

# Concord Securities Co.,Ltd.

## 2020

### Annual Report

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<https://www.concords.com.tw>

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#### Notice to Readers

*For the convenience of readers, the annual report has been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language annual report shall prevail.*

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# I. Letter to Shareholders

## Overview of Business Operation for 2020

Back to the end of 2019, the novel coronavirus pneumonia (COVID-19) was starting to spill over across the world, and in the wake of rapid transmission in February and March, 2020, triggering a panic in financial markets globally and a sharp drop in stock price. Nearly \$3 billion in market value had evaporated in less than a month, and the US stock market hit the circuit breaker mechanism four times unprecedentedly in March. This is the fastest and biggest stock market crash in the history. The Taiwanese stock market also went all the way down from 11,997 points closing the year of 2019, and fell to the lowest point of 8,523 points in March, with a maximum drawdown of 29%, entering the so-called bear market. However, starting at the end of March 2020, the U.S. has launched unlimited quantitative easing through purchases of U.S. government bonds, corporate bonds, and financial bonds, injecting liquidity into the market powerfully to avoid economic recession or even the Great Depression. After that, all countries other than the U.S. have promoted large-scale market rescue and economic revitalization measures, and the Taiwanese government has activated the National Finance Stability Fund to protect the stock market since March 19, demonstrating a significant change in the global financial market. As a result, the global financial market has been going up since the second quarter, and even the stock market indices in many countries have reached a record high in history. Taiwanese stock has only hit the lowest point of 8,523 points and began to rebound ever since. To sum up the performance of Taiwanese stocks for 2020, because of solid fundamentals of Taiwanese stock and proper management of domestic epidemic, Taiwanese stocks performed well as a whole, with an increase in both trading volume and stock price. The annual index increased 2735.39 points, or 22.8%, closed at 14732.53 points, and the aggregate market value has reached NT\$44.90 trillion, another record high after 2019. Benefited from shares in Taiwan rising sharply by more than 20% throughout the year and electronics shares performing well, plus Taiwanese stocks fluctuated dramatically throughout the year due to the pandemic's impact, the average daily turnover in the centralized market was NT\$200.731 billion, up 67.17% from 2019, and that in the over-the-counter market (excluding bonds) was NT\$527.2 billion, up 45.44% from 2019, both hitting historic high. The total trading value (excluding bonds) of the centralized and over-the-counter market reached NT\$61.84 trillion, which is also an all-time high record.

The Company reported 2020 annual consolidated sales of NT\$3,338,989 thousand, net income after tax of NT\$1,089,814 thousand, and earnings per share of NT\$1.83. At the end of 2020, the total equity was NT\$8,267,374 thousand and the net value per share was NT\$13.82. In terms of financial ratios, the current ratio was 112.70% and the debt ratio was 76.78%; the overall financial structure of the company is sound. In respect of credit rating, although Fitch Ratings revised its outlook to negative on all securities firms at the beginning of the year due to Covid-19 pandemic, thanks to the financial rescue by global capital injection, the financial market rebounded significantly, and the company' turned a loss into a profit. In the second half of the year, Fitch Ratings gave the company a domestic long-term credit rating of A- (tw) and a domestic short-term credit rating of F2 (tw), with its outlook upgraded to stable from negative.

## Overview of Operating Results for 2020

In respect of brokerage business, the Company's brokerage market share was 1.01%, and the financing balance market share was 1.78% for 2020. The Company takes innovation as the core

strategy for its brokerage business. It conducts R&D on the electronic trading system with increased computing speed, and the state-of-the-art "Fast Earn" system gradually evolved and updated year after year, to significantly reduce the process and time for customers to place orders. The trading volume of customers using such function to place an order has grown from NT\$12,000,000 with the "Fast Earn 1.0" in January 2018 to NT\$8.3 billion with the "Fast Earn 4.0" in December 2020. Meanwhile, the Company also launched the "Dr. Securities" mobile long-term order and "Thousand Dollar Stock Depositor" odd-lot deposit advanced order, so that customers have no need to keep an eye on stock quotes and no fear of missing out on good prices. In addition to innovating functions and services coupled with organizational reengineering bringing in younger salespersons and customers, the company continues to strictly control risks and increase high-quality financing assets to enhance competitiveness of the brokerage business. In respect of wealth management business, the company continuously promotes four product services in funds, sub-brokerage, insurance, and securities lending, moving the development from traditional brokerage services toward "stock income", so as to increase diversified income of the Brokerage Department.

In respect of dealership business, although the capital market faced severe turbulence in the first quarter of 2020 due to the Covid-19 pandemic, the U.S. commenced unlimited QE, providing sufficient funds for the market, and launched large-scale economic revitalization incentive programs, followed by the loose monetary policies introduced by many countries, injecting money to the financial market, the global stock markets have shown a substantial rebound since the second quarter. Taiwanese stock market closed at 14,732.53 points by the end of 2020, setting a new record high for annual closing. The Proprietary Trading Department has been affected by the turbulence in the first half of the year; however, it still achieves remarkable results in profit throughout the year.

In respect of underwriter business, the major counterparts of the Company's IPO and SPO business are all high-quality companies with potential. For IPO business performance in 2020, the Underwriting Department in May help Yonggu-KY to be successfully listed on stock exchanges in Taiwan through its counseling service, and at the end of December submitted the listing application of First Chemical-KY in Taiwan under its lead, which was approved for listing by the Taiwan Stock Exchange Corporation Review Committee in February 2021. And for SPO business, it once again undertook fundraising for power-KY convertible bond and cash capital increase and successfully raised approximately NT\$0.32 billion, and also Winmate convertible bonds under its lead at the end of December has been approved by the Securities and Futures Bureau, which is expected to complete fundraising by the first quarter of 2021. As for the performance of emerging stock business, in December 2020, the market share of the emerging stock recommended securities firms trading market was 0.98%, ranking 13th. All underwriting services are going on the process of expansion.

In respect of bond business, the Company dedicated itself to participating in the government bond market over a long period of time, and was again awarded the "Excellent Central Government Bond Market Maker of the Year" announced by Taipei Exchange in 2020, demonstrating that the Company's long-term participation in trading on the government bond market has been recognized by the market investors and the competent authority. In 2020 when the world's major central banks tended to loosen their monetary policies and cut interest rates, the bond market performed brightly. Taiwan's bond market also hit a historical low of 0.24% due to the continuous decline in the yield of mainstream 10-year government bonds, which led to a bull market in Taiwan bonds. The Fixed Income Department also takes this opportunity, and through the rigorous risk

management mechanism over the years, makes more profit from the bond business.

In respect of financial derivatives, the Company issued a total of 389 warrants in a total amount of NT\$3.242 billion in 2020. The number of warrants issued ranked 13th in the industry. The Company continues to strengthen the research and development of new financial products and services. In addition to warrant issuance and market making, it continues to optimize a variety of trading strategy modules and products, such as ETF spread trading, equity options, etc. coupled with a sound risk control mechanism, the new financial product business has become one of the company's important sources of profit in 2020.

Concord Futures' total sales volume of domestic and foreign futures and options contracts reached 24.5 million contracts in 2020, ranked 6th among futures commission merchants in Taiwan. Overseas futures are one of Concord 'futures' key promotion business for 2020. It held the "Lunar Near Year, Overseas Futures, Film Bullet", "Concord Futures 94 Craze", and other promotion campaigns one after another, through which the new customers have willingness to open accounts and old customers have willingness to trade. In 2020, the market share of overseas futures was 5.84%, making it one of the important sources of profit. In summary, Concord Futures' profit for 2020 reached another record high, with net profit before and after tax of NT\$140,638 thousand and NT\$112,829 thousand, respectively.

Concord Capital Management's business strategies for year 2020 emphasized establishing diversified business development and integrated marketing as well as multiple channels. In addition to constantly extending the offshore fund general agency business, the Company has established a research team to conduct in-depth investigation and analysis on the market, and developed private placement of offshore funds conforming to regulatory easing. It also has strived to act as an administrative assistant role in Taiwan for offshore fund companies, and built business partnerships with a number of offshore fund companies in the past year. Concord Capital Management reported its net loss before and after tax was NT\$5,690 thousand for 2020.

Due to a significant drop in the life insurance market declared interest rate and the impact of the coronavirus pandemic in 2020, Concord Insurance Agency's overall premium income and commission income fell by 40% and 45%, respectively, compared with 2019. Concord Insurance Agency has made a loss of NT\$753 thousand for 2020. Concord Insurance Agency's insurance sales model is mainly based on channel services for wealth management. After non-life insurance business is added, the double-track marketing of non-life and life insurance will provide comprehensive insurance products to meet the needs of customers for personal insurance and property protection, creating a win-win situation for customers and the company's operations.

Concord Asset Management's net profit before and after tax in 2020 was NT\$23,052 thousand. In the future, it will strengthen its profit momentum and steadily develop its existing business.

The Company's award-winning results in 2020 are as follows:

- Won the 3rd place in the "Securities Industry Trading Volume: Diamond Award ", the Sixth Futures Diamond Awards
- Won the "Excellent Central Government Bond Market Maker" for the first and second half of 2020
- Won the "Individual Double Mix Champion", the 34th Securities Cup Table Tennis Championship



In 2020, the Company's consolidated net income after tax reached NT\$1.09 billion, setting the historical record since its establishment. Looking ahead to 2021, the Company will continue to focus on its core business and improve products and services, making good use of the company's operating advantages to create differentiated asset management services and help customers make the most comprehensive investment and financial planning. It also conducts constant supervision and regular review on the implementation results of each business and each business entity to create stable income, optimize risk management mechanisms, and reduce Impact of fluctuations in investment returns on the company's profit and loss. In addition, all the company's business and services lay stress on risk management and compliance, and strict requirements are applied to the supervisors and co-workers of departments and subsidiaries. The company also makes unremitting endeavor to FinTech developments in optimizing electronic trading platforms and strengthening digital functions, and adheres to the business philosophy of seeking maximum benefits for customers with a view to moving toward "Inclusive Finance" to provide customers with more diversified, high-quality product options or customized services and serve more types of investors. Looking into the future, for business diversification development, the Company will not rule out any opportunity for, cooperation and will provide investors with all-inclusive wealth management services through reciprocity and win-win with strategic partners.

Concord Securities Group's business policy always adheres to the business principles of "Ethics, Stability, Service, Sustainability", especially ethical management is the critical cornerstone of the company's operations, provides high-quality, professional and differentiated services as the business philosophy and core value, strengthens internal control and risk control mechanisms, and enhances the corporate constitution and competitiveness, so that all business can steadily grow. This year, the Group will sustain existing advantages and build diversified income by focusing on the key areas so as to improve the company's enterprise constitution and competitiveness, with long-lasting efforts to become a Cross Strait Tri-Regional benchmark enterprise with high-quality financial services as its goal. All shareholders please continue to support and encourage the board of directors and the management team. The management team and all colleagues will work together to bring benefits for shareholders, implement corporate social responsibility, and create corporate value to give back to all shareholders. Thank you!

Concord Securities Co., Ltd.

Chairman: Cheng, Ta-Yu

President: Chiu, Jung-Chen

## II. Company Profile

### 2.1 Date of Incorporation: July 25, 1990.

### 2.2 Company History

1990	July	Established Concord with a paid-in capital of One Billion Three Hundred and Fifty Six Million New Taiwan Dollars (NT \$1,356,000,000)
1991	November	Established the Fixed Income Dept. engaging in developing the bond business in the OTC market
1992	October	Established Taichung Branch
1993	April	Commenced securities trading margin purchase and short sale operations
1994	May	Established Chiayi Branch
	November	Established Kaohsiung Branch
1995	May	Established Hong Kong subsidiary in response to internationalization and expansion of international business
	August	Established Yanping Branch
1996	April	Established Tainan Branch
	August	Established Chunghsiao Branch
	December	Became an OTC company
1997	March	Established Hsinying Branch
	April	Established Wanhua Branch
	May	Established Concord Capital Holdings (Cayman) Limited, an overseas holdings company to manage overseas investment
	May	Established Hsinchu Branch
	May	Established the International Business Department to manage futures brokerage and warrant issuance business
	July	Established Neihu and Yonghe Branches
1998	May	Established Taichung Taiping Branch
	June	Established Miaoli Branch
	July	Established Banqiao Branch
1999	August	Established Hsinyi Branch
2000	May	Established Concord Futures Company through investment
	October	Merged with Da Yuan Securities Corp and established Renai, Sanchong, and Songshan Branch Offices
	December	Established Penghu Branch
2001	July	Renamed the Brokerage Department and Hsinyi Branch Office to Taipei Branch Office and Brokerage Department of the Headquarters, respectively
	September	Closed Wanhua and Miaoli Branches
	October	Assigned to Ho Tai Securities Company and established Shipai, Shetze, and Nankan Branch Offices
2002	September	Added futures proprietary merchant business
	December	Relocated from Chunghsiao Branch and renamed Xindian Branch
2003	March	Established Concord Asset Management Co, Ltd. through investment
	April	Accepted orders to trade foreign securities
	April	Established North-Kaohsiung Branch
2003	September	Established Concord Asset Management Co, Ltd. through investment
	December	Established Concord Futures Brokerage Co., Ltd. through investment
2004	April	Established STSP Branch
2005	June	Established Banhsin Branch
	June	Established of Yuanlin Branch
	November	Relocated Shezih Branch and established Chengchung Branch
	December	Merged STSP Branch into Tainan Branch
	December	Merged North-Kaohsiung Branch into Kaohsiung Branch
2007	November	Established Wealth Management Dept. for wealth management business
	December	Co-merged "Sunrises Investment Trust Corp." with KBC Group

2008	March	Renamed the invested Sunrises Investment Trust Corp. to KBC Concord Asset Management Co., Ltd.
2011	March	Value Partners Group, a listed company on the Hong Kong Stock Exchange (Stock code: 806 HK), acquired stake in KBC Concord Asset Management Co., Ltd. of KBC Asset Management N.V., which was officially renamed to "Value Partners Concord Asset Management Corp." upon approval by the FSC on September 1, 2011.
	June	Established Xinzhuang Branch
2012	May	Established Pingtung Branch
2013	January	Relocated Xindian Branch to Taipei City and renamed to Guting Branch
	February	Chengchong Branch merged into Yanping Branch
	March	Concord Managed Futures approved to concurrently operate a futures trust enterprise
	September	Established Concord Insurance Agent Corporation
2014	March	Concord Securities obtaining approval to establish the Offshore Securities Unit (OSU)
	August	Conducted a transfer of business of Yuanlin Branch
2015	January	Merged Banhsin Branch into Banchiao Branch
	December	Concord Futures acquired ownership interest in Guoyuan Futures (China)
2016	April	Merged Guting Branch into Renai Branch, Tunghu Branch into Neihsu Branch
	May	Merged Taiping Branch into Taichung Branch
	October	Merged Xinzhuang Branch into Taipei Branch
2017	February	Merged Xinying Branch into Chiayi Branch
	June	The Julius Baer Funds under the master agent of Concord Capital Management Corp, have been successfully rebranded as GAM funds. Meanwhile, the Financial Supervisory Commission (FSC) has approved GAM Health Innovation Fund for public distribution in Taiwan.
	August	Completed the transactions of Taiwan Concord Capital Securities (HK) Limited and Value Partners Concord Asset Management
2021	January	Completed the liquidation procedure of Concord Managed Futures Corp.
	March	Completed the liquidation procedure of Concord Capital Holdings (Cayman) Limiteds

**2.3 Information on merger and acquisition activities for the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.**

**2.4 Information on strategic investments in affiliated enterprises for the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.**

**2.5 Information on corporate reorganization for the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.**

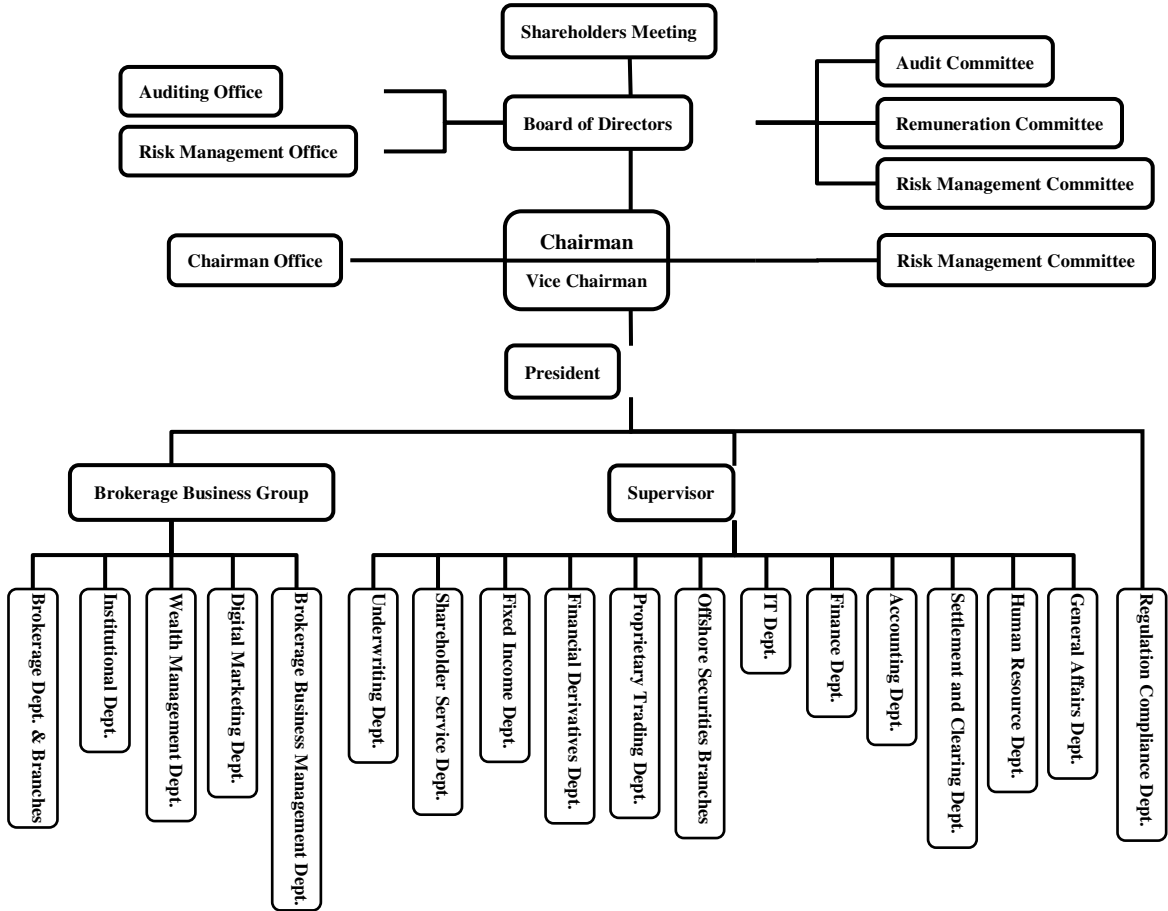
**2.6 Information on instances in which a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or otherwise changes hands for the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.**

**2.7 Information on any change in managerial control; any material change in operating methods or type of business; and any other matters of material significance that could affect shareholders' equity for the most recent fiscal year as well as the current fiscal year up to the date of publication of the annual report: None.**

# III. Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department	Main Responsibility
Auditing Office	<ul style="list-style-type: none"> <li>◦ Undertaking the command and supervision of the board of directors, conducting the company's internal audit task</li> <li>◦ Preparing annual audit plan and implementation</li> <li>◦ Reporting regularly to the audit committee and the board of directors on the implementation status of the audit activities</li> <li>◦ Continuing to follow up any defects, irregularities, and the status of corrections of internal control systems found in the course of internal and external audit operations</li> <li>◦ Supervising and managing subsidiaries' audit management:</li> <li>◦ Handling other matters related to internal audit</li> </ul>
Risk Management Office	<ul style="list-style-type: none"> <li>◦ Assisting in formulating risk management policies and methods</li> <li>◦ Assisting in formulating risk limits and risk allocation of each department</li> <li>◦ Ensuring the implementation of risk management policies approved by the board of directors</li> <li>◦ Building risk measurement models, estimating risk exposure of different types of risks</li> <li>◦ Assessing and monitoring risk exposure and the degree of risk concentration</li> <li>◦ Examining the commodity pricing model and valuation system employed by the business unit</li> <li>◦ Produce regularly risk management reports and report them to the management according to the workflow</li> <li>◦ Reporting the regulatory capital adequacy ratio</li> </ul>
Chairman Office	<ul style="list-style-type: none"> <li>◦ Responsible for the planning of the company's short-, mid-, and long-term development policies, evaluating group strategic cooperation and reinvestments, researching designated projects, etc.</li> <li>◦ Corporate advocacy media relations, public relations, and CIS planning</li> <li>◦ Group policy announcement, business assessment, external evaluation, and maintenance of disclosure matters</li> <li>◦ Overseas business planning and budget performance monitoring</li> <li>◦ New business preparation</li> <li>◦ Convening the shareholders meeting, board of directors, and audit committee, having discussions therein, and implementing relevant matters</li> <li>◦ Corporate governance related business</li> </ul>
Regulation Compliance Dept.	<ul style="list-style-type: none"> <li>◦ Establishing an understandable and appropriate regulatory delivery, consultation, coordination, and communication system</li> <li>◦ Ensuring all operational and management rules being updated in a timely manner according to relevant regulations to have all operating activities carried out under laws and regulations</li> <li>◦ Formulating compliance evaluation content and procedures, and guiding each unit to regularly perform a self-assessment on the implementation status.</li> <li>◦ Providing proper regulatory training for the personnel at all units</li> <li>◦ Guiding domestic and foreign branches to follow the laws and regulations of the country where they are located</li> <li>◦ Offering consultation and handling litigation, non-litigation or legal dispute</li> <li>◦ Reviewing external contract and make suggestions for revision</li> <li>◦ Assisting the business units in contractual and legal negotiations with foreign parties</li> <li>◦ Establishing anti-money laundering related regulations and being the dedicated unit</li> <li>◦ Other matters required by the competent authority</li> </ul>
Brokerage Business Group	<ul style="list-style-type: none"> <li>◦ Coordinating the all affairs of the Company's brokerage business and wealth management business, under which there are Brokerage Business Management Dept., Brokerage Dept., Branches, Institutional Dept., Wealth Management Dept., and Digital Marketing Dept.</li> </ul>
Brokerage Business Management Dept.	<ul style="list-style-type: none"> <li>◦ Business management regulatory system planning and revision</li> <li>◦ Establishing a variety of financial product marketing channels, applying multiple marketing on products, and creating diversified income</li> <li>◦ Business risk (market risk, credit risk, and operational risk) control and implementation</li> <li>◦ Operations management and cost analysis</li> </ul>
Brokerage Dept. & Branches	<ul style="list-style-type: none"> <li>◦ Brokerage business development and product sales</li> </ul>
Institutional Dept.	<ul style="list-style-type: none"> <li>◦ Product integration and marketing planning and execution</li> <li>◦ Developing cross-departmental collaboration and providing services for institutions</li> <li>◦ Providing institutions and professional investors with diversified international investment products and services</li> </ul>

Department	Main Responsibility
Wealth Management Dept.	<ul style="list-style-type: none"> <li>◦ Providing customers with professional financial advice on wealth management</li> <li>◦ Provide customer with asset allocation and financial planning services</li> <li>◦ Providing professional investor customers with diversified international investment products and services</li> </ul>
Digital Marketing Dept.	<ul style="list-style-type: none"> <li>◦ Digital platform planning, connecting, and promotion</li> <li>◦ Trading system evaluation, planning, and implementation</li> <li>◦ Marketing and advertising campaign planning and execution</li> <li>◦ 0800 customer service</li> <li>◦ Digital salesperson recruitment and training</li> </ul>
Underwriting Dept.	<ul style="list-style-type: none"> <li>◦ Counseling services and application delivery for domestic and foreign issuing companies going public</li> <li>◦ Fundraising planning and application delivery after going public and deliver</li> <li>◦ Financial advisory services on corporate reorganization, merger, acquisition, and division</li> <li>◦ Underwriting and placing of securities</li> </ul>
Shareholder Service Dept.	<ul style="list-style-type: none"> <li>◦ Shareholders and equity related matters management</li> <li>◦ Planning, convening, and implementation of relevant operations of the shareholders meeting</li> <li>◦ Shareholder service</li> <li>◦ Proxy solicitation, proxy agent, and proxy matters handling</li> </ul>
Fixed Income Dept.	<ul style="list-style-type: none"> <li>◦ Engaging fixed income product dealership, underwriting, and brokerage business</li> <li>◦ RP/RS trade of bonds</li> <li>◦ Convertible bonds dealership business</li> <li>◦ Interest rate derivatives and structured products related business</li> </ul>
Offshore Securities Branches	<ul style="list-style-type: none"> <li>◦ Foreign currency securities and financial product dealership and brokerage business</li> <li>◦ Off-shore securities underwriting business</li> <li>◦ Foreign currency derivatives business</li> <li>◦ Business of securities related foreign exchange business as an Agent</li> </ul>
Proprietary Trading Dept.	<ul style="list-style-type: none"> <li>◦ Using the company's own funds to engage in proprietary trading of domestic and foreign exchange/OTC listed and emerging market stocks, bonds, beneficiary certificate, and other securities, futures and options trading, etc.</li> <li>◦ Through the world economic cycle and future trends industrial research, and from the industrial value chain deconstruction to corporate competitiveness analysis, planning and investing the related trading strategies development for engaging in global spot trading and derivatives to the extent permitted by law and regulations</li> <li>◦ According to the principle of risk reduction and portfolio diversification, carrying out asset allocation management through global political and economic environment analysis and industrial research surveys.</li> </ul>
Financial Derivatives Dept.	<ul style="list-style-type: none"> <li>◦ Derivatives issuing and trading</li> <li>◦ Call (put) warrants issuing and trading</li> <li>◦ Exchange traded funds (ETFs) trading</li> <li>◦ Strategic proprietary trading</li> </ul>
IT Dept.	<ul style="list-style-type: none"> <li>◦ Cross-departmental and related affiliated enterprise information integration planning, evaluation and support</li> <li>◦ System process reengineering, developing strategic policies</li> <li>◦ IT products technology research and introduction</li> <li>◦ Application system planning, design, and development</li> <li>◦ Information, system, and network security planning and control</li> <li>◦ Computer network resources collaboration and planning</li> <li>◦ Education and training in information system planning and implementation</li> <li>◦ Software and hardware procurement evaluation</li> <li>◦ Information systems outsourcing evaluation and planning</li> <li>◦ Financial technology (FinTech) R&amp;D and intellectual property rights development and management</li> </ul>

Department	Main Responsibility
Settlement and Clearing Dept.	<ul style="list-style-type: none"> <li>◦ Commodities trading payment settlement and reporting of relevant matters</li> <li>◦ Assisting in formulating the relevant rules on launching a new type of business and back-end accounting process design and system development</li> <li>◦ Revising the regulations on brokerage business general credit granting, and assisting customers in controlling risks of securities lending and borrowing</li> <li>◦ Assisting branches formulating the back-office operation specifications and personnel management and training</li> <li>◦ Working with the pan-proprietary units to complete customer trading account opening matters</li> <li>◦ Assisting in formulating the relevant regulations on anti-money laundering and countering terrorism financing and developing operation management systems</li> <li>◦ Providing income tax information of the relevant trading products for the responsible unit reporting purpose</li> <li>◦ Carrying out the company's FATCA, CRS, property of public servants, customer inheritance inquiry related reporting and declaration</li> <li>◦ Customer trading data analysis</li> </ul>
Finance Dept.	<ul style="list-style-type: none"> <li>◦ Short-, mid-. and long-term financing plan and short-term capital management</li> <li>◦ Financial institution credit facility application and control</li> <li>◦ Handling cash receipts and payments, keeping custody of cash and securities</li> </ul>
Accounting Dept.	<ul style="list-style-type: none"> <li>◦ Accounting treatment and tax matters handling</li> <li>◦ Accounting system development and implementation</li> <li>◦ Preparing management reports and financial analysis reports on a regular basis</li> <li>◦ Compiling the company's annual budget</li> <li>◦ publicly announcing and uploading the financial statements</li> </ul>
General Affairs Dept.	<ul style="list-style-type: none"> <li>◦ Procurement, maintenance, and management of property equipment at the head office and branch</li> <li>◦ Business location and company office space planning and placement at the head office and branch</li> <li>◦ General expenses control, review, and suggestions for the head office and branch</li> <li>◦ General affairs related management regulations formulation and review</li> <li>◦ Equipment maintenance and management within the group</li> <li>◦ Procurement bargaining and review for the head office and branch</li> <li>◦ Company self-owned assets selling, leasing, and management</li> <li>◦ Receiving/sending and managing official documents of the head office</li> <li>◦ Application and change of license for the head office and branch</li> <li>◦ Supporting the company's major projects</li> </ul>
Human Resource Dept.	<ul style="list-style-type: none"> <li>◦ Human resource management, strategy development and research</li> <li>◦ Formulation and revision of the personnel rules and working rules of the company</li> <li>◦ Staff recruitment, training and development, and certificate management</li> <li>◦ Employee benefits administration and working relationship maintenance</li> <li>◦ Bonus system review; bonus application review and bonus distribution for each department</li> <li>◦ Handling personnel appointment and removal, change, dismissal, retirement, assessment, reward and penalty, and other matters</li> <li>◦ Paying monthly salary to employees and handling all insurance matters</li> <li>◦ Convening the remuneration committee, having discussions therein, and implementing relevant matters</li> <li>◦ Arranging health examination and implementing the four plans for labor health protection</li> </ul>

### 3.2 Directors, Supervisors and Management Team

#### 3.2.1 Directors

April 14, 2020

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	Taiwan, R.O.C.	Te Sheng Development Co., Ltd.	-	June, 8, 2018	3	May 30, 2003	11,650,774	1.90	12,748,934	2.14	-	-	-	-	-	None	-	-	-	None
	Taiwan, R.O.C.	Representative: CHENG, TA-YU	M	June, 8, 2018	3	May 30, 2003	-	-	2,543,369	0.43	206,240	0.03	0	0	Master of Information Management, Fairleigh Dickinson University  Chairman of Concord Futures Corp.	Chairman of Concord Securities Co.,Ltd.  Director of Concord Futures Corp.  Director of Concord Insurance Agent Corp.  Governor of Taiwan Private Equity Association  Convener of Research and Development Committee, Taiwan Securities Association  Convener of Education and Training Committee, Taiwan Securities Association	Director	CHENG, KUO-HWA	Father and Son	None
Director	Taiwan, R.O.C.	Te Sheng Development Co., Ltd.	-	June, 8, 2018	3	May 30, 2003	11,650,774	1.90	12,748,934	2.14	-	-	-	-	-	None	-	-	-	None
	Taiwan, R.O.C.	Representative: CHENG, KUO-HWA (Note 1)	M	March 10, 2020	3	March 10, 2020	-	-	0	0	3,594,902	0.60	0	0	Department of International Trade, National Chengchi University	Chairman of Cheng, Chun-Shen Social Welfare Charity Foundation  Supervisor of Concord Investment Co., Ltd.	Director	CHENG, TA-YU	Father and Son	None
	Taiwan, R.O.C.	Representative: CHEN, QJONG-LING (Note 1)	F	April 7, 2021	3	April 7, 2021	-	-	0	0	0	0	0	0	Department of Statistics, Fu Jen Catholic University	Director of Hwang Chang General Contractor Co., Ltd.  Supervisor of Ho Chang International Contractor Co., Ltd.	None	None	None	None
	Taiwan, R.O.C.	Representative: CHAO, KAO-SHEN	M	June, 8, 2018	3	June 9, 2006	-	-	0	0	0	0	0	0	Materials and Mineral Resources Engineering, National Taipei University of Technology	Director of Concord Capital Management Corp.	None	None	None	None
Director	Taiwan, R.O.C.	Chih Wei Development Co., Ltd.	-	June, 8, 2018	3	June, 8, 2018	3,071,705	0.50	3,361,232	0.57	-	-	-	-	-	None	-	-	-	None
	Taiwan, R.O.C.	Representative: LIN, YOU-HENG (Note 2)	M	December 7, 2020	3	December 17, 2020	-	-	1,483,139	0.25	5,360,478	0.90	0	0	University of La Verne	President of Chih Wei Development Co., Ltd.  Chairman of Chih Hung Investment Co., Ltd.  Director of Hong Chi Investment Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C.	Yuan Lung Construction and Development Co., Ltd.	-	June, 8, 2018	3	June 12, 2015	800,000	0.13	875,405	0.15	-	-	-	-	-	None	-	-	-	None



Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Taiwan, R.O.C.	Representative: MA, PEI-CHUN	F	June, 8, 2018	3	December 12, 2000	-	-	0	0	0	0	0	0	Carnegie Mellon University Economics	Supervisor of LOHAS Social Enterprise Co., Ltd. Director of FEDERAL CORPORATION Director of Yuan Lung Construction and Development Co., Ltd. Director of Ta Tien Investment Co., Ltd. Director of Da Yuan Construction Co., Ltd. Director of Chinese Culture and Social Welfare Fund Director of Taiwan LOHAS Service Development Association Supervisor of Xin Yuan International Investment Corporation Supervisor of Chun Tung Asset Management Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C.	Hong Chi Investment Co., Ltd.	-	June, 8, 2018	3	May 30, 2003	6,316,822	1.03	10,965,598	1.84	-	-	-	-	-	None	-	-	-	None
	Taiwan, R.O.C.	Representative: CHEN, TANG-SHENG	M	June, 8, 2018	3	September 20, 2017	-	-	0	0	0	0	0	0	Master of Business Administration, City University of Seattle	Director of Concord Capital Management Corp.	None	None	None	None
Director	Taiwan, R.O.C.	Te Yeh Investment Co., Ltd.	-	June, 8, 2018	3	June 22, 2012	150,000	0.02	164,137	0.03	-	-	-	-	-	None	-	-	-	None
	Taiwan, R.O.C.	Representative: YANG, MING-WANG	M	June, 8, 2018	3	January 3, 2017	-	-	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	Chairman of Ho Yi Investment Co., Ltd. Chairman of Te Yeh Investment Co., Ltd. Chairman of Te Chan Investment Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C.	Jiayi Progressive Enterprises Co., Ltd.	-	June, 8, 2018	3	June 22, 2012	889,204	0.14	973,015	0.16	-	-	-	-	-	None	-	-	-	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Taiwan, R.O.C.	Representative: TSAI, SUNG-PO	M	June, 8, 2018	3	June 22, 2012	-	-	0	0	0	0	0	0	Insurance, Tatung Institute of Commerce and Technology	Chairman of Li Chin Management Consulting Limited Chairman of Tai Li Management Consulting Limited Chairman of Double Brighten Limited Chairman of Sun-Chuan Publishing Co., Ltd. Chairman of Ming Yi Investment Co., Ltd. Chairman of Ming Chao Investment Co., Ltd. Chairman of Tzu Chuan Investment Co., Ltd. Director of Dong Hong Investment Co., Ltd. Director of Hong Yuan Investment Co., Ltd. Director of Ching Hua Hotel Co., Ltd. Director of KOMPHORT ROYAL LIFE ENTERPRISE CO., LTD. Director of Chuan Hui Investment Co., Ltd. Director of RIGUAN CO., LTD. Director of JIAYI PROGRESSIVE ENTERPRISES LTD. Supervisor of Hui Min Investment Co., Ltd. Supervisor of Concord Investment Co., Ltd. Supervisor of Tzu Hui Enterprise Co., Ltd. Supervisor of San Hua Ying Industrial Co., Ltd.	None	None	None	None
Independent Director	Taiwan, R.O.C.	LEE, CHIN-SHEN	M	June, 8, 2018	3	June 12, 2015	0	0	0	0	0	0	0	0	Associate Professor and Head of Department of Finance and Institute of Finance, Ming Chuan University Professor of Department & Graduate Institute of Banking & Finance, Tamkang University Professor of Department & Graduate Institute of Management Science, National Chiao Tung University PhD, Institute of Management Science (Finance), National Chiao Tung University	Dean, School of Financial Technology, Ming Chuan University Professor of Department of Finance, Ming Chuan University Supervisor of Moai Green Power Corporation Supervisor of YAPP MARKETING CO., LTD. Director of Hung Pao Asset Management Consultant Co., Ltd. Director of YUNGCHIY INTERNATIONAL DEVELOPMENT CO., LTD. Supervisor of Aomshow Co., Ltd.	None	None	None	None

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Taiwan, R.O.C.	CHANG, YAO-REN	M	June 8, 2018	3	June 8, 2018	0	0	0	0	0	0	0	0	Assistant Engineer, Department of Public Housing, Taipei City Government  President of Pao Ku Construction Co., Ltd.  President of Rotary Club of Taipei Chung Shing  Department of Civil and Construction Engineering, National Taiwan University of Science and Technology	Partnership Accountant of Yun Cheng CPA Firm  Senior Technician of SGM STONE CO., LTD.	None	None	None	None
Independent Director	Taiwan, R.O.C.	T.C.HUANG (Note 3)	M	June 5, 2020	3	June 5, 2020	0	0	0	0	0	0	0	0	MS in Finance, National Chengchi University	Independent Director of HERAN Co., Ltd.  Independent Director of Yi Jinn Industrial Co., Ltd.	None	None	None	None
Independent Director	Taiwan, R.O.C.	HUANG, HSIU-HUI (Note 3)	F	June 5, 2020	3	June 5, 2020	0	0	0	0	0	0	0	0	Master, Graduate Institute of Science and Technology Law, National Yunlin University of Science and Technology  Master in Finance, Chaoyang University of Technology	Chairman of GREEN SYNERGY BIOTECH TRADE CO., LTD.  Managing Partner of Yung Lu Ke Ssu Law Firm  Member of the Committee of Employment Discrimination, Central Taiwan Science Park, National Science Council, Executive Yuan  Member of the Taichung City Election Commission  Member of the Gender Equity and Sexual Harassment Investigation Panel, Taichung Customs, Customs Administration, Ministry of Finance	None	None	None	None

**Note 1:** The corporate director Te Sheng Development Co., Ltd. changed its representative to CHEN, CHIUNG-CHU in place of HSIEH, CHENG-YU on June 15, 2020, to LIN, HSIU-CHENG in place of CHEN, CHIUNG-CHU on July 9, 2020, and to CHEN, QIONG-LING in place of LIN, HSIU-CHENG on April 7, 2021.

**Note 2:** The corporate director Chih Wei Development Co., Ltd. changed its representative to LIN, YOU-HENG in place of LIN, TING on December 7, 2020.

**Note 3:** Two additional independent directors T.C.HUANG and HUANG, HSIU-HUI were elected on June 5, 2020.

### Major shareholders of the institutional shareholders

March 10,2021

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Te Sheng Development Co., Ltd.	CHENG, TA-YU 25.34%, Kao Lu Development Co., Ltd. 19.71%, Chih Hung Investment Co., Ltd. 18.29%, Hong Chi Investment Co., Ltd. 9.71%, LIN, HSIU-CHENG 5%, CHENG, YU-HUA 5%, CHENG, YING-HUA 5%, SU, HUI-FEN 4.29%, Shih Kai Investment Co., Ltd. 4%, CHANG, PEI-LI 3.37%, CHEN, CHIUNG-CHU 0.29%
Chih Wei Development Co., Ltd.	CHENG, TA-WEI 64.2%, CHENG, WEN-CHI 24.8%, LI, I-SHAN 10.56%, CHEN, CHUN-LIANG 0.22%, CHAN, TE-SHENG 0.20%, LI, LI-CHU 0.02%
Yuan Lung Construction and Development Co., Ltd.	HSIAO, HSIANG-LING 24%, MA, JUI-CHEN 42%, MA, PEI-CHUN 34%
Hong Chi Investment Co., Ltd.	CHENG, SHIH-HUA 13.25%, LI, LI-CHU 18.15%, CHENG, PEI-CHI 3.98%, CHENG, AN-CHI 3.98%, LI, I-SHAN 11.26%, LIN, YI-LIEN 0.13%, CHENG, TA-WEI 24.77%, CHENG, WEN-CHI 24.50%
Te Yeh Investment Co., Ltd.	CHEN, TZU-E 26.68%, CHANG, PEI-YAO 25%, HUANG, CHIH-LIN 37.13%, Te Chih Wei Enterprise Co., Ltd. 11.2%
JIAYI PROGRESSIVE ENTERPRISES LTD.	WANG, HSIEN 0.29%, TSAI, YUEH-LIN 7.14%, TSAI, SUNG-PO 22.86%, TSAI MIN, CHIA-CHIN 12.86%, TSAI, PI-HSIEN 7.14%, TSAI, YUEH-CHUAN 4.29%, JIAYI SOCIAL WELFARE FOUNDATION 14.29% HAI KEN SOCIAL WELFARE FOUNDATION 14.29%, RISINGSUN FOUNDATION 14.29%

### Major shareholders of the Company's major institutional shareholders

March 10,2021

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Kao Lu Development Co., Ltd.	CHEN, CHIUNG-CHU 39.00%, CHEN CHANG, A-YING 2.92%, CHENG, TA-CHENG 48.08%, CHEN, I-PING 5.00%, CHEN JEN-CHIEH 5.00%
Shih Kai Investment Co., Ltd.	CHEN, CHIUNG-CHU 51.43%, CHEN CHANG, A-YING 2.36%, CHENG, TA-CHENG 42.07%, CHEN, I-AN 1.43%, CHEN, I-PING 2.71%
Chih Hung Investment Co., Ltd.	CHENG, AN-CHI 26.65%, CHENG, PEI-CHI 19.32%, LI, LI-CHU 16.64%, CHENG, SHIH-HUA 14.62%, CHEN, JUI-TANG 11.28%, LIN, WEI-YU 11.28%, CHENG, TA-WEI 0.07%, CHENG, WEN-CHI 0.07%, CHEN, CHUN-LIANG 0.07%
Hong Chi Investment Co., Ltd.	CHENG, SHIH-HUA 13.25%, LI, LI-CHU 18.15%, CHENG, PEI-CHI 3.98%, CHENG, AN-CHI 3.98%, LI, I-SHAN 11.26%, LIN, YI-LIEN 0.13%, CHENG, TA-WEI 24.77%, CHENG, WEN-CHI 24.50%
Te Chih Wei Enterprise Co., Ltd.	CHANG, PEI-YAO 23.55%, CHANG, FENG-WEN HUANG 1.45%, HUANG, CHIH-LIN 25%, EAGLE SHARP GLOBAL LIMITED 50%
JIAYI SOCIAL WELFARE FOUNDATION, HAI KEN SOCIAL WELFARE FOUNDATION, RISINGSUN FOUNDATION	Not Applicable

## Professional qualifications and independence analysis of directors and supervisors

April 7, 2021

Name	Whether to have at least five years work experience and meet the following professional qualification			Independence Status (Note 1)												Number of other public companies of which the director concurrently serves as an independent director
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Te Sheng Development Co., Ltd. Representative: CHENG, TA-YU			✓	✓		✓			✓	✓	✓	✓		✓	✓	None
Te Sheng Development Co., Ltd. Representative: CHENG, KUO-HWA			✓	✓	✓	✓			✓	✓	✓	✓		✓	✓	None
Te Sheng Development Co., Ltd. Representative: CHEN, QIONG-LING			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	None
Te Sheng Development Co., Ltd. Representative: CHAO, KAO-SHEN			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	None
Chih Wei Development Co., Ltd. Representative: LIN, YOU-HENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Yuan Lung Construction and Development Co., Ltd. Representative: MA, PEI-CHUN			✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None
Hong Chi Investment Co., Ltd. Representative: CHEN, TANG-SHENG	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Te Yeh Investment Co., Ltd. Representative: YANG, MING-WANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
JIAYI PROGRESSIVE ENTERPRISES LTD. Representative: TSAI, SUNG-PO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
LEE, CHIN-SHEN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
CHANG, YAN-REN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
T.C.HUANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
HUANG, HSIU-HUI		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.

2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

109年4月22日

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Taiwan, R.O.C.	CHIU, JUNG-CHEN	M	2016.06.27	151,050	0.03	0	0	0	0	EMBA, National CHENGchi University of Finance Vice Executive General Manager, Yuanta Securities Co., Ltd. Vice Executive General Manager, Department of Financial Markets, Polaris Securities Co., Ltd.	Director of Concord Futures Corp.	None	None	None	None
Chief Investment Officer Senior Executive Vice President	Taiwan, R.O.C.	CHEN, CHIH-HAO	M	2018.03.15	130,910	0.02	0	0	0	0	Drexel University MS Finance Head Of Investment Dept., Concord Securities Co., Ltd./Senior Executive Vice President Head Of Research Dept., Capital Securities Corp. /Senior Vice President	None	None	None	None	None
Chief Investment Officer Senior Executive Vice President	Taiwan, R.O.C.	LIAO, CHI -HUNG	M	2015.07.01	130,910	0.02	0	0	0	0	Master of Business Administration, National CHENGchi University Vice President of Proprietary Trading Department, President Securities Co., Ltd.	None	None	None	None	None
Proprietary Trading Dept. Assistant Vice President	Taiwan, R.O.C.	YAO, YI-SHAN	F	2020.01.01	80,560	0.01	0	0	0	0	National Taipei University of Technology EMBA Head of Research Dept., Concord Securities Co., Ltd. / Assistant Vice President Deputy Manager of Research Dept., Capital Securities Corp.	None	None	None	None	None
Proprietary Trading Dept. Assistant Vice President	Taiwan, R.O.C.	FU, KUN-TAI	M	2020.01.01	0	0	0	0	0	0	Master's Program in Finance, Fu Jen Catholic University Assistant Vice President of Research Dept., Concord Securities Co., Ltd. Deputy Manager of Research Dept., Capital Securities Corp.	None	None	None	None	None
Proprietary Trading Dept. Assistant Vice President	Taiwan, R.O.C.	TSAO, PO-HSUAN	M	2020.05.01	0	0	0	0	0	0	Graduate Institute of Business Administration, National Taiwan University Senior Manager of Research Dept., Concord Securities Co., Ltd. Senior Manager of Research Division of Research Dept., Capital Securities Corp.	None	None	None	None	None
Financial Derivatives Dept. Vice President	Taiwan, R.O.C.	LIU, PI-YIN	M	2016.08.01	100,700	0.02	0	0	0	0	Master of Science in Finance, NTU Assistant Vice President of Financial Trading Dept., Yuanta Securities Co., Ltd.	None	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Financial Derivatives Dept. Senior Assistant Vice President	Taiwan, R.O.C.	HO,CHEN-CHE	M	2018.11.01	70,490	0.01	0	0	0	0	Master Degree of Finance, CCU Assistant Vice President of Proprietary Dept Yuanta Securities	None	None	None	None	None
Fixed Income Dept. Senior Vice President	Taiwan, R.O.C.	CHIU, CHAO-SHAN	F	2013.07.01	111,549	0.02	0	0	0	0	MBA, Baruch College, CUNY VP, Treasury/Cathay United Bank	None	None	None	None	None
Fixed Income Dept. Senior Assistant Vice President	Taiwan, R.O.C.	CHEN,WEI-TUNG	M	2016.06.01	70,490	0.01	0	0	0	0	Master 's Program in Applied Statistics, Fu Jen Catholic University Manager of Fixed Income Dept., Concord Securities Co., Ltd.	None	None	None	None	None
Fixed Income Dept. Senior Assistant Vice President	Taiwan, R.O.C.	LIN,SZU-YU	M	2015.05.01	0	0	0	0	0	0	Master of Arts in Economics at the National Taiwan University Manager of Fixed Income Dept., Concord Securities Co., Ltd. Project Manager of China Bills Finance Co., Ltd.	None	None	None	None	None
Fixed Income Dept. Assistant Vice President	Taiwan, R.O.C.	WANG, HUNG -CHUN	M	2018.05.01	0	0	0	0	0	0	National Taiwan University of Science and Technology, MBA Manager of Bond Department, Taiwan Cooperative Securities	None	None	None	None	None
Underwriting Dept. Vice President	Taiwan, R.O.C.	LEU,SUH-LING	F	2019.01.16	110,770	0.02	0	0	0	0	University of Texas at Arlington MBA in Finance Assistant Vice President of Capital Securities Corp.	None	None	None	None	None
Underwriting Dept. Senior Assistant Vice President	Taiwan, R.O.C.	LEE, YU-JU	M	2015.05.01	70,490	0.01	0	0	0	0	Department of Accounting Shih Chien University Senior Manager of Investment Banking Dept., Capital Securities Corp.	None	None	None	None	None
Underwriting Dept. Project Vice President	Taiwan, R.O.C.	YEH, I-LIN	F	2021.04.01	0	0	0	0	0	0	Finance, National Taiwan University Senior Vice President of Investment Banking Dept., Capital Securities Corp.	None	None	None	None	None
Underwriting Dept. Assistant Vice President	Taiwan, R.O.C.	LIANG,KAI-CHIEH	M	2018.05.01	0	0	0	0	0	0	Accounting Dept., Soochow University Manager of Underwriting Dept., Concord Securities Co., Ltd. Deloitte Touche Tohmatsu Deputy manager of Assurance	None	None	None	None	None



Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Shareholder Service Dept. Assistant Vice President	Taiwan, R.O.C.	YANG,YUNG-SHENG	M	2018.07.01	0	0	0	0	0	0	Nanshan Business and Industry Vocational School Manager of Shareholder Service Dept., Concord Securities Co., Ltd. Registrar Agency Dept., Capital Securities Corp.	None	None	None	None	None
Auditing Office Vice President	Taiwan, R.O.C.	SHIH, SHU-CHEN	F	2017.01.04	100,700	0.02	0	0	0	0	Ming Chuan University Executive Master of Business Administration in Department of Finance. Executive Vice President / Head of Legal & Compliance Dept., IBT Securities Co., Ltd.	None	None	None	None	None
Risk Management Office Senior Manager	Taiwan, R.O.C.	HSU,SHU-WEN	F	2015.09.01	80,560	0.01	0	0	0	0	Institute of Finance, NCTU Senior Specialist of Financial Institution Dept., TC Bank	None	None	None	None	None
Chairman Office Vice President	Taiwan, R.O.C.	CHENG,HUNG-TAI	M	2018.03.15	121,227	0.02	0	0	0	0	Master of Finance, NCU Senior AVP of Chairman Office, Concord Securities Co., Ltd. Manager of Brokerage Dept., President Securities Corp.	Director, Concord Futures Corp. Director, Concord Asset Management Corp.	None	None	None	None
Chairman Office Assistant Vice President	Taiwan, R.O.C.	CHEN, MING-WEI	M	2015.03.19	70,490	0.01	0	0	0	0	Hofstra University MBA Finance Manager of Oversea Division, President Securities Corp.	None	None	None	None	None
Chairman Office Assistant Vice President	Taiwan, R.O.C.	SHOU, NING-NING	F	2017.05.16	0	0	0	0	0	0	Master of Journalism, National Taiwan University Manager of Printing Dept., Chinatimes	None	None	None	None	None
Company Secretary Assistant Vice President	Taiwan, R.O.C.	HUANG, YI-CHEN	F	2018.05.01	80,939	0.01	0	0	0	0	MBA, National CHENGchi University Assistant Vice President of Shareholder Service Dept., Concord Securities Co., Ltd. Deputy Chief of Business Planning Dept., Weichuan Foods Corp.	Supervisor, Concord Insurance Agent Corp.	None	None	None	None
General Affairs Dept. Assistant Vice President	Taiwan, R.O.C.	HUANG, KAI-MING	M	2016.07.01	90,630	0.02	0	0	0	0	Department of Architecture and Urban Design , PCCU Manager of GuJu Construction Ltd.	None	None	None	None	None
Human Resource Dept. Assistant Vice President	Taiwan, R.O.C.	HUANG, MEI-LING	F	2014.02.20	114,703	0.02	0	0	0	0	National Taipei University of Technology EMBA Vice President of Human Resource Division of Administration Dept., Capital securities Corp.	None	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Regulation Compliance Dept. Vice President (MLRO)	Taiwan, R.O.C.	DING,YONG-KANG	M	2021.01.01	103,308	0.02	0	0	0	0	Department of Law, Chinese Culture University. Assistant Vice President of Regulation Compliance Office, Concord Securities Co., Ltd. Administration Department Assistant Manager, New Fortune Enterprise Co., Ltd.	None	None	None	None	
Accounting Officer Senior Manager	Taiwan, R.O.C.	CHEN, HONG-CHIEN	F	2019.03.16	80,560	0.01	0	0	0	0	Master of Business and Management, National Chiao Tung University Manager of Accounting Dept., Concord Securities Co., Ltd. Audit Dept. of Deloitte	None	None	None	None	
Financial Officer Assistant Vice President	Taiwan, R.O.C.	TSAI, WAN-CHI	F	2020.05.08	80,560	0.01	110,221	0.02	0	0	Department of Finance, Chinese Culture University Assistant Vice President of Finance Dept., Concord Futures Corp.	None	None	None	None	
Settlement and Clearing Dept. Vice President	Taiwan, R.O.C.	WANG, HSIU- CHING	F	2013.06.01	110,770	0.02	0	0	0	0	Department of Business Management, Chinese Culture University Head of Settlement & Clearing Dept. /Senior Vice President, Capital Securities Corp.	None	None	None	None	
IT Dept. Senior Executive Vice President	Taiwan, R.O.C.	CHANG, JYH-CHIAN	M	2018.03.15	130,000	0.02	0	0	0	0	PhD in Computer Science, Northwestern University Head of IT Department/Vice President of Concord Securities Co., Ltd. Associate Professor, Department of Information Engineering, School of Engineering, Chinese Culture University	None	None	None	None	
IT Dept. Assistant Vice President	Taiwan, R.O.C.	PAI,CHENG-HSIEN	M	2015.09.01	276,972	0.05	0	0	0	0	EMBA, National CHENGchi University Assistant Vice President of E-Commerce Dept., Concord Securities Co., Ltd. Assistant Vice President of E-Commerce Dept., Masterlink Securities	None	None	None	None	
Brokerage Business Group Senior Executive Vice President	Taiwan, R.O.C.	TSENG, LI-KUO	M	2017.03.27	134,611	0.02	0	0	0	0	Department of Industrial Education, National Changhua University of Education Vice President of Brokerage Dept., Yuanta Securities	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Brokerage Business Group Vice President	Taiwan, R.O.C.	YEN, CHIH-LUNG	M	2019.07.02	85,902	0.01	0	0	0	0	Department of Business Administration of National Kaohsiung First University of Science and Technology Senior Assistant Vice President of Brokerage Business Group, Concord Securities Co., Ltd. Senior Manager of Zhongzheng Branch, Fubon Securities Co., Ltd.	Director, Concord Insurance Agent Corp.	None	None	None	None
Brokerage Business Group Vice President	Taiwan, R.O.C.	LIN, HSU-SHENG	M	2012.09.01	80,560	0.01	0	0	0	0	M.B.A Ming Chuan University Manager of Banqiao Branch, Concord Securities Co., Ltd. Manager of Yonghe Branch, President Securities Corp.	None	None	None	None	
Brokerage Business Management Dept. Vice President	Taiwan, R.O.C.	LEE, AI-CHEN	F	2014.11.01	0	0	0	0	0	0	Early Childhood Education of National Chiayi University Teachers College Assistant Vice President of First Securities Inc.	None	None	None	None	
Brokerage Business Management Dept. Senior Assistant Vice President	Taiwan, R.O.C.	YANG, KUANG-CHENG	M	2018.10.01	68,446	0.01	0	0	0	0	Department of Money And Banking, NCCU Manager of Taipei Branch, Concord Securities Co., Ltd. Assistant Manager Of Dunnan Branch, President Securities Corp.	None	None	None	None	
Wealth Management Dept. Manager	Taiwan, R.O.C.	HSU, WEI-LUN	M	2019.05.10	40,280	0.01	0	0	0	0	Finance Department, Shih Chien University Deputy Manager of Taipei Branch, Concord Securities Co., Ltd.	None	None	None	None	
Digital Marketing Dept. Manager	Taiwan, R.O.C.	LIN, SHIH-NUNG	M	2018.03.15	40,280	0.01	0	0	0	0	Department of Information Management, Jinwen University of Science and Technology Manager of Guting Branch, Concord Securities Co., Ltd. Business Junior Manager of Fuxing Branch, JihSun Securities	None	None	None	None	
Digital Marketing Dept. Project Vice President	Taiwan, R.O.C.	FANG, CHUNG-YING	M	2019.03.21	15	0	0	0	0	0	National Taiwan University of Science and Technology the degree of Master of Science President of Concord Managed Futures Corp.	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Institutional Dept. Senior Assistant Vice President	Taiwan, R.O.C.	CHEN,CHENG-HUNG	M	2018.06.15	60,420	0.01	0	0	0	0	National Taipei University Of Technology The Degree of Executive Master of Business Administration in Industrial Engineering and Management Manager of Fuhsing Branch, Taichung Bank Securities Corp.	None	None	None	None	None
Brokerage Dept. Senior Assistant Vice President	Taiwan, R.O.C.	YANG,CHUN-CHENG	F	2020.05.12	0	0	0	0	0	0	Department of Soil and Water Conservation, National Chung Hsing University Assistant Vice President of Ren-Ai Branch, President Securities Corp.	None	None	None	None	None
Branches Senior Assistant Vice President	Taiwan, R.O.C.	HUANG,YUN-CHIEH	M	2018.04.01	61,023	0.01	5,000	0	0	0	Department of Economics, Tamkang University Senior Assistant Vice President of Brokerage Dept., Concord Securities Co., Ltd. Manager of Grand Cathay Securities Corp.	None	None	None	None	None
Branches Senior Assistant Vice President	Taiwan, R.O.C.	LIN, YIN-LUNG	M	2012.12.18	60,000	0.01	0	0	0	0	Department Of Marine Transportation, National Taiwan Marine And Oceanic College Vice President of Pingtung Branch, KGI Securities Corp.	None	None	None	None	None
Branches Senior Assistant Vice President	Taiwan, R.O.C.	YU,CHIUNG-CHANG	M	2021.01.15	0	0	0	0	0	0	Master of Department of Finance, National Yunlin University of Science and Technology Vice President of APEX International Financial Engineering Res.	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	CHEN,SHU-LING	F	2012.12.18	55,385	0.01	0	0	0	0	Department of Finance, Tunghai University(Master Degree) Vice President of Xitun Branch, KGI Securities Corp.	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	HUANG, SHIH-CHANG	M	2016.05.28	59,875	0.01	0	0	0	0	Department of Cooperative Economics, Feng Chia University Manager of Taiping Branch, Concord Securities Co., Ltd. Manager of Yuan-Lin Securities Co., Ltd.	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	HO,PO-MING	M	2018.10.01	60,441	0.01	0	0	0	0	Department of Statistics, National Chung Hsing University Assistant Vice President of Brokerage Business Group, Concord Securities Co., Ltd. The Capital Group War Center Manager	None	None	None	None	None

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Branches Assistant Vice President	Taiwan, R.O.C.	WU,CHIN- CHIU	M	2017.04.05	35,245	0.01	0	0	0	0	International Trade Division, Tamsui Oxford College Yuanta Polaris Securities Brokerage Department Business Associate	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	CHEN,YU-CHING	M	2015.03.19	55,000	0.01	0	0	0	0	Department of Mechanical and Computer Aided Engineering, Feng Chia University Manager of YanCHENG Branch, Hua Nan Securities Co., Ltd.	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	HSU,CHUN-YANG	M	2020.04.06	0	0	0	0	0	0	Department of Tourism Management, Chinese Culture University Manager of Nan Sanchong Branch, Brokerage Dept., Capital securities Corp.	None	None	None	None	None
Branches Assistant Vice President	Taiwan, R.O.C.	LAI,CHUEH-AN	F	2020.06.02	20,000	0	0	0	0	0	Department of Japanese Language and Literature, College of International Studies and Foreign Languages, Chinese Culture University Manager of International Business Department, IBF Securities Co. Ltd.	None	None	None	None	None
Branches Senior Manager	Taiwan, R.O.C.	YANG,YU-HUNG	M	2007.04.01	45,315	0.01	0	0	0	0	Department of Agricultural Production Technology, National Pingtung University Deputy Manager of Penghu Branch, Concord Securities Co., Ltd.	None	None	None	None	None
Branches Senior Manager	Taiwan, R.O.C.	CHEN,CHIEN-HSUN	M	2018.08.01	35,245	0.01	0	0	0	0	Ming Chuan University, Department of Finance, Master of Science in Finance Manager of Wealth Management Department, Concord Managed Futures Corp.	None	None	None	None	None
Branches Senior Manager	Taiwan, R.O.C.	YANG,WEN -CHUNG	M	2018.02.01	55,385	0.01	0	0	0	0	Institute of Risk Management, Kaohsiung First University of Science and Technology Manager of Tainan Branch, Concord Securities Co., Ltd. Horizon Securities Tainan Branch Business Associate	None	None	None	None	None
Branches Manager	Taiwan, R.O.C.	WANG,MEI-CHUAN	F	2019.07.02	35,000	0.01	0	0	0	0	Master of Ming Chuan University Senior Deputy Manager of Banqiao Branch, Concord Securities Co., Ltd.	None	None	None	None	None

### 3.2.3 Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

#### 1. Remuneration of Directors and Independent Directors

December 31, 2020; Expressed in thousands of NT\$

Title	Name	Remuneration to directors								Total remuneration (A+B+C+D) as a percentage of net income (%)		Relevant remuneration received by directors who are also employees						Total remuneration (A+B+C+D+E+F+G) as a percentage of net income (%)		Remuneration received from an invested company other than the company's subsidiary																								
		Compensation (A)		Severance (B)		Compensation to Directors (C)		Allowance (D)				Salary, bonus, allowance (E)		Severance (F)		Compensation to employees (G)																												
		The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	Cash	Stock	Cash	Stock		The Company	All companies listed in the financial reports																						
	Te Sheng Development Co., Ltd.	864	864	0	0	30,783	30,783	5	5	2.92	2.92	0	0	0	0	0	0	0	0	2.92	2.92	None																						
Chairman	Representative: CHENG, TA-YU	22,100	22,735	0	0	0	0	30	50	2.04	2.10	0	0	0	0	0	0	0	0	2.04	2.10	None																						
Director	Representative: HUANG, YAO-TUNG (Note 1)	8,936	9,080	0	0	25,652	25,652	200	216	3.21	3.22	0	0	0	0	0	0	0	0	3.21	3.22	None																						
Director	Representative: CHENG, KUO-HWA (Note 1)																																											
Director	Representative: HSIEH, CHENG-YU (Note 2)																																											
Director	Representative: CHEN, CHIUNG-CHU (Note 2)																																											
Director	Representative: LIN, HSIU-CHENG (Note 4)																																											
Director	Representative: CHAO, KAO-SHEN																																											
Corporate Director	Chih Wei Development Co., Ltd.																																											
	Representative: LIN, TING																																											
	Representative: LIN, YOU-HENG (Note 5)																																											
	Yuan Lung Construction and Development Co., Ltd.																																											
Director	Representative: MA, PEI-CHUN	8,936	9,080	0	0	25,652	25,652	200	216	3.21	3.22	0	0	0	0	0	0	0	0	3.21	3.22	None																						
	Hong Chi Investment Co., Ltd.																																											
Director	Representative: CHEN, TANG-SHENG																																											
	Te Yeh Investment Co., Ltd.																																											
Director	Representative: YANG, MING-WANG																																											
	JIAYI PROGRESSIVE ENTERPRISES LTD.																																											
Director	Representative: TSAI, SUNG-PO																																											
Independent Director	LEE, CHIN-SHEN																						4,429	4,429	0	0	0	0	334	334	0.44	0.44	0	0	0	0	0	0	0	0	0.44	0.44	None	
																																												CHANG, YAO-REN
																																												T.C.HUANG (Note 3)
		HUANG, HSIU-HUI (Note 3)																																										

1. Please specify the remuneration policy, system, standards, and structure for independent directors, and describe the relevance to the amount of remuneration based on responsibilities, risks, time invested, and other factors: The Company's remuneration policy for independent directors shall be handled by the Company's Regulations for Compensation of Directors. When an independent director performs his/her duties, regardless of profit or loss in the company's operation, the maximum annual compensation by the company is NT\$1,800,000 divided into separate payments, which may be adjusted as appropriate by the remuneration committee based on his/her participation in the company's operation and value of contribution. In addition, the allowance for conducting business shall include attendance pay at the committees, which is NT\$2,000~5,000 each time, as transportation expenses and travel expenses may be reimbursed based on actual needs when performing the company duties. No additional director allowance, severance, bonuses, pension, the profit distribution as remuneration to directors, special disbursement, and other allowance for independent directors.

2. In addition to the disclosures in the above table, the total amount of remuneration received during the most recent fiscal year by the directors providing services (such as serving as non-employee consultants, etc.) for all of the companies listed in the financial reports: NT\$425 thousand.

Note 1: The corporate director Te Sheng Development Co., Ltd. changed its representative to CHENG, KUO-HWA in place of HUANG, YAO-TUNG on March 10, 2020.

Note 2: The corporate director Te Sheng Development Co., Ltd. changed its representative to CHEN, CHIUNG-CHU in place of HSIEH, CHENG-YU on June 16, 2020.

Note 3: Elected by the shareholders meeting on June 5, 2020.

Note 4: The corporate director Te Sheng Development Co., Ltd. changed its representative to LIN, HSIU-CHENG in place of CHEN, CHIUNG-CHU on July 9, 2020.

Note 5: The corporate director Chih Wei Development Co., Ltd. changed its representative to LIN, YOU-HENG in place of LIN, TING on December 7, 2020.

Note 6: NT\$1,092 thousand paid as compensation to the driver

Remuneration Range Table

Range of Remuneration to Directors of the Company	Name of Director			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	The Company	All companies listed in the financial reports H	The Company	All companies listed in the financial reports I
Less than NT\$1,000,000	HUANG, YAO-TUNG; CHENG, KUO-HWA; HSIEH, CHENG-YU; CHEN, CHIUNG-CHU; LIN, HSIU-CHENG; LIN, TING; LIN, YOU-HENG; MA, PEI-CHUN; YANG, MING-WANG; T.C.HUANG; HUANG, HSIU-HUI;	HUANG, YAO-TUNG; CHENG, KUO-HWA; HSIEH, CHENG-YU; CHEN, CHIUNG-CHU; LIN, HSIU-CHENG; LIN, TING; LIN, YOU-HENG; MA, PEI-CHUN; YANG, MING-WANG; T.C.HUANG; HUANG, HSIU-HUI;	HUANG, YAO-TUNG; CHENG, KUO-HWA; HSIEH, CHENG-YU; CHEN, CHIUNG-CHU; LIN, HSIU-CHENG; LIN, TING; LIN, YOU-HENG; MA, PEI-CHUN; YANG, MING-WANG; T.C.HUANG; HUANG, HSIU-HUI;	HUANG, YAO-TUNG; CHENG, KUO-HWA; HSIEH, CHENG-YU; CHEN, CHIUNG-CHU; LIN, HSIU-CHENG; LIN, TING; LIN, YOU-HENG; MA, PEI-CHUN; YANG, MING-WANG; T.C.HUANG; HUANG, HSIU-HUI;
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	CHAO, KAO-SHEN; CHEN, TANG-SHENG; TSAI, SUNG-PO; LEE, CHIN-SHEN; CHANG, YAO-REN	CHAO, KAO-SHEN; CHEN, TANG-SHENG; TSAI, SUNG-PO; LEE, CHIN-SHEN; CHANG, YAO-REN	CHAO, KAO-SHEN; CHEN, TANG-SHENG; TSAI, SUNG-PO; LEE, CHIN-SHEN; CHANG, YAO-REN	CHAO, KAO-SHEN; CHEN, TANG-SHENG; TSAI, SUNG-PO; LEE, CHIN-SHEN; CHANG, YAO-REN
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	—	—	—	—
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chih Wei Development Co., Ltd., Yuan Lung Construction and Development Co., Ltd., Hong Chi Investment Co., Ltd., Te Yeh Investment Co., Ltd., JIAYI PROGRESSIVE ENTERPRISES LTD.	Chih Wei Development Co., Ltd., Yuan Lung Construction and Development Co., Ltd., Hong Chi Investment Co., Ltd., Te Yeh Investment Co., Ltd., JIAYI PROGRESSIVE ENTERPRISES LTD.	Chih Wei Development Co., Ltd., Yuan Lung Construction and Development Co., Ltd., Hong Chi Investment Co., Ltd., Te Yeh Investment Co., Ltd., JIAYI PROGRESSIVE ENTERPRISES LTD.	Chih Wei Development Co., Ltd., Yuan Lung Construction and Development Co., Ltd., Hong Chi Investment Co., Ltd., Te Yeh Investment Co., Ltd., JIAYI PROGRESSIVE ENTERPRISES LTD.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	CHENG, TA-YU	CHENG, TA-YU	CHENG, TA-YU	CHENG, TA-YU
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Te Sheng Development Co., Ltd.	Te Sheng Development Co., Ltd.	Te Sheng Development Co., Ltd.	Te Sheng Development Co., Ltd.
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—	—	—
More than NT\$100,000,000	—	—	—	—
Total	23 persons	23 persons	23 persons	23 persons

## 2. Remuneration to President and Vice President

December 31, 2020; Expressed in thousands of NT\$

Title	Name	Salary (A)		Severance (B)		Bonus and Special Disbursement (C)		Amount of Employee Compensation (D)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Remuneration received from an invested company other than the company's subsidiary
		The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company	All companies listed in the financial reports	The Company		All companies listed in the financial reports		The Company	All companies listed in the financial reports	
								Cash	Stock	Cash	Stock			
President	CHIU, JUNG-CHEN	31,598	31,598	1,036	1,036	69,809	70,359	3,041	0	3,041	0	9.72	9.77	None
Senior Executive Vice President	LIAO, CHI-HUNG													
Senior Executive Vice President	TSENG, LI-KUO													
Senior Executive Vice President	CHEN, CHIH-HAO													
Senior Executive Vice President	CHANG, JYH-CHIAN													
Senior Vice President	CHIU, CHAO-SHAN													
Vice President	CHENG, HUNG-TAI													
Vice President	SHIH, SHU-CHEN													
Vice President	LEE, AI-CHEN													
Vice President	WANG, HSIU-CHING													
Vice President	LEU, SUH-LING													
Vice President	LIU, PI-YIN													
Vice President	YEN, CHIH-LUNG													
Vice President	LIN, HSU-SHENG (Note 1)													

Note 1: Vice President LIN, HSU-SHENG assumed office on May 8, 2020.

Note 2: NT\$956 thousand paid as compensation to the driver



Remuneration Range Table

Range of Remuneration to Presidents and Vice Presidents of the Company	Name of President or Vice President	
	The Company	All companies listed in the financial reports
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	—	—
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	LEE, AI-CHEN; LEU, SUH-LING	LEE, AI-CHEN; LEU, SUH-LING
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	CHIU, CHAO-SHAN; CHENG, HUNG-TAI; SHIH, SHU-CHEN; WANG, HSIU-CHING; YEN, CHIH-LUNG; LIN, HSU-SHENG	CHIU, CHAO-SHAN; CHENG, HUNG-TAI; SHIH, SHU-CHEN; WANG, HSIU-CHING; YEN, CHIH-LUNG; LIN, HSU-SHENG
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	LIAO, CHI-HUNG; TSENG, LI-KUO; CHANG, JYH-CHIAN; LIU, PI-YIN	LIAO, CHI-HUNG; TSENG, LI-KUO; CHANG, JYH-CHIAN; LIU, PI-YIN
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	CHEN, CHIH-HAO; CHIU, JUNG-CHEN	CHEN, CHIH-HAO; CHIU, JUNG-CHEN
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—
More than NT\$100,000,000	—	—
Total	14 persons	14 persons

3. Name of managerial officers who are distributed employee compensation and distribution status:

February 28, 2021; Expressed in thousands of NT\$

Title	Name	Stock	Cash	Total	Total compensation as a percentage of net income (%)
President	CHIU, JUNG-CHEN				
Senior Executive Vice President	CHEN, CHIH-HAO; LIAO, CHI-HUNG CHANG, JYH-CHIAN; TSENG, LI-KUO				
Senior Vice President	CHIU, CHAO-SHAN				
Vice President	CHENG, HUNG-TAI; LEU, SUH-LING WANG, HSIU-CHING; LIU, PI-YIN SHIH, SHU-CHEN; LIN, HSU-SHENG YEN, CHIH-LUNG; DING, YONG-KANG LEE, AI-CHEN				
Project Vice President	FANG, CHUNG-YING				
Senior Assistant Vice President	LEE, YU-JU; LIN, YIN-LUNG CHEN, CHENG-HUNG; HO, CHEN-CHE YANG, CHUN-CHENG YANG, KUANG-CHENG HUANG, YUN-CHIEH CHEN, WEI-TUNG; LIN, SZU-YU YU, CHIUNG-CHANG				
Assistant Vice President	PAI, CHENG-HSIEN; CHEN, MING-WEI FU, KUN-TAI; YAO, YI-SHAN TSAO, PO-HSUAN; LIANG, KAI-CHIEH YANG, YUNG-SHENG CHEN, SHU-LING; HUANG, MEI-LING CHEN, YU-CHING; WANG, HUNG-CHUN HUANG, KAI-MING; WU, CHIN-CHIU SHOU, NING-NING; HSU, CHUN-YANG LAI, CHUEH-AN HUANG, SHIH-CHANG HUANG, YI-CHEN; TSAI, WAN-CHI HO, PO-MING	0	3,700	3,700	0.34
Senior Manager	YANG, WEN-CHUNG; HSU, SHU-WEN CHEN, CHIEN-HSUN; YANG, YU-HUNG CHEN, HONG-CHIEN				
Manager	WANG, SHIAW-PERNG LIN, SHIH-NUNG; HSU, WEI-LUN TSENG, LI-HUNG; WANG, MEI-CHUAN WU, LI-MING				

**3.2.4 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:**

1. Compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, presidents, and vice presidents, and analyze:

Item		2019	2020	Description
Total remuneration to directors as a percentage of net income (%)	The Company	14.34	8.60	As the profit increased significantly in 2020, the related remuneration as a percentage of net income increased compared with that of 2019.
	All of the companies listed in the financial reports	15.12	8.68	
Total remuneration to presidents and vice presidents as a percentage of net income (%)	The Company	19.74	9.72	
	All of the companies listed in the financial reports	19.90	9.77	

2. Describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

The Company's remuneration policies and standards shall be implemented in accordance with the Articles of Incorporation, the relevant provisions of dividend policy, and relevant personnel management rules.

