

**CAPITAL SECURITIES CORPORATION AND  
SUBSIDIARIES**

**Consolidated 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 consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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## **Representation Letter**

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Securities Corporation  
Chairman: Hsiu-Chen Chou  
Date: March 13, 2024.



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## Independent Auditors' Report

To the Board of Directors of  
Capital Securities Corporation:

### Opinion

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

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance, and its consolidated 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 and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 1. Valuation of financial instruments

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

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

The Group'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 observable 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(q) 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(k)(i). for details about measurement of goodwill impairment.

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

Assessment of the Group's 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 and Enno Cap Venture Inc., associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose reports has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, and Enno Cap Venture Inc., are based solely on the reports of another auditor. The recognized investment amount of Capital Investment Trust Corporation and Enno Cap Venture Inc under equity method constituted 0.58%, 0.72% of consolidated total assets as of December 31, 2023 and 2022, respectively, and the recognized profit of loss under using equity method constituted 3.66% and 8.33% of consolidated net income before income tax for the years ended December 31, 2023 and 2022, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion with other matters paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the IFRSs, IASs, IFRC, SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>				
<b>110000 Current assets:</b>				
111100 Cash and cash equivalents (note 6(a))	\$ 8,598,180	4	11,259,550	6
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	64,089,612	26	42,404,385	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	24,025,136	10	13,716,679	7
114010 Bonds purchased under resale agreements (note 6(c))	60,208	-	-	-
114030 Receivable for securities provided as collateral	17,397,754	7	11,934,071	6
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	2	4,426,333	3
114070 Customers' margin account (note 6(e))	38,874,681	16	39,049,741	20
114080 Receivable - futures margin	-	-	7	-
114090 Collateral for securities borrowed	214,766	-	1,764,422	1
114100 Security borrowing margin	12,583,951	5	13,729,016	7
114110 Notes receivable	6,608	-	12,550	-
114130 Accounts receivable (note 6(d))	16,268,453	7	6,011,995	3
114150 Prepayments	147,349	-	78,329	-
114170 Other receivables	199,048	-	277,511	-
114300 Leverage contract trading - customers' margin account	712,455	-	856,021	1
114600 Current income tax assets	677	-	233	-
119095 Amounts held for each customer in the account (note 6(p))	32,426,834	13	25,111,376	13
119990 Other current assets-others	2,004,140	1	731,120	-
	<u>223,526,822</u>	<u>91</u>	<u>171,397,616</u>	<u>89</u>
<b>120000 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))	3,731,891	2	2,690,775	1
123300 Financial assets at amortized cost - non-current (note 6(b))	5,310,086	2	3,268,785	2
124100 Investments accounted for under equity method (note 6(g))	1,473,075	1	1,485,977	1
125000 Property and equipment (notes 6(h) and 8)	3,182,785	1	2,773,271	2
125800 Right-of-use assets (note 6(i))	671,689	-	769,897	-
126000 Investment property (notes 6(j) and 8)	3,444,763	1	3,811,971	2
127000 Intangible assets (note 6(k))	3,622,839	1	3,614,000	2
128000 Deferred income tax assets (note 6(t))	15,894	-	18,684	-
129000 Other non-current assets	1,751,450	1	1,606,494	1
	<u>23,383,910</u>	<u>9</u>	<u>20,219,025</u>	<u>11</u>
<b>Total assets</b>	<b>\$ <u>246,910,732</u></b>	<b><u>100</u></b>	<b><u>191,616,641</u></b>	<b><u>100</u></b>



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
210000				
211100 Short-term borrowings (note 6(l))	\$ 5,874,434	2	2,870,799	1
211200 Commercial paper payable (note 6(m))	13,090,169	5	3,198,722	2
212000 Financial liabilities at fair value through profit or loss - current (note 6(n))	21,090,404	9	11,644,599	6
214010 Bonds sold under repurchase agreements (note 6(o))	51,425,166	21	36,035,969	19
214040 Guarantee deposited for short sales	2,003,761	1	4,118,440	2
214050 Proceeds payable from short sales	2,294,644	1	3,714,941	2
214070 Securities lending refundable deposits	15,481,166	6	14,681,018	7
214080 Futures traders' equity (note 6(e))	38,762,176	16	38,884,241	20
214090 Equity for each customer in the account (note 6(p))	32,426,834	13	25,111,376	13
214100 Leverage contract trading - customers' equity	733,533	-	849,887	1
214110 Notes payable	166	-	152	-
214130 Accounts payable (note 6(q))	11,146,460	5	4,680,994	3
214150 Advance receipts	22,636	-	33,649	-
214160 Receipts under custody	327,934	-	547,244	-
214170 Other payables	1,733,199	1	839,187	1
214200 Other financial liabilities - current (note 6(y))	4,223,503	2	3,028,050	2
214600 Current income tax liabilities	715,565	-	385,145	-
215100 Provisions - current (note 6(s))	54,787	-	51,577	-
216000 Current lease liabilities (note 6(r))	201,566	-	191,688	-
219000 Other current liabilities	43,609	-	18,447	-
	<u>201,651,712</u>	<u>82</u>	<u>150,886,125</u>	<u>79</u>
<b>Non-Current liabilities:</b>				
220000				
224200 Other financial liabilities - non-current (note 6(y))	677,162	-	494,542	-
226000 Non-current lease liabilities (note 6(r))	522,851	-	635,604	-
228000 Deferred income tax liabilities (note 6(t))	513,134	-	776,337	1
229000 Other non-current liabilities (note 6(s))	181,349	-	132,920	-
	<u>1,894,496</u>	<u>-</u>	<u>2,039,403</u>	<u>1</u>
<b>Total liabilities</b>	<u>203,546,208</u>	<u>82</u>	<u>152,925,528</u>	<u>80</u>
<b>Equity attributable to shareholders of the parent:</b>				
301010 Common stock (note 6(u))	21,709,081	9	21,709,081	11
302000 Capital surplus (note 6(u))	2,743,256	1	2,743,256	1
304000 Retained earnings:				
304010 Legal reserve	2,889,367	1	2,758,257	1
304020 Special reserve	6,049,211	3	5,786,990	3
304040 Unappropriated earnings (note 6(u))	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 attributable to the parent company</b>	<u>40,246,883</u>	<u>17</u>	<u>35,744,509</u>	<u>18</u>
306000 <b>Non-controlling interests</b>	<u>3,117,641</u>	<u>1</u>	<u>2,946,604</u>	<u>2</u>
<b>Total equity</b>	<u>43,364,524</u>	<u>18</u>	<u>38,691,113</u>	<u>20</u>
<b>Total liabilities and equity</b>	<u>\$ 246,910,732</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Consolidated 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(w))	\$ 5,337,531	42	5,449,536	66
402000 Revenues from securities business money lending	1,295	-	227	-
403000 Revenue from securities lending	420,414	3	374,139	5
404000 Underwriting commissions (note 6(w))	90,923	1	97,262	1
406000 Commissions on wealth management business	59,001	-	65,446	1
410000 Net gains (losses) on sale of trading securities (note 6(w))	2,344,375	18	(799,702)	(10)
421100 Securities management, distribution, and management fees	158,329	1	157,356	2
421200 Interest revenue (note 6(w))	2,419,910	19	1,499,194	18
421300 Dividend revenue	2,887,473	23	651,772	8
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w))	1,798,804	14	(2,440,813)	(29)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y))	(264,517)	(2)	565,920	7
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(687,421)	(5)	673,419	8
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	6,128	-	(381,784)	(5)
422000 Net gains (losses) from exchange traded notes (note 6(y))	-	-	188	-
422100 Management and commissions revenue from exchange traded notes (note 6(y))	-	-	3	-
422200 Net gains (losses) on stock warrants issued (notes 6(w) and (y))	(170,425)	(1)	1,378,349	17
424100 Futures commission revenues (note 6(w))	301,191	2	310,640	4
424400 Net gains (losses) on derivative instruments - futures (note 6(y))	(699,650)	(5)	(644,422)	(8)
424500 Net gains (losses) on derivative instruments - OTC (note 6(y))	(1,415,111)	(11)	1,507,051	18
424800 Management fee revenues	3,377	-	685	-
424900 Consultancy fee revenue	9,452	-	20,852	-
425100 Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note (b))	38	-	-	-
425300 Impairment losses and reversal gains (note 6(x))	(7,214)	-	(4,973)	-
428000 Other operating revenues	152,321	1	(261,288)	(3)
	<u>12,746,224</u>	<u>100</u>	<u>8,219,057</u>	<u>100</u>
<b>Expenses:</b>				
501000 Brokerage fees	659,671	5	636,304	8
502000 Brokerage and clearing fees - proprietary trading	43,272	-	36,024	-
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(y))	-	-	377	-
521200 Financial costs	1,913,207	15	581,079	7
521640 Loss from securities borrowing transactions	324,033	3	337,523	4
524100 Futures commission expense (note 6(w))	303,734	2	373,966	5
524300 Cleaning and settlement expenses	167,457	1	207,540	3
528000 Other operating expenditure	50,259	-	27,960	-
531000 Employee benefits expenses (note 6(w))	3,419,309	27	2,775,475	34
532000 Depreciation and amortization expense (note 6(w))	463,477	4	463,513	6
533000 Other operating expenses (note 6(w))	2,522,639	20	2,236,933	27
	<u>9,870,663</u>	<u>77</u>	<u>7,681,534</u>	<u>94</u>
<b>Other income (expenses):</b>				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(g))	205,376	1	201,060	2
602000 Other gains and losses (note 6(w))	2,027,839	16	1,107,468	14
	<u>2,233,215</u>	<u>17</u>	<u>1,308,528</u>	<u>16</u>
902001 <b>Net income before income tax</b>	5,108,776	40	1,846,051	22
701000 <b>Less: Income tax expenses (note 6(t))</b>	537,783	4	667,035	8
<b>Net income</b>	<u>4,570,993</u>	<u>36</u>	<u>1,179,016</u>	<u>14</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(s))	(77,468)	(1)	425,862	5
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	1,144,918	9	(697,493)	(8)
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	(1,137)	-	6,041	-
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>1,066,313</u>	<u>8</u>	<u>(265,590)</u>	<u>(3)</u>
805600 <b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610 Exchange differences on translation of foreign operations	(13,644)	-	420,315	5
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	172,066	1	(334,683)	(4)
805699 Less: Income tax related to components of other comprehensive income (note 6(t))	(282)	-	31,813	-
<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>158,704</u>	<u>1</u>	<u>53,819</u>	<u>1</u>
805000 <b>Other comprehensive income, net</b>	<u>1,225,017</u>	<u>9</u>	<u>(211,771)</u>	<u>(2)</u>
902006 <b>Total comprehensive income</b>	<u>\$ 5,796,010</u>	<u>45</u>	<u>967,245</u>	<u>12</u>
<b>Net income attributable to:</b>				
913100 Shareholders of the parent	\$ 4,131,510	33	840,040	10
913200 Non-controlling interests	439,483	3	338,976	4
	<u>\$ 4,570,993</u>	<u>36</u>	<u>1,179,016</u>	<u>14</u>
<b>Total comprehensive income attributable to:</b>				
914100 Shareholders of the parent	\$ 5,349,029	42	590,701	7
914200 Non-controlling interests	446,981	3	376,544	5
	<u>\$ 5,796,010</u>	<u>45</u>	<u>967,245</u>	<u>12</u>
975000 <b>Basic earnings per share (note 6(v))</b>	<u>\$ 1.90</u>		<u>0.39</u>	
985000 <b>Diluted earnings per share (note 6(v))</b>	<u>\$ 1.90</u>		<u>0.39</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest					Non-controlling interests	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	Total equity attributable to the parent company		
<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	2,738,774	41,473,584	
Net income for the year ended December 31, 2022	-	-	-	-	840,040	-	-	-	840,040	338,976	1,179,016	
Other comprehensive income	-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)	37,568	(211,771)	
Total comprehensive income	-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701	376,544	967,245	
Appropriation and distribution of retained earnings: (note 6(u))												
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-	-	-	
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(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	-	1,205	
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)	
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	2,946,604	38,691,113	
Net income for the year ended December 31, 2023	-	-	-	-	4,131,510	-	-	-	4,131,510	439,483	4,570,993	
Other comprehensive income	-	-	-	-	(76,969)	(11,993)	1,306,481	-	1,217,519	7,498	1,225,017	
Total comprehensive income	-	-	-	-	4,054,541	(11,993)	1,306,481	-	5,349,029	446,981	5,796,010	
Appropriation and distribution of retained earnings: (note 6(u))												
Legal reserve	-	-	131,110	-	(131,110)	-	-	-	-	-	-	
Special reserve	-	-	-	262,221	(262,221)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(846,655)	-	-	-	(846,655)	-	(846,655)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	47,826	-	(47,826)	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(275,944)	(275,944)	
<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>	<b>3,117,641</b>	<b>43,364,524</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 5,108,776	1,846,051
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	417,667	426,975
Amortization expense	45,810	36,538
Expected credit impairment losses	7,214	4,973
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(1,111,383)	1,767,394
Financial cost	1,913,207	581,079
Net gains arising from derecognition of financial assets measured at amortized cost	(38)	-
Interest revenue (including financial revenue)	(3,809,471)	(1,990,751)
Dividend revenue	(3,223,620)	(752,513)
Shares of profit of associates and joint ventures accounted for using equity method	(205,376)	(201,060)
(Gains) losses on disposal and retirement of property and equipment	(17)	8
Losses on disposal of investments accounted for using equity method	-	1,210
Net (gains) losses on non-operating financial instruments at fair value through profit or loss	(47,051)	9,019
Impairment loss on non-financial assets	4,627	4,802
Net (gains) losses on lease modifications	(66)	626
<b>Subtotal of income of non-cash activities</b>	<u>(6,008,497)</u>	<u>(111,700)</u>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in financial assets at fair value through profit or loss	(20,508,396)	1,226,819
Increase in bonds purchased under resale agreements	(60,208)	-
(Increase) decrease in receivable for securities provided as collateral	(5,463,778)	9,182,153
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 customers' margin account	175,060	(1,997,548)
Decrease in margin receivable of futures trading	306	257
Decrease (increase) in collateral for securities borrowed	1,549,656	(1,655,082)
Decrease (increase) in security borrowing margin	1,145,065	(8,200,606)
Decrease in notes receivable	5,942	3,419
(Increase) decrease in accounts receivable	(10,113,867)	5,420,477
Increase in prepayments	(69,033)	(45,826)
Decrease in other receivables	132,095	278,922
(Increase) decrease in financial assets at fair value through other comprehensive income	(9,962,120)	1,004,100
Decrease (increase) in leverage contract trading - customer's margin account	143,566	(231,789)
(Increase) decrease in other current assets	(1,273,020)	8,592,537
Increase in other non-current assets	(145,780)	(17,292)
Increase (decrease) in bonds sold under repurchase agreements	15,389,197	(1,309,966)
Increase in financial liabilities at fair value through profit or loss	9,427,072	6,664,887
(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
(Decrease) increase in futures traders' equity	(122,116)	1,881,108
(Decrease) increase in leverage contract trading - customers' equity	(116,354)	219,057
Increase in notes payable	14	-
Increase (decrease) in accounts payable	6,200,363	(6,117,212)
Decrease in advance receipts	(11,013)	(494)
Decrease in receipts under custody	(219,310)	(8,260,906)
Increase (decrease) in other payable	885,985	(522,771)
Increase in provision - current	3,210	1,973
Increase (decrease) in other financial liabilities	1,378,073	(1,523,288)
Increase in other current liabilities	25,162	9,570
Decrease in other non-current liabilities	(28,099)	(426,915)
<b>Total changes in assets and liabilities from operating activities</b>	<u>(15,823,516)</u>	<u>10,413,976</u>
<b>Total adjustments</b>	<u>(21,832,013)</u>	<u>10,302,276</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<u>2023</u>	<u>2022</u>
Cash generated from operating activities	\$ (16,723,237)	12,148,327
Interest received	3,612,799	1,937,287
Dividends received	3,388,466	941,871
Interest paid	(1,641,884)	(539,611)
Income taxes paid	(467,981)	(631,973)
<b>Net Cash flows (used in) provided by operating activities</b>	<u>(11,831,837)</u>	<u>13,855,901</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(124,382)	(106,275)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,786	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	571	16,532
Acquisition of financial assets at amortized cost	(2,145,097)	(3,269,926)
Proceeds from disposal of financial assets at amortized cost	121,662	-
Proceeds from capital reduction of investments accounted for under equity method	32,107	-
Proceeds from disposal of non-current assets classified as held for sale	-	51,031
Acquisition of property and equipment	(263,034)	(110,599)
Proceeds from disposal of property and equipment	860	48
Acquisition of intangible assets	(57,185)	(38,854)
Increase in deferred debits	(562)	(489)
<b>Net cash flows used in investing activities</b>	<u>(2,386,274)</u>	<u>(3,458,532)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	3,003,635	(217,021)
Increase (decrease) in commercial papers payable	9,891,447	(5,199,084)
Payment of lease liabilities	(202,251)	(191,731)
Cash dividends paid	(1,122,599)	(3,728,193)
Acquisition of ownership interests in subsidiaries	-	(23,653)
<b>Net cash flows provided by (used in) financing activities</b>	<u>11,570,232</u>	<u>(9,359,682)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(13,491)</u>	<u>414,740</u>
<b>(Decrease) increase in cash and cash equivalents</b>	<u>(2,661,370)</u>	<u>1,452,427</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>11,259,550</u>	<u>9,807,123</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 8,598,180</u>	<u>11,259,550</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated 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, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). 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 consolidated financial statements:**

