

**CAPITAL SECURITIES CORPORATION****Financial Statements****With Independent Auditors' Report  
For The Years Ended December 31, 2023 and 2022**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of Capital Securities Corporation:

### Opinion

We have audited the financial statements of Capital Securities Corporation (“the Company”), which comprise the statements of financial position as of December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of 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 Financial Statements section of our report. We are independent of the Company 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 of 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 financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Company's financial statements are stated as follows:

#### 1. Valuation of financial instruments

Please refer to Note 4(f) for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(k) financial liabilities at fair value through profit or loss and Note 6(u)(v), fair value and fair value hierarchy of financial instruments for details.

#### Risk and descriptions of the key audit matter:

The Company's valuation of financial instruments is one of audit processes refer to important judgements. Financial products on balance sheets mainly belong to first or secondary level in fair value hierarchy, and can be achieved by available quoted market prices in an active market and direct or indirect evaluation of observation. Fair value of some derivative financial products invested and issued depends on models and observably variable factors in the market, so management's professional judgement has highly importance when using different valuation methods and assumptions. Therefore, the valuation of financial instruments is one of our key audit matters.

Procedures performed:

Our key audit procedures included considering how management selected appropriate valuation methods and assessed the key assumptions adopted. We confirmed the presentation and disclosures of financial products were in accordance with relevant regulations. For financial assets with quoted market prices in an active market, we selected samples to test the appropriateness of quoted prices used. For financial assets without quoted market prices in an active market and measured at fair value using valuation techniques, we selected samples to test the appropriateness of valuation methods and significantly underlying parameters applied by management.

2. Goodwill impairment

Please refer to Note 4(p) for the related accounting policy regarding the impairment of non-financial assets, Note 5 for accounting assumptions and estimation uncertainty of the goodwill impairment, Note 6(h)(i). for details about measurement of goodwill impairment.

Risk and descriptions of the key audit matter:

Assessment of the Companys' goodwill impairment is one of our significant audit processes, because it mainly depends on the prediction of future operation and there is a high uncertainty on assessing recoverable amounts by discounted future cash flows. Therefore, the measurement of goodwill impairment is one of our key audit matters.

Procedures performed:

Our key audit procedures included evaluating tests of goodwill impairment implemented by management and related procedures of internal control, certifying the assumptions of management by related available external information, making professional assessment on main parameters of predictable growth rate, discount rate, etc. adopted by management, and performing the retrospective analysis for testing the precision of previous years' forecasts including sensitivity analyses on the key assumptions related to Goodwill impairment tests.

**Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.71% and 0.93% of total assets as of December 31, 2023 and 2022, respectively, and the recognized profit of loss under using equity method constituted 4.24% and 11.58% of net income before income tax for the years ended December 31, 2023 and 2022, respectively.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wu, Cheng-Yen and Chen, Yi-Jen.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2024

#### **Notes to Readers**

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

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(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION****Balance Sheets****December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>Assets</b>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
110000	<b>Current assets:</b>				
111100	Cash and cash equivalents (note 6(a))	\$ 1,347,649	1	4,483,970	3
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	63,141,628	31	41,545,387	28
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	23,727,201	12	13,473,473	9
114030	Receivable for securities provided as collateral	16,723,040	8	11,778,626	8
114040	Refinancing margin	16,619	-	18,859	-
114050	Refinancing collateral receivable	13,847	-	15,418	-
114060	Receivable of securities business money lending	5,886,504	3	4,426,333	3
114090	Collateral for securities borrowed	97,374	-	1,290,877	1
114100	Security borrowing margin	12,495,271	6	12,860,579	9
114110	Notes receivable	6,608	-	12,550	-
114130	Accounts receivable (note 6(c))	15,549,517	8	5,769,709	4
114150	Prepayments	123,963	-	34,849	-
114170	Other receivables	65,653	-	56,548	-
119095	Amounts held for each customer in the account (note 6(m))	32,426,834	16	25,111,376	17
119990	Other current assets-others	856,018	-	659,381	-
		<u>172,477,726</u>	<u>85</u>	<u>121,537,935</u>	<u>82</u>
120000	<b>Non-current assets:</b>				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,438	-	179,171	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,406,044	2	2,418,318	2
123300	Financial assets at amortized cost - non-current (note 6(b))	5,310,086	3	3,268,785	2
124100	Investments accounted for under equity method (note 6(d))	8,347,541	4	8,106,282	6
125000	Property and equipment (notes 6(e) and 8)	2,443,875	1	2,118,780	2
125800	Right-of-use assets (notes 6(f))	589,672	-	691,896	-
126000	Investment property (notes 6(g) and 8)	3,986,299	2	4,356,992	3
127000	Intangible assets (note 6(h))	3,562,867	2	3,552,359	2
128000	Deferred income tax assets (note 6(q))	15,894	-	18,684	-
129000	Other non-current assets	1,153,209	1	1,161,905	1
		<u>28,994,925</u>	<u>15</u>	<u>25,873,172</u>	<u>18</u>
	<b>Total assets</b>	<u>\$ <u>201,472,651</u></u>	<u>100</u>	<u>147,411,107</u>	<u>100</u>

(English Translation of Financial Statements Originally Issued in Chinese)

## CAPITAL SECURITIES CORPORATION

## Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
210000				
211100 Short-term borrowings (note 6(i))	\$ 5,291,851	3	2,870,799	2
211200 Commercial paper payable (note 6(j))	13,090,169	6	3,198,722	2
212000 Financial liabilities at fair value through profit or loss - current (note 6(k))	20,863,623	10	10,799,714	7
214010 Bonds sold under repurchase agreements (note 6(l))	51,456,592	26	35,989,853	25
214040 Guarantee deposited for short sales	2,003,761	1	4,118,440	3
214050 Proceeds payable from short sales	2,294,644	1	3,714,941	3
214070 Securities lending refundable deposits	15,481,166	8	14,681,018	10
214090 Equity for each customer in the account (note 6(m))	32,426,834	16	25,111,376	17
214110 Notes payable	166	-	152	-
214130 Accounts payable (note 6(n))	9,681,013	5	4,526,709	3
214150 Advance receipts	20,221	-	31,024	-
214160 Receipts under custody	322,449	-	541,614	-
214170 Other payables	1,490,258	1	596,951	-
214200 Other financial liabilities - current (note 6(v))	4,223,503	2	3,028,050	2
214600 Current income tax liabilities	552,483	-	300,233	-
215100 Provisions - current (note 6(p))	45,412	-	44,020	-
216000 Current lease liabilities (note 6(o))	171,292	-	167,622	-
219000 Other current liabilities	4,619	-	4,697	-
	<u>159,420,056</u>	<u>79</u>	<u>109,725,935</u>	<u>74</u>
<b>Non-Current liabilities:</b>				
220000				
224200 Other financial liabilities - non-current (note 6(v))	677,162	1	494,542	-
226000 Non-current lease liabilities (note 6(o))	468,531	-	579,078	-
228000 Deferred income tax liabilities (note 6(q))	482,903	-	738,509	1
229000 Other non-current liabilities (note 6(p))	177,116	-	128,534	-
	<u>1,805,712</u>	<u>1</u>	<u>1,940,663</u>	<u>1</u>
<b>Total liabilities</b>	<u>161,225,768</u>	<u>80</u>	<u>111,666,598</u>	<u>75</u>
301010 Common stock (note 6(r))	21,709,081	11	21,709,081	15
302000 Capital surplus (note 6(r))	2,743,256	1	2,743,256	2
304000 Retained earnings:				
304010 Legal reserve	2,889,367	2	2,758,257	2
304020 Special reserve	6,049,211	3	5,786,990	4
304040 Unappropriated earnings (note 6(r))	4,201,815	2	1,339,434	1
305120 Exchange differences on translation of foreign operations	(67,856)	-	(55,863)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,722,009	1	1,463,354	1
<b>Total equity</b>	<u>40,246,883</u>	<u>20</u>	<u>35,744,509</u>	<u>25</u>
<b>Total liabilities and equity</b>	<u>\$ 201,472,651</u>	<u>100</u>	<u>147,411,107</u>	<u>100</u>

See accompanying notes to financial statements.



(English Translation of Financial Statements Originally Issued in Chinese)

## CAPITAL SECURITIES CORPORATION

## Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
<b>Income:</b>				
401000 Brokerage commissions (note 6(t))	\$ 3,708,430	35	3,454,262	61
402000 Revenues from securities business money lending	1,295	-	227	-
403000 Revenue from securities lending	420,528	4	374,139	7
404000 Underwriting commissions (note 6(t))	90,923	1	97,262	2
406000 Commissions on wealth management business	59,001	1	65,446	1
410000 Net gains (losses) on sale of trading securities (note 6(t))	2,478,649	23	(773,807)	(14)
421100 Securities management, distribution, and management fees	159,028	1	158,024	3
421200 Interest revenue (note 6(t))	2,400,525	23	1,482,200	26
421300 Dividend revenue	2,744,746	26	639,308	11
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(t))	1,743,848	17	(2,412,565)	(43)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements(note 6(v))	(185,992)	(2)	554,710	10
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(668,688)	(6)	654,104	12
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	6,128	-	(381,784)	(7)
422000 Net gains (losses) from exchange traded notes (note 6(v))	-	-	188	-
422100 Management and commissions revenue from exchange traded notes (note 6(v))	-	-	3	-
422200 Net gains (losses) on stock warrants issued (note 6(t) and (v))	(170,425)	(2)	1,378,349	24
424100 Futures commission revenues	131,141	1	186,991	3
424400 Net gains (losses) on derivative instruments - futures (note 6(v))	(909,127)	(9)	(868,361)	(15)
424500 Net gains (losses) on derivative instruments - OTC (note 6(v))	(1,517,470)	(14)	1,337,102	24
425100 Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note 6(b))	38	-	-	-
425300 Impairment losses and reversal gains (note 6(u))	(7,368)	-	(4,746)	-
428000 Other operating revenues	119,899	1	(297,840)	(5)
	<u>10,605,109</u>	<u>100</u>	<u>5,643,212</u>	<u>100</u>
<b>Expenses:</b>				
501000 Brokerage fees	315,301	3	290,446	5
502000 Brokerage and clearing fees - proprietary trading	36,373	-	22,991	-
503000 Clearing and exchange fees - refinancing	2,613	-	3,374	-
504000 Clearing and exchange fees - underwriting	992	-	1,466	-
507000 Issuance and management fees on exchange traded notes (note 6(v))	-	-	377	-
521200 Financial costs	1,864,059	18	561,548	10
521640 Loss from securities borrowing transactions	324,025	3	337,333	6
524200 Total securities commission expense	12,761	-	14,122	-
528000 Other operating expenditures	44,489	-	20,356	-
531000 Employee benefits expenses (note 6(t))	2,666,228	25	2,071,830	37
532000 Depreciation and amortization expense (note 6(t))	396,732	4	398,744	7
533000 Other operating expenses (note 6(t))	2,177,779	21	1,856,890	33
	<u>7,841,352</u>	<u>74</u>	<u>5,579,477</u>	<u>98</u>
<b>Other income (expenses):</b>				
601100 Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(d))	812,516	8	583,622	10
602000 Other gains and losses (note 6(t))	826,902	8	681,733	12
	<u>1,639,418</u>	<u>16</u>	<u>1,265,355</u>	<u>22</u>
902001 <b>Net income before income tax</b>	4,403,175	42	1,329,090	24
701000 <b>Less: Income tax expenses (note 6(q))</b>	271,665	3	489,050	9
<b>Net income</b>	<u>4,131,510</u>	<u>39</u>	<u>840,040</u>	<u>15</u>
805000 <b>Other comprehensive income:</b>				
805500 <b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510 Gains (losses) on remeasurements of defined benefit plans(note 6(p))	(76,442)	(1)	422,748	7
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,100,467	11	(683,201)	(12)
805560 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	33,421	-	(1,377)	-
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-
<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	<u>1,057,446</u>	<u>10</u>	<u>(261,830)</u>	<u>(5)</u>
805600 <b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610 Exchange differences on translation of foreign operations	(10,558)	-	325,369	6
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	172,066	2	(334,683)	(6)
805660 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(1,717)	-	53,618	1
805699 Less: Income tax related to components of other comprehensive income (note 6(q))	(282)	-	31,813	1
<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>160,073</u>	<u>2</u>	<u>12,491</u>	<u>-</u>
805000 <b>Other comprehensive income, net</b>	<u>1,217,519</u>	<u>12</u>	<u>(249,339)</u>	<u>(5)</u>
902006 <b>Total comprehensive income</b>	<u>\$ 5,349,029</u>	<u>51</u>	<u>590,701</u>	<u>10</u>
975000 <b>Basic earnings per share (note 6(s))</b>	<u>\$ 1.90</u>		<u>0.39</u>	
985000 <b>Diluted earnings per share (note 6(s))</b>	<u>\$ 1.90</u>		<u>0.39</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Stock		Retained earnings			Total other equity interest			Total Equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	
<b>Balance at January 1, 2022</b>	\$ 21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810
Net income for the year ended December 31, 2022	-	-	-	-	840,040	-	-	-	840,040
Other comprehensive income	-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)
Total comprehensive income	-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	45,459	-	(45,459)	-	-
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)
Balance at December 31, 2022	21,709,081	2,743,256	2,758,257	5,786,990	1,339,434	(55,863)	1,463,354	-	35,744,509
Net income for the year ended December 31, 2023	-	-	-	-	4,131,510	-	-	-	4,131,510
Other comprehensive income	-	-	-	-	(76,969)	(11,993)	1,306,481	-	1,217,519
Total comprehensive income	-	-	-	-	4,054,541	(11,993)	1,306,481	-	5,349,029
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	131,110	-	(131,110)	-	-	-	-
Special reserve	-	-	-	262,221	(262,221)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(846,655)	-	-	-	(846,655)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	47,826	-	(47,826)	-	-
<b>Balance at December 31, 2023</b>	<b>\$ 21,709,081</b>	<b>2,743,256</b>	<b>2,889,367</b>	<b>6,049,211</b>	<b>4,201,815</b>	<b>(67,856)</b>	<b>2,722,009</b>	<b>-</b>	<b>40,246,883</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

## CAPITAL SECURITIES CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 4,403,175	1,329,090
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	356,535	369,422
Amortization expense	40,197	29,322
Expected credit impairment losses	7,368	4,746
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(1,075,160)	1,758,461
Financial cost	1,864,059	561,548
Net gains arising from derecognition of financial assets measured at amortised cost	(38)	-
Interest revenue (including financial revenue)	(2,519,448)	(1,529,549)
Dividend revenue	(2,819,850)	(739,522)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(812,516)	(583,622)
Gains on disposal and retirement of property and equipment	(50)	-
Net (gains) losses on non-operating financial instruments at fair value through profit or loss	(46,111)	9,701
Net (gains) losses on lease modifications	-	(49)
<b>Subtotal of income of non-cash activities</b>	<u>(5,005,014)</u>	<u>(119,542)</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(20,475,237)	1,492,010
(Increase) decrease in financial assets at fair value through other comprehensive income	(9,976,223)	1,074,867
(Increase) decrease in receivable for securities provided as collateral	(4,944,414)	9,132,760
Decrease in refinancing margin	2,240	24,968
Decrease in receivable on refinancing collateral	1,571	21,101
Increase in receivable of securities business money lending	(1,460,171)	(2,076,664)
Decrease (increase) in collateral for securities borrowed	1,193,503	(1,181,537)
Decrease (increase) in security borrowing margin	365,308	(7,332,169)
Decrease in notes receivable	5,942	3,419
(Increase) decrease in accounts receivable	(9,637,218)	5,450,054
Increase in prepayments	(89,114)	(14,290)
Decrease in other receivables	6,013	44,136
(Increase) decrease in other current assets	(196,637)	8,599,961
Decrease in other non-current assets	8,814	46,676
Increase in financial liabilities at fair value through profit or loss	10,063,909	5,868,493
Increase (decrease) in bonds sold under repurchase agreements	15,466,739	(1,417,719)
(Decrease) increase in guarantee deposited for short sales	(2,114,679)	1,269,606
(Decrease) increase in proceeds payable from short sales	(1,420,297)	468,149
Increase in securities lending refundable deposits	800,148	6,531,232
Increase in notes payable	14	-
Increase (decrease) in accounts payable	4,889,201	(6,108,940)
(Decrease) increase in advance receipts	(10,803)	548
Decrease in receipts under custody	(219,165)	(8,261,222)
Increase (decrease) in other payable	884,629	(598,225)
Increase in provision - current	1,392	1,368
Increase (decrease) in other financial liabilities	1,378,073	(1,523,288)
Decrease in other current liabilities	(78)	(324)
Decrease in other non-current liabilities	(27,860)	(427,288)
<b>Total changes in assets and liabilities from operating activities</b>	<u>(15,504,400)</u>	<u>11,087,682</u>
<b>Total adjustments</b>	<u>(20,509,414)</u>	<u>10,968,140</u>

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION****Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
Cash generated from operating activities	\$ (16,106,239)	12,297,230
Interest received	2,358,864	1,513,932
Dividends received	3,371,531	1,129,358
Interest paid	(1,591,928)	(520,777)
Income taxes paid	(271,949)	(521,485)
<b>Net Cash flows (used in) provided by operating activities</b>	<b>(12,239,721)</b>	<b>13,898,258</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(10,000)	(80,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income	12,175	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	571	16,150
Acquisition of financial assets at amortized cost	(2,145,097)	(3,269,926)
Proceeds from disposal of financial assets at amortised cost	121,662	-
Proceeds from capital reduction of investments accounted for under equity method	32,107	-
Increase in deferred debits	(571)	(100)
Acquisition of property and equipment	(141,047)	(88,415)
Proceeds from disposal of property and equipment	860	-
Acquisition of intangible assets	(48,602)	(36,563)
<b>Net cash flows used in investing activities</b>	<b>(2,177,942)</b>	<b>(3,458,854)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	2,421,052	(107,237)
Increase (decrease) in commercial papers payable	9,891,447	(5,199,084)
Payment of lease liabilities	(175,353)	(167,183)
Cash dividends paid	(846,655)	(3,581,998)
<b>Net cash flows provided by (used in) financing activities</b>	<b>11,290,491</b>	<b>(9,055,502)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(9,149)</b>	<b>166,296</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(3,136,321)</b>	<b>1,550,198</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,483,970</b>	<b>2,933,772</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,347,649</b>	<b>4,483,970</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Overview:**

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2023, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

- (a) Underwriting of marketable securities;
- (b) Trading of marketable securities on a proprietary basis on stock exchange;
- (c) Brokerage of marketable securities on stock exchange;
- (d) Trading of marketable securities at the Company’s branches;
- (e) Brokerage of marketable securities at the Company’s branches;
- (f) Margin loan, short sale and refinancing;
- (g) Securities registration agency services;
- (h) Dealership of foreign marketable securities;
- (i) Short-term bills service;
- (j) Accessory services of futures trading;
- (k) Proprietary trading of securities-related futures;
- (l) Securities business money lending;
- (m) Managing the unexpended balance of clients’ securities accounts within their authorization;
- (n) Trust business;
- (o) Offshore securities business;
- (p) Other relevant services as approved by the authority in charge.

**(2) Approval date and procedures of the financial statements:**

The financial statements were authorized for issuance by the board of directors on March 13, 2024.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

**(4) Summary of material accounting policies:**

The material accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements has been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms”.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items of balance sheet:

- 1) Financial assets and liabilities at fair value through profit or loss are measured at fair value (including derivative instruments);
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities (assets) are measured at fair value of plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The Company’s functional currency is New Taiwan dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies at exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the presentation currency at average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) Assets arising from operating activities that are expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) Assets held for the trading purposes;
- (iii) Assets that are expected to be realized within twelve months after the reporting period;
- (iv) Cash and cash equivalent, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) Liabilities arising from operating activities that are expected to be settled in the normal operating cycle;
- (ii) Liabilities incurred for the trading purposes;
- (iii) Liabilities that are to be settled within twelve months after the reporting period;
- (iv) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(e) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and check deposits.

Cash equivalent comprises of time deposit with maturity within 1 year, excess future margin, commercial paper and short-term, highly liquid investments. For an investment to qualify as a cash equivalents it must readily convertible to a known amount of cash and be subjected to an insignificant risk of changes in value.

(f) Financial instruments

Account receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following criteria and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal (SPPI) and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

2) Financial assets at fair value through other comprehensive income (FVOCI)

A debt instrument is measured at FVOCI if it meets both of the following criteria and is not designated as at FVTPL :

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividends derived from equity investments are recognized as revenue when the right to receive payment is established, which is normally the ex-dividend date.

3) Financial assets at fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL(e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis), including derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including accounts receivable), debt instrument investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Loss allowances for financial assets measured at amortized cost are deducted from the carrying amount of the assets. For debt instrument investments at FVOCI, the loss allowance is charge to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

6) Interest rate benchmark

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Company updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes made to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Company first updates the effective interest rate of the financial asset or financial liability to reflect the changes that are required by interest rate benchmark reform. Subsequently, the Company applies the policies on accounting for modifications set out above to the additional changes.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(iii) Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Margin loan, short sale and refinancing

Margin loan represents loans extended to customers and is accounted for as receivables for securities provided as collateral. Such loans are secured by the securities purchased by customers. These securities are returned when the loans are repaid.