According to Article 21 of the Articles of Incorporation

The board of directors shall be authorized to determine the remuneration paid to all directors based on the degree of their participation in the Company's operations and value of contribution and by taking into account the general pay levels in the industry.

According to Article 25 of the Articles of Incorporation

If there is profit at the end of each fiscal year, the Company shall have 1% to 2% of profit distributable as employees' compensation, which may be distributed in the form of shares or in cash by a resolution to be adopted by the board of directors. the employees entitled to receive shares or cash include the employees of parents or subsidiaries of the company meeting certain specific requirements. The company shall appropriate not more than 5% of the above profit for remuneration to directors by a resolution to be adopted by the board of directors. The distribution of employees' compensation and remuneration to directors shall be reported to the shareholders meeting.

If there are accumulated losses in the previous years, the Company's accumulated losses shall have been covered first, and then the remaining shall be appropriated to employees' compensation and remuneration to directors according to the ratios as mentioned above.

Except as otherwise provided by law or regulation or by the Articles of Incorporation, matters in connection with the Company's compensation of the directors shall be handled by the Company's Regulations for Compensation of Directors.

The standards for the compensation of the Company's president and vice president are stated as follows:

(1) Salary: The Company shall determine the salary with reference to the individual's education, working experience, background, the salary levels in the market or industry, and the Company's salary standards while regularly review the individual's work performance and contribution and also adjust it by taking into consideration the general pay levels in the industry.

(2) Performance bonus: To boost profit, the Company has established the Annual Bonus Allocation Rules

and different bonus plans, allowing its employees to participate in the bonus distribution based on annual business performance and individual assessment results and contributions, etc. to share the company's operating results.

(3) Employees' compensation: To participate in the distribution of employees' compensation in accordance with the Company's regulations for distribution of employees' compensation and with reference to the time spent and responsibilities, job performance and contribution as well as performance achievement status in each position.

Linkage to operating performance and future risk exposure:

To ensure a sound system for compensation of the directors and managerial officers of the Company, the remuneration committee is established pursuant to the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter". The Committee are to professionally and objectively evaluate the policies and systems for compensation of the directors and managerial officers of the Company, and submit recommendations to the board of directors for its reference in decision making.

The remuneration committee perform its duties to establish and periodically reviewing the annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Corporation, and periodically assess the degree to which performance goals for the directors, supervisors, and managerial officers of the Company have been achieved, and take into account the general pay levels in the industry, job performance, and the company's salary level. Also, to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure, with respect to the achievement of short-term and long-term business goals and the financial position of the Company.

### 3.3 Implementation of Corporate Governance

3.3.1 A total of 6 (A) board of directors meetings were held for this term from January 1, 2020 to December 31, 2020. The status of directors attending or attending as a non-voting participant at a board meeting is as follows:

Title	Name	Frequency of actual attendance (or attendance as a non-voting participant) B	Frequency of appointing proxies to attend	Rate of actual attendance (or attendance as a non-voting participant) (%) 【 B/A 】	Remark
Chairman	Te Sheng Development Co., Ltd. Representative: CHENG, TA-YU	6	0	100	None
Director	Te Sheng Development Co., Ltd. Representative: HUANG, YAO-TUNG	0	0	0	Resigned on March 10, 2020
Director	Te Sheng Development Co., Ltd. Representative: CHENG, KUO-HWA	6	0	100	Appointed on March 10, 2020
Director	Te Sheng Development Co., Ltd. Representative: HSIEH, CHENG-YU	1	0	50	Resigned on June 5, 2020
Director	Te Sheng Development Co., Ltd. Representative: CHEN, CHIUNG-CHU	0	0	0	Appointed on June 5, 2020 Resigned on July 9, 2020
Director	Te Sheng Development Co., Ltd. Representative: LIN, HSIU-CHENG	1	0	25	Appointed on July 9, 2020
Director	Te Sheng Development Co., Ltd. Representative: CHAO, KAO-SHEN	6	0	100	None
Corporate Director	Chih Wei Development Co., Ltd. Representative: LIN, TING	4	0	80	Resigned on December 7, 2020
Corporate Director	Chih Wei Development Co., Ltd. Representative: LIN, YOU-HENG	1	0	100	Appointed on December 7, 2020
Director	Yuan Lung Construction and Development Co., Ltd. Representative: MA, PEI-CHUN	6	0	100	None
Director	Hong CHI Investment Co., Ltd. Representative: CHEN, TANG-SHENG	6	0	100	None
Director	Te Yeh Investment Co., Ltd. Representative: YANG, MING-WANG	5	1	83	None
Director	JIAYI PROGRESSIVE ENTERPRISES LTD. Representative: TSAI, SUNG-PO	5	0	83	None
Independent Director	LEE, CHIN-SHEN	6	0	100	None
Independent Director	CHANG, YAO-REN	6	0	100	None
Independent Director	T.C.HUANG	4	0	100	Newly elected on June 5, 2020
Independent Director	HUANG, HSIU-HUI	4	0	100	Newly elected on June 5, 2020

Any other matters that require reporting:

- 一、 If any of the following circumstances occurs in the operations of the board of directors, the date of the board of directors meeting, the term, the content of the agenda, all independent directors' opinions, and the reaction to the independent directors' opinions shall be specified:
- (I) Matters listed in Article 14-3 of the Securities and Exchange Act: None.
- (II) Except for matters under the preceding paragraph, the decisions made by the board of directors in the circumstance where an independent director has a dissenting or qualified opinion which is on record or stated in a written statement.

The 20th meeting of the 11th board of directors on December 17, 2020

Case No.18: Application for Chairman CHENG, TA-YU and Director CHENG, KUO-HWA to Recuse Themselves from the Proposal by Director CHEN, TANG-SHENG at the Board of Directors

Independent director's opinion: Paragraph 4, Article 206 of the Company Act shall apply, mutatis mutandis, to the avoidance of conflict of interest in accordance with Article 178. Specific evidence shall be required according to the opinion of the Ministry of Economic Affairs, and it is also necessary for specific directors to immediately and directly acquire, lose, or newly grant rights or obligations according to the court's opinion on judicial practices. What Director CHEN, TANG-SHENG submitted is mainly the letter of report, which covers descriptive matters only without concrete evidence. The affairs to be inspected at present have not led to the circumstance that specific directors immediately and directly acquire, lose, or newly grant rights or obligations. The specificity and immediacy were both not enough to request avoidance; on the contrary, the expression of equity would be undermined. Therefore, the proposal was unanimously rejected by all independent directors.

The Company's reaction to the independent director's opinion: This proposal has been voted by all directors attending the meeting of the board of directors, with 3 directors voting in favor, 8 directors voting against, and 1 director having no opinion. The proposal was not passed after voting.

Case No.19: To fulfill the supervision over the subsidiary, Concord Asset Management Co, Ltd. shall engage Big Four CPA Firms to audit the matter regarding the loss occurred in the disposal of land by Company's invested HWA-HO Asset Management Corp. (hereinafter referred to as "HWA-HO") in 2019 and compile an official audit report accordingly (proposed by Director CHEN, TANG-SHENG)

Independent director's opinion: In view of the current development of evidence, there is no obvious and immediate need to initiate an audit by the Big Four accounting firms. Our company holds less than half of the shares in HWA-HO. The way to engage Big Four CPA Firms may not be accepted by HWA-HO; instead, the progress of clarifying the facts can be easily affected. It is better to apply a controllable approach that the company may first clarify the accounting records and the original transaction condition, and then submit the evidence for further investigation. After a thorough discussion and evaluation, the four independent directors decided to clarify the facts in a way that has a minor impact on the company. Therefore, another proposal will be made in lieu of this one. The proposal was unanimously rejected by all independent directors.

The Company's reaction to the independent director's opinion: This proposal has been voted by all directors attending the meeting of the board of directors, with 3 directors voting in favor and 9 directors voting against. The proposal was not passed after voting.

- 二、 For the implementation status of directors' avoidance of conflict of interest, the names of directors, content of the agenda, reasons for avoiding conflict of interest, and participation in voting shall be specified:

The 15th meeting of the 11th board of directors on March 12, 2020

Case No.17: Appointment of Directors of Subsidiaries Chairman CHENG, TA-YU is one of the representatives of the corporate directors whom the company intends to appoint, which was related to Case No.17 in discussion. Director CHENG, KUO-HWA is Chairman CHENG, TA-YU's father, and the two did not participate in the discussion and avoided voting. Chairman CHENG, TA-YU appointed Director CHEN, TANG-SHENG as the acting chairperson. The proposal was passed without objection after soliciting opinions of all the directors present at the meeting

The 16th meeting of the 11th board of directors on May 7, 2020

Case No. 4: Proposal for Distribution of 2019 Remuneration to Directors Chairman CHENG, TA-YU has more weight in remuneration than directors, which was related to interest with Case No.4 in discussion. Director CHENG, KUO-HWA is Chairman CHENG, TA-YU's father, and the two did not participate in the discussion and avoided voting. Chairman CHENG, TA-YU appointed Director CHEN, TANG-SHENG as the acting chairperson. The proposal was passed without objection after soliciting opinions of all the directors present at the meeting

- 三、 A TWSE/TPEx listed company shall disclose how the board performance evaluation (self-evaluation or peer evaluation) has been conducted each year, including information covering at least evaluation cycle, evaluation period, scope of evaluation, evaluation method, and what is to be evaluated. Please refer to the implementation status of the board performance evaluation for details.

- 四、 An evaluation of targets for strengthening of the functions of the board during the current and immediately preceding fiscal years (such as establishing an audit committee, enhancing information transparency, etc.), and measures taken toward achievement thereof: The targets for strengthening of the functions of the board in 2015 that an audit committee has been established and information transparency has been improved.

For the Company to improve information transparency of the resolutions of the board of directors, the minutes of the board of directors meeting are disclosed on the website of Concord Securities to strengthen corporate governance and increase investor recognition of the Company.

Implementation status of the board performance evaluation

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	What is to be Evaluated
Once a year	Evaluations were conducted on the performance during the period from January 1, 2020 to December 31, 2020	1. Board of Directors 2. Individual Board Member 3. Audit Committee 4. Remuneration Committee	1. Questionnaire of Self-Evaluation of Performance of Individual Board Members 2. Questionnaire of Self-Evaluation of Performance of the Board 3. Questionnaire of Self-Evaluation of Performance of the Audit Committee 4. Questionnaire of Self-Evaluation of Performance of the	I. The scope of board performance evaluation is as below: 1. Participation in the operation of the company 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control II. Evaluation of Performance of Individual Board Members 1. Alignment of the goals and

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	What is to be Evaluated
			Remuneration committee	<p>missions of the company</p> <ol style="list-style-type: none"> <li>2. Awareness of the duties of a director</li> <li>3. Participation in the operation of the company</li> <li>4. Management of internal relationship and communication</li> <li>5. The director's professionalism and continuing education</li> <li>6. Internal control</li> </ol> <p>III. Evaluation of Performance of the functional committees</p> <ol style="list-style-type: none"> <li>1. Participation in the operation of the company</li> <li>2. Awareness of the duties of the functional committee</li> <li>3. Improvement of the quality of the board of directors' decision making</li> <li>4. Makeup of the functional committee and election of its members</li> <li>5. Internal control</li> </ol> <p>IV. Evaluation Results</p> <ol style="list-style-type: none"> <li>1. The evaluation results of the board of directors showed that each measurement item scored 4.64 on average, between "4 (Good) to 5 (Excellent)", which met the standard.</li> <li>2. In 2019, the "Questionnaire of Self-Evaluation of Performance of the Audit Committee" and "Questionnaire of Self-Evaluation of Performance of the Remuneration committee" were added. The results were evaluated by the convener as "Good" which met the standard.</li> </ol>

**3.3.2 The 2nd Term Audit Committee (term of office: from June 8, 2018 to June 7, 2021); a total of 6 Audit Committee meetings were held for this term from January 1, 2020 to December 31, 2020. The status of independent directors attending or attending as a non-voting participant at the Audit Committee meeting is as follows:**

Title	Name	Frequency of actual attendance (or attendance as a non-voting participant) B	Frequency of appointing proxies to attend	Rate of actual attendance (or attendance as a non-voting participant) (%) 【 B / A 】	Remark
Independent Director (Convener)	CHANG, YAO-REN	6	0	100	None
Independent Director	LEE, CHIN-SHEN	6	0	100	None
Independent Director	T.C.HUANG	4	0	100	Newly elected on June 5, 2020
Independent Director	HUANG, HSIU-HUI	4	0	100	Newly elected on June 5, 2020
<p>Any other matters that require reporting:</p> <p>一、 If any of the following circumstances occurs in the operations of the audit committee, the date of the board of directors meeting, the term, the content of the agenda, the results of the audit committee's resolutions, and the reaction to the audit committee's opinions shall be specified:</p> <p>(I) Matters listed in Article 14-5 of the Securities and Exchange Act</p> <p><u>The 14th Meeting of the 2nd Term Audit Committee on March 11, 2020</u></p> <p>Case No. 1: 2019 Individual Financial Statements and Consolidated Financial Statements</p> <p>Case No. 2: 2019 Business Report</p> <p>Case No. 3: Amendment to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"</p> <p>Case No. 4: Proposal for Distribution of 2019 Profits</p> <p>Case No. 5: Issuance of New Shares for Capital Increase by Transferring Additional Paid-in Capital</p> <p>Case No. 6: Amendment to the "Articles of Incorporation"</p> <p>Case No. 7: Amendment to the "Procedures for Election of Directors"</p> <p>Case No. 8: Amendment to the "Rules of Procedure for Shareholders Meetings"</p> <p>Case No. 9: Amendment to the "Procedures for Acquisition and Disposal of Assets"</p> <p>Case No. 10: "Corporate Governance and Ethical Management Report" and "Board of Directors' Compliance with Ethical Management Declaration" for the Year 2019</p> <p>Case No. 11: Amendment to the "Subsidiary Supervisory Operating Procedures"</p> <p>Case No. 12: Internal Control System Statement, Anti-money Laundering and Countering Terrorism Financing Internal Control System Statement, and Overall Information Security Implementation Statement for the Year 2019</p> <p>Case No. 13: Amendment to the Internal Control Systems of Securities Business</p> <p>Case No. 14: Amendment to the "Anti-money Laundering and Countering Terrorism Financing Risk Assessment Procedures"</p> <p>Case No. 15: Amendment to the "Application and Review Operating Procedures for Qualification of Professional Investor"</p> <p>The results of the audit committee's resolutions: Approved with the consent of the entire members attending the meeting.</p> <p>The company's reaction to the audit committee's opinions: Approved with the consent of the entire directors attending the 15th Meeting of the 11th Term Board of Directors meeting on March 12, 2020.</p> <p><u>The 15th Meeting of the 2nd Term Audit Committee on May 6, 2020</u></p> <p>Case No. 1: 2020 Q1 Consolidated Financial Statements</p> <p>Case No. 2: Amendment to the "Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises"</p> <p>Case No. 3: Report of Implementation Status and Self Evaluation Table of the Principles of Fair Treatment of Consumers for the Year 2019</p> <p>Case No. 4: Amendment to the "Type of Suspicious Money Laundering and Terrorism Financing and Proliferation" Appendix of the "Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing"</p> <p>Case No. 5: Amendment to the Internal Control Systems of Securities Business and Stock Affairs Unit</p> <p>The results of the audit committee's resolutions: Approved with the consent of the entire members attending the meeting.</p> <p>The company's reaction to the audit committee's opinions: Approved with the consent of the entire directors attending the 16th Meeting of the 11th Term Board of Directors meeting on May 7, 2020.</p> <p><u>The 16th Meeting of the 2nd Term Audit Committee on July 22, 2020</u></p>					



- Case No. 1: Amendment to the "Procedure for Board of Directors Meetings"
- Case No. 2: Amendment to the "Regulations for the Organization of Review Committee"
- Case No. 3: Amendment to the "Rules Governing the Scope of Powers of Independent Directors"
- Case No. 4: Amendment to the "Guidelines for the Adoption of Codes of Ethical Conduct"
- Case No. 5: Amendment to the "Whistle-blowing System"
- Case No. 6: Amendment to the "Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises"
- Case No. 7: Amendment to the "Subsidiary Supervisory Operating Procedures"
- Case No. 8: Report of the Business Risk Early Warning Operation Improvement Plan in January 2020
- Case No. 9: Amendment to the "Brokerage Business Group Affairs Delegation of Authority"
- Case No. 10: Amendment to the Internal Control Systems of Securities Business
- Case No. 11: Amendment to the "Operational Guidelines for Underwriting Business"
- Case No. 12: Amendment to the "Operational Guidelines for Ordinary Corporate Bonds"

The results of the audit committee's resolutions: Approved with the consent of the entire members attending the meeting.

The company's reaction to the audit committee's opinions: Approved with the consent of the entire directors attending the 17th Meeting of the 11th Term Board of Directors meeting on July 23, 2020.

The 17th Meeting of the 2nd Term Audit Committee on August 19, 2020

- Case No. 1: 2020 Individual Financial Statements and Consolidated Financial Statements
- Case No. 2: Amendment to the "Anti-money Laundering and Countering Terrorism Financing Risk Assessment Procedures"
- Case No. 3: Proposal for Conclusion and Signing the Property Insurance Sales Promotion Business Contract
- Case No. 4: Amendment to the Internal Control Systems of the Company
- Case No. 5: Amendment to the "Reference to Financial Examination Report Management Regulations" and Abolition of the "Reference to Financial Examination Report Operating Procedures"
- Case No. 6: Personnel affairs

The results of the audit committee's resolutions: Approved with the consent of the entire members attending the meeting.

The company's reaction to the audit committee's opinions: Approved with the consent of the entire directors attending the 18th Meeting of the 11th Term Board of Directors meeting on August 24, 2020.

The 18th Meeting of the 2nd Term Audit Committee on November 4, 2020

- Case No. 1: The Company intends to change certified public accountants from the third quarter of 2020.
- Case No. 2: 2020 Q3 Consolidated Financial Statements
- Case No. 3: Amendment to the "Brokerage Business Group Affairs Delegation of Authority"
- Case No. 4: Profit-Sharing Agreement between the Company and Concord Insurance Agent Corp.
- Case No. 5: The Company's invested subsidiary Concord Capital Holdings (Cayman) Limited intends to terminate its business and conduct dissolution and liquidation.
- Case No. 6: Formulation of the Company's "Stewardship Principles for Institutional Investors", "Responsible Investment Management Measures" and signing the Compliance Statement of the "Stewardship Principles for Institutional Investors"
- Case No. 7: Amendment to the Internal Control Systems of Securities Business
- Case No. 8: Capital reduction and capital increase of the invested subsidiary Concord Capital Management Corp.

The results of the audit committee's resolutions: Approved with the consent of the entire members attending the meeting.

The company's reaction to the audit committee's opinions: Approved with the consent of the entire directors attending the 19th Meeting of the 11th Term Board of Directors meeting on November 5, 2020.

The 19th Meeting of the 2nd Term Audit Committee on December 16, 2020

- Case No. 1: Proposal for 2021 Budget
- Case No. 2: Evaluation on Independence and Suitability of the CPA
- Case No. 3: Amendment to the "Internal Material Information Processing Procedures"
- Case No. 4: Amendment to the "Financial Product Know your Customer and Product Suitability Review Procedures"
- Case No. 5: Amendment to the "Application and Review Operating Procedures for Qualification of Professional Investor"
- Case No. 6: Investment consulting service contract with respect to a mandate given to Concord Capital Management Corp. by the Company
- Case No. 7: Amendment to the "Insider Trading Prevention Management Operating Procedures"
- Case No. 8: Amendment to the "Brokerage Business Group Affairs Delegation of Authority"

Case No. 9: Report of 2021 Internal Audit Operation Inspection Plan

Case No. 10: The Company's parking space for rent

Case No. 11: Personnel mandate contract signed with Concord Capital Management Corp.

Case No.12: Application for Chairman CHENG, TA-YU and Director CHENG, KUO-HWA to Recuse Themselves from the Proposal by Director CHEN, TANG-SHENG at the Board of Directors

Case No.13: To fulfill the supervision over the subsidiary, Concord Asset Management Co, Ltd. shall engage Big Four CPA Firms to audit the matter regarding the loss occurred in the disposal of land by Company's invested Hwa-Ho Asset Management Corp. (hereinafter referred to as "Hwa-Ho") in 2019 and compile an official audit report accordingly

Case No. 14: Instruction to Concord Asset Management Services Co., Ltd. Informing the Supervisor of Hwa-Ho Asset Management Corp. of Investigating as Soon as Possible the Company's Acceptance of Reporting and Project Proposal

The results of the audit committee's resolutions: Case No. 1 ~ 11 and Case No. 14 were approved with the consent of the entire members attending the meeting. Case No. 12 & 13 were not approved with the consent of the entire members attending the meeting.

The company's reaction to the audit committee's opinions: Case No. 1 ~ 11 were approved with the consent of the entire directors attending the 20th Meeting of the 11th Term Board of Directors meeting on December 17, 2020. Case No. 12 & 13 were not approved with the votes of the entire directors attending the meeting. Case No. 14 was approved with the votes of the entire directors attending the meeting.

(II) Except for the above-mentioned, any matter that has not been passed by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None.

二、 For the implementation status of independent directors' avoidance of conflict of interest, the names of independent directors, content of the agenda, reasons for avoiding conflict of interest, and participation in voting shall be specified: None.

三、 The communications between members of the independent directors and chief internal auditors and CPAs (including significant matter, methods, and results of communications on the company's financial and business status, etc.

Please refer to the company's official website as follows:

<https://www.concords.com.tw/about/download/獨立董事與內部稽核主管及會計師之溝通情形.pdf>

**3.3.3 The state of the company's implementation of corporate governance, any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy:**

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
I. Does the Company formulate and disclose the Corporate Governance Practice Principles in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company formulates the "Corporate Governance Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and "Corporate Governance Best-Practice Principles for Securities Firms" to implement the Company's corporate governance and sound operation, and discloses its own Principles on the company's website and MOPS.	None
II. Ownership structure and the rights and interests of shareholders				
(I) Does the company formulate internal operating procedures to handle shareholders' suggestions, questions, disputes, and litigation matters, and implement them in accordance with the procedures?	V		(I) The Company has the spokesperson and deputy spokesperson responsible for handling shareholders' suggestions, questions, disputes, and other matters. In addition, the Company has designated the "Investors Section" and "Investors Window" on its website, which will be handled by the spokesperson and dedicated personnel, and then sent to relevant departments for further actions depending on suggestions or disputes.	None
(II) Does the company retain a register of major shareholders who have controlling power, and of the persons with ultimate control over those major shareholders?	V		(II) The Company to retain the register of major shareholders and changes in shareholding according to the shareholders' register and shareholding reporting materials.	None
(III) Does the company establish and implement risk assessments and the firewall mechanism between it and its affiliated enterprises?	V		(III) Except for independent finances and operations by the Company and its affiliated enterprises, the Company also clearly identifies the division of management authority and responsibility between it and its affiliated enterprises. Any communication or transaction between the Company and its affiliated enterprises shall be handled in accordance with the laws and regulations. In addition, the "Operational Rules for Supervision of Subsidiaries" and the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" have been formulated for regulations on control of subsidiaries.	None
(IV) Does company adopt internal rules prohibiting company insiders	V		(IV) The Company has formulated the "Insider Trading Prevention Management	None

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
from trading securities using information not disclosed to the market?			Operating Procedures” and “Procedures for Handling Material Inside Information” to build good internal control procedures for material inside information and prevent improper information disclosures and insider trading. The company’s insiders are prohibited from using non-public information on the market to purchase/sell securities. 1 11 also carried out training session to all directors, employees, and managerial officers on September 15, 2020 and October 21, 2020, respectively.	
III. The composition and operation of the board of directors (I) Has the policy on diversity been formulated and properly implemented with respect to the composition of the board of directors?	V		(I) These matters shall be conducted in accordance with Company’s “Corporate Governance Practice Principles”. The Company stresses gender equality in the composition of the board of directors, and each board member generally has the necessary knowledge, skill, and experience to perform their duties. The Company’s board of directors is composed of 13 directors (including 4 independent directors) with considerable expertise in business, law, finance, accounting, etc. and rich experience. Among the members, there are 10 males and 3 females.	None
(II) Except for the remuneration committee and audit committee established according to law, does the company by the company voluntarily set up other functional committees?	V		(II) The Company has established the risk management committee, which is composed of the board members, whose function is to assist the board of directors in planning and supervision related risk management affairs.	None
(III) Does the company formulate the Regulations for Board Performance Evaluation and evaluation methods thereof, periodically conduct the performance evaluation every year, and report the evaluation results to the board of directors, and use them as a reference for compensation of individual director and nomination for re-election.	V		(III) The Company has established the “Regulations for Board performance Evaluation” by a resolution adopted by the board of directors; it shall perform board performance evaluation at the end of each year.  The Company’s board performance evaluation for the year 2020 has been performed by the board members by self-evaluation, and the evaluation results have been submitted to the board of directors on March 11, 2021.  According to Article 25 of the Articles of Incorporation, the Company shall appropriate not more than 5% of the profit of the fiscal year for remuneration to directors by a resolution to be adopted by the board of directors, and according to Article 4 of the	None

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
(IV) Does the company evaluate the independence of the CPA engaged by the company regularly?	V		<p>Company's Regulations for Compensation of Directors, the directors are given reasonable compensation by taking into account the company's operating results and with reference to their degree of contribution to the company's performance.</p> <p>(IV) The Company has selected a professional and independent CPA to conduct the audit, and has the audit committee evaluate the independence and suitability of the CPA at least once every year in accordance with the "Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10". The assessment materials and the claims of independence issued by the CPA were approved by the board of directors for approval on December 17, 2020.</p> <p>If after the evaluation, the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.</p>	None
IV. Does the TWSE/TPEX listed company have an adequate number of corporate governance personnel with appropriate qualifications and appoint a Company Secretary as the most senior officer to be in charge of corporate governance affairs (including, without being limited to furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, handling matters relating to board meetings and shareholders meetings according to laws, producing minutes of board meetings and shareholders meetings, and other matters)?	V		<p>According to the "Directions for Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies", Assistant Vice President HUANG, YI-CHEN has served as the Company Secretary of the Company since 2019 and the stock affairs office staff concurrently serves as the corporate governance personnel not only responsible for board of directors and shareholders meeting related matters and other corporate governance affairs, but also effortlessly learn from corporate governance regulations and new knowledge, thereby developing corporate governance services while enhancing the functions of the board of directors and shaping the corporate governance culture.</p>	None
V. Does the company maintain channels of communication with its stakeholders (including without being limited to shareholders, employees, consumers, suppliers, etc.), and designate a stakeholders section on its website, and appropriately response to important corporate social responsibility issues of concern to stakeholders?	V		<p>The Company has designated the "stakeholders section" on its website to clearly list all channels of communication, directly communicates with relevant stakeholders, and appropriately responds to important corporate social responsibility issues that stakeholders are concerned about. Meanwhile, it periodically reports the information regarding finances and operations through the Market Observation Post System</p>	None

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
			(MOPS) to maintain information transparency and protect the rights and interests of investors.	
VI. Does the company engage a professional shareholder services agent to handle shareholders meeting matters?	V		The Company's shareholders meeting matters are handled by the Shareholder Service Dept. of the Company, which is a professional shareholder services agent. It treats all shareholders equally and protect its shareholders' rights and interests as the meeting procedures of the shareholders meeting are conducted in accordance with the laws and regulations, so that shareholders can participate in the shareholders meeting and obtain an opportunity to vote as its principle.	None
VII. Information disclosure (I) Does the company set up a website to disclose the information regarding the company's finances, operations, and corporate governance?	V		(I) The Company has designated the "Investors Section" and "Corporate Governance" on its website to disclose the information regarding the company's finances, operations, and corporate governance, and reports the information regarding finances and operations through the "Market Observation Post System" (MOPS) on a regular or irregular basis.  (The URL of the Company's Investors Section <a href="https://www.concords.com.tw/about/financial/index.htm?mnu=02&amp;submnu=01">https://www.concords.com.tw/about/financial/index.htm?mnu=02&amp;submnu=01</a>	None
(II) Does the company adopt other information disclosure methods (such as setting up a website in English, appointing personnel responsible for gathering and disclosing the information, implementing the spokesperson system, disclosing the process an investor conference on the company's website, etc.)?	V		(II) The Company has a spokesperson who provides information services for shareholders and investors. In addition, the Company has designated the "Investors Section" on its website to provide the following information for reference by shareholders, investors, and customers:  1. Setting up a website in both Chinese and English and providing relevant Chinese and English company profiles  2. Disclosing the information regarding the company's finances, operations, and corporate governance  3. Setting up the Investors Window to disclose the contact window and contact information and provide investors channels of communication in a convenient way	None

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
(III) Does the company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V		<p>4. Disclosing the investor conference information on the company's website; As of the end of 2020, the company has not held an investor conference.</p> <p>(III) The Company published and reported its financial reports for the quarters per Letter No. 2006-Taiwan-Stock-Listing-Audit-1020500225 of the Taiwan Stock Exchange Corporation, and its semi-annual and annual financial reports within two months after the end of a fiscal year; the financial reports for the first and third quarters shall be done within 45 days after the end of a fiscal year For operating status for each month, the financial statements are published according to a specified time and sent to the competent authority before the specified deadline.</p>	None
VIII. Does the company have other significant information that will provide a better understanding of the state of the company's implementation of corporate governance (including without being limited to employees' rights and interests, caring for employees, investor relations, supplier relationship, rights of stakeholders, directors' and supervisors' continuing education, implementation status of risk management policies and risk measurement standards, implementation status of customer policies, and the state of the company taking out directors and supervisors liability insurance, etc.)?	V		<p>(I) Employees' rights and interests:</p> <ol style="list-style-type: none"> <li>To improve employee work efficiency and solidarity, the Company pays special attention to welfare measures and harmonious labor-management relations so as to provide comprehensive care for employees.</li> <li>In addition to the regulations for human resource rules, the Company has also established the Regulations for Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace to protect employees' rights and interests. Moreover, to strengthen employee relations management, the company has specially set up a "Whistle-blower Mailbox" to provide the channels of communication for customers and our employees to report problems at any time and express their opinions.</li> <li>Providing employees with adequate education and training: To improve the quality and work skills of employees and enhance the efficiency and quality of work, the Company has established the "Employee Education and Training Regulations", and formulated an annual education and training plan every year in the hope of cultivating professional talent and further improving operational performance and effectively developing and utilizing human resources.</li> </ol>	None

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
			<p>(II) Care for employees: Talent is the core value and competitiveness of Concord Securities Group. The company improves its employees' professional skill, keeps them learning and growing, accumulates intellectual capital, and builds a career development plan through a systematic, goal-oriented, and comprehensive cultivation approach. The company also often holds activities to increase staff cohesion and care more for employees while creating welfare measures and build a warm and happy working environment for them to strike a healthy work-life balance. In addition to protecting the rights and interests of workers in accordance with Labor Standards Act and relevant regulations of the Labor/Health Insurance, the Company also provides the comprehensive group insurance and medical protection plan, making employees feel reassured without worries for the future.</p> <p>(III) Investor relations: The Company has a spokesperson who not only provides information services for shareholders and investors, but also reports the information regarding finances and operations through the "Market Observation Post System" (MOPS) on a regular or irregular basis. In addition, the Company has designated the "Investors Section" on its website, providing various information for reference by shareholders, investors, and customers. In the future, the company will continue to strengthen investor relations and maintain good communication between it and investors.</p> <p>(IV) Rights of stakeholders: The Company respects the rights of stakeholders to express their opinions, and has designated the "Stakeholders Section" on its website to build channels of communication with stakeholders as a way for stakeholders to reflect their opinions to the company and related information exchange.</p> <p>(V) Implementation status of the directors recusing themselves from proposals in</p>	



Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
			<p>which a potential conflict of interest exists: The Company's directors have all recusing themselves from proposals in which a potential conflict of interest exists.</p> <p>(VI) The progress of training of directors: Please refer to the attached table on the next page for the information disclosure of the progress of training of directors.</p> <p>(VII) Implementation status of risk management policies and risk measurement standards The Company's risk management policies, risk management regulations, and operating guidelines for products shall be formulated after soliciting opinions from departments by the responsible unit, and then proposed to the risk management committee for discussion, and brought into force by a resolution adopted by the board of directors. The board of directors is the highest risk management unit, under which, there is the risk management committee responsible for strengthening overall risk control and setting goals and risk relationships in order to determine the capital distribution and business policy. The responsibility of the risk management office is to clarify the source of the risk, evaluate and quantify the impact of the risk. The supervisors of the business unit shall be responsible for management and reporting of daily risk the subordinate unit. The Risk Management Committee shall convene a meeting twice annually. The Committee shall determine the authorization and trading limits based on market risk, credit risk, liquidity risk, operational risk, and legal risk, and the supervisors of the business units shall perform risk management of the unit based on authorized limits. In the future, loosening or adjust the risk limits shall be reported to the Risk Management Committee for approval after submitting to President for determination.</p> <p>(VIII) Implementation status of customer policy</p>	

Evaluation Item	State of Implementation			Any discrepancy from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
			<p>1. The Company handles brokerage business default and transaction disputes in accordance with relevant regulations of the competent authority on the management of securities firms, and has the multitrack recording system in place to protect the rights and interests of the company, consumers, and customers. At the same time, the Company has a dedicated customer service line for customer advisory services and channeling complaints, and the related product risk warning has been put on the customers' billing statements.</p> <p>2. The "Principles of Fair Treatment of Consumers" policy and strategy were adopted by the Company by a resolution adopted by the board of directors in 2018 to implement the policy of the principles of fair treatment of customers.</p> <p>(IX) The state of the company taking out directors and supervisors liability insurance The Company has taking out all directors and important staff liability insurance from Shinkong Insurance Co., Ltd. with an insured amount of US\$8,000,000 and a period of insurance from December 23, 2020 to December 23, 2021.</p>	
<p>IX. Please describe the status of improvement regarding the evaluation results of corporate governance issued by the Corporate Governance Center of Taiwan Stock Exchange Co., Ltd. in the most recent year, and propose priority matters and measures to be carried out for those that have not yet improved (not application if the company is not included in the companies under evaluation):</p> <p>In the 7th Corporate Governance Evaluation in the year of 2020, the company ranked 21%~35% of all TPEX listed companies. For items not scored in the last term, for example, whether the corporate social responsibility report prepared by the company has been verified by a third party? The Company has engaged British Standards Institution (BSI) to complete verification at the end of May, 2021. For other items to be improved, the Company also make efforts to develop improvement plans to enhance and ensure the quality of information disclosure, improve the efficiency of corporate governance, and achieve the goal of sustainable business to advance the effectiveness of corporate governance and achieve the corporate sustainable development goals.</p>				

## Progress of continuing education of directors

December 31, 2020

Title	Name	Election Date	Training Date		Organizer	Course Name	Hours of Training	Whether the training meets the requirements (Note 1)
			From	To				
Chairman	Te Sheng Development Co., Ltd. Representative: CHENG, TA-YU	June, 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 07, 2020	October 07, 2020	TAIWAN SECURITIES ASSOCIATION	Year 2020 Seminar of High-level Managers from Securities Companies	3.0	
Director	Te Sheng Development Co., Ltd. Representative: CHENG, KUO-HWA	March 10, 2020	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 8, 2020	October 8, 2020	Corporate Operation Association of the Republic of China (Taiwan)	Introduction of New Amendments to the Relevant Regulations of the Operation of the Board of Directors, Independent Directors and Remuneration Committee	3.0	
			October 15, 2020	October 15, 2020	Securities and Futures Institute	Analysis and Case Study on Transactions between Directors/Supervisors and Related Party	3.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
Director	Te Sheng Development Co., Ltd. Representative: LIN, HSIU-CHENG	July 9, 2020	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Director	Te Sheng Development Co., Ltd. Representative: CHAO, KAO-SHEN	June, 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Corporate Director	Chih Wei Development Co., Ltd. Representative: LIN, TING	December 1, 2019	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Corporate Director	Chih Wei Development Co., Ltd. Representative: LIN, YOU-HENG	December 7, 2020	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
			December 21, 2020	December 21, 2020	Securities and Futures Institute	Discussion on Anti-money Laundering and Countering Terrorism Financing Practice	3.0	
			December 23, 2020	December 23, 2020	Securities and Futures Institute	Group Tax Management Trends for Post Pandemic Era	3.0	
Director	Yuan Lung Construction and Development Co.,	June, 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes

Title	Name	Election Date	Training Date		Organizer	Course Name	Hours of Training	Whether the training meets the requirements (Note 1)
			From	To				
	Ltd. Representative: MA, PEI-CHUN		October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Director	Hong Chi Investment Co., Ltd. Representative: CHEN, TANG-SHENG	June 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Director	Te Yeh Investment Co., Ltd. Representative: YANG, MING-WANG	June 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			December 9, 2020	October 30, 2019	TAIWAN SECURITIES ASSOCIATION	Response to Overseas Funds Returning to Taiwan in Finance and Tax	3.0	
Director	JIAYI PROGRESSIVE ENTERPRISES LTD. Representative: TSAI, SUNG-PO	June 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Independent Director	LEE, CHIN-SHEN	June 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Independent Director	CHANG, YAO-REN	June 8, 2018	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Independent Director	T.C.HUANG	June 5, 2020	July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	Yes
			September 18, 2020	September 18, 2020	Securities and Futures Institute	Analysis and Case Study on Non-arm's Length Transactions by Directors	3.0	
			September 18, 2020	September 18, 2020	Securities and Futures Institute	Practical Operation and Latest Interpretation Analysis after Implementation of Company Act	3.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Seeing the Essence of a Problem from Short Stories	2.0	
			October 21, 2020	October 21, 2020	TAIWAN SECURITIES ASSOCIATION	Awareness Programs for Insider Trading System	1.0	
Independent Director	HUANG, HSIU-HUI	June 5, 2020	July 15, 2020	July 15, 2020	Independent Director Association Taiwan	Growth, Reorganization, Transformation, or Upgrade of Enterprises after Pandemic	3.0	Yes
			July 21, 2020	July 21, 2020	Independent Director Association Taiwan	How Independent Directors Safeguard the Baseline on Financial Reports against Risks	3.0	

Title	Name	Election Date	Training Date		Organizer	Course Name	Hours of Training	Whether the training meets the requirements (Note 1)
			From	To				
			July 29, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Anti-money Laundering Regulations and Recent Developments	3.0	
			September 23, 2020	July 29, 2020	TAIWAN SECURITIES ASSOCIATION	Corporate Credit Rating and Debt Rating Risk Analysis	3.0	
			October 24, 2020	October 24, 2020	Taichung BAR Association	Tax Administrative Remedy Theory and Practice	3.0	

Note 1: It refers to whether to meet the continuing education hours, continuing education scope, continuing education system, continuing education arrangements and information disclosure set forth in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies"

## Disclosure of managerial officers participating in continuing education and training related to corporate governance

December 31, 2020

Organizer	Trained Department/Title/Name			Training Date	Topic of Corporate Governance Course	Hours
TAIWAN SECURITIES ASSOCIATION	Chairman	Chairman	CHENG, TA-YU	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	President	President	CHIU, JUNG-CHEN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Chairman Office	Vice President	CHENG, HUNG-TAI	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Underwriting Dept.	Vice President	LEU, SUH-LING	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Settlement and Clearing Dept.	Vice President	WANG, HSIU-CHING	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Financial Derivatives Dept.	Vice President	LIU, PI-YIN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Auditing Office	Vice President	SHIH, SHU-CHEN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Brokerage Business Group	Vice President	YEN, CHIH-LUNG	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Regulation Compliance Dept.	Vice President	DING, YONG-KANG	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	IT Dept.	Senior Executive Vice President	CHANG, JYH-CHIAN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Human Resource Dept.	Assistant Vice President	HUANG, MEI-LING	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	General Affairs Dept.	Assistant Vice President	HUANG, KAI-MING	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Finance Dept.	Assistant Vice President	TSAI, WAN-CHI	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Risk Management Office	Senior Manager	HSU, SHU-WEN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Auditing Office	Senior Manager	LO, YU-CHIEH	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Proprietary Trading Dept.	Senior Manager	CHENG, TA-CHENG	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Accounting Dept.	Senior Manager	CHEN, HONG-CHIEN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Accounting Dept.	Manager	YEH, HSIN-I	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Digital Marketing Dept.	Manager	LIN, SHIH-NUNG	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Regulation Compliance Dept.	Manager	LAI, CHI-HUA	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Auditing Office	Manager	WANG, I-PING	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
	Chairman	Chairman	CHENG, TA-YU	October 07, 2020	Year 2020 Seminar of High-level Managers from Securities Companies	3
	President	President	CHIU, JUNG-CHEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	IT Dept.	Senior Executive Vice President	CHANG, JYH-CHIAN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Brokerage Business Group	Senior Executive Vice President	TSENG, LI-KUO	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Chairman Office	Vice President	CHENG, HUNG-TAI	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Underwriting Dept.	Vice President	LEU, SUH-LING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
Settlement and Clearing Dept.	Vice President	WANG, HSIU-CHING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3	
Auditing Office	Vice President	SHIH, SHU-CHEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3	
Regulation Compliance Dept.	Vice President	DING, YONG-KANG	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3	
TAIWAN SECURITIES ASSOCIATION	Brokerage Business Group	Vice President	YEN, CHIH-LUNG	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Financial Derivatives Dept.	Senior Assistant Vice President	HO, CHEN-CHE	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Fixed Income Dept.	Senior Assistant Vice President	CHEN, WEI-TUNG	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	IT Dept.	Assistant Vice President	PAI, CHENG-HSIEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Chairman Office	Assistant Vice President	CHEN, MING-WEI	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Proprietary Trading Dept.	Assistant Vice President	YAO, YI-SHAN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Human Resource Dept.	Assistant Vice President	HUANG, MEI-LING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3

Organizer	Trained Department/Title/Name			Training Date	Topic of Corporate Governance Course	Hours
	General Affairs Dept.	Assistant Vice President	HUANG, KAI-MING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Finance Dept.	Assistant Vice President	TSAI, WAN-CHI	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Risk Management Office	Senior Manager	HSU, SHU-WEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Auditing Office	Senior Manager	LO, YU-CHIEH	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Proprietary Trading Dept.	Senior Manager	CHENG, TA-CHENG	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Accounting Dept.	Senior Manager	CHEN, HONG-CHIEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Regulation Compliance Dept.	Manager	LAI, CHI-HUA	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Settlement and Clearing Dept.	Manager	CHOU, HUI-MING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Digital Marketing Dept.	Manager	LIN, SHIH-NUNG	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Wealth Management Dept.	Manager	HSU, WEI-LUN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	General Affairs Dept.	Manager	FAN, TSAI-WU	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Accounting Dept.	Manager	YEH, HSIN-I	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Human Resource Dept.	Manager	WEI, PEI-LING	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Underwriting Dept.	Manager	CHIEN, TZU-WEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Underwriting Dept.	Manager	HSIEH, I-WEI	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
	Company Secretary	Assistant Vice President	HUANG, YI-CHEN	July 29, 2020	Anti-money Laundering Regulations and Latest Developments	3
		Assistant Vice President	HUANG, YI-CHEN	October 21, 2020	Corporate Governance Course in the Second Half of 2020	3
		Assistant Vice President	HUANG, YI-CHEN	September 9, 2020	Response and Strategy for Enterprises Facing Exchange Rate Fluctuations	3
		Assistant Vice President	HUANG, YI-CHEN	August 12, 2020	The Latest Labor Law Knowledge and Practical Views the Management Should Have	3

### 3.3.4 If the company has a compensation committee in place, the composition, duties, and operation of the compensation committee shall be disclosed:

#### 3.3.4.1 Information on the Remuneration Committee members:

Member Status	Qualification	Whether to have at least five years work experience and meet the following professional qualification			Independence Status (Note 1)										Number of other public companies he/she concurrently serves as the remuneration committee member	Remark	
		An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Having work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10			
		Name															
Independent Director	LEE, CHIN-SHEN	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None
Independent Director	CHANG, YAO-REN		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None
Independent Director	T.C.HUANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Newly appointed (March 12, 2020)	
Independent Director	HUANG, HSIU-HUI		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Newly appointed (March 12, 2020)	

Note 1: Where the member has been or be any of the following conditions during the two years before being elected or during the term of office, please enter "✓" in the space below each condition code.

- (1) Not an employee of the company or any of its affiliates
- (2) Not a director or supervisor of the company or any of its affiliates (this condition, however, shall not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons in (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (this condition, however, shall not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company (this condition, however, shall not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
- (7) If the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution (this condition, however, shall not apply to independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (this condition, however, shall not apply to the specified company or institution that holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company, and independent directors appointed in accordance with the Securities and Exchange Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.).
- (9) Not A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the



provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Not under any of the circumstances set forth in Article 30 of the Company Act.

#### 3.3.4.2 Scope of duties:

- (1) Periodically reviewing the charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the performance assessment standards, annual and long-term performance goals, and the policies, systems, standards, and structure for the compensation of the directors and managerial officers of the Company.
- (3) Periodically assessing the degree to which performance goals for the directors, supervisors, and managerial officers of the Company have been achieved, setting the types and amounts of their individual compensation.

#### 3.3.4.3 Information on the operation of the remuneration committee:

- (1) The Company's remuneration committee consists of 4 members
- (2) The term of the current committee members: From June 8, 2018 to June 7, 2021. Meetings of the Committee were held 6 times in the most recent year. The qualifications of the committee members and Attendance details are as follows:

Title	Name	Frequency of actual attendance (B)	Frequency of appointing proxies to attend	Rate of actual attendance (%) (B/A)	Remark
Member	LEE, CHIN-SHEN	6	0	100	None
Member	CHANG, YAO-REN	6	0	100	None
Member	T.C.HUANG	5	0	100	Newly appointed (March 12, 2020)
Member	HUANG, HSIU-HUI	5	0	100	Newly appointed (March 12, 2020)

Any other matters that require reporting:

- 一、 If the board of directors does not adopt or amend the recommendations of the compensation committee, The date and period of the board of directors meeting, the term, the content of the agenda, the results of the board of directors' resolutions, and the company's actions to the opinions of the remuneration committee shall be stated (If the remuneration approved by the board of directors is higher than the recommendation of the remuneration committee, the difference and the reason for any such difference shall be stated): None.
- 二、 For the resolutions adopted by the remuneration committee, if a committee member has a dissenting or qualified opinion which is on record or stated in a written statement, the date of the remuneration committee meeting, the term, the content of the agenda, the opinions of the members, and the actions to the opinions of the members shall be stated: None.

**3.3.5 The state of the company's performance of social responsibilities, any discrepancy from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy:**

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance									
	Yes	No	Summary Description (Note 2)										
I. Does the company in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy? (Note 3)	V		<p>(I) Every year the Company collects environmental, social and corporate governance issues related to the company's operations with reference to international sustainability standards, international initiatives and the company's sustainable development strategy. It identifies stakeholders' concerns, and in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations as follows:</p> <table border="1"> <thead> <tr> <th>Major Issue</th> <th>Risk Assessment Item</th> <th>Risk Management Policy or Strategy</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Development of environmental sustainability</td> <td> <p>1. The Company complies with the government's energy saving and carbon reduction policy and implements the "Low-Carbon Transition" strategy.</p> <p>Customer side: Fully developing digital finance, providing low-carbon paperless financial services with respect to customer account opening, online signature for Consent and Risk Disclosure Statement, conducting transactions using mobile devices, and online inquiry about transaction confirmation.</p> <p>Operation side: Conducting an overall review on electronization of administrative forms over the business processes, purchasing products with eco labels, eliminating energy-consuming equipment year by year, reducing energy consumption and expenses, improving operational efficiency, and reducing the generation of carbon footprint.</p> <p>2. In 2020, the Company completed a total of 8 electronization of forms.</p> </td> </tr> <tr> <td>Society</td> <td>Customer privacy protection and information</td> <td> <p>1. The Company has introduced ISO 27001 guidelines since 2009, with the scope of implementation of the company-wide information services and information business to establish an information security</p> </td> </tr> </tbody> </table>	Major Issue	Risk Assessment Item	Risk Management Policy or Strategy	Environment	Development of environmental sustainability	<p>1. The Company complies with the government's energy saving and carbon reduction policy and implements the "Low-Carbon Transition" strategy.</p> <p>Customer side: Fully developing digital finance, providing low-carbon paperless financial services with respect to customer account opening, online signature for Consent and Risk Disclosure Statement, conducting transactions using mobile devices, and online inquiry about transaction confirmation.</p> <p>Operation side: Conducting an overall review on electronization of administrative forms over the business processes, purchasing products with eco labels, eliminating energy-consuming equipment year by year, reducing energy consumption and expenses, improving operational efficiency, and reducing the generation of carbon footprint.</p> <p>2. In 2020, the Company completed a total of 8 electronization of forms.</p>	Society	Customer privacy protection and information	<p>1. The Company has introduced ISO 27001 guidelines since 2009, with the scope of implementation of the company-wide information services and information business to establish an information security</p>	No discrepancy.
Major Issue	Risk Assessment Item	Risk Management Policy or Strategy											
Environment	Development of environmental sustainability	<p>1. The Company complies with the government's energy saving and carbon reduction policy and implements the "Low-Carbon Transition" strategy.</p> <p>Customer side: Fully developing digital finance, providing low-carbon paperless financial services with respect to customer account opening, online signature for Consent and Risk Disclosure Statement, conducting transactions using mobile devices, and online inquiry about transaction confirmation.</p> <p>Operation side: Conducting an overall review on electronization of administrative forms over the business processes, purchasing products with eco labels, eliminating energy-consuming equipment year by year, reducing energy consumption and expenses, improving operational efficiency, and reducing the generation of carbon footprint.</p> <p>2. In 2020, the Company completed a total of 8 electronization of forms.</p>											
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Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance						
	Yes	No	Summary Description (Note 2)							
			<table border="1"> <tr> <td></td> <td>security</td> <td>management system. After one year of practical operation, the Company successfully obtained ISO 27001 certification in 2011. And since 2015, the Company has adopted the latest version of ISO 27001:2013 standard specifications with an approval of certification renewal every year and passage of the recertification every three years to continuously implement the company's internal information security and information system operation standardization. 2. The Company has established the "Information Security Steering Group", which is composed of Presidents and supervisors of relevant head office departments to ensure information, system, equipment, and network communication security and to provide the safest trading environment for customers.</td> </tr> <tr> <td>Governance</td> <td>Ethical Management</td> <td>1. To implement ethical management, in 2020 the Company has amended the "Implementation Status of Ethical Management", "Fulfillment Status of Ethical Management", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Guidelines for the Adoption of Codes of Ethical Conduct", "Whistle-blowing System", and the Company Secretary shall report to the board of directors once a year on the ethical corporate management policies and implementation results.</td> </tr> </table>		security	management system. After one year of practical operation, the Company successfully obtained ISO 27001 certification in 2011. And since 2015, the Company has adopted the latest version of ISO 27001:2013 standard specifications with an approval of certification renewal every year and passage of the recertification every three years to continuously implement the company's internal information security and information system operation standardization. 2. The Company has established the "Information Security Steering Group", which is composed of Presidents and supervisors of relevant head office departments to ensure information, system, equipment, and network communication security and to provide the safest trading environment for customers.	Governance	Ethical Management	1. To implement ethical management, in 2020 the Company has amended the "Implementation Status of Ethical Management", "Fulfillment Status of Ethical Management", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Guidelines for the Adoption of Codes of Ethical Conduct", "Whistle-blowing System", and the Company Secretary shall report to the board of directors once a year on the ethical corporate management policies and implementation results.	
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II. Does the company establish an exclusively (or concurrently) dedicated unit, appoint executive-level positions with responsibility, and to report the status of the handling to the board of directors?	V		(II) The Company currently has the Chairman Office assist in enforcing the corporate social responsibility, be in charge of enforcing the relevant corporate social responsibility, and report the status of the handling to the board of directors.	No discrepancy.						
III. Environmental issues (I) Does the company establish proper environment management systems	V		(I) The Company is in the financial service industry and has no pollution and waste	No discrepancy.						

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
based on the characteristics of their industries?			as those generated by the manufacturing industry. The major source of greenhouse gas emissions is the use of electricity. To implement environmental protection, energy conservation, and carbon reduction, it encourages replacement of multiple energy-consuming equipment, including electronic official document, customer e-statement, and other electronization, effectively reducing and controlling paper usage while regularly promoting the concept of environmental protection with advocacy by internal e-mails.	
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	V		(II) The company spares no effort in cooperation and support for green environmental protection. To implement the sustainability policy of reducing waste environment, resource recycling bins are placed on each floor of the company for strict and thorough implementation. The Company also purchases products that comply with energy-saving mark, Eco-label, green building label and other products to reduce the impact of company operations on the environment and society and further enhance the company's goal of pursuing environmental protection, energy conservation, and carbon reduction.	No discrepancy.
(III) Does the company assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures?	V		(III) In view of the global warming problem becoming more serious, the climate change issue has high concerned global companies. As for how to reduce environmental impact in the process of serving customers, proactively implement measures for pollution prevention, energy saving and carbon reduction, and environmental protection, the Company has established the "Management Measures for Corporate Environment, Energy Conservation and Carbon Reduction" to protect the natural environment, enhance the efficiency resource utilization, and improve sustainability of natural resources.	No discrepancy.

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
(IV) Does the company compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes?	V		(IV) To implement energy conservation and carbon reduction, the Company has established the “Management Measures for Corporate Environment, Energy Conservation and Carbon Reduction”, and actively participate in the government's energy saving environmental protection policy, integrating the concept of environmental protection into the business policies at all levels of the organization. Meanwhile, it regularly advocates the concepts to achieve the effect of carbon reduction, integrating the concept of environmental protection into the business policies at all levels of the organization, such as increasing the utilization rate of customers' electronic orders, company administrative process electronization, using environmentally friendly materials for office equipment, utility bills energy-saving promotion, and reducing paper consumption. In 2020, the office of the headquarters building had water consumption of 8,382 degrees, a decrease of 937 degrees from 2019; the carbon emission of photocopying paper is 1,341kg, which is 90kg less than in 2019; the power usage of the headquarters building is 1,690,098 degrees, which is a reduction of 74,743 degrees from 2019; carbon dioxide carbon The emissions were 860 metric tons, 81 metric tons less than in 2019. Although the Company is in the financial securities industry, for energy consumption and greenhouse gas emissions, it conducts annual inspections on environment and equipment of the headquarters and branches, and continuously advocates the concept of environmental protection to the employees, with a goal set to reduce 1 to 2% each year.	No discrepancy.
IV. Social issues (I) Does the company comply with relevant laws and regulations and the International Bill of Human Rights, and adopt relevant management policies and processes?	V		(I) The Company has always valued the harmony of labor-management relations. It enhances employee well-being through welfare measures, education and training at normal time, and strengthen employees' solidarity through stock subscriptions to achieve a win-win goal for both labor and management. Although the Company	No discrepancy.

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
(II) Does the company establish and implement reasonable employee welfare measures (including remuneration, leave and other welfare etc.) and appropriately reflect the business performance or achievements in the employee remuneration?	V		<p>does not adopt the International Bill of Human Rights, it pays much attention on the rights and interests of the labor force, communication between the labor and the management, prevention of labor problems, no differential treatments based on gender, and respect for gender equality.</p> <p>(II)The Company has worked hard to seek the welfare of all shareholders and employees since its establishment. Its humanistic management, two-way Communication, and participative management closely ties up personal goals with company strategies, bringing employees with security and protection through a wage system in line with the market structure. In addition, it provides comprehensive group insurance and benefits for employees, and sets up the "Employee Welfare Committee" and distributes the funds of employee welfare according to the law, providing employees with recreations, clubs, child education subsidies, emergency aids, staff outings, and other benefits. The Company grants leaves to employees in accordance with the Labor Standards Act, and encourages employees to take proper breaks to take care of themselves and their families. Furthermore, the Company reflects its operating performance and results in the employees' compensation, and based on the contributions made by departments or employees to the company, establishes different bonus plans to encourage co-workers to work hard for making profits of the company as a common goal.</p>	No discrepancy.
(III) Does the company provide safe and healthful work environments for its employees, and organize training on safety and health for its employees on a regular basis?	V		(III) Protective measures for the working environment and personal safety of employees: The company reports to the competent authority for public safety equipment inspections on buildings and firefighting equipment according to laws and regulations. In addition, it has employees acquire the certificate of firefighting management personnel, formulates the workplace fire plan, and keeps the	No discrepancy.

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
(IV) Does the company establish effective training programs to foster career skills for its employees?	V		<p>firefighting equipment well maintained in the workplace.</p> <p>The company has taken out public accident liability insurance for all its workplaces to protect the rights and interests of customers, and employer's accident liability insurance and occupational accident insurance to safeguard the rights and interests of employees. The Company has formulated the "Safety and Health Work Rules" in accordance with the Occupational Safety and Health Act and the relevant laws and regulations to prevent occupational accidents and ensure safety and health of employees. The Company has provided the nursery personnel to conduct health management in accordance with the "Employees Health Management Regulations", and also established four big programs including "Maternal Worker Health Protection Program", "Ergonomics Hazard Prevention Program", "Preventing and Managing Abnormal Workload-triggered Disorders Program", and "Preventing and Managing Unlawful Infringement While Performing Duties at Work Program", conducting employee health examinations and safety and safety and health education and training on a regular basis. The Company has the labor safety and health management specialist and first-aid personnel at the business places according to the law.</p> <p>(IV) The company is dedicated to creating a learning environment for all employees and encouraging the co-workers to learn by themselves, and specifies in the Employee Education and Training Regulations the education and training system including orientation training, internal training, and external training. The internal training is divided into function-based training, level-based training, and project-based training depending on the competency of employees. In addition to physical training, there is also a digital learning platform that provides a variety of courses, enabling all employees to continuously improve their professional</p>	No discrepancy.

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
(V) Does the company follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of its products and services, and establish relevant policies on consumer rights and interests and procedure for accepting consumer complaints?	V		<p>capabilities and competitiveness and to meet the challenges of the workplace at any time, and assisting them to reach the peak of their careers.</p> <p>(V) The Company provides customers with suitable products and services in accordance with the regulations of the competent authority and relevant industry standards, and formulated the following regulations to protect consumer rights and interests:</p> <p>(1) The Company has established the "Management Measures for Advertisements and Solicitation or Promotional Activities Conducted by the Company", and relevant matters are all conducted in accordance with the laws and regulations to protect the rights and interests of investors.</p> <p>(2) In addition to the "Operational Regulations for Collection, Processing, or Use of Personal Information Files" and "Operational Rules for Collection, Processing, or Use of Personal Information" to ensure that the procedures for collection, processing, and use of personal information are in compliance with the regulations, for confidentiality measures adopted on customer information, the Company also has set up an internal control mechanism in accordance with the relevant laws and regulations to implement the principle of confidentiality of customer information.</p> <p>(3) The Company has established the "Regulations for Handling Financial Consumption Disputes" by taking action to emphasize the handling of consumer disputes to improve the efficiency and quality of resolutions for consumer dispute and protect the rights and interests of financial consumers.</p> <p>(4) The Company has set up a "Whistle-blower Mailbox" to provide consumers with a complaint channel in a smooth manner.</p>	No discrepancy.
(VI) Does the company establish supplier management policies and request	V		(VI) The company has built a good relationship with suppliers and other transaction	No discrepancy.



Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights, and the implementation status thereof?			<p>parties with a smooth communication channel in place while respecting and safeguarding their legitimate rights and interests to strengthen the trust between it and its suppliers.</p> <p>(1) Establish supplier management policies: The Company has formulated the “Human Rights and Environmental Sustainability Commitment Letter” and it invites partners and suppliers to jointly sign the Letter, with the contents including no child labor allowed, environmental safety and health management, environmental protection and energy saving management system, corporate social responsibility policy, basic human rights and labor management, and commitment to establishing a specific environmental protection and energy saving management system, adopting the best pollution prevention and control technology, appropriately protecting the natural environment, devoting to achievement of environmental sustainability goals. The contract may be terminated or rescinded any time, or a fine or suspension may be imposed by the Company if any violation has caused significant negative impact on the environment and society of the community of the supply source and makes no improvement or incomplete improvement after an improvement is required within a time limit. If the situation has been considered serious, such supplier may be eliminated from the list of qualified suppliers or other action may be taken.</p> <p>(2) Implementation status: To encourage suppliers to implement environmental protection, and the local supplier continuous adoption rate reached 100%, there were no occurrences of poor delivery quality or major environmental impact caused by suppliers in 2020.</p>	
V. Does the company produce corporate social responsibility reports and other reports that disclose the company's non-financial information with reference to internationally widely adopted standards or guidelines? Doe	V		(V) The Company has engaged the third-party verification agency British Standards Institution (BSI) to complete verification for the Corporate Social Responsibility Report at the end of May, 2021. The Company shall obtain international	No discrepancy.

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
the company obtain a third-party assurance or verification opinion for the above-mentioned reports?			certification of Global Reporting Initiative Framework for Sustainability Reporting (GRI Standards) and AA1000 (Type1 Moderate Assurance Level) for its 2020 Corporate Social Responsibility Report for investors information. Concord Securities Corporate Social Responsibility Report can be downloaded from the following URL: <a href="https://www.concords.com.tw/about/csr/csr-report.htm?mnu=04">https://www.concords.com.tw/about/csr/csr-report.htm?mnu=04</a>	
<p>VI. If the company has formulated its own Corporate Social Responsibility Best Practice Principles in accordance with the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies”, please specify the state of the company’s performance, any variance from its own Principles: No discrepancy.</p>				
<p>VII. Other significant information that will provide a better understanding of the state of the company’s implementation of corporate governance:</p> <p>(I) Environmental protection measures: The company belongs to the securities service industry, and there is no such thing as environmental pollution, but it still needs to protect the natural environment appropriately, reduce the impact on the environment, and fulfill its responsibility of environmental sustainability.</p> <p>(II) Public welfare</p> <p>1. Continuously participating in the “1919 Love to Move - Public Welfare Fundraising” Concord Securities adheres to the step-by-step and down-to-earth service concept of continuously giving assistance to the socially underprivileged with the expectation of spreading the seeds of goodness from Concord Securities in the hope of motivating more and more people to engage in public welfare through concrete actions, and conveying love with everyone’s kindness and driving a positive force for the society to move forward. The Company has participated in the “1919 Love to Move - Family Emergency Financial Aid Program” Round Island Cycling Relay Public Welfare Activity hosted by Chinese Christian Relief Association for three years in a row, continuing to provide care services for rural area and spreading love to more corners of the society. Over the past three years, there have been 19 people participating in the round island cycling relay. In 2020, Concord Securities Group expand its participation. Chairman CHENG, TA-YU not only led a number of high-level managers to participate in the cycling relay, but he also personally challenged round island 1,300 kilometers for 15 days, showing a high degree of determination and perseverance. To encourage employees to participate in charity and social care activities, the Company provides employees with two days of paid charity leave every year to encourage employees to participate in social services and charity activities after work, making it part of the company culture. In 2020, Concord Securities raised a total of more than NT\$1,370,000 in the “1919 Love to Move - Family Emergency Financial Aid Program”.</p> <p>2. Making a donation to the scholarship for School of Financial Technology, Ming Chuan University Concord Securities encourages young students to seek knowledge and realize their dreams. The Company donated NT\$300,000 to the scholarship for students at School of Financial Technology, Ming Chuan University. In this way, it hoped that more companies would fulfill their corporate social responsibilities while pursuing profit, to sponsor students from poor families but have good academic performance to strive for knowledge and work hard.</p>				

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
			<p>It also hoped that these students will make great achievement in their studies and contribute their talents in the future, so as to pass on the kindness of caring and helping others and to give back to the society.</p> <p>3. Promoting Chinese Chess culture and sponsoring the national Chinese Chess tournament</p> <p>To help promote traditional culture and promote proper leisure activities, Concord Securities sponsored the “Concord Cup National Chinese Chess Tournament” hosted by the Taipei Chinese Chess Association. It provided chess players with a stage for large-scale chess competitions, with a grant of NT\$300,000 in financial support, hoping to bring out the best for the art of chess.</p> <p>4. In 2020, Concord Securities donated a total of NT\$855,000.</p> <p>(1) Sponsored NT\$300,000 to the Taipei Chinese Chess Association</p> <p>(2) Donated NT\$300,000 to the scholarship for Ming Chuan University</p> <p>(3) Sponsored the 2nd National College AI Fintech Competition</p> <p>(4) Sponsored NT\$250,000 to Ming Chuan University Fintech Forum</p> <p>(III) Consumer rights and interests:</p> <p>The Company not only has its spokesperson who provides information services for shareholders and investors. but also periodically discloses the information regarding finances and operations on its website and reports financial and business information through the “Market Observation Post System (MOPS)”. The Company has designated the “Investors Section” on its website to provide the information concerning the Company’s investor information for reference by shareholders, investors, and customers</p> <p>(IV) Rights of stakeholders:</p> <p>The Company respects the rights of stakeholders to express their opinions, and has designated the “Stakeholders Section” on its website to build channels of communication with stakeholders as a way for stakeholders to reflect their opinions to the company and related information exchange. The Company has set up a "Whistle-blower Mailbox" for major stakeholders such as customers, employees, investors, competent authorities, suppliers, and communities and designated personnel exclusively dedicated to answering.</p> <p>(V) Employees' rights and interests and caring for employees</p> <p>1. To improve employee work efficiency and solidarity, the Company pays special attention to providing welfare measures for employees so as to maintain harmonious labor-management relations so as to provide comprehensive care for employees.</p> <p>2. The company has taken out public accident liability insurance for all its branches and workplaces to protect the rights and interests of customers and employer's accident liability insurance to safeguard the rights and interests of employees.</p> <p>3. The Company regularly conducts employee training at all levels and cultivates talented leaders to improve the company's overall quality of work force and enhance professional knowledge and skills of workers. It provides employees assistance in their career planning and motivates their potential to develop, expecting to have the right person in the right place and further achieve the company’s business development strategic goals. The total training hours in 2020 was 30,411 hours.</p> <p>(VII) Safety and health:</p>	

Evaluation Item	State of Implementation (Note 1)			Any variance from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance
	Yes	No	Summary Description (Note 2)	
<p>1. The Company has the labor safety and health management specialist and first-aid personnel in place. It arranges employee health examination every year and holds clinician consultation services and health seminars every quarter for the co-workers to understand how to adjust their daily dietary habits and to improve their health.</p> <p>2. In 2020, a total of 419 persons attended the seminars and 4 clinician consultation services were held.</p> <p>(VIII) Consumer rights and interests:</p> <p>1. The Company has designated the channel of communication with stakeholders on its website, providing information services for shareholders and investors. It also discloses the information regarding the company's finances and operations, and reports various information through the "Market Observation Post System" (MOPS) on a regular or irregular basis.</p> <p>2. The Company has designated the "Investors Section" on its website, providing more information for reference by shareholders, investors, and customers. For details please refer to the Company's "Investors Section" via <a href="https://www.concords.com.tw/about/financial/index.htm?mnu=02&amp;submnu=01">https://www.concords.com.tw/about/financial/index.htm?mnu=02&amp;submnu=01</a></p> <p>(IX) For other information relating to the state of implementing corporate social responsibility initiatives, please refer to the Corporate Social Responsibility Section on the Company's website: <a href="https://www.concords.com.tw/about/csr/csr-report.htm?mnu=04">https://www.concords.com.tw/about/csr/csr-report.htm?mnu=04</a></p>				

**3.3.6 The state of the company’s performance in the area of ethical corporate management, any variance from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such variance:**

Evaluation Item	State of Implementation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
I. Establishing the ethical management policies and prevention programs				
(I) Does the company formulate ethical corporate management policies and obtain approval from the board of directors, and clearly specify in their rules and external documents and on the company website the ethical corporate management policies and practices as well as the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies?	V		(I) The Company has obtained approval from the board of directors to formulate the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”. Both the board of directors and senior management rigorously and thoroughly implement the commitments on ethical management and scrupulously carry out the policies in internal management and in commercial activities. The company advocates the items listed in the “Declaration of Employee Code of Conduct” which shall be followed to new employees and asks for their signatures to show that responsible. In addition, the company clearly specifies on the company website the ethical corporate management policies for the trading counterparties, clients, and other institutions and personnel related to business to understand the Company’s ethical management philosophies and regulations.	None
(II) Does the company establish a risk assessment mechanism against unethical conduct, regularly analyze and assess business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include preventive measures against the acts set forth in Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	V		(II) The Company has formulated the “Reporting Guidelines for Reporting Operational Risk Events”, if an employee is found to commit unethical acts (such as embezzlement of company funds, manipulation of account/fictitious transaction, bribery/kickback, insider transactions in non-company accounts, etc.), such acts shall be reported to the Risk Management Office, and a review shall be conducted on the related operating procedures and personnel management with the improvement plan being developed to strengthen the prevention of such unethical acts.	None
(III) Does the company set out in the programs to prevent unethical conduct the standard operating procedures, conduct guidelines, disciplinary and appeal system, and put them into action, and review and modify the above-mentioned programs on a regular basis?	V		(III) The Company has established the “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct” and clearly specified that unethical acts are not allowed, and that when conducting business, the company or its personnel shall not directly or indirectly offer, accept, promise to offer, or request any improper	None

Evaluation Item	State of Implementation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
			benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits. Furthermore, the Company applies the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline as well as appeal system. If the personnel have been in serious violation of ethical acts, he/she shall be dismissed in accordance with the relevant laws and regulations or the company's personnel regulations.	
<p>II. Implementing ethical management</p> <p>(I) Does the company assess the records of ethical acts of the counterparties, and include in the contracts with the trading counterparties terms requiring compliance with ethical acts.</p>	V		<p>(I) With reference to the Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", the description is as follows:</p> <p>The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the Company shall according to the matters set forth in Paragraph 2, Article 17 of the Procedures for Ethical Management and Guidelines for Conduct assess the legality of their agents, suppliers, clients, or other trading counterparties and whether there is a record of them involved in unethical conduct. When entering into contracts, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts. Currently the "Ethical Management Terms" are added in all external contracts of the entire group and are scrupulously carried out the terms accordingly.</p>	None
<p>(II) Does the company establish a dedicated unit that is under the board of directors and report its ethical management policies and the prevention programs against unethical acts to the board of directors on a regular basis (at least once a year) and supervising the implementation status?</p>	V		<p>(II) To achieve sound ethical corporate management, the Company has the Chairman Office serve as a dedicated unit that is under the board of directors and avail itself of adequate resources and staff itself with competent personnel to work with each other, responsible for establishing and</p>	None

Evaluation Item	State of Implementation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
(III) Does the company adopt policies for preventing conflicts of interest, provide proper channels for communication, and have them properly implemented?	V		<p>supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall report the ethical corporate management policies and implementation results to the board of directors at least once a year. The ethical corporate management policies and implementation results for 2020 were reported to the board of directors on April 15, 2021.</p> <p>(III) According to the Company's "Ethical Corporate Management Best Practice Principles". The directors of the Company shall practice self-discipline, when a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting. And also, such concerned person may not exercise voting rights as proxy for another director. The directors must not support one another in improper dealings. Furthermore, the Company's directors, supervisors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.</p>	None
(IV) Has the company established effective accounting systems and internal control systems for implementing ethical management, and the internal audit unit of the company based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and examine accordingly the compliance with the prevention programs, or engage a certified public accountant to carry out the audit?	V		<p>(IV) To facilitate ethical corporate management, the Company has designed and established the accounting systems and internal control systems (including internal audit implementation rules) according to the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". The Company's auditors shall perform audit matters in accordance with the company's internal control system.</p>	None

Evaluation Item	State of Implementation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
(V) Does the company organize on-job and off-job training with respect to ethical management on a regular basis?	V		(V) The Company shall plan and periodically organize training courses related to ethical management. In 2020, it held online courses including legal advocacy on financial consumer protection and the principles of fair treatment of consumers, legal advocacy on ethical management, and legal advocacy on acts prohibited for the personnel of securities business, with approximate 3,022 persons participated in the training and approximately 4,141 training hours accumulated.	None
III. The state of Implementation of the company's whistle-blowing system (I) Does the company adopt a concrete whistle-blowing and reward system and establish a convenient reporting channel, and appoint dedicated personnel or unit to handle the whistle-blowing system?	V		(I) The Company has established the "Whistle-blowing System" which provides a reporting channel for whistle-blowers and builds a whistle-blower protection system. To effectively operate the whistle-blowing system, the company has designated the Auditing Office with independence in exercise its powers to be the unit responsible for case acceptance and investigation. 1. Where the evidence provided by the whistle-blower has been verified to be true, the rewards are as follows: (1) External individual: Depending on the situation, the President shall determine to give appropriate rewards; for bonuses or gifts worth more than NT\$10,000 (exclusive), the consent of the board of directors is required additionally. (2) Internal personnel: The rewards shall be given according to the company's personnel rules. (3) Anonymous report: No reward shall be given. 2. The company provides the whistle-blower mailbox and whistle-blower hotline on its website for external individuals and reporting forms on the company's intranet as whistle-blower reporting channels. The above dedicated whistle-blower mailbox and whistle-blower hotline shall be managed under the overall management of the chief of the Auditing Office, and a proxy shall be set up.	None
(II) Does the company adopt standard operating procedures for accepting the	V		(II) The Company has formulated the standard operating procedures for the	None



Evaluation Item	State of Implementation			Any discrepancy from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and the reason for any such discrepancy
	Yes	No	Summary Description	
<p>investigation of reported misconduct, follow-up measures to be adopted after investigations of cases reported are completed, and relevant confidentiality mechanism?</p> <p>(III) Does the company adopt the measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?</p>	V		<p>investigation and follow-up measures to be adopted after investigations of cases reported are completed in Article 6, and the relevant confidentiality mechanism in Article 5 of the "Whistle-blowing System. It shall keep the whistle-blowers' identity confidential and not disclose information sufficient to distinguish their identity. The information and files provided by the whistle-blowers shall be treated as confidential and encrypted for protection. The acceptance unit shall report the actions taken, follow-up measures, and response measures to the Chairman with the investigation report of the case.</p> <p>(III) The Company's relevant reporting rules and system have all specified the responsibility for absolute secrecy in the complaint case and the identity of the whistle-blower.</p>	None
<p>IV. Strengthening information disclosure</p> <p>Does the company disclose its ethical corporate management best practice principles and the effectiveness of promotion on the company website and the Market Observation Post System?</p>	V		<p>The Company's "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" are all disclosed on the company website and the Market Observation Post System. (<a href="https://www.concords.com.tw/about/Company/announcements.htm">https://www.concords.com.tw/about/Company/announcements.htm</a>)</p>	None
<p>V. If the Company has formulated its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please specify the state of the company's performance and any variance from its own Principles: None.</p>				
<p>VI. Other significant information that will provide a better understanding of the state of the company's implementation of ethical management: None.</p>				

**3.3.7 If the company has formulated the Corporate Governance Best Practice Principles and related regulations, it shall disclose how to look it up:**

1. Market Observation Post System:

Corporate Governance\Formulating relevant procedures and rules for corporate governance\TPEx listed Companies, Stock Code: 6016

2. Company website:

he rules have been provided in the relevant rules and regulations of the “Corporate Governance Section” of the company website for investors inquiry and download.

