

**SinoPac Securities Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report**

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, 2022 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies prepared in conformity with the International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

SINOPAC SECURITIES CORPORATION

March 8, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
SinoPac Securities Corporation

Opinion

We have audited the accompanying consolidated financial statements of SinoPac Securities Corporation and its subsidiaries (collectively, the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, 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, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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, 2022 is stated as follows:

Recognition of Brokerage Handling Fee Revenue

The Group's brokerage handling fee revenue arises from the trading of domestic and foreign securities, futures contracts and stock loans. It is calculated by multiplying the trading value by a standard rate or special rate agreed with clients. For the year ended December 31, 2022, the Group's brokerage handling fee revenue was \$7,253,066 thousand, representing 64% of total revenue; therefore, the amount has material impact on the consolidated financial statements. As a result, the accuracy of recognition of brokerage handling fee revenue based on the fee rate has been identified as a key audit matter.

Our key audit procedures performed in respect of the above-mentioned key audit matter included the following:

1. We understood and evaluated the design and implementation of the internal controls over the revenue recognition of brokerage handling fee revenue and tested its operating effectiveness, which included taking samples and testing whether the customer receipts were based on actual orders from the clients, whether the fee rates, brokerage handling fee revenue discounts and other changes in the individual client contracts had been approved by management, and recalculated the handling fee discounts to determine whether they are accurate.
2. We took samples of the various transaction reports of the domestic and foreign securities and tested their completeness; and also recalculated the brokerage handling fee revenue to determine its accuracy.
3. We performed analytical review procedures.

Refer to Notes 4 and 26(a) for the related accounting policies and balances of the Group's brokerage handling fee revenue.

Other Matter

We have also audited the parent company only financial statements of SinoPac Securities Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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, 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 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 audit resulting in this independent auditors' report are Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2023

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 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.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS (Note 4)				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 14,519,775	9	\$ 5,553,172	3
Current financial assets at fair value through profit or loss (Notes 4, 7, 11 and 29)	36,310,225	21	40,779,345	21
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	12,848,417	8	11,122,338	6
Bond investments under resale agreements (Notes 4, 9 and 29)	7,609,811	4	4,470,013	2
Margin loans receivable (Notes 4 and 10)	15,170,246	9	24,894,254	13
Refinancing margin (Note 4)	37,370	-	45,404	-
Refinancing collateral receivable (Note 4)	30,210	-	40,640	-
Receivable of securities business money lending (Note 4)	1,369	-	11,969	-
Receivables of money lending - any use (Note 4)	3,050,262	2	2,539,163	1
Customer margin account (Notes 4, 29 and 36)	33,036,135	19	35,165,089	18
Futures exchanges margins receivable (Note 4)	638	-	728	-
Security borrowing collateral price (Note 4)	95,051	-	4,261	-
Security borrowing margin (Notes 4 and 29)	11,359,773	7	10,628,167	5
Notes and accounts receivable (Notes 4, 10 and 29)	10,697,968	6	19,634,188	10
Prepayments (Note 29)	68,560	-	115,186	-
Other receivables (Notes 4, 10 and 29)	579,655	-	147,403	-
Other current financial assets (Notes 6 and 29)	4,684,776	3	2,585,971	1
Current tax assets (Notes 4, 27 and 29)	292,654	-	165,556	-
Restricted current assets (Notes 29 and 30)	1,480,560	1	1,480,560	1
Other current assets - others (Note 29)	8,689,530	5	25,473,458	13
Total current assets	160,562,985	94	184,856,865	94
NON-CURRENT ASSETS				
Non-current financial assets at fair value through profit or loss (Notes 4, 7 and 29)	139,584	-	277,398	-
Non-current financial assets at fair value through other comprehensive income (Notes 4, 8 and 29)	3,798,935	2	6,388,378	3
Property and equipment (Notes 4, 12, 29 and 30)	2,164,161	2	2,148,187	1
Right-of-use assets (Notes 4, 13 and 29)	631,492	1	711,538	1
Investment property (Notes 4, 14 and 30)	151,684	-	153,207	-
Goodwill (Notes 4 and 15)	211,526	-	211,526	-
Other intangible assets (Notes 4, 16 and 29)	335,310	-	369,889	-
Deferred tax assets (Notes 4 and 27)	436,098	-	639,112	-
Guarantee deposits paid (Notes 17 and 29)	1,779,943	1	1,591,278	1
Non-current net defined benefit assets (Note 24)	2,364	-	1,256	-
Overdue receivables (Notes 4 and 18)	1,315	-	1,954	-
Prepayments for business facilities (Notes 12, 16 and 29)	36,362	-	22,170	-
Other non-current assets - others	20,082	-	19,906	-
Total non-current assets	9,708,856	6	12,535,799	6
TOTAL	\$ 170,271,841	100	\$ 197,392,664	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Note 4)				
Current borrowings (Note 19)	\$ 308,772	-	\$ 274,127	-
Commercial paper payable (Notes 20 and 29)	898,717	1	23,340,185	12
Current financial liabilities at fair value through profit or loss (Notes 4, 7 and 29)	28,896,257	17	13,951,921	7
Liabilities for bonds with attached repurchase agreements (Notes 4, 7, 8, 22 and 29)	31,612,337	19	25,212,703	13
Securities financing refundable deposits (Note 4)	4,172,275	3	2,873,781	1
Deposits payable for securities financing (Note 4)	3,973,588	2	3,244,589	2
Securities lending refundable deposits (Note 4)	10,452,320	6	9,349,612	5
Futures traders' equity (Notes 4 and 29)	33,036,135	20	35,165,089	18
Equity for each customer in the account	525,327	-	495,486	-
Notes and accounts payable (Notes 23 and 29)	15,621,550	9	26,947,399	14
Other payables (Notes 4 and 29)	1,797,526	1	2,230,569	1
Other current financial liabilities (Note 7)	-	-	20,000	-
Current tax liabilities (Notes 4, 27 and 29)	163,907	-	721,488	-
Long-term liabilities - current portion (Notes 19 and 21)	-	-	434,909	-
Current lease liabilities (Notes 4, 13 and 29)	236,997	-	234,971	-
Other current liabilities	1,872,152	1	16,097,473	8
Total current liabilities	133,567,860	79	160,594,302	81
NON-CURRENT LIABILITIES				
Bonds payable (Note 21)	5,000,000	3	2,000,000	1
Long-term borrowings (Note 19)	921,706	1	830,686	1
Non-current provision for employee benefits (Note 26)	66,670	-	59,171	-
Non-current lease liabilities (Notes 4, 13 and 29)	416,756	-	497,328	-
Deferred tax liabilities (Notes 4 and 27)	287,980	-	91,648	-
Guarantee deposits received (Note 14)	883	-	883	-
Non-current net defined benefit liabilities (Notes 4 and 24)	401,862	-	599,992	-
Total non-current liabilities	7,095,857	4	4,079,708	2
Total liabilities	140,663,717	83	164,674,010	83
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4 and 25)				
Capital stock	16,212,238	9	16,212,238	8
Capital surplus				
Additional paid-in capital	84,747	-	84,747	-
Treasury stock transactions	31,358	-	31,358	-
Net assets from merger	329,379	-	329,379	-
Employee share options	31,282	-	31,282	-
Total capital surplus	476,766	-	476,766	-
Retained earnings				
Legal reserve	3,197,252	2	2,695,652	1
Special reserve	8,440,691	5	7,437,492	4
Unappropriated retained earnings	1,492,722	1	5,015,998	3
Total retained earnings	13,130,665	8	15,149,142	8
Other equity interest				
Exchange differences on translation of foreign financial statements	(371,963)	-	(671,018)	-
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	160,418	-	1,551,526	1
Total other equity interest	(211,545)	-	880,508	1
Total equity	29,608,124	17	32,718,654	17
TOTAL	\$ 170,271,841	100	\$ 197,392,664	100

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
REVENUE (Note 4)				
Brokerage handling fee revenue (Notes 26 and 29)	\$ 7,253,066	64	\$ 10,248,407	67
Handling fee revenues from securities business				
money lending	3,889	-	3,917	-
Income from securities lending	553,561	5	332,247	2
Revenues from underwriting business (Notes 26 and 29)	205,702	2	256,940	2
Gains on wealth management (Note 29)	150,073	1	223,856	1
Gains (losses) on sale of securities - proprietary (Note 26)	(2,262,637)	(20)	3,003,498	20
Gains on sale of securities - underwriting (Note 26)	42,162	-	203,468	1
Gains (losses) on sale of securities - hedging (Note 26)	(589,538)	(5)	1,177,670	8
Revenue from providing agency service for stock affairs (Note 29)	143,014	1	131,619	1
Interest revenue (Notes 26 and 29)	1,835,398	16	1,787,101	12
Dividend revenue (Notes 8 and 29)	1,692,204	15	350,717	2
Valuation gains (losses) on operating securities at fair value through profit or loss (Note 26)	(2,531,153)	(22)	306,789	2
Gains (losses) on covering of borrowed securities and bonds with resale agreements - short sales	2,129,204	19	(25,805)	-
Valuation gains (losses) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss	1,388,806	12	(526,508)	(3)
Realized gains on financial assets measured at fair value through other comprehensive income - debt instruments	7,596	-	56,673	-
Valuation losses on securities for futures margin at fair value through profit or loss	(21,634)	-	-	-
Losses on issuance of ETNs	(99)	-	(116)	-
Administrative and handling fee revenues from issuance of ETNs	(2)	-	3	-
Gains (losses) from issuance of call (put) warrants (Notes 7 and 29)	586,635	5	(734,839)	(5)
Futures contract loss (Note 7)	(346,271)	(3)	(598,883)	(4)
Option trading gain (loss) (Note 7)	3,082	-	(12,648)	-
Gains (losses) from derivatives - OTC (Notes 26 and 29)	198,344	2	(1,317,243)	(9)
Revenue from advisory services (Note 29)	29,528	-	30,168	-
Expected credit impairment (loss) and gain on reversal (Notes 8, 10, 18 and 26)	(1,394)	-	7,220	-
Other operating income (Notes 26 and 29)	<u>959,046</u>	<u>8</u>	<u>404,408</u>	<u>3</u>
Total revenue	<u>11,428,582</u>	<u>100</u>	<u>15,308,659</u>	<u>100</u>

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SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
EXPENDITURE AND EXPENSE				
Brokerage handling fee expense (Note 29)	\$ (724,820)	(6)	\$ (957,736)	(6)
Proprietary handling fee expense (Note 29)	(62,013)	-	(54,068)	-
Refinancing processing fee expenses	(2,779)	-	(1,652)	-
Underwriting operation processing fee expenses (Note 29)	(7,291)	-	(6,827)	-
Finance costs (Notes 26 and 29)	(832,234)	(7)	(297,449)	(2)
Loss from securities borrowing transactions	(534,388)	(5)	(29,087)	-
Futures commission expense	(146,151)	(1)	(119,324)	(1)
Expense of clearing and settlement (Note 29)	(182,449)	(2)	(173,535)	(1)
Other operating expenditure	(41,855)	-	(86,456)	(1)
Employee benefits expense (Notes 4, 24 and 26)	(4,978,254)	(44)	(6,232,899)	(41)
Depreciation and amortization expense (Notes 4, 12, 13, 14, 16, 26 and 29)	(535,269)	(5)	(512,748)	(3)
Other operating expense (Notes 26 and 29)	<u>(1,903,584)</u>	<u>(17)</u>	<u>(1,787,058)</u>	<u>(12)</u>
Total expenditure and expense	<u>(9,951,087)</u>	<u>(87)</u>	<u>(10,258,839)</u>	<u>(67)</u>
NET OPERATING INCOME	1,477,495	13	5,049,820	33
OTHER GAINS AND LOSSES (Notes 12, 14, 15, 16, 26 and 29)	<u>631,219</u>	<u>6</u>	<u>492,152</u>	<u>3</u>
PROFIT BEFORE TAX	2,108,714	19	5,541,972	36
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(526,219)</u>	<u>(5)</u>	<u>(727,133)</u>	<u>(5)</u>
NET PROFIT	<u>1,582,495</u>	<u>14</u>	<u>4,814,839</u>	<u>31</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 24, 25 and 27)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Remeasurement of defined benefit plans	28,034	-	(59,127)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(925,615)	(8)	1,147,742	7
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(969)</u>	<u>-</u>	<u>7,269</u>	<u>-</u>
	<u>(898,550)</u>	<u>(8)</u>	<u>1,095,884</u>	<u>7</u>

(Continued)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	\$ 369,826	3	\$ (121,561)	-
Unrealized losses from investments in debt instruments measured at fair value through other comprehensive income	(582,331)	(5)	(131,978)	(1)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(70,771)</u>	<u>-</u>	<u>23,570</u>	<u>-</u>
	<u>(283,276)</u>	<u>(2)</u>	<u>(229,969)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,181,826)</u>	<u>(10)</u>	<u>865,915</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 400,669</u>	<u>4</u>	<u>\$ 5,680,754</u>	<u>37</u>
PROFIT ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$ 1,582,495</u>	<u>14</u>	<u>\$ 4,814,839</u>	<u>31</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent company	<u>\$ 400,669</u>	<u>4</u>	<u>\$ 5,680,754</u>	<u>37</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 0.98</u>		<u>\$ 2.97</u>	

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

(Concluded)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Capital Stock (Note 25)		Capital Surplus (Note 25)	Retained Earnings (Notes 8 and 25)			Other Equity Interest (Notes 8 and 25)		Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	1,621,224	\$ 16,212,238	\$ 476,766	\$ 2,398,101	\$ 6,862,768	\$ 2,975,508	\$ (573,027)	\$ 788,779	\$ 29,141,133
Appropriation of 2020 earnings									
Legal reserve	-	-	-	297,551	-	(297,551)	-	-	-
Special reserve	-	-	-	-	574,724	(574,724)	-	-	-
Cash dividends	-	-	-	-	-	(2,103,233)	-	-	(2,103,233)
Profit for the year ended December 31, 2021	-	-	-	-	-	4,814,839	-	-	4,814,839
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(47,302)	(97,991)	1,011,208	865,915
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	4,767,537	(97,991)	1,011,208	5,680,754
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	248,461	-	(248,461)	-
BALANCE AT DECEMBER 31, 2021	1,621,224	16,212,238	476,766	2,695,652	7,437,492	5,015,998	(671,018)	1,551,526	32,718,654
Appropriation of 2021 earnings									
Legal reserve	-	-	-	501,600	-	(501,600)	-	-	-
Special reserve	-	-	-	-	1,003,199	(1,003,199)	-	-	-
Cash dividends	-	-	-	-	-	(3,511,199)	-	-	(3,511,199)
Profit for the year ended December 31, 2022	-	-	-	-	-	1,582,495	-	-	1,582,495
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	22,427	299,055	(1,503,308)	(1,181,826)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	1,604,922	299,055	(1,503,308)	400,669
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(112,200)	-	112,200	-
BALANCE AT DECEMBER 31, 2022	<u>1,621,224</u>	<u>\$ 16,212,238</u>	<u>\$ 476,766</u>	<u>\$ 3,197,252</u>	<u>\$ 8,440,691</u>	<u>\$ 1,492,722</u>	<u>\$ (371,963)</u>	<u>\$ 160,418</u>	<u>\$ 29,608,124</u>

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

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 2,108,714	\$ 5,541,972
Adjustments to reconcile profit (loss)		
Depreciation and amortization expense	536,792	514,342
Expected credit impairment loss	3,542	3,904
Valuation losses (gains) on operating securities at fair value through profit or loss	2,531,153	(306,789)
Valuation losses (gains) on borrowed securities and bonds with resale agreements - short sales at fair value through profit or loss	(1,388,806)	526,508
Finance costs	832,234	297,449
Interest revenue and financial income	(2,255,318)	(1,969,082)
Effect of exchange rate changes on bond payable	-	(3,415)
Dividend revenue	(1,787,503)	(415,303)
Loss on disposal of property and equipment	20	95
Loss on disposal of intangible assets	-	17
Net losses (gains) on non-operating financial instruments at fair value	39,437	(91,376)
Unrealized losses (gains) on issuance of call or put warrants	(756,440)	529,125
Losses from lease modification	-	111
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	2,036,344	(9,836,534)
Decrease (increase) in bond investments under resale agreements	(3,139,798)	792,481
Decrease (increase) in margin loans receivable	9,721,061	(7,144,561)
Decrease in refinancing margin	8,034	3,488
Decrease (increase) in refinancing collateral receivable	10,430	(593)
Decrease (increase) in receivable of securities business money lending	10,600	(10,572)
Increase in receivables of money lending - any use	(511,099)	(1,748,796)
Decrease (increase) in customer margin account	2,128,954	(13,224,777)
Decrease in futures exchanges margins receivable	15,887	729
Decrease (increase) in security borrowing collateral price	(90,790)	85,550
Increase in security borrowing margin	(731,606)	(7,829,451)
Decrease (increase) in notes and accounts receivable	8,893,874	(953,183)
Decrease (increase) in prepayments	46,626	(27,922)
Increase in net defined benefit assets	(1,108)	(1,256)
Increase in other receivables	(353,995)	(29,872)
Increase in financial assets at fair value through other comprehensive income	(2,316,228)	(5,161,557)
Decrease (increase) in other current assets	16,783,841	(13,365,009)
Increase in overdue receivables	(15,158)	(6,382)
Increase in liabilities for bonds with attached repurchase agreements	6,399,634	2,449,091
Increase in financial liabilities at fair value through profit or loss	17,089,582	9,268,989
Increase in securities financing refundable deposits	1,298,494	658,056
Increase in deposits payable for securities financing	728,999	708,186

(Continued)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Increase in refundable deposits	\$ 1,102,708	\$ 6,503,593
Increase (decrease) in futures traders' equity	(2,128,954)	13,224,777
Increase (decrease) in notes and accounts payable	(11,325,849)	843,646
Increase (decrease) in other payables	(508,729)	526,152
Decrease in non-current net defined benefit liabilities	(170,096)	(1,042)
Increase in provisions	7,499	32,351
Increase (decrease) in other financial liabilities	(20,000)	20,000
Increase in equity for each customer in the account	29,841	11,981
Increase (decrease) in other current liabilities	<u>(14,225,321)</u>	<u>12,933,877</u>
Cash generated from (used in) operations	30,637,502	(6,651,002)
Interest received	2,216,287	1,784,265
Dividends received	1,786,162	412,326
Interest paid	(757,344)	(296,260)
Income tax paid	<u>(883,205)</u>	<u>(452,009)</u>
Net cash generated from (used in) operating activities	<u>32,999,402</u>	<u>(5,202,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	(1,750,863)	(3,066,252)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,422,287	1,795,773
Acquisition of property and equipment	(173,539)	(155,514)
Proceeds from disposal of property and equipment	-	240
Increase in refundable deposits	(188,665)	(47,020)
Acquisition of other intangible assets	(74,873)	(32,156)
Decrease (increase) in other current financial assets	(2,098,805)	100,024
Increase in restricted assets	-	(5,560)
Decrease (increase) in other non-current assets - others	(176)	57
Increase in prepayments for business facilities	<u>(24,995)</u>	<u>(7,815)</u>
Net cash used in investing activities	<u>(889,629)</u>	<u>(1,418,223)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	34,645	(947,261)
Increase (decrease) in commercial paper payables	(22,441,468)	9,895,748
Proceeds from issuing bonds	3,000,000	-
Repayments of bonds payable	(434,909)	-
Repayments of long-term debt	-	(14,449)
Decrease in guarantee deposits received	-	(261)
Payments of lease liabilities	(247,241)	(240,190)
Cash dividends paid	<u>(3,511,199)</u>	<u>(2,103,233)</u>
Net cash generated from (used in) financing activities	<u>(23,600,172)</u>	<u>6,590,354</u>

(Continued)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>457,002</u>	\$ <u>(130,139)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,966,603	(160,688)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,553,172</u>	<u>5,713,860</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>14,519,775</u>	\$ <u>5,553,172</u>

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

(Concluded)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

SinoPac Securities Corporation (the “Corporation”) was established on October 11, 1988 and started operations on November 8 of the same year. The Corporation is an integrated securities firm licensed by the government and is engaged in the underwriting, proprietary trading and brokerage of securities, margin trading and short selling of marketable securities, trading of foreign securities, futures introducing broker services, proprietary trading of futures, short-term bills financing and other businesses as approved by the relevant authorities.

In November 2014, the Corporation started providing trust services in its wealth management business, which is a non-discretionary individually managed trust.

Its shares began trading on the Taipei Exchange (the over-the-counter securities exchange of the Republic of China, or the “TPEX”) in December 1994. Effective May 9, 2002, the Corporation’s shares ceased trading on the TPEX because of the incorporation of the Corporation into SinoPac Financial Holdings Company Limited (“SinoPac Holdings”) through a share swap. The Corporation changed its name to SinoPac Securities Corporation in July 2006, through the resolution of the board of directors acting on behalf of the shareholders in a shareholders’ meeting. And in September 2006, the Ministry of Economic Affairs completed the registration of the change, and the base date for the name change was November 13, 2006.

As of December 31, 2022, the Corporation had 46 branches and one offshore securities unit in addition to its head office.

The consolidated financial statements of the Corporation and its subsidiaries (collectively, the “Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors (the “Board”) on March 8, 2023.

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)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting periods beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of the above standards would not have material impact on the Group’s financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

The Group assessed that the application of the standards above would not have material impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other 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

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, payable arising from cash-settled share-based payment and net defined benefit assets and liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) 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
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities to be settled within 12 months after the reporting period; and
- 3) 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.

d. Basis of consolidation

- 1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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 in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation.

2) Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership		Remark
			2022	2021	
The Corporation	SinoPac Futures Corporation (“SinoPac Futures”)	Futures brokering, dealing, advisory, managed enterprise and securities investment consulting services	100.00	100.00	
The Corporation	SinoPac Securities Investment Service Corporation (“SinoPac Securities Investment Service”)	Securities investment consulting and offshore fund distributor business	100.00	100.00	
The Corporation	SinoPac Securities Venture Capital Corporation (“SinoPac Securities Venture Capital”)	Venture capital investment	100.00	100.00	
The Corporation	SinoPac Securities (Cayman) Holdings Ltd. (“SinoPac Securities (Cayman)”)	Investment holding company	100.00	100.00	
The Corporation	SinoPac Financial Consulting (Shanghai) Ltd. (“SinoPac Financial Consulting (Shanghai)”)	Management consulting, investment and information consulting	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac Securities (Europe) Ltd. (“SinoPac Securities (Europe)”)	Brokerage agency service	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac Asset Management (Asia) Ltd. (“SinoPac Asset Management (Asia)”)	Asset management and investment consulting	100.00	100.00	
SinoPac Securities (Cayman)	SinoPac Securities (Asia) Ltd. (“SinoPac Securities (Asia)”)	Stock and futures contract brokerage and dealing business	100.00	100.00	
SinoPac Securities (Asia)	SinoPac (Asia) Nominees Ltd.	Trust account on overseas stock	100.00	100.00	
SinoPac Securities (Asia)	SinoPac Capital (Asia) Ltd. (“SinoPac Capital (Asia)”)	Proprietary trading	100.00	100.00	
SinoPac Securities (Asia)	SinoPac Solutions and Services Ltd. (“SinoPac Solutions and Services”)	Fund administration services	100.00	100.00	

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (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 retranslation 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 case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated; they are translated at the rates of exchange prevailing at the dates of the transactions.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations 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 arising are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed 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 item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

g. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

Investment properties are measured initially 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.

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.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units ("CGU") that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributable goodwill, with its recoverable amount. However, if the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a CGU and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

i. Intangible assets

1) Intangible assets acquired separately

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 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 that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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.

j. Impairment of property and equipment, right-of-use assets, investment property and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use asset, investment property 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 CGU to which the asset belongs. Corporate assets are allocated to the individual CGU on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount less amortization or depreciation that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instrument

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 or issue of financial assets and financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

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.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as 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, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 34.

ii. 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 etc., are measured at amortized cost, which equals the gross carrying amount determined using 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 such 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:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits, short-term notes and excess margin of futures 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.

iii 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.

iv 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, it 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.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. 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 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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than allotted days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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.

c) 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 asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) 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.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on such financial liability.

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

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. 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
- iii. 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. Except for the interest incurred which is recognized in finance costs, 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 transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

Derivative financial instruments which include futures, option, warrant, interest rate swap, forward exchange, currency swap, cross currency swap, convertible bond asset swap, structured instrument and equity derivatives contract are used to diversify its range of investments, to develop various services aggressively and to use working capital more efficiently.

Derivatives are initially recognized at fair value at the date on which 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 unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

5) Modification of financial instruments

When a financial instrument is modified, the Group assesses whether the modification will result in derecognition. If modification of a financial instrument results in derecognition, it is accounted for as derecognition of financial assets or liabilities. If the modification does not result in derecognition, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liability based on the modified cash flows discounted at the original effective interest rate with any modification gain or loss recognized in profit or loss. The cost incurred is adjusted to the carrying amount of the modified financial asset or financial liability and amortized over the modified remaining period.