Short sale represents securities lent to customers and the deposits received from customers on securities lent out are accounted to guarantee deposited for securities lent. The proceeds from sales of securities lent to customers, net of securities transaction tax, commission and financing charges, is retained by the Company and are recorded under the proceeds payable from securities lent. The deposits received and the proceeds from short sale will be returned to customers while the securities are returned and paid off.

Refinancing margin loan means that the Company operates margin loan business, if capital is insufficient, the Company can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Company operates short sale business, if securities are insufficient, the Company can borrow securities from securities finance companies. For securities refinancing, the Company pays margin deposits to securities finance companies and these margin deposits are recorded as refinancing margin. The proceeds from the short sale of securities borrowed from securities finance companies is retained by the securities finance companies as collateral which are recorded as proceeds payable from securities lent and receivable on refinancing collateral, respectively.

(h) Bonds with resell and repurchase agreements

When bonds are repurchased, they are reflected under “bonds sold under repurchase agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as financial cost. When bonds are resold, they are reflected under “bonds purchased under resell agreements” at the settlement date. The difference between the selling price and repurchase price is recognized as interest revenue.

(i) Securities borrowing transactions

Engage in securities lending transactions, the amount of the sale of securities borrowing recognized liability, and to distinguish hedging and non-hedging purposes, in accordance with stocks and bonds. The amount paid to redeem shares or bonds borrowed, as a deduction of the subjects, the collateral paid in cash recorded as security borrowing margin, short sales delivered for securities market financing recorded as security borrowing collateral price.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(j) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated the Company's interests in the associate.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date. The difference between the fair value of retained investment and proceeds from disposal of the part of interest in the investment, and the carrying amount of the investment at that date was recognized in profit or loss. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amount previously recognized in other comprehensive income in relation to that associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

If the investments in associates become the investment in joint ventures, or vice versa, the Company is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Company does not subscribe the new issuance of capital based on holding percentage and result in a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus and investments under equity method. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments under equity method is insufficient, the shortage is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(k) Investments in subsidiaries

When preparing the financial statement of the parent company, the Company uses the Equity Method in evaluating the control of an investee. Under Equity Method, the net income or loss for the period of separate financial statement and the other comprehensive income of separate financial statement are the same as net income or loss for the period attributed to owners of parents of consolidated statement and other comprehensive income attributed to owners of parents of consolidated statement, respectively. The equity of the separate financial statement is the same as the equity attributable to the owners of parents of the consolidated statements.

Any change in ownership interest of the subsidiaries, not resulting in loss of control, is treated as equity transaction between the owners.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property and equipment.

Land is not depreciated.

The estimated useful lives of property and equipment are as follows:

- |   |            |
|---|------------|
| 1) Buildings  | 3~55 years |
| 2) Transportation equipment   | 5 years    |
| 3) Office equipment and computer facilities   | 3~5 years  |
| 4) Miscellaneous equipment  | 5~10 years |
| 5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease period. |            |

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expected value differs from the previous estimation, the change regards as changes in accounting estimation.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value, other than goodwill, operation franchise and the seats of foreign futures exchanges with all indefinite useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- 1) Customer relationships: 5 years
- 2) Computer software cost and dial-up service charges: 3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)



**CAPITAL SECURITIES CORPORATION**  
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(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Lease

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right of use asset, or in profit and loss if the carrying amount of the right of use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right of use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has listed right of use assets and leasing liabilities that are not categorized as investment properties as individual items in the balance sheet.

The Company has elected not to recognize right of use assets and lease liabilities for short term leases of office equipment and transportation equipment etc. that have a lease term of 12 months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(ii) Lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(p) Non-financial assets impairment

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets and assets arising from employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Revenue recognition

The recognition of the Company's major revenue:

(i) Brokerage commissions, gains or loss on securities sold and related handling fees is recognized on the settlement date.

(ii) Underwriting commissions

Underwriting brokerage revenue is recognized when the underwriting contract is completed; revenue from underwriting securities on a firm commitment basis is recognized when the payment received after underwriting securities, and revenue from underwriting consultation is recognized according to the period specified in the underwriting consultation contract.

(iii) Interest revenue and expense arising from margin loan, short sale and bonds with repurchase agreements is recognized on an accrual basis during trading.

(iv) Futures commission revenue arising from accessory services of futures trading, collecting commission from appointed futures dealer, the revenue is recognized on an accrual basis in accordance with related agreement.

(v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.

(vi) Dividend revenue is recognized as the right of receiving payment confirmed.

(vii) Gains on futures and options transactions: Futures transaction margins are recognized as cost and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(s) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(t) Income tax

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year measured using tax rates enacted or substantively enacted and any adjustment to the tax payable or receivable in respect of previous years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) Initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences.
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or
  - 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(u) Business combinations

The Company only chose to restate the business combinations occurred after January 1, 2012, upon the transition from ROC GAAP to IFRSs endorsed by FSC are approved, with regard to acquisition before January 1, 2012, the amount should be recognized as Regulations Governing the Preparation of Financial Reports released by Securities Issuers as of January 10, 2009 and Statement of Financial Accounting Standards announced by Accounting Research and Development Foundation.

(v) Earnings per share (EPS)

The Company presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Company is calculated by dividing profit or loss attributable to the Company's ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company include the estimation of employee remuneration.

(w) Segment information

The Company has disclosed the segment information on the consolidated financial report, thus, the Company does not disclose it on this financial report.

**(5) Major sources of significant accounting assumptions, judgments and estimation uncertainty:**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised and in any future periods affected.

The Company's may face economic uncertainty, such as COVID-19, natural disasters, geopolitical conflicts, and inflation, among others. These events may significantly impact the following accounting estimate values, as such estimates involve forecasting for the future.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next 12 months are included in the following notes:

(a) The fair value of financial instrument:

The fair value of non-active market or non-quoted financial instruments is determined by evaluation method. In this case, fair value is assessed from observable data or patterns of similar financial instruments. If there are no market observables, the fair value of financial instruments is assessed using appropriate assumptions. When using the evaluation model to determine fair value, all models must be calibrated to ensure that the output reflects actual data and market prices. The model uses only observable data as much as possible; however, for the part of credit risk (risk of itself and the counterparty), the Company must estimate the fluctuation and correlation for the fair value of financial assets. For sensitivity analysis of financial instruments, please refer to note 6(v).

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- (b) The impairment evaluation of goodwill:

The Company performed the impairment test of goodwill annually. The recoverable amount of the cash-generating unit was based on the value in use. The Company chose the appropriate discount rate and estimated the expected cash flows of the cash-generating unit.

**(6) Explanation of significant accounts:**

- (a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ <u>2,590</u>	<u>2,590</u>
Bank deposits		
Checking accounts	47,861	30,717
Demand deposits	<u>420,499</u>	<u>2,375,769</u>
Subtotal	<u>468,360</u>	<u>2,406,486</u>
Cash equivalents		
Time deposits	-	771,651
Futures margin - excess margin	<u>876,699</u>	<u>1,303,243</u>
Subtotal	<u>876,699</u>	<u>2,074,894</u>
Total	<u>\$ <b>1,347,649</b></u>	<u><b>4,483,970</b></u>

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (b) Financial assets

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 641,856	279,075
Valuation adjustment	<u>37,488</u>	<u>(8,623)</u>
Subtotal	<u>679,344</u>	<u>270,452</u>
<b>Trading securities - proprietary trading</b>		
Listed stocks	2,111,128	2,144,912
Listed funds	6,391,682	4,309,153
OTC stocks	599,985	507,832
OTC funds	7,842,384	1,175,314
Emerging market stocks	465,877	328,836
Convertible bonds	3,026,744	415,008
Government bonds	3,370,684	2,314,993
Corporate bonds	8,004,798	6,837,714
International bonds	5,195,937	5,532,559
Financial debentures	550,000	801,985
Foreign stocks	98,132	375,432
Foreign funds	158,539	499,347
Foreign bonds	741,649	-
Others	<u>8,651</u>	<u>1,970</u>
	38,566,190	25,245,055
Valuation adjustment	<u>(279,818)</u>	<u>(755,762)</u>
Subtotal	<u>38,286,372</u>	<u>24,489,293</u>
<b>Trading securities - underwriting</b>		
Listed stocks	15,642	50,999
OTC stocks	11,902	-
Convertible bonds	<u>12,620</u>	<u>67,283</u>
	40,164	118,282
Valuation adjustment	<u>2,526</u>	<u>(7,248)</u>
Subtotal	<u>42,690</u>	<u>111,034</u>

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Trading securities - hedging</b>		
Listed stocks	\$ 4,997,262	2,437,167
OTC stocks	1,583,011	527,514
Convertible bonds	15,837,002	12,834,051
Others	<u>172,279</u>	<u>722,856</u>
	22,589,554	16,521,588
Valuation adjustment	<u>255,499</u>	<u>(1,002,923)</u>
Subtotal	<u>22,845,053</u>	<u>15,518,665</u>
<b>Derivatives</b>		
Buy options	305	305
Futures margin - proprietary fund	926,751	921,309
IRS asset swaps	43,403	17,807
Asset swap options - long position	315,076	205,121
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	<u>350</u>	<u>-</u>
Subtotal	<u>1,288,169</u>	<u>1,155,943</u>
Total	<u>\$ 63,141,628</u>	<u>41,545,387</u>

As of December 31, 2023 and 2022, trading securities undertaken for repurchase agreements of the Company, please refer to note 8 for details.

(ii) Financial assets at fair value through other comprehensive income — current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 3,499,233	2,807,868
Corporate bonds	6,490,004	3,263,958
International bonds	1,105,380	491,360
Foreign bonds	<u>12,588,989</u>	<u>6,795,491</u>
	23,683,606	13,358,677
Valuation adjustment	<u>(82,559)</u>	<u>(240,037)</u>
Subtotal	<u>23,601,047</u>	<u>13,118,640</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 117,987	254,635
OTC stocks	<u>1,406</u>	<u>117,014</u>
	119,393	371,649
Valuation adjustment	<u>6,761</u>	<u>(16,816)</u>
Subtotal	<u>126,154</u>	<u>354,833</u>
Total	<u>\$ 23,727,201</u>	<u>13,473,473</u>

- 1) Debt instrument investments measured at fair value through other comprehensive income

The Company has assessed the debentures shown above are held within a business model whose objective is achieved by both collecting the contractual cash flows and selling securities; therefore, they have been classified as financial asset at fair value through other comprehensive income.

- 2) Equity instrument investments measured at fair value through other comprehensive income

For the years ended December 31, 2023 and 2022, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$13,013 and \$18,594, respectively. For the years ended December 31, 2023 and 2022, the dividends were recognized from the disposing equity instrument investments amounted to \$10,080 and \$0, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Company sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$956,134 and \$658,825, respectively, cumulative dispose gains (losses) for the years ended December 31, 2023 and 2022, amounted to \$86,419 and \$29,057, respectively, were transferred from other equity items to retained earnings.

- 3) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(u).
- 4) For the years ended December 31, 2023 and 2022, impairment test has been applied by the Company, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Company please refer to note 6(u).
- 5) As of December 31, 2023 and 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Company, please refer to note 8 for details.

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- (iii) Financial assets at fair value through profit or loss - non-current:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 180,887	181,467
Valuation adjustment	<u>(1,449)</u>	<u>(2,296)</u>
Total	<u>\$ 179,438</u>	<u>179,171</u>

As of December 31, 2023 and 2022, the Company took advantage of government bonds as guaranty deposited of bills, interest rate swaps, structured notes, settlement fund and compensation reserve for trust business (for details please refer to note 8).

- (iv) Financial assets at fair value through other comprehensive income — non-current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 605,605	620,356
Valuation adjustment	<u>2,800,439</u>	<u>1,797,962</u>
Total	<u>\$ 3,406,044</u>	<u>2,418,318</u>

For the years ended December 31, 2023 and 2022, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$75,104 and \$100,214, respectively.

For the years ended December 31, 2023 and 2022, the Company did not sell equities recognized in FVOCI-non-current. Furthermore, for the years ended December 31, 2023, due to the determination of contractual rights related to asset cash flow, the FVOCI-non-current were derecognized as they had no fair value upon disposal amounted to \$24,180. the Company acquired the distribution of residual property from liquidation amounted to \$12,175 and \$0 and proceeds from capital reduction of the investees amounted to \$571 and \$16,150 for the years ended December 31, 2023 and 2022.

- (v) The Company uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2023 and 2022 VaR (99%, per 10-day) of equity stocks are as follows:

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<u>Type of market risk</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>For the years ended December 31,</u>					
			<u>2023</u>			<u>2022</u>		
			<u>Mean</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Mean</u>	<u>Maximum</u>	<u>Minimum</u>
Equity stocks	2,682,078	1,474,730	1,922,291	2,682,078	1,403,626	1,573,176	1,811,101	1,430,388

(vi) Financial assets at amortized cost – non-current

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
1) Debt Securities at amortized cost :		
Financial debentures	\$ 500,000	500,000
Foreign currency debentures	<u>4,811,807</u>	<u>2,769,926</u>
	5,311,807	3,269,926
Less: loss allowance	<u>(1,721)</u>	<u>(1,141)</u>
	<u>\$ 5,310,086</u>	<u>3,268,785</u>

The Company has assessed the assets shown above are held for collecting the contractual cash flows, and these financial assets' cash flows are expected to completely provided by repayment of principal and interest calculated on the basis of outstanding principal amount; therefore, they have been classified as debt instrument investments measured at amortized cost.

For credit risk (including the impairment of debt instrument investments) please refer to note 6(u).

2) Profit and Loss arisen from Sale of Financial Assets at amortized cost and the derecognized carrying amount on the date of derecognition:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Carrying amount on the date of derecognition	<u>\$ 121,624</u>	<u>-</u>

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Current profit and loss	<u>\$ 38</u>	<u>-</u>

The reason for The Company selling financial assets measured at amortized cost is that the credit risk of the bond issuer has been increased, and other sales are infrequent (even if the amount is significant), or the individual and collective amounts are not significant (even if frequent).

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (c) Accounts Receivable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Receivable on securities purchased by customers	\$ 79,263	64,921
Settlement	667,035	598,397
Interests receivable	701,062	576,237
Receivables on securities sold	13,948,931	4,372,913
Others	<u>153,226</u>	<u>157,241</u>
Total	<b><u>\$ 15,549,517</u></b>	<b><u>5,769,709</u></b>

For credit risk and the variation of loss allowance in receivables, please refer to note 6(u).

## (d) Investments accounted for under equity method

Investments under equity method consisted of the following:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries		
Capital Investment Management Corp.	\$ 77,899	88,079
CSC International Holdings Ltd.	1,587,643	1,575,072
Capital Futures Corp.	4,058,928	3,837,039
Capital Insurance Advisory Corp.	44,481	72,021
Capital Insurance Agency Corp.	7,400	39,501
CSC Venture Capital Corp.	841,425	833,287
Taiwan International Securities (B.V.I) Corp.	13	39
CSC Capital Management Co.	<u>308,660</u>	<u>286,999</u>
Subtotal	<u>6,926,449</u>	<u>6,732,037</u>
Associates		
Capital Investment Trust Corp.	<u>1,421,092</u>	<u>1,374,245</u>
Total	<b><u>\$ 8,347,541</u></b>	<b><u>8,106,282</u></b>

## (i) Subsidiaries:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2023 for further information.

For the years ended December 31, 2023 and 2022, the Company's share of gains or losses of the subsidiaries were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Based on the audited financial statements	<b><u>\$ 625,648</u></b>	<b><u>429,740</u></b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights	
			December 31, 2023	December 31, 2022
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %

The Company holds 20% of the voting shares of Capital Investment Trust Corp., which is the single largest shareholder. Although the remaining 80% of the outstanding in shares are not concentrated in specific shareholders, the Company still cannot obtain more than half of the board seats, and it has not obtained more than half of the voting rights of the shareholders present at the shareholders meeting, so the Company has determined that it has significant influence on it.

Summarized financial information of associates accounted for under equity method to the Company was shown as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Total carrying amount of the associates	\$ <u>1,421,092</u>	<u>1,374,245</u>
	<u>For the years ended December 31,</u> <u>2023</u>	<u>2022</u>
Based on the financial statement attributed to the company:		
Net gains from continuing operations	\$ 186,868	153,882
Other comprehensive income (losses)	<u>(1,137)</u>	<u>6,041</u>
Total comprehensive income (losses)	\$ <u>185,731</u>	<u>159,923</u>

## (iii) Collateral

As of December 31, 2023 and 2022, none of the investment accounted for under equity method of the Company was pledged for collateral.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(e) Property and equipment

Movements in property and equipment of the Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2023	\$ 1,409,683	841,234	530,990	239,767	3,021,674
Additions	-	-	97,243	43,804	141,047
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(72,320)	(36,407)	(108,727)
Balance at December 31, 2023	<u>\$ 1,649,972</u>	<u>975,892</u>	<u>555,913</u>	<u>247,164</u>	<u>3,428,941</u>
Balance at January 1, 2022	\$ 1,537,428	916,675	506,247	232,821	3,193,171
Additions	-	-	48,663	39,752	88,415
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ 1,409,683</u>	<u>841,234</u>	<u>530,990</u>	<u>239,767</u>	<u>3,021,674</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	414,476	331,745	156,673	902,894
Depreciation	-	18,484	97,440	41,775	157,699
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(71,510)	(36,407)	(107,917)
Balance at December 31, 2023	<u>\$ -</u>	<u>465,350</u>	<u>357,675</u>	<u>162,041</u>	<u>985,066</u>
Balance at January 1, 2022	\$ -	415,857	249,361	139,182	804,400
Depreciation	-	17,237	106,304	50,297	173,838
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ -</u>	<u>414,476</u>	<u>331,745</u>	<u>156,673</u>	<u>902,894</u>
Carrying amount:					
December 31, 2023	<u>\$ 1,649,972</u>	<u>510,542</u>	<u>198,238</u>	<u>85,123</u>	<u>2,443,875</u>
December 31, 2022	<u>\$ 1,409,683</u>	<u>426,758</u>	<u>199,245</u>	<u>83,094</u>	<u>2,118,780</u>

As of December 31, 2023 and 2022, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(f) Right-of-use assets

The Company leases many assets including buildings and equipment. Information about leases for which the Company as a lease is presented below:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 1,136,149	17,053	1,153,202
Additions	63,633	4,843	68,476
Reductions	<u>(20,958)</u>	<u>(2,258)</u>	<u>(23,216)</u>
Balance at December 31, 2023	<u>\$ 1,178,824</u>	<u>19,638</u>	<u>1,198,462</u>
Balance at January 1, 2022	\$ 1,067,263	19,389	1,086,652
Additions	146,973	4,865	151,838
Reductions	<u>(78,087)</u>	<u>(7,201)</u>	<u>(85,288)</u>
Balance at December 31, 2022	<u>\$ 1,136,149</u>	<u>17,053</u>	<u>1,153,202</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 454,763	6,543	461,306
Depreciation	165,586	5,114	170,700
Reductions	<u>(20,958)</u>	<u>(2,258)</u>	<u>(23,216)</u>
Balance at December 31, 2023	<u>\$ 599,391</u>	<u>9,399</u>	<u>608,790</u>
Balance at January 1, 2022	\$ 368,476	8,736	377,212
Depreciation	161,213	4,987	166,200
Reductions	<u>(74,926)</u>	<u>(7,180)</u>	<u>(82,106)</u>
Balance at December 31, 2022	<u>\$ 454,763</u>	<u>6,543</u>	<u>461,306</u>
Carrying amount:			
At December 31, 2023	<u>\$ 579,433</u>	<u>10,239</u>	<u>589,672</u>
At December 31, 2022	<u>\$ 681,386</u>	<u>10,510</u>	<u>691,896</u>

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(g) Investment property

Movements in investment property of the Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2023	\$ 3,546,024	1,472,872	5,018,896
Reclassified to property and equipment	(240,289)	(134,658)	(374,947)
Balance at December 31, 2023	<u>\$ 3,305,735</u>	<u>1,338,214</u>	<u>4,643,949</u>
Balance at January 1, 2022	\$ 3,418,279	1,398,644	4,816,923
Transferred from property and equipment	129,774	76,855	206,629
Reclassified to property and equipment	(2,029)	(1,414)	(3,443)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<u>\$ 3,546,024</u>	<u>1,472,872</u>	<u>5,018,896</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2023	\$ -	661,904	661,904
Depreciation	-	28,136	28,136
Reclassified to property and equipment	-	(32,390)	(32,390)
Balance at December 31, 2023	<u>\$ -</u>	<u>657,650</u>	<u>657,650</u>
Balance at January 1, 2022	\$ -	615,115	615,115
Depreciation	-	29,384	29,384
Transferred from property and equipment	-	19,633	19,633
Reclassified to property and equipment	-	(1,015)	(1,015)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<u>\$ -</u>	<u>661,904</u>	<u>661,904</u>
<u>Carrying Amount:</u>			
December 31, 2023	<u>\$ 3,305,735</u>	<u>680,564</u>	<u>3,986,299</u>
December 31, 2022	<u>\$ 3,546,024</u>	<u>810,968</u>	<u>4,356,992</u>
<u>Fair Value:</u>			
December 31, 2023			<u>7,998,576</u>
December 31, 2022			<u>8,449,496</u>

The Company elected to apply Cost Method to evaluate investment property. The fair value of investment property was evaluated and estimated using Market Method based on the market evidence of transaction price of similar properties.