Please refer to: <https://www.concords.com.tw/about/Company/announcements.htm>

**3.3.8 Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance may also be disclosed:**

To establish sound procedures for internal control of material information and prevent improper data leakage and insider trading, the Company has formulated the “Internal Material Information Processing Procedures”, and has a dedicated unit regularly conduct awareness and educational activities for the company’s internal personnel. It also uploads these procedures to the company website for compliance by the company’s entire internal personnel to avoid any occurrence of insider trading.

Please refer to: <https://www.concords.com.tw/about/Company/announcements.htm>

### 3.3.9 The state of implementation of the company's internal control system:

#### 1. A Statement on Internal Control:

Concord Securities Co., Ltd.  
Internal Control System Statement  
March 11, 2021

Base on the results of self-assessment of the Company's internal control system for the year of 2020, we hereby declare as follows:

- I. The Company acknowledge that the establishment, implementation and maintenance of an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system for purpose of reasonably ensuring the objectives of the effectiveness and efficiency of operations (including profits, performance and safeguarding of asset security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and bylaws.
- II. An internal control system, no matter how well designed, has inherent limitations and therefore can provide only reasonable assurance with respect to the accomplishment of the above objectives. Furthermore, because of changing conditions and circumstances, the effectiveness of an internal control system may vary over time. Notwithstanding, the internal control system of the Company contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.
- III. The Company examined the design and effective implementation of its internal control system according to the criteria prescribed in "Guidelines for Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" (hereinafter referred to the "Guidelines"). The criteria for an internal control system adopted in the "Guidelines" divide internal control into five constituents in line with the process of management control: 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring activities. Each constituent contains several criteria. Please refer to the "Guidelines" for details.
- IV. The Company has evaluated the design and effectiveness implementation of its internal control system in accordance with the above criteria.
- V. With respect to the fact that the screening for traders placing online orders from the same IP address conducted by the Company's Hsinchu Branch did not comply with the requirements under the Company's internal control system for operation of futures introducing broker business and for the former associated person engaged in the business of brokerage trading accepting discretionary trading authorization of a trader, the Company did not report the violation as required by law and regulation, the Company has been requested to ensure attention to improvement and punish relevant supervisors and personnel per 17 July 2020 Letter No. Financial-Supervisory-Securities-Futures-10903407012 and Sanction No. Financial-Supervisory-Securities-Futures-Penalty-10903407011 by the Financial Supervisory Commission with an administrative fine of NTD 240,000 being imposed. The above-mentioned deficiencies have been improved, which has no impact on the achievement of the objectives of the Company's overall internal control system.
- VI. Based on the results of assessment as stated in Item IV, the Company believes, until December 31, 2020, that the design and implementation of its internal control system (including supervision and management of subsidiaries), such as understanding the degree of achievement of operational effectiveness and efficiency objectives, the reporting of the company being reliable, timely, transparent, and complying with applicable rules, and applicable laws, regulations, and bylaws having been complied with, are effective, thereby reasonably ensuring the achievement of the above-mentioned objectives.
- VII. The Statement will be provided as the main content of the Company's annual report and prospectus and will be made public. Any false representation or concealment in the above content being made public shall be subjected to legal consequences as stipulated in Articles 20, 32, 171, 174 of the Securities and Exchange Act and Article 115 of the Futures Trading Act.
- VIII. We also hereby declare that the Statement has been approved by the Board of Directors at the meeting held on March 11, 2021. Among the 13 directors attended, 0 persons held objection, and the rest all agreed on the content of the Statement.

Concord Securities Co., Ltd.

Chairman: CHENG, TA-YU

President: CHIU, JUNG-CHEN

Concord Securities Co., Ltd. Internal Control System Matters to be Improved and Plans for Improvement

Matters to be Improved	Corrective Measures	Expected completion Date
<p>As Financial Examination Bureau and Taiwan Futures Exchange came to Hsinchu Branch for conducting routine and special audits on July 2019 and December 2019, respectively, the Branch was found that the screening for traders placing online orders from the same IP address being conducted, the responsible supervisor of the business department accepting the order neither carried out trade confirmation and retained relevant records where no written statement for the trader confirmation on the authenticity of the trade nor conducted a random inspection interview with the traders not presenting the letter of authorization to find if any abnormality in placing orders with relevant records being retained. Furthermore, for the former associated person engaged in the business of brokerage trading accepting discretionary trading authorization of a trader, the Company did not report the violation as required by law and regulation.</p> <p>(The Company has been requested to ensure attention to improvement and punish relevant supervisors and personnel per 17 July 2020 Letter No. Financial-Supervisory-Securities-Futures-10903407012 and Sanction No. Financial-Supervisory-Securities-Futures-Penalty-10903407011 by the Financial Supervisory Commission with an administrative fine of NTD 240,000 being imposed.)</p>	<ol style="list-style-type: none"> <li>1. In order for the employees to pay attention on legalities, the Company's brokerage business group reaffirms the Company's Brokerage Business Group, has been reiterating the operating regulations of the associated persons of the Company and advocating relevant laws and regulations as well as sharing violation cases of the market during the quarterly internal education and awareness programs.</li> <li>2. Where there are violation cases occurred in the market, the branch is also requested to raise awareness of the colleagues in the morning or monthly meeting.</li> <li>3. The Brokerage Business Group of the Company has announced the "Confirmation Operation for Placing Online Orders from the Same IP Address" to the branches on January 7, 2020 and September 28, 2020, respectively; where it has been found the customer from the same IP without an authorization letter and reasonable relationship, the branch should carry out trade confirmation in writing or by phone with the customer.</li> </ol>	<p>Actions completed.</p>

Note: Any sanction with a warning or more severe punishment or a fine of NTD 240,000 or more imposed by the Financial Supervisory Commission for the current year should also be listed.

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report.

Concord Securities Co., Ltd.

TRADETRON DMA, SYSPower DMA, and K WAY DMA System Brokerage Trading and Information System Operation  
Internal Control System Special Audit

No. Zi-Hui-Zong-Zi-20006576

We have audited the accompanying statement of Concord Securities Co., Ltd. as of December 31, 2020 that it believed that the internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation were effectively designed and implemented from October 1, 2020 to November 30, 2020 after evaluation. Maintaining an effective internal control system and evaluating its effectiveness are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the effectiveness of the Company's internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation and the above companies' Internal Control System Statements according to the audit results.

We conducted our audits in accordance with the "Guidelines for Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether, in all material respects, are free of violation of the above regulations and requiring corrective measures. An audit includes understanding the internal control system, and testing and assessing the effectiveness of the design and implementation of those internal control systems in "I. Scope of Audit". We believe that our audits provide a reasonable basis for our opinion.

Any internal control system has its inherent limitations so the Company's internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation may still be unable to prevent or detect mistakes or frauds that have occurred. In addition, the environment may change in the future and the degree of compliance with the management control system may also decreased; therefore, the management control system that is effective for the current period does not mean that it will be effective in the future.

As there were matters to be improved for Concord Securities Co., Ltd. during the audit and the above findings of deficiencies were not materially defective, the attached recommendations were produced for reference by Concord Securities Co., Ltd. to take corrective measures, and to serve as the basis for the management of Concord Securities Co., Ltd. to express an opinion.

In our opinion, the results of the audit in accordance with the "Guidelines for Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" show that the design and implementation of the internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation from October 1, 2020 to November 30, 2020, in all material respects, are free of violation of the above regulations and requiring corrective measures. The statement of Concord Securities Co., Ltd. presented on December 31, 2020 that the internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation were effectively designed and implemented after evaluation, in all material respects, are free of violation of the above regulations and requiring corrective measures.

The purpose of the Audit Report is for reference by Concord Securities Co., Ltd. and Taipei Exchange (TPEX) to the information required for understanding and assessing the internal control systems of TRADETRON DMA, SYSPower DMA, and K WAY DMA system brokerage trading and information system operation.

PwC Taiwan

CPA Hsu, Lin-Shun

Yao, Ching-Ju

December 31, 2020

**3.3.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty might have a material impact on shareholders' rights and interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement.**

Item	Main Shortcoming	Condition of Improvement
1	Deficiencies in the information security including the Company's Co-location (hereinafter referred to as the "Co-Lo") service only available to a specific person who was highly related to the system vendor without substantial control over the Co-Lo transaction host and retaining complete time records for accepting the customer's order, and loose settings for log and access control on the firewall set by the system, as a result of the internal control system not being rigorously and thoroughly implemented, which was found in violation of Paragraph 2, Article 2 of the Regulations Governing Securities Firms, and disciplinary warning and a fine of NT\$1,440,000 was imposed on the company. (Per Sanction No. Financial-Supervisory-Securities-Penalties-Zi-1100360648 dated March 4, 2021 of the Financial Supervisory Commission)	These improvements have been completed.

**3.3.11 Material resolutions of a shareholders meeting or a board of directors meeting during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

1. Summary and implementation of material resolutions of a regular shareholders meeting:

Material resolutions of the regular shareholders meeting on June 5, 2020:		
Proposal	Resolution Result	Implementation Status
Proposal for 2019 Financial Statements	The voting results showed 470,911,183 votes in favor (among which 124,754,915 votes in electronic form) accounted for 98.28% of the total attending shareholders' votes, 29,008 votes against (among which 29,008 votes in electronic form) accounted for 0.01% of the total attending shareholders' votes, and 8,217,956 abstention votes/no votes (among which 8,217,956 votes in electronic form) accounted for 1.72% of the total attending shareholders' votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	The relevant statements have been published and reported as required.
Proposal for Distribution of 2019 Profits	The voting results showed 471,545,021 votes in favor (among which 125,388,753 votes in electronic form) accounted for 98.41% of the total attending shareholders' votes, 28,250 votes against (among which 28,250 votes in electronic form) accounted for 0.01% of the total attending shareholders' votes, and 7,584,876 abstention votes/no votes (among which 7,584,876 votes in electronic form) accounted for 1.58% of the total attending shareholders' votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	As the resolution adopted by the board of directors on July 23, 2020 the ex-dividend date and the distribution date of cash dividend were set on August 17, 2020 and September 16, 2020, respectively, with cash dividend of NT\$0.33 per share.
Amendment to the "Articles of	The voting results showed 471,530,387 votes in favor (among which 125,374,119 votes in electronic form)	The amendments have been published

Material resolutions of the regular shareholders meeting on June 5, 2020:		
Proposal	Resolution Result	Implementation Status
Incorporation”	accounted for 98.41% of the total attending shareholders’ votes, 37,734 votes against (among which 37,734 votes in electronic form) accounted for 0.01% of the total attending shareholders’ votes, and 7,590,026 abstention votes/no votes (among which 7,590,026 votes in electronic form) accounted for 1.58% of the total attending shareholders’ votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	on the Company’s website, and the company will operate in accordance with the amended “Articles of Incorporation”.
Amendment to the “Procedures for Election of Directors”	The voting results showed 471,530,350 votes in favor (among which 125,374,082 votes in electronic form) accounted for 98.41% of the total attending shareholders’ votes, 42,920 votes against (among which 42,920 votes in electronic form) accounted for 0.01% of the total attending shareholders’ votes, and 7,584,877 abstention votes/no votes (among which 7,584,877 votes in electronic form) accounted for 1.58% of the total attending shareholders’ votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	The amendments have been published on the Company’s website, and the company will operate in accordance with the amended “Procedures for Election of Directors”.
Amendment to the “Rules of Procedure for Shareholders Meetings”	The voting results showed 471,530,210 votes in favor (among which 125,373,942 votes in electronic form) accounted for 98.41% of the total attending shareholders’ votes, 32,478 votes against (among which 32,478 votes in electronic form) accounted for 0.01% of the total attending shareholders’ votes, and 7,595,459 abstention votes/no votes (among which 7,595,459 votes in electronic form) accounted for 1.59% of the total attending shareholders’ votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	The amendments have been published on the Company’s website, and the company will operate in accordance with the amended “Rules of Procedure for Shareholders Meetings”.
Amendment to the “Procedures for Acquisition and Disposal of Assets”	The voting results showed 471,542,131 votes in favor (among which 125,385,863 votes in electronic form) accounted for 98.41% of the total attending shareholders’ votes, 30,984 votes against (among which 30,984 votes in electronic form) accounted for 0.01% of the total attending shareholders’ votes, and 7,585,032 abstention votes/no votes (among which 7,585,032 votes in electronic form) accounted for 1.58% of the total attending shareholders’ votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	The amendments have been published on the Company’s website, and the company will operate in accordance with the amended “Procedures for Acquisition and Disposal of Assets”.
Issuance of New Shares for Capital Increase by Transferring Additional Paid-in Capital	The voting results showed 471,542,348 votes in favor (among which 125,386,081 votes in electronic form) accounted for 98.41% of the total attending shareholders’ votes, 32,022 votes against (among which 32,021 votes in electronic form) accounted for 0.01% of the total attending shareholders’ votes, and 7,583,777 abstention votes/no votes (among which 7,583,777 votes in electronic form) accounted for 1.58% of the total attending shareholders’ votes, so the proposal was approved as the number of votes in favor exceeded the statutory number.	As the resolution adopted by the board of directors on July 23, 2020 the ex-right date and the distribution date of share dividend were set on August 17, 2020 and September 30, 2020, respectively, with 7 shares distributed for every thousand

Material resolutions of the regular shareholders meeting on June 5, 2020:		
Proposal	Resolution Result	Implementation Status
		shares.
By-election of Independent Directors	Election result: T.C.HUANG was elected with 475,934,515 votes. HUANG, HSIU-HUI was elected with 464,659,183 votes.	After being elected at the regular shareholders meeting in 2020, the material information was also published on the MOPS. It was approved for registration by the Ministry of Economic Affairs on June 19, 2020.

2. Material resolutions of a board of directors meeting:

Meeting Session/Convening Date	Material Resolutions of Board of Directors Meeting
The 15th Meeting of the 11th Term Board of Directors March 12, 2020	<p>Case No. 1: 2019 Distribution of Remuneration to Employees and Directors</p> <p>Case No. 2: 2019 Individual Financial Statements and Consolidated Financial Statements</p> <p>Case No. 3: 2019 Business Report</p> <p>Case No. 4: Amendment to the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"</p> <p>Case No. 5: Proposal for Distribution of 2019 Profits</p> <p>Case No. 6: Issuance of New Shares for Capital Increase by Transferring Additional Paid-in Capital</p> <p>Case No. 7: Amendment to the "Articles of Incorporation"</p> <p>Case No. 8: Amendment to the "Procedures for Election of Directors"</p> <p>Case No. 9: Amendment to the "Rules of Procedure for Shareholders Meetings"</p> <p>Case No. 10: Amendment to the "Procedures for Acquisition and Disposal of Assets"</p> <p>Case No. 11: By-election of Independent Directors</p> <p>Case No. 12: Relevant Matters on the Regular Shareholders Meeting's Acceptance of Shareholder Proposals and Nomination of Independent Director Candidates</p> <p>Case No. 13: Nomination of Independent Directors Candidate List</p> <p>Case No. 14: Matters on Convening 2020 Regular Shareholders Meeting</p> <p>Case No. 15: "Corporate Governance and Ethical Management Report" and "Board of Directors' Compliance with Ethical Management Declaration" for the Year 2019</p> <p>Case No. 16: Setting Up a Reduction Record Date for Treasury Stocks Buyback</p> <p>Case No.17: Appointment of Directors of Subsidiaries</p> <p>Case No. 18: Amendment to the "Subsidiary Supervisory Operating Procedures"</p> <p>Case No. 19: Internal Control System Statement, Anti-money Laundering and Countering Terrorism Financing Internal Control System Statement, and Overall Information Security Implementation Statement for the Year 2019</p> <p>Case No. 20: Amendment to the Internal Control Systems of Securities Business</p> <p>Case No. 21: Amendment to the "Regulations for the Organization of</p>



Meeting Session/Convening Date	Material Resolutions of Board of Directors Meeting
	<p>Remuneration Committee”</p> <p>Case No. 22: Appointment of the 4th Term Remuneration Committee</p> <p>Case No. 24: Amendment to the “Principles for the Remuneration System of Brokerage Business Group Business Personnel”</p> <p>Case No. 26: Proposal for the Risk Management Qualitative Information for the Year 2019 to be Reported on the “Market Observation Post System”</p> <p>Case No. 27: Amendment to the “Anti-money Laundering and Countering Terrorism Financing Risk Assessment Procedures”</p> <p>Case No. 28: Amendment to the “Application and Review Operating Procedures for Qualification of Professional Investor”</p>
<p>The 16th Meeting of the 11th Term Board of Directors May 7, 2020</p>	<p>Case No. 1: 2020 Q1 Consolidated Financial Statements</p> <p>Case No. 2: Amendment to the “Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises”</p> <p>Case No. 3: Report of Implementation Status and Self Evaluation Table of the Principles of Fair Treatment of Consumers for the Year 2019</p> <p>Case No. 4: Proposal for Distribution of 2019 Remuneration to Directors</p> <p>Case No. 5: Compensation of the 8th Term Chairman of the Subsidiary Concord Futures</p> <p>Case No. 8: Amendment to the “Type of Suspicious Money Laundering and Terrorism Financing and Proliferation” Appendix of the “Guidelines Governing Anti-Money Laundering and Countering Terrorism Financing”</p> <p>Case No. 9: Amendment to the Internal Control Systems of Securities Business and Stock Affairs Unit</p>
<p>The 17th Meeting of the 11th Term Board of Directors July 23, 2020</p>	<p>Case No. 1: Determining the Ex-rights date and Distribute Date for the Issuance of New Shares for Capital Increase</p> <p>Case No. 2: Determining the Ex-dividends date and Distribute Date for Cash Dividends</p> <p>Case No. 3: Amendment to the “Procedure for Board of Directors Meetings”</p> <p>Case No. 4: Amendment to the “Regulations for the Organization of Review Committee”</p> <p>Case No. 5: Amendment to the “Rules Governing the Scope of Powers of Independent Directors”</p> <p>Case No. 6: Amendment to the “Guidelines for the Adoption of Codes of Ethical Conduct”</p> <p>Case No. 7: Amendment to the “Self-Evaluation or Peer Evaluation of the Board of Directors”</p> <p>Case No. 8: Amendment to the “Whistle-blowing System”</p> <p>Case No. 9: Amendment to the “Rules Governing Financial and Business Matters Between the Company and its Affiliated Enterprises”</p> <p>Case No. 10: Amendment to the “Subsidiary Supervisory Operating Procedures”</p> <p>Case No. 11: Report of the Business Risk Early Warning Operation Improvement Plan in January 2020</p> <p>Case No. 14: Amendment to the Internal Control Systems of Securities Business</p>
<p>The 18th Meeting of the 11th Term Board of Directors August 24, 2020</p>	<p>Case No. 1: 2020 Q2 Individual Financial Statements and Consolidated Financial Statements</p> <p>Case No. 2: Amendment to the “Anti-money Laundering and Countering Terrorism Financing Risk Assessment Procedures”</p> <p>Case No. 3: Proposal for Conclusion and Signing the Property Insurance Sales Promotion Business Contract</p> <p>Case No. 4: Amendment to the Internal Control Systems of the Company</p> <p>Case No. 5: Amendment to the “Reference to Financial Examination Report Management Regulations” and Abolition of the</p>

Meeting Session/Convening Date	Material Resolutions of Board of Directors Meeting
	"Reference to Financial Examination Report Operating Procedures"
The 19th Meeting of the 11th Term Board of Directors November 5, 2020	<p>Case No.1: The Company intends to change certified public accountants from the third quarter of 2020.</p> <p>Case No. 2: 2020 Q3 Consolidated Financial Statements</p> <p>Case No. 3: Amendment to the "Brokerage Business Group Affairs Delegation of Authority"</p> <p>Case No. 4: Amendment to the "Profit-Sharing Agreement" between the Company and Concord Insurance Agent Corp.</p> <p>Case No. 5: Relocation of Nan-Kan branch's business place</p> <p>Case No. 6: The Company's invested subsidiary Concord Capital Holdings (Cayman) Limited intends to terminate its business and conduct dissolution and liquidation.</p> <p>Case No. 7: Formulation of the Company's "Stewardship Principles for Institutional Investors", "Responsible Investment Management Measures" and signing the Compliance Statement of the "Stewardship Principles for Institutional Investors"</p> <p>Case No. 8: Capital reduction and capital increase of the invested subsidiary Concord Capital Management Corp.</p> <p>Case No.9: Amendment to the "Internal Control Systems of Securities Business"</p> <p>Case No.10: Amendment to the "Regulation of Call (put) warrants risk management "</p> <p>Case No.11: Personnel affairs</p> <p>Case No.12: Credit limit of financing and borrowing from financial institution</p>
The 20th Meeting of the 11th Term Board of Directors December 17, 2020	<p>Case No. 1: Proposal for 2021 Budget</p> <p>Case No. 2: Evaluation on Independence and Suitability of the CPA</p> <p>Case No. 3: Amendment to the "Internal Material Information Processing Procedures"</p> <p>Case No. 4: Amendment to the "Financial Product Know your Customer and Product Suitability Review Procedures"</p> <p>Case No. 5: Amendment to the "Application and Review Operating Procedures for Qualification of Professional Investor"</p> <p>Case No. 6: Amendment to the "Insider Trading Prevention Management Operating Procedures"</p> <p>Case No. 11: Amendment to the "Principles for the Remuneration System of Wealth Management Department Business Personnel"</p> <p>Case No. 12: Proposal for the Amendment to the "Operating Guidelines for Convertible Bond Asset SWAP Trading"</p> <p>Case No. 13: Report of 2021 Internal Audit Operation Inspection Plan</p> <p>Case No.18: Application for Chairman CHENG, TA-YU and Director CHENG, KUO-HWA to Recuse Themselves from the Proposal by Director CHEN, TANG-SHENG</p> <p>Case No.19: To fulfill the supervision over the subsidiary, Concord Asset Management Co, Ltd. shall engage Big Four CPA Firms to audit the matter regarding the loss occurred in the disposal of land by Company's invested HWA-HO Asset Management Corp. (hereinafter referred to as "HWA-HO") in 2019 and compile an official audit report accordingly</p> <p>Case No. 20: Instruction to Concord Asset Management Services Corp. Informing the Supervisor of HWA-HO Asset Management Corp. of Investigating as Soon as Possible the Company's Acceptance of Reporting and Project Proposal</p>
The 21st Meeting of the 11th Term Board of Directors	<p>Case No.1: 2020 Distribution of Remuneration to Employees and Directors</p> <p>Case No. 2: 2020 Individual Financial Statements and Consolidated</p>

Meeting Session/Convening Date	Material Resolutions of Board of Directors Meeting
March 11,2021	Financial Statements Case No. 3: 2020 Business Report Case No. 4: Proposal for Distribution of 2020 Profits Case No. 5: Amendment to the “Rules of Procedure for Shareholders Meetings” Case No. 6: Amendment to the “Procedures for Election of Directors” Case No. 7: Election of the 12th Directors Case No. 8: Relevant Matters on the Regular Shareholders Meeting’s Acceptance of Shareholder Proposals and Nomination of Director Candidates(include Independent Director) Case No.9: Matters on Convening 2021Regular Shareholders Meeting Case No.10: Report the Project Audit Report of Inernal Control system issued by PwC accounting firm Case No.11: Amendment to the “Internal Control Systems of Securities Business” Case No.12: Internal Control System Statement, Anti-money Laundering and Countering Terrorism Financing Internal Control System Statement, and Overall Information Security Implementation Statement for the Year 2020 Case No.13: Report the Risk Management Qualitative Information for the Year 2020 Case No.19: Amendment to the “Regulations for the Organization ” Case No.23: 2020 Performance bonus of Chairman Case No.24: Adjustment of meal allowance Case No.25: Personnel affairs

**3.3.12 Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or supervisor has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof:**

The 20th meeting of the 11th board of directors on December 17, 2020

Case No.18: Application for Chairman CHENG, TA-YU and Director CHENG, KUO-HWA to Recuse Themselves from the Proposal by Director CHEN, TANG-SHENG at the Board of Directors

Description: This proposal has been voted by all directors attending the meeting of the board of directors, with 3 directors voting in favor, 8 directors voting against, and 1 director expressing no opinion. The proposal was not passed after voting.

Case No.19: To fulfill the supervision over the subsidiary, Concord Asset Management Corp. shall engage Big Four CPA Firms to audit the matter regarding the loss occurred in the disposal of land by Company’s invested HWA-HO Asset Management Corp. (hereinafter referred to as “Hua He”) in 2019 and compile an official audit report accordingly (proposed by Director CHEN, TANG-SHENG)

Description: This proposal has been voted by all directors attending the meeting of the board of directors, with 3 directors voting in favor and 9 directors voting against. The proposal was not passed after voting.

Case No. 20: Instruction to Concord Asset Management Services Corp. Informing the Supervisor of HWA-HO Asset Management Corp. of Investigating as Soon as Possible the Company’s Acceptance of Reporting and Project Proposal (jointly proposed by four independent directors: HUANG, HSIU-HUI; LEE, CHIN-SHEN; CHANG, YAO-REN; T.C.HUANG)

Description: Voting result showed a total of nine persons voting in favor, two persons voting against, and one person retaining opinion.

Voting in favor: A total of nine persons including CHENG, TA-YU; CHENG, KUO-HWA; MA, PEI-CHUN; YANG, MING-WANG; TSAI, SUNG-PO; CHANG, YAO-REN; LEE, CHIN-SHEN; HUANG, HSIU-HUI; T.C.HUANG

Voting against: A total of two persons including CHAO, KAO-SHEN and CHEN, TANG-SHENG

Retaining opinion: A total of one person LIN, YOU-HENG

the proposal was approved as the number of votes in favor reached the statutory criteria.

The 21st meeting of the 11th board of directors on March 11, 2021

Case No. 1: 2020 Distribution of Remuneration to Employees and Directors

Resolution: Directors LIN, YOU-HENG and CHEN, TANG-SHENG retained opinions on the proposal, which was approved by all other attending directors.

Case No. 2: 2020 Individual Financial Statements and Consolidated Financial Statements

Resolution: Directors LIN, YOU-HENG and CHEN, TANG-SHENG retained opinions on the proposal, which was approved by all other attending directors.

Case No. 3: 2020 Business Report

Resolution: Director LIN, YOU-HENG retained opinion on the proposal, which was approved by all other attending directors.

Case No. 4: Proposal for Distribution of 2020 Profits

Resolution: Director LIN, YOU-HENG retained opinion on the proposal, which was approved by all other attending directors.

Case No. 12: Internal Control System Statement, Anti-money Laundering and Countering Terrorism Financing Internal Control System Statement, and Overall Information Security Implementation Statement for the Year 2020

Resolution: Director LIN, YOU-HENG retained opinion on the proposal, which was approved by all other attending directors.

**3.3.13 A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's Chairman, President, Accounting Officer, Financial Officer, chief internal auditor, Company Secretary, and chief research and development officer: None.**

### 3.4 Information Regarding the Company's Audit Fee and Independence

CPA Professional Fee Range Table

Name of Accounting Firm	Name of CPA	Audit Period	Remark
Deloitte Taiwan	CHUANG, PI-YU	2020 Q1-Q2	-
	SHIH, CHING-PIN		

Name of Accounting Firm	Name of CPA	Audit Period	Remark
Deloitte Taiwan	CHUANG, PI-YU	2020 Q3-Q4	-
	HUANG, HSIU-CHUN		

Expressed in thousands of NT\$

Professional Fee Details		Audit Fees	Non-audit Fees	Total
Fee Range				
1	Less than NT\$2,000 thousand	—	1,031	1,031
2	NT\$2,000 thousand (inclusive) ~ NT\$4,000 thousand	2,900	—	2,900
3	NT\$4,000 thousand (inclusive) ~ NT\$6,000 thousand	—	—	—
4	NT\$6,000 thousand (inclusive) ~ NT\$8,000 thousand	—	—	—
5	NT\$8,000 thousand (inclusive) ~ NT\$10,000 thousand	—	—	—
6	More than NT\$10,000 thousand (inclusive)	—	—	—

**3.4.1 When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:**

Name of Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					CPA Audit Period	Remark
			System Design	Business Registration	Human Resource	others	Subtotal		
Deloitte Taiwan	CHUANG, PI-YU	NT\$2,900 thousand	—	—	—	NT\$743 thousand	NT\$743 thousand	Full-year 2020	Others: CRS compliance operation and other professional fees
	SHIH, CHING-PIN								
	HUANG, HSIU-CHUN								
PwC Taiwan	Hsu, Lin-Shun	—	—	—	—	NT\$288 thousand	NT\$288 thousand	September and October in 2020	Others: internal control system special audit
	Yao, Ching-Ju								

**3.4.2 When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.**

**3.4.3 When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.**

**3.5 Information on replacement of certified public accountant: Because of job rotation within the accounting firm, the CPAs CHUANG, PI-YU and SHIH, CHING-PIN were replaced by CHUANG, PI-YU and HUANG, HSIU-CHUN.**

**3.6 Where the company's chairperson, president, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: None.**

### 3.7 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Title	Name	2020		The Current Year up to April 6	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged
Director	Te Sheng Development Co., Ltd.	88,622	0	0	0
	Representative: CHENG, TA-YU	190,123	0	60,000	0
	Representative: LIN, HSIU-CHENG (Note 1)	0	0	0	0
	Representative: CHAO, KAO-SHEN	0	0	0	0
	Representative: CHENG, KUO-HWA	0	0	0	0
Director	Hong Chi Investment Co., Ltd.	1,176,225	0	0	0
	Representative: CHEN, TANG-SHENG	0	0	0	0
Director	Chih Wei Development Co., Ltd.	23,365	0	0	0
Director	JIAYI PROGRESSIVE ENTERPRISES LTD.	6,763	0	0	0
	Representative: TSAI, SUNG-PO	0	0	0	0
Director	Te Yeh Investment Co., Ltd.	1,140	0	0	0
	Representative: YANG, MING-WANG	0	0	0	0
Director	Yuan Lung Construction and Development Co., Ltd.	6,085	0	0	0
	Representative: MA, PEI-CHUN	0	0	0	0
Independent Director	LEE, CHIN-SHEN	0	0	0	0
Independent Director	CHANG, YAO-REN	0	0	0	0
Independent Director	HUANG, HSIU-HUI (Note 2)	0	0	0	0
Independent Director	T.C.HUANG (Note 2)	0	0	0	0
President	CHIU, JUNG-CHEN	1,050	0	0	0
Vice President	LEE, AI-CHEN	0	0	0	0
Vice President	CHEN, CHIH-HAO	910	0	0	0
Vice President	LEU, SUH-LING	770	0	0	0
Vice President	WANG, HSIU-CHING	770	0	0	0
Vice President	CHIU, CHAO-SHAN	(21,225)	0	0	0
Vice President	LIAO, CHI-HUNG	910	0	0	0
Vice President	CHANG, JYH-CHIAN	(57,112)	0	0	0
Vice President	LIU, PI-YIN	700	0	0	0
Vice President	SHIH, SHU-CHEN	700	0	0	0
Vice President	TSENG, LI-KUO	(25,988)	0	(2,000)	0
Vice President	CHENG, HUNG-TAI	842	0	0	0
Vice President	FANG, CHUNG-YING	0	0	0	0
Vice President	YEN, CHIH-LUNG	(17,341)	0	0	0
Vice President	LIN, HSU-SHENG	560	0	0	0
Vice President	DING, YONG-KANG	718	0	0	0
Assistant Vice President	YANG, KUANG-CHENG	(8,462)	0	0	0
Assistant Vice President	HUANG, SHIH-CHANG	416	0	0	0

Title	Name	2020		The Current Year up to April 6	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged
Assistant Vice President	HO, PO-MING	420	0	0	0
Assistant Vice President	HUANG, YUN-CHIEH	424	0	0	0
Assistant Vice President	PAI, CHENG-HSIEN	(87,324)	0	(18,000)	0
Assistant Vice President	LEE, YU-JU	490	0	0	0
Assistant Vice President	CHEN, SHU-LING	385	0	0	0
Assistant Vice President	LIN, YIN-LUNG	0	0	0	0
Assistant Vice President	CHEN, WEI-TUNG	490	0	0	0
Assistant Vice President	CHEN, MING-WEI	490	0	0	0
Assistant Vice President	HUANG, MEI-LING	797	0	0	0
Assistant Vice President	CHEN, YU-CHING	0	0	0	0
Assistant Vice President	LIN, SZU-YU	0	0	0	0
Assistant Vice President	HUANG, KAI-MING	630	0	0	0
Assistant Vice President	WU, CHIN-CHIU	245	0	0	0
Assistant Vice President	SHOU, NING-NING	0	0	0	0
Assistant Vice President	HUANG, YI-CHEN	(8,323)	0	(7,584)	0
Assistant Vice President	FU, KUN-TAI	0	0	0	0
Assistant Vice President	WANG, HUNG-CHUN	0	0	0	0
Assistant Vice President	LIANG, KAI-CHIEH	0	0	0	0
Assistant Vice President	CHEN, CHENG-HUNG	420	0	0	0
Assistant Vice President	YANG, YUNG-SHENG	0	0	0	0
Assistant Vice President	YAO, YI-SHAN	560	0	0	0
Assistant Vice President	HO, CHEN-CHE	490	0	0	0
Assistant Vice President	HSU, CHUN-YANG	0	0	0	0
Assistant Vice President	TSAO, PO-HSUAN	0	0	0	0
Assistant Vice President	YANG, CHUN-CHENG	0	0	0	0
Assistant Vice President	TSAI, WAN-CHI	560	0	0	0

Title	Name	2020		The Current Year up to April 6	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in Shares Pledged
Assistant Vice President	LAI, CHUEH-AN (Note 3)	0	0	20,000	0
Assistant Vice President	YU, CHIUNG-CHANG (Note 4)	0	0	0	0
Assistant Vice President	YEH, I-LIN (Note 5)	0	0	0	0
Manager	YANG, YU-HUNG	315	0	0	0
Manager	WU, LI-MING	315	0	0	0
Manager	HSU, SHU-WEN	560	0	0	0
Manager	TSENG, LI-HUNG	245	0	0	0
Manager	YANG, WEN-CHUNG	385	0	0	0
Manager	LIN, SHIH-NUNG	280	0	0	0
Manager	WANG, SHIAW-PERNG	245	0	0	0
Manager	CHEN, CHIEN-HSUN	245	0	0	0
Manager	CHEN, HONG-CHIEN	560	0	0	0
Manager	HSU, WEI-LUN	280	0	0	0
Manager	WANG, MEI-CHUAN	245	0	0	0

The counterparty of a share transfer or share pledge is a related party: None.

Note 1: Newly appointed on July 9, 2020

Note 2: Newly appointed on June 5, 2020

Note 3: Newly appointed on June 2, 2020

Note 4: Newly appointed on January 15, 2021

Note 5: Newly appointed on April 1, 2021



### 3.8 Relationship among the Top Ten Shareholders

Record Date: April 7, 2021

Name	Number of Shares Held by the Person		Number of Shares Held by His/her Spouses, Children of Minor Age		Number of Shares Held through Nominees		If among the 10 largest shareholders any one is a related party, or is the spouse or a relative within the second degree of kinship of another, the company or personal names and their relationship		Remark
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Company or Personal Names	Relationship	
Pacific Investment Co., Ltd. Representative: CHUNG, PEI-CHUN	29,673,406	4.99	0	0	0	0	None	None	None
	0	0	0	0	0	0	None	None	None
Tai Ming Development Co., Ltd. Representative: CHANG, PEI-LI	20,629,881	3.47	0	0	0	0	None	None	None
	3,594,902	0.60	0	0	0	0	None	None	None
Ta Tien Investment Co., Ltd. Representative: HSIAO, HSIANG-LING	17,871,789	3.01	0	0	0	0	None	None	None
	11,716,171	1.97	0	0	0	0	HSIAO, HSIANG-LING	The person herself	None
Chih Hung Investment Co., Ltd. Representative: LIN, YOU-HENG	15,506,152	2.61	0	0	0	0	None	None	None
	1,483,139	0.25	5,360,478	0.90	0	0	None	None	None
Te Sheng Development Co., Ltd. Representative: LIN, HSIU-CHENG	12,748,934	2.14	0	0	0	0	None	None	None
	0	0	0	0	0	0	None	None	None
Kang Yu Investment Co., Ltd. Representative: HSIEH, SHU-FU	12,534,122	2.11	0	0	0	0	None	None	None
	1,000	0.00	0	0	0	0	None	None	None
HSIAO, HSIANG-LING	11,716,171	1.97	0	0	0	0	Ta Tien Investment Co., Ltd.	Chairman	None
CHANG, YI	11,391,839	1.92	0	0	0	0	None	None	None
Hong Chi Investment Co., Ltd. Representative: CHENG, PEI-CHI	10,965,598	1.84	0	0	0	0	None	None	None
	12,647	0.00	0	0	0	0	None	None	None
Ho Yu Investment Co., Ltd. Representative: LIN, LI-HUA	10,961,167	1.84	0	0	0	0	None	None	None
	2,327,904	0.39	0	0	0	0	None	None	None

### 3.9 Ownership of Shares in Affiliated Enterprises:

As of March 31, 2021  
Per Share ; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Concord Capital Management Corp.	7,000,000	100.00	0	0	7,000,000	100.00
Concord Futures Corp.	78,005,571	95.71	477,511	0.59	78,483,082	96.30
Concord Asset Management Service Corp.	54,900,000	100.00	0	0	54,900,000	100.00
HWA-HO Asset Management Corp.	0	0	56,472,021	46.59	56,472,021	46.59
Concord Insurance Agent Corp.	2,500,000	100.00	0	0	2,500,000	100.00

Note: Refers to long-term Investments accounted for using equity method by the company

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Capital and Shares:

#### 4.1.2 Source of capital stock

Expressed in shares or NT\$

Year and Month	Issue Price	Authorized Capital		Paid-in Capital		Source of capital stock	Remark	
		Number of Shares	Amount	Number of Shares	Amount		Payments for shares by property other than cash	others
July 1990	10	200,000,000	2,000,000,000	135,600,000	1,356,000,000	The establishment	None	
June 1995	10	200,000,000	2,000,000,000	149,160,000	1,491,600,000	Capital increase through capitalization of earnings by 13,560,000 shares	None	
June 1996	10	200,000,000	2,000,000,000	152,143,200	1,521,432,000	Capital increase through capitalization of earnings by 1,789,920 shares Capital increase transferred from additional paid-in capital by 1,193,280 shares	None	
April 1997	17	200,000,000	2,000,000,000	200,000,000	2,000,000,000	Cash capital increase by 47,856,800 shares	None	
August 1997	10	264,000,000	2,640,000,000	216,000,000	2,160,000,000	Capital increase through capitalization of earnings by 16,000,000 shares	None	
June 1998	10	370,000,000	3,700,000,000	291,600,000	2,916,000,000	Capital increase through capitalization of earnings by 54,000,000 shares Capital increase transferred from additional paid-in capital by 21,600,000 shares	None	
August 1999	10	370,000,000	3,700,000,000	309,096,000	3,090,960,000	Capital increase through capitalization of earnings by 6,123,600 shares Capital increase transferred from additional paid-in capital by 11,372,400 shares	None	
May 2000	12	370,000,000	3,700,000,000	370,000,000	3,700,000,000	Cash capital increase by 60,904,000 shares	None	Per 2 February 2000 Issue No. Taiwan-Finance-Securities-(II)-11436
October 2000	10	605,000,000	6,050,000,000	429,400,000	4,294,000,000	Cash capital increase by 59,400,000 shares	None	Per 20 September 2000 Issue No. Taiwan-Finance-Securities-(II)-78118
February 2001	10	805,000,000	8,050,000,000	450,870,000	4,508,700,000	Capital increase through capitalization of earnings by 21,470,000 shares	None	Per 5 January 2001 Issue No. Taiwan-Finance-Securities-(II)-104787
July 2001	10	805,000,000	8,050,000,000	495,957,000	4,959,700,000	Capital increase through capitalization of earnings by 9,874,053 shares Capital increase transferred from additional paid-in capital by 35,212,947 shares	None	Per 20 June 2001 Issue No. Taiwan-Finance-Securities-(II)-139265
September 2001	10	805,000,000	8,050,000,000	478,506,000	4,785,060,000	Capital reduction via buyback treasury stocks nullifying by 17,451,000 shares	None	Per 10 September 2001 Issue No. Taiwan-Finance-Securities-(III)-154279
October 2001	10	805,000,000	8,050,000,000	459,006,000	4,590,060,000	Capital reduction via buyback treasury stocks nullifying by 19,500,000 shares	None	Per 19 October 2001 Issue No. Taiwan-Finance-Securities-(III)-164781
January 2002	10	805,000,000	8,050,000,000	447,326,000	4,473,260,000	Capital reduction via buyback treasury stocks nullifying by 11,680,000 shares	None	Per 2 January 2002 Issue No. Taiwan-Finance-Securities-(III)-177130

Year and Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of capital stock	Payments for shares by property other than cash	others
June 2002	10	805,000,000	8,050,000,000	445,419,000	4,454,190,000	Capital reduction via buyback treasury stocks nullifying by 1,907,000 shares	None	Per 2 April 2002 Issue No. Taiwan-Finance-Securities-(III)-109651
August 2002	10	805,000,000	8,050,000,000	477,900,675	4,779,006,750	Capital increase through capitalization of earnings by 32,481,675 shares	None	Per 10 July 2002 Issue No. Taiwan-Finance-Securities-II-0910137803
October 2002	10	805,000,000	8,050,000,000	472,900,675	4,729,006,750	Capital reduction via buyback treasury stocks nullifying by 5,000,000 shares	None	Per 18 October 2002 Issue No. Taiwan-Finance-Securities-III-091015671
November 2002	10	805,000,000	8,050,000,000	467,900,675	4,679,006,750	Capital reduction via buyback treasury stocks nullifying by 5,000,000 shares	None	Per 11 November 2002 Issue No. Taiwan-Finance-Securities-III-0910160880
August 2003	10	805,000,000	8,050,000,000	486,493,975	4,864,939,750	Capital increase transferred from additional paid-in capital by 18,593,300 shares	None	Per 1 July 2003 Issue No. Taiwan-Finance-Securities-(II)-0920129195
October 2003	10	805,000,000	8,050,000,000	482,747,975	4,827,479,750	Capital reduction via buyback treasury stocks nullifying by 3,746,000 shares	None	Per 11 November 2003 Issue No. Jing-Shou-Shang-Zi-09201332290
December 2003	10	805,000,000	8,050,000,000	478,058,975	4,780,589,750	Capital reduction via buyback treasury stocks nullifying by 4,689,000 shares	None	Per 11 November 2003 Issue No. Jing-Shou-Shang-Zi-09201306110
March 2004	10	805,000,000	8,050,000,000	477,343,975	4,773,439,750	Capital reduction via buyback treasury stocks nullifying by 715,000 shares	None	Per 26 March 2004 Issue No. Jing-Shou-Shang-Zi-09301051720
September 2004	10	805,000,000	8,050,000,000	500,421,875	5,004,218,750	Capital increase through capitalization of earnings by 15,231,414 shares Capital increase transferred from additional paid-in capital by 7,846,486 shares	None	Per 10 August 2004 Issue No. Financial-Supervisory-Securities-(II)-Zi-0930135581
December 2004	10.5	805,000,000	8,050,000,000	505,517,104	5,055,171,040	Concord I Convertible Bond convertible into 5,095,229 shares	None	Per 17 January 2005 Issue No. Jing-Shou-Shang-Zi-09401008390
June 2005	10	885,000,000	8,850,000,000	505,117,104	5,051,171,040	Capital reduction via buyback treasury stocks nullifying by 400,000 shares	None	Per 7 July 2005 Issue No. Jing-Shou-Shang-Zi-09401119740
August 2005	10	885,000,000	8,850,000,000	525,266,404	5,252,664,040	Capital increase through capitalization of earnings by 20,149,300 shares	None	Per 21 July 2005 Issue No. Financial-Supervisory-Securities-II-Zi-0940129683
July 2007	10	885,000,000	8,850,000,000	525,645,890	5,256,458,900	Concord I Convertible Bond convertible into 379,486 shares	None	Per 21 July 2007 Issue No. Jing-Shou-Shang-Zi-09601176590
October 2007	10	885,000,000	8,850,000,000	546,656,586	5,466,565,860	Capital increase through capitalization of earnings by 21,010,696 shares	None	Per 8 August 2007 Issue No. Financial-Supervisory-Securities-II-Zi-0960042207
November 2007	10	885,000,000	8,850,000,000	614,358,228	6,143,582,280	Concord I Convertible Bond convertible into 67,701,642 shares	None	Per 20 November 2007 Issue No. Jing-Shou-Shang-Zi-09601283760
December 2008	10	1,500,000,000	15,000,000,000	655,425,090	6,554,250,900	Capital increase through capitalization of earnings by 33,098,665 shares Capital increase transferred from additional paid-in capital by 7,968,197 shares	None	Per 6 November 2008 Issue No. Financial-Supervisory-Securities-II-Zi-0970058942
September 2010	10	1,500,000,000	15,000,000,000	681,642,190	6,816,421,900	Capital increase through capitalization of earnings by 26,217,100 shares	None	Per 20 July 2010 Issue No. Financial-Supervisory-Securities-Zi-0990037797
September 2011	10	1,500,000,000	15,000,000,000	691,866,890	6,918,668,900	Capital increase through capitalization of earnings by 5,453,200 shares Capital increase transferred from additional paid-in capital by 4,771,500 shares	None	18 July 2011 Issue No. Financial-Supervisory-Securities-II-Zi-1000033360

Year and Month	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Number of Shares	Amount	Number of Shares	Amount	Source of capital stock	Payments for shares by property other than cash	others
November 2011	10	1,500,000,000	15,000,000,000	691,803,792	6,918,037,920	Capital reduction via buyback treasury stocks nullifying by 63,098 shares	None	Per 7 November 2011 Issue No. Jing-Shou-Shang-Zi-10001252050
May 2013	10	1,500,000,000	15,000,000,000	688,336,792	6,883,367,920	Capital reduction via buyback treasury stocks nullifying by 3,467,000 shares	None	Per 17 June 2013 Issue No. Jing-Shou-Shang-Zi-10201109000
March 2016	10	1,500,000,000	15,000,000,000	658,336,792	6,583,367,920	Capital reduction via buyback treasury stocks nullifying by 30,000,000 shares	None	Per 31 March 2016 Issue No. Jing-Shou-Shang-Zi-10501062990
September 2016	10	1,500,000,000	15,000,000,000	633,336,792	6,333,367,920	Capital reduction via buyback treasury stocks nullifying by 25,000,000 shares	None	Per 26 September 2016 Issue No. Jing-Shou-Shang-Zi-10501232630
November 2017	10	1,500,000,000	15,000,000,000	613,336,792	6,133,367,920	Capital reduction via buyback treasury stocks nullifying by 20,000,000 shares	None	Per 1 November 2017 Issue No. Jing-Shou-Shang-Zi-10601148290
October 2018	10	1,500,000,000	15,000,000,000	646,080,316	6,460,803,160	Capital increase through capitalization of earnings by 31,552,850 shares Capital increase transferred from additional paid-in capital by 1,190,674 shares	None	Per 3 October 2018 Issue No. Jing-Shou-Shang-Zi-10701125440
January 2019	10	1,500,000,000	15,000,000,000	626,080,316	6,260,803,160	Capital reduction via buyback treasury stocks nullifying by 20,000,000 shares	None	Per 9 January 2019 Issue No. Jing-Shou-Shang-Zi-10801002250
March 2019	10	1,500,000,000	15,000,000,000	606,080,316	6,060,803,160	Capital reduction via buyback treasury stocks nullifying by 20,000,000 shares	None	Per 25 March 2019 Issue No. Jing-Shou-Shang-Zi-10801033380
August 2019	10	1,500,000,000	15,000,000,000	623,722,726	6,237,227,260	Capital increase transferred from additional paid-in capital by 17,642,410 shares	None	Per 13 August 2019 Issue No. Jing-Shou-Shang-Zi-10801106980
January 2020	10	1,500,000,000	15,000,000,000	610,322,726	6,103,227,260	Capital reduction via buyback treasury stocks nullifying by 13,400,000 shares	None	Per 8 January 2020 Issue No. Jing-Shou-Shang-Zi-10901001190
March 2020	10	1,500,000,000	15,000,000,000	590,322,726	5,903,227,260	Capital reduction via buyback treasury stocks nullifying by 20,000,000 shares	None	Per 19 March 2020 Issue No. Jing-Shou-Shang-Zi-10901047100
September 2020	10	1,500,000,000	15,000,000,000	594,454,986	5,944,549,860	Capital increase transferred from additional paid-in capital by 4,132,260 shares	None	Per 10 September 2020 Issue No. Jing-Shou-Shang-Zi-10901162860

Types of Shares	Authorized Capital			Remark
	Outstanding Shares (TPEX listed)	Unissued Shares	Total	
Registered Common Shares	594,454,986 shares	905,545,014 shares	1,500,000,000 shares	None

Relevant information on shelf registration: None.

#### 4.1.2 Shareholder structure

April 6, 2021

Shareholder Structure Quantity	Government Agency	Financial Institution	Other Legal Person	Natural Person	Foreign Institution or Foreigner	Total
Number of Persons	0	0	175	43,245	81	43,501
Number of Shares Held	0	0	192,661,996	371,259,830	30,533,160	594,454,986
Shareholding Percentage %	0	0	32.41	62.45	5.14	100.00

#### 4.1.3 Dispersion of equity ownership

April 6, 2021

Shareholding Group	Number of Shareholders	Number of Shares Held	Shareholding Percentage %
1 to 999	26,154	3,095,837	0.52
1,000 to 5,000	10,157	23,801,538	4.00
5,001 to 10,000	2,999	22,875,445	3.85
10,001 to 15,000	1,152	14,262,712	2.40
15,001 to 20,000	757	13,821,930	2.33
20,001 to 30,000	713	17,988,197	3.03
30,001 to 50,000	616	24,559,943	4.13
50,001 to 100,000	475	34,099,880	5.74
100,001 to 200,000	253	35,694,001	6.00
200,001 to 400,000	91	25,804,653	4.34
400,001 to 600,000	40	20,334,639	3.42
600,001 to 800,000	19	13,153,187	2.21
800,001 to 1,000,000	10	8,916,652	1.50
1,000,001 or more	65	336,046,372	56.53
Total	43,501	594,454,986	100.00

Note: The Company did not issue preferred shares.

#### 4.1.4 List of the top 10 major shareholders

April 6, 2021

Name of Principal Shareholder	Share	Number of Shares Held	Shareholding Percentage %
Pacific Investment Co., Ltd.		29,673,406	4.99
Tai Ming Development Co., Ltd.		20,629,881	3.47
Ta Tien Investment Co., Ltd.		17,871,789	3.01
Chih Hung Investment Co., Ltd.		15,506,152	2.61
Te Sheng Development Co., Ltd.		12,748,934	2.14
Kang Yu Investment Co., Ltd.		12,534,122	2.11
HSIAO, HSIANG-LING		11,716,171	1.97
CHANG, YI		11,391,839	1.92
Hong Chi Investment Co., Ltd.		10,965,598	1.84
Ho Yu Investment Co., Ltd.		10,961,167	1.84

**4.1.5 Provide share prices for the past 2 fiscal years, together with the company's net worth per share, earnings per share, dividends per share, and related information:**

Item		Year	2019 (Distribution in 2020)	2020 (Distribution in 2021)	The Current Fiscal Year up to March 31, 2021
		Price Per Share (Note 1)	Highest	NT\$8.48	NT\$14.70
	Lowest	NT\$6.99	NT\$5.80	NT\$13.00	
	Average	NT\$7.35	NT\$10.27	NT\$15.39	
Net Worth Per Share (Note 2)	Before distribution	NT\$12.23	NT\$13.82	NT\$14.49	
	After distribution	NT\$11.82	Note 8	Not Applicable	
Earnings Per Share	Weighted average number of shares (thousand shares)		608,883	594,455	594,455
	Earnings (Loss) per share (Note 3)	Before adjustment	NT\$0.47	NT\$1.83	NT\$0.59
		After adjustment	NT\$0.47	Note 8	Not Applicable
Dividend Per Share	Cash dividend		NT\$0.33	Note 8	Not Applicable
	Stock dividend distribution	Stock dividend from retained earnings	None	Note 8	Not Applicable
		Stock dividend from additional paid-in capital	NT\$0.07	Note 8	Not Applicable
	Accumulated dividend in arrears (Note 4)		None	Note 8	Not Applicable
Return on Investment Analysis	Price-to-earnings ratio (Note 5)		15.64	5.61	26.08
	Price-to-dividend ratio (Note 6)		22.27	Note 8	Not Applicable
	Cash dividend yield ratio (Note 7)		4%	Note 8	Not Applicable

Note 1: The highest, lowest and the average market price per share: Setting forth the highest and lowest market price per share of common stock for each fiscal year. And calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2: Using the number of the outstanding issued shares at year end as the basis and the result of distribution adopted at the shareholders' meeting in the next year for calculation.

Note 3: If any retroactive adjustment as a result of stock dividend distribution and other situations is necessary, the earnings per share before and after adjustment shall be provided.

Note 4: If the terms and conditions of issuance of the equity securities stipulate that the dividends not distributed for the then current year may be accumulated and not distributed until the year in which profits are earned, the Accumulated dividend in arrears up to the then current fiscal year.

Note 5: Price-to-earnings ratio = Average closing price per share of the then current fiscal year / earnings per share

Note 6: Price-to-dividend ratio = Average closing price per share of the then current fiscal year / cash dividend per share

Note 7: Cash dividend yield ratio = Cash dividend per share / average closing price per share of the then current fiscal year

Note 8: The proposal for distribution of 2020 profits has not been resolved by the shareholders'

meeting up to the date of publication of the annual report for that year

#### **4.1.6 Company's dividend policy and implementation thereof:**

1. Dividend policy:

After closing of accounts, if there is any surplus, the Company shall first pay tax, make up losses for the preceding years, and then set aside reserve as follows:

- I. 10% for legal reserve
- II. 20% for special reserve

Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. After setting aside or reversing another sum as special reserve in accordance with the law and regulation, the remaining if any together with the accumulated unappropriated earnings in the preceding years shall be distributed as shareholders' dividends after the board of directors prepares the proposal for distribution of profits and submits it to the shareholders meeting for review and approval by a resolution on distribution of dividends to shareholders.

The Company's dividend policy conforms to current and future development plans, taking both into consideration the investment environment, future capital needs, domestic and foreign competition, and shareholders' rights and interests, not less than 50% of the distributable profit for the current year shall be appropriated as distribution of dividends to shareholders. Where the accumulated distributable earnings are less than 0.5% of the paid-up capital, the dividends may not be distributed. The dividends to shareholders may be distributed in cash or stock, among which, the cash dividends shall not be less than 10% of the total dividends.

2. Implementation status:

The Company's distribution of 2020 profits is proposed as follows:

Cash dividend: An appropriation of NT\$725,235,083 is proposed, at NT\$1.22 per share.

3. If a material change in dividend policy is expected, provide an explanation: None.

#### **4.1.7 Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting: None.**

#### **4.1.8 Compensation of employees and directors:**

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation.

If there is profit at the end of each fiscal year, the Company shall have 1% to 2% of profit distributable as employees' compensation, which may be distributed in the form of shares or in cash by a resolution to be adopted by the board of directors. The employees entitled to receive shares or cash include the employees of parents or subsidiaries of the company meeting certain specific requirements. The company shall appropriate not more than 5% of the above profit for remuneration to directors by a resolution to be adopted by the board of directors. The distribution of employees' compensation and remuneration to directors shall be reported to the shareholders meeting.

If there are accumulated losses in the previous years, the Company's accumulated losses shall have been covered first, and then the remaining shall be appropriated to employees' compensation and remuneration to directors according to the ratios as mentioned above.

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

The basis for estimating the amount of employee and director compensation is as follows:

The Company appropriated 1% to 2% and not more than 5% of the net income before tax for the current year before deduction of employees' and directors' compensation as the employees' and directors' compensation, respectively.

3. Information on any approval by the board of directors of distribution of compensation:

The employees' and directors' compensation for the year of 2020 were NT\$12,669,000 and NT\$56,435,000, respectively, by a resolution adopted by the board of directors meeting on March 11, 2021, which were both distributed in cash.

4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated:

There is no discrepancy between the amount for employee and directors' compensation for 2019 by resolution of the board of directors and the recognized amount in the parent company only financial statement for 2019.

Any change occurred in the amount after date of publication of the annual parent company only financial statement will be treated according to the changes in accounting estimates and recorded after adjustments in the next year.

For information on the Company's employees' and directors' compensation by resolution of the board of directors, please visit the "Market Observation Post System" of the Taiwan Stock Exchange.

**4.1.9 Status of a company repurchasing its own shares: None.**

**4.2 Bonds: None.**

**4.3 The status of issue and private placement of preferred shares: None.**

**4.4 Global Depository Receipts: None.**

**4.5 Employee Stock Options: None.**

**4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.**

**4.7 Financing Plans and Implementation: None.**



## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Scope of business

##### 1. Description of major lines of business

- Brokerage trading of securities on a centralized securities exchange market
- Proprietary trading of securities on a centralized securities exchange market
- Brokerage trading of securities at its place of business
- Proprietary trading of securities at its place of business
- Underwriting of securities
- Securities borrowing and lending business
- Securities margin purchase and short sale business
- Brokerage trading of foreign securities
- Operation of securities related futures introducing broker business
- Securities stock affairs agency business
- Wealth management business
- Derivatives business approved by the competent authority
- Other securities-related business approved by the competent authority
- For details about the main lines of business of each subsidiary, please refer to P. 96-97

##### 2. The percentage out of the entire company business

Percentages of the consolidated company's operating revenues during the past 2 fiscal year are listed as follows: (Expressed in thousands of NT\$)

Department	2020		2019	
	Amount	Percentage %	Amount	Percentage %
Brokerage Department	1,844,109	55.23	1,543,637	71.02
Proprietary Trading Department	1,401,316	41.97	535,223	24.62
Underwriting Department	64,182	1.92	53,845	2.48
Other Departments	29,382	0.88	40,834	1.88
Total	3,338,989	100.00	2,173,539	100.00

##### 3. Services of major lines of business

###### (1) Brokerage Department

- Brokerage trading of securities on a centralized securities exchange market
- Brokerage trading of securities on an over-the-counter market
- Securities borrowing and lending business
- Proprietary margin purchase and short sale business
- Brokerage trading of foreign securities
- Futures Trading Assistance business
- Sale of foreign funds

###### (2) Underwriting Department

- TWSE/TPEX listing planning and counseling services
- Securities commissioning or underwriting services
- Planning, evaluation, and underwriting of the offering and issuance of securities
- Corporate financial strategy planning and consulting services
- Business mergers and acquisitions
- Emerging stock recommending securities firms business
- GISA expert business
- Other underwriting related business

###### (3) Proprietary Trading Department

- Proprietary trading of securities on a centralized securities exchange market
- Proprietary trading of securities on the TPEX

- Futures hedging
  - (4) Fixed Income Dept.
    - Outright trading of bonds
    - Repurchase agreement/reverse repurchase agreement of bonds
    - Bond investment advisory services
  - (5) Financial Derivatives Department
    - Issuance of call (put) warrants and hedging
    - Issuance of equity derivatives and hedging
    - Derivatives R&D and trading
  - (6) Wealth Management Department
    - Providing customers with professional financial advice on wealth management
    - Providing customer with asset allocation and financial planning services
4. New products (services) planned for development:  
The Company will apply for separate account ledgers to provide customers with diversified services.

### **5.1.2 The overall business environment and trends for the industry the company is in:**

#### 1. Analysis of the overall business environment:

In early 2020, the market is optimistic about the future economic prospects with the burgeoning sense of optimism under the U.S.-China Phase 1 trade deal. However, the sudden outbreak of pandemic COVID-19 has caused the increasing number of confirmed cases in the globe, hospitals being pushed to the limit, and the governments worldwide are forced to implement economic lockdowns, bringing the global economy to the edge of a cliff and rocking the global stocks, bonds, foreign exchange, commodities, and currency markets. The VIX panic index at one time soared to a record high of 85. Fortunately, the global financial market was stabilized thanks to the joint effort of the global government and central banks to save the market. Meanwhile, Taiwan's economic performance, benefiting from its control of the pandemic better than other countries in the world, achieved incredible results in 2020. According to the statistics made by the Directorate-General of Budget, Accounting and Statistics, Taiwan's growth rate of real GDP was 5.09% in the fourth quarter of 2020, an increase of 0.15% from the previous forecast; the economic growth rate for the whole year of 2020 was 3.11%, an increase of 0.13% from the previous forecast. Taiwan was also one of the few countries in the world that maintain positive growth in economy.

Look ahead to 2021, the key factors affecting the global economy will be the progress of Covid vaccination, the scale of Biden's fiscal stimulus, and whether China's will begin to tighten fiscal and monetary policies.

In respect of vaccination, according to Fed Vice Chair R. Clarida, the progress of Covid vaccination will reduce long-term economic uncertainty and risk. The economist at Oxford Economics economist said that if the U.S. achieves a vaccination rate of 92% by August 2021, the economic growth rate in 2021 will reach 5%, and If a vaccination rate of 68%, the economic growth rate will be 3%. Therefore, the vaccination speed is critical to the pace at which the economy recovers. By late February, the U.K. had completed more than 25% of people receiving vaccines, and the U.S. had completed nearly 20%. Although the EU has only achieved a 5% vaccination rate; however, many vaccines are expected to come out in the future, the production and distribution process is expected to be accelerated, and also a single dose of some vaccines can still effectively prevent infection and transmission of the virus. The major countries in Europe and the U.S. are expected to achieve herd immunity to accelerate economic recovery. Nevertheless, people must pay close attention on the unequal distribution of vaccines across the globe, the accelerating economic recovery may face supply constraints in the future.

In a new round of the U.S. fiscal stimulus, the Democratic Party surprisingly won two Senate seats from Georgia in January, 2021, making the country a unified government (the White House and Congress belong to the same party), and the market looking forward to a new round of fiscal stimulus (expected to US\$3 trillion). In February, the Biden government unveiled the US\$1.9 trillion American Rescue Plan, which includes an increase in cash distribution per person from US\$600 to US\$2,000, an increase in the minimum wage, and

subsidies to state and local governments. According to the Biden government's plan, the next fiscal stimulus package is expected to include infrastructure investment and new energy development. The market predicts that the final scale of the first round of the fiscal rescue program will be US\$1.5 trillion. If this fiscal relief plan is passed, it will greatly help the U.S. economic growth in the second quarter and make its economy get out of the COVID-19 dilemma.

In terms of China's policy, the SHIBOR rate rose sharply before the Lunar New Year, raising the concern over the market that the Chinese government has begun to tighten fiscal and monetary policies. However, this situation is mostly caused by seasonal factors. In addition, the Central Economic Working Conference at the end of 2020 clearly indicated that "continuing to implement a proactive fiscal policy and a prudent monetary policy, maintaining the necessary support for economic recovery, and acting more precisely and effectively in policy operations without sharp turns", showing that the Chinese government is not in a hurry to tighten fiscal and monetary policies. However, the 2020 Q4 monetary policy report by the People's Bank of China specifically pointed out "Great Power's Monetary Policy Spillovers" and "Reasonable Assessment on Financial Risks of Household Debt", revealing an increased possibility of monetary policies being gradually tightened in the second half of 2021, which will put certain pressure on China's economic growth in the second half of 2021.

As for Taiwan's economy, on the back of the proper control of coronavirus, Taiwanese businessmen returning to invest in Taiwan, TSMC investing heavily in capital inputs, together with a global chip shortage, which led to surging demand for chips shipments from Taiwan's semiconductor factories, the Directorate-General of Budget, Accounting and Statistics said that Taiwan's economy is expected to grow 4.64% in 2021, compared with 3.11% in 2020, which is a substantial increase and the highest since 2015. Nevertheless, people must pay attention to whether the global pandemic can be brought under control (the speed of vaccination and the timeline on easing lockdown measures by countries), as well as the trends of fiscal and monetary policies by countries and their follow-up effects.

#### Overview of industrial trends

Looking back at 2020, after the coronavirus outbreak at the beginning of the year, China was the first place to go into lockdown, and then the COVID-19 pandemic began to spread across the world: countries in Europe, American continent, Asia have also launched lockdowns and closed borders, making the world trade come to a standstill. On the one hand, the unprecedented four circuit breakers occurred in the U.S. stock market in March has triggered a global economic recession and stock market crash. On the other hand, the Fed's unlimited QE and the European Central Bank's large-scale money printing policy since the end of March have stimulated the economies and stock markets of major countries to rebound from the lows in March till the end of the year. Under the circumstances of the well-managed epidemic within the borders, coupled with strong economic fundamentals high dividend yields, Taiwan stock market had performed well with price and volume both going up. The full-year index rose by 2735.39 points, an increase of 22.8%, and closed at 14,732.53 points, and the total market value hit another record high of NT\$44.90 trillion after 2019. The daily average trading volume in the centralized market saw a huge increase of 67.17% to NT\$200,731 billion compared with that in 2019, and the daily average trading volume (exclusive of bonds) in the OCT market increased by 45.44% to NT\$52.72 billion, both setting new records. The total trading value (exclusive of bonds) of the centralized and OTC markets reached NT\$61.84 trillion, which was also a record breaker. Regarding the MSCI Value Weighted Indexes, the weight of Taiwanese stocks was 13.27% in the MSCI Emerging Markets Index, 14.91% in the MSCI Asia Pacific (exclusive of Japan) Index, and 1.83% in the MSCI World Market Index. Taiwan's weighting had lowered by MSCI in its latest 7 quarterly adjustments. However, it is still steadily increasing in MSCI indexes; for example, Taiwan's weighting in the MSCI Emerging Markets Indexes was 11.66% after the quarterly adjustment in February 2020, and became 12.3%, 12.45%, and 12.47% in May, August, and November, respectively. Mainly because of the expansion of global capital, Taiwan stocks are trending up despite the downward adjustment, so there is no need to worry about outflow of capital.

Last year, although the total amount of TWSE and TPEX listed stocks oversold by foreign investors exceeded NT\$595.3 billion during the whole year, Taiwan stocks still performed brilliantly in the light of the total capital injection and investors' confidence about the future.

Looking ahead to 2021, although the global economy is expected to grow in a rebound due to the base period, the forecast still shows great uncertainties arising from how are countries controlling the pandemic situations. The advent of COVID-19 vaccines can help drive the pace of a global economic recovery, but the emergence of mutated coronavirus also increases uncertainties. Therefore, the International Monetary Fund (IMF) predicted a global growth rate of about 5.5% this year and moderate economic growth ahead. The FSC officially launched the five strategies, 25 important measures, and 82 specific measures of the "Capital Market Blueprint" in December 2020 to promote securities firms to develop investment banking business, including enhancing the direct financial role of securities firms, driving asset management business, loosening regulations on sub-brokerage and OSU business, improving the effectiveness of securities firms' use of funds, and promoting securities firms to develop diversified financial products, all of which will make the business development of securities firms more diversified and provide investors with more products and services..

2. The current status and development of the industry:

As of the end of December 2020, there were 948 companies listed on the TWSE with a market capitalization of approximately NT\$7,238.4 billion and 782 companies listed on the TPEX with a market capitalization of approximately NT\$742.2 billion in Taiwan's securities market. The TWSE-listed securities market has a P/E ratio of 22.37 and a turnover rate of 123.34%, and the TPEX-listed securities market has a P/E ratio of 28.16 and a turnover rate of 330.63%. In Taiwan's futures and options market, there were a total of 341,393,346 contracts traded in 2020.

