

# **2022**

# **ANNUAL REPORT**

# **Capital Securities**

# **Corporation**

## Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

## ANNUAL REPORT

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### Auditors in the most recent year

KPMG

Auditors: WU, CHENG YEN; CHUNG, TAN TAN

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N/A

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# Table of Contents

<b>I.</b>	Report to Shareholders	2
<b>II.</b>	Company Profile	6
<b>III.</b>	Corporate Governance Report	8
	1. Organization Chart	8
	2. Background Information of Directors, Supervisors, President, Executive Vice Presidents, Senior Vice Presidents, and Heads of Various Departments and Branches	9
	3. Remuneration of Directors, President and Vice Presidents	25
	4. Implementation of Corporate Governance	28
	5. Information Regarding the Company's Audit Fee	61
	6. Information on replacement of CPA	61
	7. Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm	61
	8. Changes in the shareholding status of directors, supervisors, managers and major shareholders	62
	9. Shareholding information of the top 10 shareholders and their relationships with each other	65
	10. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company	66
<b>IV.</b>	Capital Overview	67
	1. Capital and Shares	67
	2-8. The status of the Company's corporate bonds, preferred shares, overseas depositary receipts, employee stock option certificates, restricted employee rights new shares, the handling of mergers or acquisitions, and financing plans and implementation.	71
<b>V.</b>	Operations Overview	72
	1. Business Activities	72
	2. Market and Sales Overview	76
	3. Human Resource Information	80
	4. Environmental Protection Expenses	80
	5. Labor Relations	80
	6. Cyber security management	81
	7. Important contracts	83
	8. Workplace environment and employee personal safety protection measures	83
	9. Adoption of employee behavior or code of ethics	84
<b>VI.</b>	Financial Information	85
	1. Five-Year Financial Summary	85
	2. Five-Year Financial Analysis	89
	3. Audit Committee's Report in the Most Recent Year	92
	4. Financial Statements in the Most Recent Year	93
	5. Parent Company Only Financial for the Latest Fiscal Year	211
	6. The Company and its associates have not encountered any financial difficulties during the latest fiscal year and up to the date of printing this annual report	308
<b>VII.</b>	Review of Financial Conditions, Operating Results, and Risk Management	309
	1. Financial Status	309
	2. Operation Performance	309
	3. Cash Flow	310
	4. Impact of significant capital expenditures on financial operations in the recent year	311
	5. Recent-year investment policy, main reasons for profit or loss, improvement plans, and future one-year investment plans	311
	6. Risk analysis	311
	7. Other important matters	316
<b>VIII.</b>	Special Disclosure	317
	1. Summary of Affiliated Companies	317
	2. Private Placement Securities in the Most Recent Years	323
	3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	323
	4. Other items of description which needs to be supplemented	323
<b>IX.</b>	Significant Matters Affecting Shareholder Rights or Securities Prices	324
<b>X.</b>	Address and telephone number of the head office, branches and affiliated companies	325

# I. Report to Shareholders

## 2022 Business Report

In 2022, the global landscape was marked by uncertainties and changes. The Russia-Ukraine war, which broke out in late FEB22, challenged the regional balance of European politics and military power. Economically, the conflict led to a sharp increase in energy and agricultural product prices, igniting unmanageable inflationary pressures that had been subdued under long-term loose monetary policies. The US Federal Reserve, the European Central Bank, and central banks in most countries prioritized curbing inflation. They raised interest rates and tightened monetary policies, which affected consumer and investment confidence. The subsequent reduction in risk appetite in financial markets led to a synchronized decline in most stock and bond markets. In the fourth quarter, Europe's energy crisis was narrowly avoided due to a mild winter. Coupled with China's reversal of its pandemic policies, there were renewed hopes for an economic recovery. Additionally, US economic data showed signs of easing inflation, leading markets to expect an end to the Fed's interest rate hike cycle. This, in turn, boosted global risk appetite and prompted most stock markets to rebound after bottoming out in 4Q22. Overall, the S&P 500 index fell 19% in 2022, while the tech-heavy NASDAQ index declined by 33%. Geopolitical issues were the focus in the Asia-Pacific region. Besides cross-strait relations, the US continued to escalate economic sanctions against China, specifically targeting the semiconductor and defense industries. The US worries that its advantage in advanced industries, such as semiconductors and artificial intelligence, may be overtaken by China in a few years like 5G and display panels. As a result, it regards advanced semiconductor processes, big data, artificial intelligence, and security surveillance as national security priorities. The Biden administration introduced the "CHIPS Act" to encourage international semiconductor companies to invest in the US while restricting companies that benefited from these investments from producing chips in China for ten years. In early DEC22, the launch ceremony of TSMC's Arizona plant symbolized a significant milestone in the global chip war in 2022.

Five major aspects in 2022 global economy are as follows:

1. The US economy remained resilient: Throughout 2022, the US Federal Reserve raised interest rates seven times, totaling 425 bps increments. The federal funds rate increased from 0~0.25% at the start of the year to 4.25~4.5% by the end. These hikes have slowed economic growth. Consumer sentiment was affected by inflation as well. Nevertheless, supply chain issues caused by the pandemic gradually eased, and the labor market also remained strong, demonstrating the resilience of the US economy.
2. Europe underwent numerous political and economic challenges: Amid Russia-Ukraine war, the US and NATO supplied weapons to aid Ukraine in resisting Russia, while Russia utilized energy as a weapon to attempt to divide the EU. The European economy suffered a sharp decline, and the EUR exchange rate briefly dropped to parity with the USD in 3Q22. In OCT22, the UK's new fiscal policy nearly sparked a bond and financial crisis, but the cabinet promptly restructured and altered its course. In EU, fears of a natural gas supply chain disruption due to sanctions against Russia were eased by a mild winter, helping the EU avert a potential energy crisis in 2022.
3. China shifted in its Covid policy: With a population of 1.4bn and relatively insufficient rural healthcare, China maintained stringent lockdowns and pandemic containment measures. The unexpected lockdown in Shanghai in MAR22 stunned the world, since it not only limited the freedom of movement but also disrupted supply chain operations in East China. However, following the 20th National Congress of the Chinese Communist Party (CCP) in OCT22, the nation's pandemic policies underwent a dramatic transformation, aligning more closely with those of Europe and the US. International capital markets optimistically forecasted China's post-pandemic economy to recover, fueling significant rebounds in mainland and Hong Kong stocks.
4. Conflicts between energy crisis and green energy: Although 2021 was considered the "first year of carbon neutrality," the Russia-Ukraine war in 2022 led to significant oil price hikes during 1H22. OPEC countries benefited the most from it and were sought after by China, the US, and Russia. France also expanded its nuclear power capacity, while the EU recognized nuclear energy as part of green energy. This indicates that the complexity of energy issues might not be resolved solely by policy changes. Additionally, the sales of energy-efficient electric vehicles continued to grow and remained as a consistently promising market segment.
5. The restructuring of the global trade order: In DEC22, TSMC founder Morris Chang mentioned that geopolitical changes have significantly altered the semiconductor industry's landscape, stating, "Globalization and free trade are almost dead

and unlikely to recover.” Over the past 20 years, China has lost its competitive edge in demographic dividend and low production costs. India and Southeast Asia are emerging as new production bases. At the same time, international companies may not give up the Chinese market. In the future, there may be segmentation between free economic markets and the Chinese market.

In 2022, the Taiwanese technology industry experienced a shift from supply shortages to oversupply following sudden orders cuts and substantial increase in inventory. The TAIEX also mirrored this trend by starting strong and ending weak. The index declined by 4,081 pts throughout the year, marking the second-highest yearly decline on record. The 22% YoY decline also ranked as the seventh-largest in history. Additionally, due to the global inflationary pressure caused by the grey rhino event of the Russia-Ukraine war, bond prices plummeted. This led to a rare double-hit scenario in the global stock and bond markets, including Taiwan. According to the Financial Supervisory Commission, the pre-tax profits of the three financial sectors in 2022 dropped by 49% YoY to around NTD479.8bn, the lowest since 2014. The banking sector saw record-high pre-tax earnings due to interest rate hikes and widening interest spreads, while securities firms' pre-tax earnings saw a significant 60% YoY drop.

In spite of the turbulent business climate, our management team adhered to prudent management principles. We sustained the Company's operational performance by striking a balance between risks and profits. In 2022, the Company's overall pre-tax net profit totaled NTD 1,329,090,000 with after-tax net profit of NTD840,040,000.

Business results by sector in 2022 are as follows:

1. Brokerage: Our yearly market share in the centralized securities exchange market was 3.39%, while the OTC market share was 4.50%. The combined market share was 3.62%. Our business scale ranked sixth among domestic securities firms and first among independent securities firms.
2. Investment Banking: In 2022, the Company served as the lead underwriter for AMIDA Technology IPO. In the secondary market, we completed fundraising cases such as LASTER TECH CO., LTD. CB4, LASTER TECH CO., LTD. CB5, LASTER TECH CO., LTD. rights issue, and Ruentex Industries Co., Ltd. rights issue. Our underwriting team has extensive experience in providing tailor-made capital market planning for clients.
3. Derivatives: In 2022, the total amount of listed call (put) warrants reached NTD67.9bn with a total of 6,192 warrants issued. The value and amount of issued warrants both rank top three in the market. The yearly value of issued structured products was NTD13.2bn.
4. Fixed income: Throughout the year, the Company participated in nine domestic corporate bond underwriting cases with a market share of 12%, ranking third among domestic securities firms. The cumulative issuance of domestic corporate bonds reached NTD39.1bn with a market share of 10.99%, also ranking third among domestic securities firms. In 2022, we underwrote bonds for well-known domestic enterprises such as Taiwan Power, TSMC, Chailase, and CPC Corporation.

We aim to provide high value-added services that exceed customer expectations and become a long-term growth partner for our clients. With the joint efforts of the Company and all colleagues in 2022, we have received the following honors:

1. Wealth Management Awards by Wealth Magazine: “Best Customer Referral Award”, “Best Digital Intelligence System Award”, and “Best Public Welfare Promotion Award”
2. Wealth Management Awards by Business Today: “Best Sustainable Development Award” and “Best Smart Wealth Management Award”
3. Capital Investment OnePass won the National Brand Yushan Award for the “Most Popular Brand”
4. “Gold Award for Green Digital Finance”, “Digital Inclusion Award”, and “Digital Business Optimization Award” by Commercial Times
5. “Gold Award” in the 2022 Happiness Enterprise Awards by 1111 Job Bank
6. “Best Securities Broker Wealth Management Trust Innovation Award” in the Trust Awards by Commercial Times
7. “Best Digital Financial Service Award” for non-FHC in Excellence Magazine's 2022 securities evaluation

The Company's value is “Capital Care.” As a responsible corporate citizen, the Company continued to host the following public welfare activities in 2022:

1. The Group-wide “Love from Capital for Charity” blood donation activity.
2. “Capital Securities Love Reading Program”, which supports rural education by sponsoring reading funds and financial books for Youmu Elementary School in New Taipei City, and by inviting students to the National Palace Museum for a city reading tour.
3. Donations to a total of 15 elementary schools to improve rural education in Taiwan and narrow the urban-rural resource gap.

The global economic and trade development trends in 2023 include the following:

1. The US economy remains the strongest around the world: Over the past few decades, the US has been the biggest beneficiary of financial turmoil. The US has leverage the advantage of USD to transfer pressure to other countries, such as the 2008 subprime mortgage crisis that led to global financial crisis. After the crisis, the US economy became even stronger, primarily due to its ability to attract global talent and capital into the country, boosting the country to rank first in creativity. In response to the most significant inflationary pressure since 1980, the Fed has adopted aggressive interest rate hikes, attracting capital inflows from emerging countries. The global financial market's ups and downs are still led by the United States.
2. The political and economic structures in Europe are facing adjustments: The political situations in Europe are facing uncertainties due to the ongoing Russia-Ukraine war. The United States' full support is necessary for Europe's political and military affairs, while China's vast market is essential for economic development. Whether Europe is able to leverage both sides for benefits or be caught in a dilemma will largely depend on the wisdom and ability of its political leaders.
3. Multiple challenges in China's economic transition: China's economic performance is highly driven by the policies, which is fundamentally different from Western capitalism. The long-term economic structure, real-estate bubbles, and US-China relations in China's economy present numerous difficulties. For example, different from the Western reliance on market functions to solve real estate crisis, China's real estate issues involve local governments' fiscal resources and stability maintenance policies. Whether a soft landing can be achieved remains to be seen.
4. Semiconductor may replace the status of oil and energy in global economy: in OCT22, Intel CEO Pat Gelsinger stated that “the location of oil reserves has defined geopolitics for the last five decades, and where semiconductors are built, is more important for the next 5 decades.” The Semiconductor Industry Association (SIA) reported that, since 2020 to date, semiconductor companies have proposed more than 40 investment plans totaling nearly USD200 billion across the US, creating 40,000 jobs. The US needs to consolidate its leading position in semiconductors to support future trends in high-speed computing and artificial intelligence. However, it still faces challenges such as high production costs, talent and skilled labor shortages, and key raw materials control. As a result, the US is expected to continue restricting the development of advanced technology in mainland China's semiconductor industry while actively expanding chip production capacity in the US.
5. Rapid growth of the electric vehicle industry: At the end of 2022, Tesla aggressively reduced prices to capture a larger share of the electric vehicle market, prompting global electric vehicle manufacturers to follow suit. With the support of proactive policies and subsidies from mainland China, the global market share of electric vehicles surpassed 10% of total vehicle sales for the first time in 2022. Both new and established automakers are accelerating investments in new production lines and lithium batteries, hoping that electric vehicles may replicate the experience of smartphones, which replaced feature phones within a few years after breaking a 15% market share. Even Toyota, the global leader in automotive sales in 2022, had to change course and readjust its strategy after investing in hybrid and hydrogen-powered vehicles for years. In JAN23, President Akio Toyoda stepped down, while the CEO of the luxury brand Lexus Koji Sato took over the position, hoping to bring about a comprehensive transformation to face the existential battle brought by the electric vehicle revolution.