As of December 31, 2023 and 2022, the investment properties which are provided as collateral or pledged, please refer to note 8 for details.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

Investment property include several commercial buildings for lease. Each lease contract contains original non-cancellable lease period of 1 to 12 years, which the subsequent lease period is negotiable with lessee, and no contingent rent payment. Related information (including rental revenue and direct operation expense), please refer to note 6(t).

Lessor

The Company leases investment property to other under operating lease agreements. The future lease receivables under non-cancellable leases are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Within 1 year	\$ 151,896	167,912
1-5 years	475,208	461,109
Over 5 years	<u>2,409</u>	<u>110,170</u>
	<b><u>\$ 629,513</u></b>	<b><u>739,191</u></b>

The rental revenue from investment property for the years ended December 31, 2023 and 2022 amounted to \$198,607 and \$183,894, respectively.

(h) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2023 and 2022, the book value was both \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	<u>1,557,096</u>	<u>1,557,096</u>
Total	<b><u>\$ 3,126,698</u></b>	<b><u>3,126,698</u></b>

Recoverable amount of the cash-generating units is assessed by the value in use, which is the present value of the future cash flows expected to be derived from the cash-generating unit. In measuring value in use, the key assumptions are as follows.

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 4.64% and 7.16% in year 2023 and 2022 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2023 and 2022 exceeded the carrying amount, no impairment occurred for both years.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2023 and 2022, the carrying amounts of the operation franchise were all \$389,999.

(iii) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2023 and 2022, the amortized book value were \$46,170 and \$35,662, respectively.

(i) Short-term borrowings

<u>Nature of borrowings</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Collateralized loan	\$ 767,625	1,792,235
Credit loan	4,524,226	1,078,564
Total	<u>\$ 5,291,851</u>	<u>2,870,799</u>
Interest rate range	<u>1.520%~6.522%</u>	<u>2.39%~5.29%</u>

As of December 31, 2023 and 2022, the Company had provided the land and buildings as collateral, for details please refer to note 8.

(j) Commercial paper payable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Commercial paper payable	\$ 13,100,000	3,200,000
Less: Unamortized discount	(9,831)	(1,278)
Net amount	<u>\$ 13,090,169</u>	<u>3,198,722</u>
Interest rate range	<u>1.568%~1.668%</u>	<u>1.378%~1.598%</u>

All commercial papers were issued by bills of finance companies or banks.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(k) Financial liabilities at fair value through profit or loss

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Liabilities on sale of borrowed securities	\$ 16,872,212	9,691,043
Redeem liabilities on sale of borrowed securities	(243,755)	(73,941)
Valuation adjustment	<u>33,314</u>	<u>(635,364)</u>
Subtotal	<u>16,661,771</u>	<u>8,981,738</u>
Stock warrants issued	19,542,173	11,073,530
Stock warrants repurchased	<u>(18,199,928)</u>	<u>(10,572,072)</u>
Subtotal	<u>1,342,245</u>	<u>501,458</u>
Sale options	-	113
IRS asset swaps	56,167	51,106
Asset swap options - short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	<u>84</u>	<u>-</u>
Subtotal	<u>2,859,607</u>	<u>1,316,518</u>
Total	<u><b>\$ 20,863,623</b></u>	<u><b>10,799,714</b></u>

(l) Bonds sold under repurchase agreements

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bonds sold under repurchase agreements	<u><b>\$ 51,456,592</b></u>	<u><b>35,989,853</b></u>
Agreed-upon repurchase amounts	<u><b>\$ 52,365,609</b></u>	<u><b>36,394,848</b></u>
Interest rates	<u><b>0.80%~5.85%</b></u>	<u><b>0.55%~5.2%</b></u>
Date of repurchase	<u><b>2024.1.2~2024.12.17</b></u>	<u><b>2023.1.3~2023.12.27</b></u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (m) Equity for each customer in the account

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity for each customer in the account	<u>\$ 32,426,834</u>	<u>25,111,376</u>
Amount of separate account ledger in NTD		
Demand deposit amount	7,426,830	25,111,371
Time deposit amount	17,500,000	-
Time deposit amount in other banks(market values)	<u>7,500,000</u>	<u>-</u>
Total	<u>\$ 32,426,830</u>	<u>25,111,371</u>

## (n) Accounts payable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Payable of securities sold by customers	\$ 50,980	30,951
Payable of settlements	9,159,539	4,325,142
Others	<u>470,494</u>	<u>170,616</u>
Total	<u>\$ 9,681,013</u>	<u>4,526,709</u>

## (o) Lease liabilities

The Company' s lease liabilities are as follow:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 171,292</u>	<u>167,622</u>
Non-current	<u>\$ 468,531</u>	<u>579,078</u>

The maturity analysis please refer to note 6(u) financial instruments.

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<u>\$ 8,182</u>	<u>9,157</u>
Expenses relating to short-term leases	<u>\$ 4,453</u>	<u>3,907</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 4,193</u>	<u>7,175</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>432</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 192,181</u>	<u>187,422</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(p) Employee benefit

(i) Defined benefit plans

The reconciliation in the present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ (775,912)	(726,825)
Fair value of plan assets	<u>685,143</u>	<u>699,684</u>
Recognized liabilities for defined benefit obligations	<u>\$ (90,769)</u>	<u>(27,141)</u>

The Company's employee benefits liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Compensated absences	<u>\$ 45,412</u>	<u>44,020</u>

Under the defined benefit plan, the Company deposited the pension fund to the labor pension preparatory special account in Bank of Taiwan. For employee subject to the Labor Standards Law, the retirement benefit are determined based on the years of services and average monthly salary in the last six-months prior to the employee's retirement.

1) Composition of plan assets

The Company set aside the pension funds in accordance with Labor Standards Act, are put under the management of the Bureau of labor funds, ministry of labor. In regards to the utilization of the fund under the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", the minimum earnings for the annual distribution shall not be less than the accrued earnings attainable from the interest rates of two year time deposit offered by the local banks.

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to \$684,953 and \$698,157 as of December 31, 2023 and 2022, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$190 and \$1,527 as of December 31, 2023 and 2022, respectively.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Defined benefit obligation on January 1	\$ 726,825	1,195,594
Current service costs and interest	11,419	8,426
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	5,596	(53,285)
-Experience adjustments	75,180	(334,918)
Benefits paid by the plan	(43,108)	(88,992)
Defined benefit obligation on December 31	<b>\$ 775,912</b>	<b>726,825</b>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Fair value of plan assets on January 1	\$ 699,684	316,997
Interest revenue	9,568	1,435
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,334	34,545
Contributions from the employer	14,665	435,699
Benefits paid from plan assets	(43,108)	(88,992)
Fair value of plan assets on December 31	<b>\$ 685,143</b>	<b>699,684</b>

4) Expense recognized in profit or loss

The expenses recognized by the Company in 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current service cost	\$ 1,477	2,956
Net interest of net defined benefit liabilities (assets)	374	4,035
Current pension cost	<b>\$ 1,851</b>	<b>6,991</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- 5) Re-measurement of net defined benefit plan recognized in other comprehensive income

For the years ended December 31, 2023 and 2022, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ (275,181)	(697,929)
Recognized amount during the period	(76,442)	422,748
Balance at December 31	<u>\$ (351,623)</u>	<u>(275,181)</u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Discount rate	1.22 %	1.38 %
Future salary growth rate	2.50 %	2.50 %

The expected contribution to the defined benefit plan for the next year is \$767. The weighted average duration of the defined benefit obligation is 1 years.

- 7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including discount rate and future salary increases. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2023 and 2022, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<u>Effects to Defined Benefit Obligations</u>	
	<u>Increase 0.5%</u>	<u>Decrease 0.5%</u>
December 31, 2023		
Discount rate	(17,738)	18,406
Future salary growth rate	14,282	(13,942)
December 31, 2022		
Discount rate	(17,057)	17,718
Future salary growth rate	13,867	(13,522)

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. The method that the sensitivity analysis adopted is in accordance with the method of calculating net pension liability.

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

The assumptions and methods adopted for current period sensitivity analysis are identical with the previous period.

(ii) Defined contribution plan

In accordance with the Labor Pension Act of R.O.C, the Company contributes 6% of the employee's monthly wages to employee's individual pension accounts under the Bureau of the Labor Insurance. Therefore, the Company has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Company contributed \$77,428 and \$83,406 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2023 and 2022, respectively.

(q) Income tax

(i) Income tax expense (benefit)

The amount of income tax expense (benefit) were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current tax expense		
Current year	\$ 525,207	319,020
Adjustment to the prior years' income tax	(1,008)	(71,520)
	<u>524,199</u>	<u>247,500</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	(255,324)	253,899
Unrealized gains (losses) on foreign investments under Equity Method	2,790	(12,349)
	<u>(252,534)</u>	<u>241,550</u>
Income tax expense from continuing operations	<u>\$ 271,665</u>	<u>489,050</u>

The amount of income tax expense (benefit) recognized in other comprehensive income were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Foreign exchange difference from translating financial statements of foreign operations	\$ (282)	<u>31,813</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

Reconciliation of income tax expense (benefit) and income before tax were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income before tax	\$ 4,403,175	1,329,090
Income tax using the Company's domestic tax rate	\$ 880,635	265,818
Tax exempt income	(611,518)	294,752
Additional surtax on undistributed retained earnings	3,556	-
Adjustments to prior years' income tax	(1,008)	(71,520)
Total	<u>\$ 271,665</u>	<u>489,050</u>

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Unrealized losses on foreign investments under Equity Method	<u>\$ 15,894</u>	<u>18,684</u>

2) Recognized deferred income tax liabilities

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Unrealized gains on derivative financial instruments	\$ 66,290	321,614
Gains on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Foreign exchange difference from translating financial statement of foreign operations	4,298	4,580
Total	<u>\$ 482,903</u>	<u>738,509</u>

(iii) Income tax assessment status

The Company's income tax returns through 2021 were assessed by the Tax Authority.

(iv) Income tax administrative relief

Since the stock warrants in year 2020 and 2021 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

(r) Capital and other equity

(i) Capital stock

As of December 31, 2023 and 2022, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(ii) Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

The followings are the capital surplus of the Company:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,042
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,339</u>
	<u><b>\$ 2,743,256</b></u>	<u><b>2,743,256</b></u>

(iii) Retained earnings

1) Legal reserve

If the company incurs no loss for the year, the distribution of the legal reserve, either by issuing new shares or by cash, shall be decided at the shareholders’ meeting, and only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.

2) Special reserve

In accordance with Article 41 of the “Securities and Exchange Act”, 20 percent of the current year’s earnings after tax should be set aside as special reserve. Ruling No. 1100365484 issued by the Financial Supervisory Commission on June 29, 2012, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative deduction in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders’ equity, the earnings may be distributed based on the reversal proportion.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

Originally in accordance with Ruling No. 10500278285 issued by the Financial Supervisory Commission on August 5, 2016, 0.5% to 1.0% of the current year's earnings after tax should be set aside as special reserve for year 2016 to 2018. From year 2017, the aforementioned special reserve can be reversed within an amount equal to the expenditures stemming from employee re-training, re-assignments, or relocations made necessary by the introduction of financial technology; However, in accordance with Ruling No. 1080321644 issued by the Financial Supervisory Commission on July 10, 2019, from year 2019, a special reserve can not to be set aside. From year 2019, the special reserve can be reversed within an amount equal to special reserve for prior year when the aforementioned fees being expended.

3) Undistributed earnings

According to the Company's Articles of Incorporation, after-tax earnings should first offset accumulated deficit, and then appropriated 10% as legal reserve, 20% as special reserve and any other as required by law.

The Company's earnings distribution was proposed by board of directors and is subject to the resolution of the shareholders' meeting. The shareholders' meeting may declare dividends after retaining a certain portion of earnings. The amount of earnings to distribute after retaining earnings must be higher than 10% of the distributable balance. According to the capital budget of the Company, the payout of stock dividend is for retaining necessary capital and the remainder can be paid as cash dividend. Cash dividend shall not fall below 10% of the total dividend.

The Company's fiscal year 2022 earnings distribution resolved by the shareholders' meeting on June 27, 2023, and fiscal year 2021 earnings distribution resolved by the shareholder's meeting on June 27, 2022. Dividends distributed to the owners were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (dollar)</u>	<u>Amount</u>	<u>Dividends per share (dollar)</u>
Cash dividends	<u>\$ 846,655</u>	0.39	<u>3,581,998</u>	1.65

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(s) Earnings per share

The basic earnings per share and dilutive earnings per share were calculated as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income attributable to common shareholders of the Company	\$ <u>4,131,510</u>	<u>840,040</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>1.90</u>	<u>0.39</u>
Effect of potentially dilutive common stock - Employee remuneration (thousands of shares)(Note)	<u>5,655</u>	<u>1,542</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,176,563</u>	<u>2,172,450</u>
Dilutive earnings per share (dollar)	\$ <u>1.90</u>	<u>0.39</u>

Note: The number of shares issued was calculated based on the closing price at the reporting date.

(t) Items of the statements of comprehensive income

(i) Brokerage commissions

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Brokerage commission from TSE market	\$ 2,643,222	2,466,525
Brokerage commission from OTC market	886,185	811,952
Handling fee from security financing	28,216	39,869
Others	<u>150,807</u>	<u>135,916</u>
	<u>\$ 3,708,430</u>	<u>3,454,262</u>

(ii) Underwriting commissions

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenue from underwriting securities on a firm commitment basis	\$ 55,587	63,560
Handling fee revenues from underwriting securities on consignment	405	550
Processing fee revenues from underwriting operations	27,551	25,607
Revenue from underwriting consultation	5,190	3,660
Others	<u>2,190</u>	<u>3,885</u>
	<u>\$ 90,923</u>	<u>97,262</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(iii) Net gains (losses) on sale of trading securities

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Gains (losses) on securities sold - proprietary trading	\$ 938,066	(13,809)
Gains (losses) on securities sold - underwriting	7,993	61,650
Gains (losses) on securities sold - hedging	<u>1,532,590</u>	<u>(821,648)</u>
	<b><u>\$ 2,478,649</u></b>	<b><u>(773,807)</u></b>

(iv) Interest revenue

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest revenue - margin loans	\$ 753,323	822,751
Interest revenue - bonds	1,302,936	487,778
Others	<u>344,266</u>	<u>171,671</u>
	<b><u>\$ 2,400,525</u></b>	<b><u>1,482,200</u></b>

(v) Net gains (losses) on measurement of trading securities at fair value through profit or loss

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Trading securities - proprietary	\$ 475,652	(928,212)
Trading securities - underwriting	9,774	(12,423)
Trading securities - hedging	<u>1,258,422</u>	<u>(1,471,930)</u>
	<b><u>\$ 1,743,848</u></b>	<b><u>(2,412,565)</u></b>

(vi) Net gains (losses) on stock warrants issued

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Gains on changes in fair value of stock warrants	\$ 10,770,274	42,870,899
Gains on exercise of stock warrants before maturity	71,408,116	33,668,212
Losses on changes in fair value of stock warrants repurchased	(81,954,743)	(74,942,647)
Gains on expiration of stock warrants	34,727	37,523
Stock warrants issuance expenses	<u>(428,799)</u>	<u>(255,638)</u>
	<b><u>\$ (170,425)</u></b>	<b><u>1,378,349</u></b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(vii) Employee benefits, depreciation, and amortization expenses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Employee benefit expenses		
Salary expense	\$ 2,377,543	1,765,126
Health and labor insurance expense	155,476	164,380
Pension expense	79,279	90,397
Others	53,930	51,927
Depreciation expense	356,535	369,422
Amortization expense	40,197	29,322
	<b>\$ 3,062,960</b>	<b>2,470,574</b>

(viii) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Rental expense	\$ 8,646	11,082
Taxes	631,416	551,235
Information technology expense	142,701	141,174
Postage expense	171,978	166,289
Professional service fee	77,911	76,891
Expense from securities lending	433,201	344,076
Other expenses	711,926	566,143
	<b>\$ 2,177,779</b>	<b>1,856,890</b>

(ix) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Financial revenue	\$ 118,923	47,349
Net gains (losses) on disposal of investment	(3,997)	(14,537)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	46,111	(9,701)
Revenue from bank's allocation fee	279,899	258,653
Revenue from information technology service	53,440	44,158
Net gains (losses) on disposal of property and equipment	50	-
Dividend revenue	75,104	100,214
Gains on reversal of prior year's liabilities	18,539	31,946
Rental income	198,607	183,894
Others	40,226	39,757
	<b>\$ 826,902</b>	<b>681,733</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(x) Remuneration to employees and directors

According to the Company's Articles of Incorporation, the Company shall appropriate 0.6% to 2.0% of its earnings, if applicable, as remuneration to employees. The Board of Directors shall determine if the employees' remuneration distributed, in the form of shares or in cash. The targets of remuneration shall include the employees of subsidiaries meeting certain specific requirement that shall be determined by the Company's Board of Directors. The Company shall also appropriate no more than 3% of the aforementioned amount of earnings as remuneration to the Directors. The proposal for the remuneration to employees and directors shall be reported to the shareholders' meeting. If there is accumulated deficit, specific amount shall be retained to cover, and appropriate the remainder in the aforementioned percentage as remuneration to employees and directors.

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, respectively, and to directors were \$138,689 and \$20,404, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, and to directors were \$20,404 and \$100,380 by the Company. The difference between actual employee remuneration of \$8,197 and \$74,649 and actual remuneration to directors of \$10,930 and \$91,238 were \$18,008 and \$16,622 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2023 and 2022. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2023 and 2022, the maximum credit exposure amounted to \$150,795,797 and \$94,981,506, respectively.

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

The regional distribution of financial assets' credit risk exposure amount which owned by the Company is as the list below. The region of exposure is mostly in Taiwan (accounted for 87.98%); secondly, is in America (accounted for 6.51%); then, is in Asia (accounted for 2.85%, exclusion of Taiwan). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$ 132,665,706	82,968,115
Asia (Taiwan is excluded)	4,291,444	2,978,170
Europe	4,016,564	2,597,276
America	<u>9,822,083</u>	<u>6,437,945</u>
Total	<u><u>\$ 150,795,797</u></u>	<u><u>94,981,506</u></u>

2) Impairment loss

The Company's aging analysis of receivables at reporting date was as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>
Not past due	\$ 38,252,880	28,166	22,059,627	28,411
Past due 121~360 days	2,223	2,223	4,519	4,519
Past due more than 360 days	<u>236,911</u>	<u>236,911</u>	<u>232,678</u>	<u>232,678</u>
	<u><u>\$ 38,492,014</u></u>	<u><u>267,300</u></u>	<u><u>22,296,824</u></u>	<u><u>265,608</u></u>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2023 and 2022, the impairment losses of receivables were \$267,300 and \$265,608, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Company including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

The Company regards a financial asset as a default when the client of brokerage business is unable to fulfill the settlement obligation, which the counterparty is unable to pay the Company. Thus, the Company will recognize the impairment losses.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

The loss allowance provision for the years ended December 31, 2023 and 2022 was as follows:

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2023	\$ -	5,127	1,141	-	-	-	265,608	-	-	271,876
Provision or reversal of Impairment loss	-	4,555	590	-	-	-	2,223	-	-	7,368
Amounts written off	-	-	(35)	-	-	-	(531)	-	-	(566)
Effect of exchange rate	-	-	25	-	-	-	-	-	-	25
Balance on December 31, 2023	\$ -	<b>9,682</b>	<b>1,721</b>	-	-	-	<b>267,300</b>	-	-	<b>278,703</b>

  