Number of Securities Business Service Providers for the Three Most Recent Years

Item	Number of Securities Firms		Securities Dealers	Securities Underwriters	Securities Brokers	Investment Trust Enterprises	Investment Consulting Enterprises	Taiwanese Branches of Foreign Securities Firms	
	Headquarters	Branches						Branches	Offices
2018	108	871	76	58	72	39	82	23	0
2019	106	853	75	58	71	39	84	24	0
2020	105	848	74	58	70	39	85	23	0

Overview of Securities Trading for the Three Most Recent Years

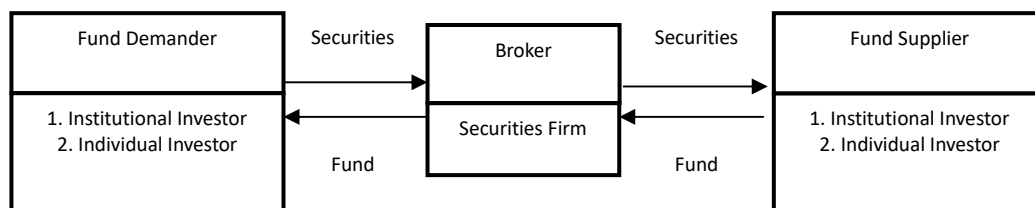
Expressed in 100 million of NT\$.

Year	TWSE-listed Company			TPEX-listed Company			Trading Value of Beneficiary Certificates	Trading Value of Bonds
	Number of Companies	Trading Value	Trading Volume (100 million shares)	Number of Companies	Trading Value	Trading Volume (100 million shares)		
2018	928	296,089	5,889	766	81,455	1243.73	42	482,175
2019	942	264,646	5,202	775	76,075	1031.79	100	446,771
2020	948	456,543	9,068	782	120,871	1611.53	116	406,042

In 2020, the net income after tax of all securities firms that operates only securities was NT\$57.338 billion, with an EPS of NT\$1.885 and a ROE of 10.25%, increased by 43.8% from NT\$39.86 billion in 2019, mainly because Taiwan stocks ushered in the bull market with the biggest turn from the bear market in the past decade in 2020. Affected by novel coronavirus after the lunar new year in 2020 and severe pandemic around the globe, the economy faces a huge amount of uncertainty, resulting in a sharp decline in the financial market in the first quarter. Followed by the implementation of unlimited QE by the U.S. and economic

revitalization and loose monetary policies by many countries, plus the overall performance of technology stocks driven by the pandemic, the financial market swept away worries at the beginning of the year and has been going all the way up since the second quarter. Many countries even set record highs in stock markets by the end of the year, and the dealership business of securities firms reap substantial profits. The daily average trading volume in the TWSE and TPEX market saw an increase of 62% to NT\$253.4 billion compared with NT\$156.3 in 2019. In addition, since Taiwan's securities markets launched the intraday odd-lot trading system on October 26, 2020, the petty bourgeoisie and stock depositors have actively invested, pushing up the number and amount of intraday trading shares. Since the launch of the new system, the total number of shares traded has reached NT\$0.631 billion shares with a trading amount of NT\$98.515 billion while the full-year index rose by 2735.39 points from 11997.14 points closed at the end of 2019 to 14732.53 points, setting a record annual closing high for Taiwanese stocks, an increase of 22.8%. Look ahead to 2021, the TWSE plans to implement the market maker system by the end of June, under which the investors will have more chances to reach deals through reasonable quotes constantly provided by the market makers. In addition, starting from the third quarter, the TWSE is expected to officially launch the "Taiwan Innovation Board" and the TPEX to build up the "Pioneer Stock Board", which will create greater liquidity for the overall Taiwan stock market, drive the overall market momentum to achieve the effect of activate the market, and thereby helping securities firms increase sources of revenue and profit-making opportunities.

3. The links between the upstream, midstream, and downstream segments of the industry supply chain:



4. Development trends and competition for the company's products.

(1) Brokerage business

Looking back at the growth of the overall market trading volume in 2020, the daily average volume of the TWSE-listed stocks in 2020 was NT\$200.743 billion on average, a 67% increase from NT\$120.061 billion in 2019, and the daily average volume of the TPEX-listed stocks in 2020 was NT\$52.719 billion on average, a 46% increase from NT\$36.223 billion in 2019. In 2020, the Company's brokerage market share rate reached 1.01%, with an average margin purchase of NT\$3.316 billion and a margin purchase market share of 1.78%. The brokerage business made a profit of NT\$0.228 billion, a record high in the latest ten years. The Company takes innovation as the core strategy for its brokerage business. It conducts R&D on the electronic trading system with increased computing speed, and the state-of-the-art "Fast Earn" system gradually evolved and updated year after year, to significantly reduce the process and time for customers to place orders. The trading volume of customers using such function to place an order has grown from NT\$12,000,000 with the "Fast Earn 1.0" in January 2018 to NT\$8.3 billion with the "Fast Earn 4.0" in December 2020. Meanwhile, the Company also launched the "Dr. Securities" mobile long-term order and "Thousand Dollar Stock Depositor" odd-lot deposit advanced order, enabling customers to have more flexibility in investments without keeping an eye on stock quotes and the fear of missing out on good prices. With innovative functions and services, coupled with organizational reengineering, the company brings in younger salespersons and customers and enhances the company's competitiveness across the board.

(2) Dealership business

Looking back at 2020, the weighted index rose by 2735.39 points from 11997.14

points at the end of 2019, and closed at 14732.53 points, an increase of 22.8%. The TPEX also rose from 149.63 points closed at the end of 2019 to 184.1 points closed at the end of 2020, an increase of 34.47 points and about 23.04%.

In 2020, the COVID-19 pandemic has shaken the global stock, debt, foreign exchange, commodity, and currency markets. The Proprietary Trading Dept. adopted conservative principles to flexibly adjust investment strategies and implement reverse ETF hedging, and quarterly reviewed the impact of risk variables and changes in position profit and loss on the company's profit while using the conservatism principle and the trading strategy of selling high to lower shareholding levels and buying low after pulling back. It strengthens the risk management of treasury stocks and overall shareholding levels to avoid the impact of risks and uncertainties in market fluctuations and international political and economic situations, and adjusts the risk exposure to an acceptable level; as a result, the profit in each quarter of 2020 steadily increased and the company's profit target was achieved.

(3) Underwriting business

There were a total of 28 companies listed for the first time on TWSE/TPEX in 2020, a decrease of 11 companies compared with the previous year. The TWSE/TPEX-listed companies raised a total of NT\$95.2 billion in the full year of 2020; Among which, NT\$13.9 billion raised in IPOs (initial public offerings), NT\$10.5 billion from cash capital increase, and NT\$70.8 billion from convertible bonds. The underwriting business continues to strive for high-quality domestic and foreign customers to provide them with counseling services for going public while obtaining stable profits from the perspective of investment banks, and assists in raising funds in the capital market for customers who have been listed on TWSE/TPEX. It explores the targets with investment value in the emerging market to creates profit, and plans to expand and develop financial advisory services.

(4) Financial derivatives business

In 2020, there were a total of 42,031 warrants issued in the warrant market, an increase of 6,745 warrants compared with 35,286 warrants in 2019. The Company issued 389 warrants in 2020, a decrease of 47 warrants compared with 436 warrants in 2019.

In 2020, the total trading value of the warrant market was NT\$655.5 billion, an increase of 3.64% compared with NT\$632.2 billion in 2019. The Company's trading value was NT\$6.091 billion in 2020, a massive increase of 106.90% compared with NT\$2.944 billion in 2019.

In 2020, the discretionary leverage equity options business brought in an annual contract trading value of NT\$15.350 billion, accounting for 58.20% of the overall market, an increase of 64.52% compared with NT\$9.330 billion in 2019.

(5) Bond business

- a. Market overview: The actual issuance amount of central government bonds in 2020 was NT\$535 billion, an increase of approximately NT\$125 billion compared with NT\$410 billion issued in 2019. In addition, Taiwan's central bank lowered interest rates by a quarter of a percentage point in response to the impact of the COVID-19 pandemic in 2020, with a rediscount rate of 1.125%, a rate on accommodations with collateral of 1.5%, and a short-term accommodation rate of 3.375%, and in December raised its 2020 forecast for gross domestic product growth to 2.58%. In 2021, the coronavirus vaccines come out, and the pandemic will likely show improvement, which helps drive the economic recovery. The Directorate General of Budget, Accounting and Statistics in February raised its GDP growth forecast for 2021 to 4.64%, an increase of 0.81% from the last time.
- b. Industry analysis: In 2021, as countries in Europe and the U.S. one after another vaccinate their people and the new U.S. government implements large-scale fiscal stimulus policies, making the economic outlook become clear, the international bond market has seen a large-scale correction, followed by the Taiwan's bond market in response, resulting in a bid yield of 0.719% on Taiwan 30-year government bonds, with the auction results lower than expected and a breakdown by industry as banking industry accounted for 46%, securities industry accounted for 20.57%, bill finance industry accounted for 0%, and insurance industry accounted for 33.43%. Although

there are sufficient funds in the market, the demand for investment portfolio allocation still exists. However, the overseas bond yields have rebounded sharply, and Taiwan bond yields with different maturity periods have risen accordingly. The 10-year bond yield increased 10.4bps to close at 0.41%, and the 5-year yield increased 8.4bps to 0.29%. Currently, as countries in Europe and the U.S. one after another vaccinate their people, the impact of the pandemic on economic fundamentals has slowed down, investors keeping optimism about the economic outlook and inflation expectations on the rise will put pressure on interest rates in the bond market.

- c. Market positioning: The Company was awarded the “Excellent Central Government Bond Market Maker of the Year” as announced by Taipei Exchange in the first half of 2020, demonstrating that the Fixed Income Department’s activating government bond market has been recognized by the market and the competent authority. Especially, in 2020 when the world's major central banks tended to loosen their monetary policies and cut interest rates, the bond market performed brightly. Taiwan’s bond market also hit a historical low of 0.24% due to the continuous decline in the yield of mainstream 10-year government bonds, which led to a bull market in Taiwan bonds. The Fixed Income Dept. also seized this opportunity to make more profit for the department.

(6) Concord Futures

The development of digital finance has become a famous study in the financial sector, which provides customers with a better and friendly experience when opening an account. The Company will develop digital account opening over the counter in 2021, using electronic entry instead of handwriting work and papers to save the time required for customers to open an account at the counter and improve service quality and efficiency for customers.

(7) Concord Capital Management

Concord Capital Management’s business strategies for year 2020 emphasized diversified business development and integrated marketing as well as multiple channels. In addition to constantly extending the offshore fund general agency business, it has begun to conduct private placement of offshore funds conforming to regulatory easing. It also has strived to act as an administrative assistant role in Taiwan for offshore fund companies, and built business partnerships with a number of offshore fund companies in the past year. In the traditional offshore fund general agency business, Concord Capital Management actively establishes new distribution channels including banks, life insurance companies, securities firms, online platforms, and institutional investors. Among them, online platforms sales momentum increased significantly, showing that the business strategies of Concord Capital Management meet e-generation customers’ preference for investment. In addition, to expand its breadth of customer services, Concord Capital Management built the investment research department in early 2020 to provide high-quality research reports to customers with the perspective of gaining a foothold Taiwan and the whole world in view.

In 2020, Concord Capital Management invested considerable resources in the development of new types of business and channel expansion, resulting in an increase in operating costs and losses in the company’s business. Looking ahead to 2021, As the professional offshore funds general agent, of Concord Capital Management will continue to develop a comprehensive brand fund product line, increase distribution channels, and serves as an administrative assistant for foreign asset management companies in the hope of regaining profitability as soon as possible.

(8) Concord Asset Management

The company is mainly engaged in business management consulting and asset management services, and will steadily develop existing business.

(9) Concord Insurance Agent

Life insurance:

Traditional insurance products:

- a. The FSC lowered the interest rate of policy liability reserves twice at the beginning

and in the middle of 2020. With the declared interest rate stabilization mechanism implemented in July of the same year, it clearly specified that the life insurance industry's declared interest rates should take into account the fixed-income bond interest rates, which is closer to the interest rates in the actual bond market, and that the contractual service margin (CSM) of the insurance policy should not be negative. Therefore, the declared interest rates have been significantly reduced, and the structure of traditional products has been greatly changed.

- b. The above-mentioned reason that causes the companies one after another to discontinue the sales of the policies with better structure and, on top of that, the impact of COVID-19 also brought down the first-year premium income generated by traditional insurance in the market for a full year of 2020 by 33% compared with the same period last year. The life insurance business is still struggling to stay afloat.

2021 Business development plans:

- a. Mainly TWD and dollar-dominated traditional insurance policies, cherry-picking the best-selling dividend policies, interest rate sensitivity policies, aiming for savings and wealth management
- b. Focusing on customers with asset inheritance or retirement planning needs
- c. Supplemented by the promotion of medical insurance to cover the risks of medical expenses of the customers, increase the penetration of medical insurance, and strengthen the staff's capability of planning and sales of medical insurance.
- d. Promoting financial inclusion insurance products in compliance with the FSC and enhancing the nationals' insurance protection via small amount whole life insurance, enable insurance to form the backbone of social stability

Property insurance:

In response to the residential safety net policy of improving the national's residential protection by promoting residential earthquake insurance, the company applies for concurrently operating property insurance business in early 2020. With the license issued by the competent authority in September of the same year, the company joined the ranks of promoting residential earthquake insurance covering against property damage caused by fires and earthquakes. It also promotes policy insurance, such as automobile insurance, directors and supervisors liability insurance, and other products. With the advent of the Internet era and the rapid development of digital technology, the companies accounts are more vulnerable to cyber hacking. In response to increasing cyber security threats, the company provides cyber security insurance to assist customers in effectively strengthening corporate governance including the transfer of risk.

With innovation as its core strategy, the company's brokerage business develops electronic trading system with increased computing speed, such as the innovative features provided by "Fast Earn 4.0", which enables the business to strengthen its competitiveness in the market through service differentiation. The Fixed Income Department in 2020 was again awarded the "Excellent Central Government Bond Market Maker of the Year" announced by the Taipei Exchange, demonstrating that the Fixed Income Department's activating government bond market has been recognized by the market and the competent authority. The Underwriting Department in May help Yonggu-KY to be successfully listed on stock exchanges in Taiwan through its counseling service, and at the end of December submitted the listing application of First Chemical-KY in Taiwan under its lead, which was approved by the Taiwan Stock Exchange Corporation Review Committee in February 2021. The SPO business once again undertook fundraising for power-KY convertible bond and cash capital increase and successfully completed. In 2020, the market share of underwriting business (IPO, SPO) was 0.86%, ranking 22nd, and in December 2020, the market share of the emerging stock recommended securities firms trading market was 0.98%, ranking 13th. The company will continue to cultivate TWSE/TPEX listed companies (including emerging market companies and Go-incubation Board for Startup and Acceleration Firms) to provide customers with comprehensive services. Facing the advent of the digital era, it will continue to actively improve financial services and innovative technology, develop all-inclusive financial product services on the



basis of collaboration across business including securities, futures, investment advisory, and insurance agent, and assist business development and risk control with the system R&D advantage and professional capabilities. In the future, the Company will also look for multiple strategic partners to create diversified income and strengthen the capital structure. With the advantage of strong information development capabilities, the Company enhances the depth and breadth of digital marketing, and proactively requires all business units to continuously adjust their business structure this year to improve their profitability, demonstrate business momentum, and gradually build a stable and profitable Concord.

### **5.1.3 An overview of the company's technologies and its research and development work:**

The securities industry is a financial franchise industry. New types of products can only be launched after obtaining approval a license in accordance with the regulations of the competent authority, so the disclosure matters on technologies and R&D work does not apply to the securities industry.

### **5.1.4 The company's long- and short-term business development plans:**

#### 1. long- and mid-term business development plans:

- (1) Improving revenue and profitability: Four major development strategies including developing high-profit investment bank business, accomplishing efficient e-Commerce, promote professional wealth management services, and shaping discipline and positive sales culture; strengthening the synergy through integrating the Group's resources
- (2) Enhancing internationalization capabilities: Strategic alliances, access to information and technology, improving sales capabilities and increase the case sources
- (3) Strengthening management and risk control capabilities: Carrying out risk management and legal compliance to ensure the effective implementation of internal control
- (4) Controlling costs: Removing the deficit unit, manpower downsizing, reducing company operation costs
- (5) Getting lean: Scaling down the business places; moving toward digital services with technology-based management
- (6) Diversified services: Developing investment bank business and wealth management with diversified products

#### 2. Short-term business development plans:

Brokerage business: Taking risk control, wealth management, digital marketing, and organization re-engineering as the four development focuses; expanding the growth and transformation of each business; increasing high-quality financing assets; focusing on the development of four main business of wealth management: insurance business, securities lending, sub-brokerage, and funds; being equipped with four innovative functions including the "Fast Earn 4.0" single-stock bulk order monitoring, limit up/down monitoring, moving stop, and microsecond day trading; differentiation can not only increase the odds for customer money management operations but also strengthen the competitiveness in the market.

Digital marketing: Aligning with the continuous trading system, investors are asking for the speed of electronic trading, so the company develops its own electronic trading system "Fast Earn" with two innovative features: single-stock bulk order monitoring and microsecond day trading, providing customers with different order placement strategies and meeting customers' needs for trading speed. In addition, adapting to the launch of intraday odd-lot trading on October 26, the Company modifies the order interface of each electronic trading platform, making it easier for young investors to enter the stock market. It strengthens Line@investment instant message, account query, and other functions, and optimizes the "Big Data Chip Stock Pick" system, providing various system analysis modules for the investors to select the analysis method according to their needs and to save the time required to find targets in the stock market, allowing investors to have a more diversified stock selection strategy, create their own exclusive investment mechanism and create more diversified

- opportunities to make profit. It further provides more comprehensive investment services with a view to improving customers Satisfaction.
- Underwriting business:** Mainly undertaking IPO business, supplemented by SPO business, aiming for IPO in Taiwan by foreign issuers, actively deep ploughing niche markets such as Japan, Vietnam and other area; winning over domestic and foreign high-quality customers for them to go public with counseling services, exploring the targets with investment value in the emerging market to obtain stable profits; assisting in raising funds in the capital market for customers who have been listed on TWSE/TPEX; continuously focusing on public acquisition of business and guide customers to invite investments or list on appropriate markets.
- Dealership business:** Affected by Covid-19 pandemic, the stock market fluctuated significantly. The Proprietary Trading Dept. will adopt a prudent investment strategy, in addition to the "investment portfolio" management, both multi-channel investments and hedging will be carried out, to control the market risk exposure in pursuit of optimized reward and to reduce future damage to the company's profits due to market fluctuations or major domestic and foreign accidents while steadily increasing the company's profit when the economy turns around and the stock market is going up.
- Bond business:** Concentrating on developing platforms for new types of products, diversifying business risks, and expanding profit sources Considering the international reality, the global interest rate is currently at historical lows, which, in spite of a risk reversal in the interest rates, also indicates no shortage of funds at the same time. As a result, adjusting business strategies to balance the development of new types of dealership and brokerage business for customers' wealth management can control the overall business operational risks. Therefore, in addition to keeping stable and profitable proprietary trading of bonds, the company will continue to develop the platforms for new types of business. In the future, it will participate in domestic and overseas bond underwriting business, open RP/RS trade of foreign currencies, hedging through futures, establishing positions in foreign currency bonds, and implementing business risk management.
- Financial derivatives business:** Warrant market making business, ETF market making business, discretionary leverage options market making business, and futures and options market making business are development focuses of the Financial Derivatives Department this year. After the company's self-developed warrant market making new system put into operation, the quality of market making has been improved compared to the previous years. This year, it continues to develop diversified trading strategies to further enhance the efficiency of market making. What's more, in the ETF market-making business, the company entering into contracts with a number of investment trust companies to expand the scale of ETF market-making and strategic trading. Furthermore, in the discretionary leverage options business, the company will continue to expand the customer base of institutional and general investors, and at the same time assist investors in establishing more stable and diversified trading strategies. In the futures and options trading business, following the stable performance last year, the company this year will add index multiple strategic trading, to grasp the opportunity to trade various options and warrants when there are changes in the options and index warrant markets. With a sound risk control system, the promotion of the above business will make the operation of the Financial Derivatives Department more robust.
- Wealth management business:** The business items in which it engages in addition to the basic "Domestic and Foreign Funds", "Securities Lending", and "Sub-brokerage" services, it works with Insurance Agent Company for collaborative marketing, including "Insurance" as the main developing business, to provide customers with one-stop shopping, full-service, and robust financial services.

Offshore Securities Unit business: In the future, the OSU will expand the business of foreign currency bonds and derivatives business, provide customers with multiple product choices, and increase stable sources of income while strengthening the quality of positions it holds, reducing the risk of volatility, and achieving concrete results through diversified business and system platforms.

Logistics administrative unit: Improving work efficiency of colleagues, providing the most comprehensive, support services with effectively cost control to maintain the stability of the company's operations.

Concord Futures: Performing inspections on the internal control system and education and training for supervisors; personnel training - regulatory system, fair treatment of consumers, and anti-money laundering; account opening reform - developing digital account opening over the counter, preparing rules and regulations as well as SOP improvement and exercise, optimizing KYC and money laundering control act auxiliary operation electronization, official website being fully updated, salesperson KEY system being optimized, developing risk control and order placement functions of the brokerage Flash, hosting incentive activities to support IB's promotion of overseas futures, organizing business challenge competition to boost business momentum, holding firm bargain competition, and arranging large-scale promotional activities

Concord Capital Management: The four major programs will be adopted by Concord Capital Management to raising the existing fund sales amount and raise the company's operating income sources and stability.

- a. Expanding fund product line, continuously applying for approval of new funds; also striving to be the general agent of other fund companies, and progressively involving privately offered funds and other consulting services
- b. Developing multiple distribution channels and products, continuously adding new distribution channels and products, and strengthening cooperation plans with e-commerce and new technology sales agency.
- c. Increasing brand awareness of agency funds in Taiwan through innovative marketing strategies.
- d. Boosting fund sales through effective external and internal incentive programs

Concord Insurance Agent: To develop more comprehensive wealth management goals and respond to severe market conditions, Concord Insurance Agent evaluates product niches of property and life insurance companies, and carefully selects insurance products with market competitiveness to sell them as a selling agent in an effort to customize products and services and meet the changing market needs. In the meantime, it keeps deepening internal indicators, including personnel training and operating system development and optimization to effectively sustain growth momentum and improve operational efficiency.

- 一、 Elaborately selects insurance products with market competitiveness to sell them as a selling agent:

Providing property insurance, automobile insurance, personal accident insurance, and other basic products as a useful tool for co-workers to develop business, and assisting customers in planning for unpredictable risks in advance. And also providing more quality life insurance, digging deeper into individual savings and retirement planning, advancing to family asset inheritance planning to build more diversified products to meet the customers' risk planning needs from different perspectives.

- 二、 Personnel cultivation:

Providing the business associates of Concord Securities with essential training in insurance products and sales techniques through the internal education system, and planning stepwise professional advanced courses to deepen personnel insurance planning professional ability and sales skills and advance in property and life insurance expertise to provide customers with

top-notch wealth management services

三、 Operating system development and optimization:

Fintech is becoming a trend. In addition to developing new systems and optimizing the current operating system, the company is committed to improving the quality of data retention and management, improving procedures for manual operations, providing simpler and agile customer management and asset management templates, and then further improving personnel business development quality and customer services to assist customers in achieving their important financial goals at every stage of life.

## 5.2 Market and Sales Overview

### 5.2.1 Market analysis

1. The geographic areas where the services of the company are provided and supplied

(1) Main service items and service targets:

A. Main service items:

Providing investors broker services on a centralized securities trading market or an over-the-counter market

Providing counseling services for companies to go public and assisting companies in utilizing the capital market to raise funds needed for business development

Providing investors to engage in repurchase agreement/reverse repurchase agreement of bonds

Providing investors with securities lending and borrowing services

Other business approved by the authority

B. Service targets:

The company's service targets are mainly domestic and foreign corporate bodies and general investing public with business locations in Taiwan's major metropolitan areas.

(2) Regions where the operating revenue of the Company's brokerage business for 2020 come from and market share

Region	Operating Revenue		Market Share (%)
	Amount (thousands of NT\$)	Percentage (%)	
North Region	757,500	67.00	0.705
Central & South Regions	373,071	33.00	0.302
Total	1,130,571	100.00	1.007

2. The company's market share, demand and supply conditions for the market in the future, the market's growth potential

To activate less popular stocks trading, the TPEX launched the TPEX-listed stock market maker system in 2020, which will be implemented on June 30. In addition, the FSC's latest release of the capital market blueprint for the next three years will drive the development of investment banking business by securities firms to enhance international competitiveness. The Securities & Futures Institute has also put forward five major recommendations for this, which will contribute to the future supply and demand as well as growth in the market:

- (1) Enhancing the securities firms' direct financial role, increasing the new momentum of the real economy: In line with the "Taiwan Innovation Board" and "Pioneer Stock Board" under planning, for star-ups to successfully raise funds in the capital market, the securities firms may be considered to assist start-ups to implement legal compliance and improve corporate governance. Therefore, with reference to the foreign sponsor system, the lead securities firm is responsible for assisting new ventures to establish internal control systems and meet the listing conditions to increase corporate transparency. In addition, the differentiated management will be conducted to the securities firms. In the underwriting of securities that is exchange (or OTC) listed, the adoption of a double-track modal of "By Competitive Auction" and "By Book Building" may be discussed.
- (2) Driving a great leap forward in the asset management business, gearing to the new trends in Fintech: Discussing other interest oriented stock trust business conducted by securities

firms, and expanding the trust of money and trust of securities business. Additionally, after the draft amendment to the “Act Governing Electronic Payment Institutions” is adopted, the investors can withdraw and deposit the settlement money of financial products, so that securities firms may issue debit cards for separate account ledgers of settlement accounts to expand the business with young people and achieve the purpose of inclusive finance.

- (3) Loosening regulations on sub-brokerage and OSU business, diversifying new allocation of capital: Opening dollar-cost averaging investments in foreign stocks and ETF is recommended, and broadening the scope of the underlying foreign securities and credit ratings to satisfy the need of nationals’ overseas investments. Furthermore, in order to expand the international securities business conducted by securities firms, it is recommended to moderately relax the restriction on the net worth condition for account custodial business, so that more integrated securities firms to participate in the offshore securities unit business.
- (4) Enhancing the effectiveness of securities firm’s use of funds, expanding new channels for financing: For investors’ convenience, the securities firms are recommended to offer short-term financing services on the day investors sell stocks, which not only can increase income from financing, but also improve the efficiency of fund utilization. In addition, to make investors’ use of funds more flexible, it is recommended that under control of risks, securities firms accepting orders to trade foreign securities are allowed to conduct foreign currency financing business, and Offshore Securities Units to conduct foreign currency borrowing and lending of funds for unrestricted purposes.
- (5) Promoting the development of diversified financial products by securities firms, activating the new system for listing of commodities: It is recommended to encourage securities firms to issue ETNs that track domestic and foreign ESG indexes in order to achieve the purpose of developing diversified financial products. Moreover, the securities firms’ Issuance of foreign currency-denominated structured products and development of the OTC trading systems are discussed, and securities firms are encouraged to actively design high-quality products to activate the market.

### 3. Competitive niche

The Company is under a concentrated ownership and simple structure, and conducting business pursuing a differentiation strategy with the focus on niche markets. Therefore, it has great flexibility and potential for business development. In addition, the Company places emphasis on diversified trading strategies, trading varieties, cross-market trading, and asset management business as its the development of commodity and asset management business in its development. In the aspect of product services, the company builds up e-commerce functions, highlights the content diversification of services, and values business associates’ wealth management capabilities. It increases the proportion of strategic trading positions for pan-proprietary units and integrates directional investments to complete market diversified investment allocation and risk diversification. As for high-asset customers, the customized asset management solutions are provided so as to reduce labor costs and build new value at business locations with customer-oriented diversion services. The branch has transformed from a place for placing orders in a single dimension to a miniature financial service center with features and low operating costs. With a transformation of the physical site, it engages more young people in the activities it holds, emphasizing local services and starting from the heart to create Concord’s brand image.

### 4. Positive and negative factors for future development, and the company's response to such factors

#### Positive factors:

- (1) Having a diversified business team and a complete securities business structure
- (2) Having a simple organizational structure and a clear division of powers and responsibilities, the business decision-making process is quite quick compared with large financial institutions, with accessible communication channels at all levels; it is also easier to implement the operational tactics.
- (3) The ownership of shares by directors and supervisors is concentrated. The board of directors and major shareholders agree on the company’s concept of sustainable

operation, with strong determination. The management has a clearer view of the company's mid- and long-term development plan.

- (4) The Company continues to carry out "qualitative improvement" in the securities industry. It is in alliance with quality financial same industry, life insurance companies, and banks to create the cross-industry business synergy.
- (5) The supervisors of all units have extensive experience and professional expertise in the industry. In compliance with the company's business strategies, the optimal workforce can be utilized to create the steadiest profit performance.

Negative factors:

Compared with the trend of capitalization of financial institutions getting large in scale, the Company' business volume and profitability are easily affected by changes in the general environment due to smaller amount of capital.

The company's response:

- (1) In response to rapid changes in the industrial environment, the Company sustains its operation in the optimal scale.
- (2) With "research" and "information" as the core, the Company builds diversified income through its focus on core areas, improves the information system with professional research and development capabilities, supports the four main profit engines of "brokerage", "dealership", "bond" and "derivatives", provides high-quality, professional and differentiated services as the business philosophy and core value, strengthens internal control and risk control mechanisms, and enhances the corporate constitution and competitiveness.
- (3) Re-building new value ag business locations with customer-oriented diversion services, promoting "Mobile First", "Platform Value-added Services", and other strategies, developing Fintech innovative services, and enhancing business associates' wealth management capabilities.
- (4) Integrating directional investments, carrying out market diversified investment allocation and risk diversification

### 5.2.2 Usage and manufacturing processes for the company's main products:

Main products	Usage
Brokerage Department	<ul style="list-style-type: none"> <li>● Brokerage trading of securities on a centralized securities exchange market</li> <li>● Brokerage trading of securities on an over-the-counter market</li> <li>● Securities borrowing and lending business</li> <li>● Proprietary margin purchase and short sale business</li> <li>● Brokerage trading of foreign securities</li> <li>● Futures Trading Assistance business</li> <li>● Sale of foreign funds</li> </ul>
Proprietary Trading Department	<ul style="list-style-type: none"> <li>● Proprietary trading of securities on a centralized securities exchange market</li> <li>● Proprietary trading of securities on the TPEX</li> <li>● Futures hedging</li> </ul>
Underwriting Department	<ul style="list-style-type: none"> <li>● Handling merger and acquisition activities, initial public offering on TWSE/TPEX, fundraising, underwriting and sales of securities of domestic and foreign issuing companies</li> </ul>
Fixed Income Department	<ul style="list-style-type: none"> <li>● Proprietary trading of convertible bonds on a centralized securities exchange market</li> <li>● Proprietary trading of bonds and convertible bonds on an over-the-counter market and TPEX</li> <li>● Brokerage trading of bonds and convertible bonds on an over-the-counter market</li> </ul>
Financial Derivatives Dept.	<ul style="list-style-type: none"> <li>● Issuance of warrants on a centralized securities exchange market and an over-the-counter market</li> <li>● Issuance of derivatives</li> </ul>

### 5.2.3 Supply situation for the company's major raw materials:

The Company belongs to the securities service industry, and has no demand for raw material and production as those in the general manufacturing industry.

### 5.2.4 A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each:

The Company does not have any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years.

### 5.2.5 An indication of the production volume for the 2 most recent fiscal years: The Company belongs to the securities service industry and not general manufacturing industry, and has no physical product portfolio for business and services it provides.

The number and amount of issuance of the Company's self-developed products are hereby shown in the following table:

Self-developed products	Issuance Volume (Production Volume)		Issuance Amount (Production Value)	
	2019	2020	2019	2020
Call Warrant	308	329	NT\$3,223,090 thousand	NT\$2,738,245 thousand
Put Warrant	128	60	NT\$994,270 thousand	NT\$503,490 thousand
Discretionary Leverage Equity Options	-	-	NT\$9,330,474 thousand	NT\$15,349,260 thousand

### 5.2.6 An indication of the volume of units sold for the 2 most recent fiscal years:

Please refer to the above-mentioned operating revenue and percentages.

### 5.2.7 Specific key performance indicators (KPI indicators):

The Company's key performance indicators for major lines of business are listed as follows:

Business	2018		2019		2020	
	Performance Indicator	Ranking	Performance Indicator	Ranking	Performance Indicator	Ranking
Brokerage Market Share/Ranking	1.12%	17	1.13%	17	1.01%	19
Underwriting Market Share/Ranking	1.61%	16	0.49%	14	0.86%	22
Fixed Income Market Share/Ranking	4.45%	6	4.59%	5	3.40%	9
Financing Market Share/Ranking	1.89%	17	1.84%	17	1.78%	18
Call Warrant Volume/Ranking	603	15	436	14	389	13
Electronic Trading Market Share/Ranking	0.63%	19	0.67%	20	0.62%	20
Credit Rating	A-(tw)		A-(tw)		A-(tw)	
Earnings (Loss) Per Share	NT\$(0.45)		NT\$0.47		NT\$1.83	

### 5.3 Human Resources

Year		2019	2020	The Current Year up to January 31, 2021
Number of Employees	Brokerage	416	412	413
	Dealership	7	19	19
	Underwriter	29	30	30
	Fixed Income	10	11	11
	Financial Derivatives	15	16	16
	others	161	145	148
	Subsidiary	170	164	163
	Total	808	797	800
Average Age		44.56	44.16	44.23
Average Year of Service		9.94	10.07	10.10
Levels of Educational Attainment	PhD	0.12%	0.13%	0.13%
	Master	14.60%	16.19%	16.38%
	College / University	71.17%	69.75%	69.61%
	Senior High School	13.99%	13.80%	13.75%
	Senior High School Level or Below	0.12%	0.13%	0.13%

### 5.4 Environmental Protection Expenditure

The Company belongs to the securities service industry and not a manufacturing company, so ISO 14001 is not applicable.



## 5.5 Labor Relations

The Company has worked hard to seek the welfare of all shareholders and employees since its establishment. Its humanistic management, two-way Communication, and participative management closely ties up personal goals with company strategies, bringing employees with security and protection through a wage system in line with the market structure. In addition, it provides comprehensive insurance and benefits for employees, and organizes education and training for employees, staff outings and various subsidies on an irregular basis. It also sets up the Employee Welfare Committee to integrate labor and management into a competitive team in harmony and under consensus on ideas to create a corporate vision together.

### 5.5.1 Current important labor-management agreements and implementation status

#### 1. Insurance systems:

(1) Enrolling in labor insurance and national health insurance coverage: To protect the rights and interests of co-workers, the company should enroll employees in labor insurance and national health insurance coverage as required by the regulations since the on-board date for new employees, who are entitled to the rights to labor insurance benefits and health insurance medical protection. The insurance premium should be paid by the company in accordance with the law.

(2) All employees in the Company should enroll in the company's group insurance since the on-board day, and are entitled to insurance protection including accident insurance, term life insurance, severe illness, cancer medical treatment, and hospitalization. The company also takes out high-value accident insurance for employees on business travel and occupational accident insurance to ensure employees' safety when performing duties or on the way to and back from work.

#### 2. Employee Welfare Committee:

The employee welfare funds shall be appropriated according to the law to provide employees with benefits including recreation, clubs, child education subsidy, emergency aid, and company trip, and provide employees with services such as dining, travel, purchase discounts from third-party vendors manufacturers.

#### 3. Retirement mechanism

The Company has formulated the Employee Retirement Regulations in accordance with the Labor Pension Act, and shall inquire in writing with employees about their options between the new or old pension systems in accordance with Labor Pension Act. The pension system of this Act shall apply to the employees who joined the company after July 2005. The company shall on a monthly basis file the application for contribution to the Bureau of Labor Insurance for appropriating 6% of the total monthly wages of the employees to their individual labor pension accounts. For employees who choose the retirement mechanism, the company shall appropriate 2% of the total monthly wages as the labor pension reserve fund each month, and deposit such amount in a designated account of Bank of Taiwan. The Supervisory Committee of Workers' Retirement Reserve Fund shall be set up in accordance with the law.

#### 4. The status of labor-management agreements:

The "Labor-management Meeting" shall be convened by the elected representatives for the labor and management sides to encourage the exchange of opinions between labor and management. The labor-management meeting resolutions shall also be distributed to the departments concerned to be implemented within a certain time limit.

#### 5. Measures for preserving employees' rights and interests: In response to the Sexual Harassment Prevention Act and Act of Gender Equality in Employment, the Company shall establish the Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment "at Workplace", and organize a committee for handling sexual harassment complaints to take charge of sexual harassment complaints, investigation, and resolutions. The appeal channel is listed as below:

Complaint Hotline: 02-8787-5488    Complaint Fax No.: 02-2766-1704

Complaint E-mail: [complaint.hr@concord.com.tw](mailto:complaint.hr@concord.com.tw)

#### 6. Continuing education and training:

(1) To improve the employees' professional quality and skills and to take into account both the career development of employees and compliance with laws and regulations, the

Company has formulated relevant education and training regulations and supplementary measures to provide employees with learning and development opportunities. The Company's training policy is as follows:

Organization Side	Individual Side
1. Shaping good organizational culture and working environment 2. Improving workforce quality 3. Accumulation and inheritance of experience and technology	1. Increasing employees' adaptability and confidence 2. Enabling employees to exercise mobilization capability 3. Safety at work 4. Raising awareness of solidarity, lowering employee turnover and absence 5. Growing employees' competence

(2) The employees shall take part in regulatory training courses in compliance with the competent authorities and laws and regulations. The Company takes the initiative to send staff to participate in professional training courses and encourages co-workers to progressively obtain professional qualification certificates. And also, for use of multiple learning channels, in addition to arranging physical (internal and external) education and training courses, it builds an online tutoring system "Enterprise e-Learning" on the company's internal webpage to provide multimedia training courses for employees to learn online, so that employees and the company can grow together.

(3) The company's efforts in talent cultivation have won the Bronze Medal Award of the Talent Quality-management System of the Workforce Development Agency, Ministry of Labor for many times during the period from 2014 to 2020.

(4) The achievements of relevant education and training for the year 2020 are as follows:

Category	Item	Total Attendance	Total Hours (H)	Total Amount (NT\$)
Internal Training	Professional Competency Training	16,639	11,295	187,285
	Supervisors' Competency Training	181	724	405,300
	General Training	5,261	6,557.1	6,468
	Corporate Governance	101	303	78,274
	Financial Principles of Fair Treatment of Consumers	625	1,875	0
	Subtotal	22,807	20,754.1	677,327
External Training	Fire Fighting Personnel and Occupational Safety Training	361	412	9,650
	Professional Training	59	674.1	457,640
	Qualification Acquisition and Continuing Education	126	909	210,210
	Securities and Futures Pre-service, On-the-job, and Other Relevant Training	982	7,662.6	712,315
	Subtotal	1,528	9,657.7	1,389,815
Other Training Expenses: Travel Expenses, Education Subsidies				17,013
Total		24,335	30,411.8	2,237,280

(5) The status of the Company's personnel related to financial information transparency acquiring relevant certificates: (as of February 20, 2021)

The personnel of the Company's Finance Department, Accounting Department, Risk Management Office, and Auditing Office obtain the following certificates:

Name of Certificate	Auditing Office (Including Branch Auditing Personnel) (24 Persons)	Finance Dept. (6 Persons)	Accounting Dept. (12 Persons)	Risk Management Office (4 Persons)
Securities Specialist	19	1	5	1
Senior Securities Specialist	20	4	9	4
Training for Personnel Conducting of Securities Trading Margin Purchase and Short Sale Operations by Securities Firms	19	1	3	0
Futures Specialist	24	1	3	4
Professional Certification of Finance and Accounting Supervisors of the Public Companies	0	1	1	0
Securities Firms Internal Audit	24	0	0	0
Capital Adequacy Advanced Calculation Method Reporting Qualification	3	0	6	4
Proficiency Test for Financial Risk Management Personnel	0	0	0	1

7. Employee Code of Conduct and Ethics:

The Company has established the Work Rules and Personnel Management Regulations, and formulated the Employee Code of Conduct as the basis of compliance for employees' regular work and acts.

(1) Obedience at work:

- A. All employees of the Company shall abide by all regulations set by the company and obey the reasonable command and supervision of supervisors at all levels.
- B. Employees shall complete the tasks according to their job description, and achieve the performance goals and work standards set by the company.
- C. Supervisors at all levels shall treat their subordinates in the spirit of hierarchical responsibility appropriately guide employees to complete their work, and must not violate work rules and laws and regulations.
- D. Except for emergencies or special situations, employees shall reflect their opinions on work to direct supervisors level by level, and shall not bypass the immediate leadership to report or have any concealment.

(2) Workplace management:

- A. Employees entering and leaving the workplace shall clock in themselves. When going out on business during working hours, they shall need permission from the accountable supervisor before going out.
- B. Without permission of the accountable supervisor, employees shall not bring their relatives and friends to the company's workplace. In the case of emergency or special circumstances, employees shall meet their relatives or friends at the designated place.

- C. No firearms, ammunition, flammable or explosive materials or other dangerous goods, and contraband can be brought in the workplace.
  - D. No smoking or drinking is permitted at the workplace of the Company.
  - E. Employees shall take good care of public property and shall not cause any waste or damage, and shall pay the full price for any public property damaged or lost due to negligence.
  - F. Employees shall keep the environment clean during working hours. They shall clean up and put in order the tools and articles being used before leaving the workplaces.
  - G. Without the permission of the company, it is strictly forbidden to take out the company's property. Once such behavior has been found, severe punishment shall be imposed in accordance with the law.
  - H. Employees shall abide by the principle of salary secrecy, and shall not give away and discuss salary on purpose, resulting in management problems.
  - I. To promote gender equality at work and provide employees with a working and service environment free from sexual harassment, the Company has formulated the Regulations for Prevention and Handling of Incidents of Sexual Harassment for compliance by all employees.
- (3) Conducting business management:
- A. Employees shall handle their tasks in accordance with relevant management regulations, keep good custody of the documents, property, and articles in use, and shall not bring them out of the company, causes damage or loss. In case of an extraordinary accident, they shall put every effort to make appropriate arrangement.
  - B. Employees shall use the company's equipment in accordance with relevant management regulations, and properly use vehicles, office equipment, computers, telephones, and other income-generating facilities.
  - C. Employees shall have the obligation to keep the confidentiality of the business handled personally and company business.
  - D. Employees shall not engage in any work that is competitive with the company's business, including the work they do at their own time, and shall use neither the company's equipment, resources, or insider information to hold two or more posts outside the company concurrently nor the company's information to engage in personal business or look for their own customers.
  - E. Employees shall not hold two or more posts outside the company concurrently during working hours without the written consent of the company.
  - F. Employees shall not disclose any business secrets after they take office or leave the office. Otherwise, the company has the right to remove employees and to make a retrospect effect in the law and claim compensation for the company's loss.
  - G. Employees who have been employed by the Company shall also not disclose or use the business secrets owned by the former employers.
  - H. Employees shall not borrow money from or lend money to customers or vendors.
  - I. Due to job requirements, employees shall travel to and from workplaces or relocate to other workplaces.
  - J. Employees should have honesty and code of conduct in performing business to maintain the company's reputation, and shall neither use the relationship of the position to ask customers or vendors to give a treat or gift nor take the opportunity to collect any commissions or seek other unjust benefits.
  - K. The Company has formulated the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" and also signed the Declaration of Employee Code of Conduct.
- (4) Personal computer software usage management:
- A. Making unauthorized copies of computer software or use of pirated software are regarded as illegal acts, and individuals and the company may thus bear the civil and criminal liabilities stipulated by the Copyright Act.
  - B. Without the permission of the Company's IT Department, no software may be installed on the company's personal computer for any reason or purpose, or the software installed on the personal computer may be copied for use by a third party other than

the company, including individuals or the company's customers. Once the above circumstance is verified and found to be true, severe punishment may be imposed by the company.

(5) Relevant regulations on employee code of conduct and ethics have also been disclosed on the company's website:

<https://www.concords.com.tw/about/Company/integrity.htm?mnu=03>

8. Protection measures for working environment and personal safety:

The Company reports to the competent authority for public safety equipment inspections of buildings and fire-fighting equipment according to laws and regulations. In addition, employees are selected to obtain a certificate of firefighting management personnel and the fire plan for the workplace is formulated to maintain the safety of firefighting equipment in the workplace. The company has taken out public accident liability insurance for all its workplaces to protect the rights and interests of customers, and employer's accident liability insurance and occupational accident insurance to safeguard the rights and interests of employees.

The Company has formulated the "Safety and Health Work Rules" in accordance with the Occupational Safety and Health Act and the relevant laws and regulations to prevent occupational accidents and ensure safety and health of employees. The Company has the labor safety and health management specialist and first-aid personnel at business places and branches. It arranges employee health examination and safety and health education and training every year.

To keep and encourage employees' health, the Company has the nurses and on-site physician services in accordance with the Regulations for Occupational Safety and Hygiene, adopts employee hierarchical health management and conducts health seminars to ensure the implementation of the concept of protective measures for the working environment and personal safety.

The company was awarded the "Health Launch Badge" in 2017, and further awarded the highest honor of health certification "Health Promotion Badge" certification in 2021, which embodied Concord Securities' determination and achievement in strengthening care for its employees.

**5.5.2 Any losses suffered by the company in the most recent 2 fiscal years: None.**

**5.5.3 Results of labor inspection:**

The Company has participated in the business unit labor conditions self-management Inspection of the Taipei City Labor Inspection Office since June, 2017, and is complied with key provisions of inspection every quarter.

## 5.6 Important Contracts

The Company is an integrated securities firm. Due to business, it has entered into the general contracts including brokerage trading contracts, underwriting contracts, and lease contracts for business places, and has no other important contracts that will affect shareholders' equity yet.

### 5.6.1 Short-term loan contracts with financial institutions:

Facilities	Short-term Secured Loan (Real Property)	Short-term Loan	Note Issuance Facility
Contracting Party	Contracts entered into with a total of 3 financial institutions including First Commercial Bank, Cathay United Bank, and Mega International Commercial Bank	Contracts entered into with dozens of financial institutions including Bank of Taiwan and other financial institutions	Contracts entered with several financial institutions including International Bills Finance Corporation
Credit Limit	NT\$526,000 thousand only	NT\$5,564,000 thousand only	NT\$7,800,000 thousand only
Interest Rate	Call loan	Call loan	Call loan
Contract start/end date	One year after the contract signing date	One year after the contract signing date	One year after the contract signing date
Major Content	Loan Agreements	Loan Agreements	Loan Agreements

### 5.6.2 Refinancing Contracts:

Facilities	Refinancing Contracts
Contracting Party	Yuanta Securities finance Co.Ltd.
Credit Limit	NT\$2,200,000 thousand only
Interest Rate	Call loan
Contract start/end date	Effective from April 17, 1993
Major Content	Refinancing may be applied if margin purchase and short sale business has demand for securities or funds.
Restrictive Covenants	According to the "Regulations Governing the Conduct of Securities Trading Margin Purchase and Short Sale Operations by Securities Firm"

### 5.6.3 Reinvestments in the company's financial institutions' short-term loan contracts:

Facilities	Short-term Loan	Short-term Loan	Short-term Loan
Contracting Party	First Commercial Bank	Sunny Bank	First Commercial Bank
Credit Limit	NT\$200,000 thousand only	NT\$400,000 thousand only	NT\$10,000 thousand only
Interest Rate	Call loan	Call loan	Call loan
Contract start/end date	One year after the contract signing date	One year after the contract signing date	One year after the contract signing date
Major Content	Loan Agreements	Loan Agreements	Loan Agreements

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

Condensed Comprehensive Balance Sheet

Expressed in thousands of NT\$

Item	Financial Data for the Past 5 Fiscal Years (Note 1)					
	2020	2019	2018	2017	2016	
Current Assets	30,316,641	21,296,819	17,313,061	31,284,423	25,574,343	
Property and Equipment (Note 2)	1,035,116	1,028,534	1,109,573	1,107,813	1,127,411	
Intangible Assets	51,486	48,633	55,729	64,296	65,750	
Other Assets (Note 2)	4,201,056	3,278,979	2,201,153	1,905,414	1,864,095	
Total Assets	35,604,299	25,652,965	20,679,516	34,361,946	28,631,599	
Current Liabilities	Before distribution	26,899,910	17,917,687	13,207,710	26,511,712	21,413,406
	After distribution	Note 3	18,112,494	13,207,710	26,660,546	21,413,406
Non-current Liabilities	437,015	438,286	390,144	294,588	333,092	
Total Liabilities	Before distribution	27,336,925	18,355,973	13,597,854	26,806,300	21,746,498
	After distribution	Note 3	18,550,780	13,597,854	26,955,134	21,746,498
Equity Attributable to Owners of the Parent	8,212,797	7,247,025	7,036,331	7,509,811	6,842,377	
Capital Stock	5,944,550	6,103,227	6,260,803	6,133,368	6,333,368	
Additional Paid-In Capital	175,307	180,208	259,269	221,062	192,524	
Retained Earnings	Before distribution	1,683,518	843,726	556,882	1,308,083	674,732
	After distribution	Note 3	648,919	556,882	843,721	674,732
Other Equity	409,422	266,179	143,478	(33,796)	(68,485)	
Treasury Stock	0	(146,315)	(184,101)	(118,906)	(289,762)	
Non-controlling Interest	54,577	49,967	45,331	45,835	42,724	
Total Equity	Before distribution	8,267,374	7,296,992	7,081,662	7,555,646	6,885,101
	After distribution	Note 3	7,102,185	7,081,662	7,406,812	6,885,101

Note 1: The above financial data are all audited and attested by CPAs.

Note 2: The company has not revalued assets from 2016 to December 31, 2020.

Note 3: As of the date of publication of the annual report, the proposal for distribution of 2020 profits is pending resolution by the shareholders meeting.

## Condensed Parent Company Only Balance Sheet

Expressed in thousands of NT\$

Item	Financial Data for the Past 5 Fiscal Years (Note 1)					
	2020	2019	2018	2017	2016	
Current Assets	25,263,137	16,765,297	12,696,117	25,318,258	19,032,584	
Property and Equipment (Note 2)	785,072	782,853	801,781	800,931	813,968	
Intangible Assets	10,443	6,749	10,526	16,718	16,154	
Other Assets (Note 2)	5,345,446	4,267,049	3,247,878	3,386,523	3,240,954	
Total Assets	31,404,098	21,821,948	16,756,302	29,522,430	23,103,660	
Current Liabilities	Before distribution	22,757,934	14,145,769	9,338,453	21,730,001	15,939,262
	After distribution	Note 3	14,340,576	9,338,453	21,878,835	15,939,262
Non-current Liabilities	433,367	429,154	381,518	282,618	322,021	
Total Liabilities	Before distribution	23,191,301	14,574,923	9,719,971	22,012,619	16,261,283
	After distribution	Note 3	14,769,730	9,719,971	22,161,453	16,261,283
Capital Stock	5,944,550	6,103,227	6,260,803	6,133,368	6,333,368	
Additional Paid-In Capital	175,307	180,208	259,269	221,062	192,524	
Retained Earnings	Before distribution	1,683,518	843,726	556,882	1,308,083	674,732
	After distribution	Note 3	648,919	556,882	843,721	674,732
Other Equity	409,422	266,179	143,478	(33,796)	(68,485)	
Treasury Stock	0	(146,315)	(184,101)	(118,906)	(289,762)	
Total Equity	Before distribution	8,212,797	7,247,025	7,036,331	7,509,811	6,842,377
	After distribution	Note 3	7,052,218	7,036,331	7,360,977	6,842,377

Note 1: The above financial data are all audited and attested by CPAs.

Note 2: The Company has not revalued assets from 2016 to December 31, 2020.

Note 3: As of the date of publication of the annual report, the proposal for distribution of 2020 profits is pending resolution by the shareholders meeting.



## 6.1.2 Condensed Statements of Comprehensive Income

Condensed Consolidated Statements of Comprehensive Income

Expressed in thousands of NT\$, except for EPS expressed by NT\$

Item \ Year	Financial Data for the Past 5 Fiscal Years (Note 1)				
	2020	2019	2018	2017	2016
Operating Revenue	3,338,989	2,173,539	1,395,315	2,844,022	1,618,738
Operating Income (Loss)	976,662	220,362	(546,622)	435,397	(399,996)
Non-operating Income and Expenses	165,192	88,099	281,068	285,598	54,741
Profit (Loss) before Tax	1,141,854	308,461	(265,554)	720,995	(345,255)
Profit (Loss) from Continuing Operations	1,089,814	288,367	(277,748)	690,038	(353,121)
Net Income (Loss)	1,089,814	288,367	(277,748)	690,038	(353,121)
Other Comprehensive Income (Loss) (Net Value after Tax)	95,428	126,050	11,405	(18,594)	9,031
Total Comprehensive Income (Loss)	1,185,242	414,417	(266,343)	671,444	(344,090)
Net Income Attributed to Shareholders of the Parent Company	1,084,976	284,352	(278,067)	686,615	(354,324)
Net Income Attributed to Non-controlling Interest	4,838	4,015	319	3,423	1,203
Comprehensive Net Income (Loss) Attributed to Shareholders of the Parent Company	1,177,842	409,545	(266,464)	668,040	(345,393)
Comprehensive Net Income (Loss) Attributed to Non-controlling Interest	7,400	4,872	121	3,404	1,303
Earnings (Loss) Per Share (Note 2)	1.83	0.47	(0.43)	1.09	(0.54)

Note 1: The above financial data are all audited and attested by CPAs.

Note 2: Earnings (Loss) per share is calculated based on the weighted average number of ordinary shares outstanding during the period. Where there is capital increase through capitalization of earnings or capital increase transferred from additional paid-in capital, retrospective adjustments shall be made in proportion to capital increase.

Condensed Parent Company Only Statements of Comprehensive Income

Expressed in thousands of NT\$, except for EPS expressed by NT\$

Year Item	Financial Data for the Past 5 Fiscal Years (Note 1)				
	2020	2019	2018	2017	2016
Operating Revenue	2,579,798	1,433,197	814,036	2,017,826	862,123
Operating Income (Loss)	869,369	143,384	(507,267)	418,915	(355,367)
Non-operating Income and Expenses	239,857	134,266	241,404	280,386	(6,930)
Profit (Loss) before Tax	1,109,226	277,650	(265,863)	699,301	(362,297)
Profit (Loss) from Continuing Operations	1,084,976	284,352	(278,067)	686,615	(354,324)
Net Income (Loss)	1,084,976	284,352	(278,067)	686,615	(354,324)
Other Comprehensive Income (Loss) (Net Value after Tax)	92,866	125,193	11,603	(18,575)	8,931
Total Comprehensive Income (Loss)	1,177,842	409,545	(266,464)	668,040	(345,393)
Earnings (Loss) Per Share (Note 2)	1.83	0.47	(0.43)	1.09	(0.54)

Note 1: The above financial data from are all audited and attested by CPAs.

Note 2: Earnings per share (loss) is calculated based on the weighted average number of ordinary shares outstanding during the period. Where there is capital increase through capitalization of earnings or capital increase transferred from additional paid-in capital, retrospective adjustments shall be made in proportion to capital increase.

**6.1.3 The name of the certified public accountant and the auditor's opinion given for the past 5 fiscal years**

Year	Name of Accounting Firm	Name of CPA	Auditor's Opinion
2016	Deloitte Taiwan	CHEN, CHUN-HUNG; KUO, CHENG-HUNG	Unqualified opinion
2017	Deloitte Taiwan	CHEN, CHUN-HUNG; KUO, CHENG-HUNG	Unqualified opinion
2018	Deloitte Taiwan	CHEN, CHUN-HUNG; CHUANG, PI-YU	Unqualified opinion
2019	Deloitte Taiwan	CHUANG, PI-YU; SHIH, CHING-PIN	Unqualified opinion
2020	Deloitte Taiwan	CHUANG, PI-YU; HUANG, HSIU-CHUN	Unqualified opinion

## 6.2 Five-Year Financial Analysis

### Financial Analysis - Consolidated

Fiscal Year (Note 1)		Financial Analyses for the Most Recent Five Years				
		2020	2019	2018	2017	2016
Items for Analysis						
Financial Structure (%)	Debt-asset ratio	76.78	71.55	65.76	78.01	75.95
	Ratio of long-term capital to property and equipment	835.64	747.21	669.31	704.49	636.46
Solvency (%)	Current ratio	112.70	118.86	131.08	118.00	119.43
	Quick ratio	112.67	118.81	131.02	117.23	119.30
Profitability	Return on assets (%)	3.56	1.24	(1.01)	2.19	(1.13)
	Return on shareholders' equity (%)	14.10	4.04	(3.82)	9.62	(4.85)
	Ratio of income before tax to paid-in capital (%)	19.21	5.05	(4.24)	11.76	(5.45)
	Profit margin (loss) before tax (%)	32.64	13.27	(19.91)	24.26	(21.66)
	Earnings (Loss) per share (NT\$) (Note 2)	1.83	0.47	(0.43)	1.09	(0.54)
Cash Flow (%)	Cash flow ratio	4.68	Note 3	23.40	Note 3	3.15
	Cash flow adequacy ratio	368.47	832.50	906.47	Note 3	662.88
	Cash flow reinvestment ratio	11.91	Note 3	38.08	Note 3	7.30
Special regulations ratio (%)	Ratio of total liabilities to net capital	239.37	186.87	141.73	231.85	206.87
	Ratio of property and equipment to total assets	3.54	4.91	6.59	3.95	4.92
	Ratio of total amount of underwriting to the balance of current assets minus current liabilities	6.47	2.90	2.95	29.62	4.88
	Ratio of total margin purchase to net value	57.19	47.42	46.37	63.72	56.58
	Ratio of total short sale to net value	5.30	5.69	11.60	8.35	5.51
Please state the causes of changes in each financial ratio for the preceding two fiscal years:						
<ol style="list-style-type: none"> <li>Return on assets and return on equity: Mainly due to the increase in Income after tax for the year compared with the same period last year.</li> <li>Income before tax and return on equity: Mainly due to the increase in Income before tax for the year compared with the same period last year.</li> <li>Profit margin before tax and Earnings per share: Mainly due to the increase in Income after tax for the year compared with the same period last year.</li> <li>Cash flow adequacy ratio: Mainly due to the increase in net cash in-flows from operating activities for the current fiscal year.</li> <li>Ratio of total liabilities to net capital: Mainly due to the increase in external liabilities at the end of the current year compared with last year.</li> <li>Ratio of property and equipment to total assets: Mainly due to the increase in total assets at the end of the current year compared with last year.</li> <li>Ratio of total amount of underwriting to the balance of current assets minus current liabilities: Mainly due to the increase in total amount of underwriting for the current period compared with the same period last year.</li> <li>Ratio of total margin purchase to net value: Mainly due to the increase in total margin purchase for the current period compared with the same period last year.</li> </ol>						

Note 1: The above financial data from are all audited and attested by CPAs.

Note 2: Earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the period after retrospective adjustments.

Note 3: Where net cash flow from operating activities is negative, cash flow ratio and cash flow reinvestment ratio are not calculated; where the total net cash flow from operating activities during the 5 most recent fiscal years are negative, cash flow ratio is not calculated.

Financial Analysis - Parent Company Only

Fiscal Year (Note 1)		Financial Analyses for the Most Recent Five Years				
		2020	2019	2018	2017	2016
Financial Structure (%)	Debt-asset ratio	73.85	66.79	58.01	74.56	70.38
	Ratio of long-term capital to property and equipment	1,101.32	980.54	925.17	972.92	880.18
Solvency (%)	Current ratio	111.01	118.52	135.96	116.51	119.41
	Quick ratio	110.98	118.47	135.88	115.58	118.65
Profitability	Return on assets (%)	4.08	1.47	(1.20)	2.61	(1.33)
	Return on shareholders' equity (%)	14.04	3.98	(3.82)	9.57	(4.87)
	Ratio of income before tax to paid-in capital (%)	18.66	4.55	(4.25)	11.40	(5.72)
	Profit margin (loss) before tax (%)	42.06	19.84	(34.16)	34.03	(40.57)
	Earnings (Loss) per share (NT\$) (Note 2)	1.83	0.47	(0.43)	1.09	(0.54)
Cash Flow (%)	Cash flow ratio	4.29	Note 3	34.58	Note 3	Note 3
	Cash flow adequacy ratio	221.42	624.93	811.46	Note 3	66.89
	Cash flow reinvestment ratio	8.88	Note 3	40.73	Note 3	Note 3
Special regulations ratio (%)	Ratio of total liabilities to net capital	188.89	134.70	86.61	168.02	126.70
	Ratio of property and equipment to total assets	2.94	4.22	5.65	3.19	4.15
	Ratio of total amount of underwriting to the balance of current assets minus current liabilities	8.82	3.75	3.60	38.17	6.56
	Ratio of total margin purchase to net value	57.19	47.42	46.37	63.72	56.58
	Ratio of total short sale to net value	5.30	5.69	11.60	8.35	5.51
Please state the causes of changes in each financial ratio for the preceding two fiscal years:						
1. Return on assets and return on equity: Mainly due to the increase in Income after tax for the year compared with the same period last year.						
2. Income before tax and return on equity: Mainly due to the increase in Income before tax for the year compared with the same period last year.						
3. Profit margin before tax and Earnings per share: Mainly due to the increase in Income after tax for the year compared with the same period last year.						
4. Cash flow adequacy ratio: Mainly due to the increase in net cash in-flows from operating activities for the current fiscal year.						
5. Ratio of total liabilities to net capital: Mainly due to the increase in external liabilities at the end of the current year compared with last year.						
6. Ratio of property and equipment to total assets: Mainly due to the increase in total assets at the end of the current year compared with last year.						
7. Ratio of total amount of underwriting to the balance of current assets minus current liabilities: Mainly due to the increase in total amount of underwriting for the current period compared with the same period last year.						
8. Ratio of total margin purchase to net value: Mainly due to the increase in total margin purchase for the current period compared with the same period last year.						

Note 1: The above financial data are all audited and attested by CPAs.

Note 2: Earnings per share is calculated based on the weighted average number of ordinary shares outstanding during the period after retrospective adjustments.

Note 3: Where net cash flow from operating activities is negative, cash flow ratio and cash flow reinvestment ratio are not calculated; where the total net cash flow from operating activities during the 5 most recent fiscal years are negative, cash flow ratio is not calculated.

## Financial Analysis Calculation Formulas

### 1. Financial Structure:

- (1) Debt-asset ratio = total liabilities / total assets
- (2) Ratio of long-term capital to property and equipment = (shareholders' equity + non-current liabilities) / net worth of property and equipment

### 2. Solvency:

- (1) Current ratio = current assets / current liabilities
- (2) Quick ratio = (current assets - inventory – prepaid expenses) / current liabilities

### 3. Profitability:

- (1) Return on assets = net income / average total assets
- (2) Return on shareholders' equity = net income / average shareholder's equity
- (3) Profit margin before tax = net income / net sales
- (4) Earnings per share = (net profit after tax - dividends on preferred shares) / weighted average number of issued shares

### 4. Cash flow:

- (1) Cash flow ratio = Net cash flow from operating activities / current liabilities
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - cash dividend) / gross value of property and equipment + long-term investment + other non-current assets + working capital)

### 5. Special regulations ratio:

- (1) Ratio of liabilities to net capital = (Total liabilities - the liabilities arising from trading of government bonds) / shareholder's equity
- (2) Ratio of property and equipment to total assets = Total property and equipment / total assets
- (3) Ratio of total amount of underwriting to the balance of current assets minus current liabilities = Total amount of underwritten securities / (current assets - current liabilities)
- (4) Ratio of total margin purchase to net value = Total margin purchase / shareholder's equity
- (5) Ratio of short sale purchase to net value = Total margin purchase / shareholder's equity

### **6.3 Supervisors' or Audit Committee's Report in the Most Recent Year**

Concord Securities Co., Ltd.  
Audit Committee's Review Report

The Board of Directors has prepared the Corporation's 2020 Business Report, Financial Statements and Earnings Distribution Table. The financial statements have been audited by Deloitte & Touche, for which they issued an auditors' report. The above reports have been reviewed and complied with regulations by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Sincerely,  
2021 Annual Shareholders' Meeting

Concord Securities Co., Ltd.  
Convener of the Audit Committee  
Chang, Yao-Ren

March 11, 2021

## **6.4 Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report Independent Auditors' Report**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Concord Securities Co., Ltd.

#### **Opinion**

We have audited the accompanying consolidated financial statements of Concord Securities Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and 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, other regulations, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other auditors.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2020 is as follows:

#### Accuracy of Brokerage Handling Fee Revenue

Brokerage handling fee revenue of the Group amounted to \$1,607,378 thousand in 2020. The calculation of discounts on brokerage handling fee revenue is complicated since it varies based on counterparties, ways of placing orders and transaction volume, and any calculation errors in the discounts will affect the accuracy of brokerage handling fee revenue. Therefore, the accuracy of brokerage handling fee revenue was identified as the key audit matter for the year ended December 31, 2020.

Refer to Notes 4, 27 and 32 to the consolidated financial statements for the accounting policies and disclosures related to brokerage handling fee revenue.

Brokerage handling fee revenue is mainly dependent on automatic calculation through information processing systems, where the control procedures for the input of discount rates and automatic calculation logic have a material impact on the calculation accuracy of brokerage handling fee revenue. We performed tests of controls to assess the process of recognition of brokerage handling fee revenue, evaluated the design of the related controls, determined whether the controls have been implemented, and tested the operating effectiveness of the controls. Moreover, we verified the correctness of the recorded brokerage handling fee revenue by performing our own calculations on sampled transactions.

#### **Other Matter**

We did not audit the financial statements of some of the Group's subsidiaries and investments accounted for using equity method included in the Group's consolidated financial statements for the years ended December 31, 2020 and 2019, but such financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to the amounts and other relevant information of the aforementioned investee companies as disclosed in the notes, is based solely on the report of other auditors. As of December 31, 2020 and 2019, the total assets of these subsidiaries and investments in associates amounted to \$578,034 thousand and \$548,074 thousand, accounting for 1.62% and 2.14% of consolidated total assets, respectively; for the years ended December 31, 2020 and 2019, no operating revenue was recognized, and the share of the comprehensive income or loss of these subsidiaries and associates accounted for using equity method amounted to a gain of \$29,578 thousand and a loss of \$57,434 thousand, which accounted for 2.50% and (13.86%) of the consolidated total comprehensive income, respectively.

We have also audited the parent company only financial statements of Concord Securities Co., Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion with Other Matter paragraph.