For the changes in the basis for determining contractual cash flows of financial assets or financial liabilities resulting from the interest rate benchmark reform, the Group elects to apply the practical expedient in which the changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis. When multiple changes are made to a financial asset or a financial liability, the Group first applies the practical expedient to those changes required by interest rate benchmark reform, and then applies the requirements of modification of financial instruments to the other changes that cannot apply the practical expedient.

l. Repurchase and resale transactions

Transactions involving the resale and repurchase of bonds with a financing nature are accounted for as bonds investments under resale agreements and liabilities for bonds with attached repurchase agreements, respectively; and the related interest income and expense are accounted for on the basis of the interest rate stated in the contract.

m. Margin loans and stock loans

“Margin loans receivable” represents the amount financed to customers to buy securities, and the securities are then used to secure these loans. The collateral is recorded under “collateral securities” using memo entries. The collateral securities are returned to the customers when the margin loans are repaid.

When the Corporation refinances the aforementioned margin loans with securities finance companies (“SFCs”), the loans are recorded under “refinancing borrowings,” which are collateralized by securities bought by customers.

The collateral securities are sold by the Corporation when their market values fall below a pre-agreed level and the customer fails to maintain this level. If the proceeds of the disposal of collateral securities cannot cover the balance of the loan and the customer cannot timely settle the deficiency, the balance of the margin loan is reclassified to “overdue receivables.” If a collateral security cannot be sold in the open market, the balance of the loan is reclassified to “other receivables” or “overdue receivables.”

Stock loans are securities lent to customers for short sales. The deposits received from customers on securities lent out are credited to “securities financing refundable deposits.” The securities sold short are recorded as “stock loans” using memo entries. The proceeds of disposal of stock loans less any dealer’s commission, financing charges and securities exchange tax are recorded under “deposits payable for securities financing.” The deposits received and the proceeds of disposal of stock loans are returned to the customers when the stock loans are repaid.

When the Corporation refinances the aforementioned stock loans, the margins deposited by the Corporation to SFCs are recorded as “refinancing margin.” The refinancing securities delivered to the Corporation are recorded as “refinancing stock collateral” using memo entries. A portion of the proceeds of the short-sale of securities borrowed from SFCs is retained by the SFCs as collateral and is recorded under “refinancing collateral receivable.”

n. Securities business money lending, money lending – any use and securities lending

The Corporation’s sources of lending securities for the securities lending business are from (1) securities owned, (2) securities borrowed from the Taiwan Stock Exchange Corporation (TWSE) through its Securities Borrowing and Lending (“SBL”) system, (3) collateral securities acquired from margin loans and stock loans, (4) securities borrowed from customers, and (5) securities borrowed from other security firms or SFCs. When using its self-owned securities for the lending business, the Corporation should reclassify the securities to “lending stock” and measured them at fair value on the valuation date. The gains or losses from the valuation are recognized in the valuation account from which the securities are reclassified. When conducting the securities lending business, the Corporation sets up a separate account for each customer and makes daily entries for details of loan balances, details of collateral received (including values), and payments for collateral shortfalls and disposals.

When conducting the money lending business, the amount is limited to payables by each customer after netting the prices of securities bought and sold by that customer on that trading day, the related fees and taxes; the amount is recorded under “receivable of securities business money lending.” When conducting the money lending - any use business, the amount is limited to the collateral received; the amount is recorded under “receivable of money lending - any use.” The interests and fees earned are recorded under “interest revenue” and “Handling fee revenues from securities business money lending.” In addition, the Corporation sets up a separate account for each customer and makes daily entries for details of money lending balances, details of collateral received and payments for collateral shortfalls and disposals.

The collateral securities obtained through securities lending are recorded through memo entries. Cash collateral is recorded as “securities lending refundable deposits.” Deposits for securities borrowed from TWSE using the SBL system are recorded as “securities borrowing margin.” Securities lending refundable deposits (or securities borrowing margin) will be repaid (or collected) on the return of borrowed securities. Revenues and service fee from securities lending are recognized as income from securities lending.

o. Customer margin accounts and futures traders' equity

SinoPac Futures and SinoPac Securities (Asia) engage in futures brokerage and receive margin deposits from customers as required under existing regulations. The proceeds are deposited in a bank and recorded under "customer margin accounts" and "futures traders' equity." Gains or losses from daily marking to market of the carrying amounts of the contracts and related commission are charged to the customers' margin accounts and futures traders' equity. Futures traders' equity accounts cannot offset each other, except when they are of the same kind and belong to the same investor. The debit balance of futures traders' equity, which results from losses on futures transactions in excess of the margin deposited, is recorded under "Futures exchanges margins receivable."

p. Leasing

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

1) 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.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) 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 an estimate of costs needed to restore the underlying assets, 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. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, 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 a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

q. Employee benefits

1) 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 service.

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Cash-settled share-based payment arrangements

For cash-settled share-based payments, a liability is recognized for the services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

s. Taxation

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

1) Current tax

According to the Income Tax Act in the ROC, the additional income tax on unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

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

2) 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 all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits 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, 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 asset 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 assets and liabilities 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.

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. If current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

- 4) In the filing of returns, the linked-tax system is used, i.e., the Corporation, its parent company (SinoPac Holdings) and the qualified subsidiaries of SinoPac Holdings (the “SinoPac Group”) “linked” their taxes in filing their returns. The accounting procedure applied by the SinoPac Group to the income tax is to adjust in SinoPac Holdings’ book the difference between the combined current/deferred taxes and the total of each SinoPac Group member’s ones. Related payables and receivables are recorded in each of the SinoPac Group members’ books when estimating the income tax.

t. 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.

The Group’s brokerage handling fee revenue is recognized on the trade date of securities and stock loans.

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, estimates 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 to be relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 pandemic in Taiwan and its economic environment implications, inflation and interest rate fluctuations when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. 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.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash		
Petty cash and cash on hand	\$ 1,615	\$ 1,604
Demand deposits	3,527,282	3,072,421
Checking accounts	419,565	273,778
Cash equivalents		
Short-term notes	8,787,304	1,279,567
Time deposits with original maturities of less than three months	668,479	2,500
Excess margin of futures	<u>1,115,530</u>	<u>923,302</u>
	<u>\$ 14,519,775</u>	<u>\$ 5,553,172</u>

The interest rate ranges of the time deposits and short-term notes were as follows:

	December 31	
	2022	2021
Interest rates of the time deposits with original maturities of less than three months	1.50%-4.80%	0.40%
Discount rate of the short-term notes	0.45%-1.24%	0.13%-0.31%
Due date of the short-term notes	January 2023	January 2022

As of December 31, 2022 and 2021, time deposits with original maturities more than three months, which was classified as other current financial assets, were \$4,684,776 thousand and \$2,585,971 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31		Note
	2022	2021	
<u>Current financial assets at FVTPL</u>			
Financial assets mandatorily measured at FVTPL			
Open-end funds and other securities	\$ 606,660	\$ 282,232	a.
Operating securities - proprietary	27,877,120	34,019,550	b.
Operating securities - underwriting	496,048	727,721	b.
Operating securities - hedging	1,366,322	2,061,231	b.
Buy options - futures	13,494	19,971	c.
Futures margin - own funds	716,470	1,061,225	c.
Futures margin - securities	848,754	-	c.
Derivative assets - OTC			
Interest rate swap contracts	3,929,411	1,263,599	h.
Currency swap contracts	1,310	28,670	i.
Asset swap IRS contracts	1,042	13,712	j.
Asset swap option contracts	453,594	1,294,849	j.
Equity derivatives contracts	-	6,585	m.
	<u>\$ 36,310,225</u>	<u>\$ 40,779,345</u>	
<u>Non-current financial assets at FVTPL</u>			
Financial assets mandatorily measured as at FVTPL			
Operating securities - proprietary	\$ 99,595	\$ 99,572	n.
Stocks other than listed and traded over the counter	<u>39,989</u>	<u>177,826</u>	n.
	<u>\$ 139,584</u>	<u>\$ 277,398</u>	

(Continued)

	December 31		Note
	2022	2021	
<u>Current financial liabilities at FVTPL</u>			
Financial liabilities held for trading			
Sell options - futures	\$ 6,299	\$ 15,072	c.
Liabilities on sale of borrowed securities - hedged	100,147	37,128	d.
Liabilities on sale of borrowed securities - non-hedged	11,059,661	8,357,064	d.
Investments in bonds with resale agreements - short sales	1,059,287	814,736	e.
Issuance of ETNs	-	44	f.
Warrant liabilities	6,306,804	8,650,713	g.
Warrant redeemed	(6,006,927)	(8,232,742)	g.
Derivative liabilities - OTC			
Interest rate swap contracts	3,515,678	1,027,107	h.
Currency swap contracts	12,821	39,104	i.
Asset swap IRS contracts	159,819	126,659	j.
Asset swap option contracts	1,042,104	2,594,080	j.
Equity derivatives contracts	-	5,910	m.
	<u>17,255,693</u>	<u>13,434,875</u>	
Financial liabilities designated as at FVTPL			
Structured instruments	<u>11,640,564</u>	<u>517,046</u>	l.
	<u>\$ 28,896,257</u>	<u>\$ 13,951,921</u>	

(Concluded)

a. Open-end funds and other securities

	December 31	
	2022	2021
Open-end funds	\$ 90,000	\$ 15,000
Other securities	<u>493,664</u>	<u>214,070</u>
	583,664	229,070
Valuation adjustment	<u>22,996</u>	<u>53,162</u>
	<u>\$ 606,660</u>	<u>\$ 282,232</u>

Other securities are securities invested by the Group with development potential and investment benefits based on venture capital business.

b. Securities held for operations

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Operating securities - proprietary</u>		
Bonds		
Government bonds	\$ 3,417,242	\$ 748,318
Corporate bonds	2,149,818	4,743,801
Financial bonds	<u>4,005,670</u>	<u>5,719,962</u>
	9,572,730	11,212,081
Listed stocks	3,289,116	5,772,014
Stocks and convertible bonds traded over the counter	11,918,440	12,500,973
Beneficiary certificates	184,341	166,137
Exchange traded funds and bond funds	3,924,142	2,965,192
Emerging stocks	<u>446,674</u>	<u>476,480</u>
	29,335,443	33,092,877
Valuation adjustment	<u>(1,458,323)</u>	<u>926,673</u>
	<u>\$ 27,877,120</u>	<u>\$ 34,019,550</u>
<u>Operating securities - underwriting</u>		
Listed stocks	\$ 45,930	\$ 231,739
Stocks and convertible bonds traded over the counter	<u>469,576</u>	<u>454,495</u>
	515,506	686,234
Valuation adjustment	<u>(19,458)</u>	<u>41,487</u>
	<u>\$ 496,048</u>	<u>\$ 727,721</u>
<u>Operating securities - hedging</u>		
Warrants - hedging		
Listed stocks	\$ 725,387	\$ 1,152,238
Stocks traded over the counter	439,568	459,521
Exchange traded funds	72,259	7,876
Warrants	70,181	56,931
Structured instruments - hedging		
Listed stocks	2,707	4,797
Open-end funds	112,007	212,584
Equity derivatives-hedging		
Listed stocks	-	148,352
Stocks traded over the counter	-	8,836
ETNs-hedging		
Stocks traded over the counter	<u>-</u>	<u>121</u>
	1,422,109	2,051,256
Valuation adjustment	<u>(55,787)</u>	<u>9,975</u>
	<u>\$ 1,366,322</u>	<u>\$ 2,061,231</u>

As of December 31, 2022 and 2021, bonds held by the Group's dealing department and underwriting department and invested under resale agreements were sold with attached repurchase agreements for the aggregate face amounts of \$20,547,874 thousand and \$14,956,806 thousand, respectively.

c. Futures and options

1) Objectives for holding futures and options and the strategies for meeting the objectives

The Group held futures and options for trading purposes, to expand the channels for investment and effectively utilize working capital. The Group also engages in futures transactions to hedge against the risk of price fluctuations in its trading positions.

2) The outstanding futures and option contracts amount and fair value were as follows:

		December 31, 2022			
Item	Instrument Type	Open Position		Contract Amount/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
Futures	Stock index futures contracts	Long	2,873	\$ 6,540,468	\$ 6,417,070
	Single stock futures contracts	Long	17,843	2,914,469	2,872,360
	Currency futures contracts	Long	30	18,382	18,338
	Commodity futures contracts	Long	30	68,298	72,511
	Interest rate futures contracts	Long	3	12,587	12,420
	Stock index futures contracts	Short	1,174	1,614,454	1,600,393
	Single stock futures contracts	Short	19,705	3,008,548	2,992,108
	Currency futures contracts	Short	52	56,337	54,978
	Commodity futures contracts	Short	178	412,970	426,368
	Interest rate futures contracts	Short	314	1,907,978	1,903,586
Options	Option contracts - call	Long	259	6,346	5,749
	Option contracts - put	Long	317	8,020	7,745
	Option contracts - call	Short	333	(5,688)	(4,278)
	Option contracts - put	Short	189	(2,490)	(2,021)
		December 31, 2021			
Item	Instrument Type	Open Position		Contract Amount/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
Futures	Stock index futures contracts	Long	555	\$ 1,741,999	\$ 1,798,628
	Single stock futures contracts	Long	17,462	3,013,114	3,127,369
	Commodity futures contracts	Long	13	31,685	33,034

(Continued)

		December 31, 2021			
Item	Instrument Type	Open Position		Contract Amount/ Premium Paid (Received)	Fair Value
		Long/ Short	Volume		
	Stock index futures contracts	Short	362	\$ 1,068,380	\$ 1,079,325
	Single stock futures contracts	Short	32,995	3,622,033	3,725,333
	Currency futures contracts	Short	3	9,159	9,032
	Commodity futures contracts	Short	115	216,286	222,781
	Interest rate futures contracts	Short	54	278,585	280,468
Options	Option contracts - call	Long	814	11,349	15,285
	Option contracts - put	Long	1,124	6,285	4,686
	Option contracts - call	Short	991	(8,842)	(12,765)
	Option contracts - put	Short	621	(4,133)	(2,307)
(Concluded)					

The fair value of futures and options was based on the closing price at the end of December 2022 and 2021 multiplied by the number of open contracts and calculated with each contract of futures and option, respectively.

3) Gains (losses) from futures and option transactions were as follows:

	For the Year Ended December 31			
	2022		2021	
	Gains (Losses) from Futures Transactions	Gains from Option Transactions	Gains (Losses) from Futures Transactions	Gains (Losses) from Option Transactions
Non-hedging and realized	\$ (207,911)	\$ 614	\$ (529,789)	\$ (12,930)
Non-hedging and unrealized	(136,018)	1,007	54,341	240
Hedging and realized	291	1,461	(118,831)	42
Hedging and unrealized	<u>(2,633)</u>	<u>-</u>	<u>(4,604)</u>	<u>-</u>
	<u>\$ (346,271)</u>	<u>\$ 3,082</u>	<u>\$ (598,883)</u>	<u>\$ (12,648)</u>

d. Liabilities on sale of borrowed securities

	December 31	
	2022	2021
<u>Liabilities on sale of borrowed securities - hedged</u>		
Warrants - hedging		
Listed stocks	\$ 31,621	\$ 4,277
Stocks traded over the counter	43,019	-
Exchange traded funds	20,730	-

(Continued)

	December 31	
	2022	2021
Equity derivatives-hedging		
Listed stocks	\$ -	\$ 30,134
Stocks traded over the counter	-	1,375
	<u>95,370</u>	<u>35,786</u>
Valuation adjustment	<u>4,777</u>	<u>1,342</u>
	<u>\$ 100,147</u>	<u>\$ 37,128</u>

Liabilities on sale of borrowed securities - non-hedged

Listed stocks	\$ 9,716,399	\$ 7,060,706
Stocks traded over the counter	525,564	326,117
Exchange traded funds	<u>1,640,586</u>	<u>423,412</u>
	11,882,549	7,810,235
Valuation adjustment	<u>(822,888)</u>	<u>546,829</u>
	<u>\$ 11,059,661</u>	<u>\$ 8,357,064</u>
		(Concluded)

e. Investments in bonds with resale agreements - short sales

	December 31	
	2022	2021
Government bonds	\$ 1,086,297	\$ 819,075
Valuation adjustment	<u>(27,010)</u>	<u>(4,339)</u>
	<u>\$ 1,059,287</u>	<u>\$ 814,736</u>

f. Issuance of Exchange Traded Notes

1) Objective of the issuance of exchange traded notes and the strategies for meeting the objectives

The Group issued exchange-traded notes (“ETNs”) for trading purposes, and held related hedging positions to hedge against the redemption of the notes at maturity and the risk of price fluctuations in the target index.

2) Fair value of the issuance of ETNs

	December 31	
	2022	2021
Issuance of ETNs	\$ -	\$ 32
Valuation adjustment	<u>-</u>	<u>12</u>
	<u>\$ -</u>	<u>\$ 44</u>

g. Warrants

1) Objective of the issuance of warrants and the strategies for meeting the objectives

The Group issued warrants for trading purposes and held related hedging positions to hedge against the warrant holders' exercise of the warrants and the risk of price fluctuations in the warrant positions.

2) Warrant liabilities and warrant redeemed were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Warrant liabilities	\$ 8,800,979	\$ 8,235,164
Add: Losses (gains) on changes in fair value of warrant liabilities	<u>(2,494,175)</u>	<u>415,549</u>
	<u>6,306,804</u>	<u>8,650,713</u>
Warrant redeemed	8,075,082	7,978,779
Add: Gains (losses) on changes in fair value of warrant redeemed	<u>(2,068,155)</u>	<u>253,963</u>
	<u>6,006,927</u>	<u>8,232,742</u>
Net of warrant liabilities	<u>\$ 299,877</u>	<u>\$ 417,971</u>

The fair value of warrants was calculated at the last closing price at the end of December 31, 2022 and 2021, respectively.

3) Gains (losses) from issuance of call (put) warrants were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Gains (losses) on changes in fair value of call (put) warrant liabilities	\$ 16,769,783	\$ (2,383,612)
Gains (losses) on changes in fair value for redeem of call (put) warrants	(16,013,343)	1,854,487
Gains on exercise of call (put) warrants before expiry	-	129
Expenses arising from issuance of call (put) warrants	<u>(169,805)</u>	<u>(205,843)</u>
	<u>\$ 586,635</u>	<u>\$ (734,839)</u>

h. Interest rate swaps

1) Objective of engaging in interest rate swaps and the strategies for meeting the objectives

The Group's objective and strategy of engaging in interest rate swap ("IRS") transactions is to profit from short-term fluctuations of interest rates.

2) The outstanding IRS contracts nominal amount were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
For trading purposes	<u>\$ 400,140,222</u>	<u>\$ 282,307,359</u>

3) For gains (losses) resulting from IRS transactions, refer to Note 26.

i. Currency swaps

1) Objective of engaging in currency swaps and the strategies for meeting the objectives

The Group's objective and strategy of engaging in currency swap transaction is to achieve fund dispatching and hedge risk of exchange rate.

2) The outstanding currency swap contracts were as follows:

		December 31, 2022			
		Call Price		Put Price	
For trading purposes	EUR	9,000	USD	9,569	
	NTD	280,829	AUD	13,500	
	NTD	640,891	CNH	146,000	
	NTD	3,238,304	USD	106,000	
	NTD	74,434	ZAR	42,000	
	USD	1,521	AUD	2,250	
	USD	15,287	HKD	120,000	
		December 31, 2021			
		Call Price		Put Price	
For trading purposes	AUD	6,400	USD	4,624	
	CNH	7,500	USD	1,178	
	EUR	10,000	USD	11,304	
	CNH	80,000	NTD	338,821	
	NTD	389,758	AUD	20,000	
	NTD	3,571,474	CNH	834,500	
	NTD	1,785	HKD	500	
	NTD	14,389	JPY	58,515	
	NTD	7,205	NZD	380	
	NTD	2,690,028	USD	96,900	
	NTD	239,439	ZAR	133,300	
	USD	3,192	AUD	4,400	
	USD	1,177	CNH	7,500	

3) For gains (losses) resulting from currency swap transactions, refer to Note 26.

j. Convertible bond asset swaps

1) Objective of holding or issuing convertible bond asset swaps and the strategies for meeting the objectives

The Group's objective of holding or issuing convertible bond asset swaps ("CBAS") is to diversify its financial instruments and lower the financial pressure from underwriting convertible bonds; and to reduce risk and add liquidity to the secondary market for convertible bonds by means of the reinforced capabilities of underwriting convertible bonds.

- 2) CBAS transactions are categorized into three types based on the contract terms: Fixed income, call options and a combination of both types.

The nominal amounts of the outstanding CBAS contracts were as follows:

	December 31			
	2022		2021	
	Nominal Amount	Premiums Paid (Received)	Nominal Amount	Premiums Paid (Received)
a) Fixed income transactions				
Interest rate swap	\$ 4,859,300	\$ -	\$ 4,303,000	\$ -
Long call option on convertible bonds	-	794,386	-	678,115
b) Long call option on convertible bonds	707,000	141,071	295,900	82,792
Short call option on convertible bonds	12,980,100	(2,248,965)	10,891,700	(2,034,576)

- 3) For gains (losses) resulting from CBAS transactions, refer to Note 26.

k. Forward exchanges

- 1) Objective of engaging in forward exchanges and the strategies for meeting the objectives

The Group's objective and strategy of engaging in forward exchange transactions is to profit from fluctuations of exchange rates and to hedge exchange risk of holding foreign bonds.

- 2) As of December 31 2022 and 2021, there were no outstanding Forward exchanges contracts.

- 3) For gains (losses) resulting from forward exchange transactions, refer to Note 26.

l. Structured instruments

- 1) Objective of holding structured instruments and the strategies for meeting the objectives

The Group's objective of holding structured instruments is to diversify the financing sources to increase the profit sources and open up another channel for asset hedging, for the purposes of increasing profit stability and lower the risk of the positions held.

- 2) The nominal amounts of the outstanding structured instrument transactions were as follows:

	December 31			
	2022		2021	
	Nominal Amount	Premiums Paid (Received)	Nominal Amount	Premiums Paid (Received)
Equity-linked note	\$ 39,100	\$ (39,100)	\$ 106,311	\$ (106,417)
Credit-linked note	623,000	(623,000)	190,000	(190,000)
Debt-linked note	-	-	2,769	(2,801)
Principal-guaranteed note	10,916,062	(10,932,203)	236,777	(237,108)

3) For gains (losses) resulting from structured instrument transactions, refer to Note 26.

m. Equity derivatives

1) Objective of holding equity derivatives and the strategies for meeting the objectives

The Group holds equity derivative contracts for the purpose of trading in order to expand the channels for investment and effectively utilize company resources.

2) The outstanding equity derivatives contracts nominal amount were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
For trading purposes	\$ _____ -	\$ <u>323,684</u>

3) As of December 31, 2021, the Group received the margin deposit of 20,000 thousand from customers, which was classified as other current financial liabilities.

4) For gains (losses) resulting from equity derivatives transactions, refer to Note 26.

n. Non-current financial assets at FVTPL

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Operating securities - proprietary	\$ 99,781	\$ 99,781
Stocks other than listed and traded over the counter and other securities	<u>64,866</u>	<u>193,433</u>
	164,647	293,214
Valuation adjustment	<u>(25,063)</u>	<u>(15,816)</u>
	<u>\$ 139,584</u>	<u>\$ 277,398</u>

The Group deposited government bonds with the Central Bank of Republic of China (“CBC”) as guarantee deposits and reserve funds for indemnity obligations for the bills finance business and trust business. The fair value of the bonds was calculated based on the reference price in hundreds on the last day of December 2022 and 2021.

8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Debt instrument investments	<u>\$ 12,848,417</u>	<u>\$ 11,122,338</u>
<u>Non-current</u>		
Equity instrument investments	<u>\$ 3,798,935</u>	<u>\$ 6,388,378</u>

a. Equity instrument investments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Listed stocks and stocks traded over the counter	\$ 2,610,981	\$ 4,824,643
Stocks other than listed and traded over the counter	<u>1,187,954</u>	<u>1,563,735</u>
	<u>\$ 3,798,935</u>	<u>\$ 6,388,378</u>

To meet the objective of generating steady dividend income and distribution of dividends, the Group invested in equity instruments which are high yield, and held for medium to long-term strategic purposes instead of trading purposes. The management believes that recognition of the short-term changes in the fair value of these investments in profit or loss would be inconsistent with the Corporation's strategy to hold these investments for strategic purposes; therefore, the Corporation elected to designate these investments as at FVTOCI.

The Group regularly assesses the dividend policies and changes in yield of the issuing companies, in order to adjust the amount of investment and decided whether to dispose of the stock. For the years ended December 31, 2022 and 2021, the fair values on the date of disposal was \$3,423,512 thousand and \$1,683,415 thousand, respectively, and the cumulative gain (loss) transferred from other equity to retained earnings was a loss of \$112,200 thousand and a gain of \$248,461 thousand, respectively.

