

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For The Six Months Ended June 30, 2024 and 2023**

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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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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 June 30, 2024, December 31, 2023 and June 30, 2023, and the consolidated statements of comprehensive income for the three months ended June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023 as well as the changes in equity and cash flows for the six months ended June 30, 2024 and 2023, 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 another 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 June 30, 2024, December 31, 2023 and June 30, 2023, and its consolidated financial performance, for the three months ended June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023 as well as its consolidated cash flows for the six months ended June 30, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards (“IASs”) 34 “Interim Financial Reporting”, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the 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 of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2024. 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:

Valuation of financial instruments

Please refer to Note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2023 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 observably variable factors in the market, so management's professional judgement has highly importance when using different valuation methods and assumptions. Therefore, the valuation of financial instruments is one of our key audit matters.

Procedures performed:

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

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.43%, 0.58% and 0.58% of consolidated total assets as of June 30, 2024, December 31, 2023 and June 30, 2023, respectively, and the recognized profit or loss under using equity method constituted 5.03%, 3.63%, 4.57% and 3.34% of consolidated net income before income tax for the three months and six months ended June 30, 2024 and 2023, respectively.

The Group has prepared its parent-company-only financial statements as of and for the six months ended June 30, 2024 and 2023, 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 International Accounting Standards ("IASs") 34 "Interim Financial Reporting", 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)
August 23, 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.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2024, December 31, 2023, and June 30, 2023****(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2024		December 31, 2023		June 30, 2023	
	Amount	%	Amount	%	Amount	%
Assets						
110000 Current assets:						
111100 Cash and cash equivalents (note 6(a))	\$ 9,089,282	3	8,598,180	4	9,193,739	4
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	87,285,159	27	64,089,612	26	56,890,252	25
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	28,775,712	9	24,025,136	10	19,819,338	9
114010 Bonds purchased under resale agreements (note 6(c))	220,322	-	60,208	-	-	-
114030 Receivable for securities provided as collateral	22,399,669	7	17,397,754	7	14,141,406	6
114040 Refinancing margin	4,061	-	16,619	-	11,064	-
114050 Refinancing collateral receivable	3,382	-	13,847	-	9,397	-
114060 Receivable of securities business money lending	29,307,829	9	5,886,504	2	4,670,401	2
114070 Customers' margin account (note 6(e))	44,202,386	14	38,874,681	16	39,314,235	18
114080 Receivable - futures margin	1	-	-	-	5	-
114090 Collateral for securities borrowed	61,998	-	214,766	-	142,727	-
114100 Security borrowing margin	12,221,571	4	12,583,951	5	11,825,525	5
114110 Notes receivable	12,984	-	6,608	-	9,915	-
114130 Accounts receivable (note 6(d))	23,798,355	7	16,268,453	7	14,530,660	7
114150 Prepayments	154,010	-	147,349	-	170,962	-
114170 Other receivables	1,081,890	-	199,048	-	885,983	-
114200 Other financial assets - current	-	-	-	-	152	-
114300 Leverage contract trading - customers' margin account	859,417	-	712,455	-	856,783	-
114600 Current income tax assets	968	-	677	-	226	-
119095 Amounts held for each customer in the account (note 6(p))	38,625,265	12	32,426,834	13	30,312,561	14
119990 Other current assets-others	2,533,508	1	2,004,140	1	507,614	-
	<u>300,637,769</u>	<u>93</u>	<u>223,526,822</u>	<u>91</u>	<u>203,292,945</u>	<u>90</u>
120000 Non-current assets:						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,359	-	179,438	-	179,401	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,547,541	1	3,731,891	2	3,209,884	1
123300 Financial assets at amortized cost - non-current (note 6(b))	6,166,981	2	5,310,086	2	5,167,757	2
124100 Investments accounted for under equity method (note 6(f))	1,445,331	-	1,473,075	1	1,395,740	1
125000 Property and equipment (notes 6(g) and 8)	3,169,862	1	3,182,785	1	3,076,722	1
125800 Right-of-use assets (note 6(h))	612,011	-	671,689	-	732,206	-
126000 Investment property (notes 6(i) and 8)	3,433,801	1	3,444,763	1	3,456,748	2
127000 Intangible assets (note 6(j))	3,609,830	1	3,622,839	1	3,620,484	2
128000 Deferred income tax assets	246,765	-	15,894	-	17,143	-
129000 Other non-current assets	1,794,996	1	1,751,450	1	1,682,330	1
	<u>24,206,477</u>	<u>7</u>	<u>23,383,910</u>	<u>9</u>	<u>22,538,415</u>	<u>10</u>
Total assets	\$ <u>324,844,246</u>	<u>100</u>	<u>246,910,732</u>	<u>100</u>	<u>225,831,360</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2024, December 31, 2023, and June 30, 2023****(Expressed in Thousands of New Taiwan Dollars)**

	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(k))	\$ 14,656,661	5	5,874,434	2	3,880,146	2
211200 Commercial paper payable (note 6(l))	46,731,999	14	13,090,169	5	16,337,704	7
212000 Financial liabilities at fair value through profit or loss - current (note 6(n))	30,163,226	9	21,090,404	9	11,055,324	5
214010 Bonds sold under repurchase agreements (note 6(o))	53,211,822	16	51,425,166	21	44,931,475	20
214040 Guarantee deposited for short sales	1,329,248	-	2,003,761	1	1,342,679	1
214050 Proceeds payable from short sales	1,481,928	1	2,294,644	1	1,508,393	1
214070 Securities lending refundable deposits	16,329,028	5	15,481,166	6	14,843,867	7
214080 Futures traders' equity (note 6(e))	44,010,919	14	38,762,176	16	39,121,594	17
214090 Equity for each customer in the account (note 6(p))	38,625,265	12	32,426,834	13	30,312,561	14
214100 Leverage contract trading - customers' equity	879,193	-	733,533	-	856,723	-
214110 Notes payable	-	-	166	-	-	-
214130 Accounts payable (note 6(q))	21,191,238	7	11,146,460	5	12,134,823	5
214150 Advance receipts	33,335	-	22,636	-	25,121	-
214160 Receipts under custody	331,532	-	327,934	-	135,051	-
214170 Other payables	4,662,888	1	1,733,199	1	2,606,893	1
214200 Other financial liabilities - current (note 6(y))	3,898,863	1	4,223,503	2	3,543,761	2
214600 Current income tax liabilities	812,032	-	715,565	-	282,968	-
215100 Provisions - current (note 6(s))	65,068	-	54,787	-	56,659	-
216000 Current lease liabilities (note 6(r))	200,709	-	201,566	-	199,428	-
219000 Other current liabilities	24,749	-	43,609	-	25,289	-
	<u>278,639,703</u>	<u>85</u>	<u>201,651,712</u>	<u>82</u>	<u>183,200,459</u>	<u>82</u>
220000 Non-Current liabilities:						
221200 Long-term borrowings (note 6(m))	1,498,536	1	-	-	-	-
224200 Other financial liabilities - non-current (note 6(y))	678,446	-	677,162	-	634,168	-
226000 Non-current lease liabilities (note 6(r))	456,202	-	522,851	-	585,052	-
228000 Deferred income tax liabilities	474,922	-	513,134	-	607,227	-
229000 Other non-current liabilities	169,367	-	181,349	-	118,444	-
	<u>3,277,473</u>	<u>1</u>	<u>1,894,496</u>	<u>-</u>	<u>1,944,891</u>	<u>-</u>
Total liabilities	<u>281,917,176</u>	<u>86</u>	<u>203,546,208</u>	<u>82</u>	<u>185,145,350</u>	<u>82</u>
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(u))	21,709,081	7	21,709,081	9	21,709,081	10
302000 Capital surplus (note 6(u))	2,743,257	1	2,743,256	1	2,743,256	1
304000 Retained earnings:						
304010 Legal reserve	3,299,604	1	2,889,367	1	2,889,367	1
304020 Special reserve	6,869,685	2	6,049,211	3	6,049,211	3
304040 Unappropriated earnings (note 6(u))	2,800,561	1	4,201,815	2	2,331,391	1
305120 Exchange differences on translation of foreign operations	119,308	-	(67,856)	-	(17,365)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,291,473	1	2,722,009	1	2,089,397	1
Total equity attributable to the parent company	<u>39,832,969</u>	<u>13</u>	<u>40,246,883</u>	<u>17</u>	<u>37,794,338</u>	<u>17</u>
306000 Non-controlling interests	<u>3,094,101</u>	<u>1</u>	<u>3,117,641</u>	<u>1</u>	<u>2,891,672</u>	<u>1</u>
Total equity	<u>42,927,070</u>	<u>14</u>	<u>43,364,524</u>	<u>18</u>	<u>40,686,010</u>	<u>18</u>
Total liabilities and equity	<u>\$ 324,844,246</u>	<u>100</u>	<u>246,910,732</u>	<u>100</u>	<u>225,831,360</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 three months and six months ended June 30, 2024 and 2023

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

	For the three months ended June 30				For the six months ended June 30			
	2024		2023		2024		2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
401000 Brokerage commissions (note 6(w))	\$ 1,961,159	45	1,283,403	47	3,522,786	42	2,436,513	44
402000 Revenues from securities business money lending	1,064	-	144	-	1,467	-	316	-
403000 Revenue from securities lending	154,681	4	104,573	4	270,872	3	212,563	4
404000 Underwriting commissions (note 6(w))	23,523	1	20,058	1	44,499	1	32,732	1
406000 Commissions on wealth management business	24,638	1	15,123	1	43,266	1	30,322	1
410000 Net gains (losses) on sale of trading securities (note 6(w))	2,641,208	61	400,235	14	5,782,202	69	1,550,281	28
421100 Securities management, distribution, and management fees	42,666	1	39,742	1	81,364	1	77,273	1
421200 Interest revenue (note 6(w))	930,973	21	543,969	20	1,750,790	21	1,026,765	18
421300 Dividend revenue	407,193	9	2,044,092	74	619,475	7	2,103,041	38
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w))	1,103,005	25	(536,937)	(19)	2,296,501	27	706,497	13
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y))	(179,865)	(4)	(122,041)	(4)	(822,873)	(10)	(160,619)	(3)
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(242,371)	(6)	171,884	6	(511,016)	(6)	(650,718)	(12)
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	1,794	-	3,095	-	11,459	-	6,195	-
421800 Net gains (losses) on securities for futures margin at fair value through profit or loss	106,800	2	-	-	136,290	2	-	-
422200 Net gains (losses) on stock warrants issued (notes 6(w) and (y))	(524,610)	(12)	(169,619)	(6)	(1,091,383)	(13)	(210,662)	(4)
424100 Futures commission revenues (note 6(w))	73,559	2	67,038	2	162,403	2	121,332	2
424400 Net gains (losses) on derivative instruments - futures (note 6(y))	(1,390,268)	(32)	(788,081)	(29)	(2,367,783)	(28)	(715,045)	(13)
424500 Net gains (losses) on derivative instruments - OTC (note 6(y))	(789,048)	(18)	(265,412)	(10)	(1,440,495)	(17)	(944,930)	(17)
424800 Management fee revenues	1,693	-	723	-	3,032	-	1,164	-
424900 Consultancy fee revenue	4,360	-	3,160	-	10,605	-	5,452	-
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))	(1,728)	-	(1,560)	-	(4,817)	-	(6,414)	-
428000 Other operating revenues	(1,337)	-	(53,905)	(2)	(134,108)	(2)	(31,527)	(1)
	<u>4,349,089</u>	<u>100</u>	<u>2,759,684</u>	<u>100</u>	<u>8,364,536</u>	<u>100</u>	<u>5,590,569</u>	<u>100</u>
Expenses:								
501000 Brokerage fees	246,068	6	151,220	6	463,483	6	277,441	5
502000 Brokerage and clearing fees - proprietary trading	18,537	1	9,298	-	36,057	-	17,728	-
503000 Clearing and exchange fees - refinancing	566	-	441	-	926	-	1,528	-
504000 Clearing and exchange fees - underwriting	275	-	145	-	480	-	303	-
521200 Financial costs	771,651	18	462,528	17	1,396,376	17	816,206	15
521640 Loss from securities borrowing transactions	212,458	5	54,941	2	380,752	5	81,715	1
524100 Futures commission expense (note 6(w))	85,103	2	71,375	3	162,109	2	148,459	3
524300 Cleaning and settlement expenses	55,856	1	38,426	1	100,336	1	76,075	1
528000 Other operating expenditure	17,517	-	7,055	-	40,065	-	18,618	-
531000 Employee benefits expenses (note 6(w))	1,097,763	25	755,989	27	2,008,182	24	1,512,694	27
532000 Depreciation and amortization expense (note 6(w))	124,127	3	116,168	4	245,842	3	229,599	4
533000 Other operating expenses (note 6(w))	915,365	21	594,847	22	1,734,179	21	1,142,329	21
	<u>3,545,286</u>	<u>82</u>	<u>2,262,433</u>	<u>82</u>	<u>6,568,787</u>	<u>79</u>	<u>4,322,695</u>	<u>77</u>
Other income (expenses):								
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	90,043	2	55,078	2	164,985	2	97,073	2
602000 Other gains and losses (note 6(w))	738,038	17	703,956	25	1,279,976	15	1,148,838	20
	<u>828,081</u>	<u>19</u>	<u>759,034</u>	<u>27</u>	<u>1,444,961</u>	<u>17</u>	<u>1,245,911</u>	<u>22</u>
902001 Net income before income tax	1,631,884	37	1,256,285	45	3,240,710	38	2,513,785	45
701000 Less: Income tax expenses (note 6(t))	234,476	5	58,427	2	369,787	4	101,336	2
Net income	<u>1,397,408</u>	<u>32</u>	<u>1,197,858</u>	<u>43</u>	<u>2,870,923</u>	<u>34</u>	<u>2,412,449</u>	<u>43</u>
805000 Other comprehensive income:								
805500 Components that may not be reclassified to profit or loss in subsequent periods:								
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	9,427	-	357,124	13	(781)	-	630,874	11
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	5,518	-	(2,276)	-	5,518	-	(2,276)	-
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
Subtotal of components that may not be subsequently reclassified into profit or loss	<u>14,945</u>	<u>-</u>	<u>354,848</u>	<u>13</u>	<u>4,737</u>	<u>-</u>	<u>628,598</u>	<u>11</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:								
805610 Exchange differences on translation of foreign operations	59,458	1	95,146	3	231,760	3	45,978	1
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(218,980)	(5)	(130,632)	(5)	(325,082)	(4)	34,346	1
805699 Less: Income tax related to components of other comprehensive income (note 6(t))	4,948	-	7,294	-	18,167	-	3,875	-
Subtotal of items that may be subsequently reclassified into profit or loss	<u>(164,470)</u>	<u>(4)</u>	<u>(42,780)</u>	<u>(2)</u>	<u>(111,489)</u>	<u>(1)</u>	<u>76,449</u>	<u>2</u>
805000 Other comprehensive income, net	<u>(149,525)</u>	<u>(4)</u>	<u>312,068</u>	<u>11</u>	<u>(106,752)</u>	<u>(1)</u>	<u>705,047</u>	<u>13</u>
902006 Total comprehensive income	<u>\$ 1,247,883</u>	<u>28</u>	<u>1,509,926</u>	<u>54</u>	<u>2,764,171</u>	<u>33</u>	<u>3,117,496</u>	<u>56</u>
Net income attributable to:								
913100 Shareholders of the parent	\$ 1,248,940	29	1,089,297	39	2,605,748	31	2,198,796	39
913200 Non-controlling interests	148,468	3	108,561	4	265,175	3	213,653	4
	<u>\$ 1,397,408</u>	<u>32</u>	<u>1,197,858</u>	<u>43</u>	<u>2,870,923</u>	<u>34</u>	<u>2,412,449</u>	<u>43</u>
Total comprehensive income attributable to:								
914100 Shareholders of the parent	\$ 1,095,725	25	1,390,750	50	2,473,392	30	2,896,484	52
914200 Non-controlling interests	152,158	3	119,176	4	290,779	3	221,012	4
	<u>\$ 1,247,883</u>	<u>28</u>	<u>1,509,926</u>	<u>54</u>	<u>2,764,171</u>	<u>33</u>	<u>3,117,496</u>	<u>56</u>
975000 Basic earnings per share (note 6(v))	<u>\$ 0.58</u>		<u>0.50</u>		<u>1.20</u>		<u>1.01</u>	
985000 Diluted earnings per share (note 6(v))	<u>\$ 0.58</u>		<u>0.50</u>		<u>1.20</u>		<u>1.01</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 six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to the parent company									Non-controlling interests	Total Equity
	Stock	Retained earnings				Total other equity interest					
	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	Total equity attributable to the parent company			
Balance at January 1, 2023	\$ 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 six months ended June 30, 2023	-	-	-	-	2,198,796	-	-	2,198,796	213,653	2,412,449	
Other comprehensive income	-	-	-	-	-	38,498	659,190	697,688	7,359	705,047	
Total comprehensive income	-	-	-	-	2,198,796	38,498	659,190	2,896,484	221,012	3,117,496	
Appropriation and distribution of retained earnings: (note 6(u))	-	-	131,110	-	(131,110)	-	-	-	-	-	
Legal reserve	-	-	-	-	(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	-	-	-	-	33,147	-	(33,147)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(275,944)	(275,944)	
Balance at June 30, 2023	\$ 21,709,081	2,743,256	2,889,367	6,049,211	2,331,391	(17,365)	2,089,397	37,794,338	2,891,672	40,686,010	
Balance at January 1, 2024	\$ 21,709,081	2,743,256	2,889,367	6,049,211	4,201,815	(67,856)	2,722,009	40,246,883	3,117,641	43,364,524	
Net income for the six months ended June 30, 2024	-	-	-	-	2,605,748	-	-	2,605,748	265,175	2,870,923	
Other comprehensive income	-	-	-	-	-	187,164	(319,520)	(132,356)	25,604	(106,752)	
Total comprehensive income	-	-	-	-	2,605,748	187,164	(319,520)	2,473,392	290,779	2,764,171	
Appropriation and distribution of retained earnings: (note 6(u))	-	-	410,237	-	(410,237)	-	-	-	-	-	
Legal reserve	-	-	-	-	(410,237)	-	-	-	-	-	
Special reserve	-	-	-	820,474	(820,474)	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(2,887,307)	-	-	(2,887,307)	-	(2,887,307)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	111,016	-	(111,016)	-	-	-	
Changes in ownership interests in subsidiaries	-	1	-	-	-	-	-	1	-	1	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(314,319)	(314,319)	
Balance at June 30, 2024	\$ 21,709,081	2,743,257	3,299,604	6,869,685	2,800,561	119,308	2,291,473	39,832,969	3,094,101	42,927,070	