In 2023, catalyzed by the global economic climate, Taiwan's economic growth is expected to gradually improve each quarter. The TAIEX outlook is cautiously optimistic. Container stocks have benefited from pandemic-induced supply chain issues, while biotech stocks are seeing business opportunities in new drugs and contract manufacturing. Growth stocks such as energy storage, military industry, and stocks benefited from post-lockdown businesses also remain robust. Sector rotation trends may provide more investment value than index fluctuations. The financial markets anticipate the US Fed to end its rate hike cycle in 1H23 while consumption and investment expected to recover from the pandemic in the past three years. As

for economic policy, since Taiwan's presidential election is scheduled in JAN24, favorable policies are expected to be implemented before the election. The TAIEX is gaining more recognition from foreign investors for its investment value. In the past 20 years, Taiwan and Hong Kong have been included in the Greater China economic circle, but have been marginalized during China's rapid economic growth. However, in recent years, Taiwan's competitiveness in the semiconductor industry, led by TSMC and the global trend of high-speed computing and AI applications, has not only contributed to Taiwan's economic growth but also played an important role in the global economy.

In response to various economic and financial challenges, in addition to existing business models, the Company has outlined the following operational plans and business development strategies for 2023:

1. Strengthen group resource integration
2. Establish a digital business division in the brokerage department
3. Transform the wealth management department's business model
4. Set up a product design center
5. Build a comprehensive back-end system
6. Strengthen entrusted business
7. Establish a cross-departmental mechanism for joint client visits
8. Create long-term investment positions
9. Establish cross-departmental and cross-company collaboration models
10. CSC Securities (HK) to enhance self-media platform and actively recruit proprietary and research talents
11. Strengthen risk control mechanisms and regulatory compliance
12. Promote sustainable financial development, including (a) elevating ESG committee level; (b) establishing inclusive financial policies; (c) talent cultivation; and (d) one-day charity activities

2023 remains as a year full of opportunities and challenges. Geopolitics and governments' responses to inflation may affect global outlook. In response, our company will continue to adhere to prudent management principles, implement our vision and sustainable development concepts, establish long-term partnerships with clients for mutual growth, provide high value-added financial services that exceed customer expectations, and actively utilize fintech for digital transformation. We will integrate resources across various securities service systems to implement operational plans and business policies, enhance profitability, and deliver excellent operational performance for our shareholders.

Chairman: WANG, JIUNN-CHIH

## II. Company Profile

1. Date of establishment and registration: June 21, 1988

2. Capital: NT\$21.709 billion

3. Company history:

In 1988, the founder of the Company recognized the importance of the capital market in raising capital and promoting industrial upgrading for the domestic market. They invited well-known domestic entrepreneurs to jointly establish the Company. Initially, the Company functioned as a professional brokerage with a capital of NT\$ 300 million, but it has now evolved into an international comprehensive securities firm. The Company's services include brokerage, proprietary trading, underwriting, stock agency, bonds, credit trading, derivative products, and other related offerings. The Company holds a top rank in various businesses in both primary and secondary markets. The Company's ultimate goal is to provide full financial and wealth management services to both domestic and foreign legal entities and the general investing public. To this end, it has successively established related enterprises such as Capital Futures, Capital Investment Consulting, Capital Insurance, TIS Securities (HK) Ltd., and Capital International Holdings. In 2016, it also set up Capital Venture, Capital, and Capital Private Equity No. 1 to extend its services to pre-listed enterprises. The Company has branches not only in major cities in Taiwan but also in financial centers such as Hong Kong and Shanghai. With the full support of its shareholders and directors, the Company is committed to becoming a professional and international investment bank.

The Company has experienced significant growth over the years, thanks to the hard work of its employees and shareholders. In 1989, the Company's capital increased to NT\$ 1.6 billion, and it obtained licenses for underwriting and proprietary trading, which allowed it to become a comprehensive securities firm. By the end of the same year, it had already begun operating over-the-counter trading. In 1991, the capital increased to NT\$ 2 billion, and the Company expanded its business scope to include securities lending and borrowing. Two years later, in 1993, the Company merged with Hong Tai Securities Co., Ltd., increasing the capital to NT\$ 3.28 billion. The year 1995 marked a significant milestone for the Company as its capital increased to NT\$ 4.08 billion, and its shares were officially listed on the Taiwan Over-the-Counter (OTC) market. Ten years later, in 2005, the Company's shares were officially listed on the Taiwan Stock Exchange. In 2010, the Company completed a merger with Antay Securities Financial Co., Ltd. and carried out a public tender offer for the shares of Golden Ding Securities Co., Ltd., raising the paid-in capital to NT\$ 23.057 billion. In the following year, 2011, the Company merged with TISC, and carried out a capital increase through retained earnings, which raised the paid-in capital to NT\$ 23.691 billion. Between 2015 and 2017, the Company executed share buybacks and capital reductions, resulting in a decrease in paid-in capital to NT\$ 21.691 billion. However, in 2018, the Company carried out a capital increase through retained earnings, raising the paid-in capital to NT\$ 23.209 billion. Finally, in 2019, the Company executed a share buyback and a subsequent capital reduction of NT\$ 1.5 billion, resulting in a decrease in paid-in capital to NT\$ 21.709 billion.

The changes in the representative directors in 2023 are as follows:

1. February 10, 2023

(1) The original representative director of Kwang Hsing Industrial Co., Ltd., Mr. ZENG, JUN-HAO, was replaced by Mr. ZHANG, YI-PING.

(2) The original representative director of Taihe Real Estate Management Co., Ltd., Mr. HUNG, TSUNG-YEN, was replaced by Ms. LI, MENG-JING.

2. March 29, 2023

The original representative director of Yin Feng Enterprise Co., Ltd., Mr. CHANG, CHIH-MING, was replaced by Mr. LEE, WEN-CHU.

3. April 1, 2023

Mr. WANG, JIUNN-CHIH resigned as Chairman of Capital Securities Corp. and Mr. LEE, WEN-CHU was appointed to act in his capacity.

4. April 10, 2023

The original representative director of Yin Feng Enterprise Co., Ltd, Mr. WANG, JIUNN-CHIH, was replaced by Ms. FU, CHIEN-YI.

The services provided by the Company has won praises from investors and has been recognized by regulatory authorities and professionals from all fields.

In 2018, the Company won the "Best Warrant Award" for non-financial holding companies in

Excellence Magazine's securities evaluation, the “Best Information Service Award” and the “Best Trust Award” in Today Weekly's Wealth Management Bank and Securities Evaluation, and the “Best Business Team Award” and the “Best Public Welfare Award” in Wealth Magazine's Wealth Management Awards.

In 2019, the Company won the “Best Digital Innovation Award” for non-financial holding companies in Excellence Magazine's securities evaluation, the “Best Wealth Appreciation Award” in Today Weekly's Wealth Management Bank and Securities Evaluation, the “Best Business Team Award” and the “Best Public Welfare Promotion Award” in Wealth Magazine's Wealth Management Awards, and the “Outstanding Social Responsibility Award” in the 15th Republic of China Securities and Futures Golden Yi Awards.

In 2020, the Company won the “Best Warrant Award” in Excellence Magazine's securities evaluation, the “Best Customer Satisfaction Award” in Business Today's Wealth Management Awards, and the “Best Customer Recommendation Award”, “Best Digital Finance Award”, and “Best Public Welfare Promotion Award” in Wealth Magazine's Wealth Management Awards.

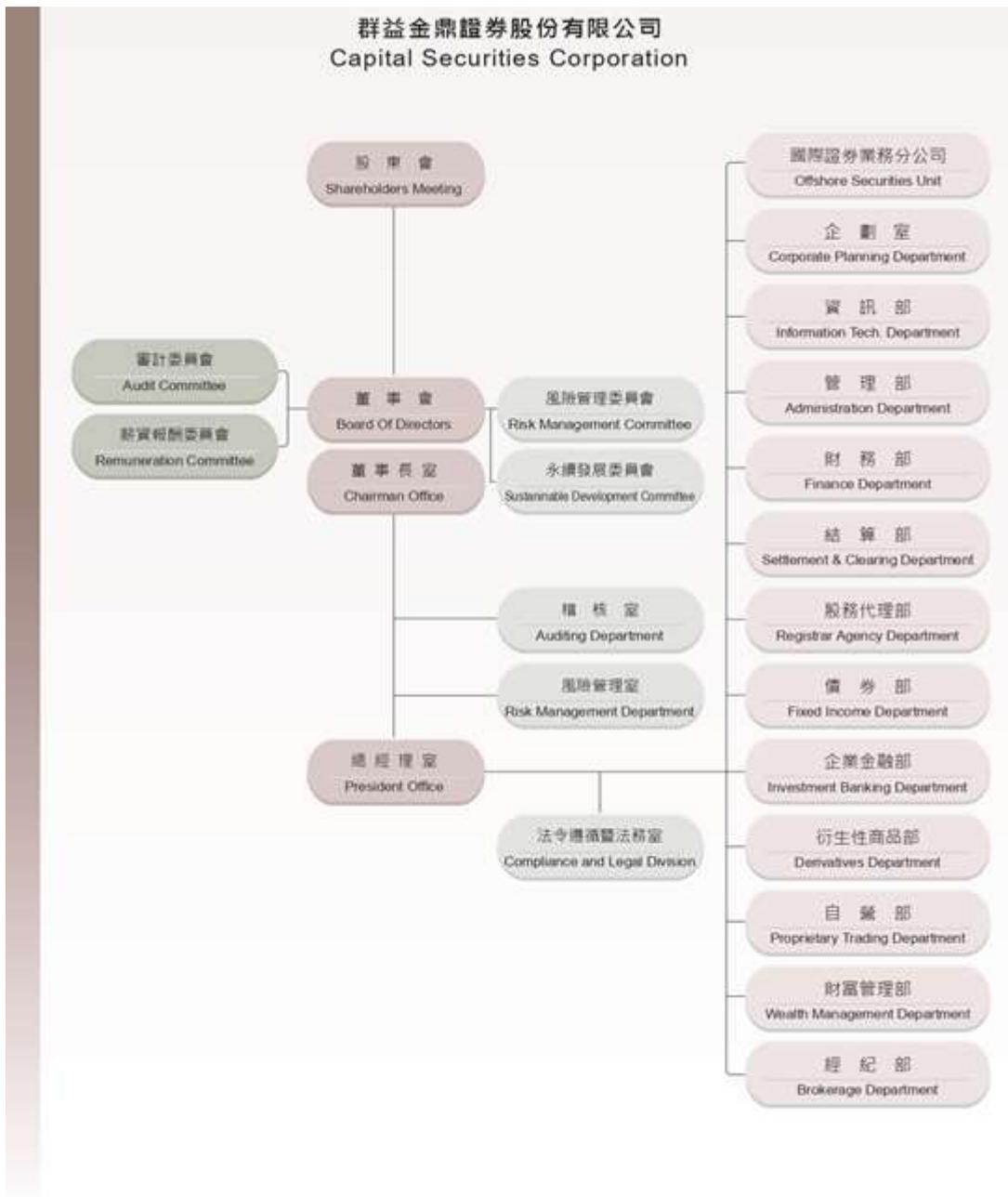
In 2021, the Company won the “Best Broker Award” for non-financial holding companies in Excellence Magazine's 2021 securities evaluation, the “Gold Award” and “Special Award” in the 2021 Happiness Enterprise Awards presented by 1111 Job Bank, the “Sports Enterprise Certification Emblem” issued by the Sports Administration of the Ministry of Education, the “Diverse Trust Innovation Award” and the “Securities Broker Wealth Management Trust Innovation Award” in the 1st Trust Awards by Commercial Times, the “Digital Transformation Model Award”, “Digital Inclusiveness Award”, “Digital Business Optimization Award”, and “Digital Information Service Award” in the 1st Digital Finance Awards by Commercial Times, the “Futures Trading Auxiliary Person Trading Volume Diamond Award” in the 7th Futures Diamond Awards by Taiwan Futures Exchange, the “Best Product Award” in Today Weekly's Wealth Management Awards, and the “Best Business Team Award”, “Best Digital Intelligent System Award”, and “Best Public Welfare Promotion Award” in Wealth Magazine's 2021 Wealth Management Awards. The Company has also been continuously selected as a constituent stock of the “FTSE4Good TIP Taiwan ESG Index”.

In 2022, the Company received the “Best Client Referral Award”, “Best Digital Smart System Award”, and “Best Charity Promotion Award” in the 2022 Wealth Management Award organized by Wealth Magazine and was awarded by the “Best Sustainable Development Award” and “Best Intelligence Wealth Management Award” in the 2022 Wealth Management Award organized by Business Today Magazine. Capital Securities’ digital wealth management app, “Yi Hu Tong” (one-pass security account), won the “Most Popular Brand Award” in the 2022 National Brand Yushan Award. Moreover, the Company also received the following: (a) “Gold Award” in the “Green Digital Finance Award”, “Quality Award” in the “Digital Business Optimization Award” and “Digital Inclusive Finance Award” from Commercial Times in the 2022 Digital Financial Service Award; (b) “Gold Medal” from 1111 Job Bank for 2022 Happiest Enterprise; (c) “Quality Award” from Commercial Times in the 2022 Wealth Management and Trust Innovation Evaluation at the Trust Innovation Award; (d) “Best Digital Financial Service Award” for the non-FHC category from Excellence Magazine in the 2022 Excellent Securities Evaluation.

Looking forward, the Company will continue to demonstrate the concept of technology finance, adhere to the sustainable management philosophy, implement our vision and social care, establish long-term partnerships for mutual growth with customers, and continue to provide high value-added financial services that exceed customer expectations in 2023.