Dividends that the Group still held and derecognized during the year were as follows:

	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Dividends</u>		
Held at the end of the reporting period	\$ 223,511	\$ 206,367
Derecognized during the reporting period	<u>113,799</u>	<u>41,906</u>
	<u>\$ 337,310</u>	<u>\$ 248,273</u>

b. Debt instrument investments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Corporate bonds	\$ 6,510,523	\$ 5,972,800
Financial bonds	<u>6,337,894</u>	<u>5,149,538</u>
	<u>\$ 12,848,417</u>	<u>\$ 11,122,338</u>

The relevant impairment assessment information for the above-mentioned debt instrument investments was as follows:

	December 31	
	2022	2021
Gross carrying amount	\$ 13,569,687	\$ 11,199,222
Loss allowance	<u>(5,281)</u>	<u>(5,059)</u>
Amortized cost	13,564,406	11,194,163
Fair value adjustments	<u>(715,989)</u>	<u>(71,825)</u>
Total carrying amount	<u>\$ 12,848,417</u>	<u>\$ 11,122,338</u>

The Group's current credit risk rating mechanism, gross carrying amounts of the debt instrument investments of different credit ratings and the applicable expected credit loss (ECL) rates are as follows:

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2022
The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-months ECL	0.02351%- 0.08282%	\$ 13,569,687
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	-	-
The asset is credit-impaired	Lifetime ECL - credit - impaired	-	<u>-</u>
			<u>\$ 13,569,687</u>

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2021
The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-months ECL	0.02514%- 0.09491%	\$ 11,199,222
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	-	-
The asset is credit-impaired	Lifetime ECL - credit - impaired	-	<u>-</u>
			<u>\$ 11,199,222</u>

Changes in the Group's loss allowance assessed based on the ECLs were as follows:

For the year ended December 31, 2022

	Credit Rating		
	Normal (12-months ECLs)	Abnormal (Lifetime ECLs - Not Credit Impaired)	Default (Lifetime ECLs - Credit Impaired)
Beginning balance	\$ 5,059	\$ -	\$ -
Recognized in the current year	528	-	-
Derecognized in the current year	(303)	-	-
Foreign exchange rates and other changes	<u>(3)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 5,281</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2021

	Credit Rating		
	Normal (12-months ECLs)	Abnormal (Lifetime ECLs - Not Credit Impaired)	Default (Lifetime ECLs - Credit Impaired)
Beginning balance	\$ 2,888	\$ -	\$ -
Recognized in the current year	2,806	-	-
Derecognized in the current year	<u>(635)</u>	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 5,059</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, the face value of the Group's debt instruments measured at fair value through other comprehensive income which were used for the bonds with attached repurchase agreements were \$13,244,983 thousand and \$10,597,311 thousand, respectively.

9. BOND INVESTMENTS UNDER RESALE AGREEMENTS

	December 31	
	2022	2021
Government bonds	\$ 4,091,699	\$ 1,151,875
Corporate bonds	2,180,607	1,664,825
Financial bonds	<u>1,337,505</u>	<u>1,653,313</u>
	<u>\$ 7,609,811</u>	<u>\$ 4,470,013</u>
Contracted resell price	<u>\$ 7,654,147</u>	<u>\$ 4,472,876</u>
Interest rate range	1.34%-6.75%	(0.30%)-7.50%

The above bond investments under resale agreements are all due within one year, and are agreed on a specific date after the transaction sold back with interest.

10. MARGIN LOANS RECEIVABLE, NOTES AND ACCOUNTS RECEIVABLE, AND OTHER RECEIVABLES

	December 31	
	2022	2021
Margin loans receivable	\$ 15,200,052	\$ 24,921,113
Less: Loss allowance	<u>(29,806)</u>	<u>(26,859)</u>
	<u>\$ 15,170,246</u>	<u>\$ 24,894,254</u>
Notes receivable	<u>\$ 1,129</u>	<u>\$ 688</u>
Accounts receivable		
Accounts receivable for settlement	7,548,441	13,710,037
Settlement price	-	1,080,332
Accounts receivable for sale of securities	707,892	1,950,005
Margin loans interest receivable	254,772	293,998
Bonds interest receivable	173,440	175,137
Others	<u>2,016,554</u>	<u>2,427,711</u>
Gross Carrying Amount	10,701,099	19,637,220
Less: Loss allowance	<u>(4,260)</u>	<u>(3,720)</u>
	<u>10,696,839</u>	<u>19,633,500</u>
	<u>\$ 10,697,968</u>	<u>\$ 19,634,188</u>
Other receivables	\$ 603,687	\$ 173,228
Less: Loss allowance	<u>(24,032)</u>	<u>(25,825)</u>
	<u>\$ 579,655</u>	<u>\$ 147,403</u>

Margin loans receivable was secured by securities bought by customers in financing transactions. As of December 31, 2022 and 2021, the annual interest rates of securities financing were 6.35%-7.875% and 6.35%-7.25%.

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 possible irrecoverable amounts. For accounts receivable whose credit risk have increased significantly since initial recognition, the expected credit loss is measured based on lifetime expected credit losses. For margin loans receivable whose credit risk did not increase significantly since initial recognition, the expected credit loss is measured based on 12 months expected credit losses by reference to the historical default records and the industrial and economic trends, at the same time taking into consideration the current observable and forward-looking economic information which includes the economic growth rate of Taiwan, the Taiwan capitalization weighted stock index (TAIEX), the Taiwan central bank's discount rate and the Hang Seng Hong Kong 35 index and the economic impact of coronavirus pandemic.

The gross carrying amounts of margin loans receivable assessed based on ECLs were as follows:

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2022
There has been no significant increase in credit risk since initial recognition	12-months ECL	0.00001636%- 1.01%	\$ 15,145,953
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	2.60%	37,170
The asset is credit - impaired	Lifetime ECL - credit - impaired	100.00%	<u>16,929</u>
			<u>\$ 15,200,052</u>

Description	Basis for Recognizing ECLs	ECL Rate	Gross Carrying Amount at December 31, 2021
There has been no significant increase in credit risk since initial recognition	12-months ECL	0.00000753%- 0.92%	\$ 24,301,417
There has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit - impaired	0.42%	604,197
The asset is credit - impaired	Lifetime ECL - credit - impaired	99.99%-100.00%	<u>15,499</u>
			<u>\$ 24,921,113</u>

The aging of accounts receivable was as follows:

	December 31	
	2022	2021
Up to 180 days	\$ 10,682,475	\$ 19,633,255
More than 180 days	<u>18,624</u>	<u>3,965</u>
	<u>\$ 10,701,099</u>	<u>\$ 19,637,220</u>

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

The information on the allowance loss of the Group based on the ECL assessment was as follows:

	For the Year Ended December 31, 2022				
	Margin Loans Receivable			Accounts Receivable	Other Receivables
	12-Months ECL	Lifetime ECL - Not Credit-impaired	Lifetime ECL - Credit-impaired	Lifetime ECL - Credit-impaired	Lifetime ECL - Credit-impaired
Beginning balance	\$ 8,800	\$ 2,562	\$ 15,497	\$ 3,720	\$ 25,825
Recognized (reversed)	2,074	(1,812)	(261)	485	-
Write-offs	-	-	-	-	(2,527)
Recovered	-	-	-	(353)	-
Translation adjustments	<u>1,038</u>	<u>217</u>	<u>1,691</u>	<u>408</u>	<u>734</u>
Ending balance	<u>\$ 11,912</u>	<u>\$ 967</u>	<u>\$ 16,927</u>	<u>\$ 4,260</u>	<u>\$ 24,032</u>

For the Year Ended December 31, 2021

	Margin Loans Receivable		Accounts Receivable	Other Receivables
	12-Months ECL	Lifetime ECL - Not Credit-impaired	Lifetime ECL - Credit-impaired	Lifetime ECL - Credit-impaired
Beginning balance	\$ 7,051	\$ 4,325	\$ 24,899	\$ 1,754
Recognized (reversed)	2,023	(1,639)	(8,677)	2,561
Write-offs	-	-	-	(19)
Recovered	-	-	-	(490)
Translation adjustments	<u>(274)</u>	<u>(124)</u>	<u>(725)</u>	<u>(86)</u>
Ending balance	<u>\$ 8,800</u>	<u>\$ 2,562</u>	<u>\$ 15,497</u>	<u>\$ 3,720</u>

11. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

- a. The unconsolidated structured entities in which the Group had an interest at the reporting date were as follows:

Type of Structured Entity	Nature and Purpose	The Group's Ownership
Funds	Funds under management by the third party The issuance of units to investors for raising fund	a. The Group invests in those funds under management by the third party. b. The Group is entitled to receive management fee based on the assets under management.

- b. The total assets of the funds unrecognized in the consolidated balance sheets were as follows:

	December 31	
	2022	2021
Funds	<u>\$ 9,853,699</u>	<u>\$ 7,376,159</u>

- c. The carrying amounts recognized in the consolidated balance sheets of funds in respect of the Group's involvement with structured entities were as follows:

	December 31	
	2022	2021
Current financial assets at FVTPL	<u>\$ 184,449</u>	<u>\$ 164,069</u>

The maximum exposure to loss was the carrying amount of the funds.

- d. As of December 31, 2022 and 2021, the Group did not provide any financial support to those unconsolidated structured entities.

12. PROPERTY AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold Improvements	Properties and Equipment - Others	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 1,388,772	\$ 775,875	\$ 478,132	\$ 139,077	\$ 62,869	\$ 2,844,725
Additions	-	-	116,327	37,570	19,642	173,539
Disposals	-	-	(78,269)	(11,489)	(15,282)	(105,040)
Translation adjustments	-	-	10,109	4,633	-	14,742
Transfer from prepayments for business facilities	-	-	1,705	2,049	-	3,754
Balance at December 31, 2022	<u>\$ 1,388,772</u>	<u>\$ 775,875</u>	<u>\$ 528,004</u>	<u>\$ 171,840</u>	<u>\$ 67,229</u>	<u>\$ 2,931,720</u>
<u>Accumulated depreciations</u>						
Balance at January 1, 2022	\$ -	\$ 345,538	\$ 248,012	\$ 60,226	\$ 42,762	\$ 696,538
Depreciation expense	-	15,178	108,611	30,678	9,954	164,421
Disposals	-	-	(78,248)	(11,489)	(15,282)	(105,019)
Translation adjustments	-	-	9,069	2,550	-	11,619
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 360,716</u>	<u>\$ 287,444</u>	<u>\$ 81,965</u>	<u>\$ 37,434</u>	<u>\$ 767,559</u>
Carrying amounts at December 31, 2022	<u>\$ 1,388,772</u>	<u>\$ 415,159</u>	<u>\$ 240,560</u>	<u>\$ 89,875</u>	<u>\$ 29,795</u>	<u>\$ 2,164,161</u>
<u>Cost</u>						
Balance at January 1, 2021	\$ 1,364,737	\$ 771,685	\$ 423,712	\$ 165,588	\$ 63,137	\$ 2,788,859
Additions	-	-	127,213	25,752	2,549	155,514
Disposals	-	-	(69,544)	(54,325)	(2,817)	(126,686)
Translation adjustments	-	-	(3,413)	(1,485)	-	(4,898)
Transfer from prepayments for business facilities	-	-	164	3,547	-	3,711
Transfer from investment properties	24,035	4,190	-	-	-	28,225
Balance at December 31, 2021	<u>\$ 1,388,772</u>	<u>\$ 775,875</u>	<u>\$ 478,132</u>	<u>\$ 139,077</u>	<u>\$ 62,869</u>	<u>\$ 2,844,725</u>
<u>Accumulated depreciations</u>						
Balance at January 1, 2021	\$ -	\$ 327,448	\$ 232,557	\$ 86,622	\$ 36,222	\$ 682,849
Depreciation expense	-	15,106	87,791	28,681	9,118	140,696
Disposals	-	-	(69,449)	(54,324)	(2,578)	(126,351)
Translation adjustments	-	-	(2,887)	(753)	-	(3,640)
Transfer from investment properties	-	2,984	-	-	-	2,984
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 345,538</u>	<u>\$ 248,012</u>	<u>\$ 60,226</u>	<u>\$ 42,762</u>	<u>\$ 696,538</u>
Carrying amounts at December 31, 2021	<u>\$ 1,388,772</u>	<u>\$ 430,337</u>	<u>\$ 230,120</u>	<u>\$ 78,851</u>	<u>\$ 20,107</u>	<u>\$ 2,148,187</u>

For the years ended December 31, 2022 and 2021, the Group assessed that there was no objective evidence that properties and equipments have been impaired, and thus no impairment indication need to be tested.

For the partial land and buildings pledged as collateral to financial institutions for short-term borrowings and overdraft credit facilities, refer to Note 30.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	29-56 years
Equipment	2-6 years
Leasehold improvements	3-5 years
Property and equipment - others	5-6 years

13. LEASE AGREEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 623,261	\$ 704,390
Office and transportation equipment	<u>8,231</u>	<u>7,148</u>
	<u>\$ 631,492</u>	<u>\$ 711,538</u>
	<u>For the Year Ended December 31</u>	
	2022	2021
Additions to right-of-use assets	<u>\$ 172,986</u>	<u>\$ 197,385</u>
Depreciation expense for right-of-use assets		
Buildings	\$ 243,410	\$ 244,486
Office and transportation equipment	<u>4,744</u>	<u>5,151</u>
	<u>\$ 248,154</u>	<u>\$ 249,637</u>

Except for the addition in assets and recognition of depreciation expense, the Group had no material sublease and impairment loss on its right-of-use assets for the years ended December 31, 2022 and 2021.

b. Lease liabilities

	<u>December 31</u>	
	2022	2021
Carrying amounts		
Current	<u>\$ 236,997</u>	<u>\$ 234,971</u>
Non-current	<u>\$ 416,756</u>	<u>\$ 497,328</u>

Ranges of discount rates for lease liabilities were as follows:

	<u>December 31</u>	
	2022	2021
Buildings	0.33%-6.10%	0.33%-6.10%
Office and transportation equipment	5.50%	0.35%-5.50%

c. Material lease activities and terms

The Group leases certain buildings for use as operating locations and office location with lease terms of 1 year to 13 years and 11 months from the date of initial application. The lease contracts for major premises are with fixed lease payments and without bargain purchase options to acquire the premises at the end of the lease terms.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2022	2021
Expenses relating to short-term leases	\$ <u>50</u>	\$ <u>132</u>
Expenses relating to low-value asset leases	\$ <u>1,194</u>	\$ <u>1,979</u>
Total cash outflow for leases	\$ <u>(259,742)</u>	\$ <u>(257,835)</u>

The Group has elected to apply the recognition exemption for leases which qualified as short-term or low-value leases, and thus did not recognize right-of-use assets and lease liabilities for these leases.

Lease arrangements for the leasing out of investment properties under operating leases is set out in Note 14.

14. INVESTMENT PROPERTY

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2022 and December 31, 2022	\$ <u>109,291</u>	\$ <u>92,907</u>	\$ <u>202,198</u>
<u>Accumulated depreciations</u>			
Balance at January 1, 2022	\$ -	\$ 48,991	\$ 48,991
Depreciation expense	<u>-</u>	<u>1,523</u>	<u>1,523</u>
Balance at December 31, 2022	\$ <u>-</u>	\$ <u>50,514</u>	\$ <u>50,514</u>
Carrying amounts at December 31, 2022	\$ <u>109,291</u>	\$ <u>42,393</u>	\$ <u>151,684</u>
<u>Cost</u>			
Balance at January 1, 2021	\$ 133,326	\$ 97,097	\$ 230,423
Transfer to property and equipment	<u>(24,035)</u>	<u>(4,190)</u>	<u>(28,225)</u>
Balance at December 31, 2021	\$ <u>109,291</u>	\$ <u>92,907</u>	\$ <u>202,198</u>
<u>Accumulated depreciations</u>			
Balance at January 1, 2021	\$ -	\$ 50,381	\$ 50,381
Depreciation expense	-	1,594	1,594
Transfer to property and equipment	<u>-</u>	<u>(2,984)</u>	<u>(2,984)</u>
Balance at December 31, 2021	\$ <u>-</u>	\$ <u>48,991</u>	\$ <u>48,991</u>
Carrying amounts at December 31, 2021	\$ <u>109,291</u>	\$ <u>43,916</u>	\$ <u>153,207</u>

The lease term for the leasing out of investment properties is 1-5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

For the year ended December 31, 2022 and 2021, the Group assessed that there was no objective evidence that investment properties have been impaired, and thus no impairment indication need to be tested.

As of December 31, 2022 and 2021, the maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2022	2021
Year 1	\$ 5,299	\$ 5,299
Year 2	5,299	5,299
Year 3-5	<u>5,741</u>	<u>11,040</u>
	<u>\$ 16,339</u>	<u>\$ 21,638</u>

As of December 31, 2022 and 2021, the Group received rental deposits were both \$883 thousand.

The investment properties are depreciated on a straight-line basis over their estimated useful lives of 29-61 years.

As of December 31, 2022 and 2021, the fair values of the investment property were both \$243,380 thousand, respectively. The fair values were based on the prices and appraisal value from 2021 and 2022 of similar properties in the vicinity. Without the valuations of independent experts, the fair value were estimated by referring to unobservable inputs (Level 3).

For the part of investment property pledged as collateral to financial institutions for short-term borrowings and overdraft credit facilities, refer to Note 30.

15. GOODWILL

	For the Year Ended December 31	
	2022	2021
<u>Cost</u>		
Beginning balance	\$ 384,370	\$ 388,816
Translation adjustments	<u>16,475</u>	<u>(4,446)</u>
Ending balance	<u>\$ 400,845</u>	<u>\$ 384,370</u>
<u>Accumulated impairment losses</u>		
Beginning balance	\$ 172,844	\$ 177,290
Translation adjustments	<u>16,475</u>	<u>(4,446)</u>
Ending balance	<u>\$ 189,319</u>	<u>\$ 172,844</u>
Net ending balance	<u>\$ 211,526</u>	<u>\$ 211,526</u>

Except for currency translation and adjustments, the goodwill of the Group did not have any significant additions, impairment, significant difference between actual operations and expected benefits, and significant adjustments to the goodwill after the acquisition for the year ended December 31, 2022 and 2021.

As of December 31, 2022, the Group's goodwill consisted of the following:

- a. The carrying amount of \$147,944 thousand was from the Corporation's mergers with the securities brokerage businesses of Pacific Securities Co., Ltd. and East Asia Securities.
- b. The carrying amount of \$63,582 thousand was from the Corporation's equity transactions with Sinopac Futures' non-controlling interests and from Sinopac Futures' merger with the futures brokerage business of Pacific Securities.

The Group tests goodwill for impairment annually and whenever there is an indication that it may be impaired. In assessing whether goodwill is impaired, the Group considers the Corporation and its investee (SinoPac Futures) as CGUs and estimates individually their recoverable amounts based on their value in use. When calculating the value in use of each CGU, the Group projects future cash flows based on objective evidence such as actual profitability, operation and business cycle under the going concern assumption; the Group estimates future cash inflows for the next 5 years and the salvage value of the assets and discounts them at the weighted average cost of capital. The Group's most recent impairment tests of goodwill were carried out on October 31, 2022 and 2021.

For the years ended December 31, 2022 and 2021, the Corporation's actual net profits excluding share of profit or loss from subsidiaries were \$1,117,350 thousand and \$4,287,554 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were \$3,668,182 thousand and \$2,079,067 thousand, respectively. In 2022, the unfavorable investment environment in domestic and foreign financial markets, led to lower-than-expected performance. The Corporation assessed that the recoverable amount of the goodwill was higher than its book value, and thus no impairment occurred. In 2021, as the actual operating results were better than expected, the recoverable amount was higher than the book value and thus no impairment occurred in 2021.

For the years ended December 31, 2022 and 2021, SinoPac Futures' actual net profits were \$495,116 thousand and \$373,749 thousand, respectively, and the forecast net profits used in the goodwill impairment tests were \$380,837 thousand and \$340,799 thousand, respectively. No significant difference between actual operation and expected benefits. The recoverable amount was higher than the book value and thus no impairment occurred in 2022 and 2021.

16. OTHER INTANGIBLE ASSETS

	Computer Software	Client Relationship	Membership Fee	Total
<u>Cost</u>				
Balance at January 1, 2022	\$ 286,525	\$ 685,432	\$ 41,413	\$ 1,013,370
Additions	74,873	-	-	74,873
Transfer from prepayments for business facilities	7,049	-	-	7,049
Disposals	(45,302)	-	-	(45,302)
Translation adjustments	<u>4,425</u>	<u>15,224</u>	<u>-</u>	<u>19,649</u>
Balance at December 31, 2022	<u>\$ 327,570</u>	<u>\$ 700,656</u>	<u>\$ 41,413</u>	<u>\$ 1,069,639</u>

(Continued)

	Computer Software	Client Relationship	Membership Fee	Total
<u>Accumulated amortizations</u>				
Balance at January 1, 2022	\$ 159,700	\$ 483,781	\$ -	\$ 643,481
Amortization expense	57,490	65,204	-	122,694
Disposals	(45,302)	-	-	(45,302)
Translation adjustments	<u>4,240</u>	<u>9,216</u>	<u>-</u>	<u>13,456</u>
Balance at December 31, 2022	<u>\$ 176,128</u>	<u>\$ 558,201</u>	<u>\$ -</u>	<u>\$ 734,329</u>
Carrying amounts at December 31, 2022	<u>\$ 151,442</u>	<u>\$ 142,455</u>	<u>\$ 41,413</u>	<u>\$ 335,310</u>
<u>Cost</u>				
Balance at January 1, 2021	\$ 308,394	\$ 689,541	\$ 41,413	\$ 1,039,348
Additions	32,156	-	-	32,156
Transfer from prepayments for business facilities	820	-	-	820
Disposals	(53,127)	-	-	(53,127)
Translation adjustments	<u>(1,718)</u>	<u>(4,109)</u>	<u>-</u>	<u>(5,827)</u>
Balance at December 31, 2021	<u>\$ 286,525</u>	<u>\$ 685,432</u>	<u>\$ 41,413</u>	<u>\$ 1,013,370</u>
<u>Accumulated amortizations</u>				
Balance at January 1, 2021	\$ 162,273	\$ 415,627	\$ -	\$ 577,900
Amortization expense	52,140	70,275	-	122,415
Disposals	(53,110)	-	-	(53,110)
Translation adjustments	<u>(1,603)</u>	<u>(2,121)</u>	<u>-</u>	<u>(3,724)</u>
Balance at December 31, 2021	<u>\$ 159,700</u>	<u>\$ 483,781</u>	<u>\$ -</u>	<u>\$ 643,481</u>
Carrying amounts at December 31, 2021	<u>\$ 126,825</u>	<u>\$ 201,651</u>	<u>\$ 41,413</u>	<u>\$ 369,889</u>

(Concluded)

The membership fee is considered to have an indefinite useful life and will not be amortized until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. There was no significant impairment for the year ended December 31, 2022 and 2021. For other intangible assets other than membership fee, the Group assessed that there was no objective evidence that other intangible assets other than membership fee have been impaired for the year ended December 31, 2022 and 2021, and thus no impairment indication need to be tested.

Other intangible assets with finite useful lives were amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	3-5 years
Client relationship	8-15 years

17. GUARANTEE DEPOSITS PAID

	December 31	
	2022	2021
Operating guarantee deposits	\$ 965,003	\$ 945,556
Clearing and settlement funds	476,224	429,279
Guarantee deposits	265,152	143,325
Rental deposits	59,764	58,527
Deposit for unsettled lawsuit	4,980	4,980
Others	<u>8,820</u>	<u>9,611</u>
	<u>\$ 1,779,943</u>	<u>\$ 1,591,278</u>

The operating guarantee deposits are the statutory deposit deposited with financial institution designated by the Corporation with the regulations of the local authorities after company registration or setting up branches.

The clearing and settlement funds are cash deposited with the TWSE, the TPEX, the TAIEX, and foreign stock and futures exchanges to engage in brokerage and proprietary trading (for both its customers and its own account) by the Corporation with the regulations of the local authorities.

Guarantee deposits on issuance of structured instrument and issuance of ETNs are cash deposited with the TPEX by the Corporation.