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2022	\$ -	6,779	-	-	-	-	261,346	-	-	268,125
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,247	-	-	4,746
Amounts written off	-	-	-	-	-	-	(985)	-	-	(985)
Effect of exchange rate	-	-	(10)	-	-	-	-	-	-	(10)
Balance on December 31, 2022	\$ -	<b>5,127</b>	<b>1,141</b>	-	-	-	<b>265,608</b>	-	-	<b>271,876</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Company does not expect that the cash flow included in the maturity analysis could occur significantly earlier or at significantly different amounts.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 16,661,771	16,661,771	16,661,771	-	-	-	-
Stock warrants issued	1,342,245	1,342,245	1,092,252	244,992	5,001	-	-
Equity derivatives	84	84	84	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	154,733	154,733	99,996	8,977	15,429	30,331	-
Asset swap option - short position	2,663,494	2,663,494	211,937	346,676	991,141	1,113,740	-
Structured notes	41,296	41,296	18,425	16,344	3,664	2,863	-
Short-term borrowings	5,291,851	5,291,851	5,291,851	-	-	-	-
Commercial paper payable	13,090,169	13,100,000	13,100,000	-	-	-	-
Bonds sold under repurchase agreements	51,456,592	52,365,609	36,443,322	15,922,287	-	-	-
Guarantee deposited for short sales	2,003,761	2,003,761	2,003,761	-	-	-	-
Proceeds payable from short sales	2,294,644	2,294,644	2,294,644	-	-	-	-
Securities lending refundable deposits	15,481,166	15,481,166	15,481,166	-	-	-	-
Equity for each customer in the account	32,426,834	32,426,834	32,426,834	-	-	-	-
Notes payable and accounts payable	470,660	470,660	470,660	-	-	-	-
Receipts under custody	322,449	322,449	322,449	-	-	-	-
Other payables	1,490,258	1,490,258	1,490,258	-	-	-	-
Other financial liabilities	4,900,665	4,900,665	3,974,452	249,051	426,210	250,952	-
Lease liabilities	639,823	656,297	95,009	82,998	167,879	308,395	2,016
	<u>\$ 150,732,495</u>	<u>151,667,817</u>	<u>131,478,871</u>	<u>16,871,325</u>	<u>1,609,324</u>	<u>1,706,281</u>	<u>2,016</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2022							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 8,981,738	8,981,738	8,981,738	-	-	-	-
Stock warrants issued	501,458	501,458	451,680	49,778	-	-	-
Put options	113	113	113	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	72,288	72,288	22,216	6,302	24,073	19,697	-
Asset swap option - short position	1,140,992	1,140,992	73,526	231,087	381,921	454,458	-
Structured notes	103,125	103,125	3,834	75,485	20,160	3,646	-
Short-term borrowings	2,870,799	2,870,799	2,870,799	-	-	-	-
Commercial papers payable	3,198,722	3,200,000	3,200,000	-	-	-	-
Bonds sold under repurchase agreements	35,989,853	36,394,848	28,162,635	8,232,213	-	-	-
Guarantee deposited for short sales	4,118,440	4,118,440	4,118,440	-	-	-	-
Proceeds payable from short sales	3,714,941	3,714,941	3,714,941	-	-	-	-
Securities lending refundable deposits	14,681,018	14,681,018	14,681,018	-	-	-	-
Equity for each customer in the account	25,111,376	25,111,376	25,111,376	-	-	-	-
Notes payable and accounts payable	170,768	170,768	170,768	-	-	-	-
Receipts under custody	541,614	541,614	541,614	-	-	-	-
Other payables	596,951	596,951	596,951	-	-	-	-
Other financial liabilities	3,522,592	3,522,592	2,655,826	372,224	308,275	186,267	-
Lease liabilities	746,700	768,655	91,819	83,432	162,635	370,557	60,212
	<u>\$ 106,063,488</u>	<u>106,491,716</u>	<u>95,449,294</u>	<u>9,050,521</u>	<u>897,064</u>	<u>1,034,625</u>	<u>60,212</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (iii) Currency risk

## 1) Currency risk exposure

The Company's significant exposure to foreign currency risk of financial assets and liabilities is as follows:

	<b>December 31, 2023</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 428,094	30.7050	13,144,626
AUD	2,126	20.9800	44,603
CAD	2	23.2000	46
EUR	525	33.9800	17,840
GBP	2	39.1500	78
HKD	24,823	3.9290	97,530
JPY	21,909	0.2172	4,759
SGD	561	23.2900	13,066
CNY	11,055	4.3270	47,835
ZAR	1	1.6570	2
KRW	264	0.0239	6
DKK	11	4.5600	50
VND	6,421,488	0.0012	7,706
<b><u>Non-Monetary Item</u></b>			
USD	672,475	30.7050	20,648,345
AUD	131,180	20.9800	2,752,156
EUR	23,358	33.9800	793,705
HKD	7,380	3.9290	28,996
JPY	12,992	0.2172	2,822
CNY	24,314	4.3270	105,207
<b><u>Investments under equity method</u></b>			
USD	51,791	30.6550	1,587,657
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,217,517	30.7050	37,383,859
AUD	127,093	20.9800	2,666,411
EUR	23,570	33.9800	800,909
HKD	5,335	3.9290	20,961
JPY	2,073	0.2172	450
SGD	553	23.2900	12,879
CNY	7,830	4.3270	33,880

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

				December 31, 2022
				Foreign Currency
				(thousands)
				Exchange Rate
				Amount
<b><u>Financial assets</u></b>				
<b><u>Monetary Item</u></b>				
USD	\$	399,256	30.7100	12,261,152
AUD		3,117	20.8300	64,927
CAD		1	22.6700	23
CHF		1	33.2050	33
EUR		3,001	32.7200	98,193
GBP		2	37.0900	74
HKD		24,145	3.9380	95,083
JPY		51,302	0.2324	11,923
SGD		215	22.8800	4,919
CNY		15,916	4.4080	70,158
ZAR		8	1.8110	14
KRW		181	0.0246	4
VND		6,667,230	0.0013	8,667
<b><u>Non-Monetary Item</u></b>				
USD		451,710	30.7100	13,872,014
AUD		82,206	20.8300	1,712,351
EUR		5,775	32.7200	188,958
HKD		2,428	3.9380	9,561
JPY		17,366	0.2324	4,036
CNY		10,134	4.4080	44,671
<b><u>Investments under equity method</u></b>				
USD		51,373	30.6600	1,575,111
<b><u>Financial liabilities</u></b>				
<b><u>Monetary Item</u></b>				
USD	\$	939,984	30.7100	28,866,909
AUD		80,590	20.8300	1,678,690
EUR		8,554	32.7200	279,887
HKD		6,407	3.9380	25,231
JPY		5,450	0.2324	1,267
SGD		209	22.8800	4,782
CNY		2	4.4080	9

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**CAPITAL SECURITIES CORPORATION**  
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For the years ended December 31, 2023 and 2022, the Company's currency projects that had a significant impact on exchange rate fluctuations. The impact on the realized and unrealized currency exchange gains (losses) amounted to \$18,975 and \$(412,710), respectively.

2) Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost, short-term borrowings, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2023 and 2022, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31,		For the years ended December 31,	
	2023		2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(672,487)	672,487	(379,350)	379,350
Other comprehensive income	607,596	(607,596)	345,954	(345,954)

(iv) Sensitivity analysis of interest rate risk

The following sensitivity analysis is based on the risk exposure to interest rates on the derivative and non-derivative financial instruments on the reporting date. For floating rate instruments, the sensitivity analysis assumes the liabilities are outstanding for the whole year at the reporting date. The variable rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. This is mainly attributable to the Company's exposure to floating rates on its bond position.

Market risk type	December 31, 2023	December 31, 2022	For the years ended December 31,					
			2023			2022		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,620,698	1,728,619	2,153,680	2,620,698	1,781,528	1,616,202	1,728,619	1,453,750

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**CAPITAL SECURITIES CORPORATION**  
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(v) Fair value information and hierarchy

1) Fair value information

a) General description

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Initially, financial instruments should be measured at fair value, which mostly refers to transaction price. Except for those measured at amortized cost, financial instruments are subsequently measured at fair value. A quoted market in an active market provides the most reliable evidence of fair value. If the market is not active, the Company determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

b) Definition of fair value hierarchy

i) Level 1

The input of Level 1 is the public quote of the same financial instrument in an active market. An active market satisfies all the following conditions: Products traded in the market is of homogeneity; it is able to reach buyer and seller anytime in the market and the price information can be accessed by the public. The Company's investments in Taiwan central government bonds, equity instruments, debt instruments and derivative instruments with public quote in an active market belong to Level 1.

ii) Level 2

The input of Level 2 refers to observable price except public quote in an active market, including direct observable input parameters (such as price) or indirect observable input parameters (derivation from price). The bond instruments without public quotes in an active market and most of the derivative financial instruments of the Company belong to Level 2.

iii) Level 3

Level 3 means input in this level are based neither on direct market data nor from the counter party.



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2) Not measured at fair value

As of December 31, 2023 and 2022, the fair value information of the financial assets and financial liabilities of the Company was as follows:

a) Fair value information

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	\$ 1,347,649	1,347,649	4,483,970	4,483,970
Accrued receivable	83,281,267	83,281,269	61,340,875	61,340,875
Restricted assets - current	443,034	443,034	147,507	147,507
Other non-current assets	1,113,757	1,113,757	1,105,276	1,105,276
Financial liabilities:				
Short-term borrowings	5,291,851	5,291,851	2,870,799	2,870,799
Commercial paper payable	13,090,169	13,090,169	3,198,722	3,198,722
Bonds sold under repurchase agreements	51,456,592	51,456,592	35,989,853	35,989,853
Accrued payable	64,252,774	64,252,774	53,591,434	53,591,434
Other financial liabilities - current	4,223,503	4,223,503	3,028,050	3,028,050
Other financial liabilities - non-current	677,162	677,162	494,542	494,542
Other non-current liabilities	86,347	86,347	101,393	101,393

b) Hierarchy information of non-financial instruments not measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2023</b>				
Investment property	\$ -	-	7,998,576	7,998,576
Debt securities at amortized cost	-	5,361,000	-	5,361,000
	<u>\$ -</u>	<u>5,361,000</u>	<u>7,998,576</u>	<u>13,359,576</u>
<b>December 31, 2022</b>				
Investment property	\$ -	-	8,449,496	8,449,496
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<u>\$ -</u>	<u>3,283,116</u>	<u>8,449,496</u>	<u>11,732,612</u>

c) Valuation techniques used in estimating the fair values of financial instruments

- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, other financial liabilities - current, other financial liabilities - non-current, and other non-current liabilities.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
- iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Company applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Company.
- 3) Measured at fair value
- a) Hierarchy information of fair value

The Company's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2023</b>				
Financial assets at fair value through profit or loss	\$ 29,836,855	32,196,042	-	62,032,897
Financial assets at fair value through other comprehensive income	3,620,863	20,106,338	3,406,044	27,133,245
Derivative financial assets	<u>927,056</u>	<u>361,113</u>	<u>-</u>	<u>1,288,169</u>
	<u>\$ 34,384,774</u>	<u>52,663,493</u>	<u>3,406,044</u>	<u>90,454,311</u>
Financial liabilities at fair value through profit or loss	\$ 18,004,016	-	-	18,004,016
Derivative financial liabilities	<u>32,100</u>	<u>2,827,507</u>	<u>-</u>	<u>2,859,607</u>
	<u>\$ 18,036,116</u>	<u>2,827,507</u>	<u>-</u>	<u>20,863,623</u>
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss	\$ 15,449,869	25,118,746	-	40,568,615
Financial assets at fair value through other comprehensive income	3,141,730	10,331,743	2,418,318	15,891,791
Derivative financial assets	<u>921,614</u>	<u>234,329</u>	<u>-</u>	<u>1,155,943</u>
	<u>\$ 19,513,213</u>	<u>35,684,818</u>	<u>2,418,318</u>	<u>57,616,349</u>
Financial liabilities at fair value through profit or loss	\$ 9,483,196	-	-	9,483,196
Derivative financial liabilities	<u>99,404</u>	<u>1,217,114</u>	<u>-</u>	<u>1,316,518</u>
	<u>\$ 9,582,600</u>	<u>1,217,114</u>	<u>-</u>	<u>10,799,714</u>

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**CAPITAL SECURITIES CORPORATION**  
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b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

The quoted market price is used as the fair value when the financial instruments have an active market. Publicly listed and over-the-counter traded equity instruments of primary stock exchanges along with central government bonds that are popular securities all regard active market quotes as the basis of fair value.

When quotes of financial instruments are obtained from the Stock Exchange, Reuters, Bloomberg, dealers or competent authorities and the prices represent arm's length transactions with sufficient frequency, the financial instruments are regarded as active market quotes. If the aforementioned requirements are not met, then the financial instruments are regarded as quotes without an active market. Large bid-ask spreads or low trade volumes are features of quotes without an active market.

Excluding the above mentioned financial instruments with active market quotes, the fair value of the remaining financial instruments are obtained by financial valuation models or referencing counterparty quotes. Fair value obtained through the calculations of financial valuation models include, but are not limited to, fair value references of substantive factors and characteristics from similar financial instruments, those obtained from the cash flow discounting method or those obtained by other financial valuation techniques. Fair values obtained through financial valuation techniques are derived from market information on the balance sheet date, and utilizes the fair values derived from the calculations of financial valuation models (for example referencing the yield curve from the Taipei Exchange, Reuters' average commercial paper interest et cetera).

ii) Derivative financial instruments

The fair value of derivative financial instruments is determined by using valuation model. Option instruments are determined by using Black-Scholes Model and non-option derivative financial instruments are determined by using discounted cash flow method. The market inputs for the valuation are derived from stock exchange market and independent financial information service institution, such as Stock Exchange, Futures Exchange, Reuters and Bloomberg. Closing price, settlement price, and the average rate of ask and bid price during certain specific time are adopted.

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2023 and 2022, there is no transfer of financial instruments between Level 1 and Level 2.

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Company. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

Item	For the year ended December 31, 2023								Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,418,318	-	990,472	10,000	-	12,175	571	-	3,406,044

  

Item	For the year ended December 31, 2022								Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 3,040,586	-	(686,118)	80,000	-	-	16,150	-	2,418,318

7) Quantified information of fair value measurement for significant unobservable inputs (Level 3)

The Company's Level 3 fair value measurements are financial assets at fair value through other comprehensive income – equity instruments investment.

The Company's equity instruments investment without active market include multiple significant unobservable inputs. Those unobservable inputs of equity instrument without active market are independent from each other, thus, they are not correlative. Since the correlation between significant unobservable inputs and fair value cannot be fully measured in practical, the quantified information is not disclosed.

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	<ul style="list-style-type: none"> <li>· Price-to-Book Ratio</li> <li>· Discount for lack of marketability</li> </ul>	<ul style="list-style-type: none"> <li>· The higher the multiple, the higher fair value.</li> <li>· The higher the discount for lack of marketability, the lower the fair value.</li> </ul>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Correlation between inputs and fair value</u>
Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation	Net Asset Value Method	Net Asset Value	Not applicable

- 8) Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value

The fair value measurement that the Company made for the financial instruments is deemed reasonable; however, different valuation models or inputs could result in different valuation results. Specifically, if the valuation input of financial instruments classified in the Level 3 changes by 1%, the effects on other comprehensive income are as follows:

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable change</u>	<u>Unfavorable change</u>
<b>December 31, 2023</b>		
Financial assets fair value through other comprehensive income	\$ <u>34,060</u>	<u>(34,060)</u>
<b>December 31, 2022</b>		
Financial assets fair value through other comprehensive income	\$ <u>24,183</u>	<u>(24,183)</u>

Favorable and unfavorable movements of the Company refer to the fluctuation of fair value, and the fair value is calculated through the valuation technique according to the unobservable inputs to different extent. If the fair value of a financial instrument is affected by more than one input, the above table only illustrates the effect as a result of one single input, and the correlation and variance among multiple inputs are not listed here.

- (vi) Transfer of financial assets

The transferred financial assets of the Company which are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements or equity securities under securities lending agreement. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at fixed price in future period, the Company cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Company still bears the interest rate risk and credit risk, so transferred financial assets are not fully derecognized. Financial assets that do not meet criteria for de-recognition and related financial liabilities are as below:

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December 31, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>53,873,995</u>	<u>51,456,592</u>	<u>-</u>	<u>-</u>	<u>-</u>

  

December 31, 2022					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>37,000,929</u>	<u>35,989,853</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Company; hence according to IFRS7p42D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

(vii) Offsetting financial assets and financial liabilities

The Company did not hold any financial instruments contracts which meet Section 42 of IAS 32 endorsed by the FSC therefore, the financial assets and financial liabilities of the above instruments shall be offset on the balance sheet.

The Company has transactions, such as repurchase and resell agreements, that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party defaults, the other party can choose to use net settlement.

The offsetting of financial assets and liabilities information is as below:

December 31, 2023						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ <u>361,113</u>	<u>-</u>	<u>361,113</u>	<u>-</u>	<u>-</u>	<u>361,113</u>

  

December 31, 2023						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,859,607	-	2,859,607	-	-	2,859,607
Under repurchase agreements	51,456,592	-	51,456,592	51,456,592	-	-
Total	\$ <u>54,316,199</u>	<u>-</u>	<u>54,316,199</u>	<u>51,456,592</u>	<u>-</u>	<u>2,859,607</u>

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**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

December 31, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 234,329	-	234,329	-	-	234,329
December 31, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,316,405	-	1,316,405	-	-	1,316,405
Under repurchase agreements	35,989,853	-	35,989,853	35,989,853	-	-
Total	\$ 37,306,258	-	37,306,258	35,989,853	-	1,316,405

Note: Including netting settlement agreement and non-cash financial collaterals.

(v) Financial risk management

(i) Brief

The Company is exposed to the following risks due to the usage of financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The disclosure hereby presents above-mentioned risk information, evaluation, and objectives, policies, and procedures of managing information. Further information regarding quantity disclosure please refers to related disclosures.

(ii) Risk management framework

The risk management system includes the set-up of an independent risk management department and whole risk management framework which comprises segregation of duties and delegation of board of directors, president, risk management department, auditing department, finance department, settlement and clearing department and other business department. The Company also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Company set up a risk management information system to assist whole risk management execute effectively.

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**CAPITAL SECURITIES CORPORATION**  
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(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
  - a) The Company measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.
  - b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.
- 2) Measurement of Expected Credit Losses (ECL)
  - a) Methods adopted and assumptions

The Company applies 12-month ECLs to measure the impairment loss of financial instruments, which have not increased significantly since initial recognition. For those financial instruments have increased significantly after initial recognition or with credit loss, the Company adopts lifetime ECLs to measure.

In order to measure ECLs, the Company takes into the future 12 months and lifetime probability of default (PD) on the financial assets, issuer, and counterparty to the possibility of Loss given default (LGD), then multiplies the amount of exposure at default (EAD) with the consideration of time value on currency, to calculate the 12 month and lifetime ECLs respectively.

Probability of PD is the probability of defaults occurring of an issuer or the counterparty. Probability of LGD is the percentage of the amount of loss incurred when issuers or the counterparty default. The probability of PD and LGD used by the Company was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Company measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet obligations because of the inability to obtain adequate funding or liquidate of other financial assets to settle the financial liabilities. It includes financial funding risk and financial market liquidity risk.



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Besides decentralizing the financial institutions, the Company also to diversify the financing channels for funding. The Company plans and controls the daily funding operation in advance as the need for funding from various business situations. Also utilizes the simulation analysis mechanism of special event to keep up with the abnormal funding need from the system risks. The Company has set up the rules based on the different risk factors such as issue amount, trading volume, counterparty and etc. to address the liquidity risk of each holding position. Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

Market risk refers to the risk that change in market prices, exchange rates, interest rates and equity instrument prices, which will affect the Company's revenue or the value of its holdings of financial instruments.

The Company has set up the trading quotas and upper limit of Value at Risk ("VaR") in all operation to ensure the capital adequacy ratio meets the qualification requirements and maximum loss limit to be controlled. The different risk factors that the Company uses to measure the market risk are as follows:

- 1) Equity securities: calculate by variance-covariance method and to conduct back testing to estimate the VaR of one day at 99% of confidence interval.
- 2) Bond: use the base point (0.01%) value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 3) Financial derivatives: use the Delta and Gamma value as the controlling base, and estimate the VaR of one day at 99% of confidence interval.
- 4) Margin trading: use the maintenance ratio ruled by the competent authority as the standard for disposal.

Each business departments of the Company can utilize approved financial hedging instruments (such as Futures, Options, Swap and etc.) to adjust the risk level to improve the risk management system implemented.

(vi) Hedging strategies (financial hedging)

The Company's strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Company sets up each business quota, the capacity for tolerating risk and hedging strategy according to risk tolerance and establishes a monitoring system to understand variation of hedging position. In addition, the Company also formulates principal to conduct over or under limitations with hedging position.

1) Equity securities:

As equity securities price fluctuate, the Company will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Company not only relies on its well-designed risk management system but also uses index futures and options to hedge the market risk of equity securities.

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2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Company will suffer losses when unfavorable variation of market rate is incurred. The Company uses financial derivatives such as interest rate swap, government bond futures and bond options whose variation in fair value and cash flow are negative correlated with the hedged position to hedge the market risk.

3) Stock warrants:

The market risk of stock warrants issued arises from the fluctuations of market price of the underlying securities and the risk of investors' exercising the stock warrants. The Company will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Company will also adjust the hedged position such as the underlying securities, convertible corporate bonds and stock warrants based on the dynamic hedging strategies with the variation of Delta.

4) Structured notes:

Structured notes are the combination of fixed income and asset option. The market risk includes variation of interest rate, stock price and the volatility. In order to hedge the interest rate risk in the fixed income aspect, the Company uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Company establishes related hedged position to hedge the stock price and the volatility risk.

5) Asset swap:

Convertible bond asset swap is a hybrid derivative comprising of an interest rate swap and a call option on a convertible bond. The related risks are market risk and credit risk of the counterparties. The Company manages its risk through selling of the interest rate swap and options with third parties and verifies its counterparty's credit limit to lower the above risk.

(vii) Financial risk information of financial derivatives and other financial instruments as approved by the authority

As of December 31, 2023 and 2022, the related financial risk and the presentation of the Company's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

(i) Notional principal (nominal amount) and credit risk

	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
<b>Financial Instruments</b>				
For trading purpose:				
Stock warrants issued	\$ 93,530,484	-	26,259,600	-

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**CAPITAL SECURITIES CORPORATION**  
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The Company collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

(ii) Market risk:

Market risk of stock warrants issued arises from changes in prices of the underlying securities. Market risk can be hedged by adjusting the positions of stock warrants and hedging instruments.