### III. Corporate Governance Report

#### 1. Organization Chart



## 2. Background Information of Directors, Supervisors, President, Executive Vice Presidents, S Heads of Various Departments and Branches

### (I) Background Information of Directors (1)

Title (Note 1)	Nationality / Country of Origin	Name	Gender/ Age (Y) (Note 2)	Date Elected	Term (Y)	Date First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)(Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%	
Chairman	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUNN-CHIH	Male 61-70 years old	2022.6.27	3	2013.6.25 2012.9.3	8,040,015 0	0.37% 0.00%	8,040,015 80,000	0.37% 0.00%	0	0.00%	0	0.00%	Ph.D. in Technology Management, Chung Hua University Central Trust of China - President EnTie Commercial Bank Co., Ltd. - President Bankers Association of the Republic of China - Secretary General Hua Nan Commercial Bank, Ltd. - President
Director	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	Male 71-80 years old	2022.6.27	3	2013.6.25 1994.1.1	8,040,015 0	0.37% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00%	0	0.00%	M.P.A., University of San Francisco, USA Taxation Administration, MOF - Sub-Chief, Audit Team Securities Commission, MOF - Deputy Chief Taiwan Securities Association - Managing Director, Supervisor Taipei Exchange - Director, Supervisor Capital Securities Corp. - Vice Chairman and Chairman Yan Fu Venture Capital Co., Ltd. - Director
Director	Republic of China	Yin Feng Enterprise Co., Ltd. Representative: LEE, WEN-CHU	Male 61-70 years old	2022.6.27	3	2013.6.25 2023.3.29 (Note 3)	8,040,015 0	0.37% 0.00%	8,040,015 0	0.37% 0.00%	0	0.00%	0	0.00%	EMBA, Business Administration Executive Program, National University Capital Futures Corp. - President, Chairman CSC Futures (HK) Ltd. - Director Capital International Technology Corp. - Chairman Capital True Partner Technology (Chengdu) Co., Ltd. - Chairman Capital Futures Technology (Shanghai) Co., Ltd. - Chairman Taiwan Futures Exchange - Director Chinese National Futures Association - Executive Director, Conven Brokerage Committee
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: CHEN TONG, CHIE-SHIANG	Female 61-70 years old	2022.6.27	3	2016.6.27 2022.6.27	50,871,288 0	2.34% 0.00%	50,871,288	2.34% 0.00%	0	0.00%	0	0.00%	B.A. in Foreign Languages, National Taiwan University LNIX Server Products, IBM Greater China - President IBM Greater China Public Business Group - President IBM Financial Group, China Banking - President IBM Asia Pacific - Special Assistant to President IBM Taiwan - President Test Rice International Co., Ltd. - CEO Test Rice International Co., Ltd. - Director National Central University - Member of the Advisory Committee of Management Institute for Information Industry - Director AAMA Academy - President WOB Academy - First CEO
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	Male 81-90 years old	2022.6.27	3	2016.6.27 2010.6.15	50,871,288 1,391	2.34% 0.00%	50,871,288 1,391	2.34% 0.00%	0	0.00%	0	0.00%	B.A. in Cooperative Economics, National Taipei University Taiwan Cooperative Bank - Director and Deputy President Agricultural Credit Guarantee Fund - President EnTie Securities Finance Company - Chairman Bankers Association of the Republic of China - Secretary general Capital Securities Corp. - Supervisor
Director	Republic of China	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	Male 41-50 years old	2022.6.27	3	2016.6.27 2012.3.5	50,871,288 9	2.34% 0.00%	50,871,288 9	2.34% 0.00%	0	0.00%	0	0.00%	L.M., Soochow University The Chinese Commercial and Coordination Society - Deputy Secretary- General The Chinese Commercial & Industrial Service Co., Ltd. - Supervisor Taiwan Federation of Commerce - Deputy Secretary - General

Title (Note 1)	Nationality / Country of Origin	Name	Gender/ Age (Note 2)	Date Elected	Term (Y)	Date First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)(Note 4)
							Shares	%	Shares	%	Shares	%	Shares	%	
Director	Republic of China	Kwang Hsing Industrial Co., Ltd. Representative: CHANG, YI-PING	Male 51-60 years old	2022.6.27	3	2011.4.3 2023.2.10 (Note 3)	9,910,253 0	0.46% 0.00%	9,910,253 0	0.46% 0.00%	0	0.00%	0	0.00%	Tamkang University Department of Banking and finance PT KYMCO Indonesia - Administrative Department Manager KYMCO Philippines, Inc. - Administrative Department Manager Changzhou Kwang Yang Motor Co., Ltd. - Administrative Department
Director	Republic of China	Tai He Real Estate Management Co., Ltd. Representative: LI, MENG-CHING	Female 41-50 years old	2022.6.27	3	2019.6.24 2023.2.10 (Note 3)	1,885,766 0	0.09% 0.00%	1,885,766 0	0.09% 0.00%	0	0.00%	0	0.00%	Soochow University Bachelor's degree of Law Futian Law Firm - Legal Assistant Truth TV - Legal Specialist Correct Law Firm - Legal Specialist Tokyo Property Management - Assistant Manager of Law
Independent Director	Republic of China	SHEAJIA-DONG	Male 71-80 years old	2022.6.27	3	2016.6.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Economics, Stanford University, USA Institute of Economics, Academia Sinica - Director Economics, National Taiwan University - Professor Central Bank of the Republic of China - Deputy Governor Ministry of Finance - Minister Taiwan External Trade Development Council - Chairman Central Trust of China - Chairman Taiwan Academy of Banking and Finance - Chairman Capital Futures Corp. - Independent Director
Independent Director	Republic of China	LEE, SHEN-YI	Male 71-80 years old	2022.6.27	3	2019.6.24	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. of law, Chinese Culture University Officer of Taiwan Business Bank Co., Ltd. Officer of Ministry of Economic Affairs Officer of Auditing Division, Ministry of Finance Attorney of Chien Yeh Law Offices Managing Director of Chien Yeh Law Offices Honorary Managing Director of Chien Yeh Law Offices Member of Fair Trade Commission, Executive Yuan 2nd and 3rd member of the Control Yuan Adjunct Associate Professor of Chengchi University and Chinese University
Independent Director	Republic of China	LIN, TSALM-HSIANG	Male 61-70 years old	2022.6.27	3	2022.6.27	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Ph.D. in Finance, Boston University, USA Institute of Health Policy and Management, National Taiwan University Adjunct Professor Financial Engineering Association of Taiwan - President Taiwan Institute of Economic Research - Director Yuanta-Polaris Research Institute - Director Taiwan Stock Exchange Corp. - Director Taiwan Futures Exchange - Director and Supervisor Oversea-Chinese Bank - Managing Director BF Securities Co., Ltd. - Director Hua Nan Securities Co., Ltd. - Independent Director China Development Industrial Bank - Director China Development Financial Holding Corp. - Director

Note 1: Corporate shareholders should list the names of the corporate shareholders and their representatives separately (if they are representatives of corporate shareholders, the name of the corporate shareholder should be listed).

Note 2: Please list the actual age, which can be expressed in ranges, such as 41-50 years old or 51-60 years old.

Note 3: Fill in the time when the Company's director first took office. If there is any interruption, it should be noted. Yin Feng Enterprise Co., Ltd. changed its representative on 2023.3.29. CHANG, YI-PING replaced by CHANG, YI-PING; Kwang Hsing Industrial Co., Ltd. changed its representative on 2023.2.10. TSENG, CHUN-HAO was replaced by CHANG, YI-PING; Tai He Real Estate Management Co., Ltd. changed its representative on 2023.2.10. TSENG, CHUN-HAO was replaced by LI, MENG-CHING.

Note 4: Experience related to the current position, such as having worked in an auditing and accounting firm or related enterprises during the aforementioned period, should be stated, along with the reasons, rationality, necessity, and countermeasures.

Note 5: If the Company's Chairman and President or equivalent positions (the highest manager) are the same person, spouses, or close relatives, the reasons, rationality, necessity, and countermeasures (if the Chairman and President or equivalent positions are the same person, spouses, or close relatives, the reasons, rationality, necessity, and countermeasures should be explained.) should be explained.

**Table 1: Major shareholders of the corporate shareholders**

March 31, 2023

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Yin Feng Enterprise Co., Ltd.	Chuan Yi Investment Co., Ltd.	17.49%
	Hong Ye Investment Co., Ltd.	15.79%
	Feng Yang Investment Co., Ltd.	11.63%
	Wei Wang Investment Co., Ltd.	9.22%
	Tai Jian Investment Co., Ltd.	7.58%
	Tai Lian Investment Co., Ltd.	7.44%
	Chen Huei Enterprise Co., Ltd.	6.38%
	Bao Qing Investment Co., Ltd.	5.06%
	Cheng Da Investment Co., Ltd.	4.04%
	Fu Ding Investment Co., Ltd.	3.73%
Hung Lung Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	14.64%
	Qarnet Enterprise Co., Ltd.	14.24%
	Hong Yuan Construction Co., Ltd.	12.84%
	Yu Bao Enterprise Co., Ltd.	12.71%
	Lian Mao Investment Co., Ltd.	11.92%
	Fu Tai Construction Co., Ltd.	11.70%
	Chen Huei Enterprise Co., Ltd.	9.23%
	Run Hsiang Enterprise Co., Ltd.	7.19%
	De Ye Apartment Building Management and Maintenance Co., Ltd.	3.18%
	Han Bao Enterprise Co., Ltd.	2.34%
Kwang Hsing Industrial Co., Ltd.	Kwang Yang Motor Co., Ltd.	100%
Tai He Real Estate Management Co., Ltd.	Qarnet Enterprise Co., Ltd.	19.61%
	Hung Lung Enterprise Co., Ltd.	18.75%
	Min Huei Enterprise Co., Ltd.	18.75%
	Fornet Enterprise Co., Ltd.	15.14%
	Sheng Hsiang Enterprise Co., Ltd.	15.14%
	Fornet Tech Co., Ltd.	12.50%

Note 1: For Directors who represent corporate shareholders, please provide the name of the corporate shareholder.

Note 2: Provide the names of the major shareholders of the corporate shareholder (with their ownership percentage ranking in the top ten) and their respective ownership percentages. If the major shareholder is also a corporate entity, please refer to Table 2.

Note 3: If the corporate shareholder is not an organizational entity of the Company, the disclosed shareholder names and ownership percentages should correspond to the contributors or donors (refer to the Judicial Yuan's public announcement for reference) and their respective contribution or donation ratios. In the case of deceased donors, please indicate "Deceased."