18. OVERDUE RECEIVABLES

	December 31	
	2022	2021
Overdue receivables	\$ 84,847	\$ 101,896
Less: Loss allowance	<u>(83,532)</u>	<u>(99,942)</u>
	<u>\$ 1,315</u>	<u>\$ 1,954</u>

The movements of loss allowance were as follows:

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 99,942	\$ 93,398
Recognized	2,834	7,465
Written off	(8,297)	(111)
Recovered	<u>(10,947)</u>	<u>(810)</u>
Ending balance	<u>\$ 83,532</u>	<u>\$ 99,942</u>

19. BORROWINGS

a. Current borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Secured and credit borrowings	<u>\$ 308,772</u>	<u>\$ 274,127</u>
Interest rate range	4.99%	0.97%
Maturity date	2023.01.16	2022.03.30

For the collateral for current borrowings, refer to Note 30.

b. Long-term borrowings

To meet the funding requirements, SinoPac Securities (Cayman) obtained syndicated loans with financial institutions on December, 2021 in the amounts of US\$45,000 thousand. The terms of the syndicated loans were three years start from the date of first drawdowns or contract date. The loans could be taken on revolving basis. SinoPac Securities (Cayman) could not pledge its ownership interest to others during the terms of the loans. The amounts of the credit line used were as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Credit borrowings	<u>\$ 921,706</u>	<u>\$ 830,686</u>
Interest rate range	5.18%- 5.37629%	0.995%- 1.15275%
Maturity date	2023.1.16	2022.01.21

20. COMMERCIAL PAPER PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Commercial paper payable	\$ 900,000	\$ 23,350,000
Less: Discount on commercial paper payable	<u>(1,283)</u>	<u>(9,815)</u>
	<u>\$ 898,717</u>	<u>\$ 23,340,185</u>
Annual discount rate	1.340%-1.560%	0.230%-0.495%
Maturity date	2023.02.01- 2023.02.09	2022.01.05- 2022.03.29

The above commercial papers were published by financial institutions.

21. BONDS PAYABLE

	December 31	
	2022	2021
The first unsecured domestic bonds in 2020	\$ 2,000,000	\$ 2,000,000
The second unsecured domestic bonds in 2020 (Note 1)	-	434,909
The first unsecured subordinated domestic bonds in 2022 (A bonds)	400,000	-
The first unsecured subordinated domestic bonds in 2022 (B bonds)	600,000	-
The second unsecured subordinated domestic bonds in 2022 (A bonds)	1,450,000	-
The second unsecured subordinated domestic bonds in 2022 (B bonds)	<u>550,000</u>	<u>-</u>
	5,000,000	2,434,909
Less: Current portions (Note 2)	<u>-</u>	<u>434,909</u>
	<u>\$ 5,000,000</u>	<u>\$ 2,000,000</u>

Note 1: The amount is CNH100,000 thousand computed based on the exchange rate on December 31, 2021.

Note 2: The repayment date is shorter than 12 months after the balance sheet date, the second unsecured domestic bonds have been reclassified as the current portion of long-term liabilities and bonds payable.

	The First Unsecured Domestic Bonds in 2022		The Second Unsecured Domestic Bonds in 2022	
	Issue denomination	A bonds: \$400,000	B bonds: \$600,000	A bonds: \$1,450,000
Issue date	2022.5.27	2022.5.27	2022.8.26	2022.8.26
Issue period	7 years	10 years	7 years	10 years
Coupon rate	Fixed interest rate 2.00%	Fixed interest rate 2.20%	Fixed interest rate 2.40%	Fixed interest rate 2.50%
Repayment method	One-time repayment	One-time repayment	One-time repayment	One-time repayment

	The First Unsecured Domestic Bonds in 2020	The Second Unsecured Domestic Bonds in 2020
	Issue denomination	\$2,000,000
Issue date	2020.1.8	2020.12.23
Issue period	5 years	2 years
Coupon rate	Fixed interest rate 0.80%	Fixed interest rate 3.20%
Repayment method	One-time repayment	One-time repayment

22. LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Corporate bonds	\$ 9,978,611	\$ 11,029,781
Financial bonds	9,929,071	8,231,515
Government bonds	5,858,921	841,070
Convertible bonds	<u>5,845,734</u>	<u>5,110,337</u>
	<u>\$ 31,612,337</u>	<u>\$ 25,212,703</u>
Contracted repurchase price	<u>\$ 31,699,839</u>	<u>\$ 25,228,840</u>
Interest rate range	0.80%-4.95%	(0.32%)-6.20%

Liabilities for bonds with attached repurchase agreements will all mature within one year and will be repurchased at a specified date at an agreed price and interest as specified in the agreements.

23. NOTES AND ACCOUNTS PAYABLE

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Notes payable	<u>\$ 1,008</u>	<u>\$ -</u>
Accounts payable		
Accounts payable for settlement	13,519,230	23,268,682
Accounts payable for securities purchased	240,349	1,119,007
Settlement price	639,364	-
Others	<u>1,221,599</u>	<u>2,559,710</u>
	<u>15,620,542</u>	<u>26,947,399</u>
	<u>\$ 15,621,550</u>	<u>\$ 26,947,399</u>

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a defined contribution plan. Based on the LPA, the Corporation and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The pension plans of subsidiaries operating in other countries also belong to defined contribution plans and are based on the relevant regulations in their respective countries.

b. Defined benefit plan

The defined benefit plan adopted by the Corporation in accordance with the Labor Standards Act is operated by the government. The following employees of the Corporation are entitled to receive retirement benefits under this plan: (a) those who have served either 10 years and 60 years old; (b) those who have served either 25 years or have served over 15 years and are 55 years old; and (c) those hired on or before May 19, 1997 and with more than 20 service years. In addition, employees hired on or before March 15, 1996 and have served at least five years are eligible to receive severance benefits. The pension and severance benefits are based on the average of one month's basic salary before retirement or termination. The provision of the employee's pension is calculated at 6% of the salary (bonus excepted). The defined benefit pension fund, which is deposited in separate accounts administered by the employees' pension plan committee and the employees' pension plan supervisory committee.

The subsidiaries, SinoPac Futures and SinoPac Securities Investment Service, adopt a pension plan under the Labor Standards Act, which is also categorized as a defined benefit plan. The employee's pension is scrutinized based on the years of service and the average one month fixed salary before retirement. The defined benefit pension fund, which is deposited in separate accounts, is administered by the employees' pension plan committee and the employees' pension plan supervisory committee.

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 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 consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2022	2021
Present value of funded defined benefit obligation	\$ 947,343	\$ 1,047,861
Fair value of plan assets	<u>(547,845)</u>	<u>(449,125)</u>
Net defined benefit liabilities	<u>\$ 399,498</u>	<u>\$ 598,736</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2022	<u>\$ 1,047,861</u>	<u>\$ (449,125)</u>	<u>\$ 598,736</u>
Service cost			
Current service cost	10,286	-	10,286
Net interest expenses (income)	<u>6,037</u>	<u>(2,548)</u>	<u>3,489</u>
Recognized in profit or loss	<u>16,323</u>	<u>(2,548)</u>	<u>13,775</u>
			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (22,137)	\$ (22,137)
Actuarial loss - changes in demographic assumptions	83	-	83
Actuarial loss - experience adjustments	54,129	-	54,129
Actuarial loss - changes in financial assumptions	<u>(60,109)</u>	<u>-</u>	<u>(60,109)</u>
Recognized in other comprehensive income	<u>(5,897)</u>	<u>(22,137)</u>	<u>(28,034)</u>
Contributions from the employer	-	(184,623)	(184,623)
Benefits paid	<u>(110,944)</u>	<u>110,588</u>	<u>(356)</u>
Balance at December 31, 2022	<u>\$ 947,343</u>	<u>\$ (547,845)</u>	<u>\$ 399,498</u>
Balance at January 1, 2021	<u>\$ 1,131,926</u>	<u>\$ (590,019)</u>	<u>\$ 541,907</u>
Service cost			
Current service cost	12,324	-	12,324
Net interest expenses (income)	<u>3,286</u>	<u>(1,714)</u>	<u>1,572</u>
Recognized in profit or loss	<u>15,610</u>	<u>(1,714)</u>	<u>13,896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,040)	(3,040)
Actuarial loss - changes in demographic assumptions	1,118	-	1,118
Actuarial loss - experience adjustments	89,797	-	89,797
Actuarial loss - changes in financial assumptions	<u>(28,748)</u>	<u>-</u>	<u>(28,748)</u>
Recognized in other comprehensive income	<u>62,167</u>	<u>(3,040)</u>	<u>59,127</u>
Contributions from the employer	-	(14,064)	(14,064)
Benefits paid	<u>(161,842)</u>	<u>159,712</u>	<u>(2,130)</u>
Balance at December 31, 2021	<u>\$ 1,047,861</u>	<u>\$ (449,125)</u>	<u>\$ 598,736</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 government bond 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 the plan's debt investments.
- 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 salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<u>December 31</u>	
	2022	2021
Discount rate(s)	1.30%	0.60%
Expected rate(s) of salary increase	1.75%	1.75%
Turnover rate	0.33%-0.82%	0.30%-0.92%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<u>December 31</u>	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (20,209)</u>	<u>\$ (23,286)</u>
0.25% decrease	<u>\$ 20,858</u>	<u>\$ 24,085</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 20,842</u>	<u>\$ 23,887</u>
0.25% decrease	<u>\$ (20,297)</u>	<u>\$ (23,217)</u>
Turnover rate		
110% of the turnover rate in default	<u>\$ (359)</u>	<u>\$ (662)</u>
90% of the turnover rate in default	<u>\$ 360</u>	<u>\$ 665</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	2022	2021
The expected contributions to the plan for the next year	<u>\$ 34,887</u>	<u>\$ 34,619</u>
The average duration of the defined benefit obligation	8-10 years	9-11 years

25. EQUITY

a. Capital stock

	<u>December 31</u>	
	2022	2021
Number of shares authorized (in thousands)	<u>1,900,000</u>	<u>1,900,000</u>
Shares authorized	<u>\$ 19,000,000</u>	<u>\$ 19,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,621,224</u>	<u>1,621,224</u>
Shares issued	<u>\$ 16,212,238</u>	<u>\$ 16,212,238</u>

The outstanding shares' par value is \$10, and each share has voting rights and right to receive dividends.

b. Capital surplus

The capital surplus arising from issuance of common stock, treasury stock transaction and net assets from merger may be used to offset a deficit. In addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital at a limited percentage of the Corporation's capital surplus once a year.

The shares of the capital increased by cash of SinoPac Holdings were reserved for the Group's employees. The grant date was the date that the employee's subscription, and the fair value determined at the grant date of the equity-settled share-based payment was recognized as an expense and paid-in capital. The capital surplus from employee share options may not be used for any purpose.

c. Appropriation of earnings and dividend policy

Under the appropriation of as set forth in the amended Articles, when the Corporation made 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, setting aside or reversing as 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 as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Based on the Corporation's operation development business plan, long-term financial plan and the interest of stockholders, the principle of distributing dividends is 70% cash dividends and 30% stock dividends; however, the Corporation may lower the cash dividend ratio depending on its needs for the capital. For the policies on distribution of compensation of employees and remuneration of directors, refer to Note 26(k) Compensation of employees and remuneration of directors.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. 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.

Under the Regulation Governing Securities Firms, a special reserve must be set aside every year at 20% of net income until the reserve equals the Corporation's paid-in capital. Special reserve may be used to offset deficit. If the Corporation has no deficit and the special reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital.

Under Rule No. 10500278285 issued by the FSC, the Corporation should set aside 0.5% of net income after tax as a special reserve, upon the distribution of earning from 2016 to 2018 to develop the financial technology ("Fintech") and to protect the interest of securities brokers. Starting from 2017, the same amount of special reserve can be reversed based on the amount of employee transformation training expenditures, employee transfer and settlement expenditures arising from the development of Fintech. Under Rule No. 1080321644 issued by the FSC, since 2019, the special surplus reserve method is no longer used for the aforementioned purposes. However, a certain amount should still be included in the annual budget to support employee transformation and training expenditures to protect employee rights.

Under Rule No. 1090150022 issued by the FSC, when distributing earnings, the Corporation shall recognize the net amount of other equity deductions in the current period, and the same amount is set aside to special reserve from the current after-tax net profit plus the items other than the current after-tax net profit which are included in the undistributed retained earnings of the current period. If there is a shortage, it shall be set aside from the undistributed retained earnings of the previous period. The special reserve could be distributed, and any special reserve may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2021 and 2020 resolved in the board of directors' meetings on behalf of the shareholders' meetings on May 25, 2022 and May 26, 2021, respectively, pursuant to Article No. 15 of the Financial Holding Company Act are as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$ 501,600	\$ 297,551		
Special reserve	1,003,199	574,724		
Cash dividends	<u>3,511,199</u>	<u>2,103,233</u>	\$2.1657	\$1.2973
	<u>\$ 5,015,998</u>	<u>\$ 2,975,508</u>		

The appropriation and distribution of 2022 earnings proposed by the Corporation's Board on March 8, 2023 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 149,272	
Special reserve	510,089	
Cash dividends	<u>833,361</u>	\$0.5140
	<u>\$ 1,492,722</u>	

The appropriation and distribution of 2022 earnings are subject to the Corporation's Board's meeting (on the behalf of the stockholder) in 2023.

d. Other equity

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ (671,018)	\$ (573,027)
Recognized during the year		
Exchange differences on translation of foreign financial statements	369,826	(121,561)
Related income tax	<u>(70,771)</u>	<u>23,570</u>
Ending balance	<u>\$ (371,963)</u>	<u>\$ (671,018)</u>

2) Unrealized gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Beginning balance	\$ 1,551,526	\$ 788,779
Recognized during the year		
Unrealized gains (losses)		
Debt instruments	(574,957)	(77,476)
Loss allowance for debt instruments	222	2,171
		(Continued)

	For the Year Ended December 31	
	2022	2021
Equity instruments	\$ (925,615)	\$ 1,147,742
Related income tax	4,638	(4,556)
Reclassification adjustments		
Disposal of debt instruments	<u>(7,596)</u>	<u>(56,673)</u>
Other comprehensive income recognized during the year	<u>(1,503,308)</u>	<u>1,011,208</u>
Cumulative unrealized gains (losses) of equity instruments transferred to retained earnings due to disposal	<u>112,200</u>	<u>(248,461)</u>
Ending balance	<u>\$ 160,418</u>	<u>\$ 1,551,526</u> (Concluded)

26. BREAKDOWN ON ITEMS ON THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

a. Brokerage handling fee revenue

	For the Year Ended December 31	
	2022	2021
Handling fee revenues from brokered trading	\$ 7,220,109	\$ 10,209,348
Handling fees from securities financing	32,657	38,870
Others	<u>300</u>	<u>189</u>
	<u>\$ 7,253,066</u>	<u>\$ 10,248,407</u>

b. Revenues from underwriting business

	For the Year Ended December 31	
	2022	2021
Revenues from underwriting securities on a firm commitment basis	\$ 102,903	\$ 135,804
Processing fee revenues from underwriting operations	58,088	85,801
Revenues from underwriting consultation	38,574	26,855
Handling fee revenues from underwriting securities on best-efforts basis	<u>6,137</u>	<u>8,480</u>
	<u>\$ 205,702</u>	<u>\$ 256,940</u>

c. Gains on sale of operating securities

	For the Year Ended December 31	
	2022	2021
Proprietary		
Listed securities	\$ (1,598,123)	\$ 1,253,424
Over-the-counter (OTC) securities	<u>(664,514)</u>	<u>1,750,074</u>
	<u>\$ (2,262,637)</u>	<u>\$ 3,003,498</u> (Continued)

	For the Year Ended December 31	
	2022	2021
Underwriting		
Listed securities	\$ (8,935)	\$ 20,238
Over-the-counter (OTC) securities	<u>51,097</u>	<u>183,230</u>
	<u>\$ 42,162</u>	<u>\$ 203,468</u>
Hedging		
Listed securities	\$ (389,361)	\$ 1,247,891
Over-the-counter (OTC) securities	<u>(200,177)</u>	<u>(70,221)</u>
	<u>\$ (589,538)</u>	<u>\$ 1,177,670</u>

(Concluded)

d. Interest revenue

	For the Year Ended December 31	
	2022	2021
Margin loans interest revenue	\$ 988,029	\$ 1,131,995
Bond interest revenue	592,225	578,713
Bond investments under resale agreements interest revenue	127,253	22,483
Others	<u>127,891</u>	<u>53,910</u>
	<u>\$ 1,835,398</u>	<u>\$ 1,787,101</u>

e. Valuation gains on operating securities at FVTPL

	For the Year Ended December 31	
	2022	2021
Operating securities:		
Proprietary	\$ (2,404,446)	\$ 312,227
Underwriting	(60,945)	(8,025)
Hedging	<u>(65,762)</u>	<u>2,587</u>
	<u>\$ (2,531,153)</u>	<u>\$ 306,789</u>

f. Gains (Losses) from derivatives - OTC

	For the Year Ended December 31	
	2022	2021
Forward exchange	\$ -	\$ 2,057
Interest rate swap	689,627	13,062
Currency swap	(572,589)	(201,926)
Equity swap	160	(4,226)
Structured instruments	(175,023)	29,698
Convertible bond asset swap	<u>256,169</u>	<u>(1,155,908)</u>
	<u>\$ 198,344</u>	<u>\$ (1,317,243)</u>

g. Expected credit impairment (loss) and gain on reversal

	For the Year Ended December 31	
	2022	2021
Receivables	\$ (1,172)	\$ 9,391
Financial assets at FVTOCI	<u>(222)</u>	<u>(2,171)</u>
	<u>\$ (1,394)</u>	<u>\$ 7,220</u>

h. Other operating income

	For the Year Ended December 31	
	2022	2021
Management service revenue	\$ 217,116	\$ 238,891
Funds performance revenue	4,199	64,364
Foreign exchange gains	658,000	30,482
Others	<u>79,731</u>	<u>70,671</u>
	<u>\$ 959,046</u>	<u>\$ 404,408</u>

i. Finance costs

	For the Year Ended December 31	
	2022	2021
Bond with attached repurchase agreement interest expenses	\$ 481,263	\$ 120,135
Borrowing costs	201,729	109,101
Securities financing interest expenses	67,763	40,031
Lease liability interest	11,257	15,534
Others	<u>70,222</u>	<u>12,648</u>
	<u>\$ 832,234</u>	<u>\$ 297,449</u>

j. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Salaries expense	\$ 4,350,440	\$ 5,636,106
Insurance expense	298,188	277,698
Pension expense		
Defined contribution plan	159,912	153,454
Defined benefit plan (Note 24)	13,775	13,896
Cash-settled share-based payment	7,552	32,368
Other employee benefits expense	<u>148,387</u>	<u>119,377</u>
	<u>\$ 4,978,254</u>	<u>\$ 6,232,899</u>

In order to balance short-term and long-term rewards, the parent company SinoPac Holdings has established a long-term incentive reward plan, designed for the deferred distribution of performance bonuses for senior executives of the group, and is designed to link both future SinoPac Holdings stock value and long-term performance indicators. The Corporation's employee benefits expense and provisions for employee benefits are calculated based on the number of virtual shares and the future stock price and recognized under cash-settled share-based method.

k. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates no less than 0.5% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

For the years ended December 31, 2022 and 2021, the Corporation accrued the compensation of employees and remuneration of directors, based on the aforementioned rates as follows:

	For the Year Ended December 31			
	2022		2021	
	Estimated Amounts	Estimated Rates	Estimated Amounts	Estimated Rates
Compensation of employees	<u>\$ 9,580</u>	0.50%	<u>\$ 27,600</u>	0.50%
Remuneration of directors	<u>\$ 12,000</u>	0.63%	<u>\$ 25,000</u>	0.45%

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate and will be adjusted in next year.

The Corporation's resolution to distribute in cash the compensation of employees of \$9,580 thousand and the remuneration of directors of \$12,000 thousand for the year ended December 31, 2022 was passed in the board of directors' meetings held on January 17, 2023 and March 8, 2023, respectively. The amounts of the compensation of employees and the remuneration of directors passed in the board of directors' meetings mentioned above are the same as that recognized in the consolidated financial statements for the years ended December 31, 2022.

The Corporation's resolution to distribute in cash the compensation of employees of \$27,600 thousand and the remuneration of directors of \$25,000 thousand for the year ended December 31, 2021 was passed in the board of directors' meetings held on January 25, 2022 and March 9, 2022, respectively. The actual amounts of compensation of employees and remuneration of directors paid are the same as that recognized in the consolidated financial statements for the years ended December 31, 2021.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's Board (on the behalf of the stockholder) is available on the Market Observation Post System website of the TWSE.

l. Depreciation and amortization expense

	For the Year Ended December 31	
	2022	2021
Right-of-use assets	\$ 248,154	\$ 249,637
Property and equipment	164,421	140,696
Other intangible assets	<u>122,694</u>	<u>122,415</u>
	535,269	512,748
Investment property (included in other gains and losses)	<u>1,523</u>	<u>1,594</u>
	<u>\$ 536,792</u>	<u>\$ 514,342</u>

m. Other operating expense

	For the Year Ended December 31	
	2022	2021
Information technology expense	\$ 592,486	\$ 582,863
Taxes	206,613	267,584
Stock borrowing fees	350,554	161,541
Depository service expense	132,908	192,706
Others	<u>621,023</u>	<u>582,364</u>
	<u>\$ 1,903,584</u>	<u>\$ 1,787,058</u>

n. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Financial income	\$ 419,920	\$ 181,981
Cross-selling income	35,928	52,395
Dividend income	95,299	64,586
Transaction bonus	30,868	43,058
Gain on disposal of fund investment	28,913	33,946
Gain (loss) on non-operating financial instruments measured	(39,437)	91,376
Others	<u>59,728</u>	<u>24,810</u>
	<u>\$ 631,219</u>	<u>\$ 492,152</u>

27. INCOME TAX

Under a Ministry of Finance Ruling No. 910458039 dated February 12, 2003, a financial holding company (“FHC”) and its domestic subsidiaries in which the FHC holds interest of 90% or above for 12 months within a tax year may choose to adopt the linked-tax system for income tax filings.

The Corporation uses the linked-tax system for income tax filings with its parent company SinoPac Holdings and the subsidiaries of SinoPac Holdings. Thus, these companies jointly file the tax returns and the returns on undistributed retained earnings, with SinoPac Holdings as the taxpayer. The Corporation, SinoPac Holdings and the subsidiaries of SinoPac Holdings adopted the linked-tax system to reduce the income tax liabilities and maximize the synergy.

