>with third parties | 0.54%   |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (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 subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: The Company may decide to disclose or not to disclose transaction details in this table based on the Materiality Principle.

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## (2) Disclosure information of investee companies

A. Information regarding name of investee, location is as follows:

| Investor                  | Name of Investee                                 | Location  | Date of establishment | Approval letter  | Main activities   | Initial investment amount       |                                 | Shares held as at December 31, 2023 |               |            | Revenue of Investee at as December 31, 2023 | Net income (loss) of investee | Investment income (loss) recognized by the Company | Cash dividends | Note                              |
|---------------------------|--|---|-----------------------|--|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|---|-------------------------------|--|----------------|-----------------------------------|
|                           |  |   |                       |  |   | Balance at as December 31, 2023 | Balance at as December 31, 2022 | No. of shares                       | Ownership (%) | Book value |   |                               |  |                |                                   |
| Mega Securities Co., Ltd. | Mega Futures Co., Ltd.                           | 2F, No. 95, Sec 2, Zhong Xiao E. Road, Taipei City  | July 29, 1999         | 880610(88)Tai-Cai-Zheng Letter No. 50043                       | Brokerages of overseas and domestic futures business, and futures settlement business | \$ 453,708                      | \$ 453,708                      | 40,000,000                          | 100%          | \$ 810,720 | \$ 272,283                                  | \$ 55,593                     | \$ 55,567  | \$ 41,208      | Subsidiary (Note)                 |
| "                         | Mega International Investment Services Co., Ltd. | 10F, No. 95, Sec 2, Zhong Xiao E. Road, Taipei City | November 20, 1997     | (Note 2)   | Securities investment consulting services   | 50,003                          | 50,003                          | 5,000,000                           | 100%          | 55,736     | 33,186                                      | 64                            | 85   | 2,890          | Subsidiary (Note)                 |
| "                         | Mega growth Venture Capital Co., Ltd.            | 7F, No. 91, Heng Liang Rd., Taipei City             | May 5, 2015           | 1040302 Financial Supervisory-Securities Letter No. 1040005218 | Venture capital   | 38,927                          | 58,100                          | 3,892,700                           | 5.51%         | 36,065     | 181,458                                     | 28,657                        | 1,754  | 3,043          | Accounted for under equity method |

(Note 1): The investment loss or income of the Company included the difference between investment cost and net equity interest and amortisation of unrealised gain and loss arising from downstream and upstream transactions.

(Note 2): The original approval letter number of Mega International Investment Services Co., Ltd. is no longer available because the number was too long ago.

B. Loans granted by investee companies during the year ended December 31, 2023: None

C. Endorsements and guarantees provided by investee company during the year ended December 31, 2023: None

D. Acquisition of real estate properties exceeding NT\$300 million dollars or 20% of the investee companies' paid-in capital during the year ended December 31, 2023: None.

E. Disposal of real estate properties exceeding NT\$300 million dollars or 20% of the investee companies' paid-in capital during the year ended December 31, 2023: None.

F. Handling fee discounts for transactions with related parties exceeding NT\$5 million dollars: None.

G. Receivables from related parties exceeding NT\$100 million dollars or 20% of the investee companies' paid-in capital during the year ended December 31, 2023: None.

(3) Abroad branch and representative office: None.

(4) Information on investments in Mainland China: None.

(5) Major shareholders information: Not applicable.

## 15. SEGMENT INFORMATION

### (1) General information

The Company's and its subsidiaries' Chief Operating Decision-Maker has determined operating segments based on reports that are used to make strategic decisions.

The Company's and its subsidiaries' Chief Operating Decision-Maker manages operating performance based on business types. Securities related business is provided by eight segments including securities brokerage business, proprietary trading of securities business and consignment of securities business.

Revenue and operating results of all segments are measured based on the Company's and its subsidiaries' accounting policies. Items shown in each segment include items directly attributable to each segment and related items distributed to each segment on a reasonable distribution basis. The administrative management segment allocates sources and usages for working capital. Revenue arising from inter-segment transactions is eliminated. All revenue is from external customers. Details

of segments are as follows:

- A. Financial instruments segment is trading derivative instruments and development of derivative products.
- B. Bonds segment is trading bonds, convertible bonds and overseas fixed-income instruments and issuing bonds.
- C. Proprietary trading segment focuses on proprietary trading of securities.
- D. Proprietary trading of futures segment is proprietary trading of futures and related derivative instruments.
- E. Capital market segment is tutoring companies for application of IPO, underwriting overseas issuance, domestic and foreign mergers and others, including underwriting and placement of securities.
- F. Stock agency segment is trading stocks on behalf of clients.
- G. Brokerage segment is trading stocks, futures and other securities as an agent and handling credit transactions (margin purchase and short sale of securities).
- H. Others are performing risk management, regulation compliance, internal control, economic research, system information management, administrative and financial management and handling subsidiaries' business.