#### **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 other regulations, IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Pi-Yu Chuang and Hsiu-Chun Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2021

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,434,150	10	\$ 1,678,341	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	10,198,915	29	6,782,651	27
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,808	-	-	-
Bond investments under resale agreements (Notes 4 and 9)	-	-	697,687	3
Margin loans receivable (Notes 4, 12 and 32)	4,695,748	13	3,435,417	13
Refinancing margin (Notes 4 and 12)	17,314	-	27	-
Refinancing collateral receivable (Notes 4 and 12)	14,462	-	23	-
Customer margin account (Notes 4 and 10)	4,017,180	11	3,668,531	14
Futures exchanges margins receivable (Notes 4 and 11)	-	-	-	-
Security borrowing collateral price (Notes 4 and 12)	429,612	1	101,794	-
Security borrowing margin (Notes 4 and 12)	389,179	1	92,551	-
Notes and accounts receivable (Notes 4 and 12)	5,918,439	16	3,765,749	15
Prepayments	7,448	-	8,929	-
Other receivables (Notes 4 and 12)	60,464	-	45,674	-
Other financial assets - current (Notes 4 and 13)	606,899	2	556,485	2
Current tax assets (Notes 4 and 28)	14,790	-	22,176	-
Restricted assets - current (Note 33)	227,150	1	374,704	2
Other current assets	269,083	1	66,080	-
Total current assets	30,316,641	85	21,296,819	83
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 33)	-	-	10,049	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5 and 8)	2,248,458	6	1,306,145	5
Investments accounted for using equity method (Notes 4 and 15)	570,130	2	537,605	2
Property and equipment (Notes 4, 16 and 33)	1,035,116	3	1,028,534	4
Right-of-use assets (Notes 4, 17 and 32)	69,554	-	104,993	1
Investment property (Notes 4, 18 and 33)	323,273	1	330,829	1
Intangible assets (Notes 4 and 19)	51,486	-	48,633	-
Deferred tax assets (Notes 4 and 28)	224,183	1	170,210	1
Other non-current assets (Notes 4, 17 and 20)	765,458	2	819,148	3
Total non-current assets	5,287,658	15	4,356,146	17
<b>TOTAL</b>	<b>\$ 35,604,299</b>	<b>100</b>	<b>\$ 25,652,965</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 21 and 33)	\$ 390,000	1	\$ 3,300	-
Commercial paper payable (Notes 21 and 33)	6,557,680	19	5,386,999	21
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	1,738,107	5	876,119	4
Liabilities for bonds with attached repurchase agreements (Notes 4, 22 and 32)	4,879,368	14	3,187,258	13
Securities financing refundable deposits (Note 4)	395,326	1	354,357	1
Deposits payable for securities financing (Note 4)	435,170	1	412,022	2
Security lending refundable deposits (Note 4)	-	-	2,780	-
Futures traders equity (Notes 4 and 10)	4,002,673	11	3,639,355	14
Accounts payable (Note 23)	7,507,964	21	3,659,518	14
Other payables	544,617	2	248,642	1
Current tax liabilities (Notes 4 and 28)	99,101	-	19,285	-
Provisions - current (Notes 4 and 24)	23,722	-	23,404	-
Lease liabilities - current (Notes 4, 17 and 32)	46,716	-	48,242	-
Other current liabilities	279,466	1	56,406	-
Total current liabilities	26,899,910	76	17,917,687	70
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7)	215,244	1	203,623	1
Provisions - non-current (Notes 4 and 24)	12,880	-	13,245	-
Lease liabilities - non-current (Notes 4, 17 and 32)	21,531	-	55,575	-
Deferred tax liabilities (Notes 4 and 28)	666	-	154	-
Guarantee deposits received (Note 32)	2,458	-	3,060	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	184,236	-	162,629	1
Total non-current liabilities	437,015	1	438,286	2
Total liabilities	27,336,925	77	18,355,973	72
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 8, 15, 25, 26, 28 and 31)</b>				
Share capital	5,944,550	17	6,103,227	24
Capital surplus	175,307	-	180,208	1
Retained earnings				
Legal reserve	28,684	-	-	-
Special reserve	614,251	2	556,882	2
Unappropriated retained earnings	1,040,583	3	286,844	1
Total retained earnings	1,683,518	5	843,726	3
Other equity	409,422	1	266,179	1
Treasury shares	-	-	(146,315)	(1)
Total equity attributable to owners of the Corporation	8,212,797	23	7,247,025	28
<b>NON-CONTROLLING INTERESTS</b>	54,577	-	49,967	-
Total equity	8,267,374	23	7,296,992	28
<b>TOTAL</b>	<b>\$ 35,604,299</b>	<b>100</b>	<b>\$ 25,652,965</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUE (Notes 4 and 27)				
Brokerage handling fee revenue (Note 32)	\$ 1,639,647	49	\$ 1,319,432	61
Income from securities lending	30,438	1	42,704	2
Revenue from underwriting commission	41,178	1	11,623	1
Gains (losses) on sale of operating securities, net	1,270,402	38	(34,271)	(2)
Revenue from providing agency service for stock affairs	22,030	1	22,328	1
Interest income (Note 32)	219,521	6	234,166	11
Dividend income	478,240	14	366,710	17
Valuation gains on operating securities at fair value through profit or loss, net	456,151	14	144,924	7
Gains (losses) on covering of borrowed securities and bonds with resale agreements - short sales, net	29,011	1	(17,130)	(1)
Valuation losses on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss, net	(96,473)	(3)	(17,052)	(1)
Gains on issuance of share warrants, net	7,386	-	26,093	1
Gains (losses) on derivative instruments - futures, net	(305,652)	(9)	60,440	3
Losses on derivative instruments - OTC, net (Note 32)	(465,875)	(14)	(17,645)	(1)
Expected credit loss (Notes 8, 11 and 12)	(6,215)	-	(469)	-
Other operating income (Note 32)	19,200	1	31,686	1
Total revenue	<u>3,338,989</u>	<u>100</u>	<u>2,173,539</u>	<u>100</u>
COSTS AND EXPENSES (Notes 4 and 27)				
Brokerage handling fee expenses	(201,021)	(6)	(160,254)	(7)
Proprietary handling fee expenses	(9,793)	-	(8,314)	-
Refinancing handling fee expenses	(689)	-	(579)	-
Finance costs (Note 32)	(52,055)	(2)	(60,011)	(3)
Futures commission expenses	(93,668)	(3)	(117,207)	(5)
Clearing and settlement expenses	(92,876)	(3)	(80,927)	(4)
Other operating costs	(35,798)	(1)	(27,334)	(1)
Employee benefits expense (Notes 25 and 32)	(1,287,167)	(38)	(933,506)	(43)
Depreciation and amortization (Notes 16, 17, 18 and 19)	(90,775)	(3)	(97,997)	(5)
Other operating expenses	(498,485)	(15)	(467,048)	(22)
Total costs and expenses	<u>(2,362,327)</u>	<u>(71)</u>	<u>(1,953,177)</u>	<u>(90)</u>
OPERATING PROFIT	<u>976,662</u>	<u>29</u>	<u>220,362</u>	<u>10</u>

(Continued)

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NON-OPERATING INCOME AND EXPENSES				
(Notes 4 and 27)				
Share of profit or loss of associates accounted for using equity method (Note 15)	\$ 25,999	1	\$ (61,668)	(3)
Other gains and losses	<u>139,193</u>	<u>4</u>	<u>149,767</u>	<u>7</u>
Total non-operating income and expenses	<u>165,192</u>	<u>5</u>	<u>88,099</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	1,141,854	34	308,461	14
INCOME TAX EXPENSE (Notes 4 and 28)	<u>(52,040)</u>	<u>(1)</u>	<u>(20,094)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,089,814</u>	<u>33</u>	<u>288,367</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 15, 25, 26, 28 and 31)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(62,865)	(2)	3,095	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	137,778	4	118,841	6
Share of other comprehensive income of associates accounted for using equity method	6,526	-	6,525	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>12,573</u>	<u>1</u>	<u>(619)</u>	<u>-</u>
	<u>94,012</u>	<u>3</u>	<u>127,842</u>	<u>6</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of foreign operations	(6,856)	-	(2,951)	-
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	8,087	-	1,115	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>185</u>	<u>-</u>	<u>44</u>	<u>-</u>
	<u>1,416</u>	<u>-</u>	<u>(1,792)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>95,428</u>	<u>3</u>	<u>126,050</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,185,242</u>	<u>36</u>	<u>\$ 414,417</u>	<u>19</u>

(Continued)

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,084,976	33	\$ 284,352	13
Non-controlling interests	<u>4,838</u>	<u>-</u>	<u>4,015</u>	<u>-</u>
	<u>\$ 1,089,814</u>	<u>33</u>	<u>\$ 288,367</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,177,842	36	\$ 409,545	19
Non-controlling interests	<u>7,400</u>	<u>-</u>	<u>4,872</u>	<u>-</u>
	<u>\$ 1,185,242</u>	<u>36</u>	<u>\$ 414,417</u>	<u>19</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 1.83</u>		<u>\$ 0.47</u>	
Diluted	<u>\$ 1.82</u>		<u>\$ 0.47</u>	

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

**CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

**Equity Attributable to Owners of the Corporation (Notes 4, 8, 15, 25, 26, 28 and 31)**

	Retained Earnings					Other Equity			Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings(Accumulated Deficits)	Exchange Differences on the Translation of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares			
BALANCE AT JANUARY 1, 2019	\$ 6,260,803	\$ 259,269	\$ 63,335	\$ 770,146	\$ (276,599)	\$ (1,538)	\$ 145,016	\$ (184,101)	\$ 7,036,331	\$ 45,331	\$ 7,081,662
Offset of 2018 deficits											
Offset of accumulated deficits by legal reserve	-	-	(63,335)	-	63,335	-	-	-	-	-	-
Offset of accumulated deficits by special reserve	-	-	-	(179,467)	179,467	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(33,797)	33,797	-	-	-	-	-	-
Other changes in capital surplus											
Issuance of share dividends from capital surplus	176,424	(176,424)	-	-	-	-	-	-	-	-	-
Unpaid dividends	-	126	-	-	-	-	-	-	126	-	126
Net profit for the year ended December 31, 2019	-	-	-	-	284,352	-	-	-	284,352	4,015	288,367
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,492	(2,907)	125,608	-	125,193	857	126,050
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	286,844	(2,907)	125,608	-	409,545	4,872	414,417
Purchase of treasury shares	-	-	-	-	-	-	-	(232,393)	(232,393)	-	(232,393)
Retirement of treasury shares	(334,000)	94,227	-	-	-	-	-	239,773	-	-	-
Treasury stock transferred to employees	-	3,010	-	-	-	-	-	30,406	33,416	-	33,416
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(236)	(236)
BALANCE AT DECEMBER 31, 2019	6,103,227	180,208	-	556,882	286,844	(4,445)	270,624	(146,315)	7,247,025	49,967	7,296,992
Appropriation of 2019 earnings											
Legal reserve	-	-	28,684	-	(28,684)	-	-	-	-	-	-
Special reserve	-	-	-	57,369	(57,369)	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(194,807)	-	-	-	(194,807)	-	(194,807)
Other changes in capital surplus											
Issuance of share dividends from capital surplus	41,323	(41,323)	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	1,084,976	-	-	-	1,084,976	4,838	1,089,814
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(50,377)	(6,671)	149,914	-	92,866	2,562	95,428
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,034,599	(6,671)	149,914	-	1,177,842	7,400	1,185,242
Purchase of treasury shares	-	-	-	-	-	-	-	(17,263)	(17,263)	-	(17,263)
Retirement of treasury shares	(200,000)	36,422	-	-	-	-	-	163,578	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(2,790)	(2,790)
BALANCE AT DECEMBER 31, 2020	\$ 5,944,550	\$ 175,307	\$ 28,684	\$ 614,251	\$ 1,040,583	\$ (11,116)	\$ 420,538	\$ -	\$ 8,212,797	\$ 54,577	\$ 8,267,374

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,141,854	\$ 308,461
Adjustments for:		
Depreciation	78,706	83,468
Amortization	12,069	14,529
Expected credit loss	6,215	469
Net gain on financial assets and liabilities at fair value through profit or loss	(367,743)	(129,832)
Finance costs	52,055	60,011
Interest income (including financial income)	(255,632)	(299,399)
Dividend income	(494,782)	(383,003)
Compensation costs of employee share options	-	3,010
Share of profit or loss of associates accounted for using equity method	(25,999)	61,668
Loss on disposal of property and equipment	542	396
Loss on disposal of intangible assets	-	51
Loss (gain) on disposal of investments	1,049	(808)
Gain on lease modifications	(16)	(5)
Changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	(2,943,048)	(2,091,931)
Decrease (increase) in bond investments under resale agreements	697,687	(697,687)
Increase in margin loans receivable	(1,260,517)	(173,590)
Decrease (increase) in refinancing margin	(17,287)	16,541
Decrease (increase) in refinancing collateral receivable	(14,439)	14,956
Increase in customer margin account	(348,649)	(13,312)
Decrease (increase) in futures exchanges margins receivable	(5,020)	398
Decrease (increase) in security borrowing collateral price	(327,818)	157,678
Decrease (increase) in security borrowing margin	(296,628)	148,473
Decrease (increase) in notes receivable	19	(5)
Increase in accounts receivable	(2,144,708)	(1,659,230)
Decrease (increase) in prepayments	1,481	(371)
Decrease (increase) in other receivables	(15,384)	84,616
Increase in other financial assets	(50,414)	(18,940)
Decrease (increase) in other current assets	(55,449)	14,083
Increase in liabilities for bonds with attached repurchase agreements	1,692,110	761,883
Increase in financial liabilities at fair value through profit or loss	777,136	284,288
Increase (decrease) in securities financing refundable deposits	40,969	(67,096)
Increase (decrease) in deposits payable for securities financing	23,148	(404,118)
Increase (decrease) in security lending refundable deposits	(2,780)	2,780
Increase in futures traders equity	363,318	4,883
Increase in accounts payable	3,848,477	1,645,203
Increase (decrease) in other payables	295,904	(34,908)
Decrease in net defined benefit liabilities	(28,770)	(13,182)
		(Continued)



# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in provisions	\$ (47)	\$ (1,657)
Increase in other current liabilities	<u>223,060</u>	<u>1,318</u>
Cash generated from (used in) operations	600,669	(2,319,911)
Interest received	249,231	334,842
Dividends received	477,065	365,440
Interest paid	(50,667)	(59,772)
Income tax paid	<u>(18,114)</u>	<u>(54,630)</u>
Net cash generated from (used in) operating activities	<u>1,258,184</u>	<u>(1,734,031)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(819,759)	(856,215)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,600	-
Proceeds from disposal of investments accounted for using equity method	-	12,240
Acquisition of property and equipment	(25,505)	(7,655)
Proceeds from disposal of property and equipment	8	637
Decrease in operating deposits	52,000	-
Decrease (increase) in clearing and settlement fund	(3,693)	16,385
Decrease (increase) in refundable deposits	5,120	(2,174)
Acquisition of intangible assets	(11,483)	(4,152)
Increase in other non-current assets	(6,296)	(7,372)
Dividends received	<u>16,542</u>	<u>16,293</u>
Net cash used in investing activities	<u>(786,466)</u>	<u>(832,013)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	386,700	-
Decrease in short-term borrowings	-	(272,200)
Increase in commercial paper payable	1,170,000	2,760,000
Increase in guarantee deposits received	-	505
Decrease in guarantee deposits received	(602)	-
Payments of lease liabilities	(50,439)	(54,204)
Cash dividends paid	(194,807)	-
Exercise of employee share options	-	30,406
Payments to acquire treasury shares	(17,263)	(232,393)
Change in non-controlling interests	(2,790)	(236)
Unpaid dividends	<u>-</u>	<u>126</u>
Net cash generated from financing activities	<u>1,290,799</u>	<u>2,232,004</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(6,708)</u>	<u>(2,953)</u>
		(Continued)

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

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	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,755,809	\$ (336,993)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,678,341</u>	<u>2,015,334</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,434,150</u>	<u>\$ 1,678,341</u>

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

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

# CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Concord Securities Co., Ltd. (the “Corporation”) was incorporated on July 25, 1990 and started operations on December 4, 1990. It engages in transactions such as (a) securities proprietary and brokerage; (b) underwriting; (c) financing customers’ acquisition and short-sales; (d) providing agency services for share affairs; (e) assisting in futures trading; (f) other business as approved by relevant authorities. Its shares began trading on the Taipei Exchange, formerly called the GreTai Securities Market (the over-the-counter Securities Exchange of the Republic of China, or the “ROC OTC”), in December 1996.

The Corporation was further authorized to engage in futures brokerage business on February 2, 1998. However, when its subsidiary, Concord Futures Corp., commenced operations on May 1, 2000, the Corporation transferred all its futures trading business to its subsidiary and provided necessary professional assistance. In addition, the Corporation, according to the ruling numbered Tai-Tsai-Cheng (7) 0910147503 from the Ministry of Finance, was authorized to engage in dealing of futures contracts. Nevertheless, the Corporation terminated dealing of futures contracts on May 2, 2014, according to Rule No. 1030014785 issued by the Financial Supervisory Commission (FSC).

As of December 31, 2020, the Corporation had 15 branches and an offshore securities unit supporting its head office.

The consolidated financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s Board of Directors and issued on March 11, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies:

- Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions only affect 2020, retrospective application of the amendment has no impact on retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB</u></b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The Group assessed that the application of the IFRSs would not have a material impact on the Group’s accounting policies.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by the IASB (Note 1)</u></b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, other regulations and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 14 and Table 1 for the detailed information of subsidiaries (including the percentage of ownership and main business).

### **Foreign Currencies**

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the translation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries in other countries or those that use currencies that are different from that used by the Corporation) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

## **Investments in Associates**

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for its investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition at the acquisition date is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing the recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

## **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, property and equipment are depreciated on a straight-line basis over their estimated useful lives. Each significant part is depreciated separately. The estimated useful lives, residual value and depreciation method are reviewed the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Investment Property**

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment property to property, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property to investment property, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed by the Group at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Impairment of Property and Equipment, Investment Property, Right-of-use assets and Intangible Assets other than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, investment property, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of individual asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit should be reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (after deducting depreciation or amortization) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

When financial assets and financial liabilities are initially not recognized at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.



a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are measured at FVTPL when such a financial asset is mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred: Significant financial difficulty of the issuer or the borrower; breach of contract such as a default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, excess future trading margin and short-term bills with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments that are measured at FVTOCI at the end of each reporting period.

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for financial liabilities are measured at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. Fair value is determined in the manner described in Note 31.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be reclassified to retained earnings when the financial liability is derecognized. If the fair value changes recognized in other comprehensive are attributable to credit risk, and this accounting treatment would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 31.

## 2) Derecognition of financial liabilities

Upon derecognition of financial liabilities, the difference between the carrying amount of the financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## d. Derivative financial instruments

Derivative financial instruments the Group engaged in include warrants, futures, options, convertible bond asset swaps, structured instruments, bond options, etc.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. For a derivative that is designated and effective as a hedging instrument, the timing of the recognition of gain or loss in profit or loss depends on the nature of the hedging relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

The margin deposits paid on purchase or sale of futures contracts are recognized as assets. Any valuation gain or loss on opening positions calculated using the settlement price announced by the futures exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period. The margins are adjusted accordingly.

Premiums paid (received) on purchase (sale) of options contracts are recognized as assets (liabilities). Any valuation gain or loss calculated using the settlement price announced by the futures exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period.

## **Repurchase and Resale Transactions**

Resale and repurchase bond transactions with financing are recognized as "bond investments under resale agreements" and "liabilities for bonds with attached repurchase agreements", respectively, and the related interest income and finance cost are accounted on the basis of the contracted interest rate.

## **Margin Loans and Securities Financing**

Margin loans pertain to the provision of funds to customers for them to buy securities and are recognized as "margin loans receivable." The securities bought by customers are used to secure these loans and are recorded through memo entries. The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies is recorded as “refinancing borrowings,” which are collateralized by securities bought by customers.

The collateral securities are disposed of by the Group when their fair value falls below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified as “overdue receivables.” If a collateral security cannot be sold in the open market, the balance of the loan is reclassified as “other receivables” or “overdue receivables.” Allowance for impairment loss will be recognized after evaluating the uncollectible amounts.

Stock loans are securities lent to customers for short selling. The deposits received from customers on securities lent out are credited to “securities financing refundable deposits.” The securities sold short are recorded using memo entries. The proceeds of the sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded under “deposits payable for securities financing”. When the customers return the stock certificates to the Group, the Group gives the deposits received and the proceeds of the sales of securities back to customers.

### **Securities Business Money Lending and Securities Lending**

The securities used in the securities business money lending and securities lending are operating securities, borrowed securities from the Taiwan Stock Exchange (TWSE) or refinancing collateral. Operating securities will be transferred to the account “securities lent” if they are used to lend to others. Securities lent should be measured at fair value at the end of each reporting period. Valuation gains or losses of securities lent are recorded in the same accounts used before the reclassification. If borrowed securities from the TWSE are used to lend to others, the Group will recognize the transaction through a memo entry. If the refinancing collateral are used to lend to others, the Group will not recognize any asset on the ground the collateral belong to the customers.

The Group recognizes the amount lent to investors in the securities business as “receivables of securities business money lending” two business days after the transaction date, and accrues bad debt expense for the assessed uncollectible receivables at the end of the reporting period. The related collateral is recognized through memo entry and returned when the transactions are settled. The commission revenue on securities business money lending and securities lending are accounted for as business lending commission revenue.

Securities collateral received in the lending and borrowing business are recognized through memo entry otherwise cash collateral received are recognized as “securities lending refundable deposits.” The amount deposited in TWSE for securities lending and borrowing business is accounted as “security borrowing margin.” Security borrowing margin or security lending refundable deposits are returned or paid when the borrowing securities are returned. The related service revenues are accounted as income from securities lending.

### **Customer Margin Account and Futures Traders Equity**

The subsidiary, Concord Futures, engages in futures brokerage and receives margin deposits from customers as required under existing regulations. The proceeds are deposited in banks and debited to “customer margin account” and credited to “futures traders equity”. The fair value is adjusted daily according to the difference between the carrying amount and the settlement price. When losses result in futures traders equity to have debit balance, the debit balance is recognized as futures exchanges margins receivable. Futures traders equity accounts cannot be offset against each other unless the equity accounts are of the same type and belong to the same trader.

## **Operating Guarantee Deposits**

According to the Rules Governing Securities Firms and Rules Governing Futures Commission Merchants, operating guarantee deposits should be made to the specific account designated by the Securities and Futures Bureau (SFB), FSC when a corporation registers to engage in the securities or futures business or when an existing corporation sets up new branches. The Corporation may elect to deposit in the form of cash, government bonds or financial bonds.

## **Clearing and Settlement Fund**

As required by the Rules Governing Securities Firms, securities firms engaged in the proprietary and brokerage business are required to make clearing and settlement fund deposits with the TWSE or the Taipei Exchange before or after operations.

## **Provisions**

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows needed to settle the present obligation, its carrying amount is the present value of those cash flows. The Group's provisions are primarily short-term paid vacation entitlements and lease restoration costs.

## **Revenue Recognition**

The Group identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Service income is recognized when services are provided.

## **Leases**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### **a. The Group as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **b. The Group as lessee**

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of depreciation of right-of-use assets, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services rendered by employees.

### **b. Retirement benefits**

Payments to defined contribution retirement plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. It is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit retirement plans.

## **Employee Share Options**

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the Board of Directors approves the transaction.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

## Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

### a. Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated retained earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.



## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation and Uncertainty

- a. Fair value of financial instruments with no public quotes in an active market

The Group determines the fair value of financial instruments with no public quotes in an active market using valuation methods. Refer to Note 31 for the related assumptions, estimates and book value.

- b. Recognition and measurement of defined benefit plans

The net defined benefit liabilities and the resulting defined benefit costs under the defined benefit retirement plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities. Refer to Note 25 for the book value of net defined benefit liabilities of the Group at the end of the reporting period.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Cash on hand and working fund	\$ 218	\$ 211
Checking and demand deposits	1,784,727	321,218
Foreign currency deposits	981,572	391,869
Cash equivalents		
Time deposits with original maturities within three months	20,790	706,145
Excess futures trading margin	296,938	258,898
Short-term bills	<u>349,905</u>	<u>-</u>
	<u>\$ 3,434,150</u>	<u>\$ 1,678,341</u>

The market rates of time deposits with original maturities within three months and short-term bills at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits with original maturities within three months	0.20%	1.60%-2.05%
Short-term bills	0.17%-0.19%	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily measured at FVTPL		
Open-end funds and money market instruments	\$ 6,738	\$ 51,781
Operating securities - proprietary	9,282,809	6,140,738
Operating securities - underwriting	22,380	66,582
Operating securities - hedging	498,898	272,569
Futures margin - own funds	166,760	102,544
Call options - non-hedging	19,463	9
Derivative assets - OTC		
Value of asset swap IRS contracts	6,380	5,651
Asset swap options	<u>195,487</u>	<u>142,777</u>
	<u>\$ 10,198,915</u>	<u>\$ 6,782,651</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily measured at FVTPL		
Operating securities - proprietary	<u>\$ -</u>	<u>\$ 10,049</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Bond investments under resale agreements - short sales	\$ -	\$ 249,189
Warrants liabilities	2,067,535	1,638,965
Warrants redeemed	(1,993,765)	(1,593,360)
Put options - TAIFEX	15,954	7
Liabilities on sale of borrowed securities - hedging	531,508	105,912
Derivative liabilities - OTC		
Value of asset swap IRS contracts	32,015	18,828
Asset swap options	773,814	284,481
Equity derivatives	<u>39,740</u>	<u>24,908</u>
	1,466,801	728,930
Financial liabilities designated as at FVTPL		
Structured instruments	<u>271,306</u>	<u>147,189</u>
	<u>\$ 1,738,107</u>	<u>\$ 876,119</u>
<u>Financial liabilities at FVTPL - non-current</u>		
Financial liabilities designated as at FVTPL		
Structured instruments	<u>\$ 215,244</u>	<u>\$ 203,623</u>

a. Open-end funds and money market instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Open-end funds and money market instruments	\$ 6,700	\$ 59,808
Valuation adjustments	<u>38</u>	<u>(8,027)</u>
	<u>\$ 6,738</u>	<u>\$ 51,781</u>

b. Operating securities - proprietary

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Government bonds	\$ 1,873,435	\$ 1,807,696
Corporate bonds	200,256	100,209
Listed shares	2,068,569	613,852
Shares and convertible bonds traded in the OTC market	3,125,971	2,268,503
Emerging shares	213,993	224,393
Foreign shares and bonds	368,213	164,995
Beneficiary securities	<u>960,358</u>	<u>920,202</u>
	8,810,795	6,099,850
Valuation adjustments	<u>472,014</u>	<u>40,888</u>
	<u>\$ 9,282,809</u>	<u>\$ 6,140,738</u>
<u>Non-current</u>		
Government bonds	\$ -	\$ 10,033
Valuation adjustments	<u>-</u>	<u>16</u>
	<u>\$ -</u>	<u>\$ 10,049</u>

The ranges of coupon rates of government bonds and corporate bonds at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	0.25%-1.75%	0.50%-1.375%
Corporate bonds	1.04%	1.04%

As of December 31, 2020 and 2019, the face values of the Group's proprietary securities and bond investments under resale agreements of \$4,672,760 thousand and \$3,076,300 thousand, respectively, were provided for repurchase agreements.

c. Operating securities - underwriting

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Listed and OTC shares and convertible bonds	\$ 22,093	\$ 67,140
Valuation adjustments	<u>287</u>	<u>(558)</u>
	<u>\$ 22,380</u>	<u>\$ 66,582</u>

d. Operating securities - hedging

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Listed shares and warrants	\$ 332,591	\$ 131,337
Shares and warrants traded in the OTC market	<u>138,820</u>	<u>137,941</u>
	471,411	269,278
Valuation adjustments	<u>27,487</u>	<u>3,291</u>
	<u>\$ 498,898</u>	<u>\$ 272,569</u>

e. Bond investments under resale agreements - short sales

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	\$ -	\$ 249,167
Valuation adjustments	<u>-</u>	<u>22</u>
	<u>\$ -</u>	<u>\$ 249,189</u>

f. Warrants

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Warrants liabilities	\$ 1,803,865	\$ 1,780,955
Less: Loss (gain) on changes in fair value	<u>263,670</u>	<u>(141,990)</u>
	<u>2,067,535</u>	<u>1,638,965</u>
Warrants redeemed	1,749,226	1,680,867
Less: Gain (loss) on changes in fair value	<u>244,539</u>	<u>(87,507)</u>
	<u>1,993,765</u>	<u>1,593,360</u>
Net warrants liabilities	<u>\$ 73,770</u>	<u>\$ 45,605</u>

g. Liabilities on sale of borrowed securities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Hedging		
Listed and OTC shares and beneficiary certificates	\$ 431,292	\$ 102,191
Valuation adjustments	<u>100,216</u>	<u>3,721</u>
	<u>\$ 531,508</u>	<u>\$ 105,912</u>

h. Futures and options

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Call options - non-hedging		
Index options	\$ 17,056	\$ 20
Gain (loss) on open positions	<u>2,407</u>	<u>(11)</u>
Fair value	<u>\$ 19,463</u>	<u>\$ 9</u>
Put options - TAIFEX		
Index options	\$ (8,734)	\$ (25)
Gain (loss) on open positions	<u>(7,220)</u>	<u>18</u>
Fair value	<u>\$ (15,954)</u>	<u>\$ (7)</u>

Open contracts and fair values at the end of each reporting period were as follows:

		<b>December 31, 2020</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Open Position</b>		<b>Carrying Amount/ Premium Paid (Received)</b>	<b>Fair Value</b>
		<b>Buyer/ Seller</b>	<b>Volume</b>		
Futures	TAIEX futures	Buyer	86	\$ 238,981	\$ 250,703
Futures	TAIEX futures	Seller	2	5,676	5,871
Futures	MTX	Seller	240	167,769	175,314
Futures	Share futures	Buyer	5,044	396,270	473,956
Futures	Share futures	Seller	272	20,726	20,990
Futures	NYMEX-CL	Seller	1	1,376	1,382
Futures	SCN	Seller	81	39,820	40,860
Futures	LCO	Seller	82	117,247	120,973
Futures	SI	Seller	12	42,045	45,133
Futures	CFE-VX	Seller	1	701	674
Futures	HG	Seller	13	32,850	32,572
Futures	S	Seller	463	769,923	864,367
Futures	GC	Seller	3	16,233	16,192
Options	TAIEX options - call	Buyer	150	5,910	17,280
Options	TAIEX options - put	Buyer	615	11,146	2,183
Options	TAIEX options - call	Seller	239	(6,870)	(15,077)
Options	TAIEX options - put	Seller	213	(1,864)	(877)

		<b>December 31, 2019</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Open Position</b>		<b>Carrying Amount/ Premium Paid (Received)</b>	<b>Fair Value</b>
		<b>Buyer/ Seller</b>	<b>Volume</b>		
Futures	TAIEX futures	Buyer	69	\$ 165,702	\$ 165,417
Futures	TAIEX futures	Seller	22	52,771	52,753
Futures	MTX	Buyer	32	19,212	19,190
Futures	MTX	Seller	200	120,058	119,840
Futures	Share futures	Buyer	395	67,394	67,777
Futures	Share futures	Seller	49	10,695	10,677
Futures	CBOT-UB	Buyer	2	11,289	10,892
Futures	MGC	Buyer	1	439	457
Futures	NYMEX-CL	Seller	531	962,371	972,025
Futures	CME - NQ	Seller	8	41,304	41,982
Futures	YM	Seller	10	42,232	42,733
Futures	SCN	Seller	59	25,284	25,488
Futures	LCO	Seller	16	30,440	31,658
Futures	CFE-VX	Seller	25	11,653	11,621
Futures	HG	Seller	4	8,059	8,385
Futures	S	Seller	3	4,107	4,297
Futures	GC	Seller	5	22,153	22,831
Options	TAIEX options - put	Buyer	22	20	9
Options	TAIEX options - put	Seller	21	(25)	(7)

The fair value is calculated based on the closing price of each futures and options contract multiplied by the number of open contracts on each futures exchange at the end of the reporting period.

As of December 31, 2020 and 2019, futures margin arising from futures and option contracts were \$166,760 thousand and \$102,544 thousand, respectively.

i. Derivative instruments - OTC

The outstanding contracts and nominal amounts of derivative financial instruments were as follows:

	<b>Nominal Amount</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Convertible bond asset swaps	\$ 5,852,900	\$ 4,845,000
Structured instruments	488,200	351,200
Equity derivatives	157,412	114,509

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Investments in debt instruments	\$ 15,808	\$ -
<u>Non-current</u>		
Investments in equity instruments	\$ 786,678	\$ 655,500
Investments in debt instruments	<u>1,461,780</u>	<u>650,645</u>
	<u>\$ 2,248,458</u>	<u>\$ 1,306,145</u>

### a. Investments in equity instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Non-public ordinary shares		
Taiwan Futures Exchange	\$ 418,939	\$ 335,345
Taiwan Stock Exchange	182,397	172,447
Taiwan Depository & Clearing Corporation	115,308	84,090
Guoyuan Futures Co., Ltd.	44,555	37,562
Asia Pacific Emerging Industry Venture Capital Co., Ltd.	20,686	21,660
FundRich Securities Co., Ltd.	4,793	4,396
Foursun Tech. Inc.	<u>-</u>	<u>-</u>
	<u>\$ 786,678</u>	<u>\$ 655,500</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In June 2019, the Corporation acquired 1,500 thousand ordinary shares of Taiwan Stock Exchange at \$78.21 per share, for a total investment amount of \$117,315 thousand. In December 2020, Asia Pacific Emerging Industry Venture Capital Co., Ltd. implemented a cash capital reduction, in which the Corporation reduced its number of shares held by 660,000 shares and received the capital reduction amount of \$6,600 thousand.

In December 2019, the Corporation's subsidiary, Concord Futures obtained 1,000 thousand ordinary shares of Taiwan Futures Exchange at \$89 per share, for a total investment amount of \$89,000 thousand.

The Group recognized dividend revenue of \$16,542 thousand and \$16,293 thousand during 2020 and 2019, which were generated from the investments held as of December 31, 2020 and 2019, respectively.

b. Investments in debt instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Foreign bonds	\$ 15,808	\$ -
<u>Non-current</u>		
Government bonds	\$ 301,941	\$ 300,260
Corporate bonds	403,152	200,497
Foreign bonds	<u>756,687</u>	<u>149,888</u>
	<u>\$ 1,461,780</u>	<u>\$ 650,645</u>

Information about investments in debt instruments classified as at FVTOCI was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Gross carrying amount	\$ 1,469,659	\$ 649,900
Less: Allowance for impairment loss	<u>(1,210)</u>	<u>(370)</u>
Amortized cost	1,468,449	649,530
Adjustment to fair value	<u>9,139</u>	<u>1,115</u>
	<u>\$ 1,477,588</u>	<u>\$ 650,645</u>

In determining the impairment loss for debt instruments classified as at FVTOCI, the Group considers the credit rating, default rate and recovery rate for these investments as supplied by external rating agencies to assess whether there has been a significant increase in credit risk since initial recognition, and measures the 12-month or lifetime expected credit losses for these debt instruments.

The Group's current credit risk grading mechanism and the gross carrying amounts of debt instruments by credit category are as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses (ECLs)</b>	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount on December 31, 2020</b>
Stage 1	The credit rating on the base date is investment grade and above, and credit risk has not significantly increased	12-month ECLs	0.00%-0.53%	\$ 1,469,659



Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)	Expected Loss Rate	Gross Carrying Amount on December 31, 2019
Stage 1	The credit rating on the base date is investment grade and above, and credit risk has not significantly increased	12-month ECLs	0.00%-0.11%	\$ 649,900

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

	Credit Rating		
	12-month ECLs	Lifetime ECLs - Not Credit Impaired	Lifetime ECLs - Credit Impaired
Balance at January 1, 2020	\$ 370	\$ -	\$ -
Recognized expected credit loss	<u>840</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2019	\$ -	\$ -	\$ -
Recognized expected credit loss	<u>370</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ -</u>

## 9. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2020	2019
Government bonds	<u>\$ -</u>	<u>\$ 697,687</u>

The market rates of the bond investments under resale agreements at the end of each reporting period were summarized as follows:

	December 31	
	2020	2019
Government bonds	-	0.2%-0.5%

Bond investments under resale agreements as of December 31, 2019 were resold for \$697,699 thousand by January 6, 2020.

## 10. CUSTOMER MARGIN ACCOUNT AND FUTURES TRADERS EQUITY

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Customer margin account		
Cash in banks	\$ 2,879,979	\$ 2,661,303
Futures clearing institution	870,549	758,232
Other futures commission merchant	<u>266,652</u>	<u>248,996</u>
Customer margin account	4,017,180	3,668,531
Adjustment		
Brokerage handling fee revenue and futures transactions tax	(52,601)	(53,834)
Timing differences in receiving customers' deposits	<u>38,094</u>	<u>24,658</u>
Futures traders equity	<u>\$ 4,002,673</u>	<u>\$ 3,639,355</u>

## 11. FUTURES EXCHANGES MARGINS RECEIVABLE

The volatility of the global share markets in February and October 2018 caused some customers of the Corporation's subsidiary, Concord Futures to exceed their loss limits. The customers' obligation for the loss in excess of limit amounted to \$265,890 thousand, of which the customers have paid \$2,471 thousand as of December 31, 2020. The subsidiary, Concord Futures had recognized as expected credit loss the unrecovered margin of \$263,419 thousand. Part of the loss in the amount of \$198,421 thousand was incurred by the customers who were assisted in their futures transactions by the Corporation; therefore, the Corporation negotiated with the subsidiary, Concord Futures in April 2018 and based on their lawyer's suggestion, the Corporation agreed to bear 50% of the loss amount, i.e. \$99,210 thousand. The amount was paid in May 2018. In addition, as of December 31, 2020, as part of the unrecovered margin of \$263,419 thousand was outstanding for more than two years, Concord Futures has written off the futures exchanges margins receivable and allowance for doubtful accounts, but will still continue to actively recover the bad debt from customers.

The customers' obligation for the loss in excess of limit increased by \$5,862 thousand in March and April 2020. As of December 31, 2020, \$400 thousand was recovered, and Concord Futures had recognized as expected credit loss the unrecovered margin of \$5,462 thousand, and has been actively recovering the bad debt from customers.

As of December 31, 2020 and 2019, futures exchanges margins receivable and allowance for doubtful accounts were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Futures exchanges margins receivable	\$ 5,462	\$ 263,860
Less: Allowance for impairment loss	<u>(5,462)</u>	<u>(263,860)</u>
	<u>\$ -</u>	<u>\$ -</u>

**12. MARGIN LOANS RECEIVABLE, NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Margin loans receivable	\$ 4,696,842	\$ 3,436,325
Less: Allowance for impairment loss	<u>(1,094)</u>	<u>(908)</u>
	<u>\$ 4,695,748</u>	<u>\$ 3,435,417</u>

The securities bought by customers are used to secure margin loans receivable.

Some of the Group's customers used the shares of Pihsiang as collateral securities. Since Pihsiang had been suspended in May 2017, the value of the collateral securities could not cover the balance of the loan. In June 2017, the Group had recognized impairment loss of \$73,147 thousand (these amounts are recognized in margin loans receivables amounted to \$67,910 thousand, accounts receivable amounted to \$4,056 thousand and other receivables amounted to \$1,181 thousand). Furthermore, in the fourth quarter of 2017, the balance of the related receivables was reclassified as other receivables. In 2018, the Group had recognized an impairment loss of \$5,000 thousand when assessing the recoverability of the receivables.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Notes receivable	\$ 64	\$ 83
Accounts receivable		
Accounts receivable for settlement - brokerage	5,458,677	3,036,581
Accounts receivable for settlement - proprietary	373,736	628,975
Brokerage handling fee revenue and refinancing interest receivable	60,945	81,692
Bond interest receivable	15,382	8,558
Others	<u>9,635</u>	<u>9,860</u>
	<u>5,918,375</u>	<u>3,765,666</u>
	<u>\$ 5,918,439</u>	<u>\$ 3,765,749</u>

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
0 to 120 days	\$ 5,918,146	\$ 3,765,662
121 to 180 days	93	82
Over 180 days	<u>200</u>	<u>5</u>
	<u>\$ 5,918,439</u>	<u>\$ 3,765,749</u>

The above aging schedule was based on the number of past due days from the invoice date.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Other receivables	\$ 145,657	\$ 130,698
Less: Allowance for impairment loss	<u>(85,193)</u>	<u>(85,024)</u>
	<u>\$ 60,464</u>	<u>\$ 45,674</u>

The Group adopted a policy of only dealing with entities and investors that have sound credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable receivables. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group recognizes expected credit losses for its trade receivables based on lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of financial assets at amortized cost such as margin loans receivable and trade receivables based on the Group's provision matrix:

December 31, 2020

	Notes and Accounts Receivable	Margin Loans Receivable	Refinancing Collateral Receivable	Refinancing Margin, Security Borrowing Collateral Price and Security Borrowing Margin	Other Receivables	Total
Expected credit loss rate	0%	0.03%	0%	0%	0%; 100%	
Gross carrying amount	\$ 5,918,439	\$ 4,696,842	\$ 14,462	\$ 836,105	\$ 145,657	\$ 11,611,505
Loss allowance (Lifetime ECLs)	-	(1,094)	-	-	(85,193)	(86,287)
Amortized cost	<u>\$ 5,918,439</u>	<u>\$ 4,695,748</u>	<u>\$ 14,462</u>	<u>\$ 836,105</u>	<u>\$ 60,464</u>	<u>\$ 11,525,218</u>

December 31, 2019

	Notes and Accounts Receivable	Margin Loans Receivable	Refinancing Collateral Receivable	Refinancing Margin, Security Borrowing Collateral Price and Security Borrowing Margin	Other Receivables	Total
Expected credit loss rate	0%	0.03%	0%	0%	0%; 100%	
Gross carrying amount	\$ 3,765,749	\$ 3,436,325	\$ 23	\$ 194,372	\$ 130,698	\$ 7,527,167
Loss allowance (Lifetime ECLs)	-	(908)	-	-	(85,024)	(85,932)
Amortized cost	<u>\$ 3,765,749</u>	<u>\$ 3,435,417</u>	<u>\$ 23</u>	<u>\$ 194,372</u>	<u>\$ 45,674</u>	<u>\$ 7,441,235</u>

The movements of the loss allowance of trade receivables for the years ended December 31, 2020 and 2019, respectively, were as follows:

	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Other Receivables</b>	<b>Total</b>
Balance at January 1, 2020	\$ -	\$ 908	\$ 85,024	\$ 85,932
Add: Net remeasurement of loss allowance	<u>-</u>	<u>186</u>	<u>169</u>	<u>355</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,094</u>	<u>\$ 85,193</u>	<u>\$ 86,287</u>
	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Other Receivables</b>	<b>Total</b>
Balance at January 1, 2019	\$ -	\$ 411	\$ 85,024	\$ 85,435
Add: Net remeasurement of loss allowance	<u>-</u>	<u>497</u>	<u>-</u>	<u>497</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 908</u>	<u>\$ 85,024</u>	<u>\$ 85,932</u>

### 13. OTHER FINANCIAL ASSETS - CURRENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	<u>\$ 606,899</u>	<u>\$ 556,485</u>

The market rates of time deposits with original maturities of more than three months at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	0.09%-2.50%	0.62%-2.57%

### 14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were summarized as follows:

<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>Percentage of Ownership (%)</b>		<b>Remarks</b>
			<b>December 31 2020</b>	<b>2019</b>	
The Corporation	Concord Futures Corp. Ltd. (Concord Futures)	Foreign and domestic futures proprietary, brokerage and consulting services	95.71	95.71	
The Corporation	Concord Capital Management Corp (Concord Capital Management)	Securities investment advisory services	100.00	100.00	Note a
The Corporation	Kang-Lian AMC. Co., Ltd. (Kang-Lian AMC)	Investment, business management advisory services and asset management services	100.00	100.00	
The Corporation	Concord Managed Futures Corp. (Concord Managed Futures)	Foreign and domestic futures managing and trust services	100.00	100.00	Note b

(Continued)

Investor	Investee	Main Business	Percentage of Ownership (%)		Remarks
			December 31		
			2020	2019	
The Corporation	Concord Insurance Agent Corp. (Concord Insurance)	Life insurance agency and property insurance agency	100.00	100.00	Note c
The Corporation	Concord Capital Holdings (Cayman) Limited (Concord Cayman)	Holding company	100.00	100.00	Note d

(Concluded)

Note a: In December 2020, the subsidiary, Concord Capital Management, implemented a capital reduction of \$25,000 thousand to offset deficits, and also issued 1,500 thousand ordinary shares at \$13 per share for a total amount of \$19,500 thousand, which were fully subscribed by the Corporation.

Note b: The Corporation's direct shareholding is 60%, while the combined shareholding is 100%. Concord Managed Futures terminated its futures management and trust services on February 1, 2019, which was approved by the relevant authorities in January 2019. In addition, in March 2019, Concord Managed Futures obtained approval for liquidation based on letter No. 1080304430 issued by the FSC. The subsidiary has completed its liquidation procedures in January 2021, and returned the remaining liquidation funds to the Corporation and the subsidiary, Concord Futures of \$159,452 thousand and \$106,302 thousand, respectively.

Note c: In June 2020, the subsidiary, Concord Insurance, received letter No. Jin-Guan-Bao-Zong-Zi-1090421845 issued by the FSC and obtained approval for the increase in the business scope of its property insurance agent business.

Note d: On November 30, 2020, the subsidiary, Concord Cayman, received letter No. Financial-Supervisory-Securities-Firms-1090373948 issued by the FSC, and is in the process of dissolution and liquidation. As of March 11, 2021, the liquidation process has not been completed.

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investment in Associates	December 31			
	2020		2019	
	Carrying Amount	Percentage of Shareholding (%)	Carrying Amount	Percentage of Shareholding (%)
Individually immaterial associates:				
HWA-HO Asset Management Corp.	<u>\$ 570,130</u>	46.59	<u>\$ 537,605</u>	46.59

The summarized information of individually immaterial associates was as follows:

	For the Year Ended December 31	
	2020	2019
The Group's share of:		
Net profit (loss) for the year	\$ 25,999	\$ (61,668)
Other comprehensive income	<u>6,526</u>	<u>6,525</u>
Total comprehensive income (loss) for the year	<u>\$ 32,525</u>	<u>\$ (55,143)</u>

The Group's share of profit or loss and other comprehensive income or loss of associates accounted for

using equity method was calculated based on the audited financial statements for the years ended December 31, 2020 and 2019.

## 16. PROPERTY AND EQUIPMENT

	For the Year Ended December 31, 2020				Balance at December 31, 2020
	Balance at January 1, 2020	Additions	Reductions	Reclassifications	
<u>Cost</u>					
Land	\$ 801,209	\$ -	\$ -	\$ 3,928	\$ 805,137
Buildings	315,038	-	-	2,618	317,656
Equipment	104,798	21,782	(22,273)	-	104,307
Leasehold improvements	38,216	6,843	(10,051)	-	35,008
	<u>1,259,261</u>	<u>\$ 28,625</u>	<u>\$ (32,324)</u>	<u>\$ 6,546</u>	<u>1,262,108</u>
<u>Accumulated depreciation</u>					
Buildings	134,113	\$ 5,623	\$ -	\$ 650	140,386
Equipment	72,639	16,058	(22,256)	-	66,441
Leasehold improvements	22,291	5,708	(9,518)	-	18,481
	<u>229,043</u>	<u>\$ 27,389</u>	<u>\$ (31,774)</u>	<u>\$ 650</u>	<u>225,308</u>
<u>Accumulated impairment</u>					
Buildings	1,684	\$ -	\$ -	\$ -	1,684
Net book value	<u>\$ 1,028,534</u>				<u>\$ 1,035,116</u>

	For the Year Ended December 31, 2019						Balance at December 31, 2019
	Balance at January 1, 2019	Effect of Retrospective Application of IFRS 16	Balance at January 1, 2019 (IFRS 16)	Additions	Reductions	Reclassifications	
<u>Cost</u>							
Land	\$ 848,263	\$ -	\$ 848,263	\$ -	\$ -	\$ (47,054)	\$ 801,209
Buildings	335,631	-	335,631	-	-	(20,593)	315,038
Equipment	135,468	-	135,468	6,887	(37,557)	-	104,798
Leasehold improvements	42,898	-	42,898	1,018	(5,700)	-	38,216
Leased assets	1,243	(1,243)	-	-	-	-	-
	<u>1,363,503</u>	<u>\$ (1,243)</u>	<u>1,362,260</u>	<u>\$ 7,905</u>	<u>\$ (43,257)</u>	<u>\$ (67,647)</u>	<u>1,259,261</u>
<u>Accumulated depreciation</u>							
Buildings	138,742	\$ -	138,742	\$ 5,720	\$ -	\$ (10,349)	134,113
Equipment	91,334	-	91,334	18,674	(37,369)	-	72,639
Leasehold improvements	22,067	-	22,067	5,079	(4,855)	-	22,291
Leased assets	103	(103)	-	-	-	-	-
	<u>252,246</u>	<u>\$ (103)</u>	<u>252,143</u>	<u>\$ 29,473</u>	<u>\$ (42,224)</u>	<u>\$ (10,349)</u>	<u>229,043</u>
<u>Accumulated impairment</u>							
Buildings	1,684	\$ -	1,684	\$ -	\$ -	\$ -	1,684
Net book value	<u>\$ 1,109,573</u>		<u>\$ 1,108,433</u>				<u>\$ 1,028,534</u>

Property and equipment are depreciated on straight-line basis over their estimated useful lives as follows:

Buildings	55 years
Equipment	2-6 years
Leasehold improvements	1-5 years
Leased assets	5 years

The significant component of the Group's buildings is the main building.

Some property and equipment were pledged as collateral for loans (refer to Note 33 for the details).

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Buildings	\$ 67,201	\$ 103,978
Equipment	<u>2,353</u>	<u>1,015</u>
	<u>\$ 69,554</u>	<u>\$ 104,993</u>
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 22,317</u>	<u>\$ 28,445</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 49,191	\$ 52,121
Equipment	<u>466</u>	<u>311</u>
	<u>\$ 49,657</u>	<u>\$ 52,432</u>

### b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Current	<u>\$ 46,716</u>	<u>\$ 48,242</u>
Non-current	<u>\$ 21,531</u>	<u>\$ 55,575</u>

Ranges of discount rates for lease liabilities were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Buildings	0.514%-1.410%	0.764%-1.410%
Equipment	0.521%-1.300%	0.753%-1.300%

The Group leases buildings for operational uses with lease terms of 1 to 5 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

### c. Material leasing activities and terms

Due to the severe impact of COVID-19 on the market economy in 2020, the lessor agreed to provide unconditional rent reductions of 20%-100% from September 30 to December 31, 2020. The Group recognized in profit or loss the impact of rent concessions of \$453 thousand (recognized as deduction of depreciation) for the year ended December 31, 2020.



d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Expenses relating to low-value asset leases	\$ <u>2,986</u>	\$ <u>4,466</u>
Total cash outflow for leases	\$ <u>53,425</u>	\$ <u>58,670</u>

The Group's leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 18. INVESTMENT PROPERTY

	<u>For the Year Ended December 31, 2020</u>				
	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Reclassifi- cations</u>	<u>Balance at December 31, 2020</u>
<u>Cost</u>					
Land	\$ 282,763	\$ -	\$ -	\$ (3,928)	\$ 278,835
Buildings	<u>94,935</u>	<u>-</u>	<u>-</u>	<u>(2,618)</u>	<u>92,317</u>
	377,698	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,546)</u>	371,152
<u>Accumulated depreciation</u>					
Buildings	46,635	<u>\$ 1,660</u>	<u>\$ -</u>	<u>\$ (650)</u>	47,645
<u>Accumulated impairment</u>					
Buildings	<u>234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>234</u>
Net book value	<u>\$ 330,829</u>				<u>\$ 323,273</u>
	<u>For the Year Ended December 31, 2019</u>				
	<u>Balance at January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Reclassifi- cations</u>	<u>Balance at December 31, 2019</u>
<u>Cost</u>					
Land	\$ 235,709	\$ -	\$ -	\$ 47,054	\$ 282,763
Buildings	<u>74,342</u>	<u>-</u>	<u>-</u>	<u>20,593</u>	<u>94,935</u>
	310,051	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,647</u>	377,698
<u>Accumulated depreciation</u>					
Buildings	34,723	<u>\$ 1,563</u>	<u>\$ -</u>	<u>\$ 10,349</u>	46,635
<u>Accumulated impairment</u>					
Buildings	<u>234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>234</u>
Net book value	<u>\$ 275,094</u>				<u>\$ 330,829</u>

The Group's investment properties are land and buildings. The buildings are depreciated on straight-line basis over their estimated useful lives of 55 years.

As of December 31, 2020 and 2019, the fair value of the Group's investment properties amounted to \$407,311 thousand and \$437,238 thousand, respectively. The fair value was quoted based on the market price of similar properties.

Some investment properties were pledged as collateral for loans and loan credit line (refer to Note 33 for the details).

The abovementioned investment properties are leased out for 7 months to 5 years under operating leases. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Due to the impact of the COVID-19 pandemic on the market economy in 2020, the Group agreed to provide an unconditional rent reduction of 20% for some of the leases for the period from May 1 to July 31, 2020. As there is no contractual mechanism to adjust rent in the original lease contract, the rent concessions will be accounted for as adjustments to rental income over the remaining lease term.

The maturity analysis of the total lease payments receivable from investment properties leased under operating leases was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 2,628	\$ 10,910
Year 2	1,980	2,628
Year 3	<u>-</u>	<u>1,980</u>
	<u>\$ 4,608</u>	<u>\$ 15,518</u>

## 19. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Computer software	\$ 18,094	\$ 15,241
Memberships in foreign futures exchanges	<u>33,392</u>	<u>33,392</u>
	<u>\$ 51,486</u>	<u>\$ 48,633</u>

	<b>For the Year Ended December 31, 2020</b>			
	<b>Balance at January 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2020</b>
<u>Cost</u>				
Computer software	\$ 40,052	\$ 14,736	\$ (19,645)	\$ 35,143
Memberships in foreign futures exchanges	<u>33,392</u>	<u>-</u>	<u>-</u>	<u>33,392</u>
	<u>73,444</u>	<u>\$ 14,736</u>	<u>\$ (19,645)</u>	<u>68,535</u>
<u>Accumulated amortization</u>				
Computer software	<u>24,811</u>	<u>\$ 11,883</u>	<u>\$ (19,645)</u>	<u>17,049</u>
Net book value	<u>\$ 48,633</u>			<u>\$ 51,486</u>

**For the Year Ended December 31, 2019**

	<b>Balance at January 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>
<u>Cost</u>				
Computer software	\$ 47,226	\$ 7,277	\$ (14,451)	\$ 40,052
Memberships in foreign futures exchanges	33,392	-	-	33,392
Website construction expenses	<u>270</u>	<u>-</u>	<u>(270)</u>	<u>-</u>
	<u>80,888</u>	<u>\$ 7,277</u>	<u>\$ (14,721)</u>	<u>73,444</u>
<u>Accumulated amortization</u>				
Computer software	24,946	\$ 14,316	\$ (14,451)	24,811
Website construction expenses	<u>213</u>	<u>6</u>	<u>(219)</u>	<u>-</u>
	<u>25,159</u>	<u>\$ 14,322</u>	<u>\$ (14,670)</u>	<u>24,811</u>
Net book value	<u>\$ 55,729</u>			<u>\$ 48,633</u>

The above-mentioned intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years
Website construction expenses	5 years

For the purpose of business development, the subsidiary, Concord Futures, acquired memberships in foreign futures exchanges - CME, CBOT and COMEX. The subsidiary treats the memberships as intangible assets with an indefinite useful life with estimated net cash inflows over an indefinite time span. Memberships in foreign futures exchanges will not be amortized until the memberships turn into intangible assets with definite useful life. Memberships are tested for impairment at least annually whether there is an indication that the asset may be impaired.

**20. OTHER NON-CURRENT ASSETS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating deposits	\$ 520,000	\$ 572,000
Clearing and settlement fund	193,118	189,425
Refundable deposits	45,774	50,894
Prepayments for equipment	5,841	6,373
Deferred expense	<u>725</u>	<u>456</u>
	<u>\$ 765,458</u>	<u>\$ 819,148</u>

## 21. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Secured borrowings	\$ 210,000	\$ -
Unsecured borrowings	<u>180,000</u>	<u>3,300</u>
	<u>\$ 390,000</u>	<u>\$ 3,300</u>

The market rates of the short-term borrowings at the end of each reporting period were summarized as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term borrowings	0.95%-1.05%	1.41%

Some demand deposits, property and equipment, and investment properties were provided as collateral for bank borrowings and credit line (refer to Note 33 for the details).

### b. Commercial paper payable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Commercial paper payable	\$ 6,560,000	\$ 5,390,000
Less: Discount of commercial paper payable	<u>(2,320)</u>	<u>(3,001)</u>
	<u>\$ 6,557,680</u>	<u>\$ 5,386,999</u>

The discount rates of the commercial paper payable at the end of each reporting period were summarized as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Commercial paper payable	0.20%-0.48%	0.38%-0.77%

All commercial paper payable mentioned above were underwritten by bills finance companies or banks.

## 22. LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Government bonds	\$ 2,263,283	\$ 1,829,697
Corporate bonds	<u>2,616,085</u>	<u>1,357,561</u>
	<u>\$ 4,879,368</u>	<u>\$ 3,187,258</u>

The market rates of the liabilities for bonds with attached repurchase agreements at the end of each reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Government bonds	0.17%-0.20%	0.30%-0.59%
Corporate bonds	0.24%-3.26%	0.59%-2.38%

Liabilities for bonds with attached repurchase agreements that were outstanding as of December 31, 2020 had been repurchased for \$4,881,026 thousand by February 25, 2021.

Liabilities for bonds with attached repurchase agreements that were outstanding as of December 31, 2019 had been repurchased for \$3,188,747 thousand by February 12, 2020.

### 23. ACCOUNTS PAYABLE

	<u>December 31</u>	
	2020	2019
Accounts payable for settlement - brokerage	\$ 5,414,551	\$ 2,983,659
Accounts payable for settlement - proprietary	1,980,285	567,707
Others	<u>113,128</u>	<u>108,152</u>
	<u>\$ 7,507,964</u>	<u>\$ 3,659,518</u>

### 24. PROVISIONS

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Employee benefits	<u>\$ 23,722</u>	<u>\$ 23,404</u>
<u>Non-current</u>		
Decommissioning provision	<u>\$ 12,880</u>	<u>\$ 13,245</u>

### 25. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plan

The Corporation and its subsidiaries in the ROC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Corporation and its subsidiaries in the ROC adopted the pension plan under the Labor Standards Act, which is a state-managed defined benefit plan. Pension costs are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group makes monthly contributions to a pension fund based on a fixed percentage of gross salaries. Pension contributions are deposited in several banks in the pension fund committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the accompanying consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 303,385	\$ 252,980
Fair value of plan assets	<u>(119,149)</u>	<u>(90,351)</u>
Net defined benefit liabilities	<u>\$ 184,236</u>	<u>\$ 162,629</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	<u>\$ 260,868</u>	<u>\$ (82,581)</u>	<u>\$ 178,287</u>
Service cost			
Current service cost	3,420	-	3,420
Net interest expense (income)	2,348	(760)	1,588
Liquidation benefits	<u>(205)</u>	<u>-</u>	<u>(205)</u>
Recognized in profit or loss	<u>5,563</u>	<u>(760)</u>	<u>4,803</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,523)	(3,523)
Actuarial loss - changes in financial assumptions	4,335	-	4,335
Actuarial gain - experience adjustments	<u>(3,907)</u>	<u>-</u>	<u>(3,907)</u>
Recognized in other comprehensive (income) loss	<u>428</u>	<u>(3,523)</u>	<u>(3,095)</u>
Contributions from the employer	<u>-</u>	<u>(14,904)</u>	<u>(14,904)</u>
Corporation paid	<u>(1,040)</u>	<u>-</u>	<u>(1,040)</u>
Benefits paid	<u>(11,417)</u>	<u>11,417</u>	<u>-</u>
Liabilities extinguished on settlement	<u>(1,422)</u>	<u>-</u>	<u>(1,422)</u>
Balance at December 31, 2019	<u>252,980</u>	<u>(90,351)</u>	<u>162,629</u>

(Continued)

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 3,272	\$ -	\$ 3,272
Net interest expense (income)	<u>1,771</u>	<u>(639)</u>	<u>1,132</u>
Recognized in profit or loss	<u>5,043</u>	<u>(639)</u>	<u>4,404</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,647)	(10,647)
Actuarial loss - changes in financial assumptions	10,480	-	10,480
Actuarial loss - experience adjustments	<u>63,032</u>	<u>-</u>	<u>63,032</u>
Recognized in other comprehensive (income) loss	<u>73,512</u>	<u>(10,647)</u>	<u>62,865</u>
Contributions from the employer Corporation paid	<u>-</u> <u>(1,260)</u>	<u>(44,402)</u> <u>-</u>	<u>(44,402)</u> <u>(1,260)</u>
Benefits paid	<u>(26,890)</u>	<u>26,890</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 303,385</u>	<u>\$ (119,149)</u>	<u>\$ 184,236</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on debt investments of plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Group's defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31, 2020</u>	
	<b>The Corporation</b>	<b>Concord Futures</b>
Discount rate	0.3%	0.4%
Expected incremental rate of salaries	1.5%	1.0%
Expected rate of return on plan assets	0.3%	0.4%

	<b>December 31, 2019</b>	
	<b>The Corporation</b>	<b>Concord Futures</b>
Discount rate	0.7%	0.7%
Expected incremental rate of salaries	1.5%	1.0%
Expected rate of return on plan assets	0.7%	0.7%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate		
0.1% increase	<u>\$ (2,692)</u>	<u>\$ (2,322)</u>
0.1% decrease	<u>\$ 2,726</u>	<u>\$ 2,353</u>
Expected incremental rate of salaries		
0.1% increase	<u>\$ 2,390</u>	<u>\$ 2,081</u>
0.1% decrease	<u>\$ (2,368)</u>	<u>\$ (2,059)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31, 2020</b>	
	<b>The Corporation</b>	<b>Concord Futures</b>
Expected contributions to the plan for the next year	<u>\$ 2,000</u>	<u>\$ 108</u>
Average duration of the defined benefit obligation	8.5 years	11.1 years

	<b>December 31, 2019</b>	
	<b>The Corporation</b>	<b>Concord Futures</b>
Expected contributions to the plan for the next year	<u>\$ 1,960</u>	<u>\$ 108</u>
Average duration of the defined benefit obligation	8.9 years	11.5 years

## 26. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Number of shares authorized (in thousands)	<u>1,500,000</u>	<u>1,500,000</u>
Share capital authorized	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>594,455</u>	<u>610,322</u>
Share capital issued	<u>\$ 5,944,550</u>	<u>\$ 6,103,227</u>

Every issued ordinary share with a par value of \$10 entitles its holder to one vote on matters requiring



such vote and to receive dividends.

The change in the Corporation's share capital for the years 2020 and 2019 are mainly due to purchase and retirement of the treasury shares.

It was resolved in the shareholders' meeting on June 5, 2020 to increase the Corporation's capital by transferring from the capital surplus the amount of \$41,323 thousand, which increased the share capital issued by 4,132 thousand ordinary shares.

It was resolved in the shareholders' meeting on June 6, 2019 to increase the Corporation's capital by transferring from the capital surplus the amount of \$176,424 thousand, which increased the share capital issued by 17,642 thousand ordinary shares.

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Treasury share transactions	\$ 173,203	\$ 178,104
Gain on sale of fixed assets	682	682
Unclaimed dividends	126	126
Others	<u>1,296</u>	<u>1,296</u>
	<u>\$ 175,307</u>	<u>\$ 180,208</u>

The capital surplus arising from shares issued in excess of par (including additional paid-in capital, premium from mergers and treasury share transactions, etc.) and donations may be used to offset deficits; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital each year).

The capital surplus arising from the gain on sale of fixed assets can only be used to offset deficits.

The capital surplus arising from investments accounted for using equity method and employee share options may not be used for any purpose. The capital surplus arising from unclaimed dividends may only be used to offset deficits. Changes in the capital surplus for the year 2020 resulted from the transferred share capital and retirement of treasury shares.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and as special reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to "Compensation of employees and remuneration of directors" in Note 27.

In line with the current and future development plans, the Corporation's dividend policy takes into consideration the investment environment, funding needs and domestic and foreign competition, at the same time taking into account shareholders' interests. Annually, the total amount of dividends and bonuses distributed to shareholders shall not be lower than 50% of the earnings available for distribution, except when the cumulative earnings available for distribution are lower than 0.5% of the share capital, in which case no dividends or bonuses may be distributed. The dividends can be distributed in the form of cash or shares, of which the cash portion shall be no less than 10% of the total amount of dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

According to the Regulations Governing Securities Firms, a securities firm should set aside 20% of their annual after-tax profit as special reserve until the special reserve equals the firm's paid-in capital. According to the revised Regulations Governing Securities Firms announced on December 5, 2017, the special reserve shall not be used for purposes other than for offsetting the losses of the company, or when the accumulated special reserve reaches 25% of the amount of paid-in capital, the portion in excess of the 25% of paid-in capital may be used for capitalization.

Under Rule No. 1010028514, 1030008251 and 10500278285 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should make appropriations to or reversals from a special reserve.

The appropriation of earnings for 2019, which was approved in the shareholders' meeting on June 5, 2020, was as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	<u>\$ 28,684</u>
Special reserve	<u>\$ 57,369</u>
Cash dividends	<u>\$ 194,807</u>
Cash dividends per share (NT\$)	\$ 0.33

On June 5, 2020, it was approved for transferring \$41,323 thousand from the capital surplus to ordinary shares in the shareholders' meeting.

After reversing \$33,797 thousand from the special reserve, the offset of the accumulated deficit for 2018 as approved in the shareholders' meeting on June 6, 2019, was made by reversal of \$242,802 thousand from the special reserve and the legal reverse, and transferring \$176,424 thousand from the capital surplus to ordinary shares.

The appropriation of earnings for 2020, which was proposed by the Corporation's Board of Directors on March 11, 2021 was as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 103,460</u>
Special reserve	<u>\$ 206,920</u>
Cash dividends	<u>\$ 725,235</u>
Cash dividends per share (NT\$)	\$ 1.22

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 4, 2021.

d. Other equity

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (4,445)	\$ (1,538)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(6,856)	(2,951)
Income tax expense related to exchange differences on the translation of the financial statements of foreign operations	<u>185</u>	<u>44</u>
Balance at December 31	<u>\$ (11,116)</u>	<u>\$ (4,445)</u>

2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	<u>\$ 270,624</u>	<u>\$ 145,016</u>
Recognized for the year		
Unrealized gain - debt instruments	8,087	1,115
Unrealized gain - equity instruments	<u>141,827</u>	<u>124,493</u>
Other comprehensive income recognized for the year	<u>149,914</u>	<u>125,608</u>
Balance at December 31	<u>\$ 420,538</u>	<u>\$ 270,624</u>

e. Treasury shares

**Unit: Number of Shares (In Thousands)**

<b>Reason for Purchasing Treasury Shares</b>	<b>Shares Transferred to Employees</b>	<b>Maintaining Credit-worthiness and Shareholders' Equity</b>	<b>Total</b>
Number of shares at January 1, 2020	-	17,837	17,837
Increase during the year	-	2,163	2,163
Decrease during the year	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Number of shares at December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at January 1, 2019	18,000	8,612	26,612
Increase during the year	-	29,225	29,225
Decrease during the year	<u>(18,000)</u>	<u>(20,000)</u>	<u>(38,000)</u>
Number of shares at December 31, 2019	<u>-</u>	<u>17,837</u>	<u>17,837</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

On October 27, 2016, the Corporation's Board of Directors resolved to purchase a total of 20,000 thousand treasury shares for transferring to its employees. Accordingly, as of December 27, 2016 (the last day of the share buyback period), the Corporation purchased 18,000 thousand treasury shares for \$118,906 thousand. In August 2019, the Corporation's Board of Directors resolved to transfer 4,600 thousand treasury shares to employees of the Corporation and its subsidiaries at \$6.61 per share. The number of shares transferred was 4,060 thousand and 540 thousand, respectively, and were not allowed to be transferred within two years from the date of resolution. On December 20, 2019, the Corporation's Board of Directors resolved to cancel the remaining 13,400 thousand treasury shares.

The weighted-average share price of the employee share options on the exercise date was \$7.39.

Employee share options granted in August 2019 were priced using the Black-Scholes pricing model, which had a weighted-average fair value of \$0.6743. The inputs to the model are as follows:

	<b>August 2019</b>
Grant-date share price	\$7.28
Exercise price	\$6.61
Expected volatility	12.67%
Expected life	28 days
Expected dividend yield	-
Risk-free interest rate	0.81%

Compensation costs recognized amounted to \$3,010 thousand for the year ended December 31, 2019.

On December 21, 2018, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining creditworthiness and shareholders' equity. Accordingly, as of February 11, 2019 (the last day of the share buyback period), the Corporation purchased 20,000 thousand treasury shares for \$151,272 thousand and cancelled the treasury shares on March 18, 2019.

On November 8, 2019, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining creditworthiness and shareholders' equity. Accordingly, as of January 10, 2020 (the last day of the share buyback period), the Corporation purchased 20,000 thousand treasury shares for \$163,578 thousand and cancelled the treasury shares on March 13, 2020.

## 27. ANALYSIS OF STATEMENT OF COMPREHENSIVE INCOME ITEMS

### a. Brokerage handling fee revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Handling fee revenue from brokered share trading	\$ 871,519	\$ 590,056
Handling fee revenue from brokered futures trading	735,859	703,917
Handling fee revenue from securities lending	7,594	11,738
Handling fees from securities financing	5,537	4,037
Others	<u>19,138</u>	<u>9,684</u>
	<u>\$ 1,639,647</u>	<u>\$ 1,319,432</u>

### b. Revenue from underwriting commission

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Processing fee revenue from underwriting operations	\$ 21,825	\$ 2,138
Revenue from underwriting securities on a firm commitment basis	10,596	4,660
Revenue from underwriting consultation	8,210	3,480
Others	<u>547</u>	<u>1,345</u>
	<u>\$ 41,178</u>	<u>\$ 11,623</u>

### c. Gains (losses) on sale of operating securities, net

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Proprietary	\$ 1,693,980	\$ 302,282
Underwriting	(994)	(19,425)
Hedging	<u>(422,584)</u>	<u>(317,128)</u>
	<u>\$ 1,270,402</u>	<u>\$ (34,271)</u>

d. Interest income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Financing interest	\$ 179,393	\$ 179,855
Bond interest	39,628	53,811
Interest from bond investments under resale agreements	17	79
Others	<u>483</u>	<u>421</u>
	<b><u>\$ 219,521</u></b>	<b><u>\$ 234,166</u></b>

e. Valuation gains on operating securities at FVTPL, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Proprietary	\$ 431,110	\$ 101,987
Underwriting	845	39,325
Hedging	<u>24,196</u>	<u>3,612</u>
	<b><u>\$ 456,151</u></b>	<b><u>\$ 144,924</u></b>

f. Gains on issuance of share warrants, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Gains on change in fair value of warrant liabilities	\$ 2,940,101	\$ 3,905,375
Gains (losses) on exercise of warrants before maturity	(1,226)	141
Losses on change in fair value of warrants redeemed - realized	(3,158,550)	(3,772,942)
Gains (losses) on change in fair value of warrants redeemed - unrealized	244,539	(87,507)
Share warrants issuance expenses	<u>(17,478)</u>	<u>(18,974)</u>
	<b><u>\$ 7,386</u></b>	<b><u>\$ 26,093</u></b>

g. Gains (losses) on derivative instruments, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<b><u>Gains (losses) on derivative instruments - futures, net</u></b>		
Options transactions	\$ 18,059	\$ (1,869)
Futures transactions	<u>(323,711)</u>	<u>62,309</u>
	<b><u>\$ (305,652)</u></b>	<b><u>\$ 60,440</u></b>
<b><u>Gains (losses) on derivative instruments - OTC, net</u></b>		
Asset swap options	\$ (408,669)	\$ (8,253)
Equity derivatives	(33,284)	4,279
Structured instruments	(7,096)	(6,081)
Value of asset swap IRS contracts	<u>(16,826)</u>	<u>(7,590)</u>
	<b><u>\$ (465,875)</u></b>	<b><u>\$ (17,645)</u></b>

h. Expected credit loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financial assets at amortized cost	\$ 5,375	\$ 99
Financial assets at fair value through other comprehensive income	<u>840</u>	<u>370</u>
	<u>\$ 6,215</u>	<u>\$ 469</u>

i. Other operating income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Processing revenue	\$ 20,456	\$ 13,704
Management commission	14,045	15,344
Commission revenue	13,901	25,328
Advisory revenue	4,998	3,792
Agency revenue	494	639
Loss on error trading	(2,647)	(1,558)
Foreign exchange loss, net	(32,190)	(25,637)
Others	<u>143</u>	<u>74</u>
	<u>\$ 19,200</u>	<u>\$ 31,686</u>

j. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest of commercial paper payable	\$ 29,322	\$ 34,971
Interest of liabilities for bonds with attached repurchase agreements	16,929	18,315
Loan interest	2,262	3,505
Interest of securities financing	1,247	1,391
Interest of lease liabilities	667	893
Others	<u>1,628</u>	<u>936</u>
	<u>\$ 52,055</u>	<u>\$ 60,011</u>

k. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Retirement benefits		
Defined contribution plan	\$ 34,493	\$ 32,982
Defined benefit plan	<u>4,404</u>	<u>4,803</u>
	38,897	37,785
Short-term employee benefits		
Salaries	1,154,126	805,084
Labor and health insurance	62,739	61,832
Others	<u>31,405</u>	<u>28,805</u>
	<u>\$ 1,287,167</u>	<u>\$ 933,506</u>

l. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of 1% to 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Corporation's Board of Directors on March 11, 2021 and March 12, 2020, respectively, are as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	<u>\$ 12,669</u>	<u>\$ 3,097</u>
Remuneration of directors	<u>\$ 56,435</u>	<u>\$ 13,796</u>

If there is a change in the estimated amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the next year.

There is no difference between the actual amount of compensation of employees and remuneration of directors resolved by the Board of Directors for 2019 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

The Corporation incurred a net loss in 2018, hence, there was no distribution of compensation of employees and remuneration of directors.

The information on the compensation of employees and remuneration of directors resolved by the Corporation's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

m. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<b><u>Depreciation</u></b>		
Property and equipment	\$ 27,389	\$ 29,473
Right-of-use assets	49,657	52,432
Investment property	<u>1,660</u>	<u>1,563</u>
	<u>\$ 78,706</u>	<u>\$ 83,468</u>
<b><u>Amortization</u></b>		
Intangible assets	\$ 11,883	\$ 14,322
Deferred expense	<u>186</u>	<u>207</u>
	<u>\$ 12,069</u>	<u>\$ 14,529</u>



n. Other operating expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Taxes	\$ 192,964	\$ 138,680
Information technology expenses	85,887	102,153
Postage expenses	35,597	35,814
Securities borrowing fees	28,272	39,691
Repair and maintenance expenses	24,693	24,547
Depository service expenses	23,636	17,390
Professional service fees	18,151	14,694
Utilities fees	13,365	14,759
Entertainment expenses	10,841	10,266
Others	<u>65,079</u>	<u>69,054</u>
	<u>\$ 498,485</u>	<u>\$ 467,048</u>

o. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental revenue from the use of venue and equipment	\$ 43,505	\$ 44,363
Financial income	36,111	65,233
Dividend income	16,542	16,293
Other rental income from investment properties	10,560	10,279
Valuation gains on non-operating financial assets at fair value through profit or loss, net	8,065	1,960
Losses on disposal of property and equipment	(542)	(396)
Gains (losses) on disposal of investments	(1,049)	808
Exchange losses, net	(2,224)	(1,641)
Others	<u>28,225</u>	<u>12,868</u>
	<u>\$ 139,193</u>	<u>\$ 149,767</u>

## 28. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 88,662	\$ 54,723
Income tax on unappropriated retained earnings	299	-
Adjustment for prior year	<u>3,782</u>	<u>(22,714)</u>
	92,743	32,009
Deferred tax		
In respect of the current year	<u>(40,703)</u>	<u>(11,915)</u>
Income tax expense recognized in profit or loss	<u>\$ 52,040</u>	<u>\$ 20,094</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax from continuing operations	<u>\$ 1,141,854</u>	<u>\$ 308,461</u>
Income tax expense calculated at the statutory rate	\$ 248,933	\$ 78,813
Nondeductible expenses in determining taxable income	(112,895)	(32,142)
Tax-exempt income	(216,940)	(2,580)
Adjustments for prior years' tax expense	3,782	(22,714)
Income tax on unappropriated retained earnings	299	-
Others	<u>128,861</u>	<u>(1,283)</u>
Income tax expense recognized in profit or loss	<u>\$ 52,040</u>	<u>\$ 20,094</u>
b. Income tax recognized in other comprehensive income (loss)		

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (185)	\$ (44)
Actuarial gains (losses) on defined benefit plans	<u>(12,573)</u>	<u>619</u>
Total income tax expense (benefit) recognized in other comprehensive income (loss)	<u>\$ (12,578)</u>	<u>\$ 575</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	<u>\$ 14,790</u>	<u>\$ 22,176</u>
Current tax liabilities		
Income tax payable	<u>\$ 99,101</u>	<u>\$ 19,285</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign subsidiary accounted for using equity method	\$ 55,874	\$ (2,641)	\$ -	\$ 53,233
Defined benefit plans	33,215	(8,252)	12,573	37,536
Unrealized losses	52,772	(51,680)	-	1,092
Payables for annual leave	4,062	64	-	4,126
Unrealized exchange losses	16,816	6,438	-	23,254
Exchange differences on the translation of foreign operations	1,595	-	185	1,780
Valuation loss on foreign futures	2,764	17,632	-	20,396
Loss on derivative financial instruments	3,076	55,816	-	58,892
Others	<u>36</u>	<u>23,838</u>	<u>-</u>	<u>23,874</u>
	<u>\$ 170,210</u>	<u>\$ 41,215</u>	<u>\$ 12,758</u>	<u>\$ 224,183</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Valuation gain on foreign operating securities	<u>\$ 154</u>	<u>\$ 512</u>	<u>\$ -</u>	<u>\$ 666</u>

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign subsidiary accounted for using equity method	\$ 55,872	\$ 2	\$ -	\$ 55,874
Defined benefit plans	35,814	(1,980)	(619)	33,215
Unrealized losses	52,852	(80)	-	52,772
Payables for annual leave	4,105	(43)	-	4,062
Unrealized exchange losses	11,871	4,945	-	16,816
Exchange differences on the translation of foreign operations	1,551	-	44	1,595
Valuation loss on foreign futures	-	2,764	-	2,764
Loss on derivative financial instruments	-	3,076	-	3,076
Others	<u>26</u>	<u>10</u>	<u>-</u>	<u>36</u>
	<u>\$ 162,091</u>	<u>\$ 8,694</u>	<u>\$ (575)</u>	<u>\$ 170,210</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Valuation gain on foreign operating securities	\$ -	\$ 154	\$ -	\$ 154
Valuation gain on foreign futures	122	(122)	-	-
Gain on derivative financial instruments	<u>3,253</u>	<u>(3,253)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,375</u>	<u>\$ (3,221)</u>	<u>\$ -</u>	<u>\$ 154</u>

- e. Deductible temporary differences and unused loss carryforwards that have not been recognized as deferred tax assets in the consolidated balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Asset impairment	<u>\$ 1,918</u>	<u>\$ 1,918</u>
Loss carryforwards		
Expiry in 2021	\$ 5,404	\$ 5,404
Expiry in 2022	4,164	4,164
Expiry in 2023	8,747	8,747
Expiry in 2024	3,974	3,974
Expiry in 2025	4,605	4,605
Expiry in 2026	9,225	9,225
Expiry in 2027	7,024	7,024
Expiry in 2028	714	714
Expiry in 2029	4,105	4,105
Expiry in 2030	<u>6,181</u>	<u>-</u>
	<u>\$ 54,143</u>	<u>\$ 47,962</u>

- f. Income tax assessments

The income tax returns of the Corporation through 2018, except 2017, have been examined by the tax authorities, who made the decision to reduce the Corporation's tax refund receivable for the years 2014 to 2016. However, the Corporation disagreed with the tax assessments of 2014 to 2016 and applied for a recheck. In June 2019, the Corporation received the letter of the recheck decision for the tax assessments for 2014 and 2015, and recognized the income tax benefit of \$17,748 thousand. In July 2019, the Corporation received the recheck decision for 2016, and recognized the income tax benefit of \$4,963 thousand.