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current period	\$ 167,997	\$ 719,266
In respect of prior periods	<u>36,418</u>	<u>27,838</u>
	<u>204,415</u>	<u>747,104</u>
Deferred tax		
In respect of the current period	307,378	(19,611)
In respect of prior periods	<u>14,426</u>	<u>(360)</u>
	<u>321,804</u>	<u>(19,971)</u>
Income tax expense recognized in profit or loss	<u>\$ 526,219</u>	<u>\$ 727,133</u>

Reconciliations of accounting profit and income tax expense were as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax of continuing operations	<u>\$ 2,108,714</u>	<u>\$ 5,541,972</u>
Income tax expense calculated at the statutory rate	\$ 421,743	\$ 1,108,394
Nondeductible expenses in determining taxable income	69,732	43,019
Tax-exempt income	(37,418)	(771,112)
Additional income tax under the Alternative Minimum Tax Act	6,379	300,353
Unrecognized deductible temporary differences	11,701	26,506
Utilisation of loss carryforwards	(2,006)	(9,270)
Adjustments for prior years' current and deferred tax	50,844	27,478
Effect of different tax rate of group entities operating in other jurisdictions	3,454	1,138
Nondeductible loss carryforwards	<u>1,790</u>	<u>627</u>
Income tax expense recognized in profit or loss	<u>\$ 526,219</u>	<u>\$ 727,133</u>

The applicable tax rate used by subsidiaries located in Hong Kong is 16.5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current period		
Exchange differences on translation of foreign operations	\$ (70,771)	\$ 23,570
Remeasurement of defined benefit plans	(5,607)	11,825
Unrealized gains (losses) on financial assets at FVTOCI	<u>4,638</u>	<u>(4,556)</u>
	<u>\$ (71,740)</u>	<u>\$ 30,839</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Receivable from the linked-tax system	\$ 292,326	\$ 164,907
Tax refund receivable	<u>328</u>	<u>649</u>
	<u>\$ 292,654</u>	<u>\$ 165,556</u>
Current tax liabilities		
Payable to the linked-tax system	\$ 97,457	\$ 672,919
Income tax payable	<u>66,450</u>	<u>48,569</u>
	<u>\$ 163,907</u>	<u>\$ 721,488</u>

d. Deferred tax assets and liabilities:

The variations of deferred tax assets and liabilities were as follow:

For the year ended December 31, 2022

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Ending Balance
<u>Deferred tax assets</u>					
Share of loss of foreign subsidiaries	\$ 96,520	\$ 4,094	\$ -	\$ -	\$ 100,614
Exchange differences on translation of foreign financial statement	160,852	-	(70,771)	-	90,081
Unrealized losses on foreign exchange	146,217	(73,895)	-	(248)	72,074
Pension expense	108,056	(34,169)	(5,420)	39	68,506
Client relationship	59,318	(4,386)	-	-	54,932
Loss carryforwards	8,509	(968)	-	(5,802)	1,739
Unrealized valuation losses from future and option contracts hedging for equity derivatives	1,013	(1,013)	-	-	-
Unrealized contingent loss	982	(982)	-	-	-
Unrealized impairment losses	5,766	(4,366)	-	-	1,400
Unrealized valuation losses from foreign funds	5,270	(5,270)	-	-	-
Unrealized valuation losses from structured instruments	3,697	1,206	-	-	4,903
Unrealized decommission obligations	3,140	197	-	-	3,337
Unrealized valuation losses from derivatives	2,092	13,256	-	(3,857)	11,491
Losses from outstanding issuance of warrants	20,468	(20,362)	-	-	106
Unrealized valuation losses from foreign bonds	82	1,358	-	-	1,440
Loss allowance	3,439	-	-	-	3,439
Unrealized valuation losses from foreign futures and options	2,512	6	-	(2,512)	6
Cash-settled share-based payment	11,179	1,835	-	-	13,014
Unrealized valuation losses from warrants - hedging	-	11,003	-	(4,691)	6,312
Fund of employees' welfare committee	-	2,680	-	-	2,680
Valuation losses from outstanding funds	-	38	-	(14)	24
	<u>\$ 639,112</u>	<u>\$(109,738)</u>	<u>\$ (76,191)</u>	<u>\$ (17,085)</u>	<u>\$ 436,098</u>

(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Ending Balance
<u>Deferred tax liabilities</u>					
Unrealized valuation gains from derivatives	\$ (61,387)	\$ (212,089)	\$ -	\$ 3,857	\$ (269,619)
Unrealized valuation gains from structured instruments	(943)	943	-	-	-
Unrealized gains on financial assets at FVTOCI	(15,076)	-	4,638	-	(10,438)
Unrealized valuation gains from warrants - hedging	(4,691)	-	-	4,691	-
Amortizations of goodwill	(5,945)	2,895	-	-	(3,050)
Unrealized valuation gains from foreign securities	(30)	-	-	-	(30)
Pension expense	(141)	-	(187)	(39)	(367)
Gains from foreign funds valuation	(14)	-	-	14	-
Unrealized valuation gains from liabilities on sale of borrowed securities - hedged	(3,421)	687	-	-	(2,734)
Unrealized gains on foreign exchange	-	(436)	-	248	(188)
Unrealized valuation gains from futures and options	-	(4,066)	-	2,512	(1,554)
	<u>\$ (91,648)</u>	<u>\$ (212,066)</u>	<u>\$ 4,451</u>	<u>\$ 11,283</u>	<u>\$ (287,980)</u>
					(Concluded)

For the year ended December 31, 2021

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Ending Balance
<u>Deferred tax assets</u>					
Share of loss of foreign subsidiaries	\$ 106,200	\$ (9,680)	\$ -	\$ -	\$ 96,520
Exchange differences on translation of foreign financial statement	137,282	-	23,570	-	160,852
Unrealized losses on foreign exchange	108,099	38,118	-	-	146,217
Pension expense	96,535	(33)	12,119	(565)	108,056
Client relationship	51,028	8,290	-	-	59,318
Loss carryforwards	6,350	2,159	-	-	8,509
Unrealized valuation losses from future and option contracts hedging for equity derivatives	-	1,013	-	-	1,013
Unrealized contingent loss	-	982	-	-	982
Unrealized impairment losses	5,766	-	-	-	5,766
Unrealized valuation losses from foreign funds	5,270	-	-	-	5,270
Unrealized valuation losses from structured instruments	3,447	250	-	-	3,697
Unrealized decommission obligations	2,793	347	-	-	3,140
Unrealized valuation losses from derivatives	47,972	(14,561)	-	(31,319)	2,092
Losses from outstanding issuance of warrants	-	30,984	-	(10,516)	20,468
Unrealized valuation losses from foreign bonds	88	(6)	-	-	82
Loss allowance	10,773	(1)	-	(7,333)	3,439
Unrealized valuation losses from foreign futures and options	6,772	(4,260)	-	-	2,512
Cash-settled share-based payment	5,364	5,815	-	-	11,179
	<u>\$ 593,739</u>	<u>\$ 59,417</u>	<u>\$ 35,689</u>	<u>\$ (49,733)</u>	<u>\$ 639,112</u>
					(Continued)

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Reclassification	Ending Balance
<u>Deferred tax liabilities</u>					
Unrealized valuation gains from derivatives	\$ (55,581)	\$ (37,125)	\$ -	\$ 31,319	\$ (61,387)
Unrealized valuation gains from structured instruments	-	(943)	-	-	(943)
Gains from outstanding issuance of warrants	(10,516)	-	-	10,516	-
Unrealized gains on financial assets at FVTOCI	(10,520)	-	(4,556)	-	(15,076)
Unrealized valuation gains from warrants - hedging	(4,867)	176	-	-	(4,691)
Amortizations of goodwill	(7,209)	1,264	-	-	(5,945)
Unrealized valuation gains from foreign securities	(30)	-	-	-	(30)
Pension expense	-	(412)	(294)	565	(141)
Gains from foreign funds valuation	(17)	3	-	-	(14)
Unrealized valuation gains from liabilities on sale of borrowed securities - hedged	<u>(1,012)</u>	<u>(2,409)</u>	<u>-</u>	<u>-</u>	<u>(3,421)</u>
	<u>\$ (89,752)</u>	<u>\$ (39,446)</u>	<u>\$ (4,850)</u>	<u>\$ 42,400</u>	<u>\$ (91,648)</u>

(Concluded)

e. Related information on unused loss carryforwards

As of December 31, 2022, the Corporation had \$2,735 thousand of unused loss carryforwards. The amount can be used through 2028. SinoPac Securities Investment Service had \$5,955 thousand of unused loss carryforwards. The amount can be used through 2031.

f. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets was recognized in the consolidated balance sheets were as follows:

	December 31	
	2022	2021
Unused loss carryforwards	<u>\$ 2,509,716</u>	<u>\$ 2,173,660</u>

g. Income tax assessments

The income tax returns of the Corporation through 2017 had been examined by the tax authorities, of which the 2012 to 2017 tax returns were disallowed items, such as the amortization and issuance of call (put) warrants; therefore, the Corporation filed appeals for the authorities' reconsideration of the assessments. Even if this matter was still unresolved, the Corporation accrued and paid \$64,361 thousand assessed by the tax authorities as additional income tax expenses.

The income tax returns of SinoPac Futures through 2020 had been examined by the tax authorities.

The income tax returns of SinoPac Securities Investment Service through 2020 had been examined by the tax authorities.

The income tax returns of SinoPac Securities Venture Capital through March 13, 2020 to December 31, 2020 had been examined by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 0.98</u>	<u>\$ 2.97</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations were as follows:

Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 1,582,495</u>	<u>\$ 4,814,839</u>

Shares

Unit: Thousand Share

	<u>For the Year Ended December 31</u>	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,621,224	1,621,224

29. RELATED-PARTY TRANSACTIONS

The parent company, ultimate parent entity and ultimate controlling party is SinoPac Holdings who wholly owned the Corporation as of December 31, 2022 and 2021.

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.

a. Name of related parties and their relationships with the Group

<u>Name of Related Party</u>	<u>Relationship with the Group</u>
SinoPac Financial Holdings Company Limited (“SinoPac Holdings”)	Parent company
Bank SinoPac Co., Ltd. (“Bank SinoPac”)	Fellow subsidiaries
SinoPac Securities Investment Trust Co., Ltd.	Fellow subsidiaries
SinoPac Leasing Corp. (“SinoPac Leasing”)	Fellow subsidiaries
SinoPac Venture Capital Corp.	Fellow subsidiaries
SinoPac Capital International Ltd.	Associates
Quanta Computer Inc. (“Quanta Computer”)	Others (Note 3)
Hua Vi Venture Capital Corp. (“Hua Vi Venture Capital”)	Others
Hua Da Venture Capital Corp. (“Hua Da Venture Capital”)	Others
Grand Bills Finance Corp. (“Grand Bills Finance”)	Others
Yu-Ji Venture Capital Corp. (“Yu-Ji Venture Capital”)	Others
Taiwan Stock Exchange Corp. (“TWSE”)	Others (Note 2)

(Continued)

Name of Related Party	Relationship with the Group
Netronix Inc. (“Netronix Inc.”)	Others
Elite Material Co., Ltd. (“Elite Material”)	Others
Wei Chuan Foods Corp. (“Wei Chuan Foods”)	Others
Mechema Chemicals International Corp. (“Mechema Chemicals International”)	Others
Hopax Chemical Industrial Co., Ltd (“Hopax Chemical Industrial”)	Others
Taiwan Printed Circuit Board Techvest Co., LTD. (“Taiwan Printed Circuit Board Techves”)	Others
Taiwan Glass Industry Corp.(“Taiwan Glass”)	Others
Sinbon Electronics company Ltd.(“Sinbon Electronics”)	Others
Chipbond Technology Corp. (“Chipbond Technology”)	Others
Tatung Company (“Tatung”)	Others
Medeon Biodesign Inc.(“Medeon Biodesign”)	Others
Global Unichip Corp.(“Global Unichip”)	Others
Yuen Foong Paper Co., Ltd.(“Yuen Foong Paper”)	Others
Chunghwa Telecom Co., Ltd. (“Chunghwa Telecom”)	Others
ENE Technology Inc.(“ENE Technology”)	Others (Note 4)
Foundation of SinoPac	Others
Chih Yuan Venture Capital Corp. (“Chih Yuan Venture Capital”)	Others
Taiwan Futures Exchange Corp. (“TAIFEX”)	Others (Note 1)
Pegatron Technology (“Pegatron Technology”)	Others
System Corp.(“System”)	Others
YFY Inc. (“Yuen Foong Yu”)	Others
E Ink Holdings Inc. (“E Ink”)	Others
Asia Cement Corporation (“Asia Cement”)	Others
ScinoPharm Taiwan Ltd. (“ScinoPharm Taiwan”)	Others
Carnival Industrial Corporation (“Carnival Industrial”)	Others
DFI Inc. (“DFI”)	Others
President Chain Store Corporation (“President Chain Store”)	Others
Universal Cement Corporation (“Universal Cement”)	Others
Radium Life Tech. Co., Ltd. (“Radium Life Tech”)	Others
Mercuries Data Systems Ltd. (“Mercuries Data Systems”)	Others
Taiwan Securities Association (“TSA”)	Others
SinoPac Multi Strategy Quant Fund Limited	Others
SinoPac Multi-Series Fund II Limited	Others
SinoPac Multi-Series Fund SPC	Others
Others	SinoPac Holdings, subsidiaries managers’ fund, related party, management personnel and their relatives and related enterprise. (Concluded)

Note 1: Related parties since July 2021.

Note 2: Non-related parties since June 2022.

Note 3: Non-related parties since July 2022.

Note 4: Non-related parties since February 2022.

- b. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties were as follows:

	December 31	
	2022	2021
1) Cash and cash equivalents		
<u>Cash in banks</u>		
Fellow subsidiaries		
Bank SinoPac	\$ 2,440,956	\$ 3,519,392
Others	<u>2,438</u>	<u>2,242</u>
	<u>\$ 2,443,394</u>	<u>\$ 3,521,634</u>
<u>Short-term notes</u>		
Others	<u>\$ 1,733,691</u>	<u>\$ -</u>
<u>Excess margin of futures</u>		
Others	<u>\$ 340,179</u>	<u>\$ -</u>

As of December 31, 2022 and 2021, the amounts of other current financial assets, other current assets - amounts held for settlement, cash and cash equivalents - receipts under custody from customers' security subscription and amounts held for each customer in the account, which were recorded as bank deposits, are as below:

	December 31	
	2022	2021
Fellow subsidiaries		
Bank SinoPac	<u>\$ 2,657,386</u>	<u>\$ 15,147,429</u>
2) Customer margin account		
Fellow subsidiaries	<u>\$ 66,336</u>	<u>\$ 44,995</u>
3) Derivative assets - OTC		
Fellow subsidiaries	\$ 7,086	\$ 2,505
Others	<u>38,752</u>	<u>47,768</u>
	<u>\$ 45,838</u>	<u>\$ 50,273</u>
Derivative liabilities - OTC		
Fellow subsidiaries	\$ 4	\$ 8,971
Others	<u>14,110</u>	<u>(5,254)</u>
	<u>\$ 14,114</u>	<u>\$ 3,717</u>

	For the Year Ended December 31	
	2022	2021
Gains (losses) from derivatives		
Fellow subsidiaries	\$ 14,310	\$ 38,191
Others		
Grand Bills Finance	<u>(66,616)</u>	<u>(24,875)</u>
	<u>\$ (52,306)</u>	<u>\$ 13,316</u>
	December 31	
	2022	2021
4) Current financial assets at FVTPL		
<u>Securities held for operations (non-equity investment)</u>		
Others	<u>\$ 352,694</u>	<u>\$ 290,238</u>
<u>Futures margin - own funds</u>		
Others	<u>\$ 386,382</u>	<u>\$ -</u>
<u>Futures margin - securities</u>		
Others	<u>\$ 848,754</u>	<u>\$ -</u>
5) Bond investments under resale agreements		
Others		
Grand Bills Finance	\$ 351,154	\$ 690,896
Others	<u>85,559</u>	<u>227,295</u>
	<u>\$ 436,713</u>	<u>\$ 918,191</u>
6) Security borrowing margin		
Others		
TWSE	<u>\$ -</u>	<u>\$ 1,424,003</u>
7) Notes and accounts receivable		
Fellow subsidiaries	\$ 702	\$ 538
Others	<u>50,111</u>	<u>59,595</u>
	<u>\$ 50,813</u>	<u>\$ 60,133</u>
8) Other receivables		
Fellow subsidiaries	\$ 14,137	\$ 13,495
Others	<u>1,515</u>	<u>1,649</u>
	<u>\$ 15,652</u>	<u>\$ 15,144</u>

	December 31	
	2022	2021
9) Current tax assets		
SinoPac Holdings	\$ <u>292,326</u>	\$ <u>164,907</u>
10) Restricted current assets		
Fellow subsidiaries		
Bank SinoPac	\$ <u>1,030,560</u>	\$ <u>1,025,000</u>
11) Prepayments (does not include leases)		
Fellow subsidiaries	\$ -	\$ 936
Others	<u>566</u>	<u>1,181</u>
	<u>\$ 566</u>	<u>\$ 2,117</u>
12) Other current asset		
Others	\$ <u>240</u>	\$ <u>-</u>

13) Property and equipment

The Group purchased equipment in the amount of \$453 thousand and 2,582 thousand from other related parties for the year ended December 31, 2022 and 2021 respectively, which was recorded as property and equipment.

14) Other intangible assets

The Group purchased computer software in the amount of \$3,819 thousand and \$2,141 thousand from other related parties for the year ended December 31, 2022 and 2021, respectively, which was recorded as other intangible assets.

	December 31	
	2022	2021
15) Guarantee deposits paid (does not include leases)		
Fellow subsidiaries		
Bank SinoPac	\$ 710,014	\$ 710,014
Others		
TAIFEX	224,818	141,693
Others	<u>2,179</u>	<u>128,050</u>
	<u>\$ 937,011</u>	<u>\$ 979,757</u>
16) Commercial paper payable		
Others		
Grand Bills Finance	\$ -	\$ 2,948,573
Others	<u>-</u>	<u>599,656</u>
	<u>\$ -</u>	<u>\$ 3,548,229</u>

	December 31	
	2022	2021
17) Bonds sold with attached repurchase agreements		
Others	\$ <u> -</u>	\$ <u> 58,088</u>
18) Futures traders' equity		
Fellow subsidiaries	\$ 69,688	\$ 51,071
Others	<u>50,156</u>	<u>45,919</u>
	<u>\$ 119,844</u>	<u>\$ 96,990</u>
19) Notes and accounts payable		
Fellow subsidiaries	\$ 60	\$ 53
Others	<u>31,555</u>	<u>34,923</u>
	<u>\$ 31,615</u>	<u>\$ 34,976</u>
20) Other payables		
Fellow subsidiaries	\$ 1,166	\$ 3,915
Others	<u>3,319</u>	<u>37,713</u>
	<u>\$ 4,485</u>	<u>\$ 41,628</u>
21) Current tax liabilities		
SinoPac Holdings	<u>\$ 97,457</u>	<u>\$ 672,919</u>
22) Other current liabilities		
Others	<u>\$ 10</u>	<u>\$ -</u>
	For the Year Ended December 31	
	2022	2021
23) Brokerage handling fee revenue		
Fellow subsidiaries	\$ 13,501	\$ 13,482
Others	<u>33,833</u>	<u>48,144</u>
	<u>\$ 47,334</u>	<u>\$ 61,626</u>
24) Revenues from underwriting business		
Parent company	\$ -	\$ 2,500
Fellow subsidiaries	3,735	5,344
Others	<u>1,260</u>	<u>1,736</u>
	<u>\$ 4,995</u>	<u>\$ 9,580</u>

	For the Year Ended December 31	
	2022	2021
25) Gains on wealth management		
Fellow subsidiaries	\$ 4,755	\$ 3,060
26) Revenues from providing agency service for stock affairs		
Parent company	\$ 12,213	\$ 11,046
Fellow subsidiaries	120	120
Others	<u>16,272</u>	<u>13,815</u>
	<u>\$ 28,605</u>	<u>\$ 24,981</u>
27) Interest revenue		
Others	<u>\$ 22,046</u>	<u>\$ 8,166</u>
28) Revenue from advisory		
Fellow subsidiaries		
Bank SinoPac	\$ 14,000	\$ 14,000
Others	<u>4</u>	<u>-</u>
	<u>\$ 14,004</u>	<u>\$ 14,000</u>
29) Dividend revenue		
Others	<u>\$ 33,939</u>	<u>\$ 12,554</u>
30) Other operating income		
Fellow subsidiaries	\$ (19,143)	\$ (56,291)
Others		
Funds of SinoPac asset management	<u>113,051</u>	<u>141,083</u>
	<u>\$ 93,908</u>	<u>\$ 84,792</u>
31) Brokerage handling fee expense		
Fellow subsidiaries	\$ 1,812	\$ 986
Others		
TWSE	135,187	471,131
TAIFEX	262,715	132,304
Others	<u>4,634</u>	<u>10,236</u>
	<u>\$ 404,348</u>	<u>\$ 614,657</u>

	For the Year Ended December 31	
	2022	2021
32) Proprietary handling fee expense		
Fellow subsidiaries		
Bank SinoPac	\$ 831	\$ 10,149
Others		
TWSE	7,418	15,076
TAIFEX	6,355	255
Others	<u>1,071</u>	<u>2,118</u>
	<u>\$ 15,675</u>	<u>\$ 27,598</u>
33) Underwriting operation processing fee expenses		
Others		
Yuen Foong Paper	\$ 1,005	\$ 803
Systex	1,218	-
TSA	<u>611</u>	<u>683</u>
	<u>\$ 2,834</u>	<u>\$ 1,486</u>
34) Finance costs		
Fellow subsidiaries	\$ 64	\$ 2,523
Others	<u>11,614</u>	<u>10,446</u>
	<u>\$ 11,678</u>	<u>\$ 12,969</u>
35) Expenses arising from issuance of call (put) warrants (included in gains from issuance of call (put) warrants)		
Others		
TWSE	<u>\$ 59,943</u>	<u>\$ 138,317</u>
36) Expense of clearing and settlement		
Others		
TAIFEX	<u>\$ 182,449</u>	<u>\$ 89,980</u>
37) Depreciation and amortization expense (does not include leases)		
Others	<u>\$ 2,162</u>	<u>\$ 1,245</u>

	For the Year Ended December 31	
	2022	2021

38) Other operating expenses

Information technology expense

Fellow subsidiaries	\$ 1,273	\$ 1,132
Others	122,138	142,335
	\$ 123,411	\$ 143,467

Others

Fellow subsidiaries	\$ 17,204	\$ 23,102
Others	64,266	77,413
	\$ 81,470	\$ 100,515

In order to fulfill corporate social responsibilities, the Corporation and Sinopac Bank donated \$25,500 thousand and \$4,500 thousand, respectively, in September 2021 to jointly donate \$30,000 thousand to set up the Foundation of SinoPac. The foundation was approved and registered by the Taipei District Court in December 2021. Sinopac Bank and the Corporation in January 2022 donated the amounts of \$27,000 thousand and \$8,000 thousand, respectively, to jointly donate \$35,000 thousand for the foundation's 2022 annual work plan.

	For the Year Ended December 31	
	2022	2021

39) Other gains and losses

Other gains

Dividend income		
Others	\$ 15,190	\$ 36,953

Financial income (does not include leases)

Fellow subsidiaries	\$ 30,072	\$ 10,580
Others	4,528	2,058
	\$ 34,600	\$ 12,638

Transaction bonus

Fellow subsidiaries	\$ 2,244	\$ 1,778
Others	4,422	3,130
	\$ 6,666	\$ 4,908

Cross-selling income

Fellow subsidiaries	\$ 35,842	\$ 52,495
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Losses on disposal of fund investments

Others	\$ -	\$ (7,570)
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(Continued)

	For the Year Ended December 31	
	2022	2021
Others		
Parent company	\$ 498	\$ 498
Others	<u>213</u>	<u>210</u>
	<u>\$ 711</u>	<u>\$ 708</u>
<u>Other losses</u>		
Others		
Others	<u>\$ 168</u>	<u>\$ 14</u>
		(Concluded)

40) Notes and bonds transaction

	For the Year Ended December 31			
	2022		2021	
	Purchase of Notes and Bonds	Sell of Notes and Bonds	Purchase of Notes and Bonds	Sell of Notes and Bonds
Parent company	\$ -	\$ -	\$ 1,500,000	\$ -
Fellow subsidiaries	7,000,000	-	10,200,000	-
Others	39,886,339	37,650,949	24,950,107	20,076,439

All transactions with related parties were carried at arm's length.

c. Leases

	December 31	
	2022	2021
1) Right-of-use assets		
Fellow subsidiaries		
Bank SinoPac	\$ 59,770	\$ 92,472
Others	8,231	7,056
Others	<u>4,387</u>	<u>390</u>
	<u>\$ 72,388</u>	<u>\$ 99,918</u>
2) Prepayments		
Fellow subsidiaries	\$ 112	\$ 184
Others	<u>7</u>	<u>1</u>
	<u>\$ 119</u>	<u>\$ 185</u>

	December 31	
	2022	2021
3) Guarantee deposits paid		
Fellow subsidiaries	\$ 7,995	\$ 7,923
Others	<u>151</u>	<u>157</u>
	<u>\$ 8,146</u>	<u>\$ 8,080</u>
4) Current lease liabilities		
Fellow subsidiaries		
Bank SinoPac	\$ 33,648	\$ 33,201
Others	4,683	4,195
Others	<u>988</u>	<u>394</u>
	<u>\$ 39,319</u>	<u>\$ 37,790</u>
5) Non-current lease liabilities		
Fellow subsidiaries		
Bank SinoPac	\$ 27,282	\$ 60,678
Others	3,745	3,014
Others	<u>3,411</u>	<u>-</u>
	<u>\$ 34,438</u>	<u>\$ 63,692</u>
	For the Year Ended December 31	
	2022	2021
6) Finance costs		
Fellow subsidiaries	\$ 1,098	\$ 1,349
Others	<u>16</u>	<u>6</u>
	<u>\$ 1,114</u>	<u>\$ 1,355</u>
7) Depreciation expense (included in depreciation and amortization expense)		
Fellow subsidiaries	\$ 37,831	\$ 38,031
Others	<u>974</u>	<u>936</u>
	<u>\$ 38,805</u>	<u>\$ 38,967</u>
8) Rent expenses (included in other operating expense)		
Fellow subsidiaries	\$ 72	\$ 75
Others	<u>2</u>	<u>2</u>
	<u>\$ 74</u>	<u>\$ 77</u>

	<u>For the Year Ended December 31</u>	
	2022	2021
9) Finance revenue		
Fellow subsidiaries	\$ 72	\$ 74
Others	<u>2</u>	<u>2</u>
	<u>\$ 74</u>	<u>\$ 76</u>
10) Other gains and losses		
Fellow subsidiaries	<u>\$ 32</u>	<u>\$ 15</u>

The operating lease contracts signed by the Corporation with the related parties were as follows:

<u>Lessor</u>	<u>Lease Term</u>	<u>Lease Target</u>	<u>Payment Terms</u>
<u>Fellow subsidiaries</u>			
SinoPac Leasing	Till August 2025	Transportation equipment	Monthly
Bank SinoPac	Till November 2025	Offices and branch locations	Monthly
<u>Others</u>			
Chunghwa Telecom	Till May 2027	Offices and branch locations	Monthly

Rental prices are determined based on negotiations between the counterparties with reference to the market rental prices of office buildings in the vicinity.

d. Status of acquiring stocks from related-parties:

Besides information disclosed in Tables 4 and 6, the Group held stocks of other related-parties as follows:

1) Financial assets at FVTPL

	<u>December 31, 2022</u>		
	<u>Number of Shares (In Thousands)</u>	<u>Cost</u>	<u>Carrying Amount</u>
<u>Listed stocks and stocks traded over the counter</u>			
Chunghwa Telecom	326	\$ 36,664	\$ 36,847
Netronix Inc.	400	27,938	25,400
Sinbon Electronics	41	11,019	11,378
Pegatron Technology	112	7,020	7,127
Yuen Foong Yu	159	4,063	3,894
E Ink	23	3,694	3,623
Elite Material	14	2,458	2,397
Asia Cement	54	2,204	2,202