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group has initially adopted the new amendment, which do not have a significant impact on its consolidated 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 Group 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 consolidated 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 Group 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 consolidated 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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms”(hereinafter referred to as “the Regulations” ), and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements has 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 Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inter-company transactions, balances and any unrealized gains or losses on transactions between companies within the Group are eliminated.

(Continued)



**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership	
			December 31, 2023	December 31, 2022
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	100.00 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2023	December 31, 2022	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of December 31, 2023 and 2022, the total assets constituted 0.00% and 0.02% of the Group's total assets, respectively. For the year ended December 31, 2023 and 2022, the operation revenue constituted 0.00% and 0.32% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2023 and 2022, the total assets constituted 0.03% and 0.05% of the Group's total assets, respectively. For the year ended December 31, 2023 and 2022, the operation revenue constituted 1.13% and 2.23% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to 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 at the reporting date are retranslated to the functional currency at 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 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;
- 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.

(e) 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 from 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.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 from 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.

(f) 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.

(g) 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 Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a 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. A 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 Group 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.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 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.

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 Group 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.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

- 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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group 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.

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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Group 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 Group 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 Group applies the policies on accounting for modifications set out above to the additional changes.

(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.

(h) 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 Group 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 Group operates margin loan business, if capital is insufficient, the Group can refinance from securities finance companies, recorded as borrowed funds refinanced, and securities from margin loan are regarded pledged.

Refinancing short sale means the Group operates short sale business, if securities are insufficient, the Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) 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 costs. 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.

(j) Customers’ margin accounts and futures customers’ equity

Receiving margin deposits from customers for futures transactions as requirements is in accordance with the regulations. Customers’ margin account balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels, recognized as current assets in the balance sheet. Margin deposits received from customers for futures transactions and futures traders’ equity calculated daily by marking to market, recognized as current liabilities in the balance sheet. Futures traders’ equity cannot be offset unless these accounts pertain to the same customers. When futures customers’ equity is in debit of balance, they are reflected under “receivable futures margin”.

(k) 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.

(l) Investment in associates

Associates are those entities in which the Group 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 consolidated financial statements include the Group’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 Group, from the date that significant influence commences until the date that 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 Group’s ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in capital surplus in proportion to its ownership.

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

When the Group'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 Group has an obligation or has made payments on behalf of the investee.

The Group 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 Group 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 Group is accounted for using the equity method consistently and does not remeasure the retained equity.

If the Group 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 Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus 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 Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis.

(m) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any 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 Group.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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. |            |

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.

(n) 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

(o) 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 Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(p) Leases

At inception of a contract, the Group 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) Lessee

The Group 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 Group's incremental borrowing rate. Generally, the Group 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;

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 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 Group'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

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

The Group 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 Group recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(ii) Lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Non-financial assets impairment

At each reporting date, the Group 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.

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.

(r) 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 Group'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 Group, 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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 Group 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 Group 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 Group can no longer withdraw the offer of those benefits and when the Group 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.

(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 Group 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.

(s) Revenue recognition

The recognition of the Group'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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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 costs 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.

(t) Provisions

A provision is recognized if, as a result of a past event, the Group 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.

(u) 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.

The Group 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 Group 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 reporting date 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

Income tax of overseas subsidiaries is estimated in accordance with local regulation. Income tax of the Group is the sum of the income tax of subsidiaries in the consolidated financial statements.

(v) Business combinations

The Group 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.

(w) Earnings per share (EPS)

The Group presents its basic and dilutive earnings per share attributable to the Company's ordinary equity holders. The basic earnings per share of the Group 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 Group include the estimation of employee remuneration.

(x) Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's CEO who allocates resources and assesses segment performance. Each operating segment consists of standalone financial information.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed by the FSC requires management to make 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 consolidated financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The Group'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 estimates, 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(y).

(b) The impairment evaluation of goodwill:

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(a) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash	\$ <u>2,912</u>	<u>2,818</u>
Bank deposits		
Checking accounts	112,656	44,323
Demand deposits	<u>1,734,028</u>	<u>3,205,314</u>
Subtotal	<u>1,846,684</u>	<u>3,249,637</u>
Cash equivalents		
Time deposits	4,501,621	5,532,913
Futures margin - excess margin	1,997,886	2,474,182
Commercial papers	<u>249,077</u>	<u>-</u>
Subtotal	<u>6,748,584</u>	<u>8,007,095</u>
Total	<b><u>\$ 8,598,180</u></b>	<b><u>11,259,550</u></b>

(b) Financial assets

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 671,856	299,075
Valuation adjustment	<u>37,751</u>	<u>(8,892)</u>
Subtotal	<u>709,607</u>	<u>290,183</u>
<b>Securities invested by securities broker</b>		
Securities invested by securities broker	6,314	15,996
Valuation adjustment	<u>7</u>	<u>(453)</u>
Subtotal	<u>6,321</u>	<u>15,543</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Trading securities - proprietary trading</b>		
Listed stocks	\$ 2,363,216	2,172,320
Listed funds	6,391,682	4,309,153
OTC stocks	642,609	518,212
OTC funds	7,842,384	1,175,314
Emerging market stocks	481,795	358,332
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	128,613	375,698
Foreign funds	158,539	499,347
Foreign bonds	741,649	230,783
Others	<u>113,151</u>	<u>43,970</u>
	39,011,801	25,585,388
Valuation adjustment	<u>(262,549)</u>	<u>(793,237)</u>
Subtotal	<u>38,749,252</u>	<u>24,792,151</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>
<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>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Derivatives</b>		
Buy options	\$ 194,501	89,537
Futures margin - proprietary fund	1,014,514	1,133,174
IRS asset swaps	43,403	17,807
Asset swap options - long position	315,076	205,121
Leverage derivatives - non-hedging	150,671	202,915
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Equity derivatives	15,890	16,854
Interest rate swaps	<u>350</u>	<u>-</u>
Subtotal	<u>1,736,689</u>	<u>1,676,809</u>
Total	<u>\$ 64,089,612</u>	<u>42,404,385</u>

As of December 31, 2023 and 2022, trading securities undertaken for repurchase agreements of the Group, 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>
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 170,950	351,885
OTC stocks	17,288	136,544
Emerging market stocks	<u>276,809</u>	<u>184,089</u>
	465,047	672,518
Valuation adjustment	<u>(40,958)</u>	<u>(74,479)</u>
Subtotal	<u>424,089</u>	<u>598,039</u>
Total	<u>\$ 24,025,136</u>	<u>13,716,679</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

The Group 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 Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$20,981 and \$26,141, respectively. For the years ended December 31, 2023 and 2022, the dividends were recognized from the disposing equity instrument investments amounted to \$10,572 and \$274, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$1,102,868 and \$704,953, respectively, cumulative dispose gains (losses) for the year ended December 31, 2023 and 2022, amounted to \$103,237 and \$45,459, 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(x).