The income tax returns of Concord Futures and Concord Insurance through 2018 have been examined by the tax authorities.

The income tax returns of Concord Capital Management and Kang-Lian AMC through 2019 have been examined by the tax authorities.

Concord Managed Futures implemented liquidation in March 2019, and the income tax returns through 2018 and from January 1 to March 20, 2019 have been examined by the tax authorities.

## 29. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 17, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

	<b>Unit: NT\$ Per Share</b>	
	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 0.47</u>	<u>\$ 0.47</u>
Diluted earnings per share	<u>\$ 0.47</u>	<u>\$ 0.47</u>

The calculation of earnings per share was as follows:

	<b>Amount (Numerator) After Income Tax</b>	<b>Number of Shares (Denominator) (In Thousands)</b>	<b>Earnings Per Share After Income Tax (In Dollars)</b>
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	\$ 1,084,976	594,455	<u>\$ 1.83</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>                  -</u>	<u>          993</u>	
Diluted earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	<u>\$ 1,084,976</u>	<u>595,448</u>	<u>\$ 1.82</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	\$ 284,352	608,883	<u>\$ 0.47</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>                  -</u>	<u>          382</u>	
Diluted earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	<u>\$ 284,352</u>	<u>609,265</u>	<u>\$ 0.47</u>

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation was settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect was dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The impact of outstanding treasury shares had been considered during the calculation of earnings per share.

### 30. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt and equity.

Key management personnel of the Corporation review the cost of capital of the Group and related risk of the capital structure on a regular basis. They also adjust the overall capital structure by paying dividends, issuing new debts, settling original debts, etc.

The Corporation files the capital adequacy ratio to relevant authorities on a monthly basis in accordance with the Regulations Governing Securities Firms. The Corporation's capital adequacy ratio is 264% and 338% for the years ended December 31, 2020 and 2019, respectively.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments

##### 1) Financial instruments not measured at fair value

The management of the Group believes the carrying amounts of financial assets and financial liabilities not measured at fair value recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

##### 2) Financial instruments measured at fair value that are measured at fair value on a recurring basis

#### Fair value hierarchy

#### December 31, 2020

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Financial assets mandatorily measured at FVTPL	\$ 7,595,176	\$ 2,603,739	\$ -	\$ 10,198,915
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Unlisted shares	-	-	786,678	786,678
Investments in debt instruments				
Government bonds	-	301,941	-	301,941
Domestic corporate bonds	-	403,152	-	403,152
Foreign corporate bonds	-	772,495	-	772,495
	<u>\$ 7,595,176</u>	<u>\$ 4,081,327</u>	<u>\$ 786,678</u>	<u>\$ 12,463,181</u>
<u>Financial liabilities at FVTPL</u>				
Financial liabilities held for trading	\$ 621,232	\$ 845,569	\$ -	\$ 1,466,801
Financial liabilities designated as at FVTPL	-	486,550	-	486,550
	<u>\$ 621,232</u>	<u>\$ 1,332,119</u>	<u>\$ -</u>	<u>\$ 1,953,351</u>

#### December 31, 2019

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Financial assets mandatorily measured at FVTPL	\$ 3,828,756	\$ 2,963,944	\$ -	\$ 6,792,700
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Unlisted shares	-	-	655,500	655,500
Investments in debt instruments				
Government bonds	-	300,260	-	300,260
Domestic corporate bonds	-	200,497	-	200,497
Foreign corporate bonds	-	149,888	-	149,888
	<u>\$ 3,828,756</u>	<u>\$ 3,614,589</u>	<u>\$ 655,500</u>	<u>\$ 8,098,845</u>
<u>Financial liabilities at FVTPL</u>				
Financial liabilities held for trading	\$ 400,712	\$ 328,218	\$ -	\$ 728,930
Financial liabilities designated as at FVTPL	-	350,812	-	350,812
	<u>\$ 400,712</u>	<u>\$ 679,030</u>	<u>\$ -</u>	<u>\$ 1,079,742</u>

Transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019 were due mainly to the determination of whether part of the Group's emerging market shares and convertible bonds were investments with an active market based on observation of the transaction volume of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 655,500	\$ 330,344
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	137,778	118,841
Capital reduction	(6,600)	-
Purchases	<u>-</u>	<u>206,315</u>
Balance at December 31	<u>\$ 786,678</u>	<u>\$ 655,500</u>

4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Corporate bond investments	Discounted using the market rate announced by the Taipei Exchange or using the credit rating equal or equivalent to the yield rate curve.
Value of asset swap IRS contracts	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate announced by Bloomberg.
Asset swap options	The closing price of the convertible bond on the same day minus straight bond value: Straight bond value is the present value of future cash flows discounted at the risk-adjusted premium based on the zero-risk rate that a convertible bond would provide. The zero-risk rate is the short-term commercial paper rate announced by Bloomberg.
Structured instruments	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate announced by Bloomberg.
Emerging stock	Fair value estimated based on the average transaction price on the base date or the first 20 business days (including the base date).

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined by using the market and asset approaches. In these approaches, the fair value of the unlisted securities is determined based on the share price of comparable companies in an active market, and its price value multiplier and other related information, where the significant unobservable input used is the discount for lack of marketability.



If the discount for lack of marketability used in the valuation model was changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount for lack of marketability		
10% increase	<u>\$ (13,120)</u>	<u>\$ (11,040)</u>
10% decrease	<u>\$ 13,117</u>	<u>\$ 11,001</u>

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily measured at FVTPL	\$ 10,198,915	\$ 6,792,700
Financial assets at amortized cost (Note 1)	19,810,597	14,416,983
FVTOCI		
Equity instrument investments	786,678	655,500
Debt instrument investments	1,477,588	650,645
Operating deposits	520,000	572,000
Clearing and settlement fund	193,118	189,425
Refundable deposits	45,774	50,894
<u>Financial liabilities</u>		
FVTPL		
Held for trading	1,466,801	728,930
Designated as at FVTPL	486,550	350,812
Financial liabilities at amortized cost (Note 2)	24,712,798	16,894,231
Guarantee deposits received	2,458	3,060

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, customer margin account (excluding securities), futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable (including related parties), other receivables, other financial assets - current and restricted assets - current.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, security lending refundable deposits, futures traders equity, accounts payable and other payables.

The difference between the carrying amount and contractual amount at maturity of financial liabilities designated as at FVTPL was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial liabilities designated as at FVTPL	\$ 486,550	\$ 350,812
Amount payable at maturity	<u>(506,084)</u>	<u>(361,814)</u>
	<u>\$ (19,534)</u>	<u>\$ (11,002)</u>

The Group designated structured instruments as financial liabilities designated as at FVTPL. The change in fair value was attributable to market risk factors.

c. Financial risk management objectives and policies

1) Risk management system

Policies of risk management

The Corporation's risk management policies in accordance with operating goals are to prevent any possible loss within the bearable risk exposures, maximize stockholders' wealth by balancing risks and returns, and optimize the asset allocation.

Risk management policies are the prime directives of the Group's risk management. They are applied to the Corporation and each subsidiary. All regulations related to risk management should be made in accordance with the risk management policies.

The process of formulating and approving risk management policies

The Corporation's risk management policies, risk management regulations and commodity operation procedures are drafted and revised by the authorized departments based on suggestions and opinions of other departments before reporting them to the risk management committee.

The risk management committee, which is under the Board of Directors (the highest risk management unit), is responsible for strengthening the overall risk management control and setting relationships between goals and risks in order to determine capital allocation and operating policies. The responsibilities of the risk management office are to verify the source of risks and to evaluate and quantify the influence of risks. Managers of business units are responsible for the daily risk management and reporting of their respective units.

The Corporation holds risk management meetings at least twice a year, where the participants are appointed by the chairman. In the meetings, the authorization and investment quotas are determined based on market risk, credit risk, liquidity risk, operational risk and legal risk, and the managers of each business unit should manage the risks according to the authorization and investment quotas. Any revisions of the investment quotas should be approved by the general manager and reported to the risk management committee for approval.

### Organizational structure of the risk management system

The Corporation's risk management organizational structure includes the Board of Directors, risk management committee, risk management office, department of finance, department of internal audit, department of compliance and the business units. The duties and functions of each division are as follows:

a) Board of directors

The Corporation's Board of Directors is the highest risk management unit. In compliance with the laws and with the promotion and implementation of the Corporation's overall risk management as the goal, the board of directors takes the ultimate responsibility for risk management and ensures the effectiveness of risk management by understanding the risks faced by its securities operations.

b) Risk management committee

The committee is under the Board of Directors and consists of members of the Board of Directors. Its function is to assist the Board of Directors in the planning and monitoring of the related risk management affairs.

c) Risk management office

The risk management office is under the Board of Directors and independent of other departments. It is in charge of monitoring, measuring and evaluating the daily risks and to ensure the risks of the Corporation and each business unit are within the authorized investment quotas. The head of the risk management office evaluates and monitors the daily risks, and the appointment or removal of the head should be approved by the Board of Directors.

d) Department of finance

The department of finance is independent of other business units, and is responsible for monitoring the use of funds of each business unit. When there is an urgent need for fund procurement, the department of finance can respond based on the emergency response procedures.

e) Department of internal audit

The department of internal audit is under the Board of Directors and independent of other departments, and is responsible for the planning and execution of the audit business. It is responsible for auditing items related to finance, business execution, internal control and implementation of the laws of the Corporation and its subsidiaries, in order to ensure the Corporation manages the operational risk effectively.

f) Department of compliance

The department of compliance is responsible for compliance with the laws and legal review of contracts. In order to mitigate the effect of changes in laws and regulations issued by the authorities, the department examines the internal regulations at announced times and maintains complete audit procedures to assure the appropriateness and legality of all transactions.

g) Business units

The manager of each business unit takes first-line responsibility in analyzing and monitoring all risks and ensures all risks are under control and all risk management procedures are effective.

The risk management office periodically reports the results of the risk management objective, profit or loss of positions, sensitivity analysis, stress tests, etc. to the risk management committee or the Board of Directors. The Corporation also put in place effective reporting procedures, transaction limits and stop-loss strategy. If the transaction meets the stop-loss criteria, the strategy should be immediately executed, otherwise the business unit should report the reason for not executing the stop-loss strategy and the corresponding plan to the management for approval.

## 2) Market risk

The Corporation had established an effective risk measurement system to identify the effect of market risk factors, such as interest rate, exchange rate and equity and commodity price risks on its trading positions, and measures the potential risks of the Corporation's on- and off- balance sheet positions based on changes in these risk factors.

The Corporation measures market risk using Value at Risk (VaR) and sensitivity analysis. The Corporation executes stress testing at the end of each month to identify the bearable level of tolerance in the face of financial crisis. VaR refers to the maximum potential loss of financial instruments in a given holding period and specified confidence level. To ensure the accuracy of the VaR model, the Corporation performs backtesting regularly.

Historical VaR (Confidence Level 99%, One-day)	For the Year Ended December 31, 2020			December 31	
	Average	Minimum	Maximum	2020	2019
<u>Type of risk</u>					
Equity securities	\$ 88,561	\$ 21,584	\$ 143,566	\$ 98,361	\$ 33,755
Interest rate	12,606	4,265	29,902	17,583	10,400
Diversification of risks	<u>(17,074)</u>			<u>(13,555)</u>	<u>(15,130)</u>
Total VaR exposure	<u>\$ 84,093</u>			<u>\$ 102,389</u>	<u>\$ 29,025</u>

The Corporation uses sensitivity analysis to measure the sensitivity of its bond investments to individual risk factors. The Corporation controls the upper limit of trading positions based on the impact of a 0.01% change in interest rates on the profit or loss of the investment portfolio. If the market interest rate increased by 0.01%, the fair value of the bond investments would have decreased by \$2,346 thousand and \$1,748 thousand as of December 31, 2020 and 2019, respectively. The Corporation uses the scenario of the appreciation and depreciation of the New Taiwan dollar to analyze the sensitivity of foreign currency risk. When the New Taiwan dollar appreciates/depreciates 3% against the relevant foreign currencies, there would be a decrease/increase in profit of \$18,112 thousand and \$11,540 thousand for the years ended December 31, 2020 and 2019, respectively.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of each reporting period were as follows:

	December 31	
	2020	2019
Interest rate risk of fair value		
Financial assets	\$ 9,476,224	\$ 8,162,193
Financial liabilities	12,725,791	9,447,233
Interest rate risk of cash flow		
Financial assets	8,559,102	5,830,530
Financial liabilities	4,002,673	3,642,655

Besides the above-mentioned measurement of market risk, the Corporation also uses scenario analysis to assess the changes in value of its asset portfolio and implements stress testing at the end of each month to measure the abnormal loss under extreme conditions.

### 3) Credit risk

Credit risk refers to the risk that an issuer, guarantor or counterparty will default on its contractual obligations in securities or derivative instruments trading in the primary and secondary markets, resulting in a financial loss to the Group. The Group has in place a rating system to control the credit risk from counterparties.

The monitoring of brokerage customers is supported by credit check procedures. The credit check procedures are required to be authorized by different levels of management to ensure the settlement risk is effectively reduced.

There is no concentration of credit risk on accounts receivable because of the large number of customers; no transactions are concentrated on one single customer and the operating locations are diversified. To decrease credit risk, the Group evaluates the financial conditions of customers regularly and continuously, and customers are required to provide sufficient collateral before credit is extended.

At the end of each reporting period, the carrying amount of financial assets is the amount of maximum exposure to credit risk.

The financial effect related to the amount of maximum exposure to credit risk of financial assets recognized in the consolidated balance sheets and the collateral held is as follows:

	<b>Maximum Exposure to Credit Risk</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Margin loans receivable	<u>\$ 4,695,748</u>	<u>\$ 3,435,417</u>

### 4) Liquidity risk

#### Liquidity risk and interest rate risk table

The following table details the maturity analysis of the Group's remaining contractual financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group was likely to be required to pay.

#### December 31, 2020

	<b>Within 1 Year</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>Derivative financial liabilities</u>					
Non-interest bearing	\$ 903,278	\$ -	\$ -	\$ -	\$ 903,278
Fixed interest rate	2,287,854	-	-	-	2,287,854
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	8,584,089	-	2,458	-	8,586,547
Variable interest rate	4,002,673	-	-	-	4,002,673
Fixed interest rate	12,659,864	-	-	-	12,659,864
Lease liabilities	<u>47,597</u>	<u>12,285</u>	<u>11,404</u>	<u>-</u>	<u>71,286</u>
	<u>\$ 28,485,355</u>	<u>\$ 12,285</u>	<u>\$ 13,862</u>	<u>\$ -</u>	<u>\$ 28,511,502</u>

December 31, 2019

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
<u>Derivative financial liabilities</u>					
Non-interest bearing	\$ 355,001	\$ -	\$ -	\$ -	\$ 355,001
Fixed interest rate	2,010,887	-	-	-	2,010,887
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	4,263,261	-	3,060	-	4,266,321
Variable interest rate	3,642,655	-	-	-	3,642,655
Fixed interest rate	9,346,417	-	-	-	9,346,417
Lease liabilities	48,862	41,698	14,203	-	104,763
	<u>\$ 19,667,083</u>	<u>\$ 41,698</u>	<u>\$ 17,263</u>	<u>\$ -</u>	<u>\$ 19,726,044</u>

The amounts of financial liabilities with variable interest rates listed in the table above were subject to change if variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Financing facilities

Financing facilities at the end of each reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Financing facilities	<u>\$ 16,700,000</u>	<u>\$ 15,013,000</u>
Unused amount	<u>\$ 11,500,000</u>	<u>\$ 11,239,700</u>

d. Transfers of financial assets

In the daily transactions of the Group, most of the transferred financial assets which are not eligible for full derecognition are debt securities with repurchase agreements. In such transactions, the cash flows have been transferred to outsiders and the Group has the obligation to recognize the related liabilities of transferred financial assets which have to be repurchased at a fixed amount in the future. In addition, the Group has no right to conduct, sell, or pledge the transferred financial assets during the effective period of transaction, but is still exposed to interest rate risk and credit risk. As a result, the transferred financial assets cannot be fully derecognized. The following table shows the transferred financial assets not qualified for derecognition and its related financial liabilities:

December 31, 2020

Type of Financial Asset	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreements	\$ 6,651,160	\$ 4,879,368	\$ 6,651,160	\$ 4,879,368	\$ 1,771,792

December 31, 2019

Type of Financial Asset	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreements	\$ 4,527,080	\$ 3,187,258	\$ 4,527,080	\$ 3,187,258	\$ 1,339,822

e. Offsetting of financial assets and financial liabilities

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2020

Financial Instrument	Gross Amount of Recognized Financial Assets (Liabilities)	Gross Amount of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amount of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amount Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Accounts receivable	\$ 5,923,305	\$ (4,930)	\$ 5,918,375	\$ (304)	\$ -	\$ 5,918,071
Accounts payable	\$ (7,512,894)	\$ 4,930	\$ (7,507,964)	\$ 304	\$ -	\$ (7,507,660)
Liabilities for bonds with attached repurchase agreements	\$ (4,879,368)	\$ -	\$ (4,879,368)	\$ 4,879,368	\$ -	\$ -

December 31, 2019

Financial Instrument	Gross Amount of Recognized Financial Assets (Liabilities)	Gross Amount of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amount of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amount Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Accounts receivable	\$ 3,794,969	\$ (29,303)	\$ 3,765,666	\$ (548,085)	\$ -	\$ 3,217,581
Bond investment under resale agreements	\$ 697,687	\$ -	\$ 697,687	\$ (697,687)	\$ -	\$ -
Accounts payable	\$ (3,688,821)	\$ 29,303	\$ (3,659,518)	\$ 548,085	\$ -	\$ (3,111,433)
Liabilities for bonds with attached repurchase agreements	\$ (3,187,258)	\$ -	\$ (3,187,258)	\$ 3,187,258	\$ -	\$ -

**32. TRANSACTIONS WITH RELATED PARTIES**

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of major transactions between the Corporation and other related parties are summarized disclosed below:

Related party names and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Tai-Yo Investment Corp.(Tai-Yo Investment)	Related party in substance (unrelated since December 2019)
Hwa-Ho Asset Management Corp.	Associate
The Corporation's directors, general manager, vice general managers, assistant vice presidents, and department heads	Key management personnel
Supervisor of Concord Futures	Supervisor of the subsidiary (related since May 2020)

a. Margin loans receivable

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Key management personnel	\$ <u>6,558</u>	\$ <u>3,078</u>

b. Liabilities for bonds with attached repurchase agreements

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Key management personnel	\$ <u>182,060</u>	\$ <u>203,227</u>

The transaction terms of bonds with attached repurchase agreements with related parties are not significantly different compared to those with third parties.

c. Brokerage handling fee revenue

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Key management personnel	\$ <u>1,543</u>	\$ <u>1,852</u>

The terms of the securities brokerage transactions with related parties are not significantly different compared to those with third parties.

d. Interest income

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Key management personnel	\$ <u>91</u>	\$ <u>174</u>

e. Finance costs

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
Associate	\$ -	\$ 4
Key management personnel	<u>593</u>	<u>254</u>
	<u>\$ 593</u>	<u>\$ 258</u>

The Group took on a short-term loan of \$1,000 thousand from its associate in April 2019, and fully repaid the loan in June 2019.



f. Lease agreements

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Acquisition of right-of-use assets</u>		
Tai-Yo Investment	\$ <u>-</u>	\$ <u>26,181</u>
<u>Lease liabilities</u>		
Supervisor of the subsidiary	\$ <u>4,397</u>	\$ <u>-</u>
<u>Finance costs</u>		
Supervisor of the subsidiary	\$ 24	\$ -
Tai-Yo Investment	<u>-</u>	<u>151</u>
	<u>\$ 24</u>	<u>\$ 151</u>

- g. For the years ended December 31, 2020 and 2019, the rental revenue generated by leasing some of the parking spaces to a related party was as follows:

<b>Related Party Category/Name</b>	<b>Lease Term</b>	<b>Underlying Asset</b>	<b>Rental Payment - Timing</b>	<b>Rental Payment - Basis</b>	<b>Rental Amount</b>
<u>For the year ended December 31, 2020</u>					
Associate	2020.01.01-2020.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Quarterly	Contract	\$ <u>108</u>
<u>For the year ended December 31, 2019</u>					
Associate	2019.01.01-2019.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Quarterly	Contract	\$ <u>72</u>

As of December 31, 2020 and 2019, the balance of the rental deposits received by the Group from the related party was both \$20 thousand.

h. Equity derivative transactions

The Group's key management personnel bought equity derivatives from the Group in 2020 and 2019, and the unexpired amount as of December 31, 2020 and 2019 were \$226 thousand and \$148 thousand, respectively, (recognized as financial liabilities at fair value through profit or loss - current). The related income (loss) in 2020 and 2019 were as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Gain (loss) on derivative instruments, net	\$ <u>(219)</u>	\$ <u>1,196</u>
Other operating income (processing revenue)	\$ <u>61</u>	\$ <u>106</u>

i. Remuneration of key management personnel

The remuneration of the Group's directors and key management personnel for their services rendered for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 200,341	\$ 99,526
Retirement benefits	<u>1,415</u>	<u>1,337</u>
	<u>\$ 201,756</u>	<u>\$ 100,863</u>

The Group determines the remuneration of the directors and key management personnel in accordance with the Corporation's Articles of Incorporation and other regulations, and by reference to the market compensation level and financial performance. The remuneration committee periodically reviews the regulations and makes recommendations for amendments.

### 33. PLEDGED OR MORTGAGED ASSETS

At the end of each reporting period, the Group pledges the following assets as bid bonds to the Central Bank of ROC for bond transactions and as collateral to financial institutions for the issuance of guaranteed commercial papers, bank loans, credit lines and guarantees for equipment leasing.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Restricted demand and time deposits	\$ 227,150	\$ 374,704
Government bonds	-	10,049
Property and equipment, net		
Land	715,507	715,507
Buildings	141,002	145,755
Investment property, net		
Land	277,264	277,264
Buildings	<u>36,650</u>	<u>38,064</u>
	<u>\$ 1,397,573</u>	<u>\$ 1,561,343</u>

### 34. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. On March 3, 2021, the Corporation received a civil complaint in which eight plaintiffs claimed that the Corporation's manager had violated the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies when the Corporation's manager was mandated by Company A to handle the matters regarding voting rights and the solicitation of proxies for attendance at the shareholders' meeting, and requested the Corporation and its manager to be jointly liable for the compensation of \$9,624 thousand for the damages incurred. The Corporation's management assessed that there is no significant impact of the aforementioned case on its operations and financial performance.

- b. As of December 31, 2020, the Corporation applied for a guarantee amounting to \$150,000 thousand from financial institutions, which was for the securities lending and borrowing business.

### 35. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Other than the information disclosed in other notes, there were no other significant subsequent events.

### 36. FINANCIAL RATIOS BASED ON THE FUTURES TRADING LAW

All financial ratios of the subsidiary, Concord Futures, were in conformity with the Futures Trading Law and were summarized as follows:

	Calculation Formula	December 31				Benchmark	Conclusion
		2020		2019			
		Equation	Ratio (%)	Equation	Ratio (%)		
1)	$\frac{\text{Equities}}{\text{Total liabilities} - \text{Futures traders equity}}$	$\frac{\$1,272,893}{\$142,863}$	=8.91	$\frac{\$1,165,357}{\$130,214}$	=8.95	$\geq 1$	Conform with law
2)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$4,857,164}{\$4,283,096}$	=1.13	$\frac{\$4,351,009}{\$3,857,055}$	=1.13	$\geq 1$	Conform with law
3)	$\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$1,272,893}{\$630,000}$	=202.05%	$\frac{\$1,165,357}{\$645,000}$	=180.68%	$\geq 60\%$ $\geq 40\%$	Conform with law
4)	$\frac{\text{Adjusted net capital}}{\text{Amount of customer margin account for open position of futures traders equity}}$	$\frac{\$943,035}{\$797,968}$	=118.18%	$\frac{\$826,007}{\$759,403}$	=108.77%	$\geq 20\%$ $\geq 15\%$	Conform with law

### 37. SPECIFIC RISK OF FUTURES PROPRIETARY, BROKERAGE AND MANAGED FUTURES

#### Futures Proprietary

When the subsidiary, Concord Futures engages in futures proprietary, the specific risk is the market price risk of the underlying assets. The Group set stop-loss limits for the futures transactions so that any loss incurred can be controlled within the expected range.

#### Futures Brokerage

Since futures transactions are leveraged transactions with low margin, the risks include the following: When the futures market price is not favorable to the futures contract held by the traders, futures commission merchants can require the traders to top up their margin deposits in order to maintain the margin level; if the traders fail to do so in the required period, futures commission merchants have the duty to offset the futures contracts on behalf of the traders. In addition, there is also the risk of increased losses due to the inability of traders to settle their futures contracts as a result of dramatic changes in the market.

### 38. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were summarized as follows:

Unit: Foreign Currencies/NT\$ in Thousands

	December 31					
	2020			2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 49,342	28.4800	\$ 1,405,272	\$ 49,253	29.9800	\$ 1,476,603
CNY	92,396	4.3770	404,418	43,534	4.3050	187,414
HKD	12,215	3.6730	44,866	14,885	3.8490	57,292
EUR	325	35.0200	11,398	534	33.5900	17,935
JPY	26,193	0.2763	7,237	122,097	0.2760	33,699
GBP	51	38.9000	1,986	102	39.3600	4,026
SGD	46	21.5600	985	-	-	-
Non-monetary items						
USD	32,006	28.4800	911,532	10,824	29.9800	324,507
CNY	50,426	4.3770	220,713	8,963	4.3050	38,587
HKD	39,536	3.6730	145,216	23,020	3.8490	88,605
<u>Financial liabilities</u>						
Monetary items						
USD	13,903	28.4800	395,954	13,338	29.9800	399,873
HKD	14,306	3.6730	52,545	12,554	3.8490	48,321
EUR	218	35.0200	7,649	431	33.5900	14,481
JPY	24,753	0.2763	6,839	61,183	0.2760	16,887
GBP	37	38.9000	1,447	97	39.3600	3,811
CNY	257	4.3770	1,123	781	4.3050	3,363
SGD	44	21.5600	958	-	-	-
Non-monetary items						
USD	27,049	28.4800	770,351	-	-	-
CNY	40,709	4.3770	178,182	-	-	-

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$34,414 thousand and \$27,278 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the entities in the Group.

### 39. ADDITIONAL DISCLOSURES

a. Following are additional disclosures required by the SFB for the Corporation:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: None.
- 3) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 4) Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Total discounts of commissions to related parties of at least NT\$5 million: None.

- 6) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - 7) Intercompany relationships and significant intercompany transactions: Table 2 (attached).
- b. Information of investees
- 1) When the Corporation directly or indirectly exercises significant influence on or obtains control of investees, related information should be disclosed: Table 1 (attached).
  - 2) When the Corporation directly or indirectly obtains control of investees, the following information regarding significant transactions with the investee should be disclosed:
    - a) Financing provided: None.
    - b) Endorsements/guarantees provided: None.
    - c) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
    - d) Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
    - e) Total discounts of commissions to related parties of at least NT\$5 million: None.
    - f) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- c. Information on foreign branches and representative offices abroad: None.
- d. Information on investments in mainland China:
- Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investments income, and limit on the amount of investment in the mainland China area: Table 3 (attached).
- e. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

#### **40. DISCLOSURES REQUIRED UNDER RULE NO. 10703209011 ISSUED BY THE FSC DATED JUNE 1, 2018**

The foreign entity registered in non-IOSCO MMoU member or without formal permission as securities or futures firm from IOSCO MMoU member in which the Corporation has invested is Concord Capital Holdings (Cayman) Ltd. It is a holding company for investment. Supplementary disclosures of the financial statements for the year ended December 31, 2020 were as follows:

- a. Balance sheets: Table 4 (attached).
- b. Statements of comprehensive income: Table 5 (attached).

- c. Securities held: None.
- d. Derivative financial transactions and the source of capital: None.
- e. Revenue from assets management business, services and litigation: None.

#### 41. SEGMENT INFORMATION

Information which is provided to the chief operating decision-maker for the purposes of allocating resources and evaluating the segment performance focuses on types of services provided. According to primary revenues, proprietary, brokerage and underwriting departments' information should be reported by the Group.

The proprietary department engages in trading securities and futures transactions for hedging. The brokerage department engages in securities brokerage and margin purchase and short sale. The underwriting department engages in best efforts underwriting or firm commitment underwritings. The financial performance of each reporting segments was as follows:

##### Segment revenue and results

The following was an analysis of the Group's revenue and operating performance from continuing operations by reporting segments.

Unit: NT\$ Thousand					
Item	For the Year Ended December 31, 2020				
	Proprietary	Brokerage	Underwriting	Other	Total
Profit and loss attributed to each segment					
Revenue	\$ 1,401,316	\$ 1,844,109	\$ 64,182	\$ 29,382	\$ 3,338,989
Costs and expenses	<u>(445,046)</u>	<u>(1,346,971)</u>	<u>(55,225)</u>	<u>(36,144)</u>	<u>(1,883,386)</u>
Profit and loss - by segment	<u>\$ 956,270</u>	<u>\$ 497,138</u>	<u>\$ 8,957</u>	<u>\$ (6,762)</u>	1,455,603
Profit and loss not attributed to segments					<u>(313,749)</u>
Profit before income tax					1,141,854
Income tax expense					<u>(52,040)</u>
Net profit for the year					1,089,814
Other comprehensive income					<u>95,428</u>
Total comprehensive income for the year					<u>\$ 1,185,242</u>
Item	For the Year Ended December 31, 2019				
	Proprietary	Brokerage	Underwriting	Other	Total
Profit and loss attributed to each segment					
Revenue	\$ 535,223	\$ 1,543,637	\$ 53,845	\$ 40,834	\$ 2,173,539
Costs and expenses	<u>(256,718)</u>	<u>(1,209,072)</u>	<u>(59,946)</u>	<u>(30,559)</u>	<u>(1,556,295)</u>
Profit and loss - by segment	<u>\$ 278,505</u>	<u>\$ 334,565</u>	<u>\$ (6,101)</u>	<u>\$ 10,275</u>	617,244
Profit and loss not attributed to segments					<u>(308,783)</u>
Profit before income tax					308,461
Income tax expense					<u>(20,094)</u>
Net profit for the year					288,367
Other comprehensive income					<u>126,050</u>
Total comprehensive income for the year					<u>\$ 414,417</u>

## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Date of Incorporation	Rule No. Issued by Financial Supervisory Commission	Main Businesses	Investment Amount		Balance as of December 31, 2020			Operating Income of the Investee	Net Profit (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount					
The Corporation	Concord Futures Corp. Ltd.	5F, No. 143, Fuhshing N. Rd., Taipei City	July 7, 1999		Foreign and domestic futures proprietary, brokerage and consulting services	\$ 559,654	\$ 559,654	78,005,571	95.71	\$ 1,218,379	\$ 762,358	\$ 112,829	\$ 107,973	\$ 62,292	Subsidiary (Note 1)
	Kang-Lian AMC. Co., Ltd.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	September 5, 2003		Investment, business management advisory services and asset management services	230,000	230,000	54,900,000	100.00	577,414	-	23,052	23,052	-	Subsidiary (Note 1)
	Concord Capital Holdings (Cayman) Limited	Cayman Islands	May 12, 1997	Apr. 23, 1997 (1997) No. Tai-Tsai-Cheng (2) 26713	Holding company	296,334	296,334	9,333,000	100.00	21,265	-	13,206	13,206	-	Subsidiary (Notes 1 and 3)
	Concord Managed Futures Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	December 16, 2003		Note 2	198,664	198,664	18,000,000	60.00	159,452	-	1,261	756	-	Subsidiary (Note 1)
	Concord Capital Management Corp.	9F, No. 176, Jilung Rd., Sec. 1, Taipei City	May 25, 1988		Securities investment advisory services	81,599	90,326	7,000,000	100.00	90,978	21,483	(5,690)	(5,690)	-	Subsidiary (Notes 1 and 4)
	Concord Insurance Agent Corp.	10F, No. 176, Jilung Rd., Sec. 1, Taipei City	October 4, 2013	Jan. 10, 2013 No. Financial-Supervisory -Securities-Firms-101 0056608 and Jun. 23, 2020 No. Jin-Guan-Bao-Zong-Zi-1090421845	Life insurance agency and property insurance agency	5,000	5,000	2,500,000	100.00	26,263	13,901	(753)	(753)	-	Subsidiary (Notes 1 and 5)
Concord Futures Corp. Ltd.	Concord Managed Futures Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	December 16, 2003		Note 2	148,360	148,360	12,000,000	40.00	106,302	-	1,261	505	-	Subsidiary (Note 1)
Kang-Lian AMC. Co., Ltd.	HWA-HO Asset Management Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	September 29, 2003		Real estate commerce, development and business management advisory services	195,668	195,668	56,472,021	46.59	570,130	296,927	55,803	25,999	-	Investments of subsidiary accounted for using equity method

Note 1: Share of profits (losses) of subsidiaries has been fully eliminated upon consolidation.

Note 2: Concord Managed Futures terminated its futures management and trust services on February 1, 2019, which was approved by the relevant authorities in January 2019. In addition, Concord Managed Futures obtained approval for liquidation in March 2019 based on letter No. 1080304430 issued by the FSC. The subsidiary has completed its liquidation procedures in January 2021, and returned the remaining liquidation funds to the Corporation and Concord Futures of \$159,452 thousand and \$106,302 thousand, respectively.

Note 3: On November 30, 2020, Concord Cayman, received letter No. 1090373948 issued by the FSC, and is in the process of dissolution and liquidation. As of March 11, 2021, the liquidation process has not been completed.

Note 4: Concord Capital Management implemented a capital reduction of \$25,000 thousand to offset deficits in December 2020, and also issued 1,500 thousand ordinary shares at \$13 per share for a total amount of \$19,500 thousand, which were fully subscribed by the Corporation.

Note 5: In June 2020, Concord Insurance, received letter No. 1090421845 issued by the FSC and obtained approval for the increase in the business scope of its property insurance agent business.

**CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 2)	Company	Counterparty	Relationship (Note 3)	Transaction Details			% of Total Revenues or Assets
				Financial Statement Account	Amount (Note 1)	Transaction Terms	
0	Concord Securities Co., Ltd.	Concord Futures Corp. Ltd.	a.	Futures trading margin	\$ 142,533 (Note 6)	Not significantly different from those to third parties	0.40
		Concord Futures Corp. Ltd.	a.	Accounts receivable	1,338 (Note 1)	Not significantly different from those to third parties	0.01
		Concord Futures Corp. Ltd.	a.	Guarantee deposits received	1,295 (Note 1)	Not significantly different from those to third parties	0.01
		Concord Futures Corp. Ltd.	a.	Futures commission revenue	14,878 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.45
		Concord Futures Corp. Ltd.	a.	Securities commission expenses	5,055 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.15
		Concord Futures Corp. Ltd.	a.	Clearing and settlement expenses	1,496 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.04
		Concord Futures Corp. Ltd.	a.	Other gains and losses	15,634 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.47
		Concord Capital Management Corp.	a.	Professional service fees	6,000 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.18
		Concord Insurance Agent Corp.	a.	Other operating income	4,085 (Note 1)	In accordance with the contract, no third-party transactions for comparison	0.12

Note 1: Intercompany transactions have been eliminated upon consolidation.

Note 2: Intercompany transactions between the parent company and its subsidiaries are numbered as follows:

- a. Parent company: 0.
- b. Subsidiaries are sequentially numbered from 1.

Note 3: The relationships between the parties of the transactions are as follows: (The same transaction between the parent company and its subsidiary or between two subsidiaries is unnecessary to be disclosed again. For example, if the transaction between the parent company and its subsidiary had been disclosed by the parent company, it is unnecessary to be disclosed by the subsidiary. If the transaction between two subsidiaries had been disclosed by a subsidiary, it is unnecessary to be disclosed by the other one).

- a. Transactions from parent company to subsidiary.
- b. Transactions from subsidiary to parent company.
- c. Transactions from subsidiary to subsidiary.

Note 4: The transactional amounts are calculated as a percentage of the consolidated total assets or the consolidated total revenues. For balance sheet accounts, it will be calculated based on the ending balance divided by the consolidated total assets. For income statement accounts, it will be calculated based on the cumulative amount divided by the consolidated total revenues.

Note 5: Disclosure of significant intercompany transactions is determined based on the Corporation's principle of materiality.

Note 6: Including the futures trading excess margin of \$84,965 thousand which was accounted for as cash and cash equivalents.



## CONCORD SECURITIES CO., LTD. AND SUBSIDIARIES

## INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

1. Investee company's name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, net income (loss) of the investee, % ownership, investment gain (loss), carrying value as of December 31, 2020 and inward remittance of earnings:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Investment Type	Accumulated Outflow of Investment as of December 31, 2019 (Note 1)	Investment Flows		Accumulated Outflow of Investment as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 6)	Carrying Value as of December 31, 2020 (Note 6)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Guoyuan Futures Co., Ltd.	Commodities futures brokerage, financial futures brokerage, futures investment consulting, assets management, and other businesses that CSRC permits or acquired to put on record.	\$ 2,668,633 (CNY 609,695 thousand)	Others	\$ 51,561 (US\$ 1,579 thousand)	\$ -	\$ -	\$ 51,561 (US\$ 1,579 thousand)	\$ 205,670 (CNY 48,035 thousand)	1.59	\$ -	\$ 44,555	\$ -

2. Upper limit of investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Upper Limit of Investment Authorized by the Investment Commission MOEA (Note 4)
\$51,561 (US\$1,579 thousand)	\$45,950 (US\$1,613 thousand)	\$763,736

Note 1: The NTD amount was converted using the USD buying rate when the original investments were transferred from the account.

Note 2: The NTD amount was converted using the average CNY buying and selling rates for the year ended December 31, 2020.

Note 3: The NTD amount was converted using the average USD buying and selling rates for the year ended December 31, 2020.

Note 4: The amount was calculated based on 60% of Concord Futures' net asset value as of December 31, 2020.

Note 5: The NTD amount was converted using the average CNY buying and selling rates during 2020.

Note 6: The investment was accounted for as financial assets at FVTOCI and no investment gains or losses were recognized in the current year.

**TABLE 4****CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED****BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of U.S. Dollars)**

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash	\$ 743	99	\$ 10	1
Other receivables	1	-	11	1
Prepayments	5	1	-	-
Other financial assets - current	<u>-</u>	<u>-</u>	<u>730</u>	<u>98</u>
Total current assets	<u>749</u>	<u>100</u>	<u>751</u>	<u>100</u>
<b>TOTAL</b>	<u>\$ 749</u>	<u>100</u>	<u>\$ 751</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Other payables	\$ 2	-	\$ 2	-
Other current liabilities	<u>-</u>	<u>-</u>	<u>449</u>	<u>60</u>
Total current liabilities	<u>2</u>	<u>-</u>	<u>451</u>	<u>60</u>
<b>EQUITY</b>				
Share capital	9,333	1,246	9,333	1,243
Accumulated deficits	<u>(8,586)</u>	<u>(1,146)</u>	<u>(9,033)</u>	<u>(1,203)</u>
Total equity	<u>747</u>	<u>100</u>	<u>300</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 749</u>	<u>100</u>	<u>\$ 751</u>	<u>100</u>

**TABLE 5****CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED****STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of U.S. Dollars)**

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
COSTS AND EXPENSES				
Other operating expenses	<u>\$ (12)</u>	<u>(3)</u>	<u>\$ (11)</u>	<u>-</u>
OPERATING LOSSES	<u>(12)</u>	<u>(3)</u>	<u>(11)</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Non-operating revenue and expenses	<u>459</u>	<u>103</u>	<u>11</u>	<u>-</u>
NET GAIN FOR THE YEAR	<u>447</u>	<u>100</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 447</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

## **6.5 Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
Concord Securities Co., Ltd.

#### **Opinion**

We have audited the accompanying financial statements of Concord Securities Co., Ltd. (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and other regulations.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the reports of other auditors.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Corporation's financial statements for the year ended December 31, 2020 is as follows:

#### Accuracy of Brokerage Handling Fee Revenue

Brokerage handling fee revenue of the Corporation amounted to \$871,519 thousand in 2020. The calculation of discounts on brokerage handling fee revenue is complicated since it varies based on counterparties, ways of placing orders and transaction volume, and any calculation errors in the discounts will affect the accuracy of brokerage handling fee revenue. Therefore, the accuracy of brokerage handling fee revenue was identified as the key audit matter for the year ended December 31, 2020.

Refer to Notes 4, 23 and 28 to the financial statements for the accounting policies and disclosures related to brokerage handling fee revenue.

Brokerage handling fee revenue is mainly dependent on automatic calculation through information processing systems, where the control procedures for the input of discount rates and automatic calculation logic have a material impact on the calculation accuracy of brokerage handling fee revenue. We performed tests of controls to assess the process of recognition of brokerage handling fee revenue, evaluated the design of the related controls, determined whether the controls have been implemented, and tested the operating effectiveness of the controls. Moreover, we verified the correctness of the recorded brokerage handling fee revenue by performing our own calculations on sampled transactions.

#### **Other Matter**

We did not audit the financial statements of some investments accounted for using equity method included in the financial statements for the years ended December 31, 2020 and 2019, but such financial statements were audited by other auditors. Therefore, our opinion, insofar as it relates to the amounts and other relevant information of the aforementioned investee companies as disclosed in the notes, is based solely on the report of other auditors. As of December 31, 2020 and 2019, the total investments in subsidiaries amounted to \$577,414 thousand and \$547,836 thousand, accounting for 1.84% and 2.51% of total assets, respectively; for the years ended December 31, 2020 and 2019, the share of the comprehensive income or loss of these subsidiaries amounted to a gain of \$29,578 thousand and a loss of \$57,434 thousand, which accounted for 2.51% and (14.02%) of the total comprehensive income, respectively.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and other regulations, and for such internal control as management determines is necessary to enable the preparation of 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the 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 Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Pi-Yu Chuang and Hsiu-Chun Huang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 11, 2021

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# CONCORD SECURITIES CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 28)	\$ 2,895,595	9	\$ 1,416,855	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	10,172,525	32	6,765,067	31
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	15,808	-	-	-
Bond investments under resale agreements (Notes 4 and 9)	-	-	697,687	3
Margin loans receivable (Notes 4, 10 and 28)	4,695,748	15	3,435,417	16
Refinancing margin (Notes 4 and 10)	17,314	-	27	-
Refinancing collateral receivable (Notes 4 and 10)	14,462	-	23	-
Security borrowing collateral price (Notes 4 and 10)	429,612	1	101,794	1
Security borrowing margin (Notes 4 and 10)	389,179	1	92,551	-
Notes receivable (Notes 4 and 10)	64	-	83	-
Accounts receivable (Notes 4, 10 and 28)	5,915,650	19	3,762,316	17
Prepayments	6,507	-	7,460	-
Other receivables (Notes 4, 10 and 28)	6,450	-	7,359	-
Other financial assets - current (Notes 4 and 11)	198,798	1	20,000	-
Current tax assets (Notes 4 and 24)	11,402	-	19,983	-
Restricted assets - current (Note 29)	225,150	1	372,704	2
Other current assets	268,873	1	65,971	-
Total current assets	<u>25,263,137</u>	<u>80</u>	<u>16,765,297</u>	<u>77</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 29)	-	-	10,049	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 5 and 8)	1,944,419	6	1,060,316	5
Investments accounted for using equity method (Notes 4 and 12)	2,093,751	7	1,934,775	9
Property and equipment (Notes 4, 13, 28 and 29)	785,072	2	782,853	4
Right-of-use assets (Notes 4, 14 and 28)	65,533	-	99,055	-
Investment property (Notes 4, 15 and 29)	561,717	2	566,143	3
Intangible assets (Notes 4 and 16)	10,443	-	6,749	-
Deferred tax assets (Notes 4 and 24)	197,332	1	114,816	-
Other non-current assets (Note 17)	482,694	2	481,895	2
Total non-current assets	<u>6,140,961</u>	<u>20</u>	<u>5,056,651</u>	<u>23</u>
<b>TOTAL</b>	<u>\$ 31,404,098</u>	<u>100</u>	<u>\$ 21,821,948</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 29)	\$ 390,000	1	\$ -	-
Commercial paper payable (Notes 18 and 29)	6,557,680	21	5,386,999	25
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 28)	1,736,118	6	876,119	4
Liabilities for bonds with attached repurchase agreements (Notes 4, 19 and 28)	4,879,368	16	3,187,258	14
Securities financing refundable deposits (Note 4)	395,326	1	354,357	2
Deposits payable for securities financing (Note 4)	435,170	1	412,022	2
Security lending refundable deposits (Note 4)	-	-	2,780	-
Accounts payable (Notes 20 and 28)	7,487,122	24	3,633,224	17
Other payables (Note 28)	463,837	2	178,348	1
Current tax liabilities (Notes 4 and 24)	99,101	-	19,285	-
Provisions - current (Note 4)	19,447	-	19,280	-
Lease liabilities - current (Notes 4, 14 and 28)	43,559	-	44,751	-
Other current liabilities	251,206	1	31,346	-
Total current liabilities	<u>22,757,934</u>	<u>73</u>	<u>14,145,769</u>	<u>65</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4 and 7)	215,244	1	203,623	1
Provisions - non-current (Note 4)	12,880	-	13,245	-
Lease liabilities - non-current (Notes 4, 14 and 28)	20,809	-	53,088	-
Deferred tax liabilities (Notes 4 and 24)	666	-	154	-
Guarantee deposits received (Note 28)	3,784	-	4,375	-
Net defined benefit liabilities - non-current (Notes 4, 5 and 21)	179,984	-	154,669	1
Total non-current liabilities	<u>433,367</u>	<u>1</u>	<u>429,154</u>	<u>2</u>
Total liabilities	<u>23,191,301</u>	<u>74</u>	<u>14,574,923</u>	<u>67</u>
<b>EQUITY (Notes 4, 8, 12, 21, 22, 24 and 27)</b>				
Share capital	5,944,550	19	6,103,227	28
Capital surplus	175,307	1	180,208	1
Retained earnings				
Legal reserve	28,684	-	-	-
Special reserve	614,251	2	556,882	3
Unappropriated retained earnings	1,040,583	3	286,844	1
Total retained earnings	1,683,518	5	843,726	4
Other equity	409,422	1	266,179	1
Treasury shares	-	-	(146,315)	(1)
Total equity	<u>8,212,797</u>	<u>26</u>	<u>7,247,025</u>	<u>33</u>
<b>TOTAL</b>	<u>\$ 31,404,098</u>	<u>100</u>	<u>\$ 21,821,948</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)



# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUE (Notes 4 and 23)				
Brokerage handling fee revenue (Note 28)	\$ 903,706	35	\$ 615,420	43
Income from securities lending	30,438	1	42,704	3
Revenue from underwriting commission	41,178	2	11,623	1
Gains (losses) on sale of operating securities, net	1,270,402	49	(34,271)	(2)
Revenue from providing agency service for stock affairs (Note 28)	22,066	1	22,364	1
Interest income (Note 28)	219,521	8	234,166	16
Dividend income	478,240	19	366,710	25
Valuation gains on operating securities at fair value through profit or loss, net	456,151	18	144,924	10
Gains (losses) on covering of borrowed securities and bonds with resale agreements - short sales, net	29,011	1	(17,130)	(1)
Valuation losses on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss, net	(96,473)	(4)	(17,052)	(1)
Gains on issuance of share warrants, net	7,386	-	26,093	2
Futures commission income (Note 28)	14,878	1	11,406	1
Gains (losses) on derivative instruments - futures, net	(321,958)	(13)	48,874	3
Losses on derivative instruments - OTC, net (Note 28)	(465,875)	(18)	(17,645)	(1)
Expected credit loss (Notes 8 and 10)	(1,195)	-	(867)	-
Other operating loss (Note 28)	(7,678)	-	(4,122)	-
Total revenue	<u>2,579,798</u>	<u>100</u>	<u>1,433,197</u>	<u>100</u>
COSTS AND EXPENSES (Notes 4 and 23)				
Brokerage handling fee expenses	(66,962)	(3)	(45,976)	(3)
Proprietary handling fee expenses	(8,774)	-	(6,130)	(1)
Refinancing handling fee expenses	(689)	-	(579)	-
Finance costs (Note 28)	(51,761)	(2)	(59,735)	(4)
Futures commission expenses (Note 28)	(5,055)	-	(3,529)	-
Clearing and settlement expenses (Note 28)	(3,422)	-	(3,225)	-
Other operating costs (Note 28)	(28,279)	(1)	(15,506)	(1)
Employee benefits expense (Notes 21 and 28)	(1,071,269)	(42)	(725,169)	(51)
Depreciation and amortization (Notes 13, 14, 15 and 16)	(75,779)	(3)	(81,641)	(6)
Other operating expenses (Note 28)	(398,439)	(15)	(348,323)	(24)
Total costs and expenses	<u>(1,710,429)</u>	<u>(66)</u>	<u>(1,289,813)</u>	<u>(90)</u>
OPERATING PROFIT	<u>869,369</u>	<u>34</u>	<u>143,384</u>	<u>10</u>

(Continued)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Share of profit or loss of subsidiaries accounted for using equity method (Note 12)	\$ 138,544	5	\$ 22,215	1
Other gains and losses (Note 28)	<u>101,313</u>	<u>4</u>	<u>112,051</u>	<u>8</u>
Total non-operating income and expenses	<u>239,857</u>	<u>9</u>	<u>134,266</u>	<u>9</u>
PROFIT BEFORE INCOME TAX	1,109,226	43	277,650	19
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24)	<u>(24,250)</u>	<u>(1)</u>	<u>6,702</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,084,976</u>	<u>42</u>	<u>284,352</u>	<u>20</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 12, 21, 22 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(65,336)	(3)	3,547	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	79,568	3	97,411	7
Share of comprehensive income of subsidiaries accounted for using equity method	64,151	3	26,736	2
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>13,067</u>	<u>1</u>	<u>(709)</u>	<u>-</u>
	<u>91,450</u>	<u>4</u>	<u>126,985</u>	<u>9</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on the translation of foreign operations	(6,856)	-	(2,951)	-
Unrealized gains on investments in debt instruments at fair value through other comprehensive income	8,087	-	1,115	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>185</u>	<u>-</u>	<u>44</u>	<u>-</u>
	<u>1,416</u>	<u>-</u>	<u>(1,792)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>92,866</u>	<u>4</u>	<u>125,193</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,177,842</u>	<u>46</u>	<u>\$ 409,545</u>	<u>29</u>

(Continued)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2020		2019	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.83</u>		<u>\$ 0.47</u>	
Diluted	<u>\$ 1.82</u>		<u>\$ 0.47</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

**CONCORD SECURITIES CO., LTD.**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Share Capital (Note 22)	Capital Surplus (Note 22)	Retained Earnings (Notes 21, 22 and 24)			Other Equity (Notes 4, 8, 12, 22, 24 and 27)			Total
			Legal Reserve	Special Reserve	Unappropriated Retained Earnings (Accumulated Deficits)	Exchange Differences on the Translation of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares (Note 22)	
BALANCE AT JANUARY 1, 2019	\$ 6,260,803	\$ 259,269	\$ 63,335	\$ 770,146	\$ (276,599)	\$ (1,538)	\$ 145,016	\$ (184,101)	\$ 7,036,331
Offset of 2018 deficits									
Offset of accumulated deficits by legal reserve	-	-	(63,335)	-	63,335	-	-	-	-
Offset of accumulated deficits by special reserve	-	-	-	(179,467)	179,467	-	-	-	-
Reversal of special reserve	-	-	-	(33,797)	33,797	-	-	-	-
Other changes in capital surplus									
Issuance of share dividends from capital surplus	176,424	(176,424)	-	-	-	-	-	-	-
Unpaid dividends	-	126	-	-	-	-	-	-	126
Net profit for the year ended December 31, 2019	-	-	-	-	284,352	-	-	-	284,352
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	2,492	(2,907)	125,608	-	125,193
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	286,844	(2,907)	125,608	-	409,545
Purchase of treasury shares	-	-	-	-	-	-	-	(232,393)	(232,393)
Retirement of treasury shares	(334,000)	94,227	-	-	-	-	-	239,773	-
Treasury stock transferred to employees	-	3,010	-	-	-	-	-	30,406	33,416
BALANCE AT DECEMBER 31, 2019	6,103,227	180,208	-	556,882	286,844	(4,445)	270,624	(146,315)	7,247,025
Appropriation of 2019 earnings									
Legal reserve	-	-	28,684	-	(28,684)	-	-	-	-
Special reserve	-	-	-	57,369	(57,369)	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(194,807)	-	-	-	(194,807)
Other changes in capital surplus									
Issuance of share dividends from capital surplus	41,323	(41,323)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	1,084,976	-	-	-	1,084,976
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(50,377)	(6,671)	149,914	-	92,866
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	1,034,599	(6,671)	149,914	-	1,177,842
Purchase of treasury shares	-	-	-	-	-	-	-	(17,263)	(17,263)
Retirement of treasury shares	(200,000)	36,422	-	-	-	-	-	163,578	-
BALANCE AT DECEMBER 31, 2020	<u>\$ 5,944,550</u>	<u>\$ 175,307</u>	<u>\$ 28,684</u>	<u>\$ 614,251</u>	<u>\$ 1,040,583</u>	<u>\$ (11,116)</u>	<u>\$ 420,538</u>	<u>\$ -</u>	<u>\$ 8,212,797</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,109,226	\$ 277,650
Adjustments for:		
Depreciation	69,589	74,169
Amortization	6,190	7,472
Expected credit loss	1,195	867
Net gain on financial assets and liabilities at fair value through profit or loss	(367,709)	(129,835)
Finance costs	51,761	59,735
Interest income (including financial income)	(228,278)	(264,688)
Dividend income	(489,078)	(378,892)
Compensation costs of employee share options	-	2,646
Share of profit or loss of subsidiaries accounted for using equity method	(138,544)	(22,215)
Loss on disposal of property and equipment	16	173
Loss on disposal of investments	1,030	-
Gain on lease modifications	(13)	-
Changes in operating assets and liabilities		
Increase in financial assets at fair value through profit or loss	(2,934,257)	(2,132,288)
Decrease (increase) in bond investments under resale agreements	697,687	(697,687)
Increase in margin loans receivable	(1,260,517)	(173,590)
Decrease (increase) in refinancing margin	(17,287)	16,541
Decrease (increase) in refinancing collateral receivable	(14,439)	14,956
Decrease (increase) in security borrowing collateral price	(327,818)	157,678
Decrease (increase) in security borrowing margin	(296,628)	148,473
Decrease (increase) in notes receivable	19	(5)
Increase in accounts receivable	(2,145,336)	(1,658,846)
Decrease (increase) in prepayments	953	(582)
Decrease in other receivables	780	600
Increase in other financial assets	(178,798)	-
Decrease (increase) in other current assets	(55,348)	14,130
Increase in liabilities for bonds with attached repurchase agreements	1,692,110	761,883
Increase in financial liabilities at fair value through profit or loss	775,147	284,288
Increase (decrease) in securities financing refundable deposits	40,969	(67,096)
Increase (decrease) in deposits payable for securities financing	23,148	(404,118)
Increase (decrease) in security lending refundable deposits	(2,780)	2,780
Increase in accounts payable	3,853,929	1,641,199
Increase in other payables	285,414	36,277
Decrease in net defined benefit liabilities	(40,021)	(9,943)
Decrease in provisions	(198)	(1,054)
Increase (decrease) in other current liabilities	219,860	(2,461)
Cash generated from (used in) operations	331,974	(2,441,783)
Interest received	221,415	300,105
Dividends received	477,065	365,440

(Continued)

# CONCORD SECURITIES CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Interest paid	\$ (50,447)	\$ (59,611)
Income tax refund (paid)	<u>(4,606)</u>	<u>14,087</u>
Net cash generated from (used in) operating activities	<u>975,401</u>	<u>(1,821,762)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(819,760)	(767,215)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,600	-
Increase in investments accounted for using equity method	(19,500)	-
Acquisition of property and equipment	(19,021)	(6,654)
Proceeds from disposal of property and equipment	-	635
Decrease (increase) in clearing and settlement fund	(101)	11,198
Increase in refundable deposits	(1,291)	(1,803)
Acquisition of intangible assets	(6,445)	(1,185)
Increase in other non-current assets	(5,966)	(7,068)
Dividends received	<u>73,130</u>	<u>17,447</u>
Net cash used in investing activities	<u>(792,354)</u>	<u>(754,645)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	390,000	-
Decrease in short-term borrowings	-	(272,000)
Increase in commercial paper payable	1,170,000	2,760,000
Increase in guarantee deposits received	-	319
Decrease in guarantee deposits received	(591)	-
Payments of lease liabilities	(45,782)	(49,925)
Cash dividends paid	(194,807)	-
Exercise of employee share options	-	30,406
Payments to acquire treasury shares	(17,263)	(232,393)
Unpaid dividends	<u>-</u>	<u>126</u>
Net cash generated from financing activities	<u>1,301,557</u>	<u>2,236,533</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(5,864)</u>	<u>(2,733)</u>

(Continued)

## CONCORD SECURITIES CO., LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

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	<b>2020</b>	<b>2019</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,478,740	\$ (342,607)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,416,855</u>	<u>1,759,462</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,895,595</u>	<u>\$ 1,416,855</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 11, 2021)

(Concluded)

# CONCORD SECURITIES CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Concord Securities Co., Ltd. (the “Corporation”) was incorporated on July 25, 1990 and started operations on December 4, 1990. It engages in transactions such as (a) securities proprietary and brokerage; (b) underwriting; (c) financing customers’ acquisition and short-sales; (d) providing agency services for share affairs; (e) assisting in futures trading; (f) other business as approved by relevant authorities. Its shares began trading on the Taipei Exchange, formerly called the GreTai Securities Market (the over-the-counter Securities Exchange of the Republic of China, or the “ROC OTC”), in December 1996.

The Corporation was further authorized to engage in futures brokerage business on February 2, 1998. However, when its subsidiary, Concord Futures Corp., commenced operations on May 1, 2000, the Corporation transferred all its futures trading business to its subsidiary and provided necessary professional assistance. In addition, the Corporation, according to the ruling numbered Tai-Tsai-Cheng (7) 0910147503 from the Ministry of Finance, was authorized to engage in dealing of futures contracts. Nevertheless, the Corporation terminated dealing of futures contracts on May 2, 2014, according to Rule No. 1030014785 issued by the Financial Supervisory Commission (FSC).

As of December 31, 2020, the Corporation had 15 branches and an offshore securities unit supporting its head office.

The financial statements are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s Board of Directors and issued on March 11, 2021.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies:

- Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”

The Corporation elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Corporation shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.



The Corporation applied the amendment from January 1, 2020. Because the abovementioned rent concessions only affect 2020, retrospective application of the amendment has no impact on retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB</u></b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

The Corporation assessed that the application of the IFRSs would not have a material impact on the Corporation’s accounting policies.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b><u>New, Revised or Amended Standards and Interpretations</u></b>	<b><u>Effective Date Announced by the IASB (Note 1)</u></b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of the above standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and other regulations.

##### **Basis of Preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Corporation accounted for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted under the heading of investments accounted for using equity method, share of profits of subsidiaries and associates and share of other comprehensive income of subsidiaries and associates in the parent company only financial statements.

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

### **Foreign Currencies**

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the translation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries or associates in other countries or those that use currencies that are different from that used by the Corporation) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

### **Investments Accounted for Using Equity Method**

Investments accounted for using the equity method include investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Corporation also recognizes its share in the changes in the equity of subsidiaries.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Corporation's share of loss of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation directly disposed of the related assets or liabilities.

### **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Except for freehold land which is not depreciated, property and equipment are depreciated on a straight-line basis over their estimated useful lives. Each significant part is depreciated separately. The estimated useful lives, residual value and depreciation method are reviewed the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Investment Property**

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer of classification from investment property to property, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer of classification from property to investment property, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

## **Intangible Assets**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed by the Corporation at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property and Equipment, Investment Property, Right-of-use Assets and Intangible Assets other than Goodwill**

At the end of each reporting period, the Corporation reviews the carrying amounts of its property and equipment, investment property, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of individual asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit should be reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (after deducting depreciation or amortization) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

When financial assets and financial liabilities are initially not recognized at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are measured at FVTPL when such a financial asset is mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 27.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred: Significant financial difficulty of the issuer or the borrower; breach of contract such as a default; it is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or the disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, excess future trading margin and short-term bills with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable) and investments in debt instruments that are measured at FVTOCI at the end of each reporting period.

The Corporation always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

### 3) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

#### b. Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

#### c. Financial liabilities

##### 1) Subsequent measurement

Except for financial liabilities measured at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in profit or loss. Fair value is determined in the manner described in Note 27.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or



- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be reclassified to retained earnings when the financial liability is derecognized. If the fair value changes recognized in other comprehensive are attributable to credit risk, and this accounting treatment would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 27.

## 2) Derecognition of financial liabilities

Upon derecognition of financial liabilities, the difference between the carrying amount of the financial liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

## d. Derivative financial instruments

Derivative financial instruments the Corporation engaged in include warrants, futures, options, convertible bond asset swaps, structured instruments, bond options, etc.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. For a derivative that is designated and effective as a hedging instrument, the timing of the recognition of gain or loss in profit or loss depends on the nature of the hedging relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

The margin deposits paid on purchase or sale of futures contracts are recognized as assets. Any valuation gain or loss on opening positions calculated using the settlement price announced by the futures exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period. The margins are adjusted accordingly.

Premiums paid (received) on purchase (sale) of options contracts are recognized as assets (liabilities). Any valuation gain or loss calculated using the settlement price announced by the futures exchanges and any gain or loss on settlement is recognized in profit or loss at the end of each reporting period.

## **Repurchase and Resale Transactions**

Resale and repurchase bond transactions with financing are recognized as “bond investments under resale agreements” and “liabilities for bonds with attached repurchase agreements”, respectively, and the related interest income and finance cost are accounted on the basis of the contracted interest rate.

## **Margin Loans and Securities Financing**

Margin loans pertain to the provision of funds to customers for them to buy securities and are recognized as “margin loans receivable.” The securities bought by customers are used to secure these loans and are recorded through memo entries. The collateral securities are returned when the loans are repaid.

The refinancing of margin loans with securities finance companies is recorded as “refinancing borrowings,” which are collateralized by securities bought by customers.

The collateral securities are disposed of by the Corporation when their fair value falls below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral security cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified as “overdue receivables.” If a collateral security cannot be sold in the open market, the balance of the loan is reclassified as “other receivables” or “overdue receivables.” Allowance for impairment loss will be recognized after evaluating the uncollectible amounts.

Stock loans are securities lent to customers for short selling. The deposits received from customers on securities lent out are credited to “securities financing refundable deposits.” The securities sold short are recorded using memo entries. The proceeds of the sales of securities lent to customers less any dealer’s commission, financing charges and securities exchange tax are recorded under “deposits payable for securities financing”. When the customers return the stock certificates to the Corporation, the Corporation gives the deposits received and the proceeds of the sales of securities back to customers.

### **Securities Business Money Lending and Securities Lending**

The securities used in the securities business money lending and securities lending are operating securities, borrowed securities from the Taiwan Stock Exchange (TWSE) or refinancing collateral. Operating securities will be transferred to the account “securities lent” if they are used to lend to others. Securities lent should be measured at fair value at the end of each reporting period. Valuation gains or losses of securities lent are recorded in the same accounts used before the reclassification. If borrowed securities from the TWSE are used to lend to others, the Corporation will recognize the transaction through a memo entry. If the refinancing collateral are used to lend to others, the Corporation will not recognize any asset on the ground the collateral belong to the customers.

The Corporation recognizes the amount lent to investors in the securities business as “receivables of securities business money lending” two business days after the transaction date, and accrues bad debt expense for the assessed uncollectible receivables at the end of the reporting period. The related collateral is recognized through memo entry and returned when the transactions are settled. The commission revenue on securities business money lending and securities lending are accounted for as business lending commission revenue.

Securities collateral received in the lending and borrowing business are recognized through memo entry otherwise cash collateral received are recognized as “securities lending refundable deposits.” The amount deposited in TWSE for securities lending and borrowing business is accounted as “security borrowing margin.” Security borrowing margin or security lending refundable deposits are returned or paid when the borrowing securities are returned. The related service revenues are accounted as income from securities lending.

### **Operating Guarantee Deposits**

According to the Rules Governing Securities Firms Commission Merchants, operating guarantee deposits should be made to the specific account designated by the Securities and Futures Bureau (SFB), FSC when a corporation registers to engage in the securities or futures business or when an existing corporation sets up new branches. The Corporation may elect to deposit in the form of cash, government bonds or financial bonds.

### **Clearing and Settlement Fund**

As required by the Rules Governing Securities Firms, securities firms engaged in the proprietary and brokerage business are required to make clearing and settlement fund deposits with the TWSE or the Taipei Exchange before or after operations.

## **Provisions**

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated of the discounted cash flows needed to settle the present obligation, its carrying amount is the present value of those cash flows. The Corporation's provisions are primarily short-term paid vacation entitlements and lease restoration costs.

## **Revenue Recognition**

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Service income is recognized when services are provided.

## **Leases**

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

### **a. The Corporation as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **b. The Corporation as lessee**

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Corporation negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments. There is no substantive change to other terms and conditions. The Corporation elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Corporation recognizes the reduction in lease payment in profit or loss as a deduction of depreciation of right-of-use assets, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services rendered by employees.

### **b. Retirement benefits**

Payments to defined contribution retirement plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Rereasurement, comprising actuarial gains and losses, and the return on plan assets excluding interest, is recognized in other comprehensive income in the period in which they occur. It is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit retirement plans.

## **Employee Share Options**

### **a. Employee share options granted to employees**

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of treasury shares transferred to employees is the date on which the Board of Directors approves the transaction.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

### **b. Employee share options granted to the employees of a subsidiary**

The grant by the Corporation of its equity instruments to the employees of a subsidiary under options is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

Income tax payable (refundable) is based on taxable profit (loss) for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated retained earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### **c. Current and deferred taxes for the year**

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred taxes are also recognized in other comprehensive income.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Corporation considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation and Uncertainty

- a. Fair value of financial instruments with no public quotes in an active market

The Corporation determines the fair value of financial instruments with no public quotes in an active market using valuation methods. Refer to Note 27 for the related assumptions, estimates and book value.