(Continued)

December 31, 2022			
	Number of Shares (In Thousands)	Cost	Carrying Amount
Global Unichip	3	\$ 2,178	\$ 2,181
ScinoPharm Taiwan	69	1,852	1,756
Mechema Chemicals International	14	1,489	1,369
Hopax Chemical Industrial	27	1,131	1,104
Taiwan Glass	48	1,038	1,016
Carnival Industrial	56	783	798
Chipbond Technology	11	655	649
Medeon Biodesign	11	652	627
Systemx	9	602	598
DFI	5	292	295
President Chain Store	1	198	199
Universal Cement	8	178	178
Radium Life Tech	9	83	82
Mercuries Data Systems	3	35	36
Tatung	1	17	18
 <u>Stocks other than listed and traded over the counter</u>			
Chih Yuan Venture Capital	2,317	23,170	14,898
Hua Vi Venture Capital	261	2,609	12,454
Yu-Ji Venture Capital	719	7,188	8,675
Hua Da Venture Capital	500	<u>5,000</u>	<u>3,955</u>
		<u>\$ 144,210</u>	<u>\$ 143,756</u> (Concluded)

December 31, 2021			
	Number of Shares (In Thousands)	Cost	Carrying Amount
<u>Listed stocks and stocks traded over the counter</u>			
Quanta Computer	504	\$ 46,771	\$ 47,729
Elite Material	101	27,933	28,078
Sinbon Electronics	74	19,708	20,933
Chipbond Technology	251	16,607	16,742
Global Unichip	24	14,341	14,064
Hopax Chemical Industrial	156	11,009	10,702
Yong Feng Yu	295	10,492	10,487
Asia Cement	217	9,382	9,613
Medeon Biodesign	96	8,283	8,678
Mechema Chemicals International	55	8,611	8,663
Pegatron Technology	78	5,303	5,390
Taiwan Glass	87	2,317	2,327
Systemx	15	1,272	1,272
Taiwan Printed Circuit Board Techves	24	1,129	1,165
			(Continued)

December 31, 2021			
	Number of Shares (In Thousands)	Cost	Carrying Amount
Tatung	23	\$ 799	\$ 750
Netronix Inc.	12	711	683
Wei Chuan Foods	8	187	178
Chunghwa Telecom	1	117	117
ENE Technology	1	20	29
<u>Stocks other than listed and traded over the counter</u>			
Chih Yuan Venture Capital	2,454	24,536	16,733
Hua Vi Venture Capital	261	2,609	9,485
Yu-Ji Venture Capital	844	8,438	7,012
Hua Da Venture Capital	550	<u>5,500</u>	<u>3,856</u>
		<u>\$ 226,075</u>	<u>\$ 224,686</u> (Concluded)

2) Financial assets at FVTOCI

December 31, 2022			
	Number of Shares (In Thousands)	Cost	Carrying Amount
<u>Listed stocks and stocks traded over the counter</u>			
Chunghwa Telecom	2,245	\$ 252,957	\$ 253,685
<u>Stocks other than listed and traded over the counter</u>			
TAIFEX	4,834	<u>52,740</u>	<u>313,852</u>
		<u>\$ 305,697</u>	<u>\$ 567,537</u>

December 31, 2021			
	Number of Shares (In Thousands)	Cost	Carrying Amount
<u>Listed stocks and stocks traded over the counter</u>			
Chunghwa Telecom	2,485	\$ 280,000	\$ 289,503
Elite Material	600	90,514	166,800
Quanta Computer	758	58,982	71,783
			(Continued)

	December 31, 2021		
	Number of Shares (In Thousands)	Cost	Carrying Amount
<u>Stocks other than listed and traded over the counter</u>			
TWSE	6,319	\$ 285,362	\$ 767,936
TAIFEX	4,241	<u>52,740</u>	<u>385,696</u>
		<u>\$ 767,598</u>	<u>\$ 1,681,718</u> (Concluded)

e. The Group acquired management shares of SinoPac Multi Strategy Quant Fund Limited and two other companies established in the Cayman Islands in the amount of \$6 thousand. The management shares were issued to the investment manager in compliance with specific legal procedures, and the holders did not have the rights to participate in profit, assets, and surplus distributions of funds.

f. Compensation of key management personnel

The compensation of key management personnel were as follows:

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 130,391	\$ 261,113
Retirement benefits	<u>8,716</u>	<u>38,992</u>
	<u>\$ 139,107</u>	<u>\$ 300,105</u>

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged to financial institutions as the collateral for commercial paper issued, short-term borrowings and a bank overdraft line obtained at the balance sheet dates:

	December 31	
	2022	2021
Time deposits – current (included in restricted current assets)	\$ 1,480,560	\$ 1,480,560
Property and equipment, net	1,761,370	1,622,244
Investment property, net	<u>151,684</u>	<u>153,207</u>
	<u>\$ 3,393,614</u>	<u>\$ 3,256,011</u>

The above assets pledged to Bank SinoPac were as follows:

	December 31	
	2022	2021
Time deposits – current (included in restricted current assets)	\$ 1,030,560	\$ 1,025,000
Property and equipment, net	<u>1,165,358</u>	<u>1,023,101</u>
	<u>\$ 2,195,918</u>	<u>\$ 2,048,101</u>

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Bank SinoPac and the Corporation had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their financial transaction system. They jointly signed a letter of indemnity to the system manufacturer for which the total compensation was not more than US\$1,300 thousands, to obtain a proxy of the manufacturer thereof to apply for the aforesaid tax concession. The compensation distributable to the Corporation was US\$433 thousands.
- b. From 1999 to 2006, the former salesman, Mr. Zhu who worked at Pacific Securities which was merged by SinoPac Securities in 2012, appeared to have debt disputes with Mr. Chen and other three clients due to the repurchase agreement of government bonds. These clients filed civil complaint at the Taiwan Taipei District Court against SinoPac Securities, demanding compensation for damage of \$13,000 thousand. This case happened a long time ago, and Mr. Zhu resigned in 2016. At present, it is only known that Mr. Zhu appeared to fabricate the fact of repurchase agreement of government bonds to fraud his clients. Regarding this case, Mr. Chen also sued the plaintiff Mr. Zhu for criminal lawsuit. The complaint was dismissed by the Taiwan Taipei District Court, and the Corporation won the case. While the plaintiff filed an appeal, the Taiwan High Court ruled the judgment that the Corporation has to make the payment of \$3,000 thousand with 5% interest rate from September 17, 2018 to the settlement date. Since the plaintiff has not submitted the original copy as evidence, the existence of the content rights of the plaintiff is still controversial. The Corporation filed an appeal to the Supreme Court on November 14, 2022, and entrusted the lawyer to issue an opinion that there is a possibility that the appeal would be remanded.
- c. Plaintiff Mr. Tang filed a civil complaint against the Corporation's subsidiary SinoPac Securities (Asia) in January 2018. The plaintiff claimed that the company committed breach of obligation and was liable for HK\$59,670 thousand loss in stock transfer. However, SinoPac Securities (Asia) transferred the stocks based on the stock purchase and sale agreement and Mr. Tang's order; therefore, no breach of fiduciary duties was found. SinoPac Securities (Asia) entrusted an external lawyer to handle the case and would take all necessary actions to defend the company against the claim.
- d. The custodian bank of SinoPac Securities (Asia) carried out a seizure of SinoPac Securities (Asia)'s settlement payment to Company V based on the Taiwan Taipei District Court's order, which led to SinoPac Securities (Asia) being unable to fulfill its obligations of the stock purchase agreement. As a result, Company V filed a civil complaint against SinoPac Securities (Asia), demanding the return of their remaining account balance of NT\$731,422 thousand in SinoPac Securities (Asia) in October 2019. SinoPac Securities (Asia) is not liable for the failure of payment, and the legal obligations of the original seizure of the expected payment are still to be determined. The Taipei District Court quashed the execution decree mentioned above in February 2022. SinoPac Securities (Asia) received the seized amount from the custodian bank in March 2022, and returned it back to Company V, thus Company V had revoked the lawsuit. The Court of the Hong Kong Special Administrative Region had issued an order to terminate the lawsuit in April 2022, and the case was confirmed as closed.

32. CAPITAL RISK MANAGEMENT

The Corporation's capital adequacy assessment needs to consider the business scale, key operational plans, risk status, capital structure and future capital projects and other company consideration, the Corporation complies with the Regulations Governing Securities Firms on the calculation of a capital adequacy ratio and formulate management procedures. Thus, for maintaining stable operations, the Corporation's capital adequacy ratio, in principle, is at least 250% for its capital adequacy management objectives.

The Corporation's capital adequacy management procedures are as follows:

- a. The risk management division should calculate, monitor and analyze its regulatory capital adequacy ratio on a regular monthly basis and obtain approval from the chairman of the Board.
- b. The risk management division simulates the capital adequacy ratio based on the Corporation's business plan, policy direction, investment strategy and important event and provides the result to the relevant units.
- c. If the Corporation's capital adequacy ratio seems to fell below the target, the risk management division should report to the management, discuss responsive actions as listed below to be taken and executed after the Board's approval.
 - 1) Issuance of financial bonds.
 - 2) Capital increase.
 - 3) Adjustment of business strategies.

As of December 31, 2022 and 2021, the Corporation's capital adequacy ratios were as follows:

Items	December 31	
	2022	2021
Net eligible capital		
Tier 1 Capital	\$ 29,447,705	\$ 31,167,127
Tier 2 Capital	3,072,188	698,187
Tier 3 Capital	-	-
Deductible assets	<u>(10,424,107)</u>	<u>(9,805,039)</u>
	<u>\$ 22,095,786</u>	<u>\$ 22,060,275</u>
Equivalent operating risk		
Market risk equivalent	\$ 3,454,287	\$ 4,072,730
Credit risk equivalent	661,245	773,082
Operating risk equivalent	<u>1,578,981</u>	<u>1,134,343</u>
	<u>\$ 5,694,513</u>	<u>\$ 5,980,155</u>
Capital adequacy ratio	388%	369%

Note 1: Capital adequacy ratio = Net eligible capital/Equivalent operating risk.

Note 2: Net eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital - Deductible assets.

Note 3: Equivalent operating risk = Market risk equivalent + Credit risk equivalent + Operating risk equivalent.

33. TRUST BUSINESS UNDER THE TRUST ENTERPRISE ACT

The Corporation offers wealth management, asset allocation or financial planning under Rule No. 1030023199 approved by FSC on July 30, 2014.

Under Enforcement Rules of the Trust Enterprise Act No. 17 indicated that the Corporation should disclose the balance sheet, income statement and trust properties of trust accounts as follows:

a. Balance sheets of trust accounts

Trust Assets	December 31		Trust Liabilities	December 31	
	2022	2021		2022	2021
Bank deposits	\$ 3,179,203	\$ 4,039,797	Trust capital	\$ 35,267,392	\$ 30,754,486
Funds	23,543,118	24,507,504	Net profit (loss)	(4,845,177)	(240,878)
Stocks	452,684	-	Cumulative loss	<u>(1,876,668)</u>	<u>(1,950,391)</u>
Structured instruments	1,370,389	15,891			
Accounts receivable	<u>153</u>	<u>25</u>			
Total trust assets	<u>\$ 28,545,547</u>	<u>\$ 28,563,217</u>	Total trust liabilities	<u>\$ 28,545,547</u>	<u>\$ 28,563,217</u>

b. Income statement of trust accounts

	For the Year Ended December 31	
	2022	2021
Trust income		
Interest revenue	\$ 1,016,365	\$ 887,905
Dividends revenue	12	-
Realized investment gains	-	130,936
Trust expenses		
Realized investment losses	(1,109,056)	-
Commission and fees	(10,194)	(20,884)
Unrealized investment losses	<u>(4,742,130)</u>	<u>(1,238,833)</u>
Loss before tax	(4,845,003)	(240,876)
Income tax expense	<u>(174)</u>	<u>(2)</u>
Loss	<u>\$ (4,845,177)</u>	<u>\$ (240,878)</u>

c. Properties of trust accounts

	December 31	
	2022	2021
Bank deposits	\$ 3,179,203	\$ 4,039,797
Funds	23,543,118	24,507,504
Stocks	452,684	-
Structured instruments	1,370,389	15,891
Others	<u>153</u>	<u>25</u>
Total trust assets (Note)	<u>\$ 28,545,547</u>	<u>\$ 28,563,217</u>

Note: As of December 31, 2022 and 2021, the above properties of trust accounts included the amount of \$38,251 thousand and \$61,822 thousand, respectively, under the Offshore Securities Unit (“OSU”) “Wealth Management Business Involving Non-discretionary Money Trust”.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets mandatorily measured at FVTPL				
Bonds	\$ 16,105,263	\$ 2,342,641	\$ 1,855,295	\$ 20,303,199
Listed stocks, stocks traded over the counter and emerging stocks	4,871,362	25,792	503,556	5,400,710
Stocks other than listed and traded over the counter	-	-	379,789	379,789
Mutual funds	4,041,648	360,388	-	4,402,036
Derivative assets	<u>1,578,718</u>	<u>4,385,357</u>	<u>-</u>	<u>5,964,075</u>
	<u>\$ 26,596,991</u>	<u>\$ 7,114,178</u>	<u>\$ 2,738,640</u>	<u>\$ 36,449,809</u>
Financial assets at FVTOCI				
Equity instruments				
Listed stocks and stocks traded over the counter	\$ 2,610,981	\$ -	\$ -	\$ 2,610,981
Stocks other than listed and traded over the counter	-	-	1,187,954	1,187,954
Debt instruments	<u>10,373,829</u>	<u>1,595,029</u>	<u>879,559</u>	<u>12,848,417</u>
	<u>\$ 12,984,810</u>	<u>\$ 1,595,029</u>	<u>\$ 2,067,513</u>	<u>\$ 16,647,352</u>
Financial liabilities at FVTPL				
Financial liabilities held for trading				
Derivative liabilities	\$ 12,219,095	\$ -	\$ -	\$ 12,219,095
Derivative liabilities	306,176	4,730,422	-	5,036,598
Financial liabilities designated at FVTPL	<u>-</u>	<u>11,622,529</u>	<u>18,035</u>	<u>11,640,564</u>
	<u>\$ 12,525,271</u>	<u>\$ 16,352,951</u>	<u>\$ 18,035</u>	<u>\$ 28,896,257</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets mandatorily measured at FVTPL				
Bonds	\$ 18,492,602	\$ 4,102,527	\$ 1,300,317	\$ 23,895,446
Listed stocks, stocks traded over the counter and emerging stocks	9,049,359	113,027	395,591	9,557,977
Stocks other than listed and traded over the counter	-	-	444,797	444,797
Mutual funds	3,096,264	373,648	-	3,469,912
Derivative assets	<u>1,081,196</u>	<u>2,607,415</u>	<u>-</u>	<u>3,688,611</u>
	<u>\$ 31,719,421</u>	<u>\$ 7,196,617</u>	<u>\$ 2,140,705</u>	<u>\$ 41,056,743</u>
Financial assets at FVTOCI				
Equity instruments				
Listed stocks and stocks traded over the counter	\$ 4,824,643	\$ -	\$ -	\$ 4,824,643
Stocks other than listed and traded over the counter	-	-	1,563,735	1,563,735
Debt instruments	<u>9,427,983</u>	<u>1,021,276</u>	<u>673,079</u>	<u>11,122,338</u>
	<u>\$ 14,252,626</u>	<u>\$ 1,021,276</u>	<u>\$ 2,236,814</u>	<u>\$ 17,510,716</u>
Financial liabilities at FVTPL				
Financial liabilities held for trading				
	\$ 9,208,928	\$ -	\$ -	\$ 9,208,928
Derivative liabilities	433,087	3,792,860	-	4,225,947
Financial liabilities designated at FVTPL	<u>-</u>	<u>427,293</u>	<u>89,753</u>	<u>517,046</u>
	<u>\$ 9,642,015</u>	<u>\$ 4,220,153</u>	<u>\$ 89,753</u>	<u>\$ 13,951,921</u>

For the years ended December 31, 2022 and 2021, the Group transferred part of the debt instruments from Level 1 to 2 because the Group determined these investments were not in an active market based on market quotation and liquidity.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets	For the Year Ended December 31, 2022				Total
	Financial Assets at FVTPL		Financial Assets at FVTOCI		
	Equity Instruments	Debt Instruments	Equity Instruments	Debt Instruments	
Beginning balance	\$ 840,388	\$ 1,300,317	\$ 1,563,735	\$ 673,079	\$ 4,377,519
Recognized in profit or loss	(131,573)	6,143	-	-	(125,430)
Recognized in other comprehensive income	-	-	(375,781)	12,661	(363,120)
Purchases	606,715	733,694	-	205,868	1,546,277
Sales/settlements/amortization of discount and premium	(396,197)	(260,476)	-	(28,763)	(685,436)
Transfers into Level 3	137,108	-	-	-	137,108
Transfers out of Level 3	(173,096)	-	-	-	(173,096)
Additional amounts recognized from currency rate	<u>-</u>	<u>75,617</u>	<u>-</u>	<u>16,714</u>	<u>92,331</u>
Ending balance	<u>\$ 883,345</u>	<u>\$ 1,855,295</u>	<u>\$ 1,187,954</u>	<u>\$ 879,559</u>	<u>\$ 4,806,153</u>
Recognized in gains (losses) - unrealized	<u>\$ (129,356)</u>	<u>\$ (4,468)</u>	<u>\$ (375,781)</u>	<u>\$ 12,661</u>	<u>\$ (496,944)</u>

Financial Liabilities	Financial Liabilities at FVTPL
Beginning balance	\$ 89,753
Recognized in profit or loss	(4,401)
Purchases	53,617
Sales/settlements	<u>(120,934)</u>
Ending balance	<u>\$ 18,035</u>
Recognized in gains - unrealized	<u>\$ 4,401</u>

Financial Assets	For the Year Ended December 31, 2021				Total
	Financial Assets at FVTPL		Financial Assets at FVTOCI		
	Equity Instruments	Debt Instruments	Equity Instruments	Debt Instruments	
Beginning balance	\$ 356,158	\$ 1,876,562	\$ 760,528	\$ 591,738	\$ 3,584,986
Recognized in profit or loss	116,753	19,640	-	-	136,393
Recognized in other comprehensive income	-	-	803,207	(15,339)	787,868
Purchases	516,616	737,257	-	96,744	1,350,617
Sales/settlements/amortization of discount and premium	(207,885)	(811,989)	-	(56)	(1,019,930)
Transfers into Level 3	128,484	-	-	-	128,484
Transfers out of Level 3	(69,738)	(458,166)	-	-	(527,904)
Additional amounts recognized from currency rate	<u>-</u>	<u>(62,987)</u>	<u>-</u>	<u>(8)</u>	<u>(62,995)</u>
Ending balance	<u>\$ 840,388</u>	<u>\$ 1,300,317</u>	<u>\$ 1,563,735</u>	<u>\$ 673,079</u>	<u>\$ 4,377,519</u>
Recognized in gains (losses) - unrealized	<u>\$ 128,368</u>	<u>\$ 19,424</u>	<u>\$ 803,207</u>	<u>\$ (15,339)</u>	<u>\$ 935,660</u>

Financial Liabilities	Financial Liabilities at FVTPL
Beginning balance	\$ 137,466
Recognized in profit or loss	5,367
Purchases	282,867
Sales/settlements	<u>(335,947)</u>
Ending balance	<u>\$ 89,753</u>
Recognized in losses - unrealized	<u>\$ (5,367)</u>

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair value of financial assets and financial liabilities were determined as follows:

- a) With standard terms and conditions on active market trading of financial assets and financial liabilities at fair value, respectively, of the quoted market price decision. If quoted market prices are not available, then using a valuation technique. The Group adopts valuation techniques and assumptions used in the estimates and assumptions, as well as the market participants to price financial instruments when used as estimates and assumptions consistent.

- b) If derivatives have quoted market price, then the quoted market price as fair value. If quoted market prices are not available, non-option derivative using derivatives during the existence applicable the yield curve to calculate the discounted cash flow analysis of the fair value, and option derivatives using option pricing model to calculate fair value. The Group adopts valuation techniques used in the estimates and assumptions, as well as the market participants to price financial instruments when used as estimates and assumptions consistent.
 - c) Other financial assets and financial liabilities (except to the above) in accordance with the fair value of the discounted cash flow analysis based on the generally accepted pricing models decisions.
- 4) Credit risk valuation adjustment is set out below:

Credit risk valuation consists of credit valuation adjustment and debit valuation adjustment.

Credit valuation adjustment adopts for derivative contracts trading in other than exchange market, over the counter, and reflects the non-performance risk of counter party on fair value.

Debit valuation adjustment adopts for derivative contracts trading in other than exchange market, over the counter, and reflects the non-performance risk of the Group on fair value.

The Group calculated credit valuation adjustment based on models with inputs of Probability of Default (PD) and Loss Given Default (LGD) multiplying Exposure at Default (EAD).

The Group calculates counterparties' EAD based on mark-to-market fair value of OTC derivative instruments.

The Group takes 60% as the PD of counterparties, and subject to change under the risk nature and data feasibility.

The Group takes credit risk valuation adjustment into valuation of the fair value of financial instruments, thus reflect the credit quality of counterparties.

5) Quantitative information about the significant unobservable inputs (Level 3) used in the fair value measurement

December 31, 2022

Financial Instruments Measured at Fair Value	Fair Value at December 31, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	The Relationship Between Inputs and Fair Value
Non-derivative financial assets					
Current financial assets at FVTPL					
Operating securities - Emerging stocks	\$ 503,556	Market value with liquidity valuation discount	Discount for lack of liquidity	0%-20%	The higher discount for lack of liquidity, the lower fair value
Operating securities - foreign currency denominated bonds	1,855,295	OTC quotes/quotes from Bloomberg's model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Stocks other than listed and traded over the counter	339,800	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and discount for lack of liquidity the lower fair value
Non-current financial assets at FVTPL					
Stocks other than listed and traded over the counter	39,989	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and discount for lack of liquidity the lower fair value
Non-current financial assets at FVTOCI					
Stocks other than listed and traded over the counter	1,187,954	Market approach	Discount for lack of liquidity	10%-30%	The higher discount for lack of liquidity, the lower fair value
Operating securities - foreign currency denominated bonds	879,559	OTC quotes/quotes from Bloomberg's model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Derivative financial liabilities					
Financial liabilities designated as at FVTPL					
Structured instruments	18,035	Self-built option pricing model	Volatility	3%-33% (Note)	The higher the volatility, the higher fair value

Note: The volatility of structured instruments ranged from 3% to 33%.

December 31, 2021

Financial Instruments Measured at Fair Value	Fair Value at December 31, 2021	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	The Relationship Between Inputs and Fair Value
Non-derivative financial assets					
Current financial assets at FVTPL					
Operating securities - Emerging stocks	\$ 395,591	Market value with liquidity valuation discount	Discount for lack of liquidity	0%-20%	The higher discount for lack of liquidity, the lower fair value No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Operating securities - foreign currency denominated bonds	1,300,317	OTC quotes/quotes from Bloomberg's model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	
Stocks other than listed and traded over the counter	266,971	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and discount for lack of liquidity the lower fair value
Non-current financial assets at FVTPL					
Stocks other than listed and traded over the counter	177,826	Market approach or asset approach	Other shareholder and Discount for lack of liquidity	20%-35%	The higher other shareholder and discount for lack of liquidity the lower fair value
Non-current financial assets at FVTOCI					
Stocks other than listed and traded over the counter	1,563,735	Market approach	Discount for lack of liquidity	10%-30%	The higher discount for lack of liquidity, the lower fair value
Operating securities - foreign currency denominated bonds	673,079	OTC quotes/quotes from Bloomberg's model or providing reference quotes	Discount for lack of liquidity	Could not be estimated	No disclosures have been made because zero coupon callable bonds and foreign currency denominated bonds lack liquidity in the OTC market, resulting in the inability to obtain observable market liquidity reduction factors.
Derivative financial liabilities					
Financial liabilities designated as at FVTPL					
Structured instruments	89,753	Self-built option pricing model	Volatility	3%-53% (Note)	The higher the volatility, the higher fair value

Note: The volatility of structured instruments ranged from 3% to 53%.

6) Valuation processes for fair value measurements categorized within Level 3

The Group's Risk Management Division (the "Division") is responsible for independently verifying fair value, confirming that the information needed is correct and consistent before valuing the financial instruments with the use of models, calibrating measurement models in relation to market prices, and updating the inputs required for models so that the model results will closely approximate market status. In addition to maintaining the accuracy of measurement models, the Division also examines periodically the reasonableness of prices.