**Table 2: Major shareholders of major corporate shareholders listed in Table 1**

March 31, 2023

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Chuan Yi Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	28.62%
	Tai Hsiang Investment Co., Ltd.	21.74%
	Tai Fa Investment Co., Ltd.	11.76%
	Tai He Investment Co., Ltd.	11.59%
	Wang Hsing Enterprise Co., Ltd.	6.33%
	Chuan Yi Construction Co., Ltd.	5.98%
	Yu Chun Enterprise Co., Ltd.	4.57%
	Chen Huei Enterprise Co., Ltd.	3.44%
	Hung Lung Enterprise Co., Ltd.	3.35%
	Han Bao Enterprise Co., Ltd.	2.60%
Hong Ye Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	41.25%
	Tai Fa Investment Co., Ltd.	18.58%
	Tai Hsiang Investment Co., Ltd.	18.54%
	Tai He Investment Co., Ltd.	9.73%
	Hong Chia Investment Co., Ltd.	3.28%
	Tai He Real Estate Management Co., Ltd.	1.74%
	Tai Lian Investment Co., Ltd.	1.72%
	Bao Zuo Investment Co., Ltd.	1.52%
	Fu Ding Investment Co., Ltd.	1.52%
	Tai Chun Investment Co., Ltd.	0.93%
Feng Yang Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	38.73%
	Tai Hsiang Investment Co., Ltd.	18.23%
	Chao Lung Investment Co., Ltd.	18.23%
	Tai He Investment Co., Ltd.	11.26%
	Hong Tai Construction Co., Ltd.	2.44%
	Bao Zuo Investment Co., Ltd.	2.28%
	Tai Sheng Investment Co., Ltd.	2.28%
	Fu Tai Construction Co., Ltd.	2.22%
	Tai Chun Enterprise Co., Ltd.	2.19%
	Wang Hsing Enterprise Co., Ltd.	2.15%
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.	36.76%
	Chao Lung Investment Co., Ltd.	26.10%
	Tai Fa Investment Co., Ltd.	12.87%
	Tai Hsiang Investment Co., Ltd.	8.20%
	Tseng Mao Investment Co., Ltd.	4.26%
	Bao Qing Investment Co., Ltd.	2.24%
	Hong Sheng Construction Co., Ltd.	2.05%
	Tai Chun Investment Co., Ltd.	1.86%
	Chuan Yi Investment Co., Ltd.	1.83%
	Han Bao Enterprise Co., Ltd.	1.53%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Tai Jian Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	42.92%
	Tai Fa Investment Co., Ltd.	18.07%
	Tai Hsiang Investment Co., Ltd.	18.07%
	Tai He Investment Co., Ltd.	14.78%
	Tai Chun Enterprise Co., Ltd.	1.93%
	Min Huei Enterprise Co., Ltd.	1.56%
	Chen Huei Enterprise Co., Ltd.	1.34%
	Run Hsiang Enterprise Co., Ltd.	1.34%
Tai Lian Investment Co., Ltd.	Tai Hsiang Investment Co., Ltd.	43.02%
	Chao Lung Investment Co., Ltd.	16.65%
	Tai Fa Investment Co., Ltd.	15.27%
	Tai He Investment Co., Ltd.	14.85%
	Yin Feng Enterprise Co., Ltd.	3.26%
	Han Bao Enterprise Co., Ltd.	3.26%
	Fu Tai Construction Co., Ltd.	3.23%
	Hong Tai Construction Co., Ltd.	0.44%
Chen Huei Enterprise Co., Ltd.	Tai Lian Investment Co., Ltd.	16.82%
	Tai Chun Investment Co., Ltd.	14.22%
	Bao Qing Investment Co., Ltd.	9.88%
	Feng Yang Investment Co., Ltd.	9.88%
	Cheng Da Investment Co., Ltd.	9.45%
	Lian Mao Investment Co., Ltd.	8.64%
	Wei Wang Investment Co., Ltd.	8.64%
	Yu Bao Enterprise Co., Ltd.	8.43%
	Hong Ye Investment Co., Ltd.	5.00%
	Tai Sheng Investment Co., Ltd.	4.54%
	Bao Qing Investment Co., Ltd.	Tai Fa Investment Co., Ltd.
Tai Hsiang Investment Co., Ltd.		19.43%
Chao Lung Investment Co., Ltd.		19.43%
Chuan Yi Construction Co., Ltd.		6.93%
Fu Tai Construction Co., Ltd.		6.93%
Hung Lung Enterprise Co., Ltd.		5.51%
Run Hsiang Enterprise Co., Ltd.		5.51%
Tai He Investment Co., Ltd.		4.93%
Bao Zuo Investment Co., Ltd.		4.35%
Tai Sheng Investment Co., Ltd.		4.35%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Cheng Da Investment Co., Ltd.	Tai Fa Investment Co., Ltd.	39.58%
	Tai Hsiang Investment Co., Ltd.	32.56%
	Chao Lung Investment Co., Ltd.	19.07%
	Tai He Investment Co., Ltd.	4.65%
	Tai Jian Investment Co., Ltd.	1.81%
	Hung Lung Enterprise Co., Ltd.	0.92%
	Rui Cheng Construction Co., Ltd.	0.49%
	Feng Yang Investment Co., Ltd.	0.46%
	Bao Sheng Investment Co., Ltd.	0.46%
Fu Ding Investment Co., Ltd.	Chao Lung Investment Co., Ltd.	24.73%
	Tai Fa Investment Co., Ltd.	13.02%
	Tai Hsiang Investment Co., Ltd.	9.76%
	Bao Qing Investment Co., Ltd.	6.51%
	Hong Chia Investment Co., Ltd.	6.51%
	Yu Chun Enterprise Co., Ltd.	6.03%
	Fu Tai Construction Co., Ltd.	5.80%
	Tai He Investment Co., Ltd.	5.21%
	Tai Chun Enterprise Co., Ltd.	4.28%
	Run Hsiang Enterprise Co., Ltd.	4.27%
Chuan Yi Construction Co., Ltd.	Tai Chun Investment Co., Ltd.	12.57%
	Lian Mao Investment Co., Ltd.	12.01%
	Wei Wang Investment Co., Ltd.	12.01%
	Tai Sheng Investment Co., Ltd.	10.32%
	Yu Chun Enterprise Co., Ltd.	9.66%
	Hong Ye Investment Co., Ltd.	9.35%
	Cheng Da Investment Co., Ltd.	9.35%
	Tai Lian Investment Co., Ltd.	8.04%
	Tai Jian Investment Co., Ltd.	3.97%
	Bao Zuo Investment Co., Ltd.	3.31%
Qarnet Enterprise Co., Ltd.	Rui Cheng Construction Co., Ltd.	18.14%
	Chuan Shun Construction and Development Co., Ltd.	18.14%
	Hong Yong Construction Co., Ltd.	17.05%
	Sheng Hsiang Enterprise Co., Ltd.	13.67%
	Hong Tai Construction Co., Ltd.	13.61%
	Han Bao Enterprise Co., Ltd.	11.17%
	Bao Zuo Investment Co., Ltd.	8.07%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Hong Yuan Construction Co., Ltd.	Tai Chun Investment Co., Ltd.	13.16%
	Chuan Yi Investment Co., Ltd.	13.16%
	Hong Ye Investment Co., Ltd.	13.16%
	Bao Qing Investment Co., Ltd.	12.00%
	Feng Yang Investment Co., Ltd.	11.47%
	Tai Lian Investment Co., Ltd.	10.53%
	Cheng Da Investment Co., Ltd.	7.89%
	Bao Sheng Investment Co., Ltd.	5.53%
	Tai Jian Investment Co., Ltd.	5.26%
	Tai Ye Enterprise Co., Ltd.	2.95%
Yu Bao Enterprise Co., Ltd.	Tai Chun Investment Co., Ltd.	13.25%
	Lian Mao Investment Co., Ltd.	12.29%
	Wei Wang Investment Co., Ltd.	12.29%
	Chuan Yi Investment Co., Ltd.	10.46%
	Chuan Yi Construction Co., Ltd.	10.31%
	Cheng Da Investment Co., Ltd.	8.38%
	Hong Ye Investment Co., Ltd.	6.99%
	Feng Yang Investment Co., Ltd.	5.44%
	Bao Zuo Investment Co., Ltd.	4.90%
	Fu Ding Investment Co., Ltd.	4.20%
Lian Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.	45.16%
	Chao Lung Investment Co., Ltd.	23.23%
	Tai Fa Investment Co., Ltd.	9.03%
	Tai Hsiang Investment Co., Ltd.	8.39%
	Tai Lian Investment Co., Ltd.	3.55%
	Hong Wei Construction Co., Ltd.	2.15%
	Tai Sheng Investment Co., Ltd.	1.84%
	Tai Jian Investment Co., Ltd.	1.45%
	Feng Yang Investment Co., Ltd.	1.45%
	Tai Chun Enterprise Co., Ltd.	1.35%
Fu Tai Construction Co., Ltd.	Bao Zuo Investment Co., Ltd.	16.88%
	Lian Mao Investment Co., Ltd.	16.50%
	Wei Wang Investment Co., Ltd.	16.50%
	Tseng Mao Investment Co., Ltd.	14.96%
	Chuan Yi Investment Co., Ltd.	10.33%
	Hong Chia Investment Co., Ltd.	4.67%
	Tai Chun Enterprise Co., Ltd.	4.48%
	Bao Sheng Investment Co., Ltd.	4.32%
	Tai Ye Enterprise Co., Ltd.	2.66%
	Tai Jian Investment Co., Ltd.	2.66%

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Run Hsiang Enterprise Co., Ltd.	Chuan Yi Investment Co., Ltd.	15.90%
	Hong Ye Investment Co., Ltd.	13.82%
	Cheng Da Investment Co., Ltd.	13.82%
	Yu Chun Enterprise Co., Ltd.	11.72%
	Tai Lian Investment Co., Ltd.	9.94%
	Feng Yang Investment Co., Ltd.	8.95%
	Lian Mao Investment Co., Ltd.	5.20%
	Tai Sheng Investment Co., Ltd.	5.07%
	Bao Zuo Investment Co., Ltd.	4.97%
	Wei Wang Investment Co., Ltd.	4.70%
De Ye Apartment Building Management and Maintenance Co., Ltd.	Wei Wang Investment Co., Ltd.	19.17%
	Hong Ye Investment Co., Ltd.	17.67%
	Lian Mao Investment Co., Ltd.	18.33%
	Hong Chia Investment Co., Ltd.	10.83%
	Chuan Yi Investment Co., Ltd.	10.83%
	Cheng Da Investment Co., Ltd.	10.17%
	Bao Zuo Investment Co., Ltd.	8.75%
Han Bao Enterprise Co., Ltd.	Chuan Yi Construction Co., Ltd.	4.08%
	Tai Jian Investment Co., Ltd.	16.21%
	Cheng Da Investment Co., Ltd.	14.60%
	Bao Zuo Investment Co., Ltd.	14.59%
	Lian Mao Investment Co., Ltd.	8.73%
	Feng Yang Investment Co., Ltd.	8.33%
	Tai Chun Investment Co., Ltd.	8.29%
	Hong Ye Investment Co., Ltd.	7.90%
	Bao Sheng Investment Co., Ltd.	5.85%
	Run Hsiang Enterprise Co., Ltd.	4.95%
Kwang Yang Motor Co., Ltd.	Tai Lian Investment Co., Ltd.	3.41%
	Hsin Sheng Investment Co., Ltd.	11.31%
	Hong Kuang Investment Co., Ltd.	7.99%
	Kuang Chou Investment Co., Ltd.	6.66%
	Da Ming Investment Co., Ltd.	6.33%
	Kwang Hsing Industrial Co., Ltd.	5.39%
	KO, CHIA-CHENG	1.05%
	KO, HUNG-MING	1.03%
	KO, WANG-SHU-YUAN	1.03%
KO, HSING-LANG	1.00%	
Hung Sheng Investment Co., Ltd.	1.00%	

Name of corporate shareholder (Note 1)	Major shareholders of the corporate shareholder (Note 2)	
Min Huei Enterprise Co., Ltd.	Lian Mao Investment Co., Ltd.	16.54%
	Wei Wang Investment Co., Ltd.	14.75%
	Hong Chang Enterprise Co., Ltd.	13.66%
	Sheng Hsiang Enterprise Co., Ltd.	10.11%
	Tai Chun Investment Co., Ltd.	10.02%
	Tai Chun Enterprise Co., Ltd.	8.48%
	Han Bao Enterprise Co., Ltd.	8.47%
	Chen Huei Enterprise Co., Ltd.	6.42%
	Yu Bao Enterprise Co., Ltd.	5.80%
	Run Hsiang Enterprise Co., Ltd.	4.76%
Fornet Enterprise Co., Ltd.	Bao Qing Investment Co., Ltd.	18.83%
	Bao Sheng Investment Co., Ltd.	18.83%
	Sheng Hsiang Enterprise Co., Ltd.	18.01%
	Hong Chang Enterprise Co., Ltd.	18.00%
	Tai Sheng Investment Co., Ltd.	9.59%
	Bao Zuo Investment Co., Ltd.	8.11%
	Hong Yong Construction Co., Ltd.	3.35%
	Tai Lian Investment Co., Ltd.	2.34%
	Hong Tai Construction Co., Ltd.	2.31%
	Wei Wang Investment Co., Ltd.	0.56%
Sheng Hsiang Enterprise Co., Ltd.	Bao Sheng Investment Co., Ltd.	27.14%
	Hong Ye Investment Co., Ltd.	15.32%
	Cheng Da Investment Co., Ltd.	15.32%
	Chen Huei Enterprise Co., Ltd.	11.32%
	Bao Qing Investment Co., Ltd.	6.56%
	Hong Tai Construction Co., Ltd.	5.91%
	Feng Yang Investment Co., Ltd.	5.09%
	Lian Mao Investment Co., Ltd.	5.08%
	Wei Wang Investment Co., Ltd.	4.90%
	Run Hsiang Enterprise Co., Ltd.	1.76%
Fornet Tech Co., Ltd.	Fornet Enterprise Co., Ltd.	23.12%
	Hong Chang Enterprise Co., Ltd.	23.12%
	Sheng Hsiang Enterprise Co., Ltd.	23.12%
	Qarnet Enterprise Co., Ltd.	21.85%
	Hung Lung Enterprise Co., Ltd.	8.79%

Note 1: If the main shareholder in Table 1 above is a corporation, the name of the corporation should be filled in.

Note 2: Fill in the name of the main shareholder of the corporation (among the top ten in shareholding ratio) and its shareholding ratio.

Note 3: If the corporate shareholder is not part of the Company's organization, the names and shareholding ratios of the shareholders to be disclosed are those of the contributors or donors (reference can be made to the Judicial Yuan's announcement), and "deceased" should be added if the donor has passed away.

## (I) Background Information of Directors (2)

### 1. Professional qualifications and independence analysis of directors:

March 31, 2023

Name	Criteria	Professional Qualifications and Experiences (Note 1)	Status of Independence (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
<b>Chairman</b> Yin Feng Enterprise Co., Ltd. Representative: WANG, JUANN-CHIH		1. Experience in business management, industry experience, finance/investment, information/technology, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found. <sup>29</sup>	Criteria for independence: Item (3)~(5)	0
<b>Director</b> Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN		1. Experience in business management, industry experience, finance/investment, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1), (3)~(5)	0
<b>Director</b> Yin Feng Enterprise Co., Ltd. Representative: LEE, WEN-CHU		1. Experience in business management, industry experience, finance/investment, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (3)~(5)	0
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: CHEN TONG, CHIE-SHIANG		1. Experience in business management, industry experience, finance/investment, information/technology, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)~(5)	1
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI		1. Experience in business management, industry experience, finance/investment, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)~(5)	0
<b>Director</b> Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING		1. Have management, industrial experience, legal and other experiences. 2. Please refer to “(I) Background Information of Directors (1)” on page 9 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)~(5)	0
<b>Director</b> Kwang Hsing Industrial Co., Ltd. Representative: CHANG, YI-PING		1. Experience in business management, industry experience, finance/investment, etc. 2. Please refer to “(I) Background Information of Directors (1)” on page 10 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)~(5)	0
<b>Director</b> Tai He Real Estate Management Co., Ltd. Representative: LI, MENG-CHING		1. Have management, industrial experience, legal and other experiences. 2. Please refer to “(I) Background Information of Directors (1)” on page 10 for major experiences. 3. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)~(5)	0

Name	Criteria	Professional Qualifications and Experiences (Note 1)	Status of Independence (Note 2)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
<b>Independent Director</b> SHEA, JIA-DONG		1. Experience in business management, industry experience, finance/investment, etc. 2. Convener of the audit committee. 3. Possessing professor qualifications reviewed and approved by the Ministry of Education. 4. Adjunct professor in the Department of Economics at National Taiwan University. 5. Please refer to "(I) Background Information of Directors (1)" on page 10 for major experiences. 6. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)-(6)	1
<b>Independent Director</b> LEE, SHEN-YI		1. Experience in business management, industry experience, finance/investment, and law. 2. Convener of the remuneration committee and member of the audit committee. 3. Possessing the qualification of a lawyer in the Republic of China. 4. Former adjunct associate professor at National Chengchi University and Chinese Culture University. 5. Please refer to "(I) Background Information of Directors (1)" on page 10 for major experiences. 6. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)-(6)	1
<b>Independent Director</b> LIN, TSALM-HSIANG		1. Experience in business management, industry experience, finance/investment, etc. 2. Member of the audit committee and the remuneration committee. 3. Holding the qualifications of an accountant and a certified securities analyst. 4. Please refer to "(I) Background Information of Directors (1)" on page 10 for major experiences. 5. No violations of Article 30 of the Company Act or Article 53 of the Securities and Exchange Act have been found.	Criteria for independence: Item (1)-(6)	0

Note 1: Professional Qualifications and Experience: Provide a description of the professional qualifications and experience of each individual Director and Supervisor. If they are members of the Audit Committee and possess accounting or financial expertise, provide information on their accounting or financial background and work experience. Also indicate if they have any circumstances prohibited by Article 30 of the Company Act.