- b. Recognition and measurement of defined benefit plans

The net defined benefit liabilities and the resulting defined benefit costs under the defined benefit retirement plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities. Refer to Note 21 for the book value of net defined benefit liabilities of the Corporation at the end of the reporting period.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Checking and demand deposits	\$ 1,322,119	\$ 136,057
Foreign currency deposits	977,425	383,968
Cash equivalents		
Time deposits with original maturities within three months	-	706,145
Excess futures trading margin	246,146	190,685
Short-term bills	<u>349,905</u>	<u>-</u>
	<u>\$ 2,895,595</u>	<u>\$ 1,416,855</u>

The market rates of time deposits with original maturities within three months and short-term bills at the end of each reporting period were summarized as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Time deposits with original maturities within three months	-	1.60%-2.05%
Short-term bills	0.17%-0.19%	-

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily measured at FVTPL		
Open-end funds and money market instruments	\$ -	\$ 41,969
Operating securities - proprietary	9,282,809	6,140,738
Operating securities - underwriting	22,380	66,582
Operating securities - hedging	498,898	272,569
Futures margin - own funds	149,181	94,772
Call options - non-hedging	17,390	9
Derivative assets - OTC		
Value of asset swap IRS contracts	6,380	5,651
Asset swap options	<u>195,487</u>	<u>142,777</u>
	<u>\$ 10,172,525</u>	<u>\$ 6,765,067</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily measured at FVTPL		
Operating securities - proprietary	<u>\$ -</u>	<u>\$ 10,049</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities held for trading		
Bond investments under resale agreements - short sales	\$ -	\$ 249,189
Warrants liabilities	2,067,535	1,638,965
Warrants redeemed	(1,993,765)	(1,593,360)
Put options - TAIFEX	13,965	7
Liabilities on sale of borrowed securities - hedging	531,508	105,912
Derivative liabilities - OTC		
Value of asset swap IRS contracts	32,015	18,828
Asset swap options	773,814	284,481
Equity derivatives	<u>39,740</u>	<u>24,908</u>
	1,464,812	728,930
Financial liabilities designated as at FVTPL		
Structured instruments	<u>271,306</u>	<u>147,189</u>
	<u>\$ 1,736,118</u>	<u>\$ 876,119</u>
<u>Financial liabilities at FVTPL - non-current</u>		
Financial liabilities designated as at FVTPL		
Structured instruments	<u>\$ 215,244</u>	<u>\$ 203,623</u>

a. Open-end funds and money market instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Open-end funds and money market instruments	\$ -	\$ 50,000
Valuation adjustments	<u>-</u>	<u>(8,031)</u>
	<u>\$ -</u>	<u>\$ 41,969</u>

b. Operating securities - proprietary

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Government bonds	\$ 1,873,435	\$ 1,807,696
Corporate bonds	200,256	100,209
Listed shares	2,068,569	613,852
Shares and convertible bonds traded in the OTC market	3,125,971	2,268,503
Emerging shares	213,993	224,393
Foreign shares and bonds	368,213	164,995
Beneficiary securities	<u>960,358</u>	<u>920,202</u>
	8,810,795	6,099,850
Valuation adjustments	<u>472,014</u>	<u>40,888</u>
	<u>\$ 9,282,809</u>	<u>\$ 6,140,738</u>
<u>Non-current</u>		
Government bonds	\$ -	\$ 10,033
Valuation adjustments	<u>-</u>	<u>16</u>
	<u>\$ -</u>	<u>\$ 10,049</u>

The ranges of coupon rates of government bonds and corporate bonds at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	0.25%-1.75%	0.50%-1.375%
Corporate bonds	1.04%	1.04%

As of December 31, 2020 and 2019, the face values of the Corporation's proprietary securities and bond investments under resale agreements of \$4,672,760 thousand and \$3,076,300 thousand, respectively, were provided for repurchase agreements.



c. Operating securities - underwriting

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Listed and OTC shares and convertible bonds	\$ 22,093	\$ 67,140
Valuation adjustments	<u>287</u>	<u>(558)</u>
	<u>\$ 22,380</u>	<u>\$ 66,582</u>

d. Operating securities - hedging

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Listed shares and warrants	\$ 332,591	\$ 131,337
Shares and warrants traded in the OTC market	<u>138,820</u>	<u>137,941</u>
	471,411	269,278
Valuation adjustments	<u>27,487</u>	<u>3,291</u>
	<u>\$ 498,898</u>	<u>\$ 272,569</u>

e. Bond investments under resale agreements - short sales

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	\$ -	\$ 249,167
Valuation adjustments	<u>-</u>	<u>22</u>
	<u>\$ -</u>	<u>\$ 249,189</u>

f. Warrants

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Warrants liabilities	\$ 1,803,865	\$ 1,780,955
Less: Loss (gain) on changes in fair value	<u>263,670</u>	<u>(141,990)</u>
	<u>2,067,535</u>	<u>1,638,965</u>
Warrants redeemed	1,749,226	1,680,867
Less: Gain (loss) on changes in fair value	<u>244,539</u>	<u>(87,507)</u>
	<u>1,993,765</u>	<u>1,593,360</u>
Net warrants liabilities	<u>\$ 73,770</u>	<u>\$ 45,605</u>

g. Liabilities on sale of borrowed securities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Hedging		
Listed and OTC shares and beneficiary certificates	\$ 431,292	\$ 102,191
Valuation adjustments	<u>100,216</u>	<u>3,721</u>
	<u>\$ 531,508</u>	<u>\$ 105,912</u>

h. Futures and options

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Call options - non-hedging		
Index options	\$ 14,945	\$ 20
Gain (loss) on open positions	<u>2,445</u>	<u>(11)</u>
Fair value	<u>\$ 17,390</u>	<u>\$ 9</u>
Put options - TAIFEX		
Index options	\$ (7,446)	\$ (25)
Gain (loss) on open positions	<u>(6,519)</u>	<u>18</u>
Fair value	<u>\$ (13,965)</u>	<u>\$ (7)</u>

Open contracts and fair values at the end of each reporting period were as follows:

Item	Transaction Type	<b>December 31, 2020</b>			
		<b>Open Position</b>		<b>Carrying Amount/ Premium Paid</b>	<b>Fair Value</b>
		<b>Buyer/ Seller</b>	<b>Volume</b>	<b>(Received)</b>	
Futures	TAIEX futures	Buyer	18	\$ 48,227	\$ 51,922
Futures	TAIEX futures	Seller	2	5,676	5,871
Futures	Share futures	Buyer	5,044	396,270	473,956
Futures	Share futures	Seller	272	20,726	20,990
Futures	NYMEX-CL	Seller	1	1,376	1,382
Futures	SCN	Seller	81	39,820	40,860
Futures	LCO	Seller	82	117,247	120,973
Futures	SI	Seller	12	42,045	45,133
Futures	CFE-VX	Seller	1	701	674
Futures	HG	Seller	13	32,850	32,572
Futures	S	Seller	463	769,923	864,367
Futures	GC	Seller	3	16,233	16,192
Options	TAIEX options - call	Buyer	106	5,091	15,434
Options	TAIEX options - put	Buyer	494	9,854	1,956
Options	TAIEX options - call	Seller	182	(6,122)	(13,225)
Options	TAIEX options - put	Seller	88	(1,324)	(740)

		<b>December 31, 2019</b>			
<b>Item</b>	<b>Transaction Type</b>	<b>Open Position</b>		<b>Carrying Amount/ Premium Paid (Received)</b>	<b>Fair Value</b>
		<b>Buyer/ Seller</b>	<b>Volume</b>		
Futures	TAIEX futures	Buyer	19	\$ 45,664	\$ 45,577
Futures	TAIEX futures	Seller	14	33,464	33,563
Futures	Share futures	Buyer	395	67,394	67,777
Futures	Share futures	Seller	49	10,695	10,677
Futures	NYMEX-CL	Seller	531	962,371	972,025
Futures	CME - NQ	Seller	8	41,304	41,982
Futures	YM	Seller	10	42,232	42,733
Futures	SCN	Seller	59	25,284	25,488
Futures	LCO	Seller	16	30,440	31,658
Futures	CFE-VX	Seller	25	11,653	11,621
Futures	CBOT-UB	Buyer	2	11,289	10,892
Futures	HG	Seller	4	8,059	8,385
Futures	S	Seller	3	4,107	4,297
Futures	GC	Seller	5	22,153	22,831
Futures	MGC	Buyer	1	439	457
Options	TAIEX options - put	Buyer	22	20	9
Options	TAIEX options - put	Seller	21	(25)	(7)

The fair value is calculated based on the closing price of each futures and options contract multiplied by the number of open contracts on each futures exchange at the end of the reporting period.

As of December 31, 2020 and 2019, futures margin arising from futures and option contracts were \$149,181 thousand and \$94,772 thousand, respectively.

i. Derivative instruments - OTC

The outstanding contracts and nominal amounts of derivative financial instruments were as follows:

	<b>Nominal Amount</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Convertible bond asset swaps	\$ 5,852,900	\$ 4,845,000
Structured instruments	488,200	351,200
Equity derivatives	157,412	114,509

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Investments in debt instruments	\$ 15,808	\$ -
<u>Non-current</u>		
Investments in equity instruments	\$ 482,639	\$ 409,671
Investments in debt instruments	<u>1,461,780</u>	<u>650,645</u>
	<u>\$ 1,944,419</u>	<u>\$ 1,060,316</u>

### a. Investments in equity instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Non-public ordinary shares		
Taiwan Stock Exchange	\$ 182,397	\$ 172,447
Taiwan Futures Exchange	164,248	131,474
Taiwan Depository & Clearing Corporation	115,308	84,090
Asia Pacific Emerging Industry Venture Capital Co., Ltd.	20,686	21,660
Foursun Tech. Inc.	<u>-</u>	<u>-</u>
	<u>\$ 482,639</u>	<u>\$ 409,671</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

In June 2019, the Corporation acquired 1,500 thousand ordinary shares of Taiwan Stock Exchange at \$78.21 per share, for a total investment amount of \$117,315 thousand. In December 2020, Asia Pacific Emerging Industry Venture Capital Co., Ltd. implemented a cash capital reduction, in which the Corporation reduced its number of shares held by 660,000 shares and received the capital reduction amount of \$6,600 thousand.

The Corporation recognized dividend revenue of \$10,838 thousand and \$12,182 thousand during 2020 and 2019, which were generated from the investments held as of December 31, 2020 and 2019, respectively.

b. Investments in debt instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Foreign bonds	\$ 15,808	\$ -
<u>Non-current</u>		
Government bonds	\$ 301,941	\$ 300,260
Corporate bonds	403,152	200,497
Foreign bonds	<u>756,687</u>	<u>149,888</u>
	<u>\$ 1,461,780</u>	<u>\$ 650,645</u>

Information about investments in debt instruments classified as at FVTOCI was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Gross carrying amount	\$ 1,469,659	\$ 649,900
Less: Allowance for impairment loss	<u>(1,210)</u>	<u>(370)</u>
Amortized cost	1,468,449	649,530
Adjustment to fair value	<u>9,139</u>	<u>1,115</u>
	<u>\$ 1,477,588</u>	<u>\$ 650,645</u>

In determining the impairment loss for debt instruments classified as at FVTOCI, the Corporation considers the credit rating, default rate and recovery rate for these investments as supplied by external rating agencies to assess whether there has been a significant increase in credit risk since initial recognition, and measures the 12-month or lifetime expected credit losses for these debt instruments.

The Corporation's current credit risk grading mechanism and the gross carrying amounts of debt instruments by credit category are as follows:

<b>Category</b>	<b>Description</b>	<b>Basis for Recognizing Expected Credit Losses (ECLs)</b>	<b>Expected Loss Rate</b>	<b>Gross Carrying Amount on December 31, 2020</b>
Stage 1	The credit rating on the base date is investment grade and above, and credit risk has not significantly increased	12-month ECLs	0.00%-0.53%	\$ 1,469,659

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)	Expected Loss Rate	Gross Carrying Amount on December 31, 2019
Stage 1	The credit rating on the base date is investment grade and above, and credit risk has not significantly increased	12-month ECLs	0.00%-0.11%	\$ 649,900

The movements of the allowance for impairment loss of investments in debt instruments at FVTOCI were as follows:

	Credit Rating		
	12-month ECLs	Lifetime ECLs - Not Credit Impaired	Lifetime ECLs - Credit Impaired
Balance at January 1, 2020	\$ 370	\$ -	\$ -
Recognized expected credit loss	<u>840</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2019	\$ -	\$ -	\$ -
Recognized expected credit loss	<u>370</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 370</u>	<u>\$ -</u>	<u>\$ -</u>

## 9. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2020	2019
Government bonds	<u>\$ -</u>	<u>\$ 697,687</u>

The market rates of the bond investments under resale agreements at the end of each reporting period were summarized as follows:

	December 31	
	2020	2019
Government bonds	-	0.2%-0.5%

Bond investments under resale agreements as of December 31, 2019 were resold for \$697,699 thousand by January 6, 2020.

**10. MARGIN LOANS RECEIVABLE, NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES**

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Margin loans receivable	\$ 4,696,842	\$ 3,436,325
Less: Allowance for impairment loss	<u>(1,094)</u>	<u>(908)</u>
	<u>\$ 4,695,748</u>	<u>\$ 3,435,417</u>

The securities bought by customers are used to secure margin loans receivable.

Some of the Corporation's customers used the shares of Pihsiang as collateral securities. Since Pihsiang had been suspended in May 2017, the value of the collateral securities could not cover the balance of the loan. In June 2017, the Corporation had recognized impairment loss of \$73,147 thousand (these amounts are recognized in margin loans receivables amounted to \$67,910 thousand, accounts receivable amounted to \$4,056 thousand and other receivables amounted to \$1,181 thousand). Furthermore, in the fourth quarter of 2017, the balance of the related receivables was reclassified as other receivables. In 2018, the Corporation had recognized an impairment loss of \$5,000 thousand when assessing the recoverability of the receivables.

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Notes receivable	\$ 64	\$ 83
Accounts receivable		
Accounts receivable for settlement - brokerage	5,458,677	3,036,581
Accounts receivable for settlement - proprietary	373,736	628,975
Brokerage handling fee revenue and refinancing interest receivable	60,945	81,692
Bond interest receivable	15,382	8,558
Others	<u>6,910</u>	<u>6,510</u>
	<u>5,915,650</u>	<u>3,762,316</u>
	<u>\$ 5,915,714</u>	<u>\$ 3,762,399</u>

The aging of receivables was as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
0 to 120 days	\$ 5,915,421	\$ 3,762,312
121 to 180 days	93	82
Over 180 days	<u>200</u>	<u>5</u>
	<u>\$ 5,915,714</u>	<u>\$ 3,762,399</u>

The above aging schedule was based on the number of past due days from the invoice date.

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Other receivables	\$ 91,643	\$ 92,383
Less: Allowance for impairment loss	<u>(85,193)</u>	<u>(85,024)</u>
	<u>\$ 6,450</u>	<u>\$ 7,359</u>

The Corporation adopted a policy of only dealing with entities and investors that have sound credit ratings and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for irrecoverable receivables. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation recognizes expected credit losses for its trade receivables based on lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance is not further distinguished according to the Corporation's different customer base.

The following table details the loss allowance of financial assets at amortized cost such as margin loans receivable and trade receivables based on the Corporation's provision matrix:

December 31, 2020

	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Refinancing Collateral Receivable</b>	<b>Refinancing Margin, Security Borrowing Collateral Price and Security Borrowing Margin</b>	<b>Other Receivables</b>	<b>Total</b>
Expected credit loss rate	0%	0.03%	0%	0%	0%; 100%	
Gross carrying amount	\$ 5,915,714	\$ 4,696,842	\$ 14,462	\$ 836,105	\$ 91,643	\$ 11,554,766
Loss allowance (Lifetime ECLs)	-	(1,094)	-	-	(85,193)	(86,287)
Amortized cost	<u>\$ 5,915,714</u>	<u>\$ 4,695,748</u>	<u>\$ 14,462</u>	<u>\$ 836,105</u>	<u>\$ 6,450</u>	<u>\$ 11,468,479</u>

December 31, 2019

	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Refinancing Collateral Receivable</b>	<b>Refinancing Margin, Security Borrowing Collateral Price and Security Borrowing Margin</b>	<b>Other Receivables</b>	<b>Total</b>
Expected credit loss rate	0%	0.03%	0%	0%	0%; 100%	
Gross carrying amount	\$ 3,762,399	\$ 3,436,325	\$ 23	\$ 194,372	\$ 92,383	\$ 7,485,502
Loss allowance (Lifetime ECLs)	-	(908)	-	-	(85,024)	(85,932)
Amortized cost	<u>\$ 3,762,399</u>	<u>\$ 3,435,417</u>	<u>\$ 23</u>	<u>\$ 194,372</u>	<u>\$ 7,359</u>	<u>\$ 7,399,570</u>



The movements of the loss allowance of trade receivables for the years ended December 31, 2020 and 2019, respectively, were as follows:

	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Other Receivables</b>	<b>Total</b>
Balance at January 1, 2020	\$ -	\$ 908	\$ 85,024	\$ 85,932
Add: Net remeasurement of loss allowance	<u>-</u>	<u>186</u>	<u>169</u>	<u>355</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 1,094</u>	<u>\$ 85,193</u>	<u>\$ 86,287</u>
	<b>Notes and Accounts Receivable</b>	<b>Margin Loans Receivable</b>	<b>Other Receivables</b>	<b>Total</b>
Balance at January 1, 2019	\$ -	\$ 411	\$ 85,024	\$ 85,435
Add: Net remeasurement of loss allowance	<u>-</u>	<u>497</u>	<u>-</u>	<u>497</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 908</u>	<u>\$ 85,024</u>	<u>\$ 85,932</u>

#### 11. OTHER FINANCIAL ASSETS - CURRENT

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	<u>\$ 198,798</u>	<u>\$ 20,000</u>

The market rates of time deposits with original maturities of more than three months at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Time deposits	0.45%-2.50%	0.62%-1.065%

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Subsidiaries included in the financial statements were summarized as follows:

	December 31			
	2020		2019	
<u>Subsidiaries</u>	Carrying Amount	Percent- age of Owner- ship (%)	Carrying Amount	Percent- age of Owner- ship (%)
Concord Futures Corp. Ltd. (Concord Futures)	\$ 1,218,379	95.71	\$ 1,115,471	95.71
Kang-Lian AMC. Co., Ltd. (Kang-Lian AMC)	577,414	100.00	547,836	100.00
Concord Capital Holdings (Cayman) Limited (Concord Cayman)	21,265	100.00	8,986	100.00
Concord Managed Futures Corp. (Concord Managed Futures)	159,452	60.00	158,696	60.00
Concord Capital Management Corp (Concord Capital Management)	90,978	100.00	76,770	100.00
Concord Insurance Agent Corp. (Concord Insurance)	<u>26,263</u>	100.00	<u>27,016</u>	100.00
	<u>\$ 2,093,751</u>		<u>\$ 1,934,775</u>	

The Corporation's share of profit or loss and other comprehensive income or loss of subsidiaries was calculated based on the audited financial statements for the years ended December 31, 2020 and 2019.

The subsidiary, Concord Managed Futures terminated its futures management and trust services on February 1, 2019, which was approved by the relevant authorities in January 2019. In addition, in March 2019, Concord Managed Futures obtained approval for liquidation based on letter No. 1080304430 issued by the FSC. The subsidiary has completed its liquidation procedures in January 2021, and returned the remaining liquidation funds to the Corporation and the subsidiary, Concord Futures of \$159,452 thousand and \$106,302 thousand, respectively.

In June 2020, the subsidiary, Concord Insurance, received letter No. 1090421845 issued by the FSC and obtained approval for the increase in the business scope of its property insurance agent business.

In December 2020, the subsidiary, Concord Capital Management, implemented a capital reduction of \$25,000 thousand to offset deficits, and also issued 1,500 thousand ordinary shares at \$13 per share for a total amount of \$19,500 thousand, which were fully subscribed by the Corporation.

On November 30, 2020, the subsidiary, Concord Cayman, received letter No. 1090373948 issued by the FSC, and is in the process of dissolution and liquidation. As of March 11, 2021, the liquidation process has not been completed.

### 13. PROPERTY AND EQUIPMENT

	For the Year Ended December 31, 2020				Balance at December 31, 2020
	Balance at January 1, 2020	Additions	Reductions	Reclassifications	
<u>Cost</u>					
Land	\$ 606,817	\$ -	\$ -	\$ 828	\$ 607,645
Buildings	230,347	-	-	551	230,898
Equipment	59,576	15,726	(19,314)	-	55,988
Leasehold improvements	23,562	6,415	-	-	29,977
	<u>920,302</u>	<u>\$ 22,141</u>	<u>\$ (19,314)</u>	<u>\$ 1,379</u>	<u>924,508</u>
<u>Accumulated depreciation</u>					
Buildings	90,771	\$ 4,089	\$ -	\$ 147	95,007
Equipment	36,979	11,770	(19,298)	-	29,451
Leasehold improvements	8,442	5,279	-	-	13,721
	<u>136,192</u>	<u>\$ 21,138</u>	<u>\$ (19,298)</u>	<u>\$ 147</u>	<u>138,179</u>
<u>Accumulated impairment</u>					
Buildings	1,257	\$ -	\$ -	\$ -	1,257
Net book value	<u>\$ 782,853</u>				<u>\$ 785,072</u>

	For the Year Ended December 31, 2019						Balance at December 31, 2019
	Balance at January 1, 2019	Effect of Retrospective Application of IFRS 16	Balance at January 1, 2019 (IFRS 16)	Additions	Reductions	Reclassifications	
<u>Cost</u>							
Land	\$ 607,398	\$ -	\$ 607,398	\$ -	\$ -	\$ (581)	\$ 606,817
Buildings	230,734	-	230,734	-	-	(387)	230,347
Equipment	81,212	-	81,212	5,830	(27,466)	-	59,576
Leasehold improvements	25,387	-	25,387	824	(2,649)	-	23,562
Leased assets	1,243	(1,243)	-	-	-	-	-
	<u>945,974</u>	<u>\$ (1,243)</u>	<u>944,731</u>	<u>\$ 6,654</u>	<u>\$ (30,115)</u>	<u>\$ (968)</u>	<u>920,302</u>
<u>Accumulated depreciation</u>							
Buildings	86,767	\$ -	86,767	\$ 4,100	\$ -	\$ (96)	90,771
Equipment	50,480	-	50,480	13,903	(27,404)	-	36,979
Leasehold improvements	5,586	-	5,586	4,759	(1,903)	-	8,442
Leased assets	103	(103)	-	-	-	-	-
	<u>142,936</u>	<u>\$ (103)</u>	<u>142,833</u>	<u>\$ 22,762</u>	<u>\$ (29,307)</u>	<u>\$ (96)</u>	<u>136,192</u>
<u>Accumulated impairment</u>							
Buildings	1,257	\$ -	1,257	\$ -	\$ -	\$ -	1,257
Net book value	<u>\$ 801,781</u>		<u>\$ 800,641</u>				<u>\$ 782,853</u>

Property and equipment are depreciated on straight-line basis over their estimated useful lives as follows:

Buildings	55 years
Equipment	3-5 years
Leasehold improvements	5 years
Leased assets	5 years

The significant component of the Corporation's buildings is the main building.

Some property and equipment were pledged as collateral for loans (refer to Note 29 for the details).

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<u>December 31</u>	
	2020	2019
<u>Carrying amount</u>		
Buildings	\$ 64,257	\$ 98,164
Equipment	<u>1,276</u>	<u>891</u>
	<u>\$ 65,533</u>	<u>\$ 99,055</u>
	<b><u>For the Year Ended December 31</u></b>	
	2020	2019
Additions to right-of-use assets	<u>\$ 19,375</u>	<u>\$ 28,445</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 44,987	\$ 47,975
Equipment	<u>270</u>	<u>249</u>
	<u>\$ 45,257</u>	<u>\$ 48,224</u>

### b. Lease liabilities

	<u>December 31</u>	
	2020	2019
<u>Carrying amount</u>		
Current	<u>\$ 43,559</u>	<u>\$ 44,751</u>
Non-current	<u>\$ 20,809</u>	<u>\$ 53,088</u>

Ranges of discount rates for lease liabilities were as follows:

	<u>December 31</u>	
	2020	2019
Buildings	0.514%-0.807%	0.764%-0.815%
Equipment	0.521%-0.753%	0.753%

The Corporation leases buildings for operational uses with lease terms of 2 to 5 years. The Corporation does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Corporation is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

### c. Material leasing activities and terms

Due to the severe impact of COVID-19 on the market economy in 2020, the lessor agreed to provide unconditional rent reductions of 20%-100% from September 30 to December 31, 2020. The Corporation recognized in profit or loss the impact of rent concessions of \$453 thousand (recognized as deduction of depreciation) for the year ended December 31, 2020.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to low-value asset leases	\$ <u>2,539</u>	\$ <u>3,243</u>
Total cash outflow for leases	\$ <u>48,321</u>	\$ <u>53,168</u>

The Corporation's leases of certain office equipment qualify as low-value asset leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTY

	<b>For the Year Ended December 31, 2020</b>				
	<b>Balance at January 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Reclassifi- cations</b>	<b>Balance at December 31, 2020</b>
<u>Cost</u>					
Land	\$ 477,154	\$ -	\$ -	\$ (828)	\$ 476,326
Buildings	<u>179,626</u>	<u>-</u>	<u>-</u>	<u>(551)</u>	<u>179,075</u>
	656,780	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,379)</u>	655,401
<u>Accumulated depreciation</u>					
Buildings	89,976	<u>\$ 3,194</u>	<u>\$ -</u>	<u>\$ (147)</u>	93,023
<u>Accumulated impairment</u>					
Buildings	<u>661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>661</u>
Net book value	<u>\$ 566,143</u>				<u>\$ 561,717</u>
	<b>For the Year Ended December 31, 2019</b>				
	<b>Balance at January 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Reclassifi- cations</b>	<b>Balance at December 31, 2020</b>
<u>Cost</u>					
Land	\$ 476,573	\$ -	\$ -	\$ 581	\$ 477,154
Buildings	<u>179,239</u>	<u>-</u>	<u>-</u>	<u>387</u>	<u>179,626</u>
	655,812	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968</u>	656,780
<u>Accumulated depreciation</u>					
Buildings	86,697	<u>\$ 3,183</u>	<u>\$ -</u>	<u>\$ 96</u>	89,976
<u>Accumulated impairment</u>					
Buildings	<u>661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>661</u>
Net book value	<u>\$ 568,454</u>				<u>\$ 566,143</u>

Investment properties are depreciated on straight-line basis over their estimated useful lives as follows:

Buildings	55 years
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As of December 31, 2020 and 2019, the fair value of the Corporation's investment properties amounted to \$683,556 thousand and \$723,904 thousand, respectively. The fair value was quoted based on the market price of similar properties.

Some investment properties were pledged as collateral for loans and loan credit line (refer to Note 29 for the details).

The abovementioned investment properties are leased out for 7 months to 5 years under operating leases. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Due to the impact of the COVID-19 pandemic on the market economy in 2020, the Corporation agreed to provide an unconditional rent reduction of 20% for some of the leases for the period from May 1 to July 31, 2020. As there is no contractual mechanism to adjust rent in the original lease contract, the rent concessions will be accounted for as adjustments to rental income over the remaining lease term.

The maturity analysis of the total lease payments receivable from investment properties leased under operating leases was as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Year 1	\$ 7,839	\$ 19,008
Year 2	1,980	7,486
Year 3	<u>-</u>	<u>1,980</u>
	<u>\$ 9,819</u>	<u>\$ 28,474</u>

## 16. INTANGIBLE ASSETS

	<b>For the Year Ended December 31, 2020</b>			
	<b>Balance at January 1, 2020</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2020</b>
<u>Cost</u>				
Computer software	\$ 20,189	<u>\$ 9,698</u>	<u>\$ (13,272)</u>	\$ 16,615
<u>Accumulated amortization</u>				
Computer software	<u>13,440</u>	<u>\$ 6,004</u>	<u>\$ (13,272)</u>	<u>6,172</u>
Net book value	<u>\$ 6,749</u>			<u>\$ 10,443</u>

**For the Year Ended December 31, 2019**

	<b>Balance at January 1, 2019</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2019</b>
<u>Cost</u>				
Computer software	\$ 22,974	<u>\$ 3,488</u>	<u>\$ (6,273)</u>	\$ 20,189
<u>Accumulated amortization</u>				
Computer software	<u>12,448</u>	<u>\$ 7,265</u>	<u>\$ (6,273)</u>	<u>13,440</u>
Net book value	<u>\$ 10,526</u>			<u>\$ 6,749</u>

The above-mentioned intangible assets with definite useful lives are amortized on a straight-line basis over their estimated useful lives of 3 years.

**17. OTHER NON-CURRENT ASSETS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating deposits	\$ 330,000	\$ 330,000
Clearing and settlement fund	121,978	121,877
Refundable deposits	24,480	23,189
Prepayments for equipment	5,511	6,373
Deferred expense	<u>725</u>	<u>456</u>
	<u>\$ 482,694</u>	<u>\$ 481,895</u>

**18. BORROWINGS**

a. Short-term borrowings

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Secured borrowings	\$ 210,000	\$ -
Unsecured borrowings	<u>180,000</u>	<u>-</u>
	<u>\$ 390,000</u>	<u>\$ -</u>

The market rates of the short-term borrowings at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term borrowings	0.95%-1.05%	-

Some demand deposits, property and equipment, and investment properties were provided as collateral for bank borrowings and credit line (refer to Note 29 for the details).

b. Commercial paper payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper payable	\$ 6,560,000	\$ 5,390,000
Less: Discount of commercial paper payable	<u>(2,320)</u>	<u>(3,001)</u>
	<u>\$ 6,557,680</u>	<u>\$ 5,386,999</u>

The discount rates of the commercial paper payable at the end of each reporting period were summarized as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Commercial paper payable	0.20%-0.48%	0.38%-0.77%

All commercial paper payable mentioned above were underwritten by bills finance companies or banks.

**19. LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS**

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	\$ 2,263,283	\$ 1,829,697
Corporate bonds	<u>2,616,085</u>	<u>1,357,561</u>
	<u>\$ 4,879,368</u>	<u>\$ 3,187,258</u>

The market rates of the liabilities for bonds with attached repurchase agreements at the end of each reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Government bonds	0.17%-0.20%	0.30%-0.59%
Corporate bonds	0.24%-3.26%	0.59%-2.38%

Liabilities for bonds with attached repurchase agreements that were outstanding as of December 31, 2020 had been repurchased for \$4,881,026 thousand by February 25, 2021.

Liabilities for bonds with attached repurchase agreements that were outstanding as of December 31, 2019 had been repurchased for \$3,188,747 thousand by February 12, 2020.



## 20. ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Accounts payable for settlement - brokerage	\$ 5,414,551	\$ 2,983,659
Accounts payable for settlement - proprietary	1,980,285	567,707
Others	<u>92,286</u>	<u>81,858</u>
	<u>\$ 7,487,122</u>	<u>\$ 3,633,224</u>

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

The Corporation adopted the pension plan under the Labor Standards Act, which is a state-managed defined benefit plan. Pension costs are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes monthly contributions to a pension fund based on 2% of gross salaries. Pension contributions are deposited in Banks of Yuanta, First and Taiwan in the pension fund committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund deposited in the Bank of Taiwan is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the accompanying balance sheets in respect of the Corporation's defined benefit plans are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation	\$ 294,790	\$ 240,943
Fair value of plan assets	<u>(114,806)</u>	<u>(86,274)</u>
Net defined benefit liabilities	<u>\$ 179,984</u>	<u>\$ 154,669</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of Defined Benefit Obligation</b>	<b>Fair Value of Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	\$ 244,411	\$ (76,252)	\$ 168,159
Service cost			
Current service cost	3,348	-	3,348
Net interest expense (income)	<u>2,200</u>	<u>(695)</u>	<u>1,505</u>
Recognized in profit or loss	<u>5,548</u>	<u>(695)</u>	<u>4,853</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,416)	(3,416)
Actuarial loss - changes in financial assumptions	4,335	-	4,335
Actuarial gain - experience adjustments	<u>(4,466)</u>	<u>-</u>	<u>(4,466)</u>
Recognized in other comprehensive income	<u>(131)</u>	<u>(3,416)</u>	<u>(3,547)</u>
Contributions from the employer	<u>-</u>	<u>(14,796)</u>	<u>(14,796)</u>
Benefits paid	<u>(8,885)</u>	<u>8,885</u>	<u>-</u>
Balance at December 31, 2019	<u>240,943</u>	<u>(86,274)</u>	<u>154,669</u>
Service cost			
Current service cost	3,197	-	3,197
Net interest expense (income)	<u>1,687</u>	<u>(611)</u>	<u>1,076</u>
Recognized in profit or loss	<u>4,884</u>	<u>(611)</u>	<u>4,273</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,517)	(10,517)
Actuarial loss - changes in financial assumptions	10,192	-	10,192
Actuarial loss - experience adjustments	<u>65,661</u>	<u>-</u>	<u>65,661</u>
Recognized in other comprehensive (income) loss	<u>75,853</u>	<u>(10,517)</u>	<u>65,336</u>
Contributions from the employer	<u>-</u>	<u>(44,294)</u>	<u>(44,294)</u>
Benefits paid	<u>(26,890)</u>	<u>26,890</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 294,790</u>	<u>\$ (114,806)</u>	<u>\$ 179,984</u>

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on debt investments of plan assets.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Corporation's defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rate	0.3%	0.7%
Expected incremental rate of salaries	1.5%	1.5%
Expected rate of return on plan assets	0.3%	0.7%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount rate		
0.1% increase	<u>\$ (2,595)</u>	<u>\$ (2,182)</u>
0.1% decrease	<u>\$ 2,627</u>	<u>\$ 2,210</u>
Expected incremental rate of salaries		
0.1% increase	<u>\$ 2,300</u>	<u>\$ 1,951</u>
0.1% decrease	<u>\$ (2,279)</u>	<u>\$ (1,931)</u>

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Expected contributions to the plan for the next year	<u>\$ 2,000</u>	<u>\$ 1,960</u>
Average duration of the defined benefit obligation	8.5 years	8.9 years

## 22. EQUITY

### a. Share capital

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>1,500,000</u>	<u>1,500,000</u>
Share capital authorized	<u>\$ 15,000,000</u>	<u>\$ 15,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>594,455</u>	<u>610,322</u>
Share capital issued	<u>\$ 5,944,550</u>	<u>\$ 6,103,227</u>

Every issued ordinary share with a par value of \$10 entitles its holder to one vote on matters requiring such vote and to receive dividends.

The change in the Corporation's share capital for the years 2020 and 2019 are mainly due to purchase and retirement of the treasury shares.

It was resolved in the shareholders' meeting on June 5, 2020 to increase the Corporation's capital by transferring from the capital surplus the amount of \$41,323 thousand, which increased the share capital issued by 4,132 thousand ordinary shares.

It was resolved in the shareholders' meeting on June 6, 2019 to increase the Corporation's capital by transferring from the capital surplus the amount of \$176,424 thousand, which increased the share capital issued by 17,642 thousand ordinary shares.

b. Capital surplus

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Treasury share transactions	\$ 173,203	\$ 178,104
Gain on sale of fixed assets	682	682
Unclaimed dividends	126	126
Others	<u>1,296</u>	<u>1,296</u>
	<u>\$ 175,307</u>	<u>\$ 180,208</u>

The capital surplus arising from shares issued in excess of par (including additional paid-in capital, premium from mergers and treasury share transactions, etc.) and donations may be used to offset deficits; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital each year).

The capital surplus arising from the gain on sale of fixed assets can only be used to offset deficits.

The capital surplus arising from investments accounted for using equity method and employee share options may not be used for any purpose. The capital surplus arising from unclaimed dividends may only be used to offset deficits. Changes in the capital surplus for the year 2020 resulted from the transferred share capital and retirement of treasury shares.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Corporation made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and as special reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors, refer to "Compensation of employees and remuneration of directors" in Note 23.

In line with the current and future development plans, the Corporation's dividend policy takes into consideration the investment environment, funding needs and domestic and foreign competition, at the same time taking into account shareholders' interests. Annually, the total amount of dividends and bonuses distributed to shareholders shall not be lower than 50% of the earnings available for distribution, except when the cumulative earnings available for distribution are lower than 0.5% of the share capital, in which case no dividends or bonuses may be distributed. The dividends can be distributed in the form of cash or shares, of which the cash portion shall be no less than 10% of the total amount of dividends distributed.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

According to the Regulations Governing Securities Firms, a securities firm should set aside 20% of their annual after-tax profit as special reserve until the special reserve equals the firm's paid-in capital. According to the revised Regulations Governing Securities Firms announced on December 5, 2017, the special reserve shall not be used for purposes other than for offsetting the losses of the company, or when the accumulated special reserve reaches 25% of the amount of paid-in capital, the portion in excess of the 25% of paid-in capital may be used for capitalization.

Under Rule No. 1010028514, 1030008251 and 10500278285 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should make appropriations to or reversals from a special reserve.

The appropriation of earnings for 2019, which was approved in the shareholders' meeting on June 5, 2020, was as follows:

	<b>For the Year Ended December 31, 2019</b>
Legal reserve	<u>\$ 28,684</u>
Special reserve	<u>\$ 57,369</u>
Cash dividends	<u>\$ 194,807</u>
Cash dividends per share (NT\$)	\$ 0.33

On June 5, 2020, it was approved for transferring \$41,323 thousand from the capital surplus to ordinary shares in the shareholders' meeting.

After reversing \$33,797 thousand from the special reserve, the offset of the accumulated deficit for 2018 as approved in the shareholders' meeting on June 6, 2019, was made by reversal of \$242,802 thousand from the special reserve and the legal reverse, and transferring \$176,424 thousand from the capital surplus to ordinary shares.

The appropriation of earnings for 2020, which was proposed by the Corporation's Board of Directors on March 11, 2021 was as follows:

	<b>For the Year Ended December 31, 2020</b>
Legal reserve	<u>\$ 103,460</u>
Special reserve	<u>\$ 206,920</u>
Cash dividends	<u>\$ 725,235</u>
Cash dividends per share (NT\$)	\$ 1.22

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 4, 2021.

d. Other equity

1) Exchange differences on the translation of the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ (4,445)	\$ (1,538)
Recognized for the year		
Exchange differences on the translation of the financial statements of foreign operations	(6,856)	(2,951)
Income tax expense related to exchange differences on the translation of the financial statements of foreign operations	<u>185</u>	<u>44</u>
Balance at December 31	<u>\$ (11,116)</u>	<u>\$ (4,445)</u>

2) Unrealized gain on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 270,624	\$ 145,016
Recognized for the year		
Unrealized gain - debt instruments	8,087	1,115
Unrealized gain - equity instruments	79,568	97,411
Investments accounted for using the equity method	<u>62,259</u>	<u>27,082</u>
Other comprehensive income recognized for the year	<u>149,914</u>	<u>125,608</u>
Balance at December 31	<u>\$ 420,538</u>	<u>\$ 270,624</u>

e. Treasury shares

**Unit: Number of Shares (In Thousands)**

<b>Reason for Purchasing Treasury Shares</b>	<b>Shares Transferred to Employees</b>	<b>Maintaining Credit-worthiness and Shareholders' Equity</b>	<b>Total</b>
Number of shares at January 1, 2020	-	17,837	17,837
Increase during the year	-	2,163	2,163
Decrease during the year	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Number of shares at December 31, 2020	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at January 1, 2019	18,000	8,612	26,612
Increase during the year	-	29,225	29,225
Decrease during the year	<u>(18,000)</u>	<u>(20,000)</u>	<u>(38,000)</u>
Number of shares at December 31, 2019	<u>-</u>	<u>17,837</u>	<u>17,837</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

On October 27, 2016, the Corporation's Board of Directors resolved to purchase a total of 20,000 thousand treasury shares for transferring to its employees. Accordingly, as of December 27, 2016 (the last day of the share buyback period), the Corporation purchased 18,000 thousand treasury shares for \$118,906 thousand. In August 2019, the Corporation's Board of Directors resolved to transfer 4,600 thousand treasury shares to employees of the Corporation and its subsidiaries at \$6.61 per share. The number of shares transferred was 4,060 thousand and 540 thousand, respectively, and were not allowed to be transferred within two years from the date of resolution. On December 20, 2019, the Corporation's Board of Directors resolved to cancel the remaining 13,400 thousand treasury shares.

The weighted-average share price of the employee share options on the exercise date was \$7.39.

Employee share options granted in August 2019 were priced using the Black-Scholes pricing model, which had a weighted-average fair value of \$0.6743. The inputs to the model are as follows:

	<b>August 2019</b>
Grant-date share price	\$7.28
Exercise price	\$6.61
Expected volatility	12.67%
Expected life	28 days
Expected dividend yield	-
Risk-free interest rate	0.81%

Compensation costs recognized amounted to \$2,646 thousand for the year ended December 31, 2019.

On December 21, 2018, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining creditworthiness and shareholders' equity. Accordingly, as of February 11, 2019 (the last day of the share buyback period), the Corporation purchased 20,000 thousand treasury shares for \$151,272 thousand and cancelled the treasury shares on March 18, 2019.

On November 8, 2019, the Corporation's Board of Directors resolved to purchase and cancel a total of 20,000 thousand treasury shares for the purpose of maintaining creditworthiness and shareholders' equity. Accordingly, as of January 10, 2020 (the last day of the share buyback period), the Corporation purchased 20,000 thousand treasury shares for \$163,578 thousand and cancelled the treasury shares on March 13, 2020.

## 23. ANALYSIS OF STATEMENT OF COMPREHENSIVE INCOME ITEMS

### a. Brokerage handling fee revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Handling fee revenue from brokered share trading	\$ 871,519	\$ 590,056
Handling fee revenue from securities lending	7,594	11,738
Handling fees from securities financing	5,537	4,037
Others	<u>19,056</u>	<u>9,589</u>
	<u>\$ 903,706</u>	<u>\$ 615,420</u>

b. Revenue from underwriting commission

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Processing fee revenue from underwriting operations	\$ 21,825	\$ 2,138
Revenue from underwriting securities on a firm commitment basis	10,596	4,660
Revenue from underwriting consultation	8,210	3,480
Others	<u>547</u>	<u>1,345</u>
	<u>\$ 41,178</u>	<u>\$ 11,623</u>

c. Gains (losses) on sale of operating securities, net

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Proprietary	\$ 1,693,980	\$ 302,282
Underwriting	(994)	(19,425)
Hedging	<u>(422,584)</u>	<u>(317,128)</u>
	<u>\$ 1,270,402</u>	<u>\$ (34,271)</u>

d. Interest income

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Financing interest	\$ 179,393	\$ 179,855
Bond interest	39,628	53,811
Interest from bond investments under resale agreements	17	79
Others	<u>483</u>	<u>421</u>
	<u>\$ 219,521</u>	<u>\$ 234,166</u>

e. Valuation gains on operating securities at FVTPL, net

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Proprietary	\$ 431,110	\$ 101,987
Underwriting	845	39,325
Hedging	<u>24,196</u>	<u>3,612</u>
	<u>\$ 456,151</u>	<u>\$ 144,924</u>



f. Gains on issuance of share warrants, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Gains on change in fair value of warrant liabilities	\$ 2,940,101	\$ 3,905,375
Gains (losses) on exercise of warrants before maturity	(1,226)	141
Losses on change in fair value of warrants redeemed - realized	(3,158,550)	(3,772,942)
Gains (losses) on change in fair value of warrants redeemed - unrealized	244,539	(87,507)
Share warrants issuance expenses	<u>(17,478)</u>	<u>(18,974)</u>
	<u>\$ 7,386</u>	<u>\$ 26,093</u>

g. Gains (losses) on derivative instruments, net

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Gains (losses) on derivative instruments - futures, net</u>		
Futures transactions	\$ (341,284)	\$ 50,316
Options transactions	<u>19,326</u>	<u>(1,442)</u>
	<u>\$ (321,958)</u>	<u>\$ 48,874</u>
<u>Gains (losses) on derivative instruments - OTC, net</u>		
Asset swap options	\$ (408,669)	\$ (8,253)
Equity derivatives	(33,284)	4,279
Structured instruments	(7,096)	(6,081)
Value of asset swap IRS contracts	<u>(16,826)</u>	<u>(7,590)</u>
	<u>\$ (465,875)</u>	<u>\$ (17,645)</u>

h. Expected credit loss

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Financial assets at amortized cost	\$ (355)	\$ (497)
Financial assets at fair value through other comprehensive income	<u>(840)</u>	<u>(370)</u>
	<u>\$ (1,195)</u>	<u>\$ (867)</u>

i. Other operating loss

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Processing revenue	\$ 20,456	\$ 13,704
Commission revenue	4,085	7,883
Agency revenue	1,042	1,581
Loss on error trading	(1,214)	(1,727)
Foreign exchange loss, net	(32,190)	(25,637)
Others	<u>143</u>	<u>74</u>
	<u>\$ (7,678)</u>	<u>\$ (4,122)</u>

j. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest of commercial paper payable	\$ 29,322	\$ 34,971
Interest of liabilities for bonds with attached repurchase agreements	16,929	18,315
Loan interest	2,200	3,456
Interest of securities financing	1,247	1,391
Interest of lease liabilities	589	777
Others	<u>1,474</u>	<u>825</u>
	<u>\$ 51,761</u>	<u>\$ 59,735</u>

k. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Retirement benefits		
Defined contribution plan	\$ 27,331	\$ 25,714
Defined benefit plan	<u>4,273</u>	<u>4,853</u>
	31,604	30,567
Short-term employee benefits		
Salaries	965,152	623,337
Labor and health insurance	49,774	47,889
Others	<u>24,739</u>	<u>23,376</u>
	<u>\$ 1,071,269</u>	<u>\$ 725,169</u>

l. Compensation of employees and remuneration of directors

The Corporation accrues compensation of employees and remuneration of directors at rates of 1% to 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and the remuneration of directors for the years ended December 31, 2020 and 2019, which were approved by the Corporation's Board of Directors on March 11, 2021 and March 12, 2020, respectively, are as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	<u>\$ 12,669</u>	<u>\$ 3,097</u>
Remuneration of directors	<u>\$ 56,435</u>	<u>\$ 13,796</u>

If there is a change in the estimated amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the next year.

There is no difference between the actual amount of compensation of employees and remuneration of directors resolved by the Board of Directors for 2019 and the amounts recognized in the annual parent company only financial statements for the year ended December 31, 2019.

The Corporation incurred a net loss in 2018, hence, there was no distribution of compensation of employees and remuneration of directors.

The information on the compensation of employees and remuneration of directors resolved by the Corporation's Board of Directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

m. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
<u>Depreciation</u>		
Property and equipment	\$ 21,138	\$ 22,762
Right-of-use assets	45,257	48,224
Investment property	<u>3,194</u>	<u>3,183</u>
	<u>\$ 69,589</u>	<u>\$ 74,169</u>
<u>Amortization</u>		
Intangible assets	\$ 6,004	\$ 7,265
Deferred expense	<u>186</u>	<u>207</u>
	<u>\$ 6,190</u>	<u>\$ 7,472</u>

n. Other operating expenses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Taxes	\$ 170,547	\$ 113,202
Information technology expenses	47,647	55,584
Securities borrowing fees	28,272	39,691
Depository service expenses	23,538	17,290
Postage expenses	22,109	20,653
Repairs and maintenance expenses	18,867	17,536
Others	<u>87,459</u>	<u>84,367</u>
	<u>\$ 398,439</u>	<u>\$ 348,323</u>

o. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Rental income from the use of venue and equipment	\$ 43,505	\$ 44,363
Other rental income from investment property	18,591	18,396
Dividend income	10,838	12,182
Financial income	8,757	30,522
Valuation gains on non-operating financial assets at fair value through profit or loss, net	8,031	1,963
Others	<u>11,591</u>	<u>4,625</u>
	<u>\$ 101,313</u>	<u>\$ 112,051</u>

## 24. INCOME TAX FROM CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 88,662	\$ 27,909
Income tax on unappropriated retained earnings	299	-
Adjustment for prior year	<u>4,041</u>	<u>(22,711)</u>
	93,002	5,198
Deferred tax		
In respect of the current year	<u>(68,752)</u>	<u>(11,900)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 24,250</u>	<u>\$ (6,702)</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax from continuing operations	<u>\$ 1,109,226</u>	<u>\$ 277,650</u>
Income tax expense calculated at the statutory rate	\$ 221,845	\$ 55,530
Nondeductible expenses in determining taxable income	(113,175)	(32,541)
Tax-exempt income	(216,600)	(4,952)
Adjustments for prior years' tax expense	4,041	(22,711)
Income tax on unappropriated retained earnings	299	-
Others	<u>127,840</u>	<u>(2,028)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 24,250</u>	<u>\$ (6,702)</u>
b. Income tax recognized in other comprehensive income (loss)		

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Deferred tax</u>		
In respect of the current year		
Translation of foreign operations	\$ (185)	\$ (44)
Remeasurement of defined benefit plans	<u>(13,067)</u>	<u>709</u>
Total income tax expense (benefit) recognized in other comprehensive income (loss)	<u>\$ (13,252)</u>	<u>\$ 665</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax assets		
Tax refund receivable	<u>\$ 11,402</u>	<u>\$ 19,983</u>
Current tax liabilities		
Income tax payable	<u>\$ 99,101</u>	<u>\$ 19,285</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign subsidiary accounted for using equity method	\$ 55,874	\$ (2,641)	\$ -	\$ 53,233
Defined benefit plans	30,934	(8,004)	13,067	35,997
Payables for annual leave	3,856	33	-	3,889
Unrealized exchange losses	16,717	6,428	-	23,145
Exchange differences on the translation of foreign operations	1,595	-	185	1,780
Loss on derivative financial instruments	3,076	55,816	-	58,892
Valuation loss on foreign futures	<u>2,764</u>	<u>17,632</u>	<u>-</u>	<u>20,396</u>
	<u>\$ 114,816</u>	<u>\$ 69,264</u>	<u>\$ 13,252</u>	<u>\$ 197,332</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Valuation gain on foreign operating securities	<u>\$ 154</u>	<u>\$ 512</u>	<u>\$ -</u>	<u>\$ 666</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss on foreign subsidiary accounted for using equity method	\$ 55,872	\$ 2	\$ -	\$ 55,874
Defined benefit plans	33,632	(1,989)	(709)	30,934
Payables for annual leave	3,897	(41)	-	3,856
Unrealized exchange losses	11,850	4,867	-	16,717
Exchange differences on the translation of foreign operations	1,551	-	44	1,595
Loss on derivative financial instruments	-	3,076	-	3,076
Valuation loss on foreign futures	<u>-</u>	<u>2,764</u>	<u>-</u>	<u>2,764</u>
	<u>\$ 106,802</u>	<u>\$ 8,679</u>	<u>\$ (665)</u>	<u>\$ 114,816</u>

Deferred tax liabilities

Temporary differences				
Valuation gain on foreign operating securities	\$ -	\$ 154	\$ -	\$ 154
Gain on derivative financial instruments	3,253	(3,253)	-	-
Valuation loss on foreign futures	<u>122</u>	<u>(122)</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,375</u>	<u>\$ (3,221)</u>	<u>\$ -</u>	<u>\$ 154</u>

- e. Deductible temporary differences that have not been recognized as deferred tax assets in the balance sheets

	<u>December 31</u>	
	2020	2019
Asset impairment	<u>\$ 1,918</u>	<u>\$ 1,918</u>

f. Income tax assessments

The income tax returns of the Corporation through 2018, except 2017, have been examined by the tax authorities, who made the decision to reduce the Corporation's tax refund receivable for the years 2014 to 2016. However, the Corporation disagreed with the tax assessments of 2014 to 2016 and applied for a recheck. In June 2019, the Corporation received the letter of the recheck decision for the tax assessments for 2014 and 2015, and recognized the income tax benefit of \$17,748 thousand. In July 2019, the Corporation received the recheck decision for 2016, and recognized the income tax benefit of \$4,963 thousand.

## 25. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 17, 2020. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2019 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	<u>\$ 0.47</u>	<u>\$ 0.47</u>
Diluted earnings per share	<u>\$ 0.47</u>	<u>\$ 0.47</u>

The calculation of earnings per share was as follows:

	Amount (Numerator) After Income Tax	Number of Shares (Denominator) (In Thousands)	Earnings Per Share After Income Tax (In Dollars)
<u>For the year ended December 31, 2020</u>			
Basic earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	\$ 1,084,976	594,455	<u>\$ 1.83</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>993</u>	
Diluted earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	<u>\$ 1,084,976</u>	<u>595,448</u>	<u>\$ 1.82</u>
<u>For the year ended December 31, 2019</u>			
Basic earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	\$ 284,352	608,883	<u>\$ 0.47</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>382</u>	
Diluted earnings per share			
Earnings attributable to ordinary shareholders of the Corporation	<u>\$ 284,352</u>	<u>609,265</u>	<u>\$ 0.47</u>



Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation was settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect was dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

The impact of outstanding treasury shares had been considered during the calculation of earnings per share.

## **26. CAPITAL MANAGEMENT**

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stockholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt and equity.

Key management personnel of the Corporation review the cost of capital of the Corporation and related risk of the capital structure on a regular basis. They also adjust the overall capital structure by paying dividends, issuing new debts, settling original debts, etc.

The Corporation files the capital adequacy ratio to relevant authorities on a monthly basis in accordance with the Regulations Governing Securities Firms. The Corporation's capital adequacy ratio is 264% and 338% for the years ended December 31, 2020 and 2019, respectively.

## **27. FINANCIAL INSTRUMENTS**

### **a. Fair value of financial instruments**

#### **1) Financial instruments not measured at fair value**

The management of the Corporation believes the carrying amounts of financial assets and financial liabilities not measured at fair value recognized in the financial statements approximate their fair values or their fair values cannot be reliably measured.

2) Financial instruments measured at fair value that are measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial assets mandatorily measured at FVTPL	\$ 7,568,786	\$ 2,603,739	\$ -	\$ 10,172,525
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Unlisted shares	-	-	482,639	482,639
Investments in debt instruments				
Domestic government bonds	-	301,941	-	301,941
Domestic corporate bonds	-	403,152	-	403,152
Foreign corporate bonds	-	772,495	-	772,495
	<u>\$ 7,568,786</u>	<u>\$ 4,081,327</u>	<u>\$ 482,639</u>	<u>\$ 12,132,752</u>
<u>Financial liabilities at FVTPL</u>				
Financial liabilities held for trading	\$ 619,243	\$ 845,569	\$ -	\$ 1,464,812
Financial liabilities designated as at FVTPL	-	486,550	-	486,550
	<u>\$ 619,243</u>	<u>\$ 1,332,119</u>	<u>\$ -</u>	<u>\$ 1,951,362</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Financial assets mandatorily measured at FVTPL	\$ 3,811,172	\$ 2,963,944	\$ -	\$ 6,775,116
<u>Financial assets at FVTOCI</u>				
Investments in equity instruments				
Unlisted shares	-	-	409,671	409,671
Investments in debt instruments				
Domestic government bonds	-	300,260	-	300,260
Domestic corporate bonds	-	200,497	-	200,497
Foreign corporate bonds	-	149,888	-	149,888
	<u>\$ 3,811,172</u>	<u>\$ 3,614,589</u>	<u>\$ 409,671</u>	<u>\$ 7,835,432</u>
<u>Financial liabilities at FVTPL</u>				
Financial liabilities held for trading	\$ 400,712	\$ 328,218	\$ -	\$ 728,930
Financial liabilities designated as at FVTPL	-	350,812	-	350,812
	<u>\$ 400,712</u>	<u>\$ 679,030</u>	<u>\$ -</u>	<u>\$ 1,079,742</u>

Transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019 were due mainly to the determination of whether part of the Corporation's emerging market shares and convertible bonds were investments with an active market based on observation of the transaction volume of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 409,671	\$ 194,945
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	79,568	97,411
Capital reduction	(6,600)	-
Purchases	<u>-</u>	<u>117,315</u>
Balance at December 31	<u>\$ 482,639</u>	<u>\$ 409,671</u>

4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Corporate bond investments	Discounted using the market rate announced by the Taipei Exchange or using the credit rating equal or equivalent to the yield rate curve.
Value of asset swap IRS contracts	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate announced by Bloomberg.
Asset swap options	The closing price of the convertible bond on the same day minus straight bond value: Straight bond value is the present value of future cash flows discounted at the risk-adjusted premium based on the zero-risk rate that a convertible bond would provide. The zero-risk rate is the short-term commercial paper rate announced by Bloomberg.
Structured instruments	Discounted cash flow method: Discounted using the risk-adjusted premium based on the short-term commercial paper rate announced by Bloomberg.
Emerging stock	Fair value estimated based on the average transaction price on the base date or the first 20 business days (including the base date).

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined by using the market and asset approaches. In these approaches, the fair value of the unlisted securities is determined based on the share price of comparable companies in an active market, and its price value multiplier and other related information, where the significant unobservable input used is the discount for lack of marketability.

If the discount for lack of marketability used in the valuation model was changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Discount for lack of marketability		
10% increase	<u>\$ (10,161)</u>	<u>\$ (8,662)</u>
10% decrease	<u>\$ 10,158</u>	<u>\$ 8,623</u>

b. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
FVTPL		
Mandatorily measured at FVTPL	\$ 10,172,525	\$ 6,775,116
Financial assets at amortized cost (Note 1)	14,788,022	9,906,816
FVTOCI		
Equity instrument investments	482,639	409,671
Debt instrument investments	1,477,588	650,645
Operating deposits	330,000	330,000
Clearing and settlement fund	121,978	121,877
Refundable deposits	24,480	23,189
<u>Financial liabilities</u>		
FVTPL		
Held for trading	1,464,812	728,930
Designated as at FVTPL	486,550	350,812
Financial liabilities at amortized cost (Note 2)	20,608,503	13,154,988
Guarantee deposits received	3,784	4,375

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable (including related parties), other receivable (including related parties), other financial assets - current and restricted assets - current.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, security lending refundable deposits, accounts payable (including related parties), and other payables (including related parties).

The difference between the carrying amount and contractual amount at maturity of financial liabilities designated as at FVTPL was as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial liabilities designated as at FVTPL	\$ 486,550	\$ 350,812
Amount payable at maturity	<u>(506,084)</u>	<u>(361,814)</u>
	<u>\$ (19,534)</u>	<u>\$ (11,002)</u>

The Corporation designated structured instruments as financial liabilities designated as at FVTPL. The change in fair value was attributable to market risk factors.

c. Financial risk management objectives and policies

1) Risk management system

Policies of risk management

The Corporation's risk management policies in accordance with operating goals are to prevent any possible loss within the bearable risk exposures, maximize stockholders' wealth by balancing risks and returns, and optimize the asset allocation.

Risk management policies are the prime directives of the Corporation's risk management. They are applied to the Corporation and each subsidiary. All regulations related to risk management should be made in accordance with the risk management policies.

The process of formulating and approving risk management policies

The Corporation's risk management policies, risk management regulations and commodity operation procedures are drafted and revised by the authorized departments based on suggestions and opinions of other departments before reporting them to the risk management committee.

The risk management committee, which is under the Board of Directors (the highest risk management unit), is responsible for strengthening the overall risk management control and setting relationships between goals and risks in order to determine capital allocation and operating policies. The responsibilities of the risk management office are to verify the source of risks and to evaluate and quantify the influence of risks. Managers of business units are responsible for the daily risk management and reporting of their respective units.

The Corporation holds risk management meetings at least twice a year, where the participants are appointed by the chairman. In the meetings, the authorization and investment quotas are determined based on market risk, credit risk, liquidity risk, operational risk and legal risk, and the managers of each business unit should manage the risks according to the authorization and investment quotas. Any revisions of the investment quotas should be approved by the general manager and reported to the risk management committee for approval.

### Organizational structure of the risk management system

The Corporation's risk management organizational structure includes the Board of Directors, risk management committee, risk management office, department of finance, department of internal audit, department of compliance and the business units. The duties and functions of each division are as follows:

a) Board of directors

The Corporation's Board of Directors is the highest risk management unit. In compliance with the laws and with the promotion and implementation of the Corporation's overall risk management as the goal, the board of directors takes the ultimate responsibility for risk management and ensures the effectiveness of risk management by understanding the risks faced by its securities operations.

b) Risk management committee

The committee is under the Board of Directors and consists of members of the Board of Directors. Its function is to assist the Board of Directors in the planning and monitoring of the related risk management affairs.

c) Risk management office

The risk management office is under the Board of Directors and independent of other departments. It is in charge of monitoring, measuring and evaluating the daily risks and to ensure the risks of the Corporation and each business unit are within the authorized investment quotas. The head of the risk management office evaluates and monitors the daily risks, and the appointment or removal of the head should be approved by the Board of Directors.

d) Department of finance

The department of finance is independent of other business units, and is responsible for monitoring the use of funds of each business unit. When there is an urgent need for fund procurement, the department of finance can respond based on the emergency response procedures.

e) Department of internal audit

The department of internal audit is under the Board of Directors and independent of other departments, and is responsible for the planning and execution of the audit business. It is responsible for auditing items related to finance, business execution, internal control and implementation of the laws of the Corporation and its subsidiaries, in order to ensure the Corporation manages the operational risk effectively.

f) Department of compliance

The department of compliance is responsible for compliance with the laws and legal review of contracts. In order to mitigate the effect of changes in laws and regulations issued by the authorities, the department examines the internal regulations at announced times and maintains complete audit procedures to assure the appropriateness and legality of all transactions.

g) Business units

The manager of each business unit takes first-line responsibility in analyzing and monitoring all risks and ensures all risks are under control and all risk management procedures are effective.

The risk management office periodically reports the results of the risk management objective, profit or loss of positions, sensitivity analysis, stress tests, etc. to the risk management committee or the Board of Directors. The Corporation also put in place effective reporting procedures, transaction limits and stop-loss strategy. If the transaction meets the stop-loss criteria, the strategy should be immediately executed, otherwise the business unit should report the reason for not executing the stop-loss strategy and the corresponding plan to the management for approval.

## 2) Market risk

The Corporation had established an effective risk measurement system to identify the effect of market risk factors, such as interest rate, exchange rate and equity and commodity price risks on its trading positions, and measures the potential risks of the Corporation's on- and off- balance sheet positions based on changes in these risk factors.

The Corporation measures market risk using Value at Risk (VaR) and sensitivity analysis. The Corporation executes stress testing at the end of each month to identify the bearable level of tolerance in the face of financial crisis. VaR refers to the maximum potential loss of financial instruments in a given holding period and specified confidence level. To ensure the accuracy of the VaR model, the Corporation performs backtesting regularly.

Historical VaR (Confidence Level 99%, One-day)	For the Year Ended December 31, 2020			December 31	
	Average	Minimum	Maximum	2020	2019
<u>Type of risk</u>					
Equity securities	\$ 88,561	\$ 21,584	\$ 143,566	\$ 98,361	\$ 33,755
Interest rate	12,606	4,265	29,902	17,583	10,400
Diversification of risks	<u>(17,074)</u>			<u>(13,555)</u>	<u>(15,130)</u>
Total VaR exposure	<u>\$ 84,093</u>			<u>\$ 102,389</u>	<u>\$ 29,025</u>

The Corporation uses sensitivity analysis to measure the sensitivity of its bond investments to individual risk factors. The Corporation controls the upper limit of trading positions based on the impact of a 0.01% change in interest rates on the profit or loss of the investment portfolio. If the market interest rate increased by 0.01%, the fair value of the bond investments would have decreased by \$2,346 thousand and \$1,748 thousand as of December 31, 2020 and 2019, respectively. The Corporation uses the scenario of the appreciation and depreciation of the New Taiwan dollar to analyze the sensitivity of foreign currency risk. When the New Taiwan dollar appreciates/depreciates 3% against the relevant foreign currencies, there would be a decrease/increase in profit of \$18,112 thousand and \$11,540 thousand for the years ended December 31, 2020 and 2019, respectively.

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rate risk at the end of each reporting period were as follows:

	December 31	
	2020	2019
Interest rate risk of fair value		
Financial assets	\$ 9,226,734	\$ 7,766,388
Financial liabilities	12,721,912	9,441,255
Interest rate risk of cash flow		
Financial assets	3,564,283	1,443,168

Besides the above-mentioned measurement of market risk, the Corporation also uses scenario analysis to assess the changes in value of its asset portfolio and implements stress testing at the end of each month to measure the abnormal loss under extreme conditions.

### 3) Credit risk

Credit risk refers to the risk that an issuer, guarantor or counterparty will default on its contractual obligations in securities or derivative instruments trading in the primary and secondary markets, resulting in a financial loss to the Corporation. The Corporation has in place a rating system to control the credit risk from counterparties.

The monitoring of brokerage customers is supported by credit check procedures. The credit check procedures are required to be authorized by different levels of management to ensure the settlement risk is effectively reduced.

There is no concentration of credit risk on accounts receivable because of the large number of customers; no transactions are concentrated on one single customer and the operating locations are diversified. To decrease credit risk, the Corporation evaluates the financial conditions of customers regularly and continuously, and customers are required to provide sufficient collateral before credit is extended.

At the end of each reporting period, the carrying amount of financial assets is the amount of maximum exposure to credit risk.

The financial effect related to the amount of maximum exposure to credit risk of financial assets recognized in the balance sheets and the collateral held is as follows:

	<b>Maximum Exposure to Credit Risk</b>	
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Margin loans receivable	<u>\$ 4,695,748</u>	<u>\$ 3,435,417</u>

### 4) Liquidity risk

#### Liquidity risk and interest rate risk table

The following table details the maturity analysis of the Corporation's remaining contractual financial liabilities with agreed repayment periods. The table had been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Corporation was likely to be required to pay.

#### December 31, 2020

	<b>Within 1 Year</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<u>Derivative financial liabilities</u>					
Non-interest bearing	\$ 901,289	\$ -	\$ -	\$ -	\$ 901,289
Fixed interest rate	2,287,854	-	-	-	2,287,854
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	8,482,467	-	3,784	-	8,486,251
Fixed interest rate	12,659,864	-	-	-	12,659,864
Lease liabilities	<u>43,839</u>	<u>11,496</u>	<u>9,165</u>	-	<u>64,500</u>
	<u>\$ 24,375,313</u>	<u>\$ 11,496</u>	<u>\$ 12,949</u>	<u>\$ -</u>	<u>\$ 24,399,758</u>



December 31, 2019

	Within 1 Year	Between 1 and 2 Years	Between 2 and 5 Years	Over 5 Years	Total
<u>Derivative financial liabilities</u>					
Non-interest bearing	\$ 355,001	\$ -	\$ -	\$ -	\$ 355,001
Fixed interest rate	2,010,887	-	-	-	2,010,887
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	4,166,673	-	4,375	-	4,171,048
Fixed interest rate	9,346,417	-	-	-	9,346,417
Lease liabilities	45,312	39,404	13,991	-	98,707
	<u>\$ 15,924,290</u>	<u>\$ 39,404</u>	<u>\$ 18,366</u>	<u>\$ -</u>	<u>\$ 15,982,060</u>

The amounts of financial liabilities with variable interest rates listed in the table above were subject to change if variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

Financing facilities

Financing facilities at the end of each reporting period were as follows:

	<u>December 31</u>	
	2020	2019
Financing facilities	<u>\$ 16,090,000</u>	<u>\$ 14,403,000</u>
Unused amount	<u>\$ 10,890,000</u>	<u>\$ 10,633,000</u>

d. Transfers of financial assets

In the daily transactions of the Corporation, most of the transferred financial assets which are not eligible for full derecognition are debt securities with repurchase agreements. In such transactions, the cash flows have been transferred to outsiders and the Corporation has the obligation to recognize the related liabilities of transferred financial assets which have to be repurchased at a fixed amount in the future. In addition, the Corporation has no right to conduct, sell, or pledge the transferred financial assets during the effective period of transaction, but is still exposed to interest rate risk and credit risk. As a result, the transferred financial assets cannot be fully derecognized. The following table shows the transferred financial assets not qualified for derecognition and its related financial liabilities:

December 31, 2020

Type of Financial Asset	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreements	\$ 6,651,160	\$ 4,879,368	\$ 6,651,160	\$ 4,879,368	\$ 1,771,792

December 31, 2019

Type of Financial Asset	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Fair value of Net Position
Repurchase agreements	\$ 4,527,080	\$ 3,187,258	\$ 4,527,080	\$ 3,187,258	\$ 1,339,822

e. Offsetting of financial assets and financial liabilities

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheets or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2020

Financial Instrument	Gross Amount of Recognized Financial Assets (Liabilities)	Gross Amount of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amount of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amount Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Accounts receivable	\$ 5,920,580	\$ (4,930)	\$ 5,915,650	\$ (304)	\$ -	\$ 5,915,346
Accounts payable	\$ (7,492,052)	\$ 4,930	\$ (7,487,122)	\$ 304	\$ -	\$ (7,486,818)
Liabilities for bonds with attached repurchase agreements	\$ (4,879,368)	\$ -	\$ (4,879,368)	\$ 4,879,368	\$ -	\$ -

December 31, 2019

Financial Instrument	Gross Amount of Recognized Financial Assets (Liabilities)	Gross Amount of Recognized and offset Financial Assets/ Liabilities in the Balance Sheet	Net Amount of Financial Assets (Liabilities) Presented in the Balance Sheet	Related Amount Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Accounts receivable	\$ 3,791,619	\$ (29,303)	\$ 3,762,316	\$ (548,085)	\$ -	\$ 3,214,231
Bond investment under resale agreements	\$ 697,687	\$ -	\$ 697,687	\$ (697,687)	\$ -	\$ -
Accounts payable	\$ (3,662,527)	\$ 29,303	\$ (3,633,224)	\$ 548,085	\$ -	\$ (3,085,139)
Liabilities for bonds with attached repurchase agreements	\$ (3,187,258)	\$ -	\$ (3,187,258)	\$ 3,187,258	\$ -	\$ -

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of major transactions between the Corporation and other related parties are summarized disclosed below:

### Related party names and categories

<u>Related Party Name</u>	<u>Related Party Category</u>
Concord Futures Corp. Ltd. (Concord Futures)	Subsidiary
Kang-Lian AMC. Co., Ltd. (Kang-Lian AMC)	Subsidiary
Concord Capital Holdings (Cayman) Limited (Concord Cayman)	Subsidiary
Concord Managed Futures Corp. (Concord Managed Futures)	Subsidiary
Concord Capital Management Corp (Concord Capital Management)	Subsidiary
Concord Insurance Agent Corp. (Concord Insurance)	Subsidiary
Tai-Yo Investment Corp.(Tai-Yo Investment)	Related party in substance (unrelated since December 2019)
Supervisor of Concord Futures	Supervisor of the subsidiary(related since May 2020)
Hwa-Ho Asset Management Corp.	Associate
The Corporation's directors, general manager, vice general managers, assistant vice presidents, and department heads	Key management personnel

#### a. Cash and cash equivalents

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary		
Concord Futures	<u>\$ 84,965</u>	<u>\$ 97,955</u>

#### b. Futures trading margin

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$ 57,568</u>	<u>\$ 2,884</u>

#### c. Margin loans receivable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Key management personnel	<u>\$ 6,558</u>	<u>\$ 3,078</u>

#### d. Accounts receivable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$ 1,673</u>	<u>\$ 2,725</u>

Accounts receivable are mainly the futures commission revenue, insurance agency commission revenue and fund agency revenue generated by subsidiaries entrusting the Corporation as its fund sales agency.

e. Other receivables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiary	<u>\$ 151</u>	<u>\$ 155</u>

f. Liabilities for bonds with attached repurchase agreements

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Key management personnel	<u>\$ 182,060</u>	<u>\$ 203,227</u>

The transaction terms of bonds with attached repurchase agreements with related parties are not significantly different compared to those with third parties.

g. Accounts payable

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiary	<u>\$ 626</u>	<u>\$ 314</u>

h. Other payables

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiary	<u>\$ 500</u>	<u>\$ 220</u>

i. Brokerage handling fee revenue

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Key management personnel	<u>\$ 1,543</u>	<u>\$ 1,852</u>

The terms of the securities brokerage transactions with related parties are not significantly different compared to those with third parties.

j. Revenue from providing agency services for stock affairs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiary	<u>\$ 36</u>	<u>\$ 36</u>

k. Interest income

**For the Year Ended December 31**  
**2020                      2019**

Key management personnel	\$ <u>91</u>	\$ <u>174</u>
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l. Futures commission income

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
Concord Futures	\$ <u>14,878</u>	\$ <u>11,406</u>

m. Other operating income

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
Concord Insurance	\$ 4,085	\$ 7,883
Concord Capital Management	<u>548</u>	<u>942</u>
	<u>\$ 4,633</u>	<u>\$ 8,825</u>

Other operating income is mainly the insurance agency commission revenue and fund agency revenue in accordance with the insurance agency and fund sales contracts signed by the Corporation and its subsidiaries.

n. Finance costs

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary	\$ 14	\$ 15
Key management personnel	<u>593</u>	<u>254</u>
	<u>\$ 607</u>	<u>\$ 269</u>

o. Clearing and settlement expenses

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
Concord Futures	\$ <u>1,496</u>	\$ <u>780</u>

p. Securities commission fee

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
Concord Futures	\$ <u>5,055</u>	\$ <u>3,529</u>

q. Other operating costs

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
Concord Capital Management	\$ <u>2</u>	\$ <u>5</u>

r. Other operating expenses

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
	\$ <u>6,000</u>	\$ <u>2,640</u>

s. Other gains and losses

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
	\$ <u>8,318</u>	\$ <u>2,701</u>

t. Acquisition of property and equipment

**For the Year Ended December 31**  
**2020                      2019**

Subsidiary		
	\$ <u>-</u>	\$ <u>198</u>

u. Lease agreements

**For the Year Ended December 31**  
**2020                      2019**

Acquisition of right-of-use assets

Tai-Yo Investment		
	\$ <u>-</u>	\$ <u>26,181</u>

**For the Year Ended December 31**  
**2020                      2019**

Lease liabilities

Supervisor of the subsidiary		
	\$ <u>4,397</u>	\$ <u>-</u>

Finance costs

Supervisor of the subsidiary		
Tai-Yo Investment	\$ 24	\$ -
	<u>-</u>	<u>151</u>
	<u>\$ 24</u>	<u>\$ 151</u>

- v. For the years ended December 31, 2020 and 2019, the rental revenue generated by leasing some of the parking spaces to related parties were as follows:

Related Party Category/Name	Lease Term	Underlying Asset	Rental Payment - Timing	Rental Payment - Basis	Rental Amount
For the year ended <u>December 31, 2020</u>					
Subsidiary	2018.10.01-2021.09.30	5F, No. 143, Fuxing N. Rd., Taipei City	Monthly	Contract	\$ 3,886
	2016.07.01-2021.06.30	6F, No. 143, Fuxing N. Rd., Taipei City	Monthly	Contract	3,886
	2020.01.01-2020.12.31	B3 and B5, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	163
	2020.01.01-2020.03.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	14
	2020.01.01-2020.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	82
Associate	2020.01.01-2020.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Quarterly	Contract	<u>108</u>
					<u>\$ 8,139</u>
For the year ended <u>December 31, 2019</u>					
Subsidiary	2018.10.01-2021.09.30	5F, No. 143, Fuxing N. Rd., Taipei City	Monthly	Contract	\$ 3,886
	2016.07.01-2021.06.30	6F, No. 143, Fuxing N. Rd., Taipei City	Monthly	Contract	3,886
	2019.01.01-2019.05.15	4F, No. 143, Fuxing N. Rd., Taipei City	Monthly	Contract	209
	2018.07.01-2019.08.28	B5, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	14
	2019.07.03-2019.12.31	B5, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	40
	2018.07.01-2019.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Monthly	Contract	82
Associate	2019.01.01-2019.12.31	B3, No. 176, Jilung Rd., Sec. 1, Xinyi Dist., Taipei City	Quarterly	Contract	<u>72</u>
					<u>\$ 8,189</u>

As of December 31, 2020 and 2019, the balance of the rental deposits received by the Corporation from the related parties were \$1,345 thousand and \$1,335 thousand, respectively.