7) The sensitivity analysis of reasonable and possible alternative hypotheses for level 3 fair value measurement

The Group's measurement of the fair value of financial instruments is considered reasonable; however, the valuation results may be different if different valuation models or inputs were used. For debt instruments classified as Level 3 and whose fair value sources lack observable market liquidity reduction factors, if changes in the estimated liquidity cost (based on the historical data of the market price spread in the past two years, estimated at a 99% confidence interval) is included in the estimation, the impact on profit and loss would be as follows:

Project	December 31, 2022		December 31, 2021	
	Unfavorable Change	Favorable Change	Unfavorable Change	Favorable Change
<u>Assets</u>				
Financial assets at FVTPL				
Operating securities - foreign currency denominated bonds	\$ (94,250)	\$ 94,250	\$ (73,092)	\$ 73,092

b. Categories of financial instruments

	<u>December 31</u>	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 104,134,857	\$ 108,794,214
Financial assets at FVTPL		
Financial assets mandatorily measured at FVTPL	36,449,809	41,056,743
Financial assets at FVTOCI		
Equity instrument investments	3,798,935	6,388,378
Debt instrument investments	12,848,417	11,122,338
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	108,321,136	132,420,018
Financial liabilities at FVTPL		
Financial liabilities held for trading	17,255,693	13,434,875
Financial liabilities designated as at FVTPL	11,640,564	517,046

Note 1: Financial assets at amortized cost include cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, receivable of securities business money lending, receivables of money lending - any use, customer margin account, futures exchanges margins receivable, security borrowing collateral price, security borrowing margin, notes and accounts receivable, other receivables, other current financial assets, restricted current assets, guarantee deposits paid and overdue receivables.

Note 2: Financial liabilities measured at amortized cost include current borrowings, commercial paper payable, liabilities for bonds sold with attached agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, futures trader's equity, equity for each customer in the account, notes and accounts payable, other payables, other current financial liabilities, long-term liabilities-current portion, bonds payable, long-term borrowings and guarantee deposits received.

Financial liabilities designated at FVTPL, were as follows:

	December 31	
	2022	2021
The difference between carrying amount and contract expiry amount		
Structured instruments at fair value	\$ 11,640,564	\$ 517,046
Amount payable at maturity	<u>(11,559,188)</u>	<u>(520,345)</u>
	<u>\$ 81,376</u>	<u>\$ (3,299)</u>

There is no impact from credit risk on the changes in fair values of the Group's financial liabilities designated as at FVTPL.

c. Financial risk management objective and policy

1) Risk management organization

The Corporation has a risk management committee under the chairman who is the committee convener. The committee is in charge of deliberating risk management policies, regulations and overall risk limitation. It helps the Board fully supervise the risk management and related operations. Further, it set up a risk management division that is guided by the manager and is responsible for planning, managing, assessing and executing daily risk management procedures. The committee deliberates each policy, principle and regulation, which are presented to the Board for final approval and executed by the risk management division. The risk management division reviews the results and performance of the risk management committee.

2) Goal and policy of risk management

The Group objectives and policies of risk management are based on the concept of capital allocation to define the overall total exposure limit. Under this concept and risk management principles, the Group pursues steady growth within a certain level of risk.

a) Market risk

Market risk refers to the possible loss due to the change in market interest rates, equity instruments, foreign exchange rates and market value change in derivatives which resulted from trading commodity, such as forwards, options, futures, swaps and other composition transactions.

The Group applies the concept of risk capital allocation in use to set the overall operating limit and market risk limit through the monitoring of limits, loss advisories and statistical measures to keep an eye on and control market risk in time. Moreover, for the efficient management of market risk, a regular assessment should be presented to the managerial level and the Board.

The Group uses value-at-risk (VaR), a statistical measure to estimate and manage market risk. Through a regular stress test, sensitivity test and feedback test, the Group will be able to verify the validity of the risk management system. The Group uses a risk managing tool, risk manager, designed by an internationally renowned institution, MSCI. The system provides more solid, precise quantitative indices and other tools for a more effective risk evaluation.

i. Value-at-risk (VaR)

VaR is a statistical measure that estimates potential losses and is defined as the predicted worst-scenario case due to changes in risk factors under normal circumstances over a specified period and at a specific level of statistical confidence. The VaR is calculated at a 99% confidence level for a one-day holding period, using changes in historical rates and prices.

The Group's VaR values were as follows:

	December 31	
	2022	2021
Equities	<u>\$ 52,195</u>	<u>\$ 82,882</u>
Interest rate	<u>\$ 92,445</u>	<u>\$ 101,044</u>
Overall market risk value	<u>\$ 127,893</u>	<u>\$ 106,501</u>
Percentage of net value	<u>0.43%</u>	<u>0.32%</u>

	For the Year Ended December 31					
	2022			2021		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Equities	\$ 99,845	\$ 25,132	\$ 265,238	\$ 131,261	\$ 71,627	\$ 228,304
Interest rate	168,185	73,656	285,736	76,177	19,375	181,465

Foreign exchange rate risk is mainly due to the purchase of foreign currency-denominated assets. The Group use certain agreed-upon proximal and distal exchanging points on currency swap contracts to manage foreign exchange risk, so the risk is rather low. For information on our foreign currency denominated monetary assets and monetary liabilities at the balance sheet date, refer to Note 40.

The table below shows the VaR for derivatives owned by the Group:

	December 31	
	2022	2021
Futures and options	\$ 150,851	\$ 61,742
Warrants	40,489	19,985
Interest rate swaps	53,593	4,032
Currency swaps	1,431	1,051
Asset swap options	63,635	50,984
Equity-linked notes	742	781
Credit-linked notes	11,800	4,622
Principal-guaranteed notes	1,362	1
Non-principal-guaranteed notes	-	42
Issuance of ETNs	-	8

ii. Sensitivity analysis

Aside from using VaR, the Group also uses several different sensitivity interest index (ex. DVP and DV01) and Greeks (ex. Delta, Gamma, and Vega) for risk assessment.

iii. Impact of interest rate benchmark reform

The financial instrument of the Group affected by interest rate benchmark reform include derivative and non-derivative financial assets and liabilities. The type of interest rate benchmark linked to it is mainly the London Inter Bank Offered Rate (LIBOR). LIBOR is a forward-looking interest rate benchmark that implies market expectations for future interest rate trend, and includes inter-bank credit discounts. The alternative reference rate of LIBOR is a retrospective interest rate benchmark with actual transaction data and does not include credit discounts. Therefore, additional adjustments must be made when existed contracts are modified from linking LIBOR to alternative interest rate indicator to ensure that the interest rate is economically equivalent between before and after modification.

The Group has formulated a LIBOR conversion plan to deal with product business strategy adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues required to meet the reform of interest rate benchmark. As of December 31, 2022, SinoPac Securities and its subsidiaries have identified all information systems and internal processes that need to be updated, including complying with “ISDA 2020 IBOR FALLBACKS PROTOCOL” in January 2021 which was announced on the ISDA website. And the Group has started discussions with financial instrument counterparties on how to amend the affected contracts. At present, the projects are implemented on time according to the schedule.

Interest rate benchmark reform mainly expose the basic interest rate risk to the Group. If the Group unable to complete the contracts modification with the counterparty before the decommission of LIBOR, the financial instrument will cause significant uncertainty to the interest rate basis and then that will trigger unexpected interest rate risk exposure.

As of December 31, 2022, the financial instruments of the Group that has been affected by interest rate benchmark reform and have not yet been converted to alternative interest rate benchmark are summarized as follows:

	Book Value		
		Financial Assets	Financial Liabilities
Non-derivatives			
USD LIBOR		\$ 2,358,858	\$ 921,707
EUR LIBOR		-	-
GBP LIBOR		-	-
JPY LIBOR		-	-
CHF LIBOR		-	-
		<u>\$ 2,358,858</u>	<u>\$ 921,707</u>
		Book Value	
	Nominal Amount	Financial Assets	Financial Liabilities
Derivatives			
USD LIBOR	\$ 50,162,340	\$ 1,103,920	\$ 1,151,094
EUR LIBOR	-	-	-
GBP LIBOR	-	-	-
JPY LIBOR	-	-	-
CHF LIBOR	-	-	-
	<u>\$ 50,162,340</u>	<u>\$ 1,103,920</u>	<u>\$ 1,151,094</u>

b) Credit risk

Credit risk is the risk of financial loss resulting from an issuer, a contract recipient or a borrower's change in credit ratings or failure to meet obligations.

The Group uses risk-based asset allocation to set its caps for total credit risk exposure. Through risk diversification, it monitors and manages the credit limits by single client, single entity, and single corporation. Through the internal rating system, the Group gives out an exposure limit corresponding to its trading object and reviews regularly. It also sets trading and exposure limits by type of product and department. At the same time, the credit rating of the trading object and counterparty should be above the acceptable level set by the Group. Besides managing by product, the Group should also consider the risk involved when of different departments handle the same financial instruments as well as the types of commodities being transacted.

The Group has set a credit risk limit monitoring panel to keep track of trading opponents and prepare credit risk limit usage statistical table daily and regularly prepare credit risk reports for the managerial level and Board's review.

The maximum credit risk exposures to financial loss arises principally from the financial assets recognized in the consolidated balance sheets. Except those listed below, the credit risk amounts of financial assets held by the Group approximated their carrying values.

	December 31			
	2022		2021	
	Carrying Value	Max. Credit Exposure Amount	Carrying Value	Max. Credit Exposure Amount
Interest rate swaps	\$ 3,929,411	\$ 3,018,312	\$ 1,263,599	\$ 2,367,795
Asset swap options	<u>453,594</u>	<u>645,950</u>	<u>1,294,849</u>	<u>1,522,136</u>
	<u>\$ 4,383,005</u>	<u>\$ 3,664,262</u>	<u>\$ 2,558,448</u>	<u>\$ 3,889,931</u>

The Group's credit risk of major financial assets are as follows:

i. Cash and cash equivalents

Cash and cash equivalents are mainly bank deposits and short-term notes whose counterparties are financial institutions with good credit. The Group not only complies with the Regulations Governing Securities Firms when uses its funds but also set transaction limits for short-term notes based on counterparties credit ratings.

ii. Accounts receivable

Receivables are accounts receivable, payments on behalf of others, temporary payments, and default-settlement receivables, arising from various types of business operations and transactions. The Group's receivables are covered by a large number of customers, scattered in different industries and geographical areas. The Group has the provision policy for assets impaired, and for a receivable overdue for more than 6 months, except for which have been paid in accordance with the agreement, its debt recovery should be conducted one by one, and be recognized as appropriate expected credit losses.

iii. Debt instruments and derivatives instruments trading

Of the overall transactions of the Group as of December 31, 2022, were 54% in the financial service sector and 19% in the electronic industry. In addition, the transaction amounts for trading objects with credit ratings of TWA+ and above has a market share of 83%.

The investment targets of the Group's debt instruments at fair value through other comprehensive income are limited to the domestic and foreign currency bonds approved by the authorities, and should have a rating of at least BBB+ from the latest external credit rating agency or a minimum of H3 from the internal financial holding department. The risk management department includes the investment positions in the control and management of the credit risk limits on a daily basis to ensure the debt security of the investment positions in the debt instruments measured at FVTOCI.

iv. Brokerage business, financing business and the related credit business

The Group uses the financing concentration system and the Merton's probability default (PD) model to monitor individual stock that has a higher default risk, and analyze any abnormal conditions to control the default risk. The controls of the financing business and the brokerage related credit business (including securities business money lending, securities lending, money lending - any use, etc.) are as follows:

- i) Concentration control: In addition to risk grading individual stock and setting the number of individual stock financing (accommodation) and credit limit of individual stock in the whole company, credit limits for the counterparties and related accounts are also set.
- ii) High-risk stock control: Regularly review the list of high-risk stock and dynamically adjust the number of high-risk stock financing, financing purchase quota and individual credit limits.

v. Security borrowing collateral price and security borrowing margin

Security borrowing margin deposits refer to the transaction margin deposits placed with the TWSE and creditworthy domestic and foreign financial institutions; hence, the loss from credit risk is very low. Security borrowing collateral price refers to the transaction deposits placed by creditworthy securities firms for hedging transactions involving warrants and margin trading.

vi. Guarantee deposits paid

Guarantee deposits paid mainly serves as the operating guarantee deposits and clearing and settlement fund. The operating guarantee deposits are the statutory deposit deposited with financial institution designated by the local authorities. The clearing and settlement funds are the statutory deposit with domestic and foreign stock and futures exchange. The risk for both operating guarantee deposits and clearing and settlement fund are rather low.

vii. Restricted assets

Restricted assets are mainly the bank deposits used as collateral for loans obtained by the Group. The financial institutions holding these restricted assets all have good credit rating.

c) Liquidity risk

Liquidity risk refers to the risk that assets cannot be realized or sufficient capital cannot be obtained, so that the due obligations cannot be fulfilled (called “capital liquidity risk”), and due to insufficient market depth or disorder, the risk of significant changes of the market price when dealing with or offsetting the position held (called “market liquidity risk”).

The Group has multiple sources of funding besides its own equity fund. It can also get the funding through borrowing from banks or, issuing commercial papers and corporate bonds. For any emergencies, financial responsibility department should report to the general manager and the chairman immediately and general manager hold a immediately meeting to discuss the emergency plan for cash flow gap. If there will be material extensions, general manager should submit a project report to the risk management committee.

For ensuring capital needs for business development of the subsidiary of the Corporation, mid-term and long-term capital was fulfilled with credit lines from financial institutions and will be approved by authorized person on demand.

Each trading authority of the Group shall set market liquidity risk control indicators in various business management rules, and the risk management unit shall perform control in accordance with each business management rule. The risk management unit should regularly review the overall position of the Group and review their liquidity. When there is an abnormal liquidity or an early warning, the general manager and related business units will be notified, and the business unit will propose an explanation or a response plan, and the risk management unit will continue to track the follow-up improvement.

As of December 31, 2022 and 2021, the credit lines unused were \$90,151,809 thousand and \$66,687,848 thousand, respectively.

The table below shows the analysis of the remaining contractual maturities for financial liabilities as of December 31, 2022 and 2021:

December 31, 2022	Payment Period				Total
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	
Current borrowings	\$ 309,456	\$ -	\$ -	\$ -	\$ 309,456
Commercial paper payable	900,000	-	-	-	900,000
Current financial liabilities at FVTPL	22,568,176	889,816	5,356,889	-	28,814,881
Liabilities for bonds with attached repurchase agreements	31,330,766	369,073	-	-	31,699,839
Securities financing refundable deposits	4,172,275	-	-	-	4,172,275
Deposits payable for securities financing	3,973,588	-	-	-	3,973,588
Securities lending refundable deposits	10,452,320	-	-	-	10,452,320
Futures traders' equity	33,036,135	-	-	-	33,036,135
Equity for each customer in the account	525,327	-	-	-	525,327
Notes and accounts payable	15,621,550	-	-	-	15,621,550
Other payables	1,797,525	-	-	-	1,797,525
Bonds payable	66,583	64,525	2,295,306	3,190,686	5,617,100
Long-term borrowings	923,878	-	-	-	923,878
Lease liabilities	61,985	178,386	398,808	26,879	666,058
	<u>\$ 125,739,564</u>	<u>\$ 1,501,800</u>	<u>\$ 8,051,003</u>	<u>\$ 3,217,565</u>	<u>\$ 138,509,932</u>

December 31, 2021	Payment Period				
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	Total
Current borrowings	\$ 274,784	\$ -	\$ -	\$ -	\$ 274,784
Commercial paper payable	17,000,000	6,350,000	-	-	23,350,000
Current financial liabilities at FVTPL	9,866,867	308,101	3,693,270	86,982	13,955,220
Liabilities for bonds with attached repurchase agreements	23,508,379	1,720,461	-	-	25,228,840
Securities financing refundable deposits	2,873,781	-	-	-	2,873,781
Deposits payable for securities financing	3,244,589	-	-	-	3,244,589
Securities lending refundable deposits	9,349,612	-	-	-	9,349,612
Futures traders' equity	35,165,089	-	-	-	35,165,089
Equity for each customer in the account	495,486	-	-	-	495,486
Notes and accounts payable	26,947,399	-	-	-	26,947,399
Other payables	2,230,569	-	-	-	2,230,569
Other current financial liabilities	20,000	-	-	-	20,000
Long-term liabilities - current portion	3,775	445,051	-	-	448,826
Bonds payable	19,638	10,696	2,033,666	-	2,064,000
Long-term borrowings	831,212	-	-	-	831,212
Lease liabilities	63,149	183,323	502,734	5,890	755,096
	<u>\$ 131,894,329</u>	<u>\$ 9,017,632</u>	<u>\$ 6,229,670</u>	<u>\$ 92,872</u>	<u>\$ 147,234,503</u>

As of December 31, 2022 and 2021, none of the Group's lease contracts had remaining lease terms exceeding 10 years.

The analysis of the remaining contractual maturities of financial liabilities is based on the earliest due date and prepared on the basis of undiscounted cash flows.

d. Transfers of financial assets

The transferred financial assets of the Group that do not qualify for derecognition in the daily operation are mainly bonds with attached repurchase agreement.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but the Group retains the liabilities to repurchase the transferred financial assets at fixed price in the future period. The Group cannot use, sell, or pledge these transferred financial assets within the validity period of the transaction. However, the Group still bears the interest rate risk and credit risk; thus, it does not derecognize it. Analysis of financial assets and related liabilities not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	December 31, 2022				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
<u>Transactions with repurchase agreements</u>					
Financial assets at FVTPL	\$ 12,432,080	\$ 11,823,997	\$ 12,432,080	\$ 11,823,997	\$ 608,083
Financial assets at FVTOCI	12,346,136	12,231,559	12,346,136	12,231,559	114,577
Bond investments under resale agreements	7,138,654	7,556,781	7,138,654	7,556,781	(418,127)

Category of Financial Asset	December 31, 2021				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
<u>Transactions with repurchase agreements</u>					
Financial assets at FVTPL	\$ 11,451,163	\$ 10,290,891	\$ 11,451,163	\$ 10,290,891	\$ 1,160,272
Financial assets at FVTOCI	10,149,125	10,305,942	10,149,125	10,305,942	(156,817)
Bond investments under resale agreements	3,983,759	4,615,870	3,983,759	4,615,870	(632,111)

e. Offsetting of financial assets and financial liabilities

The Group has partial of receivables from securities sale and payables from securities purchase which meeting offsetting condition, and then offset them on the balance sheets.

The Group engages in transactions with net settlement contracts or similar agreements with counterparties, when net settlement of financial assets and financial liabilities by the choice of both parties. If not, the settlement will be based on the total amount. And if one party defaulted, the other one may choose to net settlement.

The offsetting information of financial assets and financial liabilities were as follows:

December 31, 2022

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 4,385,357	\$ -	\$ 4,385,357	\$ 3,473,117	\$ -	\$ 912,240
Bond investments under resale agreements	7,609,811	-	7,609,811	7,609,811	-	-
Accounts receivable for sale of securities	<u>3,166,854</u>	<u>2,458,962</u>	<u>707,892</u>	-	-	<u>707,892</u>
	<u>\$ 15,162,022</u>	<u>\$ 2,458,962</u>	<u>\$ 12,703,060</u>	<u>\$ 11,082,928</u>	<u>\$ -</u>	<u>\$ 1,620,132</u>
Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 4,730,422	\$ -	\$ 4,730,422	\$ 3,473,117	\$ -	\$ 1,257,305
Liabilities for bonds with attached repurchase agreements	31,612,337	-	31,612,337	29,203,511	-	2,408,826
Accounts payable for securities purchased	<u>2,699,311</u>	<u>2,458,962</u>	<u>240,349</u>	-	-	<u>240,349</u>
	<u>\$ 39,042,070</u>	<u>\$ 2,458,962</u>	<u>\$ 36,583,108</u>	<u>\$ 32,676,628</u>	<u>\$ -</u>	<u>\$ 3,906,480</u>

December 31, 2021

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 2,607,415	\$ -	\$ 2,607,415	\$ 1,081,793	\$ -	\$ 1,525,622
Bond investments under resale agreements	4,470,013	-	4,470,013	4,470,013	-	-
Accounts receivable for sale of securities	<u>6,042,767</u>	<u>4,092,762</u>	<u>1,950,005</u>	-	-	<u>1,950,005</u>
	<u>\$ 13,120,195</u>	<u>\$ 4,092,762</u>	<u>\$ 9,027,433</u>	<u>\$ 5,551,806</u>	<u>\$ -</u>	<u>\$ 3,475,627</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 3,792,860	\$ -	\$ 3,792,860	\$ 1,081,793	\$ -	\$ 2,711,067
Liabilities for bonds with attached repurchase agreements	25,212,703	-	25,212,703	21,720,854	-	3,491,849
Accounts payable for securities purchased	<u>5,244,719</u>	<u>4,092,762</u>	<u>1,151,957</u>	-	-	<u>1,151,957</u>
	<u>\$ 34,250,282</u>	<u>\$ 4,092,762</u>	<u>\$ 30,157,520</u>	<u>\$ 22,802,647</u>	<u>\$ -</u>	<u>\$ 7,354,873</u>

35. FINANCIAL RATIO RESTRICTIONS BASED ON THE FUTURES TRADING ACT

- a. The financial ratios of the Corporation's futures department and SinoPac Futures which are all in compliance with the restrictions of the Futures Trading Act are summarized as follows:

- 1) The Corporation's futures department

December 31, 2022					
Calculation Formula	Equation	Ratio	Benchmark	Status of Compliance	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity (Note)}}$	$\frac{\$1,959,347}{\$6,418}$	=305.29	≥ 1	In compliance	
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$3,442,947}{\$6,418}$	=536.45	≥ 1	In compliance	
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$1,959,347}{\$2,000,000}$	=98%	$\geq 60\%$ $\geq 40\%$	In compliance	
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$1,358,480}{\$770,161}$	=176%	$\geq 20\%$ $\geq 15\%$	In compliance	

					December 31, 2021		
	Calculation Formula	Equation	Ratio	Benchmark	Status of Compliance		
a)	$\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity (Note)}}$	$\frac{\$958,701}{\$18,045}$	=53.13	≥ 1	In compliance		
b)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$1,503,951}{\$18,045}$	=83.34	≥ 1	In compliance		
c)	$\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$958,701}{\$1,000,000}$	=96%	$\geq 60\%$ $\geq 40\%$	In compliance		
d)	$\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$698,637}{\$484,765}$	=144%	$\geq 20\%$ $\geq 15\%$	In compliance		

Note: According to the Rule No. 1070309857 issued by the FSC on April 20 2018, the accounting items of internal transactions can be deducted from the total liabilities.

2) SinoPac Futures

					December 31, 2022		
	Calculation Formula	Equation	Ratios	Benchmark	Status of Compliance		
a)	$\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$3,807,517}{\$220,948}$	= 17.23	≥ 1	In compliance		
b)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$34,422,314}{\$31,414,472}$	= 1.10	≥ 1	In compliance		
c)	$\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$3,807,517}{\$715,000}$	= 533%	$\geq 60\%$ $\geq 40\%$	In compliance		
d)	$\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$3,379,566}{\$7,955,729}$	= 42%	$\geq 20\%$ $\geq 15\%$	In compliance		

Calculation Formula	December 31, 2021			Status of Compliance
	Equation	Ratios	Benchmark	
a) $\frac{\text{Stockholder's equity}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$3,146,997}{\$208,798}$	= 15.07	≥ 1	In compliance
b) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$37,384,551}{\$34,946,213}$	= 1.07	≥ 1	In compliance
c) $\frac{\text{Stockholder's equity}}{\text{Minimum paid-in capital}}$	$\frac{\$3,146,997}{\$715,000}$	= 440%	$\geq 60\%$ $\geq 40\%$	In compliance
d) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$2,848,148}{\$9,882,176}$	= 29%	$\geq 20\%$ $\geq 15\%$	In compliance

- b. The management department of SinoPac Futures renders discretionary investment services. As shown below, the ratios of discretionary investment account to stockholders' equity as of December 31, 2022 and 2021 were in conformity with the benchmark stipulated in the Regulations Governing Managed Futures Enterprises.

Calculation Formula	December 31				Benchmark
	2022		2021		
	Equation	Ratios	Equation	Ratios	
$\frac{\text{Amount of discretionary investment account}}{\text{Stockholder's equity}}$	$\frac{\$307,210}{\$103,001}$	= 2.98	$\frac{\$461,290}{\$104,345}$	= 4.42	≤ 10.00

36. SPECIFIC RISK FROM FUTURES DEALING

- a. Futures dealing

The Group pays margin deposits when the margin account of the Group is reevaluated on the basis of the market prices of the outstanding futures and option contracts. If the margin is less than the maintenance level, the Group should either deposit additional margin or write off the contracts.

For the outstanding futures and options contracts as of December 31, 2022 and 2021, refer to Note 7.

- b. Futures brokering

Customers pay margin deposits when entering into futures and option transactions. Customers gain or lose a lot on the leverage resulting from the margin deposits. For the protection harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures and option contracts. Customers immediately to put in additional margin deposits when their margin accounts fall below an agreed level (the "maintenance margin"). If the customers fail to do so, their position will be settled by writing off the contracts.