(iii) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Company establishes hedging positions by collecting margins or premium prior to the issue of stock warrants, which are based on the underlying securities. Therefore, there is no significant funding demand. Furthermore, since the underlying security are restricted by certain market prices and diversification requirements, the risk of being unable to sell securities at reasonable prices is rather low; likewise for liquidity risk as well. The only risk is capital demands resulting from hedged positions adjusted for changes in securities prices. However, under the assumption of good market liquidity, cash flow risk is assessed to be low.

The duration of stock warrants issued is three months to two years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

(iv) Type, purpose, and strategy of financial derivatives held:

The Company's strategy is to avoid most of the market risk. Non-trading marketable securities hedging positions are used to hedge against risk from investors' exercising of stock warrants. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of stock warrants issued, and positions held are evaluated and adjusted periodically.

(v) Presentation of financial derivatives

Relevant transaction pertaining to issuance of stock warrants, its presentation and valuation, and gains or losses on sale and expiration and settlement prior to maturity date, were reflected as follows:

1) For the year ended December 31, 2023 and 2022:

a) Gains (losses) on valuation

	<u>For the years ended December 31,</u>		<u>Account</u>
	<u>2023</u>	<u>2022</u>	
Stock warrants issued	\$ 41,057,103	20,852,051	Gains (losses) on stock warrants issued
Stock warrants repurchased	(40,854,770)	(20,641,600)	Gains (losses) on stock warrants issued

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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b) Gains (losses) on sale

	<u>For the years ended December 31,</u>		<u>Account</u>
	<u>2023</u>	<u>2022</u>	
Security borrowing	\$ (110,877)	5,866	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	641,503	(956,919)	Gains (losses) on sale of trading securities
Futures transaction	(325,737)	98,313	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the years ended December 31,</u>		<u>Account</u>
	<u>2023</u>	<u>2022</u>	
Stock warrants issued	\$ 41,156,014	55,724,583	Gains (losses) on stock warrants issued
Stock warrants repurchased	(41,099,973)	(54,301,047)	Gains (losses) on stock warrants issued

Exchange traded notes

(i) Notional principal (nominal amount) and credit risk

The exchange traded notes issued by the Company expired for redemption on April 30, 2022, and therefore, there is no retained contract amount on December 31, 2023, and, 2022.

Index-related products trading (futures or other derivative products) will take certain credit risk from counterparties. The Company determines those with international credit rating BBB- (inclusive) or above, and therefore, no default is expected and credit risk is accordingly remote.

(ii) Market risk:

There is no tracking error on exchange traded notes (ETN). Issuers hedge and manage the position via stocks or other products (futures or other derivative products) which are related to the index.

(iii) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

Stocks with small market cap or transaction volume will be replaced by other stocks in case the liquidity risk affects the index performance.

The duration of exchange traded notes issued is three years from the issue date. Except for cash flows from hedging transactions, there is no additional cash demand.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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- (iv) Type, purpose, and strategy of other financial instruments as approved by the authority held:

The Company's strategy is to avoid most of the market risk. Non trading marketable securities are used to hedge against risk from investors. These underlying securities used as hedging instruments exhibit highly positive correlation with the fair values of exchange traded notes, and positions held are evaluated and adjusted periodically.

- (v) Presentation of other financial instruments as approved by the authority:

	For the years ended December 31,		Account
	2023	2022	
Gains (losses) on exchange traded notes	\$ -	188	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	3	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	-	(377)	Management and commissions expense on exchange traded notes

**Futures**

- (i) Notional principal (nominal amount) and credit risk:

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
TAIEX Futures	\$ 1,572,955	-	765,450	-
Electronic Sector Index Futures	139,031	-	62,503	-
Single Stock Futures	1,169,783	-	2,810,191	-
Mini Electronic Futures	161,244	-	4,494	-
US Dollar Index Futures	95,046	-	38,409	-
Gold Futures	74,059	-	10,868	-
E-mini S&P 500 Index	37,111	-	23,628	-
10 Years U.S. T-Note Futures	105,200	-	58,975	-
Ultra 10 Year U.S. T-Note Futures	-	-	14,736	-
Brent Crude Oil Futures	644,546	-	-	-
Crude Oil Futures	13,248	-	-	-
FTSE China A50 Index Futures	1,987,321	-	632,969	-
HHI Futures	34,956	-	25,625	-
Micro E-mini S&P 500 Futures	8,869	-	3,562	-
Micro E-mini-Nasdaq Futures	10,504	-	11,249	-
Micro E-mini Dow Futures	9,347	-	24,256	-
E-mini-Nasdaq Futures	430,560	-	52,956	-
Silver Futures	19,230	-	18,069	-
Copper Futures	22,674	-	-	-
2 Year U.S. T-Note Futures	189,534	-	88,171	-
Ultra U.S. Treasury Bond	1,847,020	-	222,462	-
30 Year U.S. Treasury Bond	11,468	-	226,315	-
Dow Jones U.S. Real Estate Index	5,477	-	3,014	-
E-mini Dow Futures	34,673	-	46,563	-

(Continued)

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**Notes to the Financial Statements**

<b>Financial Instruments</b>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>
For non-trading purpose:				
TAIEX Futures	\$ 156,094	-	895,750	-
Electronic Sector Index Futures	49,006	-	59,326	-
Single Stock Futures	1,844,741	-	1,018,935	-
Finance Sector Index Futures	-	-	13,374	-
TPEX 200 Index	459	-	-	-
E-mini S&P 500 Futures	58,814	-	-	-
E-Mini Nasdaq Futures	62,853	-	75,226	-
HSI Futures	23,508	-	19,786	-
Silver Futures	-	-	6,683	-
Gold Futures	-	-	88,524	-
Mini HSI Futures	-	-	7,864	-
Crude Oil Futures	6,801	-	107,790	-
FTSE China A50 Index Futures	66,160	-	33,487	-
Japanese Yen Futures	5,360	-	28,959	-
mini TOPIX Futures	-	-	2,200	-
TOPIX Futures	20,266	-	58,774	-
SGX Nikkei 225 Index Futures	35,879	-	29,112	-
Brent Crude Oil Futures	36,587	-	52,338	-
Ultra U.S. Treasury Bond	115,295	-	-	-
HFI Futures	28,945	-	30,991	-
Micro E-Mini-Nasdaq Futures	8,344	-	8,189	-
Micro E-mini S&P 500 Futures	742	-	-	-
Micro Russell 2000 Index Futures	2,820	-	-	-
E-mini Russell 2000 Index Futures	9,145	-	10,779	-
E-mini Dow Futures	-	-	50,297	-
Stock Options	236	-	1,661	-
TAIEX Weekly Options	-	-	445	-
Dow Jones U.S. Real Estate Index	8,686	-	9,367	-

Should counterparties to futures and options default, the associated loss is borne by the futures commission merchants. Hence, the Company is subject to insignificant credit risk.

(ii) Market risk:

Market risk resulted from the purchase and sale of futures and options. Since the fair values of futures and options are available, and stop-loss points are established in order to manage risk, the Company can confine losses to a predictable range. Therefore, there is no significant market risk.

For non-trading futures or options contracts, gain or loss from the fluctuations of index tends to offset gain and loss of the hedged items. Hence, there is no significant market risk.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- (iii) Liquidity risk, cash flow risk, and the amount, period and uncertainty of future cash demand:

The open positions of futures and options held by the Company can be settled on the market at reasonable prices, and as such there is no liquidity risk.

Futures trading are considered as margin transactions. Margins are collected in advance and valued daily on open futures positions established by the Company. For margin calls, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, cash flow risk, or significant cash demand.

For options trading, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Company has sufficient operating funds to meet the liquidity requirement. Therefore, there is no liquidity risk, no cash flow risk, and no significant cash demand.

- (iv) Presentation of financial derivatives:

	December 31, 2023	December 31, 2022	Account
Futures margin - proprietary fund	\$ 926,751	921,309	Financial assets at fair value through profit or loss - current
Excess futures margin	876,699	1,303,243	Cash and cash equivalent
Buy options	305	305	Financial assets at fair value through profit or loss - current
Sale options	-	113	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31,</b>		
	<b>2023</b>	<b>2022</b>	<b>Account</b>
Gains (losses) on futures transactions	(909,127)	(868,361)	Gains (losses) on derivatives - futures

Derivative instruments - OTC

- (i) Interest rate financial derivatives

- 1) Notional principal (nominal amount) and credit risk:

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 8,000,000	-	7,000,000	-

Counterparties to interest rate swaps are banks with good credit ratings. The Company pays fixed and collects floating interest payments. Since the trend of interest rate is stabilized, no default is expected and credit risk is accordingly remote.

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**CAPITAL SECURITIES CORPORATION**  
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2) Market risk:

Non-trading NT dollar interest rate swaps are primarily held for hedging. Gain or loss from the fluctuations of interest rate tends to offset gains and losses of the hedged items, and therefore market risk is insignificant.

In order to manage risk, stop loss points are established in accordance to the changes in the contract value of trading NT dollar interest rate. Loss is kept within prediction, and therefore there is no significant market risk.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Company's non-trading NT dollar interest rate swaps are used to hedge against interest rate fluctuations of claims and obligations. On the settlement date, interest receivables or payables are derived from multiplying the notional principals by interest rate differences, and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

For trading NT dollar interest rate swaps, the interest receivables or payables are derived through multiplying of its notional principals by interest rate differences on the settlement dates; and the amount is insignificant. Given that there is no physical transfer of principals on maturity, there is no liquidity risk, cash flow risk, or significant cash demand associated.

4) Type, purpose, and strategy of financial derivatives held:

The Company entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Company's strategy is to avoid most of the market risk. Financial derivatives exhibiting highly negative correlation with the fair value of hedged items are used as hedging instruments and evaluated periodically.

The Company engages in trading NT dollar interest rate swaps to gain from the differences in interest rates upon evaluation of the trending of interest rates.

(ii) Structured notes

1) Notional principal (nominal amount) and credit risk:

Financial Instruments	December 31, 2023		December 31, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 266,000	-	336,000	-
Principal guaranteed notes	3,470,817	-	2,469,656	-
Credit-linked notes	1,138,700	-	952,300	-
Principal guaranteed notes (in USD thousands)	USD 2,487	-	USD 90	-

The Company collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

(Continued)



**CAPITAL SECURITIES CORPORATION**  
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2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

The Company collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

(iii) Convertible bond asset swaps

1) Notional principal (nominal amount) and credit risk:

<b>Financial Instruments</b>	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>	<b>Notional principal / Nominal amount</b>	<b>Credit Risk</b>
For trading purpose:				
Convertible bond asset swaps	\$ 2,744,800	-	2,976,300	-
Convertible bond options	15,354,000	-	13,364,000	-

Counterparties to convertible bond asset swaps are institutions with good credit ratings. The Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Since the counterparties are governed by relevant regulatory authorities, and the Company maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Company collects premium or margins from investor prior to issuing convertible bond options, and therefore, there is no credit risk.

2) Market risk:

For convertible bond asset swaps, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. Therefore, there is no market risk.

For convertible bond options, since the exercise price of the convertible bonds acquired through underwriting or proprietary trading is determined on the contract date, there is no market risk.

3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset-backed swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Company swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Company also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
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## (iv) Options

## 1) Notional principal (nominal amount) and credit risk:

<u>Financial Instruments</u>	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ 6,300	-	-	-

The counterparties that the Company entered into derivative transactions with are all well-known financial institutions with good credit ratings. The Company does not expect the counter-party will default. Therefore, the credit risks is minimal.

## 2) Market risk:

Market risk of trading equity options results from the purchase and sale of options. Since the fair values of options are available, and stop-loss points are established in order to manage risk, the Company can confine losses to a predictable range. Therefore, there is no significant market risk.

## 3) Liquidity risk, cash flow risk, and the amount of future cash demand:

For equity options, premiums are collected or paid in advance. If the counterparty of a short put position exercises the option, the Company has sufficient operating funds to meet the liquidity requirement. As a result, there is no liquidity risk, no cash flow risk, and no significant cash demand.

## (v) Presentation of derivative instruments in financial statement

As of December 31, 2023 and 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps were presented on the balance sheets as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 43,403	17,807
Asset swap options-long position	315,076	205,121
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	350	-
Total	<u>\$ 361,113</u>	<u>234,329</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 56,167	51,106
Asset swap options-short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	84	-
Total	<u>\$ 2,859,607</u>	<u>1,316,405</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,223,503</u>	<u>3,028,050</u>
Other financial liabilities - non-current		
Structured notes principal value	<u>\$ 677,162</u>	<u>494,542</u>

For the years ended December 31, 2023 and 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	<u>For the year ended December 31, 2023</u>		<u>For the year ended December 31, 2022</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 222	350	255	(59)
Equity derivatives	(1,716)	72	818	-
Structured notes	(106,641)	10,862	70,040	136,497
IRS asset swaps	(860)	(819)	(682)	(719)
Asset swap options	(1,516,870)	462,833	1,019,361	1,439,979
Exchange rate derivatives	108,395	(98,566)	247,310	(11,778)
Total	<u>\$ (1,517,470)</u>	<u>374,732</u>	<u>1,337,102</u>	<u>1,563,920</u>

(vi) Managing interest rate benchmark reform and associated risks

The Company completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), during the interim period. The Company's remaining IBOR exposures as at 31 December 2022 – corporate debt securities indexed to US dollar London Inter-bank Offered Rate – have been automatically switched to the Secured Overnight Financing Rate in accordance with fallback clauses.

(w) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Company has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

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**CAPITAL SECURITIES CORPORATION**  
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The Company maintains no change of its capital management. The Company's capital adequacy ratio is as below:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Capital adequacy ratio	276 %	337 %

(x) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

For Right-of-use assets, please refer to note 6(f).

	January 1, 2023	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2023
Lease liabilities	\$ 746,700	(183,535)	76,658	-	-	639,823

  

	January 1, 2022	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2022
Lease liabilities	\$ 765,276	(176,340)	157,764	-	-	746,700

**(7) Related-party transactions:**

(a) Relationships between parents and subsidiaries

Refer to Note 13(b) for a detailed list of the Company's subsidiaries.

(b) Names of related parties and relationships

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Futures Corp.	Subsidiary
Capital Investment Management Corp.	Subsidiary
CSC Venture Capital Corp.	Subsidiary
CSC Capital Management Co.	Subsidiary
CSC Securities (HK) Ltd.	Second-level subsidiary
Capital International Technology Corp.	Second-level subsidiary
Capital Private Equity Fund I Co.	Second-level subsidiary
Capital Investment Trust Corp.	Associates
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)

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<u>Names of related parties</u>	<u>Relationships</u>
Bao Zuo Investment Corp.	Related party in substance (Note)
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Bao Ching Investment Corp.	Related party in substance (Note)
Bao Sheng Investment Corp.	Related party in substance (Note)
Wang Xing Enterprise Corp.	Related party in substance (Note)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel and others

Note: The corporation has become an associate of the Company from August, 2022. The transaction amount in 2022 was taken into account starting from August.

(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 225,376	165,445
Post-employment benefits	1,301	1,456
Total	<u>\$ 226,677</u>	<u>166,901</u>

(ii) Bonds sold under repurchase agreements

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ <u>4,000</u>	<u>4,051</u>	<u>13,142</u>	<u>13,161</u>

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Total financial expenses</b>		
Other related parties	\$ <u>103</u>	<u>313</u>

Transaction terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Other related parties	\$ <u>86,800</u>	<u>98,200</u>

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**CAPITAL SECURITIES CORPORATION**  
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## (iv) Brokerage and sub-brokerage

	<b>For the years ended December 31,</b>	
<u>Brokerage commissions</u>	<b>2023</b>	<b>2022</b>
Other related parties	<b>\$ 47,909</b>	<b>2,014</b>
<u>Re-consigned handling commissions</u>	<b>2023</b>	<b>2022</b>
Other related parties	<b>\$ 1,084</b>	<b>120</b>

## (v) Property Transactions - Dispose Equipment

	<b>For the years ended December 31,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Disposal proceeds</b>	<b>Gain or loss on disposal</b>	<b>Disposal proceeds</b>	<b>Gain or loss on disposal</b>
Other related parties	<b>\$ 860</b>	<b>50</b>	<b>-</b>	<b>-</b>

## (d) Significant transactions with related parties

## (i) Bonds sold under repurchase agreements

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Funds issued by associate	\$ 1,056,720	1,056,720	705,000	705,000
Subsidiaries	31,000	31,426	43,000	43,166
Total	<b>\$ 1,087,720</b>	<b>1,088,146</b>	<b>748,000</b>	<b>748,166</b>

	<b>For the years ended December 31,</b>	
<b>Total financial expenses</b>	<b>2023</b>	<b>2022</b>
Funds issued by associate	\$ 12,277	961
Subsidiaries	748	529
Total	<b>\$ 13,025</b>	<b>1,490</b>

Transaction terms are the same as the general clients.

## (ii) Financial assets transactions

The Company held securities publicly raised by related parties, and their ending amount and related gains and losses were as followed :

		<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Relationship</b>	<b>Account</b>	<b>Ending shares (Note)</b>	<b>Ending amount</b>	<b>Ending shares (Note)</b>	<b>Ending amount</b>
Funds issued by associate	Financial assets at fair value through profit or loss-current	<b>111,489</b>	<b>\$ 2,073,630</b>	<b>89,472</b>	<b>825,936</b>

Notes: Expressed in thousand shares.

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	For the years ended December 31,			
	2023		2022	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	\$ 82,397	70,212	(20,522)	35,254
		<b>December 31,</b>	<b>December 31,</b>	
		<b>2023</b>	<b>2022</b>	
<u>Prepayments</u>		\$ 55,202	2,214	
Associates				

Transaction terms are the same as the general clients.

(iii) Futures commission revenue

The Company signed contracts with subsidiary and provided futures trading assistance approved by the authority. The details were as follows:

	December 31, 2023	December 31, 2022
Commission receivable	\$ 8,956	12,761
Other Payable (Default loss)	\$ 3,509	3,646
For the years ended December 31,		
	2023	2022
Futures commission revenue	\$ 131,141	186,991

(iv) Futures transactions

The futures margin in subsidiary of the Company is as follow:

	December 31, 2023	December 31, 2022
Futures margin-proprietary fund	\$ 1,760,408	2,202,884
For the years ended December 31,		
	2023	2022
Interest revenue of futures margin	\$ 38	68
Handling fees charge	\$ 34,161	29,115

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (v) Lease agreements

Lessor

<u>Lease revenue</u>	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 18,219	17,884
Second-level Subsidiaries	450	734
Associates	<u>17,263</u>	<u>17,237</u>
Total	<u>\$ 35,932</u>	<u>35,855</u>

  

<u>Guarantee deposits received</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Subsidiaries	\$ 4,620	4,450
Second-level Subsidiaries	13	183
Associates	<u>3,811</u>	<u>3,811</u>
Total	<u>\$ 8,444</u>	<u>8,444</u>

Lease period and rent collection method is based on lease agreements. Transaction terms are the same as the general clients.

Lessee

- 1) The Company leases office places from related party in substance for operation, and lease period is nine years. The aggregate contractual value of the lease is \$834,987 and rent is paid monthly. As of December 31, 2023 and 2022, the refundable deposits were \$25,088 and \$22,204.

- 2) Acquisition of right-of-use assets

New acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2023 was \$44,838.