- w. Equity derivative transactions

The Corporation's key management personnel bought equity derivatives from the Corporation in 2019, and the unexpired amount as of December 31, 2020 and 2019 were \$226 thousand and \$148 thousand (recognized as financial liabilities at fair value through profit or loss - current). The related income (loss) in 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Gain (loss) on derivative instruments, net	\$ <u>(219)</u>	\$ <u>1,196</u>
Other operating income (processing revenue)	\$ <u>61</u>	\$ <u>106</u>

x. Remuneration of key management personnel

The remuneration of the Corporation's directors and key management personnel for their services rendered for the years ended December 31, 2020 and 2019 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 198,977	\$ 96,872
Retirement benefits	<u>1,415</u>	<u>1,337</u>
	<u>\$ 200,392</u>	<u>\$ 98,209</u>

The Corporation determines the remuneration of the directors and key management personnel in accordance with the Corporation's Articles of Incorporation and other regulations, and by reference to the market compensation level and financial performance. The remuneration committee periodically reviews the regulations and makes recommendations for amendments.

## 29. PLEDGED OR MORTGAGED ASSETS

At the end of each reporting period, the Corporation pledges the following assets as bid bonds to the Central Bank of ROC for bond transactions and as collateral to financial institutions for the issuance of guaranteed commercial papers, bank loans and credit lines.

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Restricted demand and time deposits	\$ 225,150	\$ 372,704
Government bonds	-	10,049
Property and equipment, net		
Land	521,885	521,885
Buildings	101,961	105,223
Investment property, net		
Land	470,886	470,886
Buildings	<u>75,691</u>	<u>78,596</u>
	<u>\$ 1,395,573</u>	<u>\$ 1,559,343</u>

## 30. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

- a. On March 3, 2021, the Corporation received a civil complaint in which eight plaintiffs claimed that the Corporation's manager had violated the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies when the Corporation's manager was mandated by Company A to handle the matters regarding voting rights and the solicitation of proxies for attendance at the shareholders' meeting, and requested the Corporation and its manager to be jointly liable for the compensation of \$9,624 thousand for the damages incurred. The Corporation's management assessed that there is no significant impact of the aforementioned case on its operations and financial performance.
- b. As of December 31, 2020, the Corporation applied for a guarantee amounting to \$150,000 thousand from financial institutions, which was for the securities lending and borrowing business.



### 31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Other than the information disclosed in other notes, there were no other significant subsequent events.

### 32. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were summarized as follows:

Unit: Foreign Currencies/NT\$ in Thousands

	December 31					
	2020			2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 35,035	28.480	\$ 997,811	\$ 35,183	29.980	\$ 1,054,799
CNY	92,177	4.377	403,457	42,752	4.305	184,046
HKD	9,023	3.673	33,142	10,074	3.849	38,776
JPY	6	0.276	2	59,406	0.276	16,396
Non-monetary items						
USD	31,526	28.480	897,860	10,667	29.980	319,797
CNY	40,246	4.377	176,158	8,963	4.305	38,587
HKD	39,536	3.673	145,216	23,020	3.849	88,605
<u>Financial liabilities</u>						
Monetary items						
USD	1,617	28.480	46,052	116	29.980	3,475
CNY	55	4.377	239	-	-	-
HKD	11,166	3.673	41,012	4,354	3.849	16,758
Non-monetary items						
USD	27,049	28.480	770,351	4,505	29.980	135,047
CNY	40,709	4.377	178,182	-	-	-

For the years ended December 31, 2020 and 2019, realized and unrealized net foreign exchange losses were \$32,190 thousand and \$25,637 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the Corporation.

### 33. ADDITIONAL DISCLOSURES

a. Following are additional disclosures required by the SFB for the Corporation:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: None.
- 3) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 4) Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Total discounts of commissions to related parties of at least NT\$5 million: None.

- 6) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- b. Information of investees
    - 1) When the Corporation directly or indirectly exercises significant influence on or obtains control of investees, related information should be disclosed: Table 1 (attached).
    - 2) When the Corporation directly or indirectly obtains control of investees, the following information regarding significant transactions with the investee should be disclosed:
      - a) Financing provided: None.
      - b) Endorsements/guarantees provided: None.
      - c) Acquisition of real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
      - d) Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.
      - e) Total discounts of commissions to related parties of at least NT\$5 million: None.
      - f) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
  - c. Information on foreign branches and representative offices abroad: None.
  - d. Information on investments in mainland China:

Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investments income, and limit on the amount of investment in the mainland China area: Table 2 (attached).
  - e. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

**34. DISCLOSURES REQUIRED UNDER RULE NO. 10703209011 ISSUED BY THE FSC DATED JUNE 1, 2018**

The foreign entity registered in non-IOSCO MMoU member or without formal permission as securities or futures firm from IOSCO MMoU member in which the Corporation has invested is Concord Capital Holdings (Cayman) Ltd. It is a holding company for investment. Supplementary disclosures of the financial statements for the year ended December 31, 2020 were as follows:

- a. Balance sheets: Table 3 (attached).
- b. Statements of comprehensive income: Table 4 (attached).
- c. Securities held: None.

- d. Derivative financial transactions and the source of capital: None.
- e. Revenue from assets management business, services and litigation: None.

### **35. SEGMENT INFORMATION**

Under Article 26 of the Regulations Governing the Preparation of Financial Reports by Securities Firms, a securities firm preparing its parent company only financial reports is not required to prepare segment information.

## CONCORD SECURITIES CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Date of Incorporation	Rule No. Issued by Financial Supervisory Commission	Main Businesses	Investment Amount		Balance as of December 31, 2020			Operating Income of the Investee	Net Profit (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount					
The Corporation	Concord Futures Corp. Ltd.	5F, No. 143, Fuhsing N. Rd., Taipei City	July 7, 1999		Foreign and domestic futures proprietary, brokerage and consulting services	\$ 559,654	\$ 559,654	78,005,571	95.71	\$ 1,218,379	\$ 762,358	\$ 112,829	\$ 107,973	\$ 62,292	Subsidiary
	Kang-Lian AMC. Co., Ltd.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	September 5, 2003		Investment, business management advisory services and asset management services	230,000	230,000	54,900,000	100.00	577,414	-	23,052	23,052	-	Subsidiary
	Concord Capital Holdings (Cayman) Limited	Cayman Islands	May 12, 1997	Apr. 23, 1997 (1997) No. Tai-Tsai-Cheng (2) 26713	Holding company	296,334	296,334	9,333,000	100.00	21,265	-	13,206	13,206	-	Subsidiary (Note 2)
	Concord Managed Futures Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	December 16, 2003		Note 1	198,664	198,664	18,000,000	60.00	159,452	-	1,261	756	-	Subsidiary
	Concord Capital Management Corp.	9F, No. 176, Jilung Rd., Sec. 1, Taipei City	May 25, 1988		Securities investment advisory services	81,599	90,326	7,000,000	100.00	90,978	21,483	(5,690)	(5,690)	-	Subsidiary (Note 3)
	Concord Insurance Agent Corp.	10F, No. 176, Jilung Rd., Sec. 1, Taipei City	October 4, 2013	Jan. 10, 2013 No. Financial-Supervisory -Securities-Firms-101 0056608 and Jun. 23, 2020 No. Jin-Guan-Bao-Zong-Zi-1090421845	Life insurance agency and property insurance agency	5,000	5,000	2,500,000	100.00	26,263	13,901	(753)	(753)	-	Subsidiary (Note 4)
Concord Futures Corp. Ltd.	Concord Managed Futures Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	December 16, 2003		Note 1	148,360	148,360	12,000,000	40.00	106,302	-	1,261	505	-	Subsidiary
Kang-Lian AMC. Co., Ltd.	HWA-HO Asset Management Corp.	14F, No. 176, Jilung Rd., Sec. 1, Taipei City	September 29, 2003		Real estate commerce, development and business management advisory services	195,668	195,668	56,472,021	46.59	570,130	296,927	55,803	25,999	-	Investments of subsidiary accounted for using equity method

Note 1: Concord Managed Futures terminated its futures management and trust services on February 1, 2019, which was approved by the relevant authorities in January 2019. In addition, Concord Managed Futures obtained approval for liquidation in March 2019 based on letter No. 1080304430 issued by the FSC. The subsidiary has completed its liquidation procedures in January 2021, and returned the remaining liquidation funds to the Corporation and Concord Futures of \$159,452 thousand and \$106,302 thousand, respectively.

Note 2: On November 30, 2020, Concord Cayman, received letter No. 1090373948 issued by the FSC, and is in the process of dissolution and liquidation. As of March 11, 2021, the liquidation process has not been completed.

Note 3: Concord Capital Management implemented a capital reduction of \$25,000 thousand to offset deficits in December 2020, and also issued 1,500 thousand ordinary shares at \$13 per share for a total amount of \$19,500 thousand, which were fully subscribed by the Corporation.

Note 4: In June 2020, Concord Insurance, received letter No. 1090421845 issued by the FSC and obtained approval for the increase in the business scope of its property insurance agent business.

## CONCORD SECURITIES CO., LTD.

## INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and Foreign Currencies)

1. Investee company's name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, net income (loss) of the investee, % ownership, investment gain (loss), carrying value as of December 31, 2020 and inward remittance of earnings:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 2)	Investment Type	Accumulated Outflow of Investment as of December 31, 2019 (Note 1)	Investment Flows		Accumulated Outflow of Investment as of December 31, 2020 (Note 1)	Net Income (Loss) of the Investee (Note 5)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 6)	Carrying Value as of December 31, 2020 (Note 6)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Guoyuan Futures Co., Ltd.	Commodities futures brokerage, financial futures brokerage, futures investment consulting, assets management, and other businesses that CSRC permits or acquired to put on record.	\$ 2,668,633 (CNY 609,695 thousand)	Others	\$ 51,561 (US\$ 1,579 thousand)	\$ -	\$ -	\$ 51,561 (US\$ 1,579 thousand)	\$ 205,670 (CNY 48,035 thousand)	1.59	\$ -	\$ 44,555	\$ -

2. Upper limit of investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Upper Limit of Investment Authorized by the Investment Commission MOEA (Note 4)
\$51,561 (US\$1,579 thousand)	\$45,950 (US\$1,613 thousand)	\$763,736

Note 1: The NTD amount was converted using the USD buying rate when the original investments were transferred from the account.

Note 2: The NTD amount was converted using the average CNY buying and selling rates for the year ended December 31, 2020.

Note 3: The NTD amount was converted using the average USD buying and selling rates for the year ended December 31, 2020.

Note 4: The amount was calculated based on 60% of Concord Futures' net asset value as of December 31, 2020.

Note 5: The NTD amount was converted using the average CNY buying and selling rates during 2020.

Note 6: The investment was accounted for as financial assets at FVTOCI and no investment gains or losses were recognized in the current year.

**TABLE 3****CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED****BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(In Thousands of U.S. Dollars)**

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash	\$ 743	99	\$ 10	1
Other receivables	1	-	11	1
Prepayments	5	1	-	-
Other financial assets - current	<u>-</u>	<u>-</u>	<u>730</u>	<u>98</u>
Total current assets	<u>749</u>	<u>100</u>	<u>751</u>	<u>100</u>
<b>TOTAL</b>	<u>\$ 749</u>	<u>100</u>	<u>\$ 751</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Other payables	\$ 2	-	\$ 2	-
Other current liabilities	<u>-</u>	<u>-</u>	<u>449</u>	<u>60</u>
Total current liabilities	<u>2</u>	<u>-</u>	<u>451</u>	<u>60</u>
<b>EQUITY</b>				
Share capital	9,333	1,246	9,333	1,243
Accumulated deficits	<u>(8,586)</u>	<u>(1,146)</u>	<u>(9,033)</u>	<u>(1,203)</u>
Total equity	<u>747</u>	<u>100</u>	<u>300</u>	<u>40</u>
<b>TOTAL</b>	<u>\$ 749</u>	<u>100</u>	<u>\$ 751</u>	<u>100</u>

**TABLE 4****CONCORD CAPITAL HOLDINGS (CAYMAN) LIMITED****STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of U.S. Dollars)**

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>COSTS AND EXPENSES</b>				
Other operating expenses	<u>\$ (12)</u>	<u>(3)</u>	<u>\$ (11)</u>	<u>-</u>
<b>OPERATING LOSSES</b>	(12)	(3)	(11)	-
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Non-operating revenue and expenses	<u>459</u>	<u>103</u>	<u>11</u>	<u>-</u>
<b>NET GAIN FOR THE YEAR</b>	<u>447</u>	<u>100</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 447</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

**6.6 If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.**

**6.7 Provisions for the Company's assets and liabilities valuation items:**

For short-term financial products, the carrying value is used to estimate the fair value since the present discounted value does little to the valuation. Such method applies to cash and cash equivalents, investments in bonds with reverse repurchase agreements, securities margin loans receivable, deposits for refinancing, collateral for refinancing, collateral for securities borrowed, refundable deposits for securities borrowed, notes receivable and trade receivables, other receivables, restricted assets, operating bond, clearing and settlement fund, refundable deposits, short-term borrowings, commercial paper payable, liabilities for bonds with repurchase agreements, deposits received for short sale, payables for short sale collateral received, notes payable and trade payables, other payables (exclusive of income taxes payable), all collections, and deposits received.

For financial asset or financial liability at fair value through profit or loss which has quoted market prices in active markets, the market prices shall be the fair value. Where there is no market price for reference, the valuation method is used, and the estimates and assumptions used are consistent with those used by market participants when pricing financial products. The fair value of derivatives is the amount expected to be obtained or to be paid if the Company terminates the contract on the reporting date as agreed. Generally, such amount includes the unrealized gains and losses of the contracts unsettled in the current period.

The fair value valuation methods of various financial products are as follows:

1. Equity securities: The fair value of the TWSE/TPEX listed securities refers to the closing price of the day. The valuation of the emerging stock is calculated based on the average trading price of the day or the average trading price of 20 days before the day. For the unlisted stock held, the fair value of which is mainly measured by the TWSE/TPEX-listed comparable company- or asset-based approach. The TWSE/TPEX-listed comparable company-based approach determines the fair value of the valuation item by the stock trading price in the active market and the value multiplier implied by that price and related trading information of the enterprises engaging in the same or similar business. The asset-based approach determines the enterprise value of the evaluated company by evaluating item by item the value of tangible and intangible assets of the evaluated company and liabilities it should bear based on the evaluated company's balance sheet. The fair value of an open-fund refers to the net asset value of the fund on the balance sheet date. For other equity securities that are listed on the market, the market price is based on their listed market quotations or other specific quotations.
2. Fixed Income products: The valuation of a domestic bond or corporate bond is based on the market price calculated at the average yield of that bond publicly announced by the TPEX on the day or the theoretical yield. Foreign bond or corporate bond is evaluated based on the closing price of the day, Bloomberg's valuation, or the yield rate with equal or equivalent credit rating.
3. Futures: The settlement price of such futures at the exchange in the futures market on the day.
4. Options: The settlement price of such options at the exchange in the futures market on the day.
5. Warrants: The closing price of such warrants on the market they are listed is adopted.
6. Convertible bond asset swap: Closing price on the market where the underlying convertible bond is listed, the risk-free rate derived from market interest rate, credit risk premium, and other parameters are used to be included in the model for valuation.
7. Convertible bond asset swap: Closing price on the market where the underlying convertible bond is listed, the risk-free rate derived from market interest rate, credit risk premium, and other parameters are used to be included in the model for valuation.
8. Other derivatives: Where the derivative has been listed and traded on an exchange market, its quotation on the market it is listed is the market price basis. Where the derivative has not been listed and traded on an exchange market, the average buying or selling price on the quotation platform is the market basis, or other specific quotation is the basis.

According to International Financial Reporting Standards No. 9, the Company adopts the simplified approach to recognize the allowance for loss on receivables based on the lifetime expected credit losses. Basis of allowance for loss: (1) Accounts receivable and other receivables are highly likely to be recovered, so the provision ratio of allowance for loss is 0%; (2) the provision of allowance for loss on securities margin loans receivable are based on the historical default rate and loss given default of the financing balance of customers, such ratio will be re-evaluated every year; (3) Because overdue receivables is overdue and the possibility of recovery is extremely low, the provision ratio of allowance for loss is 100%.

**6.8 The Company's hedge accounting treatment:**

The Company by far has no derivatives transactions to which hedge account is applicable.



## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status

Expressed in thousands of NT\$

Item \ Year	2020	2019	Change	
			Amount	%
Current Assets	30,316,641	21,296,819	9,019,822	42.35
Property and Equipment	1,035,116	1,028,534	6,582	0.64
Intangible Assets	51,486	48,633	2,853	5.87
Other Assets	4,201,056	3,278,979	922,077	28.12
Total Assets	35,604,299	25,652,965	9,951,334	38.79
Current Liabilities	26,899,910	17,917,687	8,982,223	50.13
Non-current Liabilities	437,015	438,286	(1,271)	(0.29)
Total Liabilities	27,336,925	18,355,973	8,980,952	48.93
Equity Attributable to Owners of the Parent	8,212,797	7,247,025	965,772	13.33
Capital Stock	5,944,550	6,103,227	(158,677)	(2.60)
Additional Paid-In Capital	175,307	180,208	(4,901)	(2.72)
Retained Earnings	1,683,518	843,726	839,792	99.53
Other Equity	409,422	266,179	143,243	53.81
Treasury Stock	0	(146,315)	146,315	(100.00)
Non-controlling Interest	54,577	49,967	4,610	9.23
Total Equity	8,267,374	7,296,992	970,382	13.30

Note: The reason for the greater percentage of change is analyzed as follows:

1. Current assets: Mainly due to the increase in cash and cash equivalents, financial assets at fair value through profit and loss, securities margin loans receivable, and accounts receivable.
2. Other assets: Mainly due to the increase in financial assets at fair value through other comprehensive income.
3. Current liabilities: Mainly due to the increase in commercial paper payable, liabilities for bonds with repurchase agreements, and accounts payable.
4. Retained earnings: Mainly due to the better operating profit in 2020.
5. Other Equity: Mainly due to the increase in other comprehensive income in 2020.

### 7.2 Analysis of Operation Results

Expressed in thousands of NT\$

Item \ Year	2020	2019	Increase (decrease) Amount	Percentage of Change (%)
Operating Expenses and Expenditure	<u>2,362,327</u>	<u>1,953,177</u>	409,150	20.95
Operating Income	976,662	220,362	756,300	343.21
Share of Profit (Loss) of Associates Accounted for Using Equity Method	25,999	(61,668)	87,667	(142.16)
Other Gains and Losses	<u>139,193</u>	<u>149,767</u>	(10,574)	(7.06)
Profit before Tax	1,141,854	308,461	833,393	270.18
Tax Expenses	<u>(52,040)</u>	<u>(20,094)</u>	(31,946)	158.98
Profit after Tax	<u>\$ 1,089,814</u>	<u>\$ 288,367</u>	801,447	277.93

Analysis and explanation of increases or decreases in the change:

1. Operating Income: The increase in operating income was mainly due to the increase in gains on sale of securities compared with the same period last year.
2. Profit before Tax: The increase in Profit before Tax was mainly due to the increase in gains on sale of securities compared with the same period last year.

## 7.3 Analysis of Cash Flow

### 7.3.1 Liquidity analysis for the preceding two fiscal years

Item	Year	2020	2019	Percentage of Increase (Decrease) %
	Cash Flow Ratio (%)		4.68	Note
Cash Flow Adequacy Ratio (%)		Note	739.56	-
Cash Flow Reinvestment Ratio (%)		11.91	Note	-

Note: Where net cash flow from operating activities is negative, cash flow ratio and cash flow reinvestment ratio are not calculated; where the total net cash flow from operating activities during the 2 most recent fiscal years are negative, cash flow ratio is not calculated.

Analysis and explanation of increases or decreases in the change: Mainly due to the net cash flow from operating activities for the fiscal year 2019 was negative.

### 7.3.2 Liquidity analysis for the coming year

Expressed in thousands of NT\$

Cash Balances - Beginning of Period (1)	Expected Cash Flows from Operating Activities for the Full Year (2)	Expected Cash (In) Out Flow for the Full Year (3)	Expected Amount of Excess (Insufficient) Cash (1)+ (2)- (3)	Expected Remedial Measures for Cash Deficit	
				Investment Plan	Financial Plan
3,434,150	406,820	1,267,426	2,573,544	-	-

## 7.4 Major Capital Expenditure Items:None.

## 7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

### 7.5.1 Reinvestment policy for the most recent fiscal year

The Company's reinvestment strategy in recent years has been to the business or investment target that is the most profitable for the company's operations within the current business scope and among the investments by securities firms approved by the competent authority. The purpose of the reinvestment is to diversify the overall operation, increase diversified income and stabilize profit sources, and improve the overall competitiveness and operating performance of the company in the hope of building the best operating model of the group. However, in the face of fierce competition in the industrial environment, the Company has also transformed itself and focused on core and promising business in recent years so as to operate steadily and sustainably.

### 7.5.2 The condition of profits generated by the invested company

In 2020, among the six subsidiaries (sub-subsidiary), Concord Futures, Concord Asset Management, and Concord Capital Holdings (Cayman) show the profits; Concord Capital Management and Concord Insurance Agency show the losses. In 2020, Concord Futures made a profit of NT\$112,829 thousand after tax, Concord Asset Management made a profit of NT\$23,052 thousand after tax, Concord Capital Management made a loss of NT\$5,690 thousand after tax, Concord Insurance Agent made a loss of NT\$753 thousand after tax, and Concord Capital Holdings (Cayman) made a profit of US\$447 thousand (the consent of the Board of Directors was obtained on November 5, 2020 to the dissolution and liquidation of the company, which has been approved by the competent authority; the implementation has been completed in March 31, 2021). The liquidation procedure of Concord Managed Futures Enterprises has been completed in January 2021.

In 2020, Concord Futures made a profit of NT\$112,829 thousand after tax, with a domestic sales volume of 22.2 million option contracts, ranked 6th among futures commission merchants in Taiwan, and a total overseas sales volume of 2.3 million futures contracts in total, ranked 6th among futures commission merchants in Taiwan. Overseas futures are one of Concord 'futures' key promotion business in 2020. It held the "Lunar Near Year, Overseas Futures, Film Bullet", "Concord Futures 94 Craze", and other promotion campaigns one after another, through which the new customers have willingness to open accounts and old customers have willingness to trade while taking the market by storm and supporting the overseas futures business development.

Concord Capital Management's business strategies for year 2020 emphasized diversified business development and integrated marketing as well as multiple channels. At present, the primary source of investment consulting operating income is management fee-splitting brought about from the offshore fund inventory of which the company is the general agency; however, there was no large-scale promotion conducted with internal and external channels in 2020, and investors' willingness to make fund redemptions has increased due to ups and downs in the market, which led to a decline in the management fee-splitting.

The novel coronavirus pneumonia pandemic has made the offshore fund companies the investment consulting company works with adopt a conservative business model, plus the restrictions on overseas visits in person, resulting in weak development this year of business related to offshore funds of which the company is not the general agent, and the revenue of offshore fund administrative services being affected. Look ahead to 2021, Union Securities Investment Trust and Jih Sun Securities Investment Trust both have expressed their willingness to jointly issue new fund products the fund companies Concord Capital Management works with. The fund general agent expects to add Thornburg Chambord Asset Management Company and complete the transfer of GAM general agent, integrate resources and provide better services. For the offshore fund general agency business, it is expected to add Thornburg Investment Management, and complete the transfer of general agency of GAM to carry out resource integration and provide better services.

Concord Insurance Agent has made a loss of NT\$753 thousand for 2020. Due to a significant drop in the life insurance market declared interest rate and the impact of the coronavirus pandemic, Concord Insurance Agent's overall premium income and commission income in 2020 fell by 40% and 45%, respectively, compared with 2019. Concord Insurance Agent's insurance sales model is mainly based on channel services for wealth management. After property insurance business is added, the double-track marketing of property and life insurance will provide comprehensive insurance products to meet the needs of customers for personal insurance and property protection, creating a win-win situation for customers and the company's operations.

Concord Asset Management's net profit before and after tax in 2020 was NT\$23,052 thousand. In the future, it will strengthen its profit momentum and steadily develop its existing business.

Faced with the challenges of the industrial environment, the Company's management team still makes relentless efforts to require the supervisors of all departments and subsidiaries to proactively and effectively control the operating risks and costs, and strives for opportunities to make profits this year. However, we will still have to implement lean workforce and cost control. As for subsidiaries, the Company also continues to work hard to assist the business development of subsidiaries in order to achieve the goal of positive profit contribution to the group.

### **7.5.3 Investment plans for the coming year:**

In the coming year, the Company will strengthen and develop business entities with potential to achieve a positive contribution to the group in the overall reinvestment business, hoping to increase sources of profit through diversified investments.

## **7.6 Analysis of Risk Management**

### **7.6.1 The Company's risk management policy, scope, organizational structure, and risk management process are as follows:**

1. Risk management policy: In accordance with the Company's business principles, the Company's risk management policy is to prevent any possible loss within the scope of the tolerable risk exposure, to increase the wealth of shareholders given the balance between risk and reward being reached, and to achieve the principle of optimality of capital allocation.
2. The Company divides the risks involved in the business into six categories, which are described respectively as follows:
  - (1) Market risk: The risk required to be assumed when any adverse change occurs to the prices of financial products due to changes in domestic and foreign economic factors. Market Risk can be broken down into interest rates, exchange rates, equity prices, and commodity prices depending on different factors.
  - (2) Credit risk: Referring to the risk of loss resulting from the failure of the issuer or counterparty to fulfill the obligations or responsibilities as agreed.
  - (3) Liquidity risk: Because of inactive market transactions, financial products cannot be quickly traded in

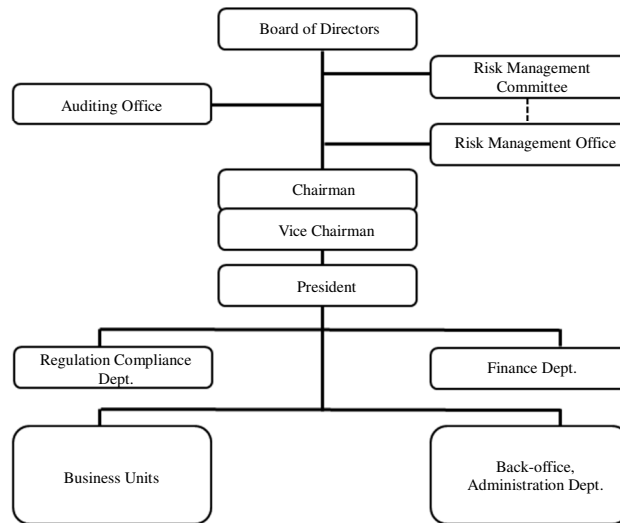
the market or cannot be traded at a fair market price, which is called market liquidity risk. The company may also be forced to settle its assets earlier due to the lack of cash flow planning, which is called liquidity risk in funds.

- (4) Operational risk: Referring to the risk of direct or indirect losses arising from inadequate or failed internal processes, or from personnel and systems, or from external events.
- (5) Legal risk: Referring to the risk of loss in finance or goodwill that is deriving from an incomprehensive contract, authorization not tally with the fact, incomplete regulations, no legal binding of counterparty or other factors; thus, causing a failure to rein counterparty to fulfill its obligations within the contract.
- (6) Model risk: Referring to the risk derived from an incomplete (or wrong) pricing model, including the bias in the estimated parameters, incorrect estimator of variance, and other factors that cause the price of financial products to be possibly overestimated or underestimated, and the risk exposure level to be incorrectly calculated.

### 3. Organizational structure and duties of risk management

- (1) Board of directors: The Company's board of directors is the highest unit of the enterprise risk management. With the aim of legal compliance and promoting and implementing the company's overall risk management, it shall clearly understand the risks faced by securities firms in operations, ensures the effectiveness of risk management, and take the ultimate responsibility for risk management.
- (2) Risk Management Committee: Under the board of directors, the Committee is composed of board members, with functions of assisting the board of directors in planning and supervising related risk management matters.
- (3) Risk Management Office: The Company's Risk Management Office is an independent department under the board of directors, and is mainly responsible for the company's daily risk monitoring, measurement, evaluation and other implementation-level affairs, and determining whether the risks of the business units are within the company authorized limits. The appointment and discharge of the supervisors of the risk management implementation unit shall be approved by the board of directors. The unit is responsible for measuring, monitoring, and evaluating the securities firms' daily risk status.
- (4) Finance Department: The Company's Finance Department is the fund allocation unit independent of each business department. It is responsible for monitoring the use of funds of each business unit, and setting up the emergency procedures for fund management to response the demand for funds when an emergency occurs in the market.
- (5) Auditing Office: The Auditing Office of the company is an independent department under the board of directors. With job functions of auditing the business planning and implementation, it is responsible for audit matters with respect to finance, business operations, and the implementation status of internal control and legal compliance of the company and its subsidiaries to ensure the company conducting effective operational risk management.
- (6) Regulation Compliance Department: The Regulation Compliance Department is responsible for the company's legal compliance and the legality review on transaction contracts and documents. To facilitate the control of such legal risk, the Regulation Compliance Department inspects internal regulations at all times, so that the Company can respond in a timely manner to the impact on the company's business as a result of changes in the regulations by the competent authority. In addition, it prepares the comprehensive review procedures to ensure the thoroughness and compliance of all the company's transactions.
- (7) Business units: The supervisors of the business units are responsible for the first-line risk management. The business unit is responsible for analyzing and monitoring the relevant risks in the unit to ensure that the risk control mechanism and procedures can be effectively implemented.

### Risk Management Organizational Structure Chart

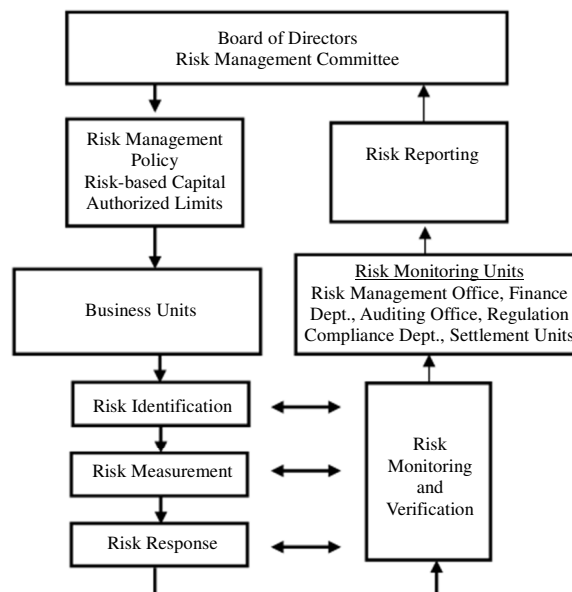


#### 4. Risk Management Process:

The design of the risk management process should ensure that all risks within the company can be effectively managed. In practice, the risk management process includes:

- (1) Risk identification: Generally speaking, the risks faced by securities firms Implied in brokerage, dealership, and underwriting business. Therefore, the first step of the risk management process should first identify and make sure the source of risks of all businesses, so as to further quantify and manage various types of risks.
- (2) Risk measurement: After the various types of risks faced by the company have been properly identified and defined, an objective and quantitative model or method is needed to measure these risks, so that the company's current risks can be reviewed in a quantitative approach.
- (3) Risk Monitoring and Risk Control: The risk management department shall monitor risks of all businesses on a daily basis. When the risk exposure of a business unit exceeds its risk limit, the risk management department should issue an excess limit notice to that unit and take actions in accordance with relevant regulations.
- (4) Risk Reporting: The Risk Management Office regularly provides risk management reports, risk information disclosures, and risk management implementation results reports to be used as reference and basis for high-level managers’ business decision-making.
- (5) Responding to Risks: After assessing and gathering the risks, the company should take appropriate measures in response to the risks faced by it.

#### Risk Management Flow Chart



5. The impact of various types of risks and corresponding strategies are as follows:

- (1) Market risk: To avert the risks caused by market price changes, the Risk Management Office has established a risk control system and control mechanism to measure and make sure that the market risks are controlled within the limit on a daily basis. The methods for measuring market risk include nominal principal, fair market value, price sensitivity, and value at risk. Based on the characteristics of different financial products, the company sets risk limits and stop loss limits for positions in order to effectively control market risk.
- (2) Credit risk: To ensure the completeness of credit risk management, credit limits are set and managed at different levels for counterparties with different credit levels. With a hierarchical management system, different transaction limits are given to counterparties and issuers with different credit ratings. The credit ratings of counterparties and issuers are regularly reviewed to control credit risks.
- (3) Liquidity risk: The Company's liquidity risk is divided into market liquidity risk and funding liquidity risk. To reduce the market liquidity risk, the Company has explicitly provided liquidity risk management in the guidelines for financial products management of the business units. To lower the funding liquidity risk, the Company has an independent fund allocation unit that comprehensively considers the net cash flow and schedule of the demand for funds by each department to conduct capital management, and has established the regulations for funding liquidity risk management.
- (4) Operational risk: Each unit has formulated product guidelines or manuals of operations for each business to regulate front-, middle-, and back-office transactions and operating procedures to reduce possible operational risks during the processes of transactions and operations. In addition, the Auditing Office is responsible for audit matters with respect to finance, business operations and the implementation status of internal control and legal compliance to ensure the company conducting effective operational risk management. The Company has also established the Directions for Operational Risk Incident Reporting. The units shall report all incidents associated with direct or indirect losses arising from inadequate or failed internal processes, or from personnel and systems, or from external events, evaluate the effectiveness of existing control measures, and propose improvement measures to reduce the possibility of recurrences of operational risks.
- (5) Legal risk: To ensure the validity and feasibility of transaction or legal procedures, all the contracts or other legal documents between the Company and the transaction parties shall be reviewed by the legal personnel or external legal counsel designated by the legal affairs office before the contracts are signed and other legal documents are presented.
- (6) Model risk: To maintain the exercise of the model and the risk management of financial products and reduce model risks caused by the use of inappropriate models, parameters or evaluation assumptions, the Company has established a model risk management mechanism with standard procedures for model development, verification, storage, and modification to ensure the rationality and accuracy of the model.

6. Risk report:

- (1) The Company has adopted the Delta-Plus method to calculate the market risk of the option position since July 2013. In addition to more accurately measuring the status of risks of positions in options, it also improves the efficiency of the company's capital allocation. The Company's capital adequacy ratio (CAR) as of December 31, 2020 is as follows:

A. Capital adequacy ratio (CAR):

Date	December 31, 2020	Average	Maximum	Minimum
Capital adequacy ratio (CAR)	264%	320%	396%	264%

B. Various risk exposure amount:

Item	December 31, 2020	
	Risk Equivalent (Expressed in thousands of NT\$)	
Market Risk	1,178,533	
Credit Risk	561,758	
Operational Risk	225,099	
Total	1,965,390	

C. Ratios of Risk Equivalents:

December 31, 2020

Item	Ratio of Risk Equivalent (%)
Market Risk	59.96
Credit Risk	28.58
Operational Risk	11.45
Total	100

(2) The Company's market value at risk for the year 2020 is as follows:

Market Value at Risk of Trading Positions (99% confidence level, 1-day investment period) ;  
Expressed in thousands of NT\$

Type of Risk	Year-end Value December 31, 2020	Average	Minimum	Maximum
Equity risk	98,361	88,561	21,584	143,566
Interest Rate Risk	17,583	12,606	4,265	29,902
Subtotal	115,944	101,167	-	-
Less: Risk Diversification Benefits	(13,555)	(17,074)	-	-
Total Risks	102,389	84,093	19,192	132,225

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

1. Interest rate: The company's interest rate-related business includes bond business, interest rate derivatives business, and securities lending and borrowing business. Among them, the responsible department for the bond and interest rate derivatives business has established appropriate risk management guidelines, and carries out limit on position, stop-loss mechanism, sensitivity analysis, etc. to effectively control the interest rate risk of this type of business. The Company's securities lending and borrowing business makes profit mainly from financing spread, so it is not greatly affected by changes in interest rates. In addition, changes in interest rates also affect the company's borrowing costs. If interest rates show an unfavorable trend, the Company can also use exchange interest rates or issuing corporate bonds or convertible bonds to avoid the risk of rising interest rates.
2. Exchange rate: The Company's main business targets and business areas are all in Taiwan, and is also dedicated itself to developing overseas business, such as overseas long-term investment and financial trading, which may impact the company's profit and loss or net value due to changes in exchange rates. However, as the company's operating income is still dominated by domestic business, the impact should be limited. And also, risk limits are set for positions involving exchange rates and appropriate hedging measures are adopted to effectively control exchange rate risks.
3. Inflation rate: The Company belongs to the securities service industry, so that Inflation has no significant impact on the company's finance and business.
4. Response measures to be taken in the future:
  - (1) Periodically collect information on interest rates and macroeconomics to understand market trends.
  - (2) Adjusting the direction of business operations or conducting hedging operations according to interest rate trends to reduce the impact of changes in interest rates on the company's profit and loss.

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

1. The company has not engaged in high-risk high-leverage investments in the most recent fiscal year.
2. Except for handling securities lending and borrowing business in accordance with the law, the Company has not engaged in loans to other parties.
3. The Company has not engaged in endorsements or guarantees.

4. The Company engages in derivatives trading in accordance with the law and regulation of the competent authority and within the scope permitted by the Company's regulations, and it makes reasonable profit under the tolerable risk of the authorized positions.

**7.6.4 Research and development work to be carried out in the future, and further expenditures expected for research and development work:**

System	Expenditure	Estimated Time of Completion	Main Factors Affecting the Success of Research and Development in the Future
Open source trading platform for fast and effective trading	NT\$1.5 million	December 2021	Parallel Processing High Performance Computing
Various financial products trading platforms or B2B2C ecosystem	NT\$2.5 million	December 2021	Smart contract linked and connecting and starting the back-end trading system Improving blockchain performance STO Securities Association's proposal
Middle-end accounting platform transferred to the open source trading platform	NT\$1 million	December 2022	Dotnet Core update The systematic difference from Windows platform transferred to Linux platform
Emerging Securities Order Placement System Conversion	NT\$2 million	December 2022	Relevant systems integration architecture

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

1. Amendment to partial articles of the "Regulations Governing Securities Firms" (Per Issue No. Financial-Supervisory-Securities-Zi-1090364783)

Effect on financial operations:

- (1) In response to the addition of Article 228-1 of the Company Act, which requires that surplus earning distribution or loss off-setting proposal by a securities firm shall be made based on the financial statements audited or certified by a certified public accountant. (Amendment to Article 14-6)
- (2) In compliance with Subparagraph 1, Paragraph 1, Article 36 of the Securities and Exchange Act, which requires that the financial reports to be approved by the board of directors, and recognized by the supervisors shall be duly signed or sealed by the chairperson, managerial officer, and accounting officer. (Amendment to Article 21)
- (3) To improve the quality of credit investigation and credit extension, the Regulations Governing Securities Firms requires that the TWSE may collect, process, or use all types of credit data of investors, and may request securities firms and the Financial Supervisory Commission (hereinafter referred to as FSC) approved institutions to provide relevant data. The TWSE shall also adopt operational rules regarding the scope of the data as above, and shall report the operational rules in writing to the FSC for approval. (Amendment to Article 35-2)

Measures to be taken in response: The Company takes measures in accordance with the regulations.

2. Amendment to the Form 8-7, Article 23 of the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (Per Issue No. Financial-Supervisory-Securities-Review-Zi-1090364819)

Effect on financial operations:

In response to the addition of Paragraph 5, Article 14 of the Securities and Exchange Act, when a company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange prepares its annual financial report in accordance with paragraph 2, it shall additionally disclose relevant information, including the company's remuneration policy and the remuneration of the directors and supervisors in accordance with the regulations prescribed by the competent authority. Therefore, the amendment is made to Form 8-7 Summary statement of current period employee benefits, depreciation, depletion and amortization expenses by function, Article 23 of these Regulations, requiring that TWSE/GTSM Listed Companies shall additionally disclose the remuneration of the supervisors and the company's remuneration policy in the annual parent company only financial reports.

Measures to be taken in response: The Company takes measures in accordance with the regulations, and additionally disclose in the new version of form the remuneration of the supervisors and the company's



remuneration policy in the annual parent company only financial reports.

3. The order to issue Subparagraph 5, Paragraph 4, Article 8 of the Regulations Governing Borrowing or Lending Money in Connection with Securities Business by Securities Firms (Per Issue No. Financial-Supervisory-Securities-Zi-1090143575)

Effect on financial operations:

- (1) A securities firm conducting securities business money lending approved in accordance with the regulation may accept a collateral in foreign currency provided by offshore overseas Chinese and foreign nationals.
- (2) A dedicated account shall be established for management of the collateral in foreign currency accepted by securities firms. The types of foreign currency are limited to US Dollar, Euro, Japanese Yen, British Pound, Australian Dollar, and Hong Kong Dollar. Dedicated accounts for foreign currency collateral shall be established at banks that have been approved by the Central Bank to handle foreign exchange business ("designated banks").

Response measures to be taken:

The Company takes measures in accordance with the regulations, and accepts foreign currency collateral in compliance with the following regulations:

- (1) Foreign currency collateral may be returned to customers only in the original currency, and may not be converted to New Taiwan Dollars.
- (2) The collateral value of foreign currency collateral shall be calculated according to the settlement exchange rate at the point of time as agreed in the contract.
- (3) The exchange rate a securities firm uses for marking foreign currency collateral to market shall be the foreign currency spot buying rate posted by the designated bank at which the securities firm opened the dedicated foreign currency deposit account

4. The order related to Paragraph 1, Article 5 of the Regulations Governing Securities Trading on the Taipei Exchange effective from this date (Per Issue No. Financial-Supervisory-Securities-Zi-10903641201)

Effect on financial operations:

- (1) Within the scope of proprietary trading of foreign bonds, if not foreign currency denominated structured bonds, and shall meet the scope of a securities firm accepting brokerage trading orders of foreign securities from various types of professional investors set out in Article 6 of the Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities.
- (2) Opening of securities firms and designated foreign exchange banks (DBUs) that conducts securities business and high-asset customers to operate proprietary trading of structured bonds denominated in foreign currencies.
- (3) Opening of securities firms and high-asset customers to engage in proprietary trading of structured bonds denominated in foreign currencies.
- (4) Lifting restrictions on securities firms, and relevant qualifications are set for the securities firms (including designated foreign exchange banks (DBUs) and offshore banking units (OBUs) conducting conducts securities dealership business) that may conduct such business.
- (5) Securities firms are bound to comply with the regulations of the Taipei Exchange when conducting proprietary trading of foreign bonds. In addition, the agent in Taiwan on behalf of the offshore structured product issuing institution or guarantor is subject mutatis mutandis to the provisions of Article 10 of the Regulations Governing Offshore Structured Products, and shall report the relevant information on the offshore structured product it distributes in a format and with the content prescribed by the FSC through the Offshore Structured Product Observation Post System of the Taiwan Depository & Clearing Corporation.

Response measures to be taken: The Company conducting proprietary trading of foreign bonds, structured bonds denominated in foreign currencies, accepting orders to trade foreign bonds from high-asset customers are subject to the restriction with respect to the credit rating.

5. Amendment to partial articles of the "Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities" (Per Issue No. Financial-Supervisory-Securities-Zi-1090364100)

Effect on financial operations:

- (1) Specifying the definition of high-asset customers in these Regulations and the responsibility a securities firm shall fulfill for due diligence, and a natural person or juristic person having the status as a high-asset customer shall be deemed to have the status of a natural person or juristic person professional investor under relevant laws or regulations governing the financial products or services provided by the securities firm. (Amendment to Article 3-1)
- (2) Specifying the qualifications and conditions that a securities firm shall meet to provide services to high-asset customers for brokering trades in foreign securities, and that the stipulations concerning review procedures related to products and master agent may not apply to a securities firm brokering

trades in offshore structured products for high-asset customers when certain requirements are met. (Amendments to Article 2, Article 6-1, Article 6-2) Specifying that to broker trades in an offshore structured product for high-asset customers, a securities firm shall agree with or obtain written confirmation from the domestic agent on the provision of product information, dispute handling, material event reporting procedure, and other matters, and information reporting obligation of the domestic agent. (Amendment to Article 6-3)

(3) Specifying that a securities firm brokering trades in an offshore structured product for high-asset customers shall establish a product suitability system, and review standards for the launch of products, review procedures, and monitoring and control mechanisms. (Amendment to Article 6-4)

Response measures to be taken: The Company takes measures in accordance with the regulations, makes amendments to the relevant internal operating procedures, and formulates the relevant regulations for services provided to high-asset customers for brokering trades in foreign securities.

6. The order to issue Article 45 of the Securities and Exchange Act, Article 2 of the Standards Governing the Establishment of Securities Firms, Paragraph 1, Article 31 and Paragraph 2, Article 36-1 of the Regulations Governing Securities Firm (Per Issue No. Financial-Supervisory-Securities-Zi-1090333093)

Effect on financial operations:

(1) A securities firm may apply to concurrently operate consulting business may only through its brokerage department recommend trades in securities to customers in accordance with the relevant regulations of the Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers.

(2) When conducting the following business, a securities firm is exempt from the restrictions of Paragraph 1, Article 31 of the Regulations Governing Securities Firms:

A. Conducting central government bond, assuming obligations to quote for, buy, and sell of call (put) warrants, Exchange Traded Note (ETN), exchange-traded securities investment trust funds, futures exchange-traded funds, offshore exchange-traded funds to the liquidity providers, beneficiary certificates of open-end securities investment trust funds to the market makers, or their recommended emerging stocks.

B. Hedging operations conducted for issuing call (put) warrants, Exchange Traded Note (ETN), or derivative financial product as referred to in Article 19-3 of the Regulations Governing Securities Firms, or subscription, redemption, or relevant hedging operations of exchange-traded securities investment trust funds, futures exchange-traded funds, offshore exchange-traded funds to the liquidity providers, or beneficiary certificates of open-end securities investment trust funds conducted for liquidity providers and market makers.

C. Engaging in the contract performance of securities, such as call (put) warrants

D. Other business approved by the FSC.

Measures to be taken in response: The Company takes measures in accordance with the regulations.

7. Amendment to Article 22 and Article 40 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and Article 24 and Article 41 of the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" (Per Issue No.

Financial-Supervisory-Securities-Zi-1090360934)

Effect on financial operations:

To strengthen a securities firm's corporate governance, and help securities firms and investors understand a securities firm's major shareholders structure to enhance the transparency of a securities firm's equity and financial reports, additionally specifying that a securities firm whose stock is listed on the TWSE or traded on the TPEX shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the securities firm's equity in the quarterly financial statements. (Amendment to Article 22)

Measures to be taken in response: The Company takes measures in accordance with the regulations.

8. Issuance and amendment to partial articles of the "Regulations Governing Information to be Published in Order Tickets, Trade Reports, and Reconciliation Statements Prepared by Securities Brokers Upon Receiving Orders to Buy or Sell Securities" (Per Issue No. Financial-Supervisory-Securities-Zi-1090360577)

Effect on financial operations:

(1) Amending that the Financial Supervisory Commission is the competent authority for the purposes of these Regulations (Amendment to Article 2)

(2) Adding that an order ticket shall include order price (the limit price or market price) and time in force (rest-of-day, immediate-or-cancel, fill-or-kill) Additionally, in response to the addition of multiple time in force, a securities firm shall specify the time in force when entering the order. In order to avoid misunderstanding that a securities firm can directly enter rest-of-day as the time in force for the investor, the stipulation of "those who do not provide the time in force shall be deemed

rest-of-day” is deleted. (Amendment to Article 4)

- (3) Adding that the relevant written records of a trading order are submitted through electronic media shall include order price (the limit price or market price) and time in force (rest-of-day, immediate-or-cancel, fill-or-kill) Additionally, amending the provisions with respect to a trading order submitted through electronic media in line with current electronic trading practices (Amendment to Article 12)

Measures to be taken in response: The Company takes measures in accordance with the regulations.

9. Amendment to Article 28 and Article 31 of the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and Article 30 and Article 33 of the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants” (Per Issue No. Financial-Supervisory-Securities-Zi-1090360289)

Effect on financial operations:

- (1) Enhancing information transparency of remuneration to directors, supervisors, and senior managers and reasonableness of its establishment.
- (2) Adding that the remuneration paid to individual directors, supervisors, presidents, vice presidents, and consultants shall be disclosed: Amending the current stipulation that a company that has posted after-tax deficits in the parent company only financial reports or individual financial reports within “the two most recent fiscal years” shall disclose the remuneration paid to individual directors, supervisors, presidents, vice presidents, and consultants to “the three most recent fiscal years”. (Amendment to Article 28)
- (3) Adding that the remuneration paid to each individual director and supervisor shall be disclosed if a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEX, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation, or the average annual salary of the full-time non-supervisory employees in a TWSE or TPEX listed company is less than NT\$500,000. (Amendment to Article 28)
- (4) Adding that a securities firm listed on the TWSE or the TPEX shall disclose the individual remuneration paid to each of its top five management personnel: Specifying that a securities firm that has posted after-tax deficits in the parent company only financial reports or individual financial reports within the three most recent fiscal years (this requirement, however, shall not apply if the company has posted net income after tax and such net income after tax is sufficient to offset the accumulated deficits), or a securities firm listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or in the most recent fiscal year or up to the date of publication of the annual report for that year, the company's securities have been placed under an altered trading method, suspended from trading, delisted from the TWSE or the TPEX, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation shall disclose the remuneration paid to individual directors and supervisors. (Amendment to Article 28)
- (5) Enhancing the quality for disclosure of non-financial information: Reducing the percentage to 10% from 15% by which or more when the audit fees paid for the current fiscal year are lower than those for the previous fiscal year, the reduction percentage of audit fees and other information shall be disclosed. (Amendment to Article 31)

Measures to be taken in response: The Company takes measures in accordance with the regulations.

#### **7.6.6 Effect on the company's financial operations of developments in science and technology:**

The advent of a digital finance era has brought new market challenges for the financial industry as never before. In the traditional securities business, the past human-wave tactics has also changed to information warfare. In order to rise to the new FinTech development trend, transformation has long been a necessary path. Since the continuous trading system was implemented on March 26, 2020, the number of brokerage trading has increased by nearly 50% and the trading value has increased by 80%, with a significant increase in trading volume. Moreover, since the intraday odd-lot trading system was launched on October 26, 2020, the trading value has also increased dramatically and the number of investors participated has reached 740,000 persons, of which 160,000 persons are young generation under 30 years age, 2.4 times the number before its launch. Therefore, strengthening system research and development capabilities and implementing a more optimal and convenient trading platform to attract the next generation of investors will become the key to the future competition of securities

companies. Through the IT Department's self-developed industry-leading electronic trading system with its excellent self-made system capability, the Company improves computing speed of trading, substantially reduce the operation and time for customers to place orders. In 2020, it launched the optimized "Fast Earn 4.0" and "Dr. Securities" mobile long-term order as well as "Thousand Dollar Stock Depositor" odd-lot deposit advanced order, providing innovative functions and services to bring customers more flexibility in investments. In the meantime, it is also proactively carrying out employee transformation and training, cultivating modern financial business talent, and building core competitiveness for the company with digitalized branches and service platforms.

**7.6.7 Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:**

The Company's business policy always adheres to the business principles of "Ethics, Stability, Service, Sustainability", especially ethical management is the critical cornerstone of the company's operations. The Company also continues to diversify the company's operating risks and expand the sources of profit by integrating resources and disposing of loss-making enterprises, strengthens internal control and risk control mechanisms, and enhances the corporate constitution and competitiveness. Meanwhile, it maintains a good relationship with the media at all time, handles the maintenance of the company's external image, and provides professional and comprehensive services to the investing public, so there is no crisis of changing the corporate image.

**7.6.8 Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken:**

Before the initiation of a merger and acquisition case, the company will conduct all feasibility assessments and seek expert opinions to fully grasp the benefits and accompanying risks that can be generated after mergers and acquisitions, and conduct feasibility assessments, so all risks will be controlled with caution. There is no specific M&A plan by far.

**7.6.9 Expected benefits and possible risks associated with any business place expansion, and mitigation measures being or to be taken:**

In response to continuous decrease in the trading volume in the securities market for recent years, the Company has adopted measures to consolidate branches and weed out the weak and retain the strong of salespersons, with the main goals of developing FinTech, employing Big Data, providing all-round mobile phone and tablet order placement services, and creating a digitalized branch and service platforms. Therefore, the chance to adopt business place expansion for future development is slim. The Company has complied with the relevant regulations of the competent authority in business place expansion, and has had extensive experience in related establishment application procedures, so the potential risk is limited.

**7.6.10 Risks associated with any consolidation of business operations, and mitigation measures being or to be taken:**

The Company's major customers include natural persons, legal persons, and qualified foreign institutional investors. There is no such issue that a single customer accounting for the customer structure is overly concentrated.

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

In recent years, the shareholding structure of the Company's major shareholders has not changed significantly, indicating that the company's equity is stable and no associated risks arise.

**7.6.12 Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: None.**

**7.6.13 Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, any company supervisor, the president, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute which might materially affect shareholders' equity or the price of the company's securities, the annual report shall disclose the facts of the dispute,**

**amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:**

Because the Company's former salespersons was engaged in the business of Type C advance not within the scope of the company's business for fund collection before taking office, and was prosecuted for violation of the Banking Act of The Republic of China by the Taiwan Hsinchu District Prosecutors Office on August 2014. During the trial of the Criminal Court of Taiwan Hsinchu District Court, there were more than ten investors filing incidental civil lawsuits with amounts ranging from NT\$2,599 thousand to NT\$178,014 thousand, requesting the salesperson and the Company to jointly pay the above-mentioned amount and legal interest. Among the incidental civil lawsuits filed by more than ten investors, the Company has won the case in the first instance judgment rendered by the Civil Court of Taiwan Hsinchu District Court, and the case has been appealed to the Taiwan High Court by the plaintiffs (more than ten investors). At present, the judgment of second instance has been rendered in most of the appeal cases, only some of which are appealed to the Supreme Court of the third instance. For the appeal cases of the third instance, the Supreme Court has declared that the Company won the case on October 28, 2020, and all lawsuits in this case have been closed. This case does not have a material impact on shareholders' rights and interests or securities prices.

The plaintiffs, a total of 28 persons, including former and current salespersons of the Company, jointly filed a lawsuit with the Taiwan Taipei District Court, requesting that the defendant deducted the back-office administrative service fee from their respective salary amounts receivable during their respective terms of office in November 2016. Later, during the trial of the court of first instance, one plaintiff withdrew the lawsuit and reduced the lawsuit claim, requesting a total of NT\$9,767 thousand and the legal interest thereof as the amount of compensation for damage. The Company has won the case in the first instance judgment rendered by the Taiwan Taipei District Court; however, among the plaintiffs there were 23 persons appealed to second instance, requesting a total of NT\$8,119 thousand and the legal interest thereof as the amount of compensation for damage. The Company has won the case in the second instance judgment rendered by the Taiwan High Court; however, among them 13 appellants dissatisfied and appealed to the Supreme Court, requesting a total of NT\$4,583 thousand and the legal interest thereof as the amount of compensation for damage. On August 21, 2020, the Supreme Court has declared that the company won the lawsuit and the case was closed. This case does not have a material impact on shareholders' rights and interests or securities prices.

The plaintiff Securities and Futures Investors Protection Center filed a class-action lawsuit against the total 27 defendants including the Company and XPEC Entertainment, requesting compensation for damage caused by the case in violations of the Securities and Exchange Act. The plaintiff sued the Company on August 23, 2017, requesting a total of NT\$4,112 thousand. The case is currently under the trial of the Taiwan Taipei District Court. This case does not have a material impact on shareholders' rights and interests or securities prices.

The plaintiff is one of the Company's customers, claiming that the Company's former salesperson, with the intention of obtaining unlawful gains for himself/herself, did not carry out the purchase/sale of stock according to the brokerage order of the plaintiff and others, and embezzled all the amount paid to purchase shares, a total of approximately NT\$10,000 thousand, by the customer over the years. The former salesperson has been prosecuted by the Taiwan Chiayi District Prosecutors Office for offenses of breach of trust. The plaintiff and others recognized that the former salesperson was a salesperson of the Company when committing a crime, so they filed an incidental civil lawsuit against the Company and the former salesperson on November 8, 2019, requesting the Company and the former salesperson to bear joint and several liabilities for the damage compensation, a total of NT\$9,940 thousand (current 5,940 thousand). The case is currently under the trial by the Taiwan Chiayi District Court. This case does not have a material impact on shareholders' rights and interests or securities prices.

The Company filed criminal proceedings against a natural person with the last name Wang on January 11, 2021 for offenses against reputation and credit and violation of criminal aggravated defamation. The case is currently under the investigation of the Taipei City Police Department and is then sent to the Taiwan Taipei District Prosecutor's Office. This case does not have a material impact on shareholders' rights and interests or securities prices.

The 8 plaintiffs filed a lawsuit claiming that the Company handled the affairs concerning proxy soliciting for attending a shareholders meeting and voting rights at the shareholders meeting, as the Company's managerial officer violated the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies when allocating the numbers of votes in the election of directors, and thus caused damage to the rights and interests of 8 plaintiffs. Because the managerial officer was appointed by the Company, the plaintiff filed a civil action against the Company and the managerial

officer, requesting the Company and the managerial officer to bear joint and several liabilities for the damage compensation, a total of NT\$9,624 thousand. The case is currently under the trial of the Taiwan Taipei District Court, and does not have a material impact on shareholders' rights and interests or securities prices.

Due to excess-of-loss event on February 6, 2018, Concord Futures, one of the Company's important subsidiaries, has conducted civil debt settlement and compensation for damages with a total of 8 investors since June 2018, a lawsuit requesting a total of 237,904 thousand. At present, Concord Futures has won most of the cases in the first instance judgment rendered by the Taiwan Taipei District Court. The cases are appealed to the Taiwan High Court and under the trial of the Supreme Court. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Nan-kan Branch breaching the contract was reported on February 12, 2003, the Company filed a motion to Taiwan Taoyuan District Court for issuance of a payment order in a total amount of NT\$721 thousand on April 7, 2003. The payment order has been verified, and the certificate of the obligatory claim has been issued. Now the amount has been fully paid off by the customer in this case on November 9, 2020. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Yanping Branch (formerly Chengchung Branch) breaching the contract was reported on October 2, 2006, the Company filed a motion to Taipei District Court for issuance of a payment order in a total amount of NT\$289 thousand on December 15, 2016. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Taichung Branch (formerly Yuanlin Branch) breaching the contract was reported on September 9, 2008, the Company made a settlement transcript with the debtor in Taiwan Taichung District Court in a total settlement amount of NT\$4,041 thousand on June 4, 2009. The Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Taichung Branch (formerly Yuanlin Branch) breaching the contract was reported on September 9, 2008, the Company made a settlement transcript with the debtor in Taiwan Taichung District Court in a total settlement amount of NT\$2,917 thousand on June 4, 2009. The Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Taichung Branch breaching the contract was reported on February 23, 2009, the Company filed a motion to Taiwan Changhua District Court for issuance of a payment order in a total amount of NT\$5,996 thousand on March 2, 2009. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the payment from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Taichung Branch breaching the contract was reported on February 23, 2009, the Company filed a motion to Taiwan Changhua District Court for issuance of a payment order in a total amount of NT\$6,119 thousand on March 2, 2009. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Yonghe Branch breaching the contract was reported on May 19, 2017, the Company filed a motion to Taiwan Shihlin District Court for issuance of a payment order in a total amount of NT\$73,147 thousand on July 18, 2017. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Yonghe Branch breaching the contract was reported on May 19, 2017,

the Company filed a motion to Taiwan New Taipei District Court for issuance of a payment order in a total amount of NT\$12,527 thousand on July 18, 2017. The payment order has been verified. Now the debtor continues to pay the debt. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Renai Branch breaching the contract was reported in May 2018 and the customer did not repay the amount as scheduled after an agreement was reached, the Company filed a motion to Taiwan Taipei District Court for ruling on promissory notes in a total amount of NT\$2,520 thousand in July 2018. The ruling on promissory notes has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Shipai Branch breaching the contract was reported on November 2018, the Company filed a motion to Taiwan Shihlin District Court for issuance of a payment order in a total amount of NT\$3,397 thousand in December 2018. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Shipai Branch breaching the contract was reported on November 2018, the Company filed a motion to Taiwan New Taipei District Court for issuance of a payment order in a total amount of NT\$959 thousand in December 2018. The payment order has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Kaohsiung Branch breaching the contract was reported on February 3, 2020, the Company filed a motion to Taiwan Taipei District Court for ruling on promissory notes in a total amount of NT\$171 thousand in February 2020. The ruling on promissory notes has been verified. Now the Company applies for compulsory enforcement; however, the amount is not paid off. The certificate of the obligatory claim has been issued, and the company will continue to recover the debt from the debtor. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Brokerage Department breaching the contract was reported on November 6, 2020, the Company filed a motion to Taiwan New Taipei District Court for provisional attachment, and a ruling of approved was made. Now the Company has filed a motion to Taiwan New Taipei District Court for issuance of a payment order in a total amount of NT\$136 thousand on January 8, 2021. The payment order is now pending issued by the Taiwan New Taipei District Court. This case does not have a material impact on shareholders' rights and interests or securities prices.

As the customer of the Company's Brokerage Department breaching the contract was reported on February 2, 2021, the Company filed a motion to Taiwan Taoyuan District Court for issuance of a payment order in a total amount of NT\$115 thousand. This case does not have a material impact on shareholders' rights and interests or securities prices.

#### **7.6.14 Other important risks, and mitigation measures being or to be taken: None.**

### **7.7 Other important matters.**

#### **7.7.1 Information security risk assessment and management and analysis, and response measures to be taken:**

The Company has set up an information security steering group in 2011, with President as the chief convener, regularly assessing information security risks and reporting to the board of directors. The last date it reported to the board of directors was March 12, 2020. The key points of the Company's information security assessment are as follows:

- Information architecture review
- Internet activity review
- Network equipment, server, and terminal equipment testing
- Website security detection
- Security settings review
- Email social engineering exercise

The assessment key points and specific management plan are respectively described as follows:

1. Information architecture review

(1) Review the suitability of relevant measures taken for continuous operation

Reviewing the architecture of relevant measures and maintenance mechanism to see if any risk of single-point failure exists conducting risk analysis on the suitability for continuous business operation, and providing the results and recommendations of the information architecture security assessment

(2) Review the maximum impact and risk tolerance capacity of single-point failure

Evaluating whether the impact is within the risk tolerance, if not, discussing and implementing the improvement plan

2. Internet activity review

Reviewing the access records and account permissions of the equipment, reviewing the access records of network equipment, information security equipment, and servers, and whether granting account permissions and monitoring mechanism conform to the internal control operation regulations; inspecting the account permissions and access records of the equipment based on the principle of least privilege, identifying abnormal records and verifying warning mechanisms

3. Network equipment, server, and terminal equipment testing

Vulnerability scanning and repair operations; regularly conducting vulnerability scanning for network equipment, servers and, terminals every six months, and conducting the improvement and repair operations for the vulnerability found

Evaluating the scope of the vulnerability scanning operation, mode of operation, and the vulnerability improvement plan and repair status, providing evaluation suggestions for the scanning results, aiming at identifying the vulnerability and flaws that possibly exist in the architecture for improvement and repair, reducing the overall information security risk

4. Website security detection

Conducting penetration testing on the website; penetration testing is divided into three steps: data collection, information analysis, and target penetration; the way it is implemented is to simulate hacker attacks, using security detection tools (such as Qualys or Nmap), and conducting penetration testing on websites with outbound links to discover and repair the vulnerability of the website as early as possible

5. Security settings review

Server security policy settings, reviewing the "Password Setting Policy" and "Account Lockout Policy" settings on the server (such as Domain Services Active Directory); reviewing whether the relevant domain security policy settings conform to internal control regulations through tool analysis and manual operations

6. Email social engineering drill

Within the scope of internal security monitoring, sending exercise emails to all personnel of the group; testing, promoting, and strengthening information security learning. The steps taken for exercise are as follows:

(1) Exercises are held every April and October regularly.

(2) The unit holding the exercise sends phishing emails to induce users to click a link or download a file.

(3) Calculating Email open rate and click-through rate

(4) Collecting the exercise results of all units after exercise and submitting them to President for approval in May and November every year

(5) The follow-up improvement mechanism mainly focuses on co-workers' better understanding of the risk of using emails, enhancing co-workers' awareness of the crisis of preventing social engineering attacks, and constantly exercising to reduce the risk of social engineering attacks to further achieve the purpose of protecting customer data and important operating information as well as services.

### 7.7.2 Intellectual Property Management Plan:

The future development and decisive battlefield for the securities industry lie in technology. The Company makes all-out efforts to develop FinTech and sees Fintech talent and development as its core values to enhance its Independent design and development capabilities of information systems. To keep core value and sustainable competitiveness, the Company has set up the patent review task force on August 2016, dedicated to intellectual property management and promotion. The convener of the patent review task force is the President, and the task force members include supervisors of business, IT, and compliance units.

The Company has specially formulated the Patent Application and Incentive Measures to encourage co-workers to take initiative in innovation at work and translate their work achievement into profit-making means for the Company. As long as a co-worker proposes a creative idea, he/she can be rewarded with bonus for encouragement. Once the patent right is obtained after application and real



revenue has been generated for the Company, the co-worker can also join the profit-sharing scheme.

1. Implementation status

- (1) Providing "Taiwan Intellectual Property Management System" (TIPS) trade secret education and training courses from 2014
- (2) Formulating the Patent Application and Incentive Measures as the basis for patent applications and rewards in 2016
- (3) Conducting education and training courses on trade secret and non-competition related disputes as well as case study from 2017
- (4) There have been co-workers filing patent applications every year since 2018; the Company has obtained its first patent in October 2020
- (5) In addition to filing Taiwanese patent applications, the Company also applied for China's patents in 2020
- (6) The implementation status of the Company's intellectual property management plan was reported to the board of directors in December 2020

2. Achievement of obtaining intellectual property

Patents: As of December 31, 2020, a total of 2 patents have been approved in other countries and are still valid, and a total of 2 patents in other countries are under application.

Status	Invention in Taiwan	Invention in China	Total
Approved and Valid	2	0	2
Under application	1	1	2

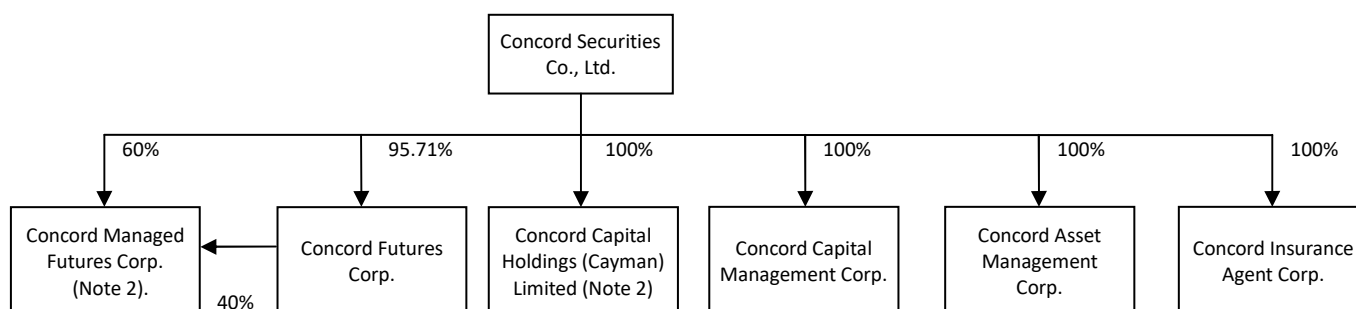
## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Consolidated Business Report

##### 8.1.1.1 Organizational chart of affiliated enterprises

December 31, 2020



##### 8.1.1.2 Name, date of incorporation, address, paid in capital, and main business items of affiliated enterprises

March 31, 2021

Name of Enterprise	Date of Incorporation	Address	Paid in Capital	Main Business Item
Concord Capital Management Corp.	May 25, 1988	9F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110056, Taiwan (R.O.C.)	NT\$70,000,000	Securities investment consulting business
Concord Capital Holdings (Cayman) Limited	May 12, 1997	PO Box309 GT, Uglan House South Church Street Georgetown, Grand Cayman, Cayman Islands	Note 2	Note 2
Concord Futures Corp.	July 7, 1999	5F., No. 143, Fuxing N. Rd., Songshan Dist., Taipei City 105611, Taiwan (R.O.C.)	NT\$815,000,000	Domestic and foreign futures dealership, brokerage, and advisory business
Concord Asset Management Corp.	September 5, 2003	14F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110056, Taiwan (R.O.C.)	NT\$549,000,000	Investment, business management advisory services and asset management services
Concord Managed Futures Corp.	December 16, 2003	14F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110056, Taiwan (R.O.C.)	Note 1	Note 1
Concord Insurance Agent Corp.	October 4, 2013	10F., No. 176, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110056, Taiwan (R.O.C.)	NT\$25,000,000	Life insurance agency and property insurance agency

Note 1: The subsidiary has completed its liquidation procedures in January 2021, and returned the remaining liquidation funds to the Corporation and Concord Futures of \$159,452 thousand and \$106,302 thousand, respectively.

Note 2: On November 30, 2020, Concord Cayman, received letter No. 1090373948 issued by the FSC, and has completed its liquidation procedures in March 31, 2021. Returned the remaining liquidation funds to the Corporation in April 1, 2021.

**8.1.1.3 Information on directors, supervisors, and presidents of affiliated enterprises:**
**April 8, 2021**

Name of Enterprise	Title	Name or Representative	Current Shareholding		
			Shares	%	
Concord Capital Management Corp.	Chairman President	DAVID LAY JUNG	Representative of Concord Securities Co., Ltd.	7,000,000	100.00%
	Director	CHAO, KAO-SHEN			
	Director	CHEN, TANG-SHENG			
	Supervisor	HUANG, CHIEH-JEN			
Concord Futures Corp.	Chairman	KANG, CHING-TAI	Representative of Concord Securities Co., Ltd.	78,005,571	95.71%
	Director	CHENG, TA-YU			
	Director	CHIU, JUNG-CHEN			
	Director	CHENG, HUNG-TAI			
	Director	-			
	President	WANG, WEN-HAO		122,181	0.15%
	Supervisor	SU, HUI-FEN		697,941	0.86%
	Supervisor	TUNG KUO, SHU-LI		129,362	0.16%
	Supervisor	CHENG, TAI-CHENG		-	-
Concord Asset Management Co, Ltd.	Chairman	LIU, KUO	Representative of Concord Securities Co., Ltd.	54,900,000	100.00%
	Director	WANG, CHIN-HSIANG			
	Director	CHEN, KUO-HSIUNG			
	Director	CHENG, HUNG-TAI			
	Supervisor	KANG, CHING-TAI			
Concord Insurance Agent Corp.	Chairman President	WANG, YA-PING	Representative of Concord Securities Co., Ltd.	2,500,000	100.00%
	Director	CHENG, TA-YU			
	Director	YEN, CHIH-LUNG			
	Supervisor	HUANG, YI-CHEN			

**8.1.1.4 Business operations of affiliated enterprises: (for the fiscal year of 2020)**

Expressed in thousands of NT\$

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income (Loss)	Current Profit (Loss)	Earnings (Loss) Per Share
							(After Tax)	(NT\$) (After Tax)
Concord Capital Management Corp.	70,000	97,477	6,499	90,978	21,483	(5,733)	(5,690)	(1.02)
Concord Capital Holdings (Cayman) Limited (Note 1)	296,334	21,316	51	21,265	0	(369)	13,206	0.04
Concord Futures Corp.	815,000	5,560,962	4,288,069	1,272,893	762,358	101,067	112,829	1.38
Concord Asset Management Co, Ltd.	549,000	578,034	620	577,414	0	(2,974)	23,052	0.42
Concord Insurance Agent Corp.	25,000	28,297	2,034	26,263	13,901	(898)	(753)	(0.30)

Note 1: December 31, 2020, NTD:USD=29.48:1; for the fiscal year of 2020, NTD:USD=29.5492:1

### **8.1.2 Declaration Of Consolidation Of Financial Statements Of Affiliates:**

#### DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CONCORD SECURITIES CO., LTD.

By CHENG, TA-YU

March 11, 2021

**8.1.3 Reports of Affiliation:**There is no such circumstance that preparing the reports on affiliations is necessary.

**8.2 Private Placement Securities in the Most Recent Years:**None.

**8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:**None.

**8.4 Other Necessary Supplement:**As of December 2020, our capital adequacy rate stood at 264%, As of March 2021, our capital adequacy rate stood at 302%.

**IX. Occurrences of items that may give rises to substantial impact on shareholders’ interests and/or stock price as defined in NO.3-2 Article 36 of Securities and Exchange Law in the latest fiscal year including the days counting to the publication of the annual reports: None.**



CONCORD

**Concord Securities Co., Ltd.**

Chairman

**CHENG, TA-YU**