As of December 31, 2022 and 2021, the outstanding futures and options held by customers were as follows:

	December 31	
	2022	2021
Futures - carrying value	\$ 59,808,605	\$ 48,797,324
- unrealized losses from outstanding contracts	(988,231)	(729,921)
Options - market value of long options	294,464	128,313
- market value of short options	(433,162)	(246,277)
Customers' margin accounts	33,036,135	35,165,089

c. Futures management

The term “discretionary futures trading” refers to the management department of Sinopac Futures accepting commissions from specified persons and performing analyses and making judgments on futures trading in order to execute futures trading operations on behalf of, and with trading funds consigned by, the principal. Before engaging in consignments with the Management Department of SinoPac Futures for discretionary futures trading, principals should note these characteristics of futures transactions: Low margin and high finance-leverage. Because of these characteristics, principals could earn high profits or suffer serious losses. Thus, principals should be closely considered in evaluating the various factors affecting futures trading before actually making the trade. Discretionary futures trading are not risk-free transactions, and the management department of SinoPac Futures will not be responsible for any gain (loss) and will not guarantee minimum profitability.

37. SEGMENT FINANCIAL INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance which is focus on operational performance across companies. The Group's business scope of each segment, refer to Table 4 and 6. The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

Item	For the Year Ended December 31, 2022						
	The Corporation	SinoPac Futures Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
Revenue	\$ 9,258,624	\$ 1,522,037	\$ 635,878	\$ 269,601	\$ 11,686,140	\$ (257,558)	\$ 11,428,582
Expenditure and expense	(7,956,172)	(1,136,949)	(798,118)	(338,911)	(10,230,150)	279,063	(9,951,087)
Other gains and losses	678,062	230,636	193,009	19,051	1,120,758	(489,539)	631,219
Profit (loss) before tax	1,980,514	615,724	30,769	(50,259)	2,576,748	(468,034)	2,108,714
Income tax expense	(398,019)	(120,608)	-	(7,592)	(526,219)	-	(526,219)
Profit (loss)	<u>\$ 1,582,495</u>	<u>\$ 495,116</u>	<u>\$ 30,769</u>	<u>\$ (57,851)</u>	<u>\$ 2,050,529</u>	<u>\$ (468,034)</u>	<u>\$ 1,582,495</u>

Item	For the Year Ended December 31, 2021						
	The Corporation	SinoPac Futures Corporation	SinoPac Securities (Asia) Ltd.	Other Operating Segment	Operating Segment Total	Inter-Segment Revenue	Total
Revenue	\$ 12,930,373	\$ 1,400,947	\$ 904,147	\$ 344,348	\$ 15,579,815	\$ (271,156)	\$ 15,308,659
Expenditure and expense	(8,192,461)	(1,041,979)	(913,496)	(391,005)	(10,538,941)	280,102	(10,258,839)
Other gains and losses	706,844	109,994	92,754	194,975	1,104,567	(612,415)	492,152
Profit (loss) before tax	5,444,756	468,962	83,405	148,318	6,145,441	(603,469)	5,541,972
Income tax expense	(629,917)	(95,213)	-	(2,003)	(727,133)	-	(727,133)
Profit (loss)	<u>\$ 4,814,839</u>	<u>\$ 373,749</u>	<u>\$ 83,405</u>	<u>\$ 146,315</u>	<u>\$ 5,418,308</u>	<u>\$ (603,469)</u>	<u>\$ 4,814,839</u>

The segment profit is the performance of each segment. The amounts provided to chief operating decision maker who can distribute resource and evaluate the achievement.

The Group did not provide assets and liabilities amounts of segment to operating decision makers, according to regulations, assets and liabilities of the comping transportation department may not be disclosed.

The Group mainly engages in dealing, underwriting and brokering of marketable securities, financing the acquisition, short-sales by customers and futures dealing in Taiwan and Hong Kong. For geographical information, refer to the result of the segments revenue and operating analysis. No single customers contributed 10% or more to the Group's revenue, thus no major customers information needed to be disclosed.

38. ADDITIONAL DISCLOSURES

- a. The significant transactions:
 - 1) Financing provided to others: Table 1.
 - 2) Endorsements/guarantees provided: None.
 - 3) Acquisition of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None.
 - 4) Disposal of individual real estates at prices of at least NT\$300 million or 20% of the paid-in capital: None.
 - 5) Total discount of commissions and fees to related parties amounting to 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: Table 2.
 - 7) Intercompany relationship and significant intercompany transactions: Table 3.
- b. The related information on investees: Table 4.
- c. Information on established branch units and representative offices overseas: Table 5.
- d. Information on investment in Mainland China: Table 6.
- e. Information of major shareholder: The Corporation is not listed or traded over the counter, so it is not applicable.

39. DISCLOSURES REQUIRED UNDER MINISTRY OF FINANCE RULING NO. 10703209011 DATED JUNE 1, 2018

The Corporation invested non-registered in the member of IOSCO MMoU or did not acquire the licenses of securities and futures which approved by IOSCO MMoU included SinoPac Securities (Cayman) and SinoPac Financial Consulting (Shanghai), information on these investees' operating activities was as follows:

- a. Balance sheets: Tables 7 to 8.
- b. Statements of comprehensive income: Tables 9 to 10.
- c. Securities held: Table 11.

- d. Derivative financial transactions and the source of capital: None.
- e. Revenues from assets management business, service contents and litigation: None.

The Corporation invested and acquired a 10.9375% ownership interest in a Cayman Islands-based company, SMS Consumer Fund L.P. Since the Corporation had no control over the investee and the related investment was not material to the Corporation, the investee's operating results was not disclosed. After the company obtained the liquidation certificate of the company in July 2022, it submitted a letter to TWSE to transfer to the Financial Supervisory Commission to declare the dissolution and liquidation.

40. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

Unit: Foreign Currencies/New Taiwan Dollars in Thousands

	December 31, 2022		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,653,019	30.721	\$ 50,784,103
NTD	752,789	1.000	752,789
HKD	638,238	3.938	2,513,423
CNY	1,555,618	4.406	6,859,568
EUR	103,576	32.725	3,389,547
AUD	40,489	20.839	844,019
JPY	25,361,842	0.232	5,893,589
ZAR	81,112	1.880	152,520
GBP	2,954	37.059	109,469
<u>Financial liabilities</u>			
Monetary items			
USD	1,513,334	30.721	46,490,891
NTD	247,258	1.000	247,258
HKD	625,338	3.938	2,462,580
CNY	826,644	4.406	3,642,302
EUR	100,977	32.725	3,304,487
AUD	19,629	20.839	409,048
JPY	24,950,513	0.232	5,798,036

	December 31, 2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,738,651	27.688	\$ 48,139,193
NTD	2,248,385	1.000	2,248,385
HKD	375,383	3.549	1,332,270
CNY	1,874,580	4.349	8,152,709
EUR	123,656	31.321	3,873,023
AUD	25,687	20.095	516,182
JPY	13,194,380	0.240	3,173,034
ZAR	154,802	1.736	268,788
GBP	4,342	37.290	161,916
<u>Financial liabilities</u>			
Monetary items			
USD	1,606,144	27.688	44,470,252
NTD	1,453,143	1.000	1,453,043
HKD	367,041	3.549	1,302,697
CNY	544,726	4.349	2,369,045
EUR	122,352	31.321	3,832,190
JPY	12,734,141	0.240	3,062,385
GBP	3,432	37.290	128,010

Except for the information summarized above, the Group still had undue currency swap contracts as of December 31, 2022 and 2021. For information on outstanding currency swap contracts, refer to Note 7.

The foreign currency exchange gains and losses for the years ended December 31, 2022 and 2021 recognized were a gain of \$658,850 thousand and a gain of \$26,411 thousand, respectively.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Year	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
1	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Other receivable	Yes	\$ 3,652,584 (Note)	\$ 2,765,120 (Note)	\$ 921,707 (Note)	5.74629%	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$ 3,432,249 (Note)	\$ 3,432,249 (Note)

Note: In June 2019, August and September 2022, the Board of SinoPac Securities (Cayman) approved the credit lines of US\$30,000 thousand, US\$30,000 thousand and US\$30,000 thousand, respectively, to SinoPac Securities (Asia). The highest balance and the ending balance were determined based on the credit line of US\$120,000 thousand and US\$90,000 thousand (approximately NT\$3,652,584 thousand and NT\$2,765,120 thousand, respectively). The financing limit for each borrower and the aggregate financing limit were calculated based on the net worth of SinoPac Securities (Cayman) as of December 31, 2022, which was US\$111,714 thousand (approximately NT\$3,432,249 thousand). As of December 31, 2022, the actual borrowing amount was US\$30,000 thousand (approximately NT\$921,707 thousand) that was eliminated in the consolidated report.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Loss Allowance
					Amount	Action Taken		
The Corporation	SinoPac Holdings	Parent company of the Corporation	\$ 292,326 (Note 1)	-	\$ -	-	\$ -	\$ -
SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiary of SinoPac Securities (Cayman)	921,707 (Note 2)	-	-	-	-	-
SinoPac Capital (Asia)	SinoPac Securities (Asia)	Parent company of SinoPac Capital (Asia)	150,203 (Note 3)	-	-	-	-	-

Note 1: The balance was mainly the receivable from adopting the linked-tax system (included in “current tax assets”).

Note 2: The balance was mainly the receivable from financing, and it was eliminated in the consolidated report.

Note 3: The balance was mainly the receivable from sale of securities, and it was eliminated in the consolidated report.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Transaction Company	Counterparty	Relationship with Transaction Company	Description of Transactions			Percentage to Consolidated Revenue/Assets (%)
				Financial Statement Account	Transaction Amount	Transaction Terms	
0	The Corporation	SinoPac Futures	Subsidiaries	Notes and accounts receivable	\$ 9,836	Based on contract	0.01
		SinoPac Futures	"	Customer margin accounts	529,919	Based on contract	0.31
		SinoPac Futures	"	Investments accounted for using equity method	93	Based on contract	0.00
		SinoPac Futures	"	Future commission revenue	136,893	Based on contract	1.20
		SinoPac Futures	"	Proprietary handling fee expense	6,962	Based on contract	0.06
		SinoPac Futures	"	Other gains and losses - rent revenue	6,960	Based on contract	0.06
		SinoPac Securities Investment Service	"	Other operating expense - professional service fees	83,000	Based on contract	0.73
		SinoPac Securities (Asia)	"	Customer margin accounts	12,937	Based on contract	0.01
		SinoPac Securities (Europe)	"	Brokerage handling fee expense	5,417	Based on contract	0.05
		1	SinoPac Futures	The Corporation	Parent company	Right-of-use assets	19,427
The Corporation	"			Current lease liabilities	6,863	Based on contract	0.00
The Corporation	"			Non-current lease liabilities	12,692	Based on contract	0.01
The Corporation	"			Notes and accounts payable	9,836	Based on contract	0.01
The Corporation	"			Futures traders' equity	529,919	Based on contract	0.31
The Corporation	"			Future commission expense	136,893	Based on contract	1.20
The Corporation	"			Brokerage handling fee revenue	6,962	Based on contract	0.06
The Corporation	"			Finance cost - interest of lease liabilities	138	Based on contract	0.00
The Corporation	"			Depreciation and amortization expense	6,857	Based on contract	0.06
SinoPac Securities (Asia)	Subsidiaries to subsidiaries			Customer margin accounts	2,783,406	Based on contract	1.63
SinoPac Securities (Asia)	"			Futures traders' equity	75,283	Based on contract	0.04
SinoPac Securities (Asia)	"			Future commission expense	7,150	Based on contract	0.06
2	SinoPac Securities Investment Service			The Corporation	Parent company	Revenue from advisory services	83,000
3	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Other receivables	921,707	Based on contract	0.54
		SinoPac Securities (Asia)	"	Other gains and losses - financial income	28,485	Based on contract	0.25
4	SinoPac Securities (Europe)	The Corporation	Parent company	Brokerage handling fee revenue	5,417	Based on contract	0.05

(Continued)

No.	Transaction Company	Counterparty	Relationship with Transaction Company	Description of Transactions			
				Financial Statement Account	Transaction Amount	Transaction Terms	Percentage to Consolidated Revenue/Assets (%)
5	SinoPac Securities (Asia)	The Corporation	Parent company	Futures traders' equity	\$ 12,937	Based on contract	0.01
		SinoPac Futures	Subsidiaries to subsidiaries	Futures traders' equity	2,783,406	Based on contract	1.63
		SinoPac Futures	"	Customer margin accounts	75,283	Based on contract	0.04
		SinoPac Futures	"	Brokerage handling fee revenue	7,150	Based on contract	0.06
		SinoPac Securities (Cayman)	"	Long-term liabilities - current portion	921,707	Based on contract	0.54
		SinoPac Securities (Cayman)	"	Finance costs	28,485	Based on contract	0.25
		SinoPac Capital (Asia)	"	Notes and accounts receivable	5,421	Based on contract	0.00
		SinoPac Capital (Asia)	"	Notes and accounts payable	150,203	Based on contract	0.09
		SinoPac Capital (Asia)	"	Other operating income - administrative fee revenue	36,456	Based on contract	0.32
		SinoPac Asset Management (Asia)	"	Other gains and losses	18,647	Based on contract	0.16
		SinoPac Asset Management (Asia)	"	Brokerage handling fee revenue	7,419	Based on contract	0.06
		SinoPac Solutions and Services	"	Other gains and losses - rent revenue	9,131	Based on contract	0.08
		6	SinoPac Solutions and Services	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Other operating expenditure - rent expense	9,131
7	SinoPac Capital (Asia)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Notes and accounts payable	5,421	Based on contract	0.00
		SinoPac Securities (Asia)	"	Notes and accounts receivable	150,203	Based on contract	0.09
		SinoPac Securities (Asia)	"	Other operating expenditure - Administrative fee expense	36,456	Based on contract	0.32
		SinoPac Asset Management (Asia)	"	Bonds with attached repurchase agreements	12,890	Based on contract	0.01
8	SinoPac Asset Management (Asia)	SinoPac Securities (Asia)	Subsidiaries to subsidiaries	Other gains and losses	18,647	Based on contract	0.16
		SinoPac Securities (Asia)	"	Brokerage handling fee expense	7,419	Based on contract	0.06
		SinoPac Capital (Asia)	"	Bond investments under resale agreements	12,890	Based on contract	0.01

Note: The above amounts were eliminated in the consolidated report.

(Concluded)

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Date of Incorporation	Financial Supervisory Commission Approved Date and Ref. No	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Operating Revenues (Loss) of the Investee	Net Income (Loss) of the Investee	Share of Profit (Loss)	Cash Dividends	Note
						December 31, 2022	December 31, 2021	Shares	%	Carrying Amount					
The Corporation	SinoPac Futures	Taiwan	January 31, 1994	November 16, 1993 Ref. No.: (82) Tai-Cai-Zheng (fa) Letter No. 30579	Futures brokering, dealing, advisory, managed enterprise and securities investment consulting services	\$ 1,327,096	\$ 827,096	167,525,053	100	\$ 3,808,415	\$ 1,521,078	\$ 495,116	\$ 495,151	\$ 260,972	Subsidiary (Note)
	SinoPac Securities (Cayman)	Cayman Islands	April 30, 1998	April 30, 1998 Ref. No.: (87) Tai-Cai-Zheng (II) Letter No. 01097	Investment holding company	4,664,305	4,664,305	137,752,581	100	3,432,249	(12,031)	(16,021)	(16,021)	-	Subsidiary
	SinoPac Securities Investment Service	Taiwan	June 14, 1995	April 18, 2001 Ref. No.: (90) Tai-Cai-Zheng (IV) Letter No. 112817	Securities investment consulting and offshore fund distributor business	86,028	86,028	15,000,000	100	171,013	102,807	4,063	4,063	-	Subsidiary
	SinoPac Securities Venture Capital	Taiwan	March 13, 2020	January 31, 2020 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1080340332	Venture capital investment	600,000	600,000	70,154,042	100	699,674	4,907	(13,600)	(13,600)	-	Subsidiary
SinoPac Securities (Cayman)	SinoPac Securities (Europe)	United Kingdom	May 7, 1999	January 10, 1999 Ref. No.: (88) Tai-Cai-Zheng (II) Letter No. 104674	Brokerage agency service	108,242	108,242	2,000,000	100	34,071	10,510	(9,310)	(9,310)	-	Indirect subsidiary
	SinoPac Securities (Asia)	Hong Kong	April 12, 1994	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Stock and futures contract brokerage and dealing business	4,169,663	4,169,663	82,106	100	3,457,563	718,431	30,769	15,814	-	Indirect subsidiary
	SinoPac Asset Management (Asia)	Hong Kong	October 25, 1994	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Asset management and investment consulting	497,100	497,100	95,550,000	100	247,828	152,049	(18,535)	(18,535)	-	Indirect subsidiary
SinoPac Securities (Asia)	SinoPac Capital (Asia)	Hong Kong	October 3, 1995	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Proprietary trading	1,003,288	1,003,288	218,000,000	100	746,874	72,629	(32,881)	(32,881)	-	Indirect subsidiary
	SinoPac Solutions and Services	Hong Kong	September 9, 2013	August 9, 2013 Ref. No.: Jin-Guan-Zheng-Chuan Letter No. 1020029368	Fund administration services	79,292	79,292	46,800,000	100	170,485	66,805	17,973	17,973	-	Indirect subsidiary
	SinoPac (Asia) Nominees Ltd.	Hong Kong	October 3, 1995	February 29, 1996 Ref. No.: (85) Tai-Cai-Zheng (II) Letter No. 13792	Trust account on overseas stock	-	-	2	100	-	-	-	-	-	Indirect subsidiary

Note: The investment gains and losses recognized in the current period and the carrying amount at the end of the period are included in the amount that is adjusted for the difference between the individual and the consolidated basis for accounting treatment as a result of applying IFRS 16.

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

**INFORMATION ON ESTABLISHED BRANCHES AND REPRESENTATIVE OFFICES OVERSEAS
FOR THE YEAR ENDED DECEMBER 31, 2022**

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Overseas Branches or Representative Offices	Location	Date of Incorporation	Financial Supervisory Commission Approved Date and Ref. No	Main Businesses and Products	Operating Revenue	Profit (Loss) for the Period	Operating Capital				Significant Transactions with the Head Office	Note
							Beginning Balance	Increase in Operating Capital	Decrease in Operating Capital	Ending Balance		
SinoPac Securities (Asia) Ltd. Shanghai Representative Office	Shanghai, China	December 3, 1999	February 5, 1997 Ref. No.: (86) Tai-Cai-Zheng (II) Letter No. 12154	Business research and survey research industry technology	\$ -	\$ (25,095)	\$ -	\$ -	\$ -	\$ -	-	

SINOPAC SECURITIES CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Share of Profits (Losses) (Note 1)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow						
SinoPac Financial Consulting (Shanghai)	Management consulting, investment and information consulting	\$ 61,447 (US\$ 2,000 thousand)	Investment in Mainland China directly	\$ 61,447 (US\$ 2,000 thousand)	\$ -	\$ -	\$ 61,447 (US\$ 2,000 thousand)	\$ (4,448)	100%	\$ (4,448)	\$ 34,901	\$ -

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$61,447 (US\$2,000 thousand)	\$61,447 (US\$2,000 thousand)	\$11,843,249

Note 1: The recognition of share of profit or loss of SinoPac Financial Consulting (Shanghai) as of December 31, 2022 was based on the audited financial statement conducted by international accounting firm which cooperate with ROC accounting firm.

Note 2: Share of profit or loss of foreign currency are translated into New Taiwan dollar at the average exchange rates for the period, others are translated at the exchange rate of the end of December 2022.

Note 3: In October 2011, SMS Consumer Fund LP, the re-investment business of Sinopac Securities, transferred its entire shareholding in SMS Holdings One I Ltd., and after the transfer, the shareholding ratio indirectly held in Beijing Shengzhuang Household Chemicals Ltd. was 0%. The original investment amount was US\$831 thousand (approximately NT\$26,390 thousand) and there was no capital be returned. The deregistration of investment was approved by the Investment Commission, MOEA in April 2022.

TABLE 7**SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.****BALANCE SHEET
DECEMBER 31, 2022
(In U.S. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 136,485	-
Other receivables	30,000,013	20
Prepayments	<u>19,555</u>	<u>-</u>
Total current assets	<u>30,156,053</u>	<u>20</u>
NON-CURRENT ASSETS		
Investments accounted for using equity method	<u>121,713,230</u>	<u>80</u>
TOTAL	<u>\$ 151,869,283</u>	<u>100</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current borrowings	\$ 10,050,000	6
Other payables	<u>105,341</u>	<u>-</u>
Total current liabilities	<u>10,155,341</u>	<u>6</u>
NON-CURRENT LIABILITIES		
Long-term borrowings	<u>30,000,000</u>	<u>20</u>
Total liabilities	<u>40,155,341</u>	<u>26</u>
EQUITY		
Capital stock	137,752,581	91
Capital surplus	4,220,663	3
Accumulated deficit	(19,294,698)	(13)
Exchange differences on translation of foreign financial statements	(1,238,681)	(1)
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	<u>(9,725,923)</u>	<u>(6)</u>
Total equity	<u>111,713,942</u>	<u>74</u>
TOTAL	<u>\$ 151,869,283</u>	<u>100</u>

TABLE 8**SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.****BALANCE SHEET
DECEMBER 31, 2022
(In CNY)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,961,628	93
Prepayments	<u>54,740</u>	<u>1</u>
Total current assets	<u>8,016,368</u>	<u>94</u>
NON-CURRENT ASSETS		
Property and equipment	24,778	-
Right-of-use assets	359,262	4
Guarantee deposits paid	<u>123,642</u>	<u>2</u>
Total non-current assets	<u>507,682</u>	<u>6</u>
TOTAL	<u>\$ 8,524,050</u>	<u>100</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	\$ 199,910	2
Current lease liabilities	<u>409,062</u>	<u>5</u>
Total current liabilities	<u>608,972</u>	<u>7</u>
Total liabilities	<u>608,972</u>	<u>7</u>
EQUITY		
Capital stock	12,220,600	143
Legal reserve	82,688	1
Accumulated deficit	<u>(4,388,210)</u>	<u>(51)</u>
Total equity	<u>7,915,078</u>	<u>93</u>
TOTAL	<u>\$ 8,524,050</u>	<u>100</u>

TABLE 9**SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(In U.S. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSE		
Finance costs	\$ (1,070,804)	(199)
Operating expense	<u>(19,089)</u>	<u>(4)</u>
Total expenditure and expense	<u>(1,089,893)</u>	<u>(203)</u>
NET OPERATING LOSS	<u>(1,089,893)</u>	<u>(203)</u>
NON-OPERATING INCOME AND EXPENSES		
Share of profit (loss) of subsidiaries accounted for using equity method	(403,696)	(75)
Other gains and losses	<u>956,005</u>	<u>178</u>
Total non-operating income and expenses	<u>552,309</u>	<u>103</u>
LOSS FOR THE YEAR	<u>(537,584)</u>	<u>(100)</u>
OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income that will not be reclassified to profit or loss:		
Share of other comprehensive income (loss) of subsidiaries accounted for using equity method	<u>(2,730,203)</u>	<u>(508)</u>
Components of other comprehensive income that will not be reclassified to profit or loss	<u>(2,730,203)</u>	<u>(508)</u>
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	(177,381)	(33)
Share of other comprehensive income (loss) of subsidiaries accounted for using equity method	<u>(5,853,964)</u>	<u>(1,089)</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>(6,031,345)</u>	<u>(1,122)</u>
Other comprehensive income (loss) for the year	<u>(8,761,548)</u>	<u>(1,630)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ (9,299,132)</u>	<u>(1,730)</u>

TABLE 10**SINOPAC FINANCIAL CONSULTING (SHANGHAI) LTD.****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(In CNY)**

	Amount	%
EXPENDITURE AND EXPENSE		
Employee benefits expense	¥ (644,208)	(64)
Depreciation and amortization expense	(460,851)	(46)
Other operating expense	<u>(549,414)</u>	<u>(55)</u>
Total expenditure and expense	<u>(1,654,473)</u>	<u>(165)</u>
NET OPERATING LOSS	<u>(1,654,473)</u>	<u>(165)</u>
NON-OPERATING INCOME AND EXPENSES		
Other gains and losses	<u>648,919</u>	<u>65</u>
LOSS AND TOTAL COMPREHENSIVE LOSS	<u>¥ (1,005,554)</u>	<u>(100)</u>

SINOPAC SECURITIES (CAYMAN) HOLDINGS LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In U.S. Dollars, Unless Stated Otherwise)

Name and Type of Marketable Securities	Security Issuer's Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
			Number of Shares	Carrying Value	Percentage of Ownership (%)	Net Worth	
<u>Stock</u>							
SinoPac Securities (Europe)	Subsidiary	Investments accounted for using equity method	2,000,000	\$ 1,108,964	100.00	\$ 1,108,964	
SinoPac Securities (Asia)	Subsidiary	Investments accounted for using equity method	82,106	112,537,887	100.00	110,907,133	
SinoPac Asset Management (Asia)	Subsidiary	Investments accounted for using equity method	95,550,000	8,066,379	100.00	8,066,379	

Note: Net worth was calculated based on the investee's audited financial statements of the same period.