- 3) Lease liabilities

	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Related party in substance	<u>\$ 442,572</u>	<u>484,132</u>

- 4) Financial expenses

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Related party in substance	<u>\$ 6,258</u>	<u>2,801</u>

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (vi) Custody account business

	<b>For the years ended December 31,</b>	
<b>Custody account business revenue (Accounted for as rental income)</b>	<b>2023</b>	<b>2022</b>
Related party in substance	\$ <b>120,252</b>	<b>42,342</b>
<b>Other accounts receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Related party in substance	\$ <b>8,379</b>	<b>8,379</b>

## (vii) Information Technology Service

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ <b>53,440</b>	<b>48,191</b>

## (viii) Insurance commission revenues

The Company assists subsidiaries in recruiting insurance contracts and charging commission revenues. The details were as follows:

	<b>For the years ended December 31,</b>	
<b>Commission revenues</b>	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ <b>6,294</b>	<b>12,936</b>
<b>Accounts receivable</b> <td style="text-align: center; border-top: 1px solid black;"><b>December 31, 2023</b></td> <td style="text-align: center; border-top: 1px solid black;"><b>December 31, 2022</b></td>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ <b>1,453</b>	<b>444</b>

## (ix) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the years ended December 31, 2023 and 2022, commission revenues charged by the Company were as follows:

	<b>For the years ended December 31,</b>	
<b>Brokerage commissions</b>	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ 607	1,752
Second-level Subsidiaries	75	17
Funds issued by associate	50,186	46,574
Related party in substance	264	118
Total	\$ <b>51,132</b>	<b>48,461</b>
<b>Re-consigned handling commissions</b> <td style="text-align: center; border-top: 1px solid black;"><b>For the years ended December 31,</b> <td style="text-align: center; border-top: 1px solid black;"><b>For the years ended December 31,</b> </td></td>	<b>For the years ended December 31,</b> <td style="text-align: center; border-top: 1px solid black;"><b>For the years ended December 31,</b> </td>	<b>For the years ended December 31,</b>
	<b>2023</b>	<b>2022</b>
Funds issued by associate	\$ 13,366	12,413
Subsidiaries	118	-
Total	\$ <b>13,484</b>	<b>12,413</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

		<u>For the years ended December 31,</u>	
<u>Re-consigned handling costs</u>		<u>2023</u>	<u>2022</u>
	Second-level Subsidiaries	\$ <u>-</u>	<u>3,266</u>
 (x) Fund services business			
		<u>For the years ended December 31,</u>	
<u>Fund services revenue</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>1,228</u>	<u>1,894</u>
		<u>For the years ended December 31,</u>	
<u>Channel services revenue</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>1,228</u>	<u>1,894</u>
		<u>December 31,</u>	<u>December 31,</u>
<u>Account receivable</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>65</u>	<u>277</u>
 (xi) Wealth management business			
		<u>For the years ended December 31,</u>	
<u>Trust account commissions revenue</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>4,588</u>	<u>4,463</u>
		<u>For the years ended December 31,</u>	
<u>Trust account management fee revenue</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>2,007</u>	<u>1,355</u>
 (xii) Underwriting business			
		<u>For the years ended December 31,</u>	
<u>Stock service income</u>		<u>2023</u>	<u>2022</u>
	Subsidiaries	\$ 679	648
	Second-level subsidiaries	20	20
	Associates	<u>122</u>	<u>123</u>
	Total	\$ <u>821</u>	<u>791</u>
		<u>For the years ended December 31,</u>	
<u>Handling fee revenues from underwriting securities on consignment</u>		<u>2023</u>	<u>2022</u>
	Funds issued by associates	\$ <u>13</u>	<u>116</u>
		<u>December 31,</u>	<u>December 31,</u>
<u>Accounts receivable</u>		<u>2023</u>	<u>2022</u>
	Associates	\$ <u>10</u>	<u>10</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(xiii) Other revenues and expense

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Other revenue</b>		
Subsidiaries	\$ 787	358
Associates	3	2
Total	<u>\$ 790</u>	<u>360</u>
<b>Other expense</b>		
Subsidiaries	\$ 90	-
Related party in substance	780	-
Total	<u>\$ 870</u>	<u>-</u>

(xiv) Custody account business

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Custody account business revenue</b>		
Second-level subsidiaries	<u>\$ 6,218</u>	<u>6,045</u>
<b>Accounts receivable</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
Second-level subsidiaries	<u>\$ 607</u>	<u>577</u>

(xv) Consulting business

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Consulting fee expense</b>		
Subsidiaries	<u>\$ 69,000</u>	<u>69,000</u>

(xvi) Stock commission expense

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
<b>Accounts payable</b>		
Subsidiaries	<u>\$ 1,118</u>	<u>884</u>

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Stock commission expense</b>		
Subsidiaries	<u>\$ 12,761</u>	<u>14,122</u>

(xvii) Information technology fees

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Information technology fees</b>		
Subsidiaries	<u>\$ -</u>	<u>1,181</u>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (xviii) Accrued receivables

<b>Accounts receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ -	3,788
<b>Other receivable</b>		
Subsidiaries	\$ 670	494
Second-level subsidiaries	47	26
Total	\$ 717	520
<b>Accounts payable</b>		
Subsidiaries	\$ -	3,536
<b>Other payable</b>		
Subsidiaries	\$ 251	189
Second-level subsidiaries	23	42
Total	\$ 274	231
<b>Receipts under custody</b>		
Second-level subsidiaries	\$ -	4

## (xix) Receipts in advance

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ 27	27

## (xx) Transaction of financial assets

On June 20, 2023, the Company acquired shares (800 thousand shares) from second-level subsidiary, which was recognized in financial assets at fair value through other comprehensive income - current, and total amount is \$46,400.

## (xxi) The Company provided the Letter of Comfort to the banks which loaned to subsidiaries CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The following assets were pledged as collateral or restricted in use:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>The collateral use</u>
Restricted assets - current	\$ 443,034	147,507	Bank borrowings, accounts settled, repurchase agreement.
Trading securities	34,368,950	27,046,424	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	14,206,648	7,347,280	Repurchase agreement
Property (net amount)	1,334,585	1,343,421	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,438	179,171	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Financial assets at amortized cost - non - current (par value)	5,397,887	3,306,400	Repurchase agreement
Investment property (cost)	3,841,913	3,872,851	Bank borrowings
Total	<u>\$ 59,772,455</u>	<u>43,243,054</u>	

**(9) Significant contingent liability and unrecognized contract commitment:**

- (a) Information of handling margin purchase and short sale lending operations in securities trading are as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	496,265	\$ 4,962,650	481,268	4,812,680
Collateral for margin purchase	2,218	22,184	15,745	157,450
Lending securities to customers through short sales	35,482	354,820	53,847	538,470
Collateral for short sales	6,283	62,830	5,394	53,940

- (b) Information of the collateral provided or the securities borrowed of refinancing margin from securities finance companies are as follows:

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	111	\$ 1,110	203	2,030

- (c) Information of issuing promissory notes in connection with bank loans and issuance of commercial paper are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Promissory notes	<u>\$ 26,320,000</u>	<u>26,320,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>

- (d) As of December 31, 2023 and 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$13,859,923 and \$9,015,293, respectively.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the Company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and field an appeal, and the Company also field a side appeal. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as “TISC”) is suspected to violate the “Regulations Governing Securities Firms” due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$36,142 as of December 31, 2023.
- (h) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(i) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:

(i) Balance sheet of trust accounts

**Balance Sheet of Trust Accounts**

**December 31, 2023 and 2022**

<b>Trust Assets</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>Trust Liabilities</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bank deposits	\$ 1,030,926	956,522	Accounts payable	\$ 311	67
Short-term investment			Trust capital	13,890,658	12,449,858
Funds	9,395,839	8,756,216	Net income	1,927,340	(1,385,219)
Stocks	1,985,253	153,242	Accumulated earnings or deficit	(1,459,316)	(40,291)
Bonds	1,583,186	1,032,735			
Structured notes	286,314	102,619			
Accounts receivable	<u>77,475</u>	<u>23,081</u>			
<b>Total Assets</b>	<b><u>\$ 14,358,993</u></b>	<b><u>11,024,415</u></b>	<b>Total Liabilities</b>	<b><u>\$ 14,358,993</u></b>	<b><u>11,024,415</u></b>

(ii) Income statement of trust accounts

**Income Statement of Trust Accounts**

**For the years ended December 31, 2023 and 2022**

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Trust revenue		
Interest revenue	\$ 102,161	42,667
Cash dividends revenue	248,018	283,631
Rental revenue	9,843	8,461
Investment gains - unrealized	<u>1,763,628</u>	<u>-</u>
Subtotal	<u>2,123,650</u>	<u>334,759</u>
Trust expense		
Management fee	606	483
Service fee	16,238	23,186
Investment losses - realized	178,428	469,851
Investment losses - unrealized	-	1,226,132
Other fees	<u>130</u>	<u>62</u>
Subtotal	<u>195,402</u>	<u>1,719,714</u>
Gain (loss) before income tax	1,928,248	(1,384,955)
Less: Income tax expense	<u>908</u>	<u>264</u>
Net gain (loss)	<b><u>\$ 1,927,340</u></b>	<b><u>(1,385,219)</u></b>

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

(iii) Property list of trust accounts

**Property list of trust accounts**

**December 31, 2023 and 2022**

<b>Investment items</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bank deposits	\$ 1,030,926	956,522
Short-term investment		
Funds	9,395,839	8,756,216
Stocks	1,985,253	153,242
Bonds	1,583,186	1,032,735
Structured Notes	286,314	102,619
Other assets	<u>77,475</u>	<u>23,081</u>
Total	<u><u>\$ 14,358,993</u></u>	<u><u>11,024,415</u></u>

**(10) Significant Catastrophic Loss: None**

**(11) Significant Subsequent Events: None**

**(12) Other: None**

(Continued)



**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities firms” for the Company:

## (i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	\$ 898,859	837,549	837,549	- %	2	-	Working capital	-	-	-	1,587,643	1,587,643
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	103,614	103,614	103,614	- %	2	-	Working capital & repayment of financing	-	-	-	103,614	103,614
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,704	5,704	5,704	- %	2	-	Repayment of financing	-	-	-	5,704	5,704
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,934	60,934	-	10.27 %	1	3,487		-	-	-	207,062	1,035,312
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	426,535	426,535	31,990	6.52%~7.77%	1	173,801		-	-	-	426,535	1,035,312
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	91,400	91,400	-	9.27 %	1	14,455		-	-	-	207,062	1,035,312
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,233	15,233	-	8.27 %	1	-		-	-	-	207,062	1,035,312
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	8.27 %	1	56		-	-	-	207,062	1,035,312
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,934	60,934	-	8.27 %	1	1,259		-	-	-	207,062	1,035,312
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	45,700	45,700	-	8.27 %	1	9,507		-	-	-	207,062	1,035,312
11	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	213,268	213,268	-	6.77 %	1	3,488		-	-	-	213,268	1,035,312

Note: Type of Loans

1. Business transactions
2. Necessaries of short-term financing

- (ii) Providing endorsements and guarantees for other parties: None
- (iii) Acquisition of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (iv) Disposal of real estate exceeding NT\$300 million or 20% of paid-in capital: None
- (v) Handling fee discounts on transactions with related parties exceeding NT\$5 million: None
- (vi) Accounts receivables from related parties exceeding NT\$100 million or 20% of paid-in capital: None

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

## (b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	note7	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	77,899	72,034	572	572	10,660	Subsidiary
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	4,058,928	2,003,325	1,010,196	571,630	359,579	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00 %	1,587,643	29,750	14,188	14,188	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	note7	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	44,481	143,623	18,610	18,610	46,150	"
0	Capital Insurance Agency Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 8, 2000	note7	Completion of the liquidation	7,400	7,400	740,000	100.00 %	7,400	-	6	6	-	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00 %	13	(234)	(234)	(234)	-	"
0	CSC Venture Capital Corp.	Taipei ,Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Long-term equity investment business.	1,000,000	1,000,000	100,000,000	100.00 %	841,425	6,249	1,837	1,837	14,173	"
0	CSC Capital Management Co.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	33,000,000	100.00 %	308,660	22,414	19,039	19,039	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	note7	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,421,092	2,278,177	934,342	186,868	138,884	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931dated January 5,1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	128,000,000	100.00 %	673,832	80,948	29,750	Note 6	-	Second-level subsidiary
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(102,379)	-	(234)	Note 6	-	"
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	(257,862)	-	(132)	Note 6	-	Third-level subsidiary
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	886,284	886,284	220,000,000	100.00 %	1,035,312	325,140	79,386	Note 6	-	Second-level subsidiary
4	Capital International Technology Co.,Ltd.	Taipei ,Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software.	50,000	50,000	5,000,000	100.00 %	18,301	1,792	(8,048)	Note 6	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931dated January 5,1998	Agency services.	HK 2	HK 2	2	100.00 %	-	-	-	Note 7	-	Third-level subsidiary
6	Capital Private Equity Fund I Co.	Taipei ,Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	30,000,000	100.00 %	275,624	22,895	17,548	Note 6	-	Second-level subsidiary
7	EnnoCap Venture Inc.	Taipei ,Taiwan, R.O.C.	July 30, 2021	No. FSC-1040034071 dated September 08, 2015	Investment and management consulting, venture capital and general investing.	400	400	40,000	40.00 %	102	-	(270)	Note 6	-	Associates

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

Note 1: (0) Capital Securities Corp. (1) CSC International Holdings Ltd. (2) Taiwan International Securities (B.V.I) Corp. (3) TIS Securities (HK) Limited. (4) Capital Futures Corp. (5) CSC Securities (HK) Ltd. (6) CSC Capital Management Co. (7) CSC Venture Capital Corp.

Note 2: Includes the Company's investment in overseas business and its reinvestments in other businesses, etc.

Note 3: Book value is the investment balance according to equity method, including investment income (loss), cash dividends, and cumulative translation adjustment, etc.

Note 4: The board of directors of the Company resolved to dissolve the investee company on March 1, 2022. The liquidation was completed on November 30, 2023 (Letter No. 403 of the Taipei High Administrative Court, Kang, in the 2022 of Kangxi); and the distribution of the remaining assets was completed on January 16, 2024.

Note 5: The board of directors of the Company resolved to dissolve the investee company on December 30, 2011. The representative office of China dissolved in 2014 as well. According to the laws of Hong Kong, it can't be liquidated voluntarily because the total assets of TIS Securities (HK) Limited. and Taiwan International Capital (HK) Ltd. can't cover the liabilities. The company has briefed it to the accountant in Hong Kong to plan the solutions.

Note 6: The investment gains and losses is recognized with equity method.

Note 7: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

Name	Region	Date of establishment	Approval date and number of FSC	Primary business operation	Operating Revenues	Net Income	Assignment of working capital				Transactions with parent company	Note
							Beginning amount	Add	Less	Ending amount		
CSC International Holdings Ltd. Shanghai Representative Office	Shanghai	November 27, 1997	Ruling No. 16322 by FSC on Feb.22, 1997	Investigation of business, research of industrial technology and related information collection	-	-	-	-	-	-	-	

(d) Information on investments in the Mainland China:

(i) Investment in the Mainland China and related information:

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2023	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2023	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2023
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	1,747	28.86%	504 B(2)	5,405	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(5,157)	56.58%	(2,918) B(2)	1,415	-

Note 1: Investment methods are classified into the following three categories:

- A. Directly invest in a company in Mainland China.
- B. Through investing in an existing company in the third area, which then invested in the investee in Mainland China (Please indicate the investee name of the third area).
- C. Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

- A. It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
- B. Indicate the basis for investment gains and losses recognition in the number of one of the following three categories:
  - (1) The financial statements that are audited and attested by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
  - (2) The financial statements that are audited and attested by R.O.C. parent company's CPA.
  - (3) The financial statements that are provided by the investee without audited by CPA.

Note 3: Above information is expressed in New Taiwan Dollars.

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

Company Name	Accumulated remittance from Taiwan to Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment in Mainland China regulated by MOEA
Capital International Technology Corp.	43,235	43,235	80,000

Note: The Company invests through subsidiaries Capital International Technology Corp. to invest in Mainland China. According to the relevant rules to small and medium enterprises, the upper limit for investment in China is \$80,000.

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## (e) Major shareholders:

There was no shareholder who held 5% or more of the issuer's equity.

Note 1: Taiwan Depository & Clearing Corporation calculates the information of the shareholders holding 5% or more of the Company's non-physical common shares and special shares which have been registered in dematerialized form (including treasury shares) based on the last business day of every quarter. The stock recorded in the Company's financial statements may differ from the shares which have been registered in dematerialized form because of different basis of preparation.

Note 2: If the shareholders deliver shareholdings to the trust, it shows the trustor's separate account opened by the trustee. As to insiders' equity declaration of shareholdings over 10% under securities trading laws, the shareholders' shareholdings include their own shareholdings and shares delivered to the trust with the right to decide how to use the trust property. The information related to insiders' equity declaration please refers to Market Observation Post System.

## (f) Disclosures required for securities firm investing in countries or regions without securities authority :

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2023 are as follows:

## (i) Balance sheet and income statement:

## 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. December 31, 2023	Taiwan International Securities (B.V.I) Corp. December 31, 2023
Nature		
Current assets	8,675	1
Long-term investments	22,120	-
Property and premises	1,706	-
Other assets	19,394	3,380
Total assets	51,895	3,381
Current liabilities	72	20
Other liabilities	32	3,361
Total liabilities	104	3,381
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,983	(9,458)
Cumulative translation adjustments	(192)	(58)
Total stockholders' equity	51,791	-
Total liabilities and stockholders' equity	51,895	3,381

(Continued)

**CAPITAL SECURITIES CORPORATION**  
**Notes to the Financial Statements**

## 2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the years ended December 31, 2023	For the years ended December 31, 2023
Operating revenue	969	(8)
Operating expense	(684)	-
Non-operating revenue	180	-
Non-operating expense	(3)	-
Income (loss) before tax	462	(8)
Net income (loss)	462	(8)

## (ii) Securities held as of December 31, 2023

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2023	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities(HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,120</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities(HK) Limited.	Other liabilities	265,000,000	\$ <u>(3,361)</u>

(iii) Derivatives financial instrument transactions and the source of capital: None.

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

**(14) Segment information:**

Please refer to the consolidated financial statements of the Company as of and for the year ended December 31, 2023.

**Capital Securities Corporation**  
**Statement of cash and cash equivalents**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash	Petty cash	\$ 2,590
Bank deposits		
Checking accounts		47,861
Demand deposits		91,501
Foreign currency deposits	HKD3,687 Thousands @ 3.929	328,998
	USD7,961 Thousands @ 30.705	
	CNY10,828 Thousands @ 4.327	
	EUR238 Thousands @ 33.98	
	JPY2,483 Thousands @ 0.2172	
	GBP2 Thousands @ 39.15	
	ZAR1 Thousands @ 1.657	
	AUD685 Thousands @ 20.98	
	CAD1 Thousands @ 23.2	
	SGD6 Thousands @ 23.29	
Cash equivalents		
Futures margin – excess margin (NTD)		830,329
Futures margin – excess margin (Foreign currency)	HKD15,697 Thousands @3.929	46,370
	EUR29 Thousands @ 33.98	
	JPY15,929 Thousands @ 0.2172	
	USD-906 Thousands @ 30.705	
	VND6,421,488 Thousands @0.0013	
Total		<u>\$ 1,347,649</u>

**Capital Securities Corporation**  
**Statement of financial assets at fair value through profit or loss - current—open-ended funds and**  
**money-market instruments**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
FSITC Money Market Fund		61,860	-	-	-	\$ 11,074	183.17	11,331	-	
Fuh Hwa Money Market Fund		3,116,924	-	-	-	45,000	14.79	46,094	-	
Franklin Templeton SinoAm Preferred Securities Income Fund-A TWD		519,590	-	-	-	5,880	11.56	6,006	-	
Franklin Templeton SinoAm AI Hi-Tech Fund		1,000,000	-	-	-	10,000	10.82	10,820	-	
Cathay US ESG Fund TWD-A		1,973,709	-	-	-	20,000	12.09	23,862	-	
Yuanta Global Leaders Balanced Fund		9,629,543	-	-	-	100,000	11.90	114,592	-	
Yuanta 0-2 Year Investment Grade Corporate Bond Fund		5,000,000	-	-	-	50,000	10.35	51,732	-	
FSITC Global Utilities and Infrastructure Fund TWD Inc		738,552	-	-	-	10,000	14.37	10,613	-	
Fuh Hwa Emerging Market High Yield Bond Fund		1,691,331	-	-	-	13,931	8.54	14,444	-	
Fubon US Treasury Inflation-Linked Bond Index Fund		2,470,802	-	-	-	25,000	10.29	25,428	-	
PineBridge Emerging Market Asia-Pacific Strategic Bond Fund		715,820	-	-	-	8,000	11.43	8,181	-	
PGIM Emerging Markets Corporate Bond Fund		943,155	-	-	-	10,060	11.05	10,423	-	
Nomura Fallen Angel High Yield Bond Fund		1,349,846	-	-	-	13,000	9.96	13,446	-	
Eastspring Investments Global High Yield Bond Fund		717,130	-	-	-	9,000	12.88	9,237	-	
CTBC Growth Opportunities Multi-Asset Fund		3,000,000	-	-	-	30,000	10.15	30,464	-	

**Capital Securities Corporation**

**Statement of financial assets at fair value through profit or loss - current—open-ended funds and  
money-market instruments**

**December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares or units</u>	<u>Par value (Dollars)</u>	<u>Total amount</u>	<u>Interest rate</u>	<u>Acquisition cost</u>	<u>Fair value</u>		<u>Fair value changes is attributable to the changes in credit risk</u>	<u>Note</u>
							<u>Unit price (Dollars)</u>	<u>Total amount</u>		
Yuanta Japan Leaders Equity Fund		5,250,897	-	-	-	\$ 50,830	10.03	52,666	-	
UPAMC Taiwan High Dividend and Growth Fund		10,000,000	-	-	-	100,000	10.98	109,800	-	
Yuanta 0-2 Year Investment Grade Corporate Bond Fund		4,731,264	-	-	-	50,000	10.35	48,987	-	
FSITC Global Sustainable Impact Investment Multi-Asset Fund		5,000,000	-	-	-	50,000	9.98	49,920	-	
Hua Nan Future Technology Fund		2,000,000	-	-	-	20,000	10.13	20,260	-	
Franklin Rising Dividends Fd Class		4,064	-	-	-	10,081	USD 88.45	11,038	-	
Total						641,856		<u>679,344</u>		
Valuation adjustment						37,488				
Net amount						<u>\$ 679,344</u>				