(2) Measurement of segment information

The Company's and its subsidiaries' Chief Operating Decision-Maker assesses operating segments' performance based on adjusted profit (loss) before tax. The assessment excludes effect of non-recurring expenses, i.e. goodwill impairment.

(3) Reconciliation for segment income (loss)

|   |     | Year ended December 31, 2023 |                     |                        |  |                        |                      |                     |                     |                     |
|---|-----|------------------------------|---------------------|------------------------|--|------------------------|----------------------|---------------------|---------------------|---------------------|
|   |     | Financial instrument segment | Bonds segment       | Self-operating segment | Proprietary trading of futures segment | Capital market segment | Stock agency segment | Brokerage segment   | Others              | Total               |
| Revenue from external clients (Note 1)  | \$  | 199,580                      | \$ 584,228          | \$ 636,136             | \$ 7,959                               | \$ 695,252             | \$ 54,417            | \$ 4,099,992        | \$ 217,059          | \$ 6,494,623        |
| Revenue from internal segments (Note 2) |     | -                            | -                   | -                      | -                                      | -                      | -                    | -                   | -                   | -                   |
| Segment revenues                        | \$  | <u>199,580</u>               | <u>\$ 584,228</u>   | <u>\$ 636,136</u>      | <u>\$ 7,959</u>                        | <u>\$ 695,252</u>      | <u>\$ 54,417</u>     | <u>\$ 4,099,992</u> | <u>\$ 217,059</u>   | <u>\$ 6,494,623</u> |
| Segment profit or loss                  | \$  | <u>45,547</u>                | <u>\$ 71,169</u>    | <u>\$ 532,791</u>      | <u>\$ 3,621</u>                        | <u>\$ 575,914</u>      | <u>\$ 22,049</u>     | <u>\$ 1,652,938</u> | <u>(\$ 696,029)</u> | <u>\$ 2,208,000</u> |
|   |     | Year ended December 31, 2022 |                     |                        |  |                        |                      |                     |                     |                     |
|   |     | Financial instrument segment | Bonds segment       | Self-operating segment | Proprietary trading of futures segment | Capital market segment | Stock agency segment | Brokerage segment   | Others              | Total               |
| Revenue from external clients (Note 1)  | \$  | 3,461                        | (\$ 35,040)         | (\$ 42,993)            | \$ 16,450                              | \$ 228,437             | \$ 54,251            | \$ 3,679,193        | \$ 272,993          | \$ 4,176,752        |
| Revenue from internal segments (Note 2) |     | -                            | -                   | -                      | -                                      | -                      | -                    | -                   | -                   | -                   |
| Segment revenues                        | \$  | <u>3,461</u>                 | <u>(\$ 35,040)</u>  | <u>(\$ 42,993)</u>     | <u>\$ 16,450</u>                       | <u>\$ 228,437</u>      | <u>\$ 54,251</u>     | <u>\$ 3,679,193</u> | <u>\$ 272,993</u>   | <u>\$ 4,176,752</u> |
| Segment profit or loss                  | (\$ | <u>105,011)</u>              | <u>(\$ 212,668)</u> | <u>(\$ 98,534)</u>     | <u>\$ 10,593</u>                       | <u>\$ 114,711</u>      | <u>\$ 24,581</u>     | <u>\$ 1,446,271</u> | <u>(\$ 323,516)</u> | <u>\$ 856,427</u>   |

(Note 1) Revenue from external customers includes gain (loss) on trading of securities and derivative instruments and valuation gain (loss), and revenue is presented in net amount.

(Note 2) Revenue from inter-company transactions has been eliminated. All revenue arises from transactions with external customers.

(Note 3) The Company's and its subsidiaries' Chief Operating Decision-Maker decides not to use assets and liabilities of operating segments as basis for making strategic decisions. Thus, assets and segments are not disclosed.

(4) Information on products and services

The Company's and its subsidiaries' reportable segments are based on different products and services with disclosure of general information about types of products and services of the reportable segments' income sources. There is no requirement for additional disclosure of income from products and services.

(5) Geographical information

There was no disclosure since the revenues from foreign customers were not significant.

(6) Major customer information

There was no disclosure because no single customer accounted for 10% or more of the Company's and its subsidiaries' operating revenues for the current period.

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