Note 2: Independent Directors should demonstrate their compliance with independence requirements, including but not limited to the following: whether they or their spouses, lineal relatives within the second degree, etc., serve as Directors, Supervisors, or employees of the Company or its related entities; the shareholding and proportion of shares held by themselves, their spouses, lineal relatives within the second degree, etc.; whether they serve as Directors, Supervisors, or employees of companies with specific relationships to the Company (refer to Article 3, Items 5-8 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Issuing Companies); the remuneration received in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related entities. Review the relevant "Independence Items" as follows:

- (1) Not an employee of the Company or its related entities.
- (2) Neither the individual, their spouse, nor their lineal relatives within the second degree serve as Directors, Supervisors, or employees of the Company or its related entities.
- (3) The individual, their spouse, or minor children do not hold 1% or more of the total issued shares of the Company, or rank among the top ten individual shareholders.
- (4) They do not have a spousal or lineal relative within the second degree relationship with other Directors.
- (5) They have not received any remuneration in the past two years for providing business, legal, financial, accounting, or other services to the Company or its related entities.
- (6) They do not have any circumstances specified in Items 5-8 of Article 3 of the Regulations Governing the Establishment and Compliance of Independent Directors of Public Issuing Companies:
  - Item 5: They do not directly hold 5% or more of the total issued shares of the Company, rank among the top five shareholders, or serve as Directors or Supervisors on behalf of a corporate shareholder as specified in Article 27, Paragraph 1 of the Company Act (When the government or a juristic person is a shareholder, a natural person must be designated to exercise the role). However, if there are multiple representatives, they may be elected separately but not simultaneously serve as Directors and Supervisors).
  - Item 6: The Company and another company where they serve as Directors, Supervisors, or employees do not have a situation where the Company's director seats or voting shares exceeding the majority are controlled by the same person.
  - Item 7: The Company and another company or organization do not have a situation where the Chairman, President, or equivalent positions are held by the same person or their spouse, and the other company or organization has Directors, Supervisors, or employees.
  - Item 8: They do not have any financial or business transactions with specific companies or organizations where they serve as Directors, Supervisors, managers, or shareholders holding 5% or more of the shares.

## 2. Implementation status of the diversification policy for Board members:

### (1) Board Diversity:

The Company has established the "Director Election Rules." Article 2 of the Director Election Rules regulates the appointment of Directors in consideration of the overall composition of the Board. Board members should possess the necessary knowledge, skills, and qualities required for their roles. The overall capabilities of the Board should include: 1. Operational judgment ability; 2. Accounting and financial analysis ability; 3. Management ability; 4. Crisis management ability; 5. Industry knowledge; 6. International market insight; 7. Leadership ability; 8. Decision-making ability.

Among the Directors, more than half of the positions should not be held by individuals who are spouses or relatives within the second degree of kinship.

According to the Company's "Corporate Governance Best Practice Principles," the Board should establish appropriate diversity policies concerning its own operation, business model, and development needs. Board members should possess the necessary knowledge, skills, and qualities required for their roles. The composition of the members should consider diversity, including but not limited to gender, age, culture, educational background, and professional experience.

In accordance with the Company's "Articles of Incorporation," the election of Directors and Independent Directors follows a candidate nomination system. The 12th Director election was conducted at the 2022 General shareholders' Meeting. Currently, the Board consists of eight Directors and three Independent Directors, with a term of three years from June 27, 2022, to June 26, 2025. The age distribution of Directors is as follows: two Directors are between 41 and 50 years old (inclusive), one Director is between 51 and 60 years old (inclusive), four Directors are between 61 and 70 years old (inclusive), and four Directors are 71 years old or older (inclusive).

The Board members of the Company possess diverse professional knowledge, including business management, international business, information/technology, banking, securities, financial management, and legal research. The members come from academia and have diverse backgrounds with rich industry experience. This diversity contributes to driving the Company's overall development strategies and operational performance. For more information on their educational background, major experiences, professional qualifications, and experiences, please refer to page 9-10 and page 18-19, "Background Information of Directors (1)" and "(2)."

In line with the Company's Board diversity policy, the goal is to nominate at least one female candidate for Director starting from the 12th Board (2022).

Currently, the Company has two female Directors, and efforts will be made to increase the representation of female Directors in the future to achieve gender equality goals.

The implementation of Board diversity is as follows:

Director	Gender	Length of Service of Independent Directors	Business Management	Industry Experience	Finance/ Investment	Information/ Technology	Law
WANG, JIUNN-CHIH	Male		√	√	√	√	
LIU, CHING-TSUN	Male		√	√	√		
LEE, WEN-CHU	Male		√	√	√		
CHEN TONG, CHIE-SHIANG	Female		√	√	√	√	
KUO, YUH-CHYI	Male		√	√	√		
TSAI, I-CHING	Male		√	√			√
CHANG, YI-PING	Male		√	√	√		
LI, MENG-CHING	Female		√	√			√
SHEA, JIA-DONG (Independent Director)	Male	6-9 years	√	√	√		
LEE, SHEN-YI (Independent Director)	Male	3-6 years	√	√	√		√
LIN, TSALM-HSIANG (Independent Director)	Male	Below 3 years	√	√	√		

### (2) Independence of Board:

The Board of the Company currently consists of eight Directors, and three Independent Directors. The proportion of Directors holding employee positions is 18%, and the proportion of Independent Directors is 27%. One Independent Director has served for less than 3 years, one for less than 6 years, and one for less than 9 years.

All Directors of the Company do not have any circumstances as stipulated in Article 26-3, Paragraph 3 of the Securities and Exchange Act, and none of them have a spouse or immediate relatives within the second degree.

To enhance corporate governance and strengthen the functions and independence of Independent Directors, strict standards and regulations are followed. It is specified that Independent Directors cannot serve more than three consecutive terms. Currently, all Independent Directors have not exceeded three consecutive terms.

The Independent Directors of the Company maintain their independence within the scope of their duties and do not have any direct or indirect interests with the Company. Each Independent Director complies with the provisions of Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" They have also not been elected by the government, juristic persons, or their representatives, as stipulated in Article 27 of the Company Act.

(2) President, executive vice presidents, senior vice presidents, Heads of Departments and Branches

March 31, 2023

Title	Nationality	Name	Gender	Date of appointment (start of office)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Republic of China	LEE, WEN-CHU	Male	2022/08/25	0	0%	0	0%	0	0%	EMBA, National Chengchi University	Director of CSC Venture Capital Corp. President of CSC Venture Capital Corp. Chairman of CSC Capital Management Co. Chairman of CSC Private Equity Fund I Co. Director of Ennocap Venture Inc.				
Senior Vice President	Republic of China	LIN, JING-HUA	Female	2007/01/01	262,798	0.01%	0	0%	0	0%	Master of Commerce, University of Washington	Chief Representative of CSC International Holdings Ltd. Shanghai Rep. Office				
Vice President	Republic of China	LAI, AI-WEN	Female	2015/01/01	21	0%	0	0%	0	0%	Department of Law, Soochow University					
Senior Vice President	Republic of China	CHANG, TUN-FU	Male	2011/05/02	147,197	0.01%	0	0%	0	0%	Department of Economics, National Taiwan University	Director of CSC Securities (HK) Ltd. Director of Capital Securities Nominee Ltd. Director of CSC Futures (HK) Ltd.				
Executive Vice President	Republic of China	CHEN, MING-SHING	Male	2023/01/01	0	0%	0	0%	0	0%	Department of Law, National Taiwan University					
Senior Vice President	Republic of China	HSIEH, HSU-YING	Female	2013/05/02	0	0%	0	0%	0	0%	EMBA, NTU-Fudan Overseas EMBA Program, National Taiwan University	Director of Capital Insurance Advisory Corp. Director of CSC Capital Management Co. Director of CSC Private Equity Fund I Co. Director of CSC International Holdings Ltd. Director of CSC Securities (HK) Ltd. Director of Capital Securities Nominee Ltd. Director of CSC Futures (HK) Ltd. Director of Taiwan International Securities (B.V.I.) Corp. Director of TIS Securities (HK) Ltd. Director of Taiwan International Capital (HK) Ltd.				
Executive Vice President	Republic of China	HUANG, CHI-MING	Male	2012/06/01	210,139	0.01%	0	0%	0	0%	EMBA, National Chengchi University					
Executive Vice President	Republic of China	FANG, CHIH-HUNG	Male	2018/04/01	0	0%	0	0%	0	0%	MBA, The City University of New York	Director of CSC Venture Capital Corp. Director of CSC Futures (HK) Ltd.				
Executive Vice President	Republic of China	ZHANG, PEI-WEN	Female	2013/09/01	0	0%	0	0%	0	0%	Department of Banking and Insurance, Ming Chuan University	Director of Capital Insurance Advisory Corp.				
Senior Vice President	Republic of China	WANG, YA-FANG	Female	2010/04/01	0	0%	0	0%	0	0%	Department of Business Administration, Tamkang University					
Senior Vice President	Republic of China	LIN, BO-WEI	Male	2014/04/01	0	0%	0	0%	0	0%	Master of Industrial Management, National Taiwan University of Science and Technology					
Senior Vice President	Republic of China	CHANG, LI-FEN	Female	2017/04/01	0	0%	0	0%	0	0%	Graduate Institute of Society, National Chengchi University					
Executive Vice President	Republic of China	QIU, JIAN-HUA	Male	2019/06/01	75,329	0%	0	0%	0	0%	Department of Statistics, National Chung Hsing University					
Senior Vice President	Republic of China	WU, YUN-WEN	Male	2014/04/01	0	0%	1,487	0%	0	0%	Department of Industrial Engineering, Feng Chia University					
Senior Vice President	Republic of China	LIU, SHU-RU	Female	2013/05/10	11,472	0%	0	0%	0	0%	Department of Information Management, National Central University					
Executive Vice President	Republic of China	CHOU, HSIEN-YANG	Male	2021/12/06	10,000	0%	0	0%	0	0%	Department of International Trade, Tamkang University	Supervisor of Capital Insurance Advisory Corp. Supervisor of Capital Insurance Agency Corp. Supervisor of CSC Venture Capital Corp. Supervisor of CSC Capital Management Co. Supervisor of CSC Private Equity Fund I Co.				
Senior Vice President	Republic of China	LIN, CHAO-HSU	Male	2019/08/01	1,000	0%	0	0%	0	0%	Department of Public Finance, National Chengchi University					
Senior Vice President	Republic of China	XIE, HUI-YA	Female	2019/04/01	5,435	0%	0	0%	0	0%	Master of Finance, Syracuse University					
Senior Manager	Republic of China	WU, WEI-HSIANG	Male	2023/03/27	0	0%	0	0%	0	0%	MBA, Yuan Ze University					
Senior Vice President	Republic of China	YAO, MING-QING	Male	2015/04/01	0	0%	0	0%	0	0%	Master of Accounting, National Chung Cheng University					