**Capital Securities Corporation**  
**Statement of financial assets at fair value through profit or loss - current—trading securities**  
**(Proprietary trading)**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars; Foreign currencies)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
<b>Listed stocks</b>										
Others		33,055,729	\$ 10	330,557		\$ 2,111,128		2,120,039	-	Note
Subtotal						<u>2,111,128</u>		<u>2,120,039</u>		
<b>Listed funds</b>										
Yuanta Daily Taiwan 50 Bear -1X ETF		113,667,000	10	1,136,670		537,051	4.48	509,228	-	
Yuanta/P-Shrs CSI 300 2X ETF		30,470,000	10	304,700		345,700	11.60	353,452	-	
JKO S&P GSCI Brent Crude 2X Leveraged ER Futures ETF		27,708,000	10	277,080		361,501	13.08	362,421	-	
Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF		21,940,232	10	219,402		461,573	21.80	478,297	-	
Others		267,847,203	10	2,678,472		4,685,857		4,774,826	-	Note
Subtotal						<u>6,391,682</u>		<u>6,478,224</u>		
<b>OTC stocks</b>										
UNIVERSAL VISION BIOTECHNOLOGY CO., LTD		154,000	10	1,540		43,884	277.00	42,658	-	
AURAS Technology Co.,Ltd.		281,000	10	2,810		97,612	352.50	99,053	-	
TMB		870,000	10	8,700		79,644	82.00	71,340	-	
GLORIA MATERIAL TECHNOLOGY CORP		736,085	10	7,361		35,912	48.85	35,958	-	
91APP*-KY		553,000	10	5,530		55,077	105.00	58,065	-	
Others		2,509,837	10	25,098		287,856		281,861	-	Note
Subtotal						<u>599,985</u>		<u>588,935</u>		
<b>OTC funds</b>										
Yuanta U.S. Treasury 20+ Year Bond ETF		58,060,000	10	580,600		1,776,173	30.85	1,791,150	-	
Yuanta US 20+ Year BBB Corporate Bond ETF		53,642,000	10	536,420		1,877,215	36.00	1,931,112	-	
CTBC USD Corporate 10+ Year High Grade Capped Bond ETF		11,328,000	10	113,280		411,286	36.31	411,320	-	
CTBC 0-1 Year US Treasury Bond ETF		9,817,000	10	98,170		424,820	42.48	417,026	-	
CAPITAL ICE ESG 20+ Year BBB Corporate ETF		46,459,000	10	464,590		732,533	16.01	743,809	-	
Others		98,216,000	10	982,160		2,620,357		2,645,996	-	Note
Subtotal						<u>7,842,384</u>		<u>7,940,413</u>		
<b>Emerging market stocks</b>										
GRADE UPON TECHNOLOGY CORPORATION		674,792	10	6,748		30,606	54.40	36,709	-	
TEXTURE MAKER ENTERPRISE CO., LTD		1,015,750	10	10,158		51,229	69.90	71,001	-	
APEX Wind Power Equipment Manufacturing CO., LTD.		1,086,000	10	10,860		71,787	70.00	76,020	-	
Others		6,374,765	10	63,748		312,255		318,444	-	Note
Subtotal						<u>465,877</u>		<u>502,174</u>		
<b>Convertible bonds</b>										
GEMTEK TECHNOLOGY CORP 6Th Unsecured Convertible Bond		1,561	100,000	156,100		186,890	118.50	184,979	-	
Gloria Material Technology corp 7th Domestic Unsecured Convertible Bond		1,459	100,000	145,900		152,438	106.65	155,602	-	
Century Iron And Steel Co.,Ltd. 6th Domestic Unsecured Convertible Bond		1,470	100,000	147,000		174,937	124.10	182,427	-	
Others		21,806	100,000	2,180,600		2,512,479		2,538,200	-	Note
Subtotal						<u>3,026,744</u>		<u>3,061,208</u>		
<b>Government bonds</b>										
A08106	2019/06/26~2029/06/26		Repayment of principal at maturity.	500,000	0.63%	485,644	97.07	485,371	-	Interest payment every year
A11106	2022/06/23~2027/06/23		"	350,000	1.00%	349,520	99.53	348,373	-	"
A11202	2022/03/31~2024/03/31		"	600,000	0.75%	597,987	99.96	599,774	-	"
A12101	2023/01/17~2028/01/17		"	200,000	1.00%	199,173	99.37	198,740	-	"
A12103	2023/02/23~2025/02/23		"	1,000,000	1.00%	998,426	99.90	999,092	-	"
A12108	2023/09/15~2028/09/15		"	199,700	1.13%	199,459	99.88	199,461	-	"
Others				520,000		540,475		540,278	-	Note
Subtotal						<u>3,370,684</u>		<u>3,371,089</u>		

**Capital Securities Corporation**  
**Statement of financial assets at fair value through profit or loss - current—trading securities**  
**(Proprietary trading)**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars; Foreign currencies)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
<b>Corporate bonds</b>										
B61424	2018/07/17~2025/07/17			500,000	1.00%	\$ 500,036	99.33	496,660	-	Interest payment every year
B63528	2021/08/26~2026/08/26			500,000	0.62%	500,000	97.92	489,599	-	"
B71895	2020/06/02~2027/06/02			700,000	0.58%	680,123	97.16	680,141	-	"
B95462	2021/01/21~2028/01/21			800,000	0.44%	761,961	95.25	761,977	-	"
Others				5,560,000		5,562,678		5,435,627	-	Note
Subtotal						<u>8,004,798</u>		<u>7,864,004</u>		
<b>International bonds</b>										
F00225	2020/06/17~2025/06/17			USD 30,000	7.09%	921,150	USD 100.70	927,635	-	Interest payment every season
F02642	2021/06/16~2031/06/16			USD 15,000	2.30%	460,575	USD 84.29	388,238	-	Interest payment every year
F05435	2021/02/08~2031/02/08			USD 15,000	1.80%	460,575	USD 81.87	377,052	-	"
F11307	2019/07/08~2024/07/08			USD 20,000	6.03%	614,100	USD 100.32	616,071	-	Interest payment every season
F13749	2021/10/06~2031/10/06			USD 10,000	5.98%	307,050	USD 79.62	244,485	-	Interest payment every year
F15304	2021/02/24~2031/02/24			USD 15,000	1.90%	460,575	USD 81.15	373,760	-	"
F15601	2019/11/19~2026/11/19			TWD 300,000	0.92%	300,000	TWD 98.20	294,603	-	"
F17001	2020/10/16~2025/10/16			USD 15,000	6.13%	460,575	USD 99.57	458,599	-	Interest payment every season
F17002	2021/03/23~2026/03/23			USD 14,951	1.75%	459,064	USD 92.07	424,038	-	Interest payment every half year
Others						752,273		717,896	-	Note
Subtotal						<u>5,195,937</u>		<u>4,822,377</u>		

**Capital Securities Corporation**  
**Statement of financial assets at fair value through profit or loss - current—trading securities**  
**(Proprietary trading)**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars; Foreign currencies)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
<b>Financial debentures</b>										
G102B3	2021/10/28~2024/10/28			50,000	0.37%	\$ 50,000	99.16	49,580	-	Interest payment every year
G13802	2021/01/29~2028/01/29			200,000	0.43%	200,000	95.05	190,092	-	"
G14003	2021/05/10~2028/05/10			300,000	0.52%	300,000	95.30	285,905	-	"
Others						-		-	-	Note
Subtotal						550,000		525,577		
<b>Foreign stocks</b>										
NEO TREND TECH CORPORATION		510,000				10,503	CNY 4.38	9,666	-	Shanghai Stock Exchange
Bank of Communications		548,169				13,573	CNY 5.74	13,615	-	"
Hwatsing Technology Co., Ltd.		510,000				9,326	CNY 187.7	8,528	-	"
Tencent Holdings Limited		548,169				20,202	HKD 293.6	19,610	-	Hong Kong Stock Exchange
Shenglu Telecommunication Tech Co.,Ltd.		10,500				7,642	CNY 8.3	7,542	-	Shenzhen Stock Exchange
Zhongji Innolight CO.,LTD		17,000				6,474	CNY 112.91	7,573	-	"
Wuxi Lead Intelligent Equipment CO.,LTD		210,000				14,365	CNY 25.6	13,295	-	"
Crystal Clear Electronic Material Co.,Ltd.		15,500				16,047	CNY 9.73	14,736	-	"
Subtotal						98,132		94,565		
<b>Foreign funds</b>										
iSharesPreferredandIncomeSecuritiesETF		33,000				30,309	USD 31.19	31,604	-	American Stock Exchange
VANGUARDREALESTATEETF		50,000				128,230	USD 88.36	135,655	-	"
Subtotal						158,539		167,259		
<b>Foreign bonds</b>										
GNR 2023-56 FC						442,912		443,552	-	Stock Exchange
GNR 23-63 JF						298,737		299,356	-	"
Subtotal						741,649		742,908		
<b>Other</b>										
GEOSAT		200,000	10	2,000		7,600	38.00	7,600	-	
Others		28,905	10	289		1,051		-	-	Note
Subtotal						8,651		7,600		
Total						38,566,190		38,286,372		
Valuation adjustment						(279,818)				
Net amount						\$ 38,286,372				

Note: The amount of single security is under 5% of the subject.

**Capital Securities Corporation**  
**Statement of financial assets at fair value through profit or loss - current—trading securities**  
**(Underwriting business)**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes is attributable to the changes in credit risk	Note
							Unit price (Dollars)	Total amount		
<b>Listed stocks</b>										
De Licacy Industrial Co., Ltd.		197,160	\$ 10	1,972		\$ 4,092	13.35	2,632	-	
TYC Brother Industrial Co., Ltd.		231,000	10	2,310		11,550	45.25	10,453	-	
Subtotal						15,642		13,085		
<b>OTC stocks</b>										
Soonest Express Co., Ltd.		198,373	10	1,984		11,902	74.80	14,838	-	
Subtotal						11,902		14,838		
<b>Convertible bonds</b>										
Promate Electronic Co.,Ltd. 4th Domestic Unsecured Convertible Bond (61894)		120	100,000	12,000		12,120	118.45	14,214	-	
Others		5	100,000	500		500		553	-	Note
Subtotal						12,620		14,767		
Total						40,164		42,690		
Valuation adjustment						2,526				
Net amount						42,690				

Note: The amount of single security is under 5% of the subject.

**Capital Securities Corporation**

**Statement of financial assets at fair value through profit or loss - current—trading securities**

**(Hedging business)**

**December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares or units</u>	<u>Par value (Dollars)</u>	<u>Total amount</u>	<u>Interest rate</u>	<u>Acquisition cost</u>	<u>Fair value</u>		<u>Fair value changes is attributable to the changes in credit risk</u>	<u>Note</u>
							<u>Unit price (Dollars)</u>	<u>Total amount</u>		
<b>Listed stocks</b>										
Others		103,781,634	\$ 10	1,037,816		\$ 4,997,262		5,165,298	-	Warrants/Note
Subtotal						4,997,262		5,165,298		
<b>OTC stocks</b>										
ALCOR MICRO, CORP.		722,000	10	7,220		61,398	116.50	84,113	-	Warrants
Others		23,436,646	10	234,366		1,521,613		1,541,319	-	Warrants/Note
Subtotal						1,583,011		1,625,432		
<b>Convertible bonds</b>										
YULON MOTOR CO.,LTD 3rd		9,619	100,000	961,900		1,067,431	106.75	1,026,828	-	Asset swaps
Others		132,704	100,000	13,270,400		14,769,571		14,881,283	-	Asset swaps/Note
Subtotal						15,837,002		15,908,111		
<b>Others</b>										
Capital Global Financial Bond Fund		17,120,529	10	171,205		163,279	8.04	137,565	-	ELN
Allianz Global Investors All Seasons Harvest Fund of Bond Funds		1,222,752	10	12,228		9,000	7.07	8,647	-	ELN
Subtotal						172,279		146,212		
Total						22,589,554		22,845,053		
Valuation adjustment						255,499				
Net amount						\$ 22,845,053				

Note: The amount of single security is under 5% of the subject.

**Capital Securities Corporation**  
**Statement of financial assets at fair value through other comprehensive income - current**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars; Foreign currencies)**

Name of financial instrument	Description	Shares or units	Par value		Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair Value		Note
			(Dollars)	(Dollars)					Unit price (Dollars)	Total amount	
<b>Debt instruments</b>											
<b>Government bonds</b>											
A04112R	2015/9/11~2025/9/11	Repayment of principal at maturity.	6,000	\$ 100,000	600,000	1.13%	\$ 605,216	-	100.23	601,437	Interest payment every year
A05111	2016/9/07~2026/9/07	"	4,000	100,000	400,000	0.63%	400,093	-	98.46	393,842	"
A08101R	2019/1/14~2024/1/14	"	11,000	100,000	1,100,000	0.63%	1,099,951	-	99.99	1,099,942	"
A11106R	2021/6/23~2027/6/23	"	2,000	100,000	200,000	1.00%	199,355	-	99.53	199,070	"
A12101	2023/1/17~2028/1/17	"	4,500	100,000	450,000	1.00%	448,511	-	99.37	447,165	"
A12104	2023/3/3~2043/3/3	"	2,000	100,000	200,000	1.38%	198,532	-	99.99	199,997	"
A12108	2023/9/15~2028/9/15	"	2,000	100,000	200,000	1.13%	199,772	-	99.88	199,761	"
Others							347,803	-		353,494	Note
Subtotal							<u>3,499,233</u>			<u>3,494,708</u>	
<b>Corporate bonds</b>											
B618BR	2020/4/15~2027/4/15	Repayment of principal at maturity.	4,000	100,000	400,000	0.58%	384,581	-	96.36	385,478	Interest payment every year
B92360	2023/9/25~2028/9/25	"	5,000	100,000	500,000	1.70%	500,000	-	99.78	498,937	"
Others							5,605,423	-		5,619,605	Note
Subtotal							<u>6,490,004</u>			<u>6,504,020</u>	
<b>International bonds</b>											
P18NATIX2	2018/03/08~2048/03/08	One time Repayment of principal at maturity.			USD 10,000	-	307,050	-	USD 76.16	233,835	Interest payment every year
P23NATIX9	2023/11/21~2028/11/21	Repayment of principal at maturity.			USD 20,000	6.52%	614,100	-	USD 100.00	614,100	Interest payment every season
Others							184,230	-		184,352	Note
Subtotal							<u>1,105,380</u>			<u>1,032,287</u>	
<b>Foreign bonds</b>											
T 2.875 05/15/3	2022/5/16~2032/5/15	Repayment of principal at maturity.			USD 35,000	2.88%	1,014,316	-	USD 92.73	996,594	Interest payment every year
Others							11,574,673	-		11,573,438	Note
Subtotal							<u>12,588,989</u>			<u>12,570,032</u>	
Total							23,683,606			<b>23,601,047</b>	
Valuation adjustment							(82,559)				
Net amount							<u><b>23,601,047</b></u>				
<b>Equity instrument</b>											
<b>Listed stocks</b>											
Formosa Plastics Corporation			83,000	10	830		6,620	inapplicable	79.19	6,573	
Everlight Electronics Co., Ltd.			236,000	10	2,360		10,577	"	50.00	11,800	
GLOBAL PMX			173,000	10	1,730		21,600	"	128.50	22,231	
CASWELL			255,000	10	2,550		22,401	"	100.50	25,628	
MERIDA INDUSTRY CO.,LTD			280,000	10	2,800		49,704	"	182.50	51,100	
Others			106,000	10	1,060		7,085	"		6,790	Note
Subtotal							<u>117,987</u>			<u>124,122</u>	
<b>OTC stocks</b>											
Dynapack International Technology Corp.			3,000	10	30		189	"	89.67	269	
CHIPBOND			5,000	10	50		365	"	72.40	362	
TAIWAN UNION TECHNOLOGY CORPORATION			4,000	10	40		228	"	126.00	504	
GlobalWafers Co., Ltd			1,000	10	10		400	"	587.00	587	
ALLIED CIRCUIT CO.,LTD			2,000	10	20		224	"	155.00	310	Note
Subtotal							<u>1,406</u>			<u>2,032</u>	
Total							119,393			<b>126,154</b>	
Valuation adjustment							6,761			<b>23,727,201</b>	
Net amount							<u><b>126,154</b></u>				
Grand Total							<u><b>\$ 23,727,201</b></u>				

Note: The amount of single security is under 5% of the subject.

**Capital Securities Corporation**  
**Statement of receivable for securities provided as**  
**collateral**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Name of security</u>	<u>Shares or units</u>	<u>Amount</u>	<u>Note</u>
Others	496,265,000	\$ 16,723,040	The amount of single security is under 5% of the subject.
Less: allowance for doubtful accounts		-	
Total		<u>\$ 16,723,040</u>	

**Capital Securities Corporation**  
**Statement of derivative instruments and others**  
**approved by the authority**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Name of derivative instrument</u>	<u>Description</u>	<u>Fair Value</u>	<u>Note</u>
<b>Derivative financial asset</b>	Buy options	\$ 305	
	Futures margin - proprietary fund	926,751	
	IRS asset swaps	43,403	
	Asset swap options - long position	315,076	
	Structured notes	2,284	
	Interest rate swaps	<u>350</u>	
	Total		<u><u>\$ 1,288,169</u></u>
<b>Derivative financial liability</b>	Stock warrants issued	\$ 19,542,173	
	Stock warrants repurchased	(18,199,928)	
	IRS asset swaps	56,167	
	Asset swap options - short position	2,663,494	
	Structured notes	41,296	
	Exchange rate derivatives	98,566	
	Equity derivatives	<u>84</u>	
	Total		<u><u>\$ 4,201,852</u></u>



**Capital Securities Corporation**  
**Statement of accounts receivable**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
TWSE&TPEx, etc.	Receivables on securities sold	\$ 13,948,931	
"	Settlement	667,035	
Subsidiaries and Associates	Commission receivable	10,474	
Customers of the Brokerage	Receivable on securities purchased by customers	79,263	The amount of single client is under 5% of the subject.
"	Interests receivable - financing	240,425	"
Others	Interests receivable - others	460,637	"
"	Others	<u>142,752</u>	"
	Subtotal	15,549,517	
	Less: allowance for doubtful accounts	<u>-</u>	
	Total	<u><u>\$ 15,549,517</u></u>	

**Capital Securities Corporation**  
**Statement of prepayments**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Yuanta Securities Investment Trust Co., Ltd.	Prepaid ETF subscription fees	\$ 19,146	
Capital Securities Investment Trust Co., Ltd.	"	55,202	
CTBC Investments Co., Ltd.	"	9,343	
"	Others	40,272	The amount of single item is under 5% of the subject.
Total		<u>\$ 123,963</u>	

**Capital Securities Corporation**

**Statement of other receivables**

**December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Other receivable	Default receivable	\$ 29,482	
	Rental receivable	8,706	
	Interests receivable- Time deposit	17,372	
	Receivable from bank's allocation fee	4,229	
	Others	54,364	The amount of single item is under 5% of the subject.
	Subtotal	114,153	
Less: allowance for doubtful accounts		(48,500)	
	Total	<u>\$ 65,653</u>	

**Statement of other current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Restricted assets - current		\$ 443,034	
Settlement payment		222,245	
Receipts under custody from customer's security subscription		190,725	
Others		14	The amount of single item is under 5% of the subject.
Total		<u>\$ 856,018</u>	

**Capital Securities Corporation**

**Statement of changes in financial assets at fair value through profit or loss –  
non-current**

**For the year ended December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

Name of financial instrument	Beginning Balance		Addition		Decrease		Ending Balance		Collateral	Note
	Par value	Fair value	Par value	Amount	Par value	Amount	Par value	Fair value		
A08107	\$ 1,300	128,904	-	767	-	-	1,300	129,671	Yes	Interest payment every year
A02110	500	50,267	-	-	500	50,267	-	-		
A11106R	-	-	500	49,767	-	-	500	49,767	Yes	Interest payment every year
Total		<u>179,171</u>		<u>50,534</u>		<u>50,267</u>		<u>179,438</u>		

**Capital Securities Corporation**  
**Statement of financial assets measured at fair value through other**  
**comprehensive income – non-current**

**For the year ended December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<b>Name</b>	<b>Beginning Balance</b>		<b>Addition</b>		<b>Decrease</b>		<b>Ending Balance</b>		<b>Accumulated impairment</b>	<b>Collateral</b>	<b>Note</b>
	<b>Shares or units</b>	<b>Fair value</b>	<b>Shares or units</b>	<b>Amount</b>	<b>Shares or units</b>	<b>Amount</b>	<b>Shares or units</b>	<b>Fair value</b>			
Taiwan Depository & Clearing Corporation	7,546,823	\$ 706,685	905,618	478,939	-	-	8,452,441	1,185,624	Not applicable	No	
Taiwan Futures Exchange Corporation	13,643,774	856,555	1,910,128	163,937	-	-	15,553,902	1,020,492	"	"	
Taiwan Stock Exchange Corporation	5,896,542	657,347	766,586	360,313	-	-	6,663,128	1,017,660	"	"	
Others	10,320,479	<u>197,731</u>	-	<u>10,750</u>	1,485,993	<u>26,213</u>	8,834,486	<u>182,268</u>	"	"	Note
<b>Total</b>		<b><u>\$ 2,418,318</u></b>		<b><u>1,013,939</u></b>		<b><u>26,213</u></b>		<b><u>3,406,044</u></b>			

Note: The amount of single item is under 5% of the subject.