4) For the years ended December 31, 2023 and 2022, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(x).

5) As of December 31, 2023 and 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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	\$ 1,022,272	1,056,265
Valuation adjustment	<u>2,709,619</u>	<u>1,634,510</u>
Total	<u>\$ 3,731,891</u>	<u>2,690,775</u>

For the years ended December 31, 2023 and 2022, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income— non-current amounted to \$79,045 and \$100,386, respectively.

For the years ended December 31, 2023 and 2022 under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI non current for a fair value \$106,500 and \$0, generated cumulative dispose (losses) gains \$(67,305) and \$0 and the gains were transferred from other equity items to retained earnings. Furthermore, for the years ended December 31, 2023 and 2022, the investee company distribution of residual property liquidation amounted to \$12,175 and \$0, refunded the proceeds of capital reduction amounted to \$571 and \$16,532.

- (v) The Group 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:

<u>Type of market risk</u>	<u>For the years ended December 31,</u>							
	<u>December 31, 2023</u>	<u>December 31, 2022</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>
Total	<u>\$ 5,310,086</u>	<u>3,268,785</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group 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(x).

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Carrying amount on the date of derecognition	\$ <u>121,624</u>	<u>-</u>
Current profit and loss	\$ <u>38</u>	<u>-</u>

The reason for the Group 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).

- (c) Bonds purchased under resale agreements

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bonds purchased under resell agreements	\$ <u>60,208</u>	<u>-</u>
Agreed-upon resale amounts	\$ <u>60,220</u>	<u>-</u>
Interest rate	<u>0.95%</u>	<u>-</u>
Date of resale	<u>2024.1.2~2024.1.3</u>	<u>-</u>

- (d) 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	14,673,330	4,626,242
Others	<u>147,763</u>	<u>146,198</u>
Total	<u>\$ 16,268,453</u>	<u>6,011,995</u>

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Customers' margin account / Futures traders' equity

Reconciliation of the customers' margin account and the futures traders' equity was as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Customers' margin account		
Cash in banks	\$ 26,514,502	29,259,271
Customers' margin account - futures clearing house	7,039,533	5,428,820
Customers' margin account - other futures commission merchants	5,319,585	4,338,662
Marketable securities	<u>1,061</u>	<u>22,988</u>
Total customers' margin account	<u>38,874,681</u>	<u>39,049,741</u>
Add:		
Commission expense	3,335	4,214
Less:		
Brokerage fee revenue	(11,190)	(15,952)
Futures transaction tax	(1,544)	(1,617)
Interest revenues	(3,202)	(5,668)
Temporary receipts	(812)	(29,355)
Remittance amount of the customers after the market closed	(37,268)	(11,610)
Other receivable	(61,788)	(104,766)
Other	<u>(36)</u>	<u>(746)</u>
Futures traders' equity	<u>\$ 38,762,176</u>	<u>38,884,241</u>

(f) Non-current assets held-for-sale

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group, at the disposal amount of USD\$1,123 thousands and HK\$5,520 thousands. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. On December 31, 2021 the assets classified as held-for-sale and the other related comprehensive income amounted to \$50,112 and \$2,129, respectively. All shares had been transferred on February 15 ,2022.

(Continued)



**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(g) Investments accounted for under equity method

As of December 31, 2023 and 2022, investments under equity method consisted of the following:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 44,481	72,021
Capital Insurance Agency Corp.	<u>7,400</u>	<u>39,501</u>
Subtotal	<u>51,881</u>	<u>111,522</u>
Associates		
Capital Investment Trust Corp.	1,421,092	1,374,245
EnnoCap Venture Inc.	<u>102</u>	<u>210</u>
Subtotal	<u>1,421,194</u>	<u>1,374,455</u>
Total	<u>\$ 1,473,075</u>	<u>1,485,977</u>

(i) Subsidiaries:

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

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 18,616</u>	<u>47,292</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 82,537</u>	<u>142,532</u>
Total liabilities	<u>\$ 30,656</u>	<u>31,010</u>
	<u>For the years ended December 31,</u>	<u>For the years ended December 31,</u>
	<u>2023</u>	<u>2022</u>
Revenue	<u>\$ 143,623</u>	<u>209,351</u>
Net income	<u>\$ 18,616</u>	<u>47,292</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00 %	40.00 %

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group; thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. All shares had been transferred on February 15, 2022. Please refer to note 6.

The Group 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 Group 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 Group has determined that it has significant influence on it.

Summarized financial information of associates accounted for under equity method that was individually immaterial to the Group was shown in aggregate as follows:

	December 31, 2023	December 31, 2022
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,421,194</u>	<u>1,374,455</u>
	<u>For the years ended December 31,</u>	
	2023	2022
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ 186,760	153,768
Other comprehensive income (losses)	<u>(1,137)</u>	<u>6,041</u>
Total comprehensive income (losses)	<u>\$ 185,623</u>	<u>159,809</u>

## (iii) Collateral

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Property and equipment

Movements in property and equipment of the Group 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	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	212,524	50,510	263,034
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(107,127)	(37,739)	(144,866)
Effect of exchange rate changes	-	(13)	(280)	(25)	(318)
Balance at December 31, 2023	<u>\$ 2,045,574</u>	<u>1,266,014</u>	<u>794,986</u>	<u>279,705</u>	<u>4,386,279</u>
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	70,123	40,476	110,599
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(31,017)	(39,440)	(70,457)
Effect of exchange rate changes	-	7,568	6,304	1,200	15,072
Balance at December 31, 2022	<u>\$ 1,805,285</u>	<u>1,131,369</u>	<u>689,869</u>	<u>266,959</u>	<u>3,893,482</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	24,174	124,102	46,926	195,202
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(106,317)	(37,706)	(144,023)
Effect of exchange rate changes	-	(9)	(260)	(17)	(286)
Balance at December 31, 2023	<u>\$ -</u>	<u>558,490</u>	<u>465,829</u>	<u>179,175</u>	<u>1,203,494</u>
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	22,852	133,058	55,498	211,408
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(30,961)	(39,440)	(70,401)
Effect of exchange rate changes	-	3,739	5,130	297	9,166
Balance at December 31, 2022	<u>\$ -</u>	<u>501,935</u>	<u>448,304</u>	<u>169,972</u>	<u>1,120,211</u>
Carrying amount:					
At December 31, 2023	<u>\$ 2,045,574</u>	<u>707,524</u>	<u>329,157</u>	<u>100,530</u>	<u>3,182,785</u>
At December 31, 2022	<u>\$ 1,805,285</u>	<u>629,434</u>	<u>241,565</u>	<u>96,987</u>	<u>2,773,271</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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2023	\$ 1,260,702	26,948	1,287,650
Additions	92,853	9,532	102,385
Reductions	(29,626)	(7,569)	(37,195)
Effect of exchange rate changes	343	-	343
Balance at December 31, 2023	<u>\$ 1,324,272</u>	<u>28,911</u>	<u>1,353,183</u>
Balance at January 1, 2022	\$ 1,170,660	25,420	1,196,080
Additions	163,617	7,377	170,994
Reductions	(78,572)	(5,849)	(84,421)
Effect of exchange rate changes	4,997	-	4,997
Balance at December 31, 2022	<u>\$ 1,260,702</u>	<u>26,948</u>	<u>1,287,650</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2023	\$ 505,473	12,280	517,753
Depreciation	190,095	7,720	197,815
Reductions	(27,785)	(6,732)	(34,517)
Effect of exchange rate changes	443	-	443
Balance at December 31, 2023	<u>\$ 668,226</u>	<u>13,268</u>	<u>681,494</u>
Balance at January 1, 2022	\$ 393,715	10,735	404,450
Depreciation	182,331	7,373	189,704
Reductions	(72,201)	(5,828)	(78,029)
Effect of exchange rate changes	1,628	-	1,628
Balance at December 31, 2022	<u>\$ 505,473</u>	<u>12,280</u>	<u>517,753</u>
Carrying amount:			
At December 31, 2023	<u>\$ 656,046</u>	<u>15,643</u>	<u>671,689</u>
At December 31, 2022	<u>\$ 755,229</u>	<u>14,668</u>	<u>769,897</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (j) Investment property

Movements in investment property of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2023	\$ 3,150,422	1,290,406	4,440,828
Reclassified to Property and equipment	(240,289)	(134,658)	(374,947)
Effect of exchange rate changes	-	(5)	(5)
Balance at December 31, 2023	<u>\$ 2,910,133</u>	<u>1,155,743</u>	<u>4,065,876</u>
Balance at January 1, 2022	\$ 3,022,677	1,213,106	4,235,783
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)
Effect of exchange rate changes	-	3,072	3,072
Balance at December 31, 2022	<u>\$ 3,150,422</u>	<u>1,290,406</u>	<u>4,440,828</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2023	\$ -	628,857	628,857
Depreciation	-	24,650	24,650
Reclassified to Property and equipment	-	(32,390)	(32,390)
Effect of exchange rate changes	-	(4)	(4)
Balance at December 31, 2023	<u>\$ -</u>	<u>621,113</u>	<u>621,113</u>
Balance at January 1, 2022	\$ -	584,063	584,063
Depreciation	-	25,863	25,863
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)
Effect of exchange rate changes	-	1,526	1,526
Balance at December 31, 2022	<u>\$ -</u>	<u>628,857</u>	<u>628,857</u>
<u>Carrying Amount:</u>			
At December 31, 2023	<u>\$ 2,910,133</u>	<u>534,630</u>	<u>3,444,763</u>
At December 31, 2022	<u>\$ 3,150,422</u>	<u>661,549</u>	<u>3,811,971</u>
<u>Fair Value:</u>			
At December 31, 2023			<u>7,302,757</u>
At December 31, 2022			<u>7,761,103</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

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

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(w).

Lessor

The Group 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	\$ 136,676	160,299
1-5 years	449,949	461,109
Over 5 years	2,409	110,170
	<b><u>\$ 589,034</u></b>	<b><u>731,578</u></b>

The rental revenue from investment property for the year ended December 31, 2023 and 2022 amounted to \$182,897 and \$167,907, respectively.