Title	Nationality	Name	Gender	Date of appointment(start of office)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks	
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship		
																	Shares
Senior Vice President	Republic of China	KUO, NIEN-CHING	Male	2021/07/12	0	0%	0	0%	0	0%	Master of Business and Management, NYCU						
Senior Executive Vice President	Republic of China	YANG, JIE-BIN	Male	2002/11/01	609	0%	0	0%	0	0%	Master of Finance, University of London						
Senior Vice President	Republic of China	XU, TSUI-YUN	Female	2016/04/01	3,323	0%	0	0%	0	0%	Master of Finance, Chaoyang University of Technology						
Senior Vice President	Republic of China	HO, YU-WEN	Male	2023/03/13	0	0%	0	0%	0	0%	Master of International Business, National Taiwan University						
Senior Vice President	Republic of China	KAN, KAI-CHUNG	Male	2019/07/03	0	0%	0	0%	0	0%	Master of Finance, University of Illinois						
Senior Vice President	Republic of China	CHIU, TSAN-HSI	Male	2017/04/01	0	0%	0	0%	0	0%	Master of Finance, Baruch College, City University of New York						
Executive Vice President	Republic of China	ZHANG, JIA-WEN	Female	2018/04/01	353	0%	0	0%	0	0%	MBA, Tarleton State University	Director of CSC Capital Management Co. President of CSC Capital Management Co. Director of CSC Private Equity Fund I Co. President of CSC Private Equity Fund I Co.					
Senior Vice President	Republic of China	CHEN, YI-REN	Male	2015/04/01	700	0%	0	0%	0	0%	MBA, Baruch College, City University of New York						
Executive Vice President	Republic of China	LAI, JUN-FU	Male	2018/04/01	26,138	0%	0	0%	0	0%	Department of Electronic Engineering, Tunghan University						
Senior Vice President	Republic of China	TSENG, MEI-LING	Female	2019/04/01	0	0%	0	0%	0	0%	Department of Law, Chinese Culture University						
Executive Vice President	Republic of China	LIN, YAN-FEN	Male	2014/04/01	0	0%	0	0%	0	0%	MBA, Drexel University						
Senior Vice President	Republic of China	CHEN, PEI-QI	Female	2008/04/08	1,541	0%	0	0%	0	0%	Master of International Business Administration, University of St. Thomas - Minnesota						
Senior Vice President	Republic of China	ZHANG, JING-YAO	Male	2017/04/01	0	0%	0	0%	0	0%	Master of Banking and Finance, Tamkang University						
Senior Vice President	Republic of China	TU, TSUNG-EN	Male	2020/04/01	0	0%	0	0%	0	0%	Department of Economics, National Taiwan University						
Senior Vice President	Republic of China	CHANG, YU-CHING	Female	2020/04/01	7,411	0%	0	0%	0	0%	Master of Banking and Finance, Tamkang University						
Executive Vice President	Republic of China	WANG, JUAN-HUI	Female	2019/04/01	8,235	0%	0	0%	0	0%	EMBA, Postgraduate Institute of International Commerce, Tamkang University						
Senior Vice President	Republic of China	YE, YU-ZHEN	Female	2018/04/01	692	0%	0	0%	0	0%	Department of Law, Soochow University						
Executive Vice President	Republic of China	HUNG, SHIN-RU	Female	2023/03/01	0	0%	0	0%	0	0%	MBA, University of Hull						
Executive Vice President	Republic of China	MA, JIA-HUAN	Male	2009/09/01	974,300	0.04%	0	0%	0	0%	EMBA, National Chengchi University						
Senior Vice President	Republic of China	ZHENG, YU-LING	Female	2003/06/19	447,038	0.02%	0	0%	0	0%	EMBA, National Tsing Hua University						
Senior Vice President	Republic of China	HUANG, ZHI-HUA	Female	2014/04/01	301,876	0.01%	0	0%	0	0%	Department of International Trade, Tamkang University						
Senior Vice President	Republic of China	ZHANG, XUE-HE	Male	2019/04/01	11,225	0%	0	0%	0	0%	Department of Political Study, Fu Hsing Kang College						
Senior Vice President	Republic of China	MA, SHAO-HONG	Female	2015/04/01	0	0%	0	0%	0	0%	MBA, Chung Yuan Christian University						
Senior Vice President	Republic of China	HUANG, YI-LIAN	Female	2015/08/03	0	0%	0	0%	0	0%	Department of Business Administration, Feng Chia University						
Senior Vice President	Republic of China	LIU, HSIANG-LI	Female	2022/03/01	0	0%	0	0%	0	0%	Master of Finance, National Sun Yat-sen University						
Senior Vice President	Republic of China	LEE, KUEI-JUNG	Male	2022/04/18	0	0%	0	0%	0	0%	Master of Banking and Finance, Tamkang University						
Vice President	Republic of China	WU, HONG-ZHI	Male	2003/05/01	0	0%	0	0%	0	0%	Department of Mechanical Engineering, Nanya Institute of Technology						
Assistant Vice President	Republic of China	CHENG, YA-YUN	Female	2022/07/01	0	0%	0	0%	0	0%	Department of Banking and Finance, I-SHOU University						
Assistant Vice President	Republic of China	LIU, PIN-CHEN	Female	2020/04/01	0	0%	0	0%	0	0%	Department of International Business Studies, National Chi Nan University						
Assistant Vice President	Republic of China	WU, QING-YAN	Male	2018/04/01	0	0%	0	0%	0	0%	Master of Information Management, Shu-Te University						
Vice President	Republic of China	CHANG, CHUN-FU	Male	2020/04/01	0	0%	0	0%	0	0%	Department of Business Administration, National Defense University						
Assistant Vice President	Republic of China	CHEN, WEI-CHIH	Male	2022/08/01	0	0%	0	0%	0	0%	Brunel University Management						
Vice President	Republic of China	ZHAO, ZHI-MING	Male	2003/07/28	6,861	0%	0	0%	0	0%	Department of Mechanical Engineering, Tatung University						

Title	Nationality	Name	Gender	Date of appointment (start of office)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Vice President	Republic of China	WANG, HSIN-HUI	Female	2022/11/11	0	0%	0	0%	0	0%	Department of Business Administration, Tunghai University					
Vice President	Republic of China	LI, XIANG-JUN	Male	2004/04/20	0	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University					
Assistant Vice President	Republic of China	CHUNG, YI-CHIEN	Female	2022/10/03	0	0%	0	0%	0	0%	Department of Business Administration, University of North Alabama					
Assistant Vice President	Republic of China	CHOU, YUN-AN	Female	2021/08/01	0	0%	0	0%	0	0%	Department of Banking and Finance, Chinese Culture University					
Assistant Vice President	Republic of China	WU, CHI-YING	Female	2023/03/14	0	0%	0	0%	0	0%	Department of Accounting, Tainan Junior College of Home Economics					
Assistant Vice President	Republic of China	TIEN, CHIH-MIN	Male	2021/06/01	0	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University					
Assistant Vice President	Republic of China	HUANG, SHIH-CHUNG	Male	2020/04/01	0	0%	0	0%	0	0%	Department of Insurance, Chaoyang University of Technology					
Vice President	Republic of China	PENG, GUI-CONG	Male	2000/01/24	0	0%	0	0%	0	0%	Department of Business Administration, Tatung Institute of Technology					
Vice President	Republic of China	YU, XIAO-MEI	Female	2002/10/07	0	0%	0	0%	0	0%	Department of Tourism Management, Chinese Culture University					
Vice President	Republic of China	KAI, SHI-HUA	Male	2011/05/02	0	0%	0	0%	0	0%	Department of Statistics, Tunghai University					
Vice President	Republic of China	YEN, CHIA-YUEH	Female	2016/04/01	0	0%	0	0%	0	0%	Master of Applied Economics, National Taiwan Ocean University					
Assistant Vice President	Republic of China	CHUANG, YUNG-CHIEH	Male	2021/08/01	0	0%	0	0%	0	0%	MBA, Loyola University Chicago					
Assistant Vice President	Republic of China	LIN, CHANG-TZU	Male	2022/08/26	0	0%	0	0%	0	0%	Department of Information Management, Tamsui Oxford College					
Assistant Vice President	Republic of China	KU, PEI-CHING	Female	2020/08/03	0	0%	0	0%	0	0%	Department of Banking and Finance, Ming Chuan University					
Vice President	Republic of China	CHEN, XUAN-ZHI	Male	2008/05/17	0	0%	0	0%	0	0%	EMBA, Yu Da University of Science and Technology					
Assistant Vice President	Republic of China	YANG, KUN-LONG	Male	2015/02/01	0	0%	0	0%	0	0%	Department of Psychology, Chung Yuan Christian University					
Assistant Vice President	Republic of China	YANG, YAN-QIU	Female	2013/09/01	12,169	0%	1,393	0%	0	0%	Department of Accounting, National Taichung University					
Assistant Vice President	Republic of China	TSAI, HSIN-TAI	Female	2021/06/01	0	0%	0	0%	0	0%	Department of Banking and Finance, National Chiayi University					
Assistant Vice President	Republic of China	LEE, CHIH-CHIANG	Male	2019/04/01	0	0%	0	0%	0	0%	Department of Statistics, National Chengchi University					
Assistant Vice President	Republic of China	WU, FEN-FANG	Female	2021/08/01	0	0%	0	0%	0	0%	Department of Information Management, National Pingtung University					
Vice President	Republic of China	XU, LI-FEN	Female	2003/03/31	502	0%	0	0%	0	0%	Department of Business Administration, Chihlee Institute of Technology					
Vice President	Republic of China	CAI, QING-FEN	Female	2006/11/15	5,787	0%	0	0%	0	0%	Master of Finance, On-job Master Program, National Taiwan University					
Assistant Vice President	Republic of China	FANG, PO-HSIANG	Male	2022/12/01	0	0%	0	0%	0	0%	Master of Economics, Soochow University					
Vice President	Republic of China	CHEN, LI-ZHUN	Female	2002/07/11	334,456	0.02%	1,015	0%	0	0%	EMBA, Fu Jen Catholic University					
Assistant Vice President	Republic of China	FU, CHENG-HUI	Male	2020/10/01	0	0%	0	0%	0	0%	Master of Finance and International Business, Fu Jen Catholic University					
Vice President	Republic of China	CHEN, MEI-RU	Female	2014/07/19	0	0%	0	0%	0	0%	Department of Accounting and Statistics, I-Lan Commercial Vocational Senior High School					
Assistant Vice President	Republic of China	WU, CHEN-YI	Male	2016/09/01	0	0%	0	0%	0	0%	EMBA, National Taipei College of Business School of Open Education					
Assistant Vice President	Republic of China	CHEN, HUI-CHEN	Female	2022/10/03	0	0%	0	0%	0	0%	Master of Banking and Finance, National Chung Hsing University					
Assistant Vice President	Republic of China	LEE, SHU-YU	Female	2022/05/03	0	0%	0	0%	0	0%	Department of Business Administration, National Central University					
Vice President	Republic of China	TANG, WEN-JI	Female	2011/05/02	0	0%	0	0%	0	0%	Department of International Trade, Fu Jen Catholic University					
Vice President	Republic of China	ZHANG, REN-FANG	Male	2013/09/01	0	0%	0	0%	0	0%	Master of Business Administration, National Kaohsiung First University of Science and Technology					
Vice President	Republic of China	CAO, HOU-SHENG	Male	2004/08/02	0	0%	0	0%	0	0%	Master of Labour Research, National Chengchi University					
Senior Vice President	Republic of China	LEE, MU-XIAN	Male	2022/02/15	0	0%	0	0%	0	0%	Department of Law, Fu Jen Catholic University					
Vice President	Republic of China	CHEN, ZHI-SHAN	Male	2014/03/03	0	0%	0	0%	0	0%	Department of Business Administration, Ming Chuan University					

Title	Nationality	Name	Gender	Date of appointment (start of office)	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Major career (academic) achievements	Positions concurrently serving in other companies	Managerial officers with whom are spousal or related within 2nd degree kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant President	Vice Republic of China	HUANG, MIAO-YIN	Female	2017/06/02	459	0%	0	0%	0	0%	Department of Accounting and Statistics, Overseas Chinese University					
Vice President	Republic of China	HAI, YAN	Female	2011/09/01	0	0%	0	0%	0	0%	Department of Banking & Insurance, Feng Chia University					
Assistant President	Vice Republic of China	YEH, YU-CHING	Female	2023/03/14	0	0%	0	0%	0	0%	Department of Financial Engineering and Actuarial Mathematics, Soochow University					
Assistant President	Vice Republic of China	HUANG, CHUN-WEI	Male	2022/11/11	0	0%	0	0%	0	0%	Department of Finance, Shih Chien University					
Assistant President	Vice Republic of China	WANG, HSIANG	Male	2022/03/15	0	0%	0	0%	0	0%	Department of Money and Banking, National Kaohsiung University of Science and Technology					
Assistant President	Vice Republic of China	YEH, TING-SHENG	Male	2022/03/01	0	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University					
Vice President	Republic of China	LIN, JING-WEN	Male	2011/06/28	0	0%	0	0%	0	0%	Department of Business Administration, National Taipei College of Business					
Vice President	Republic of China	ZHENG, YU-CHANG	Male	2003/06/23	1,082	0%	0	0%	0	0%	Department of Applied Mathematics, Chung Yuan Christian University					
Vice President	Republic of China	DENG, XUE-REN	Male	2015/01/07	0	0%	0	0%	0	0%	MBA, Central Missouri State University					
Senior President	Vice Republic of China	PAN, HUI-MEI	Female	1999/08/01	12,540	0%	0	0%	0	0%	MBA, University of South Carolina					

### 3. Remuneration of Directors, President and Vice Presidents

(1) Names and distribution details of remuneration for directors (including independent directors), supervisors, president, and vice presidents, as well as managerial officers in charge of the distribution of employee compensation:

#### 1. Remuneration of Directors and Independent Directors (disclosing individual names and remuneration methods)

Title	Name	Remuneration to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income		Remuneration from ventures other than subsidiaries or from the parent company				
		Remuneration (A)		Severance Pay (B)		Directors Remuneration (C)		Professional Practice (D)				Salary, Bonus, and Special Allowance (E)		Severance Pay (F)		Employee Remuneration (G)										
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements			The Company	All companies in the financial statements		
																		Cash	Stock	Cash	Stock					
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	18,682	18,682	-	-	4,373	4,373	1,126	1,166	24,181	24,221	2.88%	2.88%	-	-	-	-	140	-	140	-	24,321	24,361	2.89%	2.90%	None
Director	Yin Feng Enterprise Co., Ltd. Representative: CHING-TSUN LIU.	-	-	-	-	1,457	1,457	150	310	1,607	1,767	0.19%	0.21%	-	-	-	-	-	-	-	-	1,607	1,767	0.19%	0.21%	None
Vice Chairman	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	8,913	8,913	108	108	2,915	2,915	492	492	12,428	12,428	1.48%	1.48%	-	-	-	-	140	-	140	-	12,568	12,568	1.50%	1.50%	None

#### 2. Remuneration of Directors and Independent Directors (disclosing names in a summarized manner according to the range)

Title	Name	Remuneration to Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income		Remuneration from ventures other than subsidiaries or from the parent company				
		Remuneration (A)		Severance Pay (B)		Directors Remuneration (C)		Professional Practice (D)				Salary, Bonus, and Special Allowance (E)		Severance Pay (F)		Employee Remuneration (G)										
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements			The Company	All companies in the financial statements		
																		Cash	Stock	Cash	Stock					
Director	Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN(Note 2) · TSENG, CHUN-HAO(Note 3)	-	-	-	-	7,287	7,287	660	675	7,947	7,962	0.95%	0.95%	9,900	11,592	53	65	-	-	141	-	17,900	19,760	2.13%	2.35%	None
	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHIYI																									
	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING																									
	Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO(Note 4) · TUNG, CHIH-HSIANG(Note 5)																									
Independent Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN																									
	SHEA, JIA-DONG																									
	LEE, SHEN-YI	1,800	1,800	-	-	4,372	4,372	770	815	6,942	6,987	0.83%	0.83%	-	-	-	-	-	-	-	-	6,942	6,987	0.83%	0.83%	None
	SU, PING-CHANG(Note 6)																									
Independent Director	LIN, TSALM-HSIANG(Note 7)																									

1. The remuneration policy, system, standards, and structure for Independent Directors are as follows: The remuneration of Independent Directors in the Company is determined based on market and industry salary levels, following industry norms as a guideline principle. It takes into account each Independent Director's individual performance, level of involvement in company operations, responsibilities, achievement of company operational goals, and the financial condition of the Company. These factors are evaluated to assess the correlation between individual performance and the overall operational performance of the Company, as well as future risks. The remuneration of Independent Directors is reviewed and approved by the Remuneration and Remuneration Committee, and then approved by the Board. The Remuneration and Remuneration Committee periodically assesses the remuneration of Independent Directors and reviews the remuneration system in line with the actual operating conditions and relevant regulations, aiming to achieve a balance between sustainable business operations and risk management.