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 six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2024	2023
Cash flows from operating activities:		
Net income before tax	\$ 3,240,710	2,513,785
Adjustments:		
Income and expenses items:		
Depreciation expense	215,733	209,434
Amortization expense	30,109	20,165
Expected credit impairment losses	4,817	6,414
Net gains on financial assets or liabilities at fair value through profit or loss	(1,921,775)	(55,779)
Financial cost	1,396,376	816,206
Net gains arising from derecognition of financial assets measured at amortized cost	-	(38)
Interest revenue (including financial revenue)	(2,501,441)	(1,690,999)
Dividend revenue	(625,236)	(2,364,479)
Shares of profit of associates and joint ventures accounted for using equity method	(164,985)	(97,073)
Gains on disposal and retirement of property and equipment	-	(50)
Net (gain) loss on non-operating financial instruments at fair value through profit or loss	(135,094)	108,274
Impairment loss on non-financial assets	2,605	2,231
Net gains on lease modifications	(157)	-
Subtotal of income of non-cash activities	<u>(3,699,048)</u>	<u>(3,045,694)</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(20,627,583)	(14,518,517)
Increase in bonds purchased under resale agreements	(160,114)	-
Increase in receivable for securities provided as collateral	(5,002,956)	(2,207,750)
Decrease in refinancing margin	12,558	7,795
Decrease in receivable on refinancing collateral	10,465	6,021
Increase in receivable of securities business money lending	(23,421,325)	(244,068)
Increase in customers' margin account	(5,327,705)	(264,494)
Decrease in margin receivable of futures trading	137	153
Decrease in collateral for securities borrowed	152,768	1,621,695
Decrease in security borrowing margin	362,380	1,903,491
(Increase) decrease in notes receivable	(6,376)	2,635
Increase in accounts receivable	(7,154,728)	(6,575,276)
Increase in prepayments	(3,802)	(34,648)
(Increase) decrease in other receivables	(270,915)	278,299
Increase in other current financial assets	-	(152)
Increase in financial assets at fair value through other comprehensive income	(4,887,080)	(5,884,552)
Increase in leverage contract trading - customers' margin account	(146,962)	(762)
(Increase) decrease in other current assets	(529,368)	223,506
Increase in other non-current assets	(43,369)	(76,009)
Increase in bonds sold under repurchase agreements	1,786,656	8,895,506
Increase (decrease) in financial liabilities at fair value through profit or loss	8,561,806	(609,614)
Decrease in guarantee deposited for short sales	(674,513)	(2,775,761)
Decrease in proceeds payable from short sales	(812,716)	(2,206,548)
Increase in securities lending refundable deposits	847,862	162,849
Increase in futures traders' equity	5,248,743	237,353
Increase in leverage contract trading - customers' equity	145,660	6,836
Decrease in notes payable	(166)	(152)
Increase in accounts payable	9,963,747	7,391,648
Increase (decrease) in advance receipts	11,213	(8,528)
Increase (decrease) in receipts under custody	3,598	(412,193)
(Decrease) increase in other payable	(678,412)	260,324
Increase in provision - current	10,281	5,082
(Decrease) increase in other financial liabilities	(323,356)	655,337
(Decrease) increase in other current liabilities	(18,860)	6,842
Decrease in other non-current liabilities	(11,982)	(14,476)
Total changes in assets and liabilities from operating activities	<u>(42,984,414)</u>	<u>(14,168,128)</u>
Total adjustments	<u>(46,683,462)</u>	<u>(17,213,822)</u>

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2024	2023
Cash generated from operating activities	\$ (43,442,752)	(14,700,037)
Interest received	2,302,726	1,622,774
Dividends received	427,210	160,841
Interest paid	(1,322,013)	(753,760)
Income taxes paid	(560,806)	(375,171)
Net Cash flows used in operating activities	(42,595,635)	(14,045,353)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,000)	(124,382)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	48,786
Acquisition of financial assets at amortized cost	(848,310)	(2,011,987)
Proceeds from disposal of financial assets at amortized cost	-	121,662
Proceeds from capital reduction of investments accounted for under equity method	7,400	-
Acquisition of property and equipment	(84,878)	(61,356)
Proceeds from disposal of property and equipment	110	860
Acquisition of intangible assets	(17,840)	(28,666)
Increase in deferred debits	(432)	(36)
Increase in prepayments for business facilities	(4,000)	(57,780)
Net cash flows used in investing activities	(954,950)	(2,112,899)
Cash flows from financing activities:		
Increase in short-term borrowings	8,782,227	1,009,347
Increase in commercial papers payable	33,641,830	13,138,982
Increase in long-term borrowings	1,500,000	-
Payment of lease liabilities	(110,350)	(101,250)
Proceed from right of inclusion options exercised	2	-
Net cash flows provided by financing activities	43,813,709	14,047,079
Effect of exchange rate changes on cash and cash equivalents	227,978	45,362
Increase (decrease) in cash and cash equivalents	491,102	(2,065,811)
Cash and cash equivalents, beginning of period	8,598,180	11,259,550
Cash and cash equivalents, end of period	\$ 9,089,282	9,193,739

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

June 30, 2024 and 2023

(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 June 30, 2024, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of June 30, 2024, 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The consolidated financial statements were authorized for issuance by the board of directors on August 23, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- 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”

- (b) The impact of IFRS Accounting Standards endorsed 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, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes 	January 1, 2027

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	<p>a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</p> <ul style="list-style-type: none"> ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. <p>The amendments set out:</p> <ol style="list-style-type: none"> 1. The company generally derecognizes its trade payable on the settlement date. However, the amendments provide an exception for the derecognition of financial liabilities. The exception allows the company to derecognize its trade payable before the settlement date, potentially, when it uses an electronic payment system that meets all of the following criteria: <ul style="list-style-type: none"> ● no practical ability to withdraw, stop or cancel the payment instruction; ● no practical ability to access the cash to be used for settlement as a result of the payment instruction; and ● the settlement risk associated with 	January 1, 2026

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
	the electronic payment system is insignificant.	
	<p>2. An additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract. The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:</p> <ul style="list-style-type: none"> ● not related directly to a change in basic lending risks or costs; and ● are not measured at fair value through profit or loss. 	

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other 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”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Annual Improvements to IFRS Accounting Standards—Volume 11

(4) Summary of material accounting policies:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the “ Regulations Governing the Preparation of Financial Reports by Securities Firms” (hereinafter referred to as “ the Regulations”), and the IAS 34 “ Interim Financial Reporting” endorsed and issued into effect by the FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS Accounting Standards endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2023. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2023 for the detail disclosures of significant accounting policies.

(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		
			June 30, 2024	December 31, 2023	June 30, 2023
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	100.00 %	100.00 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	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 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	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
			June 30, 2024	December 31, 2023	June 30, 2023	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	- %	100.00 %	100.00 %	The corporation established in November 2000. The liquidation completed on November 30, 2023; The paid-in capitals amounted to \$7,400. As of December 31, 2023 and June 30, 2023, the total assets constituted 0.00% and 0.02% of the Group's total assets, respectively. For the six months ended June 30, 2024, the operation revenue constituted 0.00% 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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2024	December 31, 2023	June 30, 2023	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of June 30, 2024, December 31, 2023 and June 30, 2023, the total assets constituted 0.03%, 0.03% and 0.05% of the Group's total assets, respectively. For the six months ended June 30, 2024 and 2023, the operation revenue constituted 1.17% and 1.33% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(e) Income tax

The Group estimated and disclosed interim income tax under IAS 34 "Interim Financial Reporting" Appendix B12.

Income tax expenses are best estimated by multiplying pretax income for the interim reporting period using the effective annual tax rate as forecasted by the management, and is recognized as current tax expenses.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(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 IAS 34 "Interim Financial Reporting" 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.