(k) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2023 and 2022, the carrying amounts were all \$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	1,557,096	1,557,096
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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of December 31, 2023 and 2022, the carrying amounts of goodwill were \$6,504 and \$11,131, respectively. Furthermore, the Group recognized an impairment loss of \$4,627 and \$4,802 for the years ended December 31, 2023 and 2022 respectively, by using discount rate of 4.20% and 4.30% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(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 - Membership of foreign futures Exchanges

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of December 31, 2023 and 2022, the carrying amounts of intangible assets were \$46,274 and \$46,278, respectively.

(iv) 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 \$53,364 and \$39,894, respectively.

(l) 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	5,106,809	1,078,564
Total	<u>\$ 5,874,434</u>	<u>2,870,799</u>
Interest rate range	<u>0.95%~6.522%</u>	<u>2.39%~5.29%</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(m) Commercial paper payable

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

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

(n) 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	\$ 17,001,985	10,395,729
Redeem liabilities on sale of borrowed securities	(243,755)	(73,941)
Valuation adjustment	<u>32,752</u>	<u>(654,679)</u>
Subtotal	<u>16,790,982</u>	<u>9,667,109</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	82,162	128,999
IRS asset swaps	56,167	51,106
Asset swap options - short position	2,663,494	1,140,992
Structured notes	41,296	103,125
Leverage derivatives - non-hedging	15,402	28,918
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	<u>90</u>	<u>1,710</u>
Subtotal	<u>2,957,177</u>	<u>1,476,032</u>
Total	<b><u>\$ 21,090,404</u></b>	<b><u>11,644,599</u></b>

(o) Bonds sold under repurchase agreements

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Bonds sold under repurchase agreements	<b><u>\$ 51,425,166</u></b>	<b><u>36,035,969</u></b>
Agreed-upon repurchase amounts	<u>52,334,161</u>	<u>36,440,943</u>
Interest rates	<b><u>0.80%~5.85%</u></b>	<b><u>0.55%~5.2%</u></b>
Date of repurchase	<b><u>2024.1.2~2024.12.17</u></b>	<b><u>2023.1.3~2023.12.27</u></b>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (p) 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>

## (q) Accounts payable

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Payable of securities sold by customers	\$ 50,980	31,239
Payable of settlements	10,587,751	4,435,412
Others	<u>507,729</u>	<u>214,343</u>
Total	<u>\$ 11,146,460</u>	<u>4,680,994</u>

## (r) Lease liabilities

The Group' s lease liabilities are as follow:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u>\$ 201,566</u>	<u>191,688</u>
Non-current	<u>\$ 522,851</u>	<u>635,604</u>

The maturity analysis please refer to note 6(x) 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>\$ 9,714</u>	<u>10,690</u>
Expenses relating to short-term leases	<u>\$ 12,561</u>	<u>7,961</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 4,839</u>	<u>7,929</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>432</u>

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	<u>\$ 229,365</u>	<u>218,311</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) 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:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Present value of defined benefit obligations	\$ (793,800)	(745,735)
Fair value of plan assets	707,616	721,680
Recognized liabilities for defined benefit obligations	<u>\$ (86,184)</u>	<u>(24,055)</u>

The Group's employee benefits liabilities are as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Compensated absences	<u>\$ 54,787</u>	<u>51,577</u>

Under the defined benefit plan, the Group 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 Group 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 Group's labor pension preparatory special account in Bank of Taiwan amounted to \$707,426 and \$720,153 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group 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	\$ 745,735	1,212,469
Current service costs and interest	9,330	6,132
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in financial assumptions	6,780	(54,125)
-Experience adjustments	75,180	(335,487)
Past service cost	-	8,707
Benefits paid by the plan	(43,225)	(91,961)
Defined benefit obligation on December 31	<b>\$ 793,800</b>	<b>745,735</b>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group 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	\$ 721,680	334,271
Interest revenue	9,878	1,532
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	4,492	36,250
Contributions from the employer	14,796	438,619
Benefits paid from plan assets	(43,230)	(88,992)
Fair value of plan assets on December 31	<b>\$ 707,616</b>	<b>721,680</b>

4) Expense recognized in profit or loss

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

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current service cost	\$ (847)	556
Past service cost	-	5,938
Net interest of net defined benefit liabilities (assets)	299	4,044
Current pension cost	<b>\$ (548)</b>	<b>10,538</b>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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	\$ (283,748)	(709,610)
Recognized amount during the period	(77,468)	425,862
Balance at December 31	<u>\$ (361,216)</u>	<u>(283,748)</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%~1.625%	1.38%~1.52%
Future salary growth rate	2.20%~3.00%	2.50%~3.00%

The expected contribution to the defined benefit plan for the next year is \$924. The weighted average duration of the defined benefit obligation is 1~12.38 years.

- 7) Sensitivity Analysis

When calculating the present value of the defined benefit obligations, the Group 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	(18,507)	19,230
Future salary growth rate	15,069	(14,685)
December 31, 2022		
Discount rate	(17,462)	18,141
Future salary growth rate	14,203	(13,848)

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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.

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 Group contributes 6% of the employee's monthly wages to employee's individual pension accounts under the Bureau of the Labor Insurance. Therefore, the Group has no further legal or constructive obligations to make any additional contribution once the contributions have been paid.

The Group contributed \$94,723 and \$99,728 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2023 and 2022, respectively.

(iii) For the years ended December 31, 2023 and 2022, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$4,981 and \$4,296, respectively.

(t) Income tax

(i) The Group's tax rate interpretation was as follow:

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2023 and 2022.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the years ended December 31, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the years ended December 31, 2023 and 2022.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) 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	\$ 797,859	477,583
Adjustment to the prior years' income tax	55	(73,602)
	<u>797,914</u>	<u>403,981</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	(262,921)	278,197
Unrealized gains (losses) on foreign investments under Equity Method	2,790	(12,349)
Unrealized gains (losses) on non-current assets held-for-sale	-	(2,794)
	<u>(260,131)</u>	<u>263,054</u>
Income tax expense from continuing operations	<u>\$ 537,783</u>	<u>667,035</u>

The amount of income tax expense or 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	<u>\$ (282)</u>	<u>31,813</u>

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	\$ 5,108,776	1,846,051
Income tax using the domestic tax rate of each Group entity	1,142,073	454,539
Tax exempt income	(579,500)	282,425
Alternative minimum tax	-	1,599
Unrecognized deferred tax assets for current-year losses	(262)	(2,508)
Changes in unrecognized temporary differences	(15,024)	(1,575)
Additional surtax on undistributed retained earnings	3,556	-
Adjustments to prior years' income tax	55	(73,602)
Others	(13,115)	6,157
Total	<u>\$ 537,783</u>	<u>667,035</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

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

2) Unrecognized deferred tax assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 3,272	2,242
Tax loss carried forward	<u>6,343</u>	<u>7,483</u>
Total	<u>\$ 9,615</u>	<u>9,725</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

As of December 31, 2023, the subsidiaries Capital Investment Management Corp., CSC Venture Capital Corp. and second level subsidiary CSC Private Equity Fund I Co. estimated tax losses recognized under deferred income tax asset were as follows:

<u>Year or loss</u>	<u>Amount</u>	<u>Expiry date</u>
2016 (Declared)	\$ 1,223	2026
2017 (Declared)	2,480	2027
2020 (Declared)	1,307	2030
2021 (Declared)	<u>26,707</u>	2031
Total	<u>\$ 31,717</u>	

3) Recognized deferred income tax liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unrealized gains on derivative financial instruments	\$ 96,521	359,442
Gains on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Unrealized gains on non-current asset held-for-sale	-	-
Exchange differences on translation of foreign financial statement	4,298	4,580
Total	<u>\$ 513,134</u>	<u>776,337</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Unrecognized deferred tax liabilities

As of December 31, 2023 and 2022, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2023	December 31, 2022
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 29,380	13,933

The dividend policies of the Group's second level subsidiaries, CSC Futures (HK) Ltd. and Capital True Partner Technology Co., Ltd, was prescribed not to appropriate the retained earnings until December 31, 2023. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2021 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 4) Subsidiary - Capital International Technology Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 5) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Capital Management Co.'s income tax returns through 2021 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co.'s income tax returns through 2021 were assessed by the Tax Authority.

(v) Income tax administrative relief

Since the stock warrants in year 2021 and 2020 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.

(u) 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 January 21, 2022, 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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 proposed 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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) 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	<u>5,655</u>	<u>1,542</u>
- Employee remuneration (thousands of shares) (Note)		
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.

(w) 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	\$ 2,642,618	2,464,798
Brokerage commission from OTC market	886,185	811,952
Handling fee from security financing	28,216	39,869
Futures commission income - brokerage	1,597,418	1,967,301
Overseas subsidiaries	32,287	29,700
Others	<u>150,807</u>	<u>135,916</u>
	<b>\$ <u>5,337,531</u></b>	<b><u>5,449,536</u></b>

(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>
	<b>\$ <u>90,923</u></b>	<b><u>97,262</u></b>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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(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	\$ 803,792	(39,704)
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>\$ 2,344,375</u></b>	<b><u>(799,702)</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
Overseas subsidiaries	19,423	17,061
Others	<u>344,228</u>	<u>171,604</u>
	<b><u>\$ 2,419,910</u></b>	<b><u>1,499,194</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	\$ 530,608	(956,460)
Trading securities - underwriting	9,774	(12,423)
Trading securities - hedging	<u>1,258,422</u>	<u>(1,471,930)</u>
	<b><u>\$ 1,798,804</u></b>	<b><u>(2,440,813)</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>

(vii) Futures commission revenues

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Futures commission revenues - CSC Futures (HK) Ltd.	<b><u>\$ 301,191</u></b>	<b><u>310,640</u></b>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Future commission revenues is the commission revenue from future trading by CSC Futures (HK) Ltd, the second level subsidiary, which is reflected under “Brokerage Commission Income”. The Group recognized the commission from CSC Futures (HK) Ltd as “Futures commission revenues” in the consolidated financial statements.

(viii) Commission expenses - future

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Future trading - reassignment	\$ 225,574	278,395
Future trading - introducing brokers	3,042	2,358
Commission expenses - CSC Futures (HK) Ltd.	<u>75,118</u>	<u>93,213</u>
	<b><u>\$ 303,734</u></b>	<b><u>373,966</u></b>

(ix) 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	\$ 3,058,209	2,396,021
Health and labor insurance expense	193,374	198,842
Pension expense	99,156	114,562
Others	68,570	66,050
Depreciation expense	417,667	426,975
Amortization expense	<u>45,810</u>	<u>36,538</u>
	<b><u>\$ 3,882,786</u></b>	<b><u>3,238,988</u></b>

(x) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Rental expense	\$ 17,450	15,959
Taxes	725,653	664,290
Information technology expense	284,601	316,919
Postage expense	249,535	232,914
Professional service fee	22,332	22,945
Expense from securities lending	436,222	346,312
Other expenses	<u>786,846</u>	<u>637,594</u>
	<b><u>\$ 2,522,639</u></b>	<b><u>2,236,933</u></b>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(xi) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Financial revenue	\$ 1,389,561	491,557
Currency exchange gains (losses)	(516)	23,873
Net gains (losses) on disposal of investment	(274,634)	(11,508)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	47,051	(9,019)
Revenue from bank's allocation fee	279,899	258,653
Net gains (losses) on disposal of property and equipment	17	(8)
Dividend revenue	336,147	100,741
Gains on reversal of prior year's liabilities	18,539	31,946
Rental income	182,897	167,907
Others	48,878	53,326
	<b><u>\$ 2,027,839</u></b>	<b><u>1,107,468</u></b>

(xii) 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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.

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$14,761 and \$11,623 and to directors were \$14,767 and \$11,644 by the domestic subsidiaries of the Group, respectively.

(x) 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 \$201,681,173 and \$144,399,399, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 84.65%); secondly, is in Asia (accounted for 6.41%, exclusion of Taiwan); then, is in America (accounted for 5.00%). 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	\$ 170,713,461	122,669,163
Asia (Taiwan is excluded)	12,924,755	11,862,797
Europe	7,961,492	2,797,074
America	10,081,465	7,001,295
Other	-	69,070
Total	<u>\$ 201,681,173</u>	<u>144,399,399</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Impairment loss

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

	December 31, 2023		December 31, 2022	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 39,786,382	34,623	22,685,084	35,167
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	-	-
Past due 121~360 days	2,223	2,223	4,519	4,519
Past due more than 360 days	260,900	260,900	256,623	256,623
	<u>\$ 40,049,505</u>	<u>297,746</u>	<u>22,946,226</u>	<u>296,309</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 \$297,746 and \$296,309, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Group 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(g).

The Group 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 Group. Thus, the Group will recognize the impairment losses.

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	-	-	-	296,309	-	-	302,577
Provision or reversal of Impairment loss	-	4,555	590	-	-	-	2,069	-	-	7,214
Amounts written off	-	-	(35)	-	-	-	(582)	-	-	(617)
Effect of exchange rate	-	-	25	-	-	-	(50)	-	-	(25)
Balance on December 31, 2023	<u>\$ -</u>	<u>9,682</u>	<u>1,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,746</u>	<u>-</u>	<u>-</u>	<u>309,149</u>
	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	Total
Balance on January 1, 2022	\$ -	6,779	-	-	-	-	290,174	-	-	296,953
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,474	-	-	4,973
Amounts written off	-	-	-	-	-	-	(1,722)	-	-	(1,722)
Effect of exchange rate	-	-	(10)	-	-	-	2,383	-	-	2,373
Balance on December 31, 2022	<u>\$ -</u>	<u>5,127</u>	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,309</u>	<u>-</u>	<u>-</u>	<u>302,577</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Liquidity risk

The following table shows the effect of contract maturity on financial liabilities. The Group 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	\$ 16,790,982	16,790,982	16,790,982	-	-	-	-
Stock warrants issued	1,342,245	1,342,245	1,092,252	244,992	5,001	-	-
Put options	82,162	82,162	82,162	-	-	-	-
Equity derivatives	90	90	90	-	-	-	-
Interest rate swaps and Exchange rate derivatives (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	-
Leverage derivatives - non-hedging	15,402	15,402	15,402	-	-	-	-
Structured notes	41,296	41,296	18,425	16,344	3,664	2,863	-
Short-term borrowings	5,874,434	5,874,434	5,874,434	-	-	-	-
Commercial paper payable	13,090,169	13,100,000	13,100,000	-	-	-	-
Bonds sold under repurchase agreements	51,425,166	52,334,160	36,411,873	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	-	-	-	-
Futures traders' equity	38,762,176	38,762,176	38,762,176	-	-	-	-
Equity for each customer in the account	32,426,834	32,426,834	32,426,834	-	-	-	-
Leverage contract trading customers' equity	733,533	733,533	733,533	-	-	-	-
Notes payable and accounts payable	507,895	507,895	507,895	-	-	-	-
Receipts under custody	327,934	327,934	327,934	-	-	-	-
Other payables	1,733,199	1,733,199	1,732,128	1,071	-	-	-
Other financial liabilities	4,900,665	4,900,665	3,974,452	249,051	426,210	250,952	-
Lease liabilities	724,417	744,145	111,098	98,610	187,830	344,591	2,016
	<u>\$ 191,376,397</u>	<u>192,314,950</u>	<u>172,053,174</u>	<u>16,888,008</u>	<u>1,629,275</u>	<u>1,742,477</u>	<u>2,016</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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	\$ 9,667,109	9,667,109	9,667,109	-	-	-	-
Stock warrants issued	501,458	501,458	451,680	49,778	-	-	-
Put options	128,999	128,999	128,999	-	-	-	-
Equity derivatives	1,710	1,710	1,710	-	-	-	-
Interest rate swaps and Exchange rate derivatives (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	-
Leverage derivatives - non- hedging	28,918	28,918	28,918	-	-	-	-
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	36,035,969	36,440,943	28,208,730	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	-	-	-	-
Futures traders' equity	38,884,241	38,884,241	38,884,241	-	-	-	-
Equity for each customer in the account	25,111,376	25,111,376	25,111,376	-	-	-	-
Leverage contract trading customers' equity	849,887	849,887	849,887	-	-	-	-
Notes payable and accounts payable	214,494	214,494	214,494	-	-	-	-
Receipts under custody	547,244	547,244	547,244	-	-	-	-
Other payables	839,187	839,187	837,610	1,577	-	-	-
Other financial liabilities	3,522,592	3,522,592	2,655,826	372,224	308,275	186,267	-
Lease liabilities	827,292	852,368	104,396	96,618	186,748	399,989	64,617
	<u>\$ 147,060,801</u>	<u>147,492,129</u>	<u>136,376,994</u>	<u>9,065,284</u>	<u>921,177</u>	<u>1,064,057</u>	<u>64,617</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Currency risk

1) Currency risk exposure

The Group'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	\$ 1,014,104	30.7050	31,138,063
AUD	4,966	20.9800	104,187
CAD	2	23.2000	46
CHF	56	36.4850	2,043
EUR	13,006	33.9800	441,944
GBP	547	39.1500	21,415
HKD	60,128	3.9290	236,243
JPY	1,228,850	0.2172	266,906
SGD	772	23.2900	17,980
CNY	92,667	4.3270	400,970
ZAR	3,753	1.6570	6,219
KRW	117,695	0.0239	2,813
NZD	124	19.4800	2,416
THB	4,079	0.9017	3,678
MYR	1,037	6.4110	6,648
DKK	11	4.5600	50
VND	9,817,275	0.0012	11,781
<b><u>Non-Monetary Item</u></b>			
USD	683,632	30.7050	20,990,921
AUD	131,184	20.9800	2,752,240
CAD	6	23.2000	139
EUR	23,358	33.9800	793,705
GBP	5	39.1500	196
HKD	7,380	3.9290	28,996
JPY	14,690	0.2172	3,191
CNY	24,314	4.3270	105,207
ZAR	389	1.6570	645

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,784,509	30.7050	54,793,349
AUD	129,867	20.9800	2,724,610
CAD	8	23.2000	182
CHF	137	36.4850	4,998
EUR	35,883	33.9800	1,219,304
GBP	474	39.1500	18,557
HKD	205,545	3.9290	807,586
JPY	1,162,260	0.2172	252,443
SGD	844	23.2900	19,657
CNY	82,129	4.3270	355,372
KRW	115,946	0.0239	2,771
NZD	1	19.4800	19
THB	1,318	0.9017	1,188
MYR	998	6.4110	6,398
VND	3,158,805	0.0012	3,791
<b><u>Non-Monetary Item</u></b>			
USD	13	30.7050	399
CHF	183	36.4850	6,677
SGD	5	23.2900	116
CNY	1,858	4.3270	8,040
NZD	9	19.4800	175

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	December 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 926,044	30.7100	28,438,811
AUD	3,624	20.8300	75,488
CAD	1	22.6700	23
CHF	1	33.2050	33
EUR	18,520	32.7200	605,974
GBP	616	37.0900	22,847
HKD	219,790	3.9380	865,533
JPY	1,379,480	0.2324	320,591
SGD	661	22.8800	15,124
CNY	151,975	4.4080	669,906
ZAR	4,522	1.8110	8,189
KRW	4,716,303	0.0246	116,021
NZD	288	19.4400	5,599
THB	2,984	0.8941	2,668
MYR	113	6.6990	757
VND	6,667,230	0.0013	8,667
<b><u>Non-Monetary Item</u></b>			
USD	461,018	30.7100	14,157,863
AUD	82,209	20.8300	1,712,413
EUR	5,775	32.7200	188,958
HKD	2,428	3.9380	9,561
JPY	18,553	0.2324	4,312
CNY	10,134	4.4080	44,671
ZAR	169	1.8110	306
NZD	5	19.4400	97

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

				December 31, 2022		
				Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>						
<b><u>Monetary Item</u></b>						
USD	\$	1,442,783		30.7100		44,307,866
AUD		81,158		20.8300		1,690,521
CAD		329		22.6700		7,458
CHF		226		33.2050		7,504
EUR		23,989		32.7200		784,920
GBP		510		37.0900		18,916
HKD		345,517		3.9380		1,360,646
JPY		1,366,067		0.2324		317,474
SGD		472		22.8800		10,799
CNY		124,427		4.4080		548,474
KRW		4,656,727		0.0246		114,555
THB		689		0.8941		616
MYR		96		6.6990		643
<b><u>Non-Monetary Item</u></b>						
USD		660		30.7100		20,269
CAD		3		22.6700		68
CHF		29		33.2050		963
GBP		3		37.0900		111
CNY		2,093		4.4080		9,226

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2023 and 2022, the realized and unrealized currency exchange gains (losses) amounted to \$19,819 and \$(431,740), respectively.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The currency risk of the Group 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, amortized cost of a financial asset, customers' margin account, short-term borrowings, futures traders' equity, 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, 2023		For the years ended December 31, 2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(659,568)	659,568	(360,016)
Other comprehensive income	544,090	(544,090)	282,950	(282,950)

(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 Group'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 AND SUBSIDIARIES**  
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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 Group 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 Group'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 Group 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 Group was as follows:

a) Fair value information

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
	<b>Book value</b>	<b>Fair value</b>	<b>Book value</b>	<b>Fair value</b>
Financial assets:				
Cash and cash equivalents	\$ 8,598,180	8,598,180	11,259,550	11,259,550
Bonds purchased under resale agreements	60,208	60,208	-	-
Accrued receivable	85,015,061	85,015,061	63,301,791	63,301,791
Customers' margin account	38,874,681	38,874,681	39,049,741	39,049,741
Leverage contract trading - customers' margin account	712,455	712,455	856,021	856,021
Restricted assets - current	1,591,156	1,591,156	219,234	219,234
Other non-current assets	1,697,550	1,697,550	1,537,038	1,537,038
Financial liabilities:				
Short-term borrowings	5,874,434	5,874,434	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	51,425,166	51,425,166	36,035,969	36,035,969
Accrued payable	66,129,729	66,129,729	54,078,497	54,078,497
Futures traders' equity	38,762,176	38,762,176	38,884,241	38,884,241
Leverage contract trading - customers' equity	733,533	733,533	849,887	849,887
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	84,640	84,640	99,969	99,969

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>December 31, 2023</b>				
Investment property	\$ -	-	7,302,757	7,302,757
Debt securities at amortized cost	-	5,361,000	-	5,361,000
	<b>\$ -</b>	<b>5,361,000</b>	<b>7,302,757</b>	<b>12,663,757</b>
<b>December 31, 2022</b>				
Investment Property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<b>\$ -</b>	<b>3,283,116</b>	<b>7,761,103</b>	<b>11,044,219</b>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- 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, bonds purchased under resale agreements, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities- current, other financial liabilities-non-current, and other non-current liabilities.
  - 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 Group 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 Group.

3) Measured at fair value

a) Hierarchy information of fair value

The Group'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	\$ 30,233,689	32,196,042	102,630	62,532,361
Financial assets at fair value through other comprehensive income	4,048,127	20,106,338	3,602,562	27,757,027
Derivative financial assets	<u>1,209,015</u>	<u>527,674</u>	<u>-</u>	<u>1,736,689</u>
	<u>\$ 35,490,831</u>	<u>52,830,054</u>	<u>3,705,192</u>	<u>92,026,077</u>
Financial liabilities at fair value through profit or loss	\$ 18,133,227	-	-	18,133,227
Derivative financial liabilities	<u>114,262</u>	<u>2,842,915</u>	<u>-</u>	<u>2,957,177</u>
	<u>\$ 18,247,489</u>	<u>2,842,915</u>	<u>-</u>	<u>21,090,404</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss	\$ 15,543,900	25,320,365	42,482	40,906,747
Financial assets at fair value through other comprehensive income	3,384,936	10,331,743	2,690,775	16,407,454
Derivative financial assets	<u>1,222,711</u>	<u>454,098</u>	<u>-</u>	<u>1,676,809</u>
	<u>\$ 20,151,547</u>	<u>36,106,206</u>	<u>2,733,257</u>	<u>58,991,010</u>
Financial liabilities at fair value through profit or loss	\$ 10,168,567	-	-	10,168,567
Derivative financial liabilities	<u>228,290</u>	<u>1,247,742</u>	<u>-</u>	<u>1,476,032</u>
	<u>\$ 10,396,857</u>	<u>1,247,742</u>	<u>-</u>	<u>11,644,599</u>

- 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).

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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.

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. 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								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		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 profit or loss	\$ 42,482	(1,870)	-	106,300	-	37,800	-	6,482	102,630
Financial assets at fair value through other comprehensive income	2,690,775	-	1,048,158	40,000	-	161,800	571	14,000	3,602,562
<b>Total</b>	<b>\$ 2,733,257</b>	<b>(1,870)</b>	<b>1,048,158</b>	<b>146,300</b>	<b>-</b>	<b>199,600</b>	<b>571</b>	<b>20,482</b>	<b>3,705,192</b>

  

Item	For the year ended December 31, 2022								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		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 profit or loss	\$ -	-	482	42,000	-	-	-	-	42,482
Financial assets at fair value through other comprehensive income	3,319,193	-	(632,858)	83,566	-	-	16,532	62,594	2,690,775
<b>Total</b>	<b>\$ 3,319,193</b>	<b>-</b>	<b>(632,376)</b>	<b>125,566</b>	<b>-</b>	<b>-</b>	<b>16,532</b>	<b>62,594</b>	<b>2,733,257</b>

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

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

The Group'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.

<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 profit or loss - equity instruments without an active market - private equity fund I corporation	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>
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>
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

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- 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 Group 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:

	<b>Change in fair value recognized in other comprehensive income</b>	
	<b>Favorable change</b>	<b>Unfavorable change</b>
<b>December 31, 2023</b>		
Financial assets at fair value through profit or loss	\$ <u>1,026</u>	<u>(1,026)</u>
Financial assets at fair value through other comprehensive income	\$ <u>36,026</u>	<u>(36,026)</u>
<b>December 31, 2022</b>		
Financial assets at fair value through profit or loss	\$ <u>425</u>	<u>(425)</u>
Financial assets at fair value through other comprehensive income	\$ <u>26,908</u>	<u>(26,908)</u>

Favorable and unfavorable movements of the Group 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 Group 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 Group cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group 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:

Types of financial assets	December 31, 2023				
	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>53,843,190</u>	<u>51,425,166</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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	\$ 37,067,224	36,035,969	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; 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 Group 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 Group 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	\$ 527,674	-	527,674	-	-	527,674

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	\$ 2,875,015	-	2,875,015	-	-	2,875,015
Under repurchase agreements	51,425,166	-	51,425,166	51,425,166	-	-
Total	\$ 54,300,181	-	54,300,181	51,425,166	-	2,875,015

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	\$ 454,098	-	454,098	-	-	454,098

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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	\$ 1,347,033	-	1,347,033	-	-	1,347,033
Under repurchase agreements	36,035,969	-	36,035,969	36,035,969	-	-
<b>Total</b>	<b>\$ 37,383,002</b>	<b>-</b>	<b>37,383,002</b>	<b>36,035,969</b>	<b>-</b>	<b>1,347,033</b>

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

(y) Financial risk management

(i) Brief

The Group 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 Group also established an operating strategy, capital structure, risk management policy and executive procedure by risk and operating activities. Furthermore, the Group set up a risk management information system to assist whole risk management execute effectively.

(iii) Credit risk

- 1) Determining whether credit risk has increased significantly since initial recognition
  - a) The Group 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 Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- 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 Group 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 Group adopts lifetime ECLs to measure.

In order to measure ECLs, the Group 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 Group was referring to the information periodically release from international credit rating institutions such as S&P, Moody's and Fitch. The Group measures EAD by the amortized cost plus interest receivables of financial instruments.

(iv) Liquidity risk

Liquidity risk refers to the risk that the Group 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.

Besides decentralizing the financial institutions, the Group also to diversify the financing channels for funding. The Group 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 Group 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 Group 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 Group's revenue or the value of its holdings of financial instruments.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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The Group 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 Group 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 Group 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 Group’s strategies use financial derivatives to hedge market price fluctuations in the attainable scope. The Group 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 Group also formulates principal to conduct over or under limitations with hedging position

1) Equity securities:

As equity securities price fluctuate, the Group will suffer losses when the unfavorable variation of equity securities price is incurred. To reduce the above risk, the Group 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.

2) Fixed income instruments:

Risk of fixed income instruments is mainly affected by the fluctuations of market rate. The Group will suffer losses when unfavorable variation of market rate is incurred. The Group 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 Group will acquire stock warrants of the same underlying securities issued by others whose theoretical price was underestimated to hedge against the fluctuations. Furthermore, the Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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 Group uses the interest which it generates from investing to repay the principal due. In the asset option aspect, the Group 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 Group 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 Group'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

<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:				
Stock warrants issued	\$ 93,530,484	-	26,259,600	-

The Group 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 Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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 Group'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 years ended December 31, 2023 and 2022:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2023	2022	
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

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2023	2022	
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

	For the years ended December 31,		Account
	2023	2022	
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 Group 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 Group determines those with international credit rating BBB- (inclusive) or above, and therefore, no default is expected and credit risk is accordingly remote.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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(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.

(iv) Type, purpose, and strategy of other financial instruments as approved by the authority held:

The Group'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:

	<u>For the years ended December 31,</u>		<u>Account</u>
	<u>2023</u>	<u>2022</u>	
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:

Please refer to note 12(a) for the notional principal and nominal amount as of December 31, 2023 and 2022.

Should counterparties to futures and options default, the associated loss is borne by the futures commission merchants. Hence, the Group 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 Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- (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 Group 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 Group. For margin calls, the Group 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 Group 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	\$ 1,014,514	1,133,174	Financial assets at fair value through profit or loss - current
Excess futures margin	1,997,886	2,474,182	Cash and cash equivalent
Buy options	194,501	89,537	Financial assets at fair value through profit or loss - current
Sale options	82,162	128,999	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	\$ (699,650)	(644,422)	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 Group 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 AND SUBSIDIARIES**  
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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 Group'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 Group entered into non-trading NT dollar interest rate swaps with banks to hedge against interest rate fluctuations of claims and obligations. The Group'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 Group 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	-

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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The Group collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

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 Group 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 Group 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 Group maintains good credit risk control over counterparties, the credit risks is minimal.

For convertible bond options, the Group 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 Group 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- 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 swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Group 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.

(iv) Options

- 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:				
Equity options	\$ 475,427	-	705,123	-

The counterparties that the Group entered into derivative transactions with are all well-known financial institutions with good credit ratings. The Group does not expect the counter-party will default. Therefore, the credit risk 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 Group 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 Group 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) Leverage derivatives

- 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:				
Leverage derivatives-long position	\$ 4,606,396	-	4,078,689	-
Leverage derivatives-short position	4,592,219	-	4,059,360	-

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The Group does the KYC process before trading, and gives counterparties appropriate leverage multiples and risk ratings based on their financial status and past trading experience. Besides, the Group collects margins from counterparties and sets the Pre-Settlement Risk (PSR) to manage credit risk. The Group examines the limits regularly to insure their overall credit risk is acceptable, and therefore the risk is controllable.

2) Market risk:

The Group has established the product types, trading quotas, market risk limits, stop-loss and stop-right standards to manage market risk, and therefore losses are within predictable range.

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

The Group monitors the concentration rate and trading volume, and selects registered brokers which have related licenses, experience and a certain amount of asset to cover the position to meet the liquidity need and control the liquidity risk.

(vi) 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,</u> <u>2023</u>	<u>December 31,</u> <u>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
Leverage derivatives - non-hedging	150,671	202,915
Structured notes	2,284	2,056
Exchange rate derivatives	-	9,345
Interest rate swaps	350	-
Equity derivatives	15,890	16,854
Total	<u>\$ 527,674</u>	<u>454,098</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
Leverage derivatives - non-hedging	15,402	28,918
Structured notes	41,296	103,125
Exchange rate derivatives	98,566	21,123
Interest rate swaps	-	59
Equity derivatives	90	1,710
Total	<u>\$ 2,875,015</u>	<u>1,347,033</u>
Other financial liabilities - current		
Structured notes principal value	<u>\$ 4,223,503</u>	<u>3,028,050</u>

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	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Other financial liabilities - non-current		
Structured notes principal value	<b>\$ 677,162</b>	<b>494,542</b>

For the year 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:

	<b>For the year ended December 31, 2023</b>		<b>For the year ended December 31, 2022</b>	
	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>	<b>Gains (losses) on derivative instruments - OTC</b>	<b>Unrealized Gains (losses)</b>
	Interest rate swaps	\$ 222	350	255
Equity derivatives	5,132	15,956	22,987	15,144
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)
Leverage derivatives - non-hedging	95,511	135,269	147,780	173,997
Total	<b>\$ (1,415,111)</b>	<b>525,885</b>	<b>1,507,051</b>	<b>1,753,061</b>

(vii) Interest rate benchmark reform

The Group completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), during the interim period. The Group'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.

(z) 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 Group has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

The Group maintains no change of its capital management. The Group's capital adequacy ratio is as below:

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

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(aa) Financing activities not affecting current cash flow

The Group'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(i).

	January 1, 2023	Cash flows	Non-cash changes			December 31, 2023
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 827,292	(211,965)	109,208	(118)	-	724,417

  

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 850,171	(202,421)	175,792	3,750	-	827,292

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

(a) Parent company and ultimate controlling party

The Company is the parent company and the ultimate controlling party of the consolidated company.

(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 Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)
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)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel

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.

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(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	\$ 349,763	253,164
Post-employment benefits	2,793	2,612
Total	<u>\$ 352,556</u>	<u>255,776</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	\$ 4,000	4,051	13,142	13,161	
	<u>For the years ended December 31,</u>		<u>2023</u>		<u>2022</u>
<b>Total financial expenses</b>	<u>\$ 103</u>		<u>313</u>		

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

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

(iv) Futures transactions

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<b>Future Traders' equity</b>		
Other related parties	\$ 270	270

(v) Brokerage and sub-brokerage

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Brokerage commissions</b>		
Other related parties	\$ 48,173	2,527
	<u>For the years ended December 31,</u>	
<b>Re-consigned handling commissions</b>	<u>2023</u>	<u>2022</u>
Other related parties	\$ 1,084	120

(vi) Consultancy Fee

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Consultancy Fee</b>		
Other related parties	\$ 39	-

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## (vii) Other revenue

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Other revenue</b>		
Other related parties	\$ <u>4</u>	<u>34</u>
<b>Advance receipts</b>		
Other related parties	\$ <u>-</u>	<u>46</u>

## (viii) 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	\$ <u>860</u>	<u>50</u>	<u>-</u>	<u>-</u>

## (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	\$ <u>1,056,720</u>	<u>1,056,720</u>	<u>705,000</u>

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Total financial expenses</b>		
Subsidiaries	\$ 35	133
Funds issued by associate	<u>12,277</u>	<u>961</u>
Total	\$ <u>12,312</u>	<u>1,094</u>

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>Relationship</b>	<b>Account</b>	<b>December 31, 2023</b>		<b>December 31, 2022</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	<u>111,489</u>	\$ <u>2,073,630</u>	<u>89,472</u>	<u>825,936</u>

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

	December 31, 2023	December 31, 2022
<b>Prepayments</b>		
Associates	\$ 55,202	2,214

Transaction terms are the same as the general clients.

(iii) Futures transactions

	December 31, 2023	December 31, 2022
<b>Futures traders' equity</b>		
Funds issued by associate	\$ 671,147	270,227

	For the years ended December 31,	
	2023	2022
<b>Total financial expenses</b>		
Funds issued by associate	\$ 573	278

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

	For the years ended December 31,	
	2023	2022
<b>Lease revenue</b>		
Associates	\$ 17,263	17,237

	December 31, 2023	December 31, 2022
	<b>Guarantee deposits received</b>	
Associates	\$ 3,811	3,811

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

Lessee

- 1) The Group leases office places from related party in substance for operation, and lease period is seven to nine years. The aggregate contractual value of the lease is \$917,026 and rent is paid monthly. As of December 31, 2023 and 2022, the refundable deposits were \$28,014 and \$23,915.

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2) Acquisition of right-of-use assets

There new acquisition of right-of-use assets of the Company in the periods for the year ended December 31, 2023 was \$65,920.

3) Lease liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Related party in substance	\$ <u>493,661</u>	<u>521,082</u>

4) Financial expenses

	<b>For the years ended December 31, 2023</b>	<b>2022</b>
Related party in substance	\$ <u>6,959</u>	<u>3,015</u>

(v) Custody account business

<b>Custody account business revenue(Account to rental income)</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Related party in substance	\$ <u>120,252</u>	<u>42,342</u>

<b>Other accounts receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Related party in substance	\$ <u>8,379</u>	<u>8,379</u>

(vi) Insurance commission revenues

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

<b>Commission revenues</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Subsidiaries	\$ <u>6,294</u>	<u>12,936</u>

<b>Accounts receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ <u>1,453</u>	<u>444</u>

(vii) 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 Group were as follows:

<b>Brokerage commissions</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Funds issued by associate	\$ 52,032	46,645
Related party in substance	264	113
Total	\$ <u>52,296</u>	<u>46,758</u>

(Continued)



**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Re-consigned handling commissions</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Funds issued by associate	<b>\$ 13,366</b>	<b>12,413</b>
(viii)	Fund services business		
	<b>Fund services revenue</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 1,228</b>	<b>1,894</b>
	<b>Channel services revenue</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 1,228</b>	<b>1,894</b>
	<b>Account receivable</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 65</b>	<b>277</b>
(ix)	Wealth management business		
	<b>Trust account commissions revenue</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 4,588</b>	<b>4,463</b>
	<b>Trust account management fee revenue</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 2,007</b>	<b>1,355</b>
(x)	Underwriting business		
	<b>Stock service income</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 122</b>	<b>123</b>
	<b>Handling fee revenues from underwriting securities on consignment</b>		
	Funds issued by associate	<b>\$ 13</b>	<b>116</b>
	<b>Accounts receivable</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 10</b>	<b>10</b>
(xi)	Other revenue and expense		
	<b>Other revenue</b>	<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
	Associates	<b>\$ 3</b>	<b>2</b>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

<b>Other expense</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Related party in substance	\$ <u>780</u>	<u>-</u>
 (xii) Custody account business		
<b>Custody account business revenue</b>	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Second-level subsidiaries (note)	\$ <u>6,218</u>	<u>6,045</u>
<b>Accounts receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Second-level subsidiaries (note)	\$ <u>607</u>	<u>577</u>
 (xiii) Accrued receivable		
<b>Accounts receivable/ Other receivable</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ <u>132</u>	<u>80</u>

Note: The Company provides custody account business for customers of the second-level subsidiary CSC Securities (HK) Ltd. The custody account is for the customers of the second-level subsidiary to trade and custody the relevant funds and securities as FINI. The second-level subsidiary recorded custody account business on a net basis, recognizing net income and net accrued receivable. Therefore, there are no custodian costs and payables to the Company on the book of the second-level subsidiary that need to be eliminated in the consolidated financial statements.

(xiv) 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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(8) Pledged assets:**

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

	December 31, 2023	December 31, 2022	The collateral use
Restricted assets - current	\$ 1,591,156	219,234	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	34,337,950	27,120,122	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	14,206,648	7,347,280	Repurchase agreement
Property (net amount)	1,869,210	1,882,060	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 (net amount)	3,307,288	3,334,212	Bank borrowings
Total	<u>\$ 60,939,452</u>	<u>43,438,354</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:

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
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:

	December 31, 2023		December 31, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
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:

	December 31, 2023	December 31, 2022
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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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 filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and 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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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 AND SUBSIDIARIES**  
**Notes to the Consolidated 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	<b><u>\$ 14,358,993</u></b>	<b><u>11,024,415</u></b>

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

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(12) Other:**

(a) As of December 31, 2023 and 2022, the open positions of futures and option contracts were as follows:

(i) December 31, 2023

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	Single Stock Futures	Long	7,512	\$ 1,884,165	1,894,021	
	Single Stock Futures	Short	10,989	(1,856,912)	(1,903,766)	
	TAIEX Futures	Long	445	1,586,880	1,590,217	
	TAIEX Futures	Short	504	(1,786,059)	(1,801,264)	
	Mini TAIEX Futures	Long	362	322,557	323,224	
	Mini TAIEX Futures	Short	60	(52,593)	(53,542)	
	Electronic Sector Index Futures	Long	2	7,038	7,135	
	Electronic Sector Index Futures	Short	54	(188,037)	(192,640)	
	Mini Electronic Futures	Short	368	(161,244)	(164,100)	
	TPEX 200 Index	Short	1	(459)	(463)	
	10 Year U.S. T Note Futures	Short	31	(105,200)	(107,456)	
	Ultra U.S. Treasury Bond	Long	456	1,847,239	1,870,510	
	Ultra U.S. Treasury Bond	Short	30	(115,077)	(123,060)	
	Brent Crude Oil Futures	Short	285	(681,134)	(674,171)	
	Crude Oil Futures	Long	9	20,049	19,800	
	FTSE China A50 Index Futures	Short	90	(31,719)	(31,766)	
	FTSE China A50 Index Futures	Long	5,841	2,021,762	2,061,604	
	E-mini S&P 500 Futures	Short	13	(95,925)	(96,199)	
	Gold Futures	Short	12	(74,059)	(76,338)	
	HHI Futures	Long	26	28,945	29,604	
	HHI Futures	Short	31	(34,956)	(35,297)	
	HSI Futures	Long	7	23,508	23,559	
	TOPIX Futures	Short	4	(20,266)	(20,556)	
	JPY Index Futures	Long	2	5,360	5,508	
	Copper Future	Short	8	(22,674)	(23,892)	
	Gold Futures	Short	1	(770)	(767)	
	Micro E-mini Nasdaq Futures	Short	18	(18,848)	(18,817)	
	E-mini Nasdaq Futures	Short	41	(430,560)	(428,619)	
	E-mini Nasdaq Futures	Long	6	62,853	62,725	
	Micro E-mini Dow Futures	Short	16	(9,347)	(9,337)	
	Micro Russell 2000 Index Futures	Long	9	2,820	2,829	
	E-mini Russell 2000 Index Futures	Short	3	(9,145)	(9,431)	
	SGX Nikkei 225 Index Futures	Short	10	(35,879)	(36,289)	
	E-mini Dow Futures	Short	9	(51,840)	(52,522)	
	US Dollar Index Futures	Short	78	(244,996)	(241,964)	
	Micro E-mini S&P 500 Futures	Long	13	9,611	9,620	
	Dow Jones U.S. Real Estate Index	Short	5	(5,477)	(5,473)	
	Dow Jones U.S. Real Estate Index	Long	-	8,686	8,757	
	Silver Futures	Short	5	(19,230)	(18,489)	
	2 Year U.S. T Note Futures	Short	30	(189,534)	(189,678)	
	30 Year U.S. Treasury Bond	Short	3	(11,468)	(11,509)	
	Finance Sector Index Futures	Long	3	5,163	5,158	
	Mini Finance Sector Index Futures	Short	4	(1,719)	(1,719)	
	One Week E-Mini Stock Index Futures	Long	332	295,916	297,006	
	CME BTC	Short	7	(47,168)	(45,270)	
	CME MBT	Short	5	(674)	(647)	
	Subtotal			1,829,583		

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Short	4,635	\$ (48,055)	(64,308)	
	TAIEX Options (Put)	Long	6,936	83,712	64,039	
	TAIEX Options (Call)	Long	3,363	112,684	125,734	
	TAIEX Options (Put)	Short	4,185	(17,811)	(11,508)	
	Stock Options (Call)	Long	45	375	476	
	Stock Options (Call)	Short	103	(667)	(717)	
	Stock Options (Put)	Long	92	383	390	
	Stock Options (Put)	Short	31	(249)	(224)	
	Electronic Sector Index Options (Call)	Short	20	(171)	(273)	
	Finance Insurance Index Options (Call)	Short	27	(60)	(113)	
	Finance Insurance Index Options (Put)	Long	25	54	9	
	Finance Insurance Index Options (Call)	Long	22	51	36	
	Finance Insurance Index Options (Put)	Short	10	(16)	(1)	
	Gold Options (Call)	Short	11	(51)	(9)	
	Gold Options (Put)	Short	10	(25)	(34)	
	TAIEX Weekly Options (Call)	Short	1,138	(3,905)	(3,855)	
	TAIEX Weekly Options (Put)	Long	1,415	2,141	1,730	
	TAIEX Weekly Options (Call)	Long	1,283	2,054	2,087	
	TAIEX Weekly Options (Put)	Short	643	(1,328)	(1,120)	
	Subtotal			129,116		
Total				<u>\$ 1,958,699</u>		

(Continued)



**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) December 31, 2022

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	Single Stock Futures	Long	23,219	\$ 3,456,948	3,340,461	
	Single Stock Futures	Short	5,999	(1,038,485)	(1,017,005)	
	TAIEX Futures	Long	166	472,031	468,827	
	TAIEX Futures	Short	495	(1,403,612)	(1,399,061)	
	Mini TAIEX Futures	Long	35	24,538	24,396	
	Mini TAIEX Futures	Short	361	(255,753)	(254,521)	
	Electronic Sector Index Futures	Short	54	(139,874)	(139,050)	
	Mini Electronic Futures	Long	70	13,548	13,519	
	10 Year U.S. T Note Futures	Short	17	(58,975)	(58,627)	
	10 Year U.S. T Note Futures	Short	4	(14,736)	(14,530)	
	Ultra U.S. Treasury Bond	Short	54	(222,462)	(222,736)	
	Brent Crude Oil Futures	Short	251	(638,653)	(662,212)	
	Crude Oil Futures	Long	93	214,838	229,225	
	Crude Oil Futures	Short	20	(48,663)	(49,296)	
	FTSE China A50 Index Futures	Long	1,669	666,456	670,620	
	E-mini S&P 500 Futures	Short	4	(23,628)	(23,714)	
	Gold Futures	Short	18	(99,392)	(100,949)	
	HHI Futures	Short	42	(56,616)	(55,904)	
	HSI Futures	Short	5	(19,786)	(19,606)	
	Mini TOPIX Futures	Long	5	2,200	2,198	
	TOPIX Futures	Short	13	(58,774)	(57,146)	
	JPY Index Futures	Short	10	(28,959)	(29,585)	
	Gold Futures	Short	4	(2,667)	(2,712)	
	Mini HSI Futures	Short	10	(7,864)	(7,843)	
	Micro E-mini Nasdaq Futures	Short	41	(28,020)	(27,757)	
	E-mini Nasdaq Futures	Short	8	(52,956)	(54,159)	
	E-mini Nasdaq Futures	Long	11	75,226	74,469	
	Micro E-mini Dow Futures	Short	46	(24,256)	(23,510)	
	E-mini Russell 2000 Index Futures	Short	14	(37,864)	(38,069)	
	SGX Nikkei 225 Index Futures	Short	19	(69,009)	(66,756)	
	E-mini Dow Futures	Short	18	(91,748)	(91,996)	
	E-mini Dow Futures	Long	1	5,112	5,111	
	US Dollar Index Futures	Short	26	(83,050)	(82,456)	
	Micro E-mini S&P 500 Futures	Short	131	(77,231)	(77,664)	
	Dow Jones U.S. Real Estate Index	Short	12	(12,381)	(12,154)	
	Silver Futures	Short	7	(24,752)	(25,839)	
	2 Year U.S. T Note Futures	Short	14	(88,171)	(88,171)	
	30 Year U.S. Treasury Bond	Short	59	(226,315)	(227,109)	
	Finance Sector Index Futures	Short	12	(17,866)	(17,933)	
	Mini Finance Sector Index Futures	Short	20	(7,415)	(7,472)	
	One Week E-Mini Stock Index Futures	Long	51	36,157	36,096	
	Mini Crude oil Futures	Long	14	17,161	17,265	
	Soybean futures	Long	10	23,380	23,401	
	Subtotal			<u>47,662</u>		

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	6,775	\$ 41,960	34,353	
	TAIEX Options (Call)	Short	5,361	(50,773)	(48,719)	
	TAIEX Options (Put)	Long	6,546	50,874	43,912	
	TAIEX Options (Put)	Short	6,458	(67,257)	(61,088)	
	TAIEX Options (Put)	Long	100	365	113	
	TAIEX Options (Put)	Short	100	(445)	(113)	
	Stock Options (Call)	Long	73	2,116	648	
	Stock Options (Call)	Short	44	(385)	(425)	
	Stock Options (Put)	Long	35	572	446	
	Stock Options (Put)	Short	31	(374)	(244)	
	Electronic Sector Index Options (Call)	Short	1	(8)	-	
	Electronic Sector Index Options (Call)	Long	3	17	5	
	Finance Insurance Index Options (Call)	Short	33	(65)	(31)	
	Finance Insurance Index Options (Put)	Long	16	64	22	
	Finance Insurance Index Options (Call)	Long	94	262	182	
	Finance Insurance Index Options (Put)	Short	85	(235)	(168)	
	Gold Options (Call)	Short	10	(48)	(38)	
	Gold Options (Put)	Long	7	25	5	
	Gold Options (Call)	Long	23	241	215	
	Gold Options (Put)	Short	6	(28)	(4)	
	TAIEX Weekly Options (Call)	Short	2,339	(9,953)	(9,614)	
	TAIEX Weekly Options (Put)	Long	3,532	5,282	5,303	
	TAIEX Weekly Options (Call)	Long	2,709	5,010	4,333	
	TAIEX Weekly Options (Put)	Short	2,539	(7,542)	(8,555)	
	Subtotal			(30,325)		
Total				\$ 17,337		

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (b) Restrictions and enforcement of the Group's various financial ratios under futures trading law

Subsidiary - Capital Futures Corp.'s financial ratio in the table below is prepared according to "Regulations Governing Futures Commission Merchants":

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	7,173,449	4.44	6,781,388	3.16	≥ 1	Satisfactory to requirement
	(Total liabilities - futures traders' equity)	1,614,588		2,147,858			
17	Current Assets	44,754,505	1.14	45,996,498	1.13	≥ 1	"
	Current Liabilities	39,269,119		40,595,760			
22	Stockholders' equity	7,173,449	643.36 %	6,781,388	608.20 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Adjusted net capital	5,191,652	53.77 %	3,701,351	44.35 %	≥ 20%	"
	Total amount of customers' margin required for open positions of futures trader	9,654,651		8,344,985		≥ 15%	

- (c) Unique risk for futures trading

Transactions in futures and options carry a high degree of risk because of the amount of initial margin is small relative to the value of the futures contract, meaning that transactions are heavily leveraged, the fluctuation of underlying markets is unpredictable, and the variance risk of the exchange rate is high. Futures industry thus bears higher operation risk than other industries. If the customers can't exercise the contract or maintain the proper margin, in order to dealing with such abrupt condition, the futures business needs sufficient liquidity to cover the transactions and suffer the loss may occur.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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 Group:

## (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 AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2023:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,133		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	8,956		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	295		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	31,426		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,634		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	131,141	General transaction	1.03 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	18,219	General transaction	0.14 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	659	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	869	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	372	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	12,761	General transaction	0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	38	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	34,161	General transaction	0.27 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	53,740	General transaction	0.42 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	504	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	154		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	69,000	General transaction	0.54 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	2		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	47		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	23		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	88		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	24	General transaction	- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	11,817		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	2	General transaction	- %

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	13		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	450	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	75	General transaction	- %
1	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	27		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	1,760,408		0.71 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,760,408		0.71 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	16,598	General transaction	0.13 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,194,610		0.48 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,643,380		1.88 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	5,463		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	12,555	General transaction	0.10 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	103,034	General transaction	0.81 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	20,667	General transaction	0.16 %
2	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,792	General transaction	0.01 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,204,761		1.70 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	755,991		0.31 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	4,302		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	16,860	General transaction	0.13 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other receivables	HKD 145		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other operating revenue	HKD 893	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Brokerage commissions expense	HKD 366	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	555	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	4,866	General transaction	0.04 %

Note 1: The numbers in the Ref No. column represent as follows:

- (1) 0 stands for the parent company.
- (2) Subsidiaries are coded from No. 1 per respective companies.

Note 2: Transaction relationship with the counterparties are as follows:

- (1) Parent company to subsidiaries.
- (2) Subsidiaries to parent company.
- (3) Subsidiaries to subsidiaries.

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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		Highest Percentage of ownership	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	Note 6	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	100.00 %	7,000,000	100.00 %	77,899	72,034	572	572	10,660	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei ,Taiwan, R.O.C.	February 26, 1997	No. FSC-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	56.58 %	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	100.00 %	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	Note 6	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	100.00 %	500,000	100.00 %	44,481	143,623	18,610	18,610	46,150	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 8, 2000	Note 6	Liquidation is completed.	7,400	7,400	100.00 %	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	100.00 %	300	100.00 %	13	(234)	(234)	(234)	-	The transaction has been eliminated in the consolidated financial statements
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	100.00 %	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	100.00 %	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	Note 6	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00 %	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-90931 dated 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	100.00 %	128,000,000	100.00 %	673,832	80,948	29,750	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	100.00 %	265,000,000	100.00 %	(102,379)	-	(234)	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	100.00 %	2	100.00 %	(257,862)	-	(132)	-	-	"
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	100.00 %	220,000,000	100.00 %	1,035,312	325,140	79,386	-	-	"
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	100.00 %	5,000,000	100.00 %	18,301	1,792	(8,048)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January5,1998	Agency services.	HK 2	HK 2	100.00 %	HK 2	100.00 %	-	-	-	-	-	"
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	100.00 %	30,000,000	100.00 %	275,624	22,895	17,548	-	-	"
7	EnnoCap Venture Inc.	Taipei ,Taiwan, R.O.C.	July 30, 2021	No. FSC-1040034071 dated September 8, 2015	Investment and management consulting, venture capital and general investing.	400	400	40.00 %	40,000	40.00 %	102	-	(270)	-	-	Associates

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated 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 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: 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	Highest Percentage of ownership	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	Note 1 (C)	24,372	-	-	24,372	1,747	28.86%	28.86 %	504 Note 2 B(2)	5,405	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(5,157)	56.58%	56.58 %	(2,918) Note 2 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(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.

(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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (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

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated 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.

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The operating segments are consistent with the internal reports provided to the chief operating decision-maker. The Group's operating segments are classified into brokerage, corporate financing, dealing, derivative instrument and reinvestment according to the sources of revenue. The remaining operating results which have not reached the threshold requirements are consolidated in other operating segments.

Sources of income from products and services rendered by each segment are as follows:

- (i) Brokerage segment: Engaged in brokerage trading, margin trading, and securities lending business.
- (ii) Corporate financing segment: Engaged in providing advisory on initial public offering or to register on the emerging or listed market, securities underwriting and sales, corporate finance, mergers and acquisitions.
- (iii) Dealing segment: Engaged in trading securities and related listed stock instruments on a proprietary basis.
- (iv) Derivative instrument segment: Engaged in the investment, consultancy and issuance of derivative instruments.
- (v) Futures: Engaged in the business of domestic futures brokerage services, trading on a proprietary basis, futures consultancy and managed futures enterprises.

(b) Measurement of segmental information

All accounting policies of the Group's operating segments' accounting policies are no material difference from the ones described in Note 4 "significant accounting policies". The Group evaluates segment performance based on the net profit before tax of various operating segments. Income and expense attributable to each operating segment are directly attributed to the profits and losses of the corresponding operating segment. Indirect expenses and expenses from logistic support segment that cannot be directly attributed are listed under "other segments".

(c) Profits or losses, assets and liabilities of segments information

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>5,523,902</u>	<u>309,887</u>	<u>3,558,426</u>	<u>1,208,550</u>	<u>191,341</u>	<u>2,212,825</u>	<u>(258,707)</u>	<u>12,746,224</u>
Segment profit or loss	\$ <u>2,645,264</u>	<u>155,197</u>	<u>1,190,646</u>	<u>852,316</u>	<u>(386,986)</u>	<u>1,276,858</u>	<u>(624,519)</u>	<u>5,108,776</u>

  

For the year ended December 31, 2022								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>5,100,616</u>	<u>346,286</u>	<u>244,093</u>	<u>(47,781)</u>	<u>106,957</u>	<u>2,779,997</u>	<u>(311,111)</u>	<u>8,219,057</u>
Segment profit or loss	\$ <u>2,537,348</u>	<u>194,614</u>	<u>(959,525)</u>	<u>(365,650)</u>	<u>(146,080)</u>	<u>957,283</u>	<u>(371,939)</u>	<u>1,846,051</u>

Note 1: Internal segment revenues are eliminated on consolidation.

Note 2: The Group's segment assets and liabilities are not provided to the chief operating decision maker, so such items are not required to be disclosed.

(d) Information about products and services

The Group identified the reportable segments based on the type of products and service provided and the general information is already to be disclosed. Thus, no additional disclosure is required.

(e) Information about regions

Since the revenue from individual foreign customers were not significant and there was no disclosure.

(f) Information about major customers

There was no disclosure because no individual customer accounted for 10% or more of the Group's revenues for the current periods.