2. In addition to the disclosure in the table above, the remuneration received by Directors for providing services in the latest fiscal year (such as serving as consultants for the parent company/all companies within the financial reports/ non-employee advisory roles in investee companies): Mr. CHIA, CHUNG-TAO resigned as General Manager on August 24, 2022, and assumed the position of Chairman of the company's subsidiary, Guanyi Futures, on August 25, 2022. The remuneration disclosed includes the remuneration received during the period of serving as Chairman of the futures company within the consolidated financial statements.

Note 1: Driver remuneration is 941 thousand dollars.  
 Note 2: Dismissed on June 26, 2022.  
 Note 3: Appointed on June 27, 2022.  
 Note 4: Dismissed on June 26, 2022.  
 Note 5: Appointed on June 27, 2022.  
 Note 6: Dismissed on June 26, 2022.  
 Note 7: Appointed on June 27, 2022.

## Remuneration Scale

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the financial statements H	The Company	Companies in the financial statements I
Below 1,000,000	-	-	-	-
1,000,000 (inc.) ~ 2,000,000 (exc.)	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN, TSENG, CHUN-HAO Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO, TUNG, CHIH-HSIANG Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SU, PING-CHANG, LIN, TSALM-HSIANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN, TSENG, CHUN-HAO Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO, TUNG, CHIH-HSIANG Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SU, PING-CHANG, LIN, TSALM-HSIANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN, TSENG, CHUN-HAO Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Hung Lung Enterprise Co., Ltd. Representative: HUNG, TSUNG-YEN, SU, PING-CHANG, LIN, TSALM-HSIANG	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Kwang Hsing Industrial Co., Ltd. Representative: TING, HSUEH-WEN, TSENG, CHUN-HAO Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN, SU, PING-CHANG, LIN, TSALM-HSIANG
2,000,000 (inc.) ~ 3,500,000 (exc.)	SHEA, JIA-DONG, LEE, SHEN-YI	SHEA, JIA-DONG, LEE, SHEN-YI	SHEA, JIA-DONG, LEE, SHEN-YI	SHEA, JIA-DONG, LEE, SHEN-YI
3,500,000 (inc.) ~ 5,000,000 (exc.)	-	-	-	-
5,000,000 (inc.) ~ 10,000,000 (exc.)	-	-	-	-
10,000,000 (inc.) ~ 15,000,000 (exc.)	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO, TUNG, CHIH-HSIANG	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Hung Lung Enterprise Co., Ltd. Representative: CHIA, CHUNG-TAO, TUNG, CHIH-HSIANG
15,000,000 (inc.) ~ 30,000,000 (exc.)	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH
30,000,000 (inc.) ~ 50,000,000 (exc.)	-	-	-	-
50,000,000 (inc.) ~ 100,000,000 (exc.)	-	-	-	-
Over 100,000,000	-	-	-	-
Total	11	11	11	11

### 3. Remuneration for president and vice presidents (names and methods are disclosed on a consolidated basis with the corresponding brackets)

Title	Name	Salary (A)		Pension (B)		Bonus and Special Allowance (C)		Employee Remuneration (D)				Sum of A, B, C and D as a percentage of net income		Remuneration from reinvestment businesses or parents other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Shares Amount	Cash Amount	Shares Amount			
CSO	WANG, JIUNN-CHIH													
Chief of Staff	CHANG, CHIH-MING (Note 2)													
President	CHIA, CHUNG-TAO (Note 3)													
President	LEE, WEN-CHU (Note 4)													
Executive Vice President	CHEN, MING-SHING (Note 5)	32,182	34,515 (Note 9)	8,892 (Note 8)	8,892 (Note 8)	87,980 (Note 9)	78,309	1,956		1,956 (Note 9)		121,339	133,343	N/A
Executive Vice President	HUANG, CHIH-MING													(Note 9)
Executive Vice President	FANG, CHIH-HUNG													
Executive Vice President	ZHANG, PEI-WEN													
Executive Vice President	QIU, JIAN-HUA													
Executive Vice President	CHOU, HSIEN-YANG (Note 6)													
Executive Vice President	TAN, TE-CHENG (Note 7)													
Senior Executive Vice President	YANG, JIE-BIN													
Executive Vice President	ZHANG, JIA-WEN													
Executive Vice President	LAI, JUN-FU													
Executive Vice President	LIN, YAN-FEN													
Executive Vice President	WANG, JUAN-HUI													
Executive Vice President	MA, JIA-HUAN													

Note 1: Remuneration paid to the driver was NTS715,000

Note 2: Dismissed on March 1, 2023.

Note 3: Dismissed on August 25, 2022.

Note 4: Appointed on August 25, 2022.

Note 5: Leave of absence without pay on June 10, 2022.

Note 6: Appointed on February 1, 2022.

Note 7: Retired on February 1, 2022.

Note 8: The actual retirement benefits paid in 2022 were 7,548,677 dollars; the allocated amount for retirement benefits cost was 1,343,700 dollars.

Note 9: Includes the total amount of remuneration received by the Company's President LEE, WEN-CHU during his tenure at Capital Futures (January 1, 2022 - August 24, 2022).

## Remuneration bracket table

Range of remunerations to the President and Executive Vice Presidents	Sum of the first 4 items (A+B+C+D)	
	The Company	All companies in the financial statements E
Less than NT\$1,000,000	WANG, JIUNN-CHIH, CHANG, CHIH-MING	WANG, JIUNN-CHIH, CHANG, CHIH-MING
NT\$1,000,000 (included) ~ NT\$2,000,000 (not included)	-	-
NT\$2,000,000 (included) ~ NT\$3,500,000 (not included)	LEE, WEN-CHU, CHOU, HSIEN-YANG	CHOU, HSIEN-YANG
NT\$3,500,000 (included) ~ NT\$5,000,000 (not included)	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, QIU, JIAN-HUA, LAI, JUN-FU, WANG, JUAN-HUI	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, QIU, JIAN-HUA, LAI, JUN-FU, WANG, JUAN-HUI
NT\$5,000,000 (included) ~ NT\$10,000,000 (not included)	ZHANG, PEI-WEN, TAN, TE-CHENG, LIN, YAN-FEN	ZHANG, PEI-WEN, TAN, TE-CHENG, LIN, YAN-FEN
NT\$10,000,000 (included) ~ NT\$15,000,000 (not included)	CHIA, CHUNG-TAO, ZHANG, JIA-WEN	CHIA, CHUNG-TAO, LEE, WEN-CHU, ZHANG, JIA-WEN
NT\$15,000,000 (included) ~ NT\$30,000,000 (not included)	YANG, JIE-BIN, MA, JIA-HUAN	YANG, JIE-BIN, MA, JIA-HUAN
NT\$30,000,000 (included) ~ NT\$50,000,000 (not included)	-	-
NT\$50,000,000 (included) ~ NT\$100,000,000 (not included)	-	-
NT\$100,000,000 or more	-	-
Total	17	17

## 4. Names of the managers distributing employee remuneration, and the status of distribution

March 31, 2023

	Title	Name	Shares amount	Cash amount	Total	Total amount as a percentage of net income after tax (%)
Managers	CSO	WANG, JIUNN-CHIH				
	President	LEE, WEN-CHU				
	Senior Executive Vice President	YANG, JIE-BIN				
	Executive Vice President	CHEN, MING-SHING, HUANG, CHI-MING, FANG, CHIH-HUNG, ZHANG, PEI-WEN, QIU, JIAN-HUA, CHOU, HSIEN-YANG, ZHANG, JIA-WEN, LAI, JUN-FU, LIN, YAN-FEN, WANG, JUAN-HUI, HUNG, SHIN-RU, MA, JIA-HUAN				
	Senior Vice President	CHANG, TUN-FU, HO, YU-WEN, PAN, HUI-MEI				
	Senior Vice President	LIN, JING-HUA, XIE, XIU-YING, WANG, YA-FANG, WU, YUN-WEN, LIN, CHAO-HSU, YAO, MING-QING, KUO, NIEN-CHING, XU, TSUI-YUN, CHIU, TSAN-HSI, CHEN, PEI-QI, ZHENG, YU-LING				
	Senior Vice President	LIN, BO-WEI, CHANG, LI-FEN, LIU, SHU-RU, XIE, HUI-YA, KAN, KAI-CHUNG, CHEN, YI-REN, TSENG, MEI-LING, ZHANG, JING-YAO, TU, TSUNG-EN, CHANG, YU-CHING, YE, YU-ZHEN, HUANG, ZHI-HUA, ZHANG, XUE-HE, MA, SHAO-HONG, HUANG, YI-LIAN, LIU, HSIANG-LI, LEE, KUEI-JUNG, LI, MU-XIAN	0	13,552	13,552	1.61%
	Vice President	LAI, AI-WEN, WU, HONG-ZHI, CHANG, CHUN-FU, ZHAO, ZHI-MING, LI, XIANG-JUN, PENG, GUI-CONG, YU, XIAO-MEI, KAI, SHI-HUA, YEN, CHIA-YUEH, CHEN, XUAN-ZHI, XU, LI-FEN, CAI, QING-FEN, CHEN, LI-ZHUN, CHEN, MEI-RU, TANG, WEN-JI, ZHANG, REN-FANG, CAO, HOU-SHENG, CHEN, ZHI-SHAN, HAI, YAN, LIN, JING-WEN, ZHENG, YU-CHANG, DENG, XUE-REN				
	Assistant Vice President	LIU, PIN-CHEN, WU, QING-YAN, CHUNG, YI-CHIEN, YANG, YAN-QIU, WU, CHEN-YI, LEE, SHU-YU,				
	Assistant Vice President	CHENG, YA-YUN, CHEN, WEI-CHIH, WANG, HSIN-HUI, CHOU, YUN-AN, WU, CHI-YING, TIEN, CHIH-MIN, HUANG, SHIH-CHUNG, CHUANG, YUNG-CHIEH, LIN, CHANG-TZU, KU, PEI-CHING, YANG, KUN-LONG, TSAI, HSIN-TALLI, CHIH-CHIANG, WU, FEN-FANG, FANG, PO-HSIANG, FU, CHENG-HUI, CHEN, HUI-CHEN, HUANG, MIAO-YIN, YEH, YU-CHING, HUANG, CHUN-WEI, WANG, HSIANG, YEH, TING-SHENG				
	Senior Manager	WU, WEI-HSIANG				

#### **(4) Percentage of remuneration paid to the Company's Directors, Supervisors, President and Executive Vice Presidents relative to net income; describe the remuneration policy and association with business performance**

The total amounts of the remuneration paid by the Company to directors, the President and vice presidents in 2021 and 2022 accounted respectively for the following percentages of net income after tax:

(1) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2021 accounted for 2.62% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2021 accounted for 2.59% of the annual net income after tax.

(2) The total amount of remuneration, travel allowance and attendance fee paid to the Company's directors in 2022 accounted for 6.32% of the annual net income after tax. The total amount of remuneration paid to the President and vice presidents in 2022 accounted for 14.44% of the annual net income after tax.

(3) The proportion of remuneration distributed to the directors and managerial officers of the Company is pursuant to Article 20 of the Company's Articles of Incorporation. If there is a profit of a year, 0.6% to 2% shall be appropriated as employee's remuneration, and no more than 3% shall be appropriated as directors' remuneration.

(4) Based on the market and industrial pay level, the remuneration paid to the directors of the Company is in principle on the general level in the industry. It also takes into account the personal performance of each director, the degree of his/her participation in and contribution to the operations of the Company and the responsibility assumed by him/her, the status of achievement of the Company's operational objectives and the financial condition of the Company in order to assess the reasonableness of the relevance between the overall operating performance and future risks on personal and company levels. The remuneration for directors has been reviewed by the Remuneration Committee and processed by the Board of Directors. The Remuneration Committee regularly assesses the remuneration for directors and reviews, whenever appropriate, the remuneration system depending on the actual operating status and applicable laws and regulations to achieve sustainable management of the Company and balanced risk control.

(5) The remuneration of the Company's managerial officers includes salary and bonuses. The salary is determined by referring to the level of the peers' level, and job title, rank, educational/industrial background, professional ability and job responsibilities. For the bonus, the managerial officers' performance evaluation is taken into account, including financial indicators (such as earnings achievement rate, earnings growth rate, securities market share growth rate, wealth management achievement rate, cumulative profit achievement rate, operating expense control rate) and non-financial indicators (such as business planning, leadership, working efficiency, professional knowledge, characters and working attitude, compliance with laws and regulations, and risk control). The managerial officers' remuneration are reviewed by the Remuneration Committee and deliberated by the Board of Directors.