**Capital Securities Corporation**  
**Statement of financial assets at amortized cost - non - current**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name	Beginning Balance		Addition		Decrease		Ending Balance		Accumulated impairment	Collateral	Note
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount	Shares or units	Fair value			
NAB 4.95 11/25/	-	\$ -	15,000	315,393	-	-	15,000	315,393	54	Note 2	
HSBC 7.39 11/03	11,000	353,914	-	-	-	3,028	11,000	350,886	100	"	
HSBC 7.336 11/0	16,000	513,793	-	-	-	7,624	16,000	506,169	145	"	
C 3.668 07/24/2	8,000	228,108	5,000	148,085	-	-	13,000	376,193	194	"	
JPM 3.54 05/01/	8,000	228,999	5,000	148,489	-	-	13,000	377,488	108	"	
G189AX	500,000	500,000	-	-	-	-	500,000	500,000	143	"	
Others	59,000	1,445,112	59,000	1,562,102	4,000	121,536	114,000	2,885,678	977	"	Note 1
<b>Total</b>		<b>\$ 3,269,926</b>		<b>2,174,069</b>		<b>132,188</b>		<b>5,311,807</b>	<b>1,721</b>		

Note 1: The amount of single item is under 5% of the subject.

Note 2: Its financial assets are subject to repurchase conditions.

**Capital Securities Corporation**

**Statement of changes in investments accounted for using the equity method**

**For the year ended December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

Name of investee	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount		
Capital Investment Management Corp.	7,000,000	\$ 88,079	-	572	-	10,752	7,000,000	100.00 %	77,899	11.13	77,899	No	Note1
CSC International Holdings Ltd.	45,000,000	1,575,072	-	14,188	-	1,617	45,000,000	100.00 %	1,587,643	35.28	1,587,643	"	Note2
Capital Futures Corp.	119,066,014	3,837,039	-	583,713	-	361,824	119,066,014	56.58 %	4,058,928	51.10	6,084,273	"	Note3
Capital Insurance Advisory Corp.	500,000	72,021	-	18,610	-	46,150	500,000	100.00 %	44,481	88.96	44,481	"	Note4
Capital Insurance Agency Corp.	740,000	39,501	-	6	-	32,107	740,000	100.00 %	7,400	10.00	7,400	"	Note5
CSC Venture Capital Corp.	100,000,000	833,287	-	39,192	-	31,054	100,000,000	100.00 %	841,425	8.41	841,425	"	Note6
Taiwan International Securities (B.V.I) Corp.	300	39	-	208	-	234	300	100.00 %	13	40.00	13	"	Note7
CSC Capital Management Co.	33,000,000	286,999	-	31,733	-	10,072	33,000,000	100.00 %	308,660	9.35	308,660	"	Note8
Capital Investment Trust Corp.	33,067,507	1,374,245	-	186,961	-	140,114	33,067,507	20.00 %	1,421,092	27.33	903,838	"	Note9
<b>Total</b>		<b>\$ 8,106,282</b>		<b>875,183</b>		<b>633,924</b>			<b>8,347,541</b>		<b>9,855,632</b>		

- Note 1: The increase of Capital Investment Management Corp. is due to gains on investment amounted to \$572; the decrease is due to the declaration for cash dividends distributed by the investee amounted to \$10,660 and actuarial loss from define benefit plans amounted to \$92.
- Note 2: The increase of CSC International Holdings Ltd. is due to the investment profits amounted to \$14,188; the decrease is due to allocation of exchange differences on translation of foreign operations amounted to \$1,617.
- Note 3: The addition of Capital Futures Corp. is due to investment profits amounted to \$571,630, unrealized gains from investments in equity instruments measured at fair value through other comprehensive income amounted to \$11,718, and disposal profits from investments in equity instruments measured at fair value through other comprehensive income amounted to \$365; the decrease is due to the declaration for cash dividends distributed by the investee amounted to \$359,579, allocation of exchange differences on translation of foreign operations amounted to \$1,717, and actuarial loss from define benefit plans amounted to \$528.
- Note 4: The addition of Capital Insurance Advisory Corp. is due to investment profits amounted to \$18,610; the decrease is due to the declaration for cash dividends distributed by the investee amounted to \$46,150.
- Note 5: The addition of Capital Insurance Agency Corp. is due to investment profits amounted to \$6; the decrease is due to the distribution of residual property liquidation amounted to \$32,170.
- Note 6: The addition of CSC Venture Capital Corp. is due to investment profits amounted to \$1,837, and unrealized gains from investments in equity instruments measured at fair value through other comprehensive income amounted to \$37,355; the decrease is due to the declaration for cash dividends distributed by investee amounted to \$14,173, and disposal loss from investments in equity instruments measured at fair value through other comprehensive income amounted to \$16,881.
- Note 7: The addition of Taiwan International Securities (B.V. I) Corp. is due to the allocation of exchange differences on translation of foreign operations amounted to \$208; the decrease is due to investment losses amounted to \$234.
- Note 8: The addition of CSC Capital Management Corp. is due to investment profits amounted to \$19,039, and unrealized profits from investments in equity instruments measured at fair value through other comprehensive income amounted to \$12,694; the decrease is due to disposal loss from investments in equity instruments measured at fair value through other comprehensive income amounted to \$10,072.
- Note 9: The addition of Capital Investment Trust Corp. is due to investment profits amounted to \$186,868, and actuarial gain from define benefit plans amounted to \$93; the decrease is due to unrealized losses from investments measured at fair value through other comprehensive income amounted to \$1,230, and the declaration for cash dividends distributed by the investee amounted to \$138,884.

**Capital Securities Corporation**  
**Statement of changes in property and equipment**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Collateral</b>	<b>Note</b>
Land	\$ 1,409,683	240,289	-	1,649,972	Note 1, Note 2	
Buildings	841,234	134,658	-	975,892	"	
Equipment						
Transportation	1,060	-	1,060	-	Note 1	
Office	36,677	7,795	2,081	42,391	"	
Computer facilities	342,316	51,775	41,533	352,558	"	
Miscellaneous	150,937	37,673	27,646	160,964	"	
Leasehold improvements	239,767	43,804	36,407	247,164	"	
<b>Total</b>	<b>\$ 3,021,674</b>	<b>515,994</b>	<b>108,727</b>	<b>3,428,941</b>		

Note 1: The addition includes purchases and transferred-in, and the decrease includes disposals and retirements.

Note 2: Please refer to Note(8) for collateral of property and equipment.



**Capital Securities Corporation**

**Statement of changes in accumulated depreciation of  
property and equipment**

**For the year ended December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Note</b>
Buildings	\$ 414,476	50,874	-	465,350	Note 1, Note 2
Equipment					
Transportation	221	29	250	-	"
Office	19,023	6,215	2,081	23,157	"
Computer facilities	217,348	70,602	41,533	246,417	"
Miscellaneous	95,153	20,594	27,646	88,101	"
Leasehold improvements	156,673	41,775	36,407	162,041	"
<b>Total</b>	<b>\$ 902,894</b>	<b>190,089</b>	<b>107,917</b>	<b>985,066</b>	

Note 1: The addition includes purchases and transferred-in, and the decrease includes disposals and retirements.

Note 2: The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- (1) Buildings : 3~55 years
- (2) Transportation equipment : 5 years
- (3) Office equipment and computer facilities : 3~5 years
- (4) Miscellaneous equipment : 5~10 years
- (5) Leasehold improvements are depreciated evenly by the shorter of the estimated useful life or the lease term.

**Capital Securities Corporation**  
**Statement of changes in right-of-use assets**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings	\$ 1,136,149	63,633	20,958	1,178,824	
Equipment	17,053	4,843	2,258	19,638	
Total	<u>\$ 1,153,202</u>	<u>68,476</u>	<u>23,216</u>	<u>1,198,462</u>	

**Statement of changes in accumulated depreciation of  
right-of-use assets**

<u>Item</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings	\$ 454,763	165,586	20,958	599,391	
Equipment	6,543	5,114	2,258	9,399	
Total	<u>\$ 461,306</u>	<u>170,700</u>	<u>23,216</u>	<u>608,790</u>	

**Capital Securities Corporation**  
**Statement of changes in investment property**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Note</b>
Land	\$ 3,546,024	-	(240,289)	3,305,735	Note1, Note2, Note3
Buildings	1,472,872	-	(134,658)	1,338,214	Note1, Note2, Note3, Note4
<b>Total</b>	<b>\$ 5,018,896</b>	<b>-</b>	<b>(374,947)</b>	<b>4,643,949</b>	

Note 1: The decrease includes transferred-out.

Note 2: The property is subsequently measured at cost method.

Note 3: Please refer to Note(8) for collateral of investment property.

Note 4: the depreciation is recognized on a straight-line basis, and the useful life is estimated 3~55 years.

**Statement of changes in accumulated depreciation of  
investment property**

<b>Item</b>	<b>Beginning Balance</b>	<b>Addition</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Note</b>
Buildings	\$ 661,904	28,136	(32,390)	657,650	Note

Note: The addition includes depreciation, and the decrease includes transferred-out.

**Capital Securities Corporation**  
**Statement of deferred income tax assets**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Unrealized losses on foreign investments under equity method		\$ <u><u>15,894</u></u>	

**Statement of other non-current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Guarantee deposited for business operations	Time deposits within one year and government bonds	\$ 870,000	
Settlement fund	Deposited at Taiwan Stock Exchange, Taipei Exchange and Taiwan Futures Exchange	160,726	
Refundable deposits		83,031	
Deferred fee		10,411	
Overdue receivables		218,800	
Prepayments for business facilities		29,041	
Subtotal		<u>1,372,009</u>	
Less: allowance for doubtful accounts		<u>(218,800)</u>	
Total		<u><u>\$ 1,153,209</u></u>	

**Capital Securities Corporation**  
**Statement of short-term borrowings**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract term</u>	<u>Range of interest rate</u>	<u>Loan Commitment</u>	<u>Collateral</u>	<u>Note</u>
Collateralized loan	loans from financial institutions	\$ 767,625	due within one year	6.448%-6.522%	2,763,450	Property	
Credit loan	loans from financial institutions	<u>4,524,226</u>	due within one year	1.520%~6.4%	43,700,000		
		<u>\$ 5,291,851</u>					

**Capital Securities Corporation**  
**Statement of financial liabilities at fair value through profit or loss(excluding derivatives) - current**  
**(Liabilities on sale of borrowed securities)**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name of financial instrument	Description	Shares or units	Par value (Dollars)	Total amount	Interest rate	Fair Value		Fair value changes is attributable to the changes in credit risk	Note
						Unit price (Dollars)	Total amount		
<b>Hedged</b>									
AcBel Polytech Inc		566,000	\$ 10	\$ 25,672		41.10	23,263	-	Warrants-hedged
Yuanta/P-shares Taiwan Top 50 ETF		1,000,000	10	116,916		135.45	135,449	-	"
AP Memory Technology Corporation		41,000	10	17,624		469.00	19,229	-	"
Others		1,261,491	10	102,905			113,019	-	"/Note
Subtotal				<u>263,117</u>			<u>290,960</u>		
<b>Non-hedged</b>									
Yuanta Daily Taiwan 50 Bear -1X ETF		186,725,000	10	1,024,811		4.48	836,528	-	
Yuanta/P-Shrs CSI 300 2X ETF		100,465,000	10	1,428,594		11.60	1,165,394	-	
Yuanta U.S. Treasury 20+ Year Bond ETF		85,369,000	10	2,636,080		30.85	2,633,634	-	
Cathay U.S. Treasury 20+ Year Bond ETF		29,041,000	10	878,214		31.81	923,794	-	
Yuanta US 20+ Year BBB Corporate Bond ETF		48,484,000	10	1,638,427		36.00	1,745,424	-	
Others		328,976,754	10	8,759,214			9,066,037	-	Note
Subtotal				<u>16,365,340</u>			<u>16,370,811</u>		
Total				16,628,457					
Valuation adjustment				33,314			<u>\$ 16,661,771</u>		
Net amount				<u>\$ 16,661,771</u>					

Note : The amount of single security is under 5% of the subject.

**Capital Securities Corporation**  
**Statement of bonds sold under repurchase**  
**agreements**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

Name of security	Contract terms			Type	Amount	Turnover	Note
	Start Date	Maturity date	Range of interest rate		Par value (Dollars)		
Others	2023.07.26	2024.01.02	0.8%~5.85%		\$ <u>53,973,480</u>	<u>51,456,592</u>	Note
	~2023.12.20	~2024.12.27					

Note: The amount of single security is under 5% of the subject.

**Statement of guarantee deposited for short sales**

Name of security	Shares	Amount	Note
f-Alchip Technologies, Limited	56,000	\$ 151,438	
Others	35,426,000	1,852,323	The amount of single security is under 5% of the subject.
	<u>35,482,000</u>	<u>\$ 2,003,761</u>	

**Capital Securities Corporation**  
**Statement of proceeds payable from short sales**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Name of security</u>	<u>Shares</u>	<u>Amount</u>	<u>Note</u>
f-Alchip Technologies, Limited	56,000	\$ 167,270	
Others	35,426,000	2,127,374	The amount of single security is under 5% of the subject.
	<u>35,482,000</u>	<u>\$ 2,294,644</u>	

**Statement of accounts payable**

<u>Client name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Taiwan Stock Exchange	Payable on securities purchased	\$ 1,450	
Customers of the brokerage	"	9,113,569	
"	Payable of securities sold by customers	50,980	
Subsidiaries	Commission payable	1,118	The amount of single client is under 5% of the subject.
Others	Payable on securities purchased	44,520	"
"	Others	469,376	"
	Total	<u>\$ 9,681,013</u>	



**Capital Securities Corporation**

**Statement of other payables**

**December 31, 2023**

**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Salary and bonus payable		\$ 605,199	
Service charge discounts payable		112,035	
Employees and directors' remuneration payable		231,148	
Stock affair payable		322,612	
Others		219,264	The amount of single item is under 5% of the subject.
Total		<u>\$ 1,490,258</u>	

**Statement of lease liabilities**

<u>Item</u>	<u>Description</u>	<u>Lease Term</u>	<u>Discount Rate</u>	<u>Ending Balance</u>	<u>Note</u>
Buildings		2019.1.1~2031.12.31	0.51%~1.87%	\$ 629,855	Note
Equipment		2019.12.24~2028.11.30	0.75%~1.87%	9,968	"
				<u>\$ 639,823</u>	

Note: Lease liabilities due within one year have been accounted for under current liabilities.

**Statement of provisions - current**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Employee benefits	Compensated absences	<u>\$ 45,412</u>	

**Capital Securities Corporation**  
**Statement of deferred income tax liabilities**  
**December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Unrealized gains on derivative financial instruments		\$ 66,290	
Gains on intercompany transactions		1,928	
Amortization of goodwill		362,697	
Land value incremental tax		47,690	
Foreign exchange difference from translating financial statements of foreign operations		4,298	
		<u>\$ 482,903</u>	

**Statement of other non-current liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Guarantee deposits received		\$ 50,205	
Pension liability payable		90,769	
Others	Contingent liability	<u>36,142</u>	
Total		<u>\$ 177,116</u>	

**Capital Securities Corporation**  
**Statement of brokerage commissions**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Month</b>	<b>Brokerage commission</b>		<b>Securities</b>	<b>Other brokerage commission</b>	<b>Total</b>	<b>Note</b>
	<b>TSE market</b>	<b>OTC market</b>	<b>Lending Fees Income</b>			
January	\$ 96,519	33,827	936	10,398	141,680	
February	169,113	66,697	1,545	14,464	251,819	
March	226,424	86,169	2,459	15,912	330,964	
April	160,413	64,558	2,375	14,375	241,721	
May	219,321	76,370	2,710	15,773	314,174	
June	251,237	80,040	2,109	14,487	347,873	
July	319,524	101,801	3,354	13,272	437,951	
August	273,646	76,868	3,501	10,748	364,763	
September	206,828	63,418	2,342	8,352	280,940	
October	196,530	63,182	2,333	9,814	271,859	
November	242,416	85,553	2,707	11,219	341,895	
December	281,251	87,702	1,845	11,993	382,791	
<b>Total</b>	<b>\$ 2,643,222</b>	<b>886,185</b>	<b>28,216</b>	<b>150,807</b>	<b>3,708,430</b>	

**Capital Securities Corporation**  
**Statement of underwriting commissions**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Month</b>	<b>Remuneration</b>	<b>Revenues from underwriting securities on a best efforts basis</b>	<b>Revenues from underwriting processing fee</b>	<b>Revenue from underwriting advisory fees</b>	<b>Other</b>	<b>Total</b>	<b>Note</b>
January	\$ 730	33	127	250	20	1,160	
February	-	32	842	680	-	1,554	
March	7,203	36	2,034	270	416	9,959	
April	3,555	34	837	270	-	4,696	
May	6,364	31	1,003	270	50	7,718	
June	6,227	38	1,110	270	-	7,645	
July	6,184	30	1,092	1,170	250	8,726	
August	6,885	30	898	290	74	8,177	
September	2,376	29	902	740	-	4,047	
October	10,169	29	1,703	240	180	12,321	
November	3,829	29	16,040	470	1,200	21,568	
December	2,065	54	963	270	-	3,352	
<b>Total</b>	<b>\$ 55,587</b>	<b>405</b>	<b>27,551</b>	<b>5,190</b>	<b>2,190</b>	<b>90,923</b>	

**Capital Securities Corporation**  
**Statement of gains (losses) on sale of trading**  
**securities**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Revenue from sale of securities</u>	<u>Cost from sale of securities</u>	<u>Net gains (losses) from sale of securities</u>	<u>Note</u>
<u>Dealing</u>				
TSE market:				
Stocks	\$ 204,164,698	204,245,012	(80,314)	
OTC market:				
Stocks	146,104,608	145,423,788	680,820	
Bonds	61,320,076	61,321,813	(1,737)	
Convertible bonds	4,618,700	4,349,194	269,506	
foreign market:				
Stocks	1,076,029	1,006,522	69,507	
Bonds	<u>134,097</u>	<u>133,813</u>	<u>284</u>	
Total	<u>\$ 417,418,208</u>	<u>416,480,142</u>	<u>938,066</u>	
<u>Underwriting</u>				
TSE market:				
Stocks	\$ 39,417	38,129	1,288	
OTC market:				
Stocks	1,873	1,500	373	
Convertible bonds	<u>111,813</u>	<u>105,481</u>	<u>6,332</u>	
Total	<u>\$ 153,103</u>	<u>145,110</u>	<u>7,993</u>	
<u>Hedging</u>				
TSE market:				
Stocks	\$ 27,251,772	26,755,020	496,752	
OTC market:				
Stocks	11,078,204	10,962,555	115,649	
Convertible bonds	18,931,967	17,916,298	1,015,669	
Fund	<u>482,097</u>	<u>577,577</u>	<u>(95,480)</u>	
Total	<u>\$ 57,744,040</u>	<u>56,211,450</u>	<u>1,532,590</u>	

**Capital Securities Corporation**  
**Statement of interest revenue**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest revenue - margin loans		\$ 753,323	
Interest revenue - bonds		1,302,936	
Others		<u>344,266</u>	
Total		<u>\$ 2,400,525</u>	

**Statement of financial costs**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Interest expense - bonds with repurchase agreements		\$ 1,351,530	
Interest expense - bank borrowings		327,892	
Interest expense -borrowed securities		136,243	
Others		48,394	The amount of single item is under 5% of the subject.
Total		<u>\$ 1,864,059</u>	

**Capital Securities Corporation**  
**Statement of employee benefits, depreciation,**  
**amortization, and other operating expenses**  
**For the year ended December 31, 2023**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>2023</b>	<b>2022</b>	<b>Note</b>
Employee benefit expenses			
Salary expense	\$ 2,225,805	1,712,021	
Labor and national health insurance expense	155,476	164,380	
Pension expense	79,279	90,397	
Remuneration of directors	151,738	53,105	
Others	53,930	51,927	
Depreciation expense	356,535	369,422	
Amortization expense	40,197	29,322	
Others	2,177,779	1,856,890	
	<u>\$ 5,240,739</u>	<u>4,327,464</u>	

The number of employees hired by the company as of the years ended December 31, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Employee Count	<u>1,871</u>	<u>1,926</u>
Unemployed trustee count	<u>10</u>	<u>9</u>
Average employee benefit expense	<u>\$ 1,351</u>	<u>1,053</u>
Average employee salary expense	<u>\$ 1,196</u>	<u>893</u>
Average employee salary adjustments	<u>33.93 %</u>	

The Company's remuneration policies including directors, supervisors, managers and employees:

The remuneration to directors of the Company is based on degree of operation, contribution and industry average, and is determined by the board of directors. The remuneration to managers and employees of the Company is based on personal performance, participation, contribution to the Company, job, and reasonable relationship between performance of the Company and risks of future. The remuneration of directors and managers above must reviewed by the Remuneration and Compensation Committee and authorized by the board of directors.

The number of employees who are not in supervisory positions, and the difference between the average employee benefit expenses of the year and the previous year :

(In Thousands of New Taiwan Dollars)

	<b>2023</b>	<b>2022</b>	<b>Difference</b>
Employee Count	1,571	1,619	(48)
Average employee benefit expenses of the year	1,220	992	228