In These consolidated financial statements, judgments and key sources of estimation and assumption uncertainty are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2023.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Expect the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2023 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2023 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Cash	\$ 2,980	2,912	3,048
Bank deposits			
Checking accounts	99,717	112,656	39,120
Demand deposits	<u>1,608,756</u>	<u>1,734,028</u>	<u>2,139,622</u>
Subtotal	<u>1,708,473</u>	<u>1,846,684</u>	<u>2,178,742</u>
Cash equivalents			
Time deposits	3,396,259	4,501,621	4,343,581
Futures margin - excess margin	3,707,697	1,997,886	2,351,377
Commercial papers	<u>273,873</u>	<u>249,077</u>	<u>316,991</u>
Subtotal	<u>7,377,829</u>	<u>6,748,584</u>	<u>7,011,949</u>
Total	<u>\$ 9,089,282</u>	<u>8,598,180</u>	<u>9,193,739</u>

(b) Financial assets

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 1,822,340	671,856	419,298
Valuation adjustment	<u>108,208</u>	<u>37,751</u>	<u>12,549</u>
Subtotal	<u>1,930,548</u>	<u>709,607</u>	<u>431,847</u>
Securities invested by securities broker			
Securities invested by securities broker	-	6,314	27,345
Valuation adjustment	<u>-</u>	<u>7</u>	<u>1,623</u>
Subtotal	<u>-</u>	<u>6,321</u>	<u>28,968</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Trading securities - proprietary trading			
Listed stocks	\$ 9,810,278	2,363,216	5,534,203
Listed funds	10,180,727	6,391,682	6,107,288
OTC stocks	1,567,248	642,609	422,353
OTC funds	12,697,208	7,842,384	3,878,067
Emerging market stocks	574,889	481,795	394,380
Convertible bonds	2,513,366	3,026,744	1,755,340
Government bonds	660,842	3,370,684	2,786,473
Corporate bonds	6,917,706	8,004,798	6,637,714
International bonds	5,474,179	5,195,937	5,498,848
Financial debentures	550,000	550,000	550,000
Foreign stocks	107,998	128,613	61,652
Foreign funds	69,693	158,539	173,178
Foreign bonds	980,014	741,649	991,470
Others	<u>210,557</u>	<u>113,151</u>	<u>46,969</u>
	52,314,705	39,011,801	34,837,935
Valuation adjustment	<u>446,421</u>	<u>(262,549)</u>	<u>(1,189,625)</u>
Subtotal	<u>52,761,126</u>	<u>38,749,252</u>	<u>33,648,310</u>
Trading securities - underwriting			
Listed stocks	7,757	15,642	27,170
OTC stocks	9,022	11,902	-
Convertible bonds	31,431	12,620	11,910
Others	<u>13,130</u>	<u>-</u>	<u>-</u>
	61,340	40,164	39,080
Valuation adjustment	<u>9,348</u>	<u>2,526</u>	<u>(2,771)</u>
Subtotal	<u>70,688</u>	<u>42,690</u>	<u>36,309</u>
Trading securities - hedging			
Listed stocks	9,844,086	4,997,262	4,434,120
OTC stocks	1,711,356	1,583,011	1,081,043
Convertible bonds	14,976,199	15,837,002	14,651,405
Others	<u>99,519</u>	<u>172,279</u>	<u>711,051</u>
	26,631,160	22,589,554	20,877,619
Valuation adjustment	<u>1,881,567</u>	<u>255,499</u>	<u>(36,679)</u>
Subtotal	<u>28,512,727</u>	<u>22,845,053</u>	<u>20,840,940</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Derivatives			
Buy options	\$ 207,193	194,501	103,947
Futures margin - security	493,400	-	-
Futures margin - proprietary fund	2,655,024	1,014,514	1,211,112
IRS asset swaps	53,096	43,403	20,054
Asset swap options - long position	298,277	315,076	284,280
Leverage derivatives - non-hedging	208,925	150,671	215,263
Structured notes	4,648	2,284	1,572
Exchange rate derivatives	76,020	-	54,072
Equity derivatives	13,192	15,890	13,578
Interest rate swaps	<u>295</u>	<u>350</u>	<u>-</u>
Subtotal	<u>4,010,070</u>	<u>1,736,689</u>	<u>1,903,878</u>
Total	<u>\$ 87,285,159</u>	<u>64,089,612</u>	<u>56,890,252</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, 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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 3,085,566	3,499,233	3,651,853
Corporate bonds	9,203,132	6,490,004	3,726,832
International bonds	1,168,200	1,105,380	498,240
Foreign bonds	<u>14,079,200</u>	<u>12,588,989</u>	<u>11,718,885</u>
	27,536,098	23,683,606	19,595,810
Valuation adjustment	<u>(420,400)</u>	<u>(82,559)</u>	<u>(214,546)</u>
Subtotal	<u>27,115,698</u>	<u>23,601,047</u>	<u>19,381,264</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 1,186,598	170,950	173,542
OTC stocks	185,252	17,288	55,244
Emerging market stocks	<u>233,071</u>	<u>276,809</u>	<u>244,671</u>
	1,604,921	465,047	473,457
Valuation adjustment	<u>55,093</u>	<u>(40,958)</u>	<u>(35,383)</u>
Subtotal	<u>1,660,014</u>	<u>424,089</u>	<u>438,074</u>
Total	<u>\$ 28,775,712</u>	<u>24,025,136</u>	<u>19,819,338</u>

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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 three months and the six months ended June 30, 2024 and 2023, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$18,593, \$6,812, \$19,313 and \$7,192, respectively. For the six months ended June 30, 2024 and 2023, the dividends were recognized from the disposing equity instrument investments both amounted to \$0, 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 \$552,574, \$319,696, \$928,246 and \$596,034, respectively, cumulative dispose gains (losses) for the three months and the six months ended June 30, 2024 and 2023, amounted to \$47,362, \$33,897, \$109,294 and \$64,378, 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 six months ended June 30, 2024 and 2023, 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 June 30, 2024, December 31, 2023 and June 30, 2023, 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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,887	180,887	181,467
Valuation adjustment	<u>(1,528)</u>	<u>(1,449)</u>	<u>(2,066)</u>
Total	<u>\$ 179,359</u>	<u>179,438</u>	<u>179,401</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, 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).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,045,772	1,022,272	1,017,023
Valuation adjustment	<u>2,501,769</u>	<u>2,709,619</u>	<u>2,192,861</u>
Total	<u>\$ 3,547,541</u>	<u>3,731,891</u>	<u>3,209,884</u>

For the three months and the six months ended June 30, 2024 and 2023, 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 \$2,238, \$37,962, \$2,238 and \$37,962, respectively.

For the three months and the six months ended June 30, 2024 and 2023 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 \$0, \$106,500, \$5,222 and \$106,500, generated cumulative dispose (losses) gains \$0, \$(43,125), \$1,722 and \$(43,125). Furthermore, for the three months and the six months ended June 30, 2024 and 2023, the investee company distribution of residual property liquidation amounted to \$0, \$0, \$0 and \$12,175.

- (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 six months ended June 30, 2024 and 2023 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	June 30, 2024	December 31, 2023	June 30, 2023	For the six months ended June 30,					
				2024			2023		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	3,247,935	2,682,078	1,887,436	3,153,507	3,353,425	2,836,760	1,590,681	1,887,436	1,403,626

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
1) Debt Instrument at amortized cost :			
Financial debentures	\$ 500,000	500,000	500,000
Foreign currency debentures	<u>5,668,974</u>	<u>4,811,807</u>	<u>4,669,489</u>
	6,168,974	5,311,807	5,169,489
Less: loss allowance	<u>(1,993)</u>	<u>(1,721)</u>	<u>(1,732)</u>
Total	<u>\$ 6,166,981</u>	<u>5,310,086</u>	<u>5,167,757</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:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Carrying amount on the date of derecognition	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>121,624</u>
Current profit and loss	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>38</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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Bonds purchased under resell agreements	\$ <u>220,322</u>	<u>60,208</u>	<u>-</u>
Agreed-upon resale amounts	\$ <u>220,355</u>	<u>60,220</u>	<u>-</u>
Interest rate	<u>1.00%</u>	<u>0.95%</u>	<u>-</u>
Date of resale	<u>2024.7.1~2024.7.4</u>	<u>2024.1.2~2024.1.3</u>	<u>-</u>

- (d) Accounts Receivable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Receivable on securities purchased by customers	\$ 88,461	79,263	70,772
Settlement	-	667,035	183,800
Interests receivable	880,228	701,062	621,927
Receivables on securities sold	22,399,218	14,673,330	11,616,785
Others	430,448	147,763	2,037,376
Total	\$ <u>23,798,355</u>	<u>16,268,453</u>	<u>14,530,660</u>

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

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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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Customers' margin account			
Cash in banks	\$ 30,104,668	26,514,502	27,891,834
Customers' margin account - futures clearing house	12,847,680	7,039,533	5,712,652
Customers' margin account - other futures commission merchants	989,125	5,319,585	5,708,970
Marketable securities	<u>260,913</u>	<u>1,061</u>	<u>779</u>
Total customers' margin account	<u>44,202,386</u>	<u>38,874,681</u>	<u>39,314,235</u>
Add:			
Commission expense	5,377	3,335	4,377
Other	116	-	-
Less:			
Brokerage fee revenue	(20,449)	(11,190)	(17,160)
Futures transaction tax	(4,879)	(1,544)	(2,116)
Interest revenues	(2,898)	(3,202)	(11,104)
Temporary receipts	(1,546)	(812)	(762)
Remittance amount of the customers after the market closed	(17,307)	(37,268)	(18,825)
Other receivable	(149,881)	(61,788)	(146,804)
Other	<u>-</u>	<u>(36)</u>	<u>(247)</u>
Futures traders' equity	<u>\$ 44,010,919</u>	<u>38,762,176</u>	<u>39,121,594</u>

(f) Investments accounted for under equity method

As of June 30, 2024, December 31, 2023 and June 30, 2023, investments under equity method consisted of the following:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 42,461	44,481	38,950
Capital Insurance Agency Corp.	<u>-</u>	<u>7,400</u>	<u>39,502</u>
Subtotal	<u>42,461</u>	<u>51,881</u>	<u>78,452</u>
Associates			
Capital Investment Trust Corp.	1,402,821	1,421,092	1,317,127
EnnoCap Venture Inc.	<u>49</u>	<u>102</u>	<u>161</u>
Subtotal	<u>1,402,870</u>	<u>1,421,194</u>	<u>1,317,288</u>
Total	<u>\$ 1,445,331</u>	<u>1,473,075</u>	<u>1,395,740</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the three months and the six months ended June 30, 2024 and 2023, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 7,917</u>	<u>9,475</u>	<u>16,875</u>	<u>13,080</u>
		<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Total assets		<u>\$ 87,016</u>	<u>82,537</u>	<u>154,485</u>
Total liabilities		<u>\$ 44,555</u>	<u>30,656</u>	<u>76,033</u>
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue	<u>\$ 47,159</u>	<u>47,899</u>	<u>98,017</u>	<u>74,128</u>
Net income	<u>\$ 7,917</u>	<u>9,475</u>	<u>16,875</u>	<u>13,080</u>

(ii) Associates

<u>Name of associate</u>	<u>Nature between the Company</u>	<u>Primary business area and registered country</u>	<u>Proportion of Ownership and Voting Rights</u>		
			<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	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 %	40.00 %

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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
	Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,402,870</u>	<u>1,421,194</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
The Group's share of gains based on the associates' financial statements:				
Net gains from continuing operations	\$ 82,126	45,603	148,110	83,993
Other comprehensive income (losses)	5,518	(2,276)	5,518	(2,276)
Total comprehensive income (losses)	<u>\$ 87,644</u>	<u>43,327</u>	<u>153,628</u>	<u>81,717</u>

(iii) Collateral

As of June 30, 2024, December 31, 2023 and June 30, 2023, none of the investment accounted for under equity method of the Group was pledged for collateral.

(g) 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, 2024	\$ 2,045,574	1,266,014	794,986	279,705	4,386,279
Additions	-	-	80,842	4,666	85,508
Disposals and retirements	-	-	(115,677)	(89,615)	(205,292)
Effect of exchange rate changes	-	4,359	4,212	697	9,268
Balance at June 30, 2024	<u>\$ 2,045,574</u>	<u>1,270,373</u>	<u>764,363</u>	<u>195,453</u>	<u>4,275,763</u>
Balance at January 1, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	41,030	20,325	61,355
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(72,405)	(36,407)	(108,812)
Effect of exchange rate changes	-	1,073	430	116	1,619
Balance at June 30, 2023	<u>\$ 2,045,574</u>	<u>1,267,100</u>	<u>658,924</u>	<u>250,993</u>	<u>4,222,591</u>
Depreciation and impairment loss					
Balance at January 1, 2024	\$ -	558,490	465,829	179,175	1,203,494
Depreciation	-	12,660	67,788	20,752	101,200
Disposals and retirements	-	-	(115,567)	(89,615)	(205,182)
Effect of exchange rate changes	-	2,303	3,747	339	6,389
Balance at June 30, 2024	<u>\$ -</u>	<u>573,453</u>	<u>421,797</u>	<u>110,651</u>	<u>1,105,901</u>
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	11,540	62,943	25,845	100,328
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(71,595)	(36,407)	(108,002)
Effect of exchange rate changes	-	545	360	37	942
Balance at June 30, 2023	<u>\$ -</u>	<u>546,410</u>	<u>440,012</u>	<u>159,447</u>	<u>1,145,869</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Carrying amount:					
June 30, 2024	\$ <u>2,045,574</u>	<u>696,920</u>	<u>342,566</u>	<u>84,802</u>	<u>3,169,862</u>
January 1, 2024	\$ <u>2,045,574</u>	<u>707,524</u>	<u>329,157</u>	<u>100,530</u>	<u>3,182,785</u>
June 30, 2023	\$ <u>2,045,574</u>	<u>720,690</u>	<u>218,912</u>	<u>91,546</u>	<u>3,076,722</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(h) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
June 30, 2024	\$ <u>599,625</u>	<u>12,386</u>	<u>612,011</u>
January 1, 2024	\$ <u>656,046</u>	<u>15,643</u>	<u>671,689</u>
June 30, 2023	\$ <u>719,225</u>	<u>12,981</u>	<u>732,206</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Additions of Right-of-use assets	\$ <u>15,252</u>	<u>49,882</u>	<u>41,991</u>	<u>58,366</u>
Depreciation for the period				
Buildings	\$ 49,434	46,740	99,015	92,552
Others	<u>1,615</u>	<u>1,858</u>	<u>3,735</u>	<u>3,674</u>
	\$ <u>51,049</u>	<u>48,598</u>	<u>102,750</u>	<u>96,226</u>

(i) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
June 30, 2024	\$ <u>2,910,133</u>	<u>523,668</u>	<u>3,433,801</u>
January 1, 2024	\$ <u>2,910,133</u>	<u>534,630</u>	<u>3,444,763</u>
June 30, 2023	\$ <u>2,910,134</u>	<u>546,614</u>	<u>3,456,748</u>
<u>Fair Value:</u>			
June 30, 2024			<u>7,310,509</u>
January 1, 2024			<u>7,302,757</u>
June 30, 2023			<u>7,309,060</u>

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, and it belongs to level 3.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of June 30, 2024, December 31, 2023 and June 30, 2023, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the six months ended June 30, 2024 and 2023, the depreciation expense of the Group amounted to \$5,893, \$6,333, \$11,783 and \$12,880, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the six months ended June 30, 2024 and 2023. For the six months ended June 30, 2024 and 2023, \$0 and \$342,557 of investment property were transferred to property and equipment.

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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Within 1 year	\$ 151,755	136,676	145,124
1-5 years	427,896	449,949	453,169
Over 5 years	-	2,409	106,574
	<u>\$ 579,651</u>	<u>589,034</u>	<u>704,867</u>

The rental revenue from investment property for the three months and the six months ended June 30, 2024 and 2023 amounted to \$44,912, \$37,424, \$92,121 and \$87,315, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of June 30, 2024, December 31, 2023 and June 30, 2023, the carrying amounts were all \$3,126,698.

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 June 30, 2024, December 31, 2023 and June 30, 2023, the carrying amounts of goodwill were \$3,899, \$6,504 and \$8,900, respectively. Furthermore, the Group recognized an impairment loss of \$2,605 and \$2,231 for the six months ended June 30, 2024 and 2023 respectively, by using discount rate of 3.95% and 4.20% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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 June 30, 2024, December 31, 2023 and June 30, 2023, 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 June 30, 2024, December 31, 2023 and June 30, 2023, the carrying amounts of intangible assets were \$46,387, \$46,274 and \$46,296, 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 June 30, 2024, December 31, 2023 and June 30, 2023, the amortized book value were \$42,847, \$53,364 and \$48,591, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Collateralized loan	\$ 2,563,550	767,625	-
Credit loan	12,093,111	5,106,809	3,880,146
Total	<u>\$ 14,656,661</u>	<u>5,874,434</u>	<u>3,880,146</u>
Interest rate range	<u>0.850%~6.140%</u>	<u>0.95%~6.522%</u>	<u>1.575%~5.98%</u>

As of June 30, 2024, December 31, 2023 and June 30, 2023, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(l) Commercial paper payable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Commercial paper payable	\$ 46,850,000	13,100,000	16,350,000
Less: Unamortized discount	(118,001)	(9,831)	(12,296)
Net amount	<u>\$ 46,731,999</u>	<u>13,090,169</u>	<u>16,337,704</u>
Interest rate range	<u>1.798%~2.128%</u>	<u>1.568%~1.668%</u>	<u>1.448%~1.708%</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Long-term borrowings

The details of the long-term borrowings of the Group were as follows:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Long-term commercial paper payable	\$ 1,500,000	-	-
Less: commercial paper payable discount	(1,464)	-	-
Total	<u>\$ 1,498,536</u>	<u>-</u>	<u>-</u>
Issuance commitments	<u>\$ 1,500,000</u>	<u>-</u>	<u>-</u>
Borrowing of interest rates	<u>1.961%~1.965%</u>	<u>-</u>	<u>-</u>

The Group has started to enter into non-guaranteed commercial papers loan agreements with maturity less than 21~90 days with several bills finance corporations from May 2024. Based on the agreements, all facilities shall be drawn down (issued) from the signing date of agreement and facilities shall be reissued continually once they are drawn down. If one party is unable to issue or purchase non-guaranteed commercial papers at the agreed-upon amount or at the agreed-upon total cost of issuance, a penalty of 0.20%~0.30% of the face value of unissued or at unpurchased commercial papers based on the actual number of days elapsed shall be paid to the counterparty by the default party as commitment fees. The contracts period are two years.

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

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Liabilities on sale of borrowed securities	\$ 23,424,507	17,001,985	7,524,775
Redeem liabilities on sale of borrowed securities	(37,682)	(243,755)	(12,989)
Valuation adjustment	543,767	32,752	(3,951)
Subtotal	<u>23,930,592</u>	<u>16,790,982</u>	<u>7,507,835</u>
Stock warrants issued	20,075,349	19,542,173	16,580,842
Stock warrants repurchased	(17,724,213)	(18,199,928)	(15,608,969)
Subtotal	<u>2,351,136</u>	<u>1,342,245</u>	<u>971,873</u>
Sale options	171,282	82,162	71,939
IRS asset swaps	52,074	56,167	52,164
Asset swap options - short position	3,599,404	2,663,494	2,347,031
Structured notes	36,841	41,296	100,541
Leverage derivatives - non-hedging	21,406	15,402	2,932
Exchange rate derivatives	-	98,566	-
Interest rate swaps	-	-	167
Equity derivatives	491	90	842
Subtotal	<u>3,881,498</u>	<u>2,957,177</u>	<u>2,575,616</u>
Total	<u>\$ 30,163,226</u>	<u>21,090,404</u>	<u>11,055,324</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) Bonds sold under repurchase agreements

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Bonds sold under repurchase agreements	\$ <u>53,211,822</u>	<u>51,425,166</u>	<u>44,931,475</u>
Agreed-upon repurchase amounts	<u>54,289,041</u>	<u>52,334,161</u>	<u>45,713,108</u>
Interest rates	<u>0.90%~5.71%</u>	<u>0.80%~5.85%</u>	<u>0.70%~5.68%</u>
Date of repurchase	<u>2024.7.1~2025.6.27</u>	<u>2024.1.2~2024.12.17</u>	<u>2023.7.3~2024.6.28</u>

(p) Equity for each customer in the account

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Equity for each customer in the account	\$ <u>38,625,265</u>	<u>32,426,834</u>	<u>30,312,561</u>
Amount of separate account ledger in NTD			
Demand deposit amount	10,162,355	7,426,830	27,812,557
Time deposit amount	17,500,000	17,500,000	1,000,000
Time deposit amount in other banks(market values)	10,960,000	7,500,000	1,500,000
Total	\$ <u>38,622,355</u>	<u>32,426,830</u>	<u>30,312,557</u>

(q) Accounts payable

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Payable of securities sold by customers	\$ 118,151	50,980	88,402
Settlement	5,213,405	-	-
Payable of settlements	15,173,381	10,587,751	11,780,724
Others	686,301	507,729	265,697
Total	\$ <u>21,191,238</u>	<u>11,146,460</u>	<u>12,134,823</u>

(r) Lease liabilities

The Group' s lease liabilities are as follow:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Current	\$ <u>200,709</u>	<u>201,566</u>	<u>199,428</u>
Non-current	\$ <u>456,202</u>	<u>522,851</u>	<u>585,052</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Interest on lease liabilities	\$ 2,137	2,556	4,474	4,996
Expenses relating to short-term leases	\$ 5,065	2,573	8,450	5,769
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ 2,254	1,403	3,657	2,819

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

	For the six months ended June 30,	
	2024	2023
Total cash outflow for leases	\$ 126,931	114,834

(s) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2023 and 2022.

For the three months and the six months ended June 30, 2024 and 2023, the Group's pension expenses recognized in profit or loss were \$495, \$(156), \$990 and \$(312), respectively.

(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 \$27,025, \$23,158, \$52,711 and \$46,585 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the six months ended June 30, 2024 and 2023, respectively.

(iii) For the three months and the six months ended June 30, 2024 and 2023, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,464, \$1,238, \$2,782 and \$2,435, respectively.

(iv) Provision for employee benefits liabilities

	June 30, 2024	December 31, 2023	June 30, 2023
	Compensated absences	\$ 65,068	54,787

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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 six months ended June 30, 2024 and 2023.

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 six months ended June 30, 2024 and 2023.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the six months ended June 30, 2024 and 2023.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the six months ended June 30, 2024 and 2023.

(ii) The detail of income tax expense or benefit was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Current tax expense	\$ 412,355	135,472	657,037	272,780
Deferred income tax expense (benefit)	(177,879)	(77,045)	(287,250)	(171,444)
Total	<u>\$ 234,476</u>	<u>58,427</u>	<u>369,787</u>	<u>101,336</u>

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ 4,948</u>	<u>7,294</u>	<u>18,167</u>	<u>3,875</u>

(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 2022 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2022 were assessed by the Tax Authority.
- 4) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2022 were assessed by the Tax Authority.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 5) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2022 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Capital Management Co.'s income tax returns through 2022 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co.'s income tax returns through 2022 were assessed by the Tax Authority.

(v) Income tax administrative relief

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

(u) Capital and other equity

(i) Capital stock

As of June 30, 2024, December 31, 2023 and June 30, 2023, 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.

(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:

	June 30, 2024	December 31, 2023	June 30, 2023
Premium from stock issuance	\$ 1,661,604	1,661,604	1,661,604
Treasury stock transactions	486,556	486,556	486,556
Paid-in capital from merger	563,715	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,042	1,042
Changes in ownership interests in subsidiaries	<u>30,340</u>	<u>30,339</u>	<u>30,339</u>
	<u><u>\$ 2,743,257</u></u>	<u><u>2,743,256</u></u>	<u><u>2,743,256</u></u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company's fiscal year 2023 earnings distribution proposed by the shareholders' meeting on June 27, 2024, and fiscal year 2022 earnings distribution resolved by the shareholders' meeting on June 27, 2023. Dividends distributed to the owners were as follows:

	2023		2022	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ <u>2,887,307</u>	1.33	<u>846,655</u>	0.39

(v) Earnings per share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Net income attributable to common shareholders of the Company	\$ <u>1,248,940</u>	<u>1,089,297</u>	<u>2,605,748</u>	<u>2,198,796</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>0.58</u>	<u>0.50</u>	<u>1.20</u>	<u>1.01</u>
Effect of potentially dilutive common stock	<u>513</u>	<u>761</u>	<u>2,066</u>	<u>1,870</u>
- Employee remuneration (thousands of shares) (Note)				
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,171,421</u>	<u>2,171,669</u>	<u>2,172,974</u>	<u>2,172,778</u>
Dilutive earnings per share (dollar)	\$ <u>0.58</u>	<u>0.50</u>	<u>1.20</u>	<u>1.01</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(w) Items of the statements of comprehensive income

(i) Brokerage commissions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Brokerage commission from TSE market	\$ 1,095,301	630,768	1,936,830	1,122,533
Brokerage commission from OTC market	307,036	220,969	576,760	407,661
Handling fee from security financing	8,041	7,194	14,559	12,134
Futures commission income - brokerage	492,217	366,046	893,722	785,819
Overseas subsidiaries	4,268	13,791	8,385	22,957
Others	<u>54,296</u>	<u>44,635</u>	<u>92,530</u>	<u>85,409</u>
	<u>\$ 1,961,159</u>	<u>1,283,403</u>	<u>3,522,786</u>	<u>2,436,513</u>

(ii) Underwriting commissions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue from underwriting securities on a firm commitment basis	\$ 17,187	16,146	28,903	24,079
Handling fee revenues from underwriting securities on consignment	253	102	520	204
Processing fee revenues from underwriting operations	2,438	2,950	7,216	5,953
Revenue from underwriting consultation	1,820	810	2,630	2,010
Others	<u>1,825</u>	<u>50</u>	<u>5,230</u>	<u>486</u>
	<u>\$ 23,523</u>	<u>20,058</u>	<u>44,499</u>	<u>32,732</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Gains (losses) on securities sold - proprietary trading	\$ 1,545,918	77,050	3,589,115	768,346
Gains (losses) on securities sold - underwriting	6,015	3,629	12,066	7,731
Gains (losses) on securities sold - hedging	1,089,275	319,556	2,181,021	774,204
	<u>\$ 2,641,208</u>	<u>400,235</u>	<u>5,782,202</u>	<u>1,550,281</u>

(iv) Interest revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Interest revenue - margin loans	\$ 259,201	177,168	489,197	335,972
Interest revenue - bonds	410,215	311,614	811,062	581,037
Overseas subsidiaries	6,032	5,040	11,924	9,552
Others	255,525	50,147	438,607	100,204
	<u>\$ 930,973</u>	<u>543,969</u>	<u>1,750,790</u>	<u>1,026,765</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Trading securities - proprietary	\$ 124,043	(756,497)	663,611	(264,222)
Trading securities - underwriting	6,902	(190)	6,822	4,476
Trading securities - hedging	972,060	219,750	1,626,068	966,243
	<u>\$ 1,103,005</u>	<u>(536,937)</u>	<u>2,296,501</u>	<u>706,497</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Gains on changes in fair value of stock warrants	\$ (48,210)	1,797,758	(1,111,448)	1,772,379
Gains on exercise of stock warrants before maturity	23,787,220	18,328,852	51,915,648	28,830,848
Losses on changes in fair value of stock warrants repurchased	(24,131,931)	(20,205,240)	(51,626,858)	(30,675,543)
Gains on expiration of stock warrants	20,008	4,619	33,361	20,886
Stock warrants issuance expenses	(151,697)	(95,608)	(302,086)	(159,232)
	<u>\$ (524,610)</u>	<u>(169,619)</u>	<u>(1,091,383)</u>	<u>(210,662)</u>

(vii) Futures commission revenues

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>73,559</u>	<u>67,038</u>	<u>162,403</u>	<u>121,332</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Future trading - reconsignment	\$ 63,080	52,033	122,987	118,315
Future trading - introducing brokers	752	1,013	1,387	1,657
Commission expenses - CSC Futures (HK) Ltd.	21,271	18,329	37,735	28,487
	<u>\$ 85,103</u>	<u>71,375</u>	<u>162,109</u>	<u>148,459</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ix) Employee benefits, depreciation, and amortization expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Employee benefit expenses				
Salary expense	\$ 993,035	670,194	1,789,387	1,334,413
Health and labor insurance expense	47,188	44,844	109,012	97,360
Pension expense	28,984	24,240	56,483	48,708
Others	28,556	16,711	53,300	32,213
Depreciation expense	108,250	104,981	215,733	209,434
Amortization expense	<u>15,877</u>	<u>11,187</u>	<u>30,109</u>	<u>20,165</u>
	<u>\$ 1,221,890</u>	<u>872,157</u>	<u>2,254,024</u>	<u>1,742,293</u>

(x) Other operating expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Rental expense	\$ 7,327	3,990	12,136	8,610
Taxes	282,932	158,689	529,131	294,282
Information technology expense	85,657	68,621	168,072	136,662
Postage expense	75,063	61,308	138,240	122,071
Professional service fee	6,100	4,994	11,529	10,775
Expense from securities lending	179,033	111,475	324,911	220,959
Other expenses	<u>279,253</u>	<u>185,770</u>	<u>550,160</u>	<u>348,970</u>
	<u>\$ 915,365</u>	<u>594,847</u>	<u>1,734,179</u>	<u>1,142,329</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Financial revenue	\$ 406,031	373,879	750,651	664,234
Currency exchange gains (losses)	1,604	(2,432)	10,007	2,942
Net gains (losses) on disposal of investment	(2,164)	32,756	16,236	34,049
Net gains (losses) on measurement of non- operating financial instruments at fair value through profit or loss	66,635	(119,899)	135,094	(108,274)
Revenue from bank's allocation fee	52,461	77,868	100,570	152,560
Net gains (losses) on disposal of property and equipment	-	-	-	50
Dividend revenue	4,428	261,299	5,761	261,438
Gains on reversal of prior year's liabilities	140,578	18,151	140,672	18,379
Rental income	44,912	37,424	92,121	87,315
Others	23,553	24,910	28,864	36,145
	<u>\$ 738,038</u>	<u>703,956</u>	<u>1,279,976</u>	<u>1,148,838</u>

(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 three months and the six months ended June 30, 2024 and 2023, the estimated amounts of remuneration to employees were \$22,127, \$13,333, \$51,864 and \$26,645, respectively, and to directors were \$(30,199), \$13,333, \$14,407 and \$26,645, 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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, and to directors were \$138,689 and \$20,404 by the Company. The difference between actual employee remuneration of \$73,000 and \$8,197 and actual remuneration to directors of \$17,926 and \$10,930 were \$140,222 and \$18,008 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2024 and 2023. 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 three months and the six months ended June 30, 2024 and 2023, the estimated amounts of remuneration to employees were \$5,462, \$3,793, \$10,553 and \$8,418 and to directors were \$5,257, \$3,793, \$10,348 and \$8,418 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 June 30, 2024, December 31, 2023 and June 30, 2023, the maximum credit exposure amounted to \$249,170,765, \$201,681,173 and \$181,653,549, 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 87.05%); secondly, is in Asia (accounted for 5.19%, exclusion of Taiwan); then, is in America (accounted for 4.34%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Taiwan	\$ 216,896,113	170,713,461	153,599,232
Asia (Taiwan is excluded)	12,931,551	12,924,755	14,097,553
Europe	8,518,744	7,961,492	4,095,239
America	10,824,357	10,081,465	9,566,797
Other	-	-	294,728
Total	<u>\$ 249,170,765</u>	<u>201,681,173</u>	<u>181,653,549</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:

	June 30, 2024		December 31, 2023		June 30, 2023	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 76,617,590	29,846	39,786,382	34,623	34,263,384	34,929
Past due 0~30 days	-	-	-	-	40	40
Past due 31~120 days	1,653	1,653	-	-	159	159
Past due 121~360 days	84	84	2,223	2,223	2,307	2,307
Past due more than 360 days	269,968	269,968	260,900	260,900	260,928	260,928
	\$ 76,889,295	301,551	40,049,505	297,746	34,526,818	298,363

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 June 30, 2024, December 31, 2023 and June 30, 2023, the impairment losses of receivables were \$301,551, \$297,746 and \$298,363, 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) of the consolidated financial statements for the year ended December 31, 2023.

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 six months ended June 30, 2024 and 2023 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, 2024	\$ -	9,682	1,721	-	-	-	297,746	-	-	309,149
Provision or reversal of Impairment loss	-	1,993	267	-	-	-	2,557	-	-	4,817
Amounts written off	-	-	-	-	-	-	(158)	-	-	(158)
Effect of exchange rate	-	-	5	-	-	-	1,406	-	-	1,411
Balance on June 30, 2024	\$ -	11,675	1,993	-	-	-	301,551	-	-	315,219
	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	-	3,602	604	-	-	-	2,208	-	-	6,414
Amounts written off	-	-	(35)	-	-	-	(371)	-	-	(406)
Effect of exchange rate	-	-	22	-	-	-	217	-	-	239
Balance on June 30, 2023	\$ -	8,729	1,732	-	-	-	298,363	-	-	308,824

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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.

June 30, 2024	<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>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 23,930,592	23,930,592	23,930,592	-	-	-	-
Stock warrants issued	2,351,136	2,351,136	1,709,160	609,807	32,169	-	-
Put options	171,282	171,282	171,282	-	-	-	-
Equity derivatives	491	491	491	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	52,074	52,074	2,579	1,387	24,529	23,579	-
Asset swap option - short position	3,599,404	3,599,404	264,749	704,118	1,356,428	1,274,109	-
Leverage derivatives - non-hedging	21,406	21,406	21,406	-	-	-	-
Structured notes	36,841	36,841	12,260	813	4,849	18,919	-
Short-term borrowings	14,656,661	14,656,661	14,656,661	-	-	-	-
Commercial paper payable	46,731,999	46,850,000	46,850,000	-	-	-	-
Bonds sold under repurchase agreements	53,211,822	54,289,041	40,712,661	13,576,380	-	-	-
Guarantee deposited for short sales	1,329,248	1,329,248	1,329,248	-	-	-	-
Proceeds payable from short sales	1,481,928	1,481,928	1,481,928	-	-	-	-
Securities lending refundable deposits	16,329,028	16,329,028	16,329,028	-	-	-	-
Futures traders' equity	44,010,919	44,010,919	44,010,919	-	-	-	-
Equity for each customer in the account	38,625,265	38,625,265	38,625,265	-	-	-	-
Leverage contract trading customers' equity	879,193	879,193	879,193	-	-	-	-
Notes payable and accounts payable	686,301	686,301	686,301	-	-	-	-
Receipts under custody	331,532	331,532	331,532	-	-	-	-
Other payables	4,662,888	4,662,888	4,662,014	874	-	-	-
Other financial liabilities	4,577,309	4,577,309	3,759,968	138,895	503,417	175,029	-
Lease liabilities	656,911	673,153	104,650	104,726	176,688	285,409	1,680
Long-term borrowings	1,498,536	1,500,000	-	-	1,000,000	500,000	-
	<u>\$ 259,832,766</u>	<u>261,045,692</u>	<u>240,531,887</u>	<u>15,137,000</u>	<u>3,098,080</u>	<u>2,277,045</u>	<u>1,680</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, 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>
June 30, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 7,507,835	7,507,835	7,507,835	-	-	-	-
Stock warrants issued	971,873	971,873	766,895	204,955	23	-	-
Put options	71,939	71,939	71,939	-	-	-	-
Equity derivatives	842	842	842	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	52,331	52,331	2,799	4,423	25,874	19,235	-
Asset swap option - short position	2,347,031	2,347,031	209,328	329,868	1,002,500	805,335	-
Leverage derivatives - non- hedging	2,932	2,932	2,932	-	-	-	-
Structured notes	100,541	100,541	75,474	16,703	3,567	4,797	-
Short-term borrowings	3,880,146	3,880,146	3,880,146	-	-	-	-
Commercial papers payable	16,337,704	16,350,000	16,350,000	-	-	-	-
Bonds sold under repurchase agreements	44,931,475	45,713,108	30,936,664	14,776,444	-	-	-
Guarantee deposited for short sales	1,342,679	1,342,679	1,342,679	-	-	-	-
Proceeds payable from short sales	1,508,393	1,508,393	1,508,393	-	-	-	-
Securities lending refundable deposits	14,843,867	14,843,867	14,843,867	-	-	-	-
Futures traders' equity	39,121,594	39,121,594	39,121,594	-	-	-	-
Equity for each customer in the account	30,312,561	30,312,561	30,312,561	-	-	-	-
Leverage contract trading customers' equity	856,723	856,723	856,723	-	-	-	-
Notes payable and accounts payable	265,697	265,697	265,697	-	-	-	-
Receipts under custody	135,051	135,051	135,051	-	-	-	-
Other payables	2,606,893	2,606,893	2,603,971	2,922	-	-	-
Other financial liabilities	4,177,929	4,177,929	3,277,643	266,118	402,188	231,980	-
Lease liabilities	784,480	809,531	102,648	105,664	195,133	395,028	11,058
	<u>\$ 172,160,516</u>	<u>172,979,496</u>	<u>154,175,681</u>	<u>15,707,097</u>	<u>1,629,285</u>	<u>1,456,375</u>	<u>11,058</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Currency risk

1) Currency risk exposure

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

	June 30, 2024		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,057,773	32.4500	34,324,734
AUD	4,685	21.5200	100,821
CAD	6	23.6700	142
EUR	12,668	34.7100	439,706
GBP	1,284	41.0400	52,695
HKD	329,558	4.1550	1,369,313
JPY	10,602,871	0.2017	2,138,599
SGD	501	23.9200	11,984
CNY	81,001	4.4450	360,049
ZAR	2,892	1.7810	5,151
KRW	153,349	0.0237	3,634
NZD	91	19.7000	1,793
THB	4,201	0.8867	3,725
MYR	980	6.5980	6,466
VND	9,044,031	0.0013	11,757
INR	33,522	0.3889	13,037
<u>Non-Monetary Item</u>			
USD	719,145	32.4500	23,336,255
AUD	123,660	21.5200	2,661,163
CAD	1	23.6700	24
CHF	31	36.0550	1,118
EUR	31,427	34.7100	1,090,831
GBP	3	41.0400	123
HKD	6,467	4.1550	26,870
JPY	49,475	0.2017	9,979
CNY	24,329	4.4450	108,142
ZAR	29	1.7810	52
INR	7,310	0.3889	2,843

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	June 30, 2024		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,863,401	32.4500	60,467,362
AUD	122,439	21.5200	2,634,887
CHF	65	36.0550	2,344
EUR	43,899	34.7100	1,523,734
GBP	1,279	41.0400	52,490
HKD	509,903	4.1550	2,118,647
JPY	10,583,430	0.2017	2,134,678
SGD	543	23.9200	12,989
CNY	70,717	4.4450	314,337
KRW	151,022	0.0237	3,579
NZD	3	19.7000	59
THB	1,295	0.8867	1,148
MYR	939	6.5980	6,196
VND	3,158,805	0.0013	4,106
<u>Non-Monetary Item</u>			
USD	572	32.4500	18,561
AUD	1	21.5200	22
JPY	13,557	0.2017	2,734
NZD	4	19.7000	79

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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December 31, 2023			
Financial assets	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Monetary Item</u>			
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
<u>Non-Monetary Item</u>			
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
<u>Financial liabilities</u>						
<u>Monetary Item</u>						
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
<u>Non-Monetary Item</u>						
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

	June 30, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,044,978	31.1400	32,540,615
AUD	3,106	20.6200	64,046
CAD	1	23.4800	23
EUR	11,887	33.8100	401,899
GBP	689	39.3800	27,133
HKD	121,804	3.9740	484,049
JPY	1,934,270	0.2150	415,868
SGD	396	22.9600	9,092
CNY	70,185	4.2820	300,532
ZAR	3,266	1.6490	5,386
KRW	3,637,976	0.0238	86,584
NZD	343	18.9600	6,503
THB	4,254	0.8816	3,750
MYR	1,260	6.3840	8,044
VND	10,063,017	0.0013	13,082
<u>Non-Monetary Item</u>			
USD	633,413	31.1400	19,724,481
AUD	129,183	20.6200	2,663,753
EUR	19,801	33.8100	669,472
GBP	4	39.3800	158
HKD	3,364	3.9740	13,369
JPY	24,920	0.2150	5,358
CNY	15,263	4.2820	65,356
NZD	26	18.9600	493

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	June 30, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,738,604	31.1400	54,140,129
AUD	127,530	20.6200	2,629,669
CAD	7	23.4800	164
CHF	290	34.5950	10,033
EUR	31,628	33.8100	1,069,343
GBP	446	39.3800	17,563
HKD	202,060	3.9740	802,986
JPY	1,962,564	0.2150	421,951
SGD	269	22.9600	6,176
CNY	45,087	4.2820	193,063
ZAR	375	1.6490	618
KRW	3,585,093	0.0238	85,325
NZD	2	18.9600	38
THB	1,740	0.8816	1,534
MYR	1,227	6.3840	7,833
VND	3,158,805	0.0013	4,106
<u>Non-Monetary Item</u>			
USD	9	31.1400	280
CAD	3	23.4800	70
CHF	8	34.5950	277
JPY	8,365	0.2150	1,798
ZAR	360	1.6490	594

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months and the six months ended June 30, 2024 and 2023, the realized and unrealized currency exchange gains (losses) amounted to \$(53,888), \$(94,414), \$(232,249) and \$(92,879), 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 six months ended June 30, 2024 and 2023, 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 six months ended June 30,		For the six months ended June 30,	
	2024		2023	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(725,310)	725,310	(554,810)	554,810
Other comprehensive income	596,552	(596,552)	479,430	(479,430)

(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	June 30, 2024	December 31, 2023	June 30, 2023	For the six months ended June 30,					
				2024			2023		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,715,770	2,620,698	2,037,920	2,689,271	2,828,289	2,592,498	1,953,732	2,042,202	1,781,528

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of June 30, 2024, December 31, 2023 and June 30, 2023, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	June 30, 2024		December 31, 2023		June 30, 2023	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Cash and cash equivalents	\$ 9,089,282	9,089,282	8,598,180	8,598,180	9,193,739	9,193,739
Bonds purchased under resale agreements	220,322	220,322	60,208	60,208	-	-
Accrued receivable	127,517,973	127,517,973	85,015,061	85,015,061	76,540,022	76,540,022
Customers' margin account	44,202,386	44,202,386	38,874,681	38,874,681	39,314,235	39,314,235
Leverage contract trading - customers' margin account	859,417	859,417	712,455	712,455	856,783	856,783
Restricted assets - current	2,240,837	2,240,837	1,591,156	1,591,156	350,683	350,683
Other non-current assets	1,739,583	1,739,583	1,697,550	1,697,550	1,606,940	1,606,940
Financial liabilities:						
Short-term borrowings	14,656,661	14,656,661	5,874,434	5,874,434	3,880,146	3,880,146
Commercial paper payable	46,731,999	46,731,999	13,090,169	13,090,169	16,337,704	16,337,704
Bonds sold under repurchase agreements	53,211,822	53,211,822	51,425,166	51,425,166	44,931,475	44,931,475
Accrued payable	84,763,159	84,763,159	66,129,729	66,129,729	63,167,235	63,167,235
Futures traders' equity	44,010,919	44,010,919	38,762,176	38,762,176	39,121,594	39,121,594
Leverage contract trading - customers' equity	879,193	879,193	733,533	733,533	856,723	856,723
Other financial liabilities - current	3,898,863	3,898,863	4,223,503	4,223,503	3,543,761	3,543,761
Long-term borrowings	1,498,536	1,498,536	-	-	-	-
Other financial liabilities - non-current	678,446	678,446	677,162	677,162	634,168	634,168
Other non-current liabilities	85,390	85,390	84,640	84,640	96,951	96,951

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

	Level 1	Level 2	Level 3	Total
Debt securities at amortized cost				
June 30, 2024	\$ -	6,210,956	-	6,210,956
December 31, 2023	\$ -	5,361,000	-	5,361,000
June 30, 2023	\$ -	5,189,284	-	5,189,284

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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, long-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 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 information market participators use to estimate and assume when pricing financial instruments, and the information 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>
June 30, 2024				
Financial assets at fair value through profit or loss	\$ 51,257,522	32,095,599	101,327	83,454,448
Financial assets at fair value through other comprehensive income	4,830,374	24,072,931	3,419,948	32,323,253
Derivative financial assets	<u>3,355,617</u>	<u>654,453</u>	<u>-</u>	<u>4,010,070</u>
	<u>\$ 59,443,513</u>	<u>56,822,983</u>	<u>3,521,275</u>	<u>119,787,771</u>
Financial liabilities at fair value through profit or loss	\$ 26,281,728	-	-	26,281,728
Derivative financial liabilities	<u>198,676</u>	<u>3,682,822</u>	<u>-</u>	<u>3,881,498</u>
	<u>\$ 26,480,404</u>	<u>3,682,822</u>	<u>-</u>	<u>30,163,226</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
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>
June 30, 2023				
Financial assets at fair value through profit or loss	\$ 26,263,981	28,901,794	-	55,165,775
Financial assets at fair value through other comprehensive income	4,193,169	15,741,567	3,094,486	23,029,222
Derivative financial assets	<u>1,315,059</u>	<u>588,819</u>	<u>-</u>	<u>1,903,878</u>
	<u>\$ 31,772,209</u>	<u>45,232,180</u>	<u>3,094,486</u>	<u>80,098,875</u>
Financial liabilities at fair value through profit or loss	\$ 8,479,708	-	-	8,479,708
Derivative financial liabilities	<u>167,402</u>	<u>2,408,214</u>	<u>-</u>	<u>2,575,616</u>
	<u>\$ 8,647,110</u>	<u>2,408,214</u>	<u>-</u>	<u>11,055,324</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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the six months ended June 30, 2024 and 2023, 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

Item	For the six months ended June 30, 2024								Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through profit or loss	\$ 102,630	(1,303)	-	-	-	-	-	-	101,327
Financial assets at fair value through other comprehensive income	3,602,562	-	(206,114)	27,000	-	3,500	-	-	3,419,948
Total	\$ 3,705,192	(1,303)	(206,114)	27,000	-	3,500	-	-	3,521,275

Item	For the six months ended June 30, 2023								Ending Balance
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through profit or loss	\$ 42,482	-	(64)	-	-	39,810	-	2,608	-
Financial assets at fair value through other comprehensive income	2,690,775	-	569,511	10,000	-	161,800	-	14,000	3,094,486
Total	\$ 2,733,257	-	569,447	10,000	-	201,610	-	16,608	3,094,486

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.

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
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"> • Price-to-Book Ratio • Discount for lack of marketability 	<ul style="list-style-type: none"> • The higher the multiple, the higher fair value. • The higher the discount for lack of marketability, the lower the fair value.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Correlation between inputs and fair value</u>
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	<ul style="list-style-type: none"> • Price-to-Book Ratio • Discount for lack of marketability 	<ul style="list-style-type: none"> • The higher the multiple, the higher fair value. • The higher the discount for lack of marketability, the lower the fair value.
Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation	Net Asset Value Method	• Net Asset Value	Not applicable

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

The fair value measurement that the 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:

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable change</u>	<u>Unfavorable change</u>
June 30, 2024		
Financial assets at fair value through profit or loss	\$ <u>1,013</u>	<u>(1,013)</u>
Financial assets at fair value through other comprehensive income	\$ <u>34,199</u>	<u>(34,199)</u>
December 31, 2023		
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>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
June 30, 2023		
Financial assets at fair value through other comprehensive income	\$ 30,945	(30,945)

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:

June 30, 2024					
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	\$ 55,809,159	53,211,822	-	-	-

December 31, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 53,843,190	51,425,166	-	-	-

June 30, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 46,968,653	44,931,475	-	-	-

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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:

June 30, 2024						
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	\$ 654,453	-	654,453	-	-	654,453
June 30, 2024						
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	\$ 3,710,216	-	3,710,216	-	-	3,710,216
Under repurchase agreements	53,211,822	-	53,211,822	53,211,822	-	-
Total	\$ 56,922,038	-	56,922,038	53,211,822	-	3,710,216
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

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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

June 30, 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	\$ 588,819	-	588,819	-	-	588,819

June 30, 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	\$ 2,503,677	-	2,503,677	-	-	2,503,677
Under repurchase agreements	44,931,475	-	44,931,475	44,931,475	-	-
Total	\$ 47,435,152	-	47,435,152	44,931,475	-	2,503,677

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

(y) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(y) of the consolidated financial statements as of and for the year ended December 31, 2023.

As of June 30, 2024, December 31, 2023 and June 30, 2023, 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

Financial Instruments	June 30, 2024		December 31, 2023		June 30, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 55,305,481	-	93,530,484	-	21,418,130	-

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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.

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 three months and the six months ended June 30, 2024:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2024</u>	<u>For the six months ended June 30, 2024</u>	<u>Account</u>
Stock warrants issued	\$ 11,616,272	35,886,935	Gains (losses) on stock warrants issued
Stock warrants repurchased	(11,861,724)	(36,531,019)	Gains (losses) on stock warrants issued

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b) Gains (losses) on sale

	For the three months ended June 30, 2024	For the six months ended June 30, 2024	Account
Security borrowing	\$ (1,695)	(14,515)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	534,318	1,091,890	Gains (losses) on sale of trading securities
Futures transaction	(419,418)	(570,742)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended June 30, 2024	For the six months ended June 30, 2024	Account
Stock warrants issued	\$ 12,142,746	14,950,626	Gains (losses) on stock warrants issued
Stock warrants repurchased	(12,270,207)	(15,095,839)	Gains (losses) on stock warrants issued

2) For the three months and the six months ended June 30, 2023:

a) Gains (losses) on valuation

	For the three months ended June 30, 2023	For the six months ended June 30, 2023	Account
Stock warrants issued	\$ 12,980,374	21,502,566	Gains (losses) on stock warrants issued
Stock warrants repurchased	(13,042,270)	(21,610,770)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	For the three months ended June 30, 2023	For the six months ended June 30, 2023	Account
Security borrowing	\$ (22,477)	(108,456)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	130,569	367,805	Gains (losses) on sale of trading securities
Futures transaction	(105,972)	(161,307)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended June 30, 2023	For the six months ended June 30, 2023	Account
Stock warrants issued	\$ 7,150,855	9,121,547	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,162,970)	(9,064,773)	Gains (losses) on stock warrants issued

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of June 30, 2024, December 31, 2023 and June 30, 2023.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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.

(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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>Account</u>	
Futures margin - security	\$ 493,400	-	-	Financial assets at fair value through profit or loss - current	
Futures margin - proprietary fund	2,655,024	1,014,514	1,211,112	Financial assets at fair value through profit or loss - current	
Excess futures margin	3,707,697	1,997,886	2,351,377	Cash and cash equivalent	
Buy options	207,193	194,501	103,947	Financial assets at fair value through profit or loss - current	
Sale options	171,282	82,162	71,939	Financial liabilities at fair value through profit or loss - current	
	<u>For the three months ended June 30, 2024</u>	<u>For the six months ended June 30, 2023</u>	<u>For the three months ended June 30, 2024</u>	<u>For the six months ended June 30, 2023</u>	<u>Account</u>
Gains (losses) on futures transactions	\$ (1,390,268)	(788,081)	(2,367,783)	(715,045)	Gains (losses) on derivatives - futures
Gains (losses) on futures transactions - security	106,800	-	136,290	-	Gains (losses) on securities for futures margin at fair value through profit or loss

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	June 30, 2024		December 31, 2023		June 30, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
NT dollar interest swaps	\$ 8,000,000	-	8,000,000	-	10,600,000	-

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.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structured notes

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

Financial Instruments	June 30, 2024		December 31, 2023		June 30, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 302,000	-	266,000	-	349,000	-
Principal guaranteed notes	3,311,026	-	3,470,817	-	2,906,687	-
Credit-linked notes	939,900	-	1,138,700	-	1,090,900	-
Principal guaranteed notes (in USD thousands)	USD 1,680	-	USD 2,487	-	USD 2,055	-

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:

Financial Instruments	June 30, 2024		December 31, 2023		June 30, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 2,647,400	-	2,744,800	-	2,678,600	-
Convertible bond options	13,575,700	-	15,354,000	-	14,792,000	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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.

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:

<u>Financial Instruments</u>	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
Equity options	\$ 514,207	-	475,427	-	589,201	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Leverage derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 5,500,308	-	4,606,396	-	3,817,344	-
Leverage derivatives-short position	5,497,070	-	4,592,219	-	3,821,655	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(vi) Presentation of derivative instruments in financial statement

As of June 30, 2024, December 31, 2023 and June 30, 2023, 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>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 53,096	43,403	20,054
Asset swap options-long position	298,277	315,076	284,280
Leverage derivatives - non-hedging	208,925	150,671	215,263
Structured notes	4,648	2,284	1,572
Exchange rate derivatives	76,020	-	54,072
Interest rate swaps	295	350	-
Equity derivatives	<u>13,192</u>	<u>15,890</u>	<u>13,578</u>
Total	<u>\$ 654,453</u>	<u>527,674</u>	<u>588,819</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 52,074	56,167	52,164
Asset swap options-short position	3,599,404	2,663,494	2,347,031
Leverage derivatives - non-hedging	21,406	15,402	2,932
Structured notes	36,841	41,296	100,541
Exchange rate derivatives	-	98,566	-
Interest rate swaps	-	-	167
Equity derivatives	<u>491</u>	<u>90</u>	<u>842</u>
Total	<u>\$ 3,710,216</u>	<u>2,875,015</u>	<u>2,503,677</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 3,898,863</u>	<u>4,223,503</u>	<u>3,543,761</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 678,446</u>	<u>677,162</u>	<u>634,168</u>

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For the three months and the six months ended June 30, 2024 and 2023, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	<u>For the three months ended June 30, 2024</u>		<u>For the six months ended June 30, 2024</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 1	(26)	-	295
Equity derivatives	2,064	(14,384)	3,978	(2,452)
Structured notes	(14,094)	(13,807)	(41,521)	(8,318)
IRS asset swaps	(80)	138	(370)	(516)
Asset swap options	(879,995)	(558,619)	(1,719,603)	(561,281)
Exchange rate derivatives	80,325	(47,542)	269,476	76,020
Leverage derivatives - non-hedging	22,731	(117,088)	47,545	52,250
Total	<u>\$ (789,048)</u>	<u>(751,328)</u>	<u>(1,440,495)</u>	<u>(444,002)</u>
	<u>For the three months ended June 30, 2023</u>		<u>For the six months ended June 30, 2023</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 37	(65)	93	(167)
Equity derivatives	603	12,177	2,386	13,707
Structured notes	(34,839)	(12,679)	(51,851)	132,846
IRS asset swaps	(200)	(129)	(462)	(982)
Asset swap options	(348,683)	(277,928)	(1,065,914)	581,816
Exchange rate derivatives	89,007	37,722	121,915	54,072
Leverage derivatives - non-hedging	28,663	207,351	48,903	212,331
Total	<u>\$ (265,412)</u>	<u>(33,551)</u>	<u>(944,930)</u>	<u>993,623</u>

(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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Capital adequacy ratio	250 %	276 %	305 %

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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 six months ended June 30, 2024 and 2023, were as follows:

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

	January 1, 2024	Cash flows	Non-cash changes			June 30, 2024
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 724,417	(114,824)	46,407	911	-	656,911

	January 1, 2023	Cash flows	Non-cash changes			June 30, 2023
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 827,292	(106,246)	63,255	179	-	784,480

(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 Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance
Bao Zuo Investment Corp.	Related party in substance
Sheng Hsiang Enterprise Corp.	Related party in substance
Fu Tai Construction Corp.	Related party in substance
Feng Yang Investment Corp.	Related party in substance
Bao Ching Investment Corp.	Related party in substance
Bao Sheng Investment Corp.	Related party in substance
Fu Ding Investment Corp.	Related party in substance
Kwang Hsing Industrial Corp.	Related party in substance
Other related parties	Key management personnel

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(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 5,670	44,390	182,972	142,123
Post-employment benefits	868	761	1,614	1,421
Total	\$ 6,538	45,151	184,586	143,544

(ii) Bonds sold under repurchase agreements

	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ 3,000	3,066	4,000	4,051	4,000	4,034
Total financial expenses	2024	2023	2024	2023	2024	2023
Other related parties	\$ 8	14	17	83	17	83

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
	Other related parties	\$ 69,700	86,800

(iv) Futures transactions

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
	Future Traders' equity	June 30, 2024	2023
Other related parties	\$ 1,228	270	36,116

(v) Brokerage and sub-brokerage

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Brokerage commissions	2024	2023	2024	2023
Other related parties	\$ 19,890	13,578	32,445	22,897
Re-consigned handling commissions	2024	2023	2024	2023
Other related parties	\$ 409	339	1,317	545

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Consultancy Fee

Consultancy Fee	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Other related parties	\$ -	15	-	30

(vii) Other revenue

Other revenue	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Other related parties	\$ -	-	-	4

(viii) Property Transactions - Dispose Equipment

	For the three months ended June 30,				For the six months ended June 30,			
	2024		2023		2024		2023	
	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal
Other related parties	\$ -	-	-	-	-	-	860	50

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	June 30, 2024		December 31, 2023		June 30, 2023	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ 15,000	15,000	-	-	18,000	18,000
Funds issued by associate	939,720	939,720	1,056,720	1,056,720	909,000	909,000
Total	\$ 954,720	954,720	1,056,720	1,056,720	927,000	927,000

Total financial expenses	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Subsidiaries	\$ 19	2	19	2
Funds issued by associate	2,225	2,636	5,183	4,695
Total	\$ 2,244	2,638	5,202	4,697

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 :

Relationship	Account	June 30, 2024		December 31, 2023		June 30, 2023	
		Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount
Funds issued by associate	Financial assets at fair value through profit or loss - current	158,217	\$ 3,083,708	111,489	2,073,630	103,966	1,253,027

Notes: Expressed in thousand shares.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended June 30,				For the six months ended June 30,			
	2024		2023		2024		2023	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	\$ <u>88,158</u>	<u>56,333</u>	<u>33,830</u>	<u>9,063</u>	<u>378,228</u>	<u>108,434</u>	<u>39,440</u>	<u>11,730</u>

	June 30, 2024	December 31, 2023	June 30, 2023
Prepayments			
Associates	\$ <u>19,770</u>	<u>55,202</u>	<u>8,685</u>

Transaction terms are the same as the general clients.

(iii) Futures transactions

	June 30, 2024	December 31, 2023	June 30, 2023
Futures traders' equity			
Funds issued by associate	\$ <u>139,748</u>	<u>671,147</u>	<u>170,050</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Total financial expenses				
Funds issued by associate	\$ <u>573</u>	<u>163</u>	<u>573</u>	<u>174</u>

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Lease revenue				
Associates	\$ <u>4,447</u>	<u>4,316</u>	<u>8,764</u>	<u>8,632</u>

	June 30, 2024	December 31, 2023	June 30, 2023
Guarantee deposits received			
Associates	\$ <u>4,430</u>	<u>3,811</u>	<u>3,811</u>

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

Lessee

- 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 June 30, 2024, December 31, 2023 and June 30, 2023, the refundable deposits were \$28,014, \$28,014 and \$26,344.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the six months ended June 30, 2024.

3) Lease liabilities

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Related party in substance	\$ <u>438,091</u>	<u>493,661</u>	<u>521,341</u>

4) Financial expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Related party in substance	\$ <u>1,564</u>	<u>1,661</u>	<u>3,226</u>	<u>3,365</u>

(v) Custody account business

**Custody account business
revenue(Account to
rental income)**

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Related party in substance	\$ <u>30,965</u>	<u>21,684</u>	<u>61,930</u>	<u>51,747</u>

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Other accounts receivable			
Related party in substance	\$ <u>8,379</u>	<u>8,379</u>	<u>-</u>

(vi) Insurance commission revenues

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Commission revenues				
Subsidiaries	\$ <u>597</u>	<u>2,076</u>	<u>2,620</u>	<u>3,442</u>

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Accounts receivable			
Subsidiaries	\$ <u>108</u>	<u>1,453</u>	<u>1,720</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the three months and the six months ended June 30, 2024 and 2023, commission revenues charged by the Group were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Brokerage commissions				
Funds issued by associate	\$ 4,409	12,868	12,030	24,985
Related party in substance	188	23	314	60
Total	<u>\$ 4,597</u>	<u>12,891</u>	<u>12,344</u>	<u>25,045</u>
Re-consigned handling commissions				
Funds issued by associate	<u>\$ -</u>	<u>4,169</u>	<u>241</u>	<u>11,375</u>

(viii) Fund services business

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Fund services revenue				
Associates	<u>\$ 45</u>	<u>407</u>	<u>130</u>	<u>829</u>
Channel services revenue				
Associates	<u>\$ 45</u>	<u>407</u>	<u>130</u>	<u>829</u>
Account receivable		<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Associates		<u>\$ 21</u>	<u>65</u>	<u>270</u>

(ix) Wealth management business

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Trust account commissions revenue				
Associates	<u>\$ 3,975</u>	<u>759</u>	<u>6,904</u>	<u>1,625</u>
Trust account management fee revenue				
Associates	<u>\$ 396</u>	<u>533</u>	<u>817</u>	<u>1,061</u>

(x) Underwriting business

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Stock service income				
Associates	<u>\$ 30</u>	<u>32</u>	<u>60</u>	<u>62</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Handling fee revenues from underwriting securities on consignment	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Funds issued by associate	\$ -	6	-	13
			December 31,	
Accounts receivable		June 30, 2024	2023	June 30, 2023
Associates		\$ 10	10	12

(xi) Other revenue and expense

Other revenue	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Associates	\$ 1	1	2	2
Other expense	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Related party in substance	\$ 832	243	1,446	243

(xii) Custody account business

Custody account business revenue	For the three months ended June 30,		For the six months ended June 30,	
	2024	2023	2024	2023
Second-level subsidiaries (note)	\$ 1,558	2,360	3,296	3,053
			December 31,	
Accounts receivable		June 30, 2024	2023	June 30, 2023
Second-level subsidiaries (note)		\$ 525	607	424

(xiii) Accrued receivable

Accounts receivable/ Other receivables	June 30, 2024	December 31,	
		2023	June 30, 2023
Subsidiaries	\$ 18,940	132	46,262
Associates	171,959	-	138,891
Total	\$ 190,899	132	185,153

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:

	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>	<u>The collateral use</u>
Restricted assets - current	\$ 2,240,837	1,591,156	350,683	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	32,947,985	34,337,950	29,089,712	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	16,664,167	14,206,648	12,678,249	Repurchase agreement
Property (net amount)	1,862,752	1,869,210	1,874,133	Bank borrowings
Financial assets at fair value through profit or loss - non-current	179,359	179,438	179,401	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)	6,246,480	5,397,887	5,616,604	Repurchase agreement
Investment property (net amount)	3,296,186	3,307,288	3,324,714	Bank borrowings
Total	<u>\$ 63,487,641</u>	<u>60,939,452</u>	<u>53,163,371</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	532,207	\$ 5,322,070	496,265	4,962,650	465,632	4,656,320
Collateral for margin purchase	1,784	17,837	2,218	22,184	4,670	46,695
Lending securities to customers through short sales	15,046	150,460	35,482	354,820	26,802	268,020
Collateral for short sales	2,463	24,630	6,283	62,830	3,197	31,970

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

	<u>June 30, 2024</u>		<u>December 31, 2023</u>		<u>June 30, 2023</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	127	\$ 1,270	111	1,110	389	3,890
Collateral for refinancing margin	-	-	-	-	32	320

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	June 30, 2024	December 31, 2023	June 30, 2023
Promissory notes	\$ 26,720,000	26,320,000	26,320,000
Promissory notes (in USD thousands)	USD 85,000	USD 85,000	USD 85,000

- (d) As of June 30, 2024, December 31, 2023 and June 30, 2023, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$67,419,783, \$13,859,923 and \$10,661,220, respectively.
- (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) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (h) 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

June 30, 2024, December 31, 2023 and June 30, 2023

	June 30, 2024	December 31, 2023	June 30, 2023		June 30, 2024	December 31, 2023	June 30, 2023
Trust Assets				Trust Liabilities			
Bank deposits	\$ 956,799	1,030,926	1,023,137	Accounts payable	\$ 1,916	311	200
Short-term investment				Trust capital	13,447,582	13,890,658	13,838,921
Funds	9,495,332	9,395,839	9,034,424	Net income	570,477	1,927,340	754,816
Stocks	1,602,571	1,985,253	1,387,103	Accumulated earnings or deficit	299,397	(1,459,316)	(1,413,312)
Bonds	1,627,707	1,583,186	1,445,262				
Structured notes	589,520	286,314	246,855				
Accounts receivable	47,443	77,475	43,844				
Total Assets	\$ 14,319,372	14,358,993	13,180,625	Total Liabilities	\$ 14,319,372	14,358,993	13,180,625

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income statement of trust accounts

Income Statement of Trust Accounts

For the six months ended June 30, 2024 and 2023

	For the six months ended June 30,	
	2024	2023
Trust revenue		
Interest revenue	\$ 65,620	41,569
Cash dividends revenue	136,335	120,201
Rental revenue	16,225	2,523
Investment gains - realized	151,472	-
Investment gains - unrealized	<u>604,893</u>	<u>649,404</u>
Subtotal	<u>974,545</u>	<u>813,697</u>
Trust expense		
Management fee	1,050	199
Service fee	12,341	9,034
Investment losses - realized	-	49,186
Investment losses - unrealized	390,093	-
Other fees	<u>33</u>	<u>24</u>
Subtotal	<u>403,517</u>	<u>58,443</u>
Gain (loss) before income tax	571,028	755,254
Less: Income tax expense	<u>551</u>	<u>438</u>
Net gain (loss)	<u><u>\$ 570,477</u></u>	<u><u>754,816</u></u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Property list of trust accounts

Property list of trust accounts

June 30, 2024, December 31, 2023 and June 30, 2023

<u>Investment items</u>	<u>June 30, 2024</u>	<u>December 31, 2023</u>	<u>June 30, 2023</u>
Bank deposits	\$ 956,799	1,030,926	1,023,137
Short-term investment			
Funds	9,495,332	9,395,839	9,034,424
Stocks	1,602,571	1,985,253	1,387,103
Bonds	1,627,707	1,583,186	1,445,262
Structured Notes	589,520	286,314	246,855
Other assets	<u>47,443</u>	<u>77,475</u>	<u>43,844</u>
Total	<u>\$ 14,319,372</u>	<u>14,358,993</u>	<u>13,180,625</u>

(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 June 30, 2024, December 31, 2023 and June 30, 2023, the open positions of futures and option contracts were as follows:

(i) June 30, 2024

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	2,651	\$ 1,037,350	1,047,020	
	Single Stock Futures	Short	45,477	(14,049,576)	(14,343,152)	
	TAIEX Futures	Long	383	1,759,478	1,760,138	
	TAIEX Futures	Short	509	(2,328,843)	(2,339,383)	
	Mini TAIEX Futures	Long	221	235,225	235,556	
	Mini TAIEX Futures	Short	194	(239,872)	(241,290)	
	Finance Sector Index Futures	Long	2	3,975	3,988	
	Finance Sector Index Futures	Short	61	(121,959)	(121,356)	
	Electronic Sector Index Futures	Long	15	74,884	74,505	
	Electronic Sector Index Futures	Short	95	(463,449)	(471,808)	
	Mini Electronic Futures	Long	140	85,996	86,912	
	10 Year U.S. T Note Futures	Short	17	(60,617)	(60,673)	
	10 Year U.S. T Bond Futures	Long	50	185,058	184,204	
	Ultra U.S. Treasury Bond	Long	358	1,417,423	1,456,131	
	Ultra U.S. Treasury Bond	Short	13	(52,613)	(52,876)	
	Euro-Bund Futures	Long	20	91,581	91,371	
	Brent Crude Oil Futures	Short	201	(543,245)	(554,408)	
	Crude Oil Futures	Long	1	2,587	2,646	
	Crude Oil Futures	Short	22	(57,555)	(58,211)	
	FTSE China A50 Index Futures	Long	5,537	2,148,096	2,138,500	
	FTSE China A50 Index Futures	Short	62	(24,105)	(23,946)	
	E-mini S&P 500 Futures	Short	5	(44,949)	(44,793)	
	Gold Futures	Long	6	5,473	5,523	
	Gold Futures	Short	5	(38,048)	(37,960)	
	HHI Futures	Long	71	93,901	92,410	
	HHI Futures	Short	26	(34,046)	(33,840)	
	TOPIX Futures	Short	31	(173,558)	(175,732)	
	JPY Index Futures	Long	10	25,932	25,524	
	JPY Index Futures	Short	21	(53,940)	(53,600)	
	Copper Futures	Short	10	(36,776)	(35,626)	
	Micro E-mini Nasdaq Futures	Long	2	2,567	2,587	
	E-mini Nasdaq Futures	Short	2	(26,124)	(25,866)	
	Micro E-mini Dow Futures	Short	18	(11,612)	(11,527)	
	E-mini Russell 2000 Index Futures	Short	1	(3,310)	(3,350)	
	SGX Nikkei 225 Index Futures	Short	9	(35,298)	(35,952)	
	E-mini Dow Futures	Short	2	(12,806)	(12,808)	
	US Dollar Index Futures	Short	122	(414,822)	(417,842)	
	Micro E-mini S&P 500 Futures	Short	19	(17,084)	(17,021)	
	Dow Jones U.S. Real Estate Index	Short	3	(3,270)	(3,305)	
	Silver Futures	Short	8	(38,620)	(38,369)	
	2 Year U.S. T Note Futures	Short	12	(79,500)	(79,523)	
	30 Year U.S. Treasury Bond	Long	30	115,770	115,177	
	Soybean Futures	Short	9	(16,600)	(16,121)	
	China Index Futures	Short	5	(3,798)	(3,652)	
	FTSE Taiwan Index Futures	Short	107	(267,979)	(267,876)	
	Mini Finance Sector Index Futures	Short	76	(37,807)	(37,886)	
	One Week E-Mini Stock Index Futures	Long	10	11,496	11,508	
	One Week E-Mini Stock Index Futures	Short	24	(27,384)	(27,581)	
	CME BTC	Short	7	(69,936)	(67,972)	
	Subtotal			(12,092,309)		

(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	3,182	\$ 79,797	128,784	
	TAIEX Options (Put)	Long	6,354	70,125	51,529	
	TAIEX Options (Call)	Short	3,982	(74,684)	(138,296)	
	TAIEX Options (Put)	Short	3,282	(31,876)	(18,468)	
	Stock Options (Call)	Long	242	3,172	2,810	
	Stock Options (Put)	Long	401	9,888	7,065	
	Stock Options (Call)	Short	167	(1,263)	(1,217)	
	Stock Options (Put)	Short	64	(483)	(514)	
	Electronic Sector Index Options (Call)	Long	1	14	77	
	Electronic Sector Index Options (Put)	Long	63	911	320	
	Electronic Sector Index Options (Call)	Short	109	(3,097)	(3,683)	
	Electronic Sector Index Options (Put)	Short	1	(11)	-	
	Finance Insurance Index Options (Call)	Long	321	2,910	2,683	
	Finance Insurance Index Options (Put)	Long	132	549	269	
	Finance Insurance Index Options (Call)	Short	69	(177)	(122)	
	Finance Insurance Index Options (Put)	Short	173	(2,189)	(2,258)	
	Gold Options (Call)	Long	43	315	237	
	Gold Options (Put)	Long	78	484	354	
	Gold Options (Call)	Short	12	(119)	(122)	
	iShares India 50 ETF Options (Call)	Long	2,650	238	253	
	iShares India 50 ETF Options (Put)	Long	2,100	214	186	
	iShares India 50 ETF Options (Call)	Short	4,200	(236)	(258)	
	iShares India 50 ETF Options (Put)	Short	3,600	(284)	(247)	
	TAIEX Weekly Options (Call)	Long	1,906	6,304	7,554	
	TAIEX Weekly Options (Put)	Long	1,603	9,331	5,072	
	TAIEX Weekly Options (Call)	Short	2,019	(4,011)	(4,233)	
	TAIEX Weekly Options (Put)	Short	1,422	(3,810)	(1,864)	
	Subtotal			62,012		
Total				\$ (12,030,297)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) 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 Future	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)	
	U.S. 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

(iii) June 30, 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	3,267	\$ 353,055	355,272	
	Single Stock Futures	Short	26,244	(5,866,757)	(4,982,678)	
	TAIEX Futures	Long	248	834,544	832,063	
	TAIEX Futures	Short	617	(2,092,047)	(2,071,516)	
	Mini TAIEX Futures	Long	117	97,993	98,146	
	Mini TAIEX Futures	Short	9	(7,527)	(7,507)	
	Electronic Sector Index Futures	Short	19	(62,298)	(61,636)	
	Mini Electronic Futures	Long	51	20,649	20,681	
	Mini Electronic Futures	Short	388	(157,766)	(157,334)	
	10 Year U.S. T Note Futures	Short	8	(28,219)	(27,968)	
	Ultra U.S. Treasury Bond	Long	8	33,718	33,935	
	Ultra U.S. Treasury Bond	Short	203	(866,620)	(861,096)	
	Brent Crude Oil Futures	Short	199	(460,226)	(467,305)	
	Crude Oil Futures	Long	79	168,034	173,779	
	Crude Oil Futures	Short	1	(2,099)	(2,200)	
	FTSE China A50 Index Futures	Long	1,620	623,500	622,665	
	E-mini S&P 500 Futures	Short	14	(96,320)	(97,835)	
	Gold Futures	Short	13	(79,995)	(78,106)	
	HHI Futures	Long	6	7,584	7,574	
	HHI Futures	Short	77	(98,233)	(97,200)	
	HSI Futures	Short	1	(3,781)	(3,737)	
	TOPIX Futures	Short	14	(68,453)	(68,869)	
	Copper Futures	Short	8	(23,606)	(23,414)	
	Gold Futures	Short	5	(3,613)	(3,621)	
	Micro E-mini Nasdaq Futures	Short	3	(2,865)	(2,866)	
	E-mini Nasdaq Futures	Short	22	(205,822)	(210,141)	
	Micro E-mini Dow Futures	Short	26	(13,977)	(14,024)	
	E-mini Russell 2000 Index Futures	Short	2	(5,877)	(5,928)	
	SGX Nikkei 225 Index Futures	Short	14	(49,717)	(49,928)	
	E-mini Dow Futures	Short	12	(64,437)	(64,727)	
	E-mini Dow Futures	Long	2	10,651	10,788	
	US Dollar Index Futures	Short	37	(118,443)	(118,199)	
	Micro E-mini S&P 500 Futures	Long	19	13,053	13,278	
	Dow Jones U.S. Real Estate Index	Short	11	(11,374)	(11,540)	
	Silver Futures	Short	2	(7,574)	(7,168)	
	2 Year U.S. T-Note Futures	Short	2	(12,788)	(12,664)	
	30 Year U.S. Treasury Bond	Short	54	(213,481)	(213,400)	
	Finance Sector Index Futures	Short	9	(14,633)	(14,557)	
	Mini Finance Sector Index Futures	Long	4	1,625	1,620	
	One Week E-Mini Stock Index Futures	Long	294	247,027	247,369	
	CME BTC	Short	7	(33,921)	(33,160)	
	CME MBT	Short	5	(485)	(474)	
	Subtotal			(8,261,521)		

(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	3,392	\$ (36,541)	(41,208)	
	TAIEX Options (Put)	Long	3,656	38,978	37,511	
	TAIEX Options (Call)	Long	2,753	51,618	54,079	
	TAIEX Options (Put)	Short	2,880	(27,049)	(17,966)	
	Stock Options (Call)	Long	38	404	406	
	Stock Options (Call)	Short	70	(222)	(135)	
	Stock Options (Put)	Long	37	346	382	
	Stock Options (Put)	Short	37	(83)	(44)	
	Electronic Sector Index Options (Call)	Short	40	(324)	(475)	
	Electronic Sector Index Options (Put)	Long	10	190	106	
	Electronic Sector Index Options (Put)	Short	1	(2)	-	
	Finance Insurance Index Options (Call)	Short	51	(109)	(85)	
	Finance Insurance Index Options (Put)	Long	39	119	103	
	Finance Insurance Index Options (Call)	Long	91	334	195	
	Finance Insurance Index Options(Put)	Short	65	(509)	(455)	
	Gold Options (Call)	Short	2	(21)	(3)	
	Gold Options (Put)	Long	5	54	79	
	Gold Options (Call)	Long	5	29	2	
	Gold Options (Put)	Short	1	(2)	(2)	
	TAIEX Weekly Options (Call)	Short	2,871	(6,967)	(7,257)	
	TAIEX Weekly Options (Put)	Long	2,406	6,955	5,281	
	TAIEX Weekly Options (Call)	Long	2,446	5,718	5,803	
	TAIEX Weekly Options (Put)	Short	2,063	(4,474)	(4,309)	
	Subtotal			28,442		
Total				\$ (8,233,079)		

(Continued)

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	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{7,117,649}{2,331,384}$	3.05	$\frac{6,653,772}{2,102,755}$	3.16	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{58,772,900}{53,427,739}$	1.10	$\frac{45,614,104}{40,484,743}$	1.13	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{7,117,649}{1,115,000}$	638.35 %	$\frac{6,653,772}{1,115,000}$	596.75 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,946,620}{14,724,395}$	33.59 %	$\frac{4,439,639}{8,920,079}$	49.77 %	$\geq 20\%$ $\geq 15\%$	"

- (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	\$ 885,225	885,225	885,225	- %	2	-	Working capital	-		-	1,682,235	1,682,235
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	109,512	109,512	109,512	- %	2	-	Working capital & repayment of financing	-		-	109,512	109,512
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	6,035	6,035	6,035	- %	2	-	Repayment of financing	-		-	6,035	6,035
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	64,424	64,424	-	9.72 %	1	2,888		-		-	224,157	1,120,786
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	450,970	450,970	402,652	5.97%~7.22%	1	251,990		-		-	450,970	1,120,786
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	96,636	96,636	-	8.72 %	1	20,255		-		-	224,157	1,120,786
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	16,106	322	-	7.72 %	1	-		-		-	224,157	1,120,786
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	7.72 %	1	46		-		-	224,157	1,120,786
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	64,424	322	-	7.72 %	1	426		-		-	224,157	1,120,786
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	48,318	322	-	7.72 %	1	2,362		-		-	224,157	1,120,786
11	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	225,485	225,485	-	6.22 %	1	13,358		-		-	225,485	1,120,786

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:

(In Thousands of New Taiwan Dollars)

Company of classification-account receivables	Name of transaction parties	Relationship	Balance of account receivables-Related parties	Turnover	Expiration of account receivables-Related parties		Subsequent recoverable amount	Allowance of doubtful accounts
					Amount	Treatment		
Capital Securities Corp.	Capital Futures Corp.	Subsidiary	422,304	N/A	-	N/A	422,304	-
Capital Securities Corp.	Capital Investment Trust Corp.	Associate	171,990	N/A	-	N/A	171,990	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the three months ended June 30, 2024:

(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	2,121		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	12,500		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	409,804		0.13 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	27,562		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,644		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	72,799	General transaction	0.87 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	9,301	General transaction	0.11 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	330	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	749	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	192	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	7,755	General transaction	0.09 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	35	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	29,554	General transaction	0.35 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	28,936	General transaction	0.35 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	226	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	499		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	59,100	General transaction	0.71 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	3		- %
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	6		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	24		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	53		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	11	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	13		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	25	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	129	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp	1	Advance receipts	27		- %

(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	
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	5,364,118		1.65 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	5,364,118		1.65 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,093,665		0.34 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	9,159,116		2.82 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	7,640		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	10,996	General transaction	0.13 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	53,560	General transaction	0.64 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	10,261	General transaction	0.12 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	9,128,180		2.81 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	1,062,729		0.33 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	3,271		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	20,176	General transaction	0.24 %
2	CSC Futures (HK) Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Information technology expense	1,998	General transaction	0.02 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 578	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 177	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	288	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	2,625	General transaction	0.03 %

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		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 June 30, 2024	Balance on December 31, 2023	Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	Note 5	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	87,527	66,485	10,060	10,060	432	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	119,066,014	56.58 %	4,027,504	1,099,556	609,331	344,910	409,587	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00 %	1,682,235	13,232	3,695	3,695	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	Note 5	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	42,461	98,017	16,875	16,875	18,895	Subsidiary
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	300	100.00 %	19	68	68	68	-	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	Venture capital and consulting business.	1,000,000	1,000,000	100,000,000	100.00 %	889,851	2,178	(510)	(510)	-	"
0	CSC Capital Management Co.	Taipei ,Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	33,000,000	100.00 %	321,131	8,116	6,176	6,176	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	Note 5	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,402,821	1,777,655	740,811	148,162	171,951	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	128,000,000	100.00 %	726,390	52,225	13,232	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 4)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(108,244)	-	68	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	(272,769)	-	38	-	-	"
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	886,284	886,284	220,000,000	100.00 %	1,120,786	178,794	24,952	-	-	"
4	Capital International Technology Co.,Ltd.	Taipei ,Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software.	50,000	50,000	5,000,000	100.00 %	15,498	-	(2,953)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January5,1998	Agency services.	HK 2	HK 2	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	30,000,000	100.00 %	287,410	9,008	5,491	-	-	"
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	40,000	40.00 %	49	-	(132)	-	-	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 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 5: 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, 2024	Remittance of recoverable investment this period		Accumulated remittance as of June 30, 2024	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of June 30, 2024
					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	1,232	28.86%	355	4,336	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(939)	56.58%	(531)	918	-

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 six months ended June 30, 2024 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. June 30, 2024	Taiwan International Securities (B.V.I) Corp. June 30, 2024
Nature		
Current assets	8,395	1
Long-term investments	22,552	-
Property and premises	1,669	-
Other assets	19,395	3,380
Total assets	52,011	3,381
Current liabilities	58	20
Other liabilities	32	3,361
Total liabilities	90	3,381
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	7,100	(9,456)
Cumulative translation adjustments	(179)	(60)
Total stockholders' equity	51,921	-
Total liabilities and stockholders' equity	52,011	3,381

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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 six months ended June 30, 2024	For the six months ended June 30, 2024
Operating revenue	419	2
Operating expense	(358)	-
Non-operating revenue	57	-
Non-operating expense	(1)	-
Income (loss) before tax	117	2
Net income (loss)	117	2

(ii) Securities held as of June 30, 2024

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	June 30, 2024	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>22,552</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

For the three months ended June 30, 2024								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 2,217,304	98,572	1,458,695	(43,298)	66,273	644,239	(92,696)	4,349,089
Segment profit or loss	\$ 1,218,622	55,091	496,589	(175,153)	(168,734)	417,899	(212,430)	1,631,884

For the three months ended June 30, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,301,834	77,354	630,665	347,794	64,448	399,838	(62,249)	2,759,684
Segment profit or loss	\$ 600,342	36,630	100,131	286,928	91,728	312,376	(171,850)	1,256,285

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the six months ended June 30, 2024								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>3,957,493</u>	<u>167,574</u>	<u>2,858,528</u>	<u>178,460</u>	<u>164,527</u>	<u>1,213,795</u>	<u>(175,841)</u>	<u>8,364,536</u>
Segment profit or loss	\$ <u>2,120,222</u>	<u>85,839</u>	<u>982,052</u>	<u>(53,017)</u>	<u>(276,420)</u>	<u>751,773</u>	<u>(369,739)</u>	<u>3,240,710</u>

For the six months ended June 30, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>2,436,394</u>	<u>139,946</u>	<u>1,522,163</u>	<u>604,511</u>	<u>88,812</u>	<u>923,071</u>	<u>(124,328)</u>	<u>5,590,569</u>
Segment profit or loss	\$ <u>1,093,062</u>	<u>60,435</u>	<u>569,368</u>	<u>490,782</u>	<u>10,084</u>	<u>619,479</u>	<u>(329,425)</u>	<u>2,513,785</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.