## **4. Implementation of Corporate Governance**

### **(1) Information on Operation of the Board of Directors**

#### **1. Operation of the Board of Directors**

In the most recent year (2022.1.1~2022.6.26 Board meeting 4 times, 2022.6.27~2023.3.31 Board meeting 8 times), the Director attended the following meetings:

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】 (Note 2)	Remarks
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH	11	1	92%	Re-elected Election date 2022.6.27
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	12	0	100%	Re-elected Election date 2022.6.27
Director	Yin Feng Enterprise Co., Ltd. Representative: LEE, WEN-CHU	1	0	100%	Newly elected Appointment date 2023.3.29
Director	Hung Lung Enterprise Co., Ltd. Representative: CHEN TONG, CHIE-SHIANG	8	0	100%	Newly elected Election date 2022.6.27
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	6	6	50%	Re-elected Election date 2022.6.27

Title	Name (Note 1)	Attendance in Person (B)	By Proxy	Attendance Rate (%) [ B/A ] (Note 2)	Remarks
Director	Hung Lung Enterprise Co., Ltd. Representataive: TSAI, I-CHING	12	0	100%	Re-elected Election date 2022.6.27
Director	Kwang Hsing Industrial Co., Ltd. Representataive: CHANG, YI-PING	2	0	100%	Newly elected Appointment date 2023.2.10
Director	Tai He Real Estate Management Co., Ltd. Representataive: LI, MENG-CHING	2	0	100%	Newly elected Appointment date 2023.2.10
Independent Director	SHEA, JIA-DONG	12	0	100%	Re-elected Election date 2022.6.27
Independent Director	LEE, SHEN-YI	12	0	100%	Re-elected Election date 2022.6.27
Independent Director	LIN, TSALM-HSIANG	8	0	100%	Newly elected Election date 2022.6.27
Former Director	Hung Lung Enterprise Co., Ltd. Representataive: CHIA, CHUNG-TAO	4	0	100%	Former Election date 2022.6.27
Former Director	Kwang Hsing Industrial Co., Ltd. Representataive: DING HSUEH-WEN	0	4	0%	Former Election date 2022.6.27
Former Director	Kwang Hsing Industrial Co., Ltd. Representataive: TSENG CHUN-HAO	6	0	100%	Former Appointment date 2023.2.10
Former Director	Tai He Real Estate Management Co., Ltd. Representataive: HUNG TSUNG-YEN	8	2	80%	Former Appointment date 2023.2.10
Former Director	Yin Feng Enterprise Co., Ltd. Representataive: CHANG, CHIH-MING	10	1	91%	Former Appointment date 2023.3.29
Former Independent Director	SU, PING-CHANG	4	0	100%	Former Election date 2022.6.27

Note 1: For Directors and Supervisors who are legal entities, the names of the shareholders of the legal entity and their representatives should be disclosed.

Note 2:(1) If any Directors or Supervisors resigned before the end of the fiscal year, the resignation date should be indicated in the remarks column. The actual attendance rate (%) should be calculated based on the number of Board meetings held during their tenure and their actual attendance.

(2) If there were changes in Directors or Supervisors during the fiscal year, both the outgoing and incoming Directors or Supervisors should be listed, and the remarks column should indicate whether they are outgoing, incoming, reelected, or newly elected, along with the election date. The actual attendance rate (%) should be calculated based on the number of Board meetings held during their tenure and their actual attendance.

Other matters to be disclosed:

1. In the operation of the Board, if any of the following situations occur, the disclosure should include the date of the Board meeting, session, agenda items, opinions of all Independent Directors, and the Company's handling of those opinions:
  - (a) Matters listed in Article 14-3 of the Securities and Exchange Act: As the Company has established an audit committee, this item is not applicable in accordance with Article 14-5 of the Securities and Exchange Act.
  - (b) Other Board resolutions on which Independent Directors expressed opposition or reservation and there are records or written statements of such opinions: None.
2. The implementation of Directors' avoidance from stakeholder matters should include the Directors' names, agenda items, reasons for avoidance due to conflicts of interest, and their participation in the voting.
  - (1) The 17th Meeting of the 11th Board held on January 20, 2022
    - (a) Agenda: Performance Evaluation Results of Managers and Above for the Year 2021.  
Reason for avoidance: WANG, JIUNN-CHIH (Chairman), CHANG, CHIH-MING (Vice Chairman), CHIA, CHUNG-TAO (Director and President) abstained from the discussion and voting as they are stakeholders in this matter.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, and was presided over by LIU, CHING-TSUN Director) consulted the other attending Directors and approved the matter.
    - (b) Agenda: Disbursement of Year-end Bonuses to Managers and Above for the Year 2021.  
Reason for avoidance: WANG, JIUNN-CHIH (Chairman), CHANG, CHIH-MING (Vice Chairman), CHIA, CHUNG-TAO (Director and President) abstained from the discussion and voting as they are stakeholders in this matter.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, and was presided over by LIU, CHING-TSUN Director) consulted the other attending Directors and approved the matter.

- (2) The 18th Meeting of the 11th Board held on March 14, 2022
- (a) Agenda: Disbursement of Festival Bonuses to Managers and Above for the Second Half of 2021.  
Reason for avoidance: WANG, JIUNN-CHIH (Chairman), CHANG, CHIH-MING (Vice Chairman), CHIA, CHUNG-TAO (Director and President) abstained from the discussion and voting as they are stakeholders in this matter.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, and was presided over by LIU, CHING-TSUN Director) consulted the other attending Directors and approved the matter.
- (b) Agenda: The Company's overseas re-investment business, CSC Securities (HK) Ltd., intends to continue applying for a short-term financing amount of USD 10 million from its parent company, CSC International Holdings Ltd.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC International Holdings Ltd., and the legal representative of CSC International Holdings Ltd., which is a juristic person director of CSC Securities (HK) Ltd., and is a stakeholder in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (c) Agenda: The subsidiary, CSC International Holdings Ltd., in response to business funding needs, intends to issue a Letter of Comfort for its application for a credit limit renewal with Cathay United Bank.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC International Holdings Ltd., and is a stakeholder in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (d) Agenda: The Company's re-investment business, Capital Futures Corp., intends to reassign its legal representative to the re-investment businesses, Capital International Technology Corp., Capital True Partner Technology Co., Ltd. and Capital Futures Technology (Shanghai) Co., Ltd.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman and LIU, CHING-TSUN Director are the legal representatives of Capital Securities Corporation, which is a juristic person director of Capital Futures Corp., and are stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (3) The 19th Meeting of the 11th Board held on May 12, 2022
- (a) Agenda: The subsidiary, CSC Securities (HK) Ltd., in response to business funding needs, intends to issue a Letter of Comfort for its application for a credit limit renewal with Cathay United Bank and another financial institution.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of CSC International Holdings Ltd., which is a juristic person director of CSC Securities (HK) Ltd., and is a stakeholder in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (b) Agenda: The distribution of remuneration for the Company's Directors in 2021.  
Reason for avoidance: All Directors and Independent Directors are stakeholders in this case. When reviewing the remuneration of Independent Directors, all three Independent Reason for avoidance; when reviewing the remuneration of each Director, all other Reason for avoidance except the three Independent Directors.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LEE, SHEN-YI Independent Director) consulted the other attending Directors and it was passed without objection.
- (c) Agenda: The Company's 2021 employee compensation (cash) payment.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman, CHANG, CHIH-MING Vice Chairman, CHIA, CHUNG-TAO Director and President, recused as a stakeholder in this case.  
Voting situation: The case was approved by the Chairman (WANG, JIUNN-CHIH Chairman recused himself and was chaired by LEE, SHEN-YI Independent Director) consulted the other attending Directors and it was passed without objection.
- (d) Agenda: In response to business needs, it was proposed to reassign the Director list of the Company's re-investment business.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC International Holdings Ltd., and the legal representative of CSC International Holdings Ltd., which is a juristic person director of CSC Securities (HK) Ltd., and the legal representative of Capital Futures Corp., which is a juristic person director of CSC Futures (HK) Ltd.; CHANG, CHIH-MING Vice Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC Capital Management Co., and is the legal representative of CSC Capital Management Co., which is a juristic person director of CSC Private Equity Fund I Co.; They are stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LIU, CHING-TSUN Director) consulted the other attending Directors and it was passed without objection.
- (e) Agenda: The list of Director (including Independent Director) candidates to be nominated at the Company's 2022 annual general meeting.  
Reason for avoidance: All nominated candidates such as WANG, JIUNN-CHIH Chairman, CHANG, CHIH-MING Vice Chairman, LIU, CHING-TSUN Director, KUO, YUH-CHYI Director, TSAI, I-CHING Director, HUNG, TSUNG-YEN Director, SHEA, JIA-DONG Independent Director, LEE, SHEN-YI Independent Director, etc. abstained one by one when their personal qualifications were reviewed.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

- (f) Agenda: The proposal to lift the restriction on competition for the nominated Directors of the 12th Board.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman, LIU, CHING-TSUN Director are stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

(4) The 1st Extraordinary Meeting of the 12th Board held on June 27, 2022

- (a) Agenda: The Company's proposal for the appointment of the 5th salary and remuneration committee members.  
Reason for avoidance: LEE, SHEN-YI Independent Director, LIN, TSALM-HSIANG Independent Director are stakeholders in this case.  
Voting situation: The chairman consulted the other attending Directors and it was passed without objection.
- (b) Agenda: Mr. TSENG, CHUN-HAO, the legal representative of Kwang Hsing Industrial Co., Ltd., which is a corporate director of the Company, intends to concurrently serve as the legal representative of Kwang Yang Motor Co., Ltd., which is a corporate director of Capital Investment Trust Corp., intends to apply for approval from the Financial Supervisory Commission after the concurrent appointment is effective.  
Reason for avoidance: TSENG, CHUN-HAO Director is a stakeholder in this case.  
Voting situation: The chairman consulted the other attending Directors and it was passed without objection.

(5) The 1st Meeting of the 12th Board held on July 25, 2023

- (a) Agenda: For the business capital needs of the subsidiary, CSC Securities (HK) Ltd., it was proposed to issue a Letter of Comfort for its application for a credit limit renewal case to Far Eastern Bank and other three financial institutions.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of CSC International Holdings Ltd., which is a juristic person director of CSC Securities (HK) Ltd., and is a stakeholder in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (b) Agenda: The appointment case for the directors and supervisors in the 3rd Board and the president of Capital Futures Technology (Shanghai) Co., Ltd., which is the re-investment business of our subsidiary, Capital Futures Corp.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman and LIU, CHING-TSUN Director are legal representatives of Capital Securities Corporation, which is a juristic person director of Capital Futures Corp., and are stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

(6) The 2nd Meeting of the 12th Board held on August 25, 2022

- (a) Agenda: Proposal to reassign the representative of a juristic person director of Capital Futures Corp., which is a re-investment business of the Company.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman and LIU, CHING-TSUN Director are the legal representatives of Capital Securities Corporation, which is a juristic person director of Capital Futures Corp., and are stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.
- (b) Agenda: Capital Futures Corp., the Company's re-investment business, intends to reassign the legal representatives of of its re-investment businesses, including CSC Futures (HK) Ltd., Capital International Technology Corp., Capital Futures Technology (Shanghai) Co., Ltd., and Capital True Partner Technology Co., Ltd.  
Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of Capital Futures Corp., and the legal representative of Capital Futures Corp., which is a juristic person director of and CSC Futures (HK) Ltd.; LIU, CHING-TSUN Director is the legal representative of Capital Securities Corporation, which is a juristic person director of Capital Futures Corp., and they were stakeholders in this case.  
Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

- (c) Agenda: Proposal to reassign the representative of a juristic person director and the president of CSC Venture Capital Corp., which is a re-investment business of the Company.

Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC Venture Capital Corp., and is a stakeholder in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

(7) The 3rd Meeting of the 12th Board held on November 10, 2022

- (a) Agenda: The Company's Derivative Department and Proprietary Trading Department Futures Proprietary Trading Division intend to apply for the approval to trade the stocks of substantial interest parties issued in the securities business, and to handle loans in the securities business, unrestricted purpose loans, and business transactions with substantial interest parties under the "Management Rules for Transactions with Substantial Interest Parties" from November 11, 2022, to March 31, 2023, (hereinafter referred to as "Substantial Interest Parties Transaction Management Rules") as defined in Article 2 (hereinafter referred to as "Related Subjects"), and matters related to the commodities linked to them.  
Reason for avoidance: LEE, SHEN-YI Independent Director is the Director of Nan Ya Plastics Corp. and PharmaEssentia Corp., and the Independent Director of WIN Semiconductors Corp., and is a stakeholder in this case.  
Voting situation: The chairman consulted the other attending Directors and it was passed without objection.

(8) The 4th Meeting of the 12th Board held on January 12, 2023

- (a) Agenda: In response to the Company's Brokerage Department's establishment of a Digital Business Division, it was proposed to plan to rent a property from "Fu Tai Construction Co., Ltd" for office use.

Reason for avoidance: CHANG, CHIH-MING Vice Chairman is the Chairman of Fu Tai Construction Co., Ltd; In addition, the juristic person directors of the Company, including Yin Feng Enterprise Co., Ltd., Hung Lung Enterprise Co., Ltd., and Tai He Real Estate Management Co., Ltd., are stakeholders of Fu Tai Construction Co., Ltd, and their representatives WANG, JIUNN-CHIH Chairman, CHANG, CHIH-MING Vice Chairman, LIU, CHING-TSUN Director, CHEN TONG, CHIE-SHIANG Director, KUO, YUH-CHYI Director (represented by CHANG, CHIH-MING Vice Chairman), TSAI, I-CHING Director, and HUNG, TSUNG-YEN Director, are stakeholders in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by SHEA, JIA-DONG Independent Director) consulted the other attending Directors and it was passed without objection.

- (b) Agenda: The appointment of the members of the Company's first Sustainability Committee and the proposal for attendance fees.

Reason for avoidance: WANG, JIUNN-CHIH Chairman, SHEA, JIA-DONG Independent Director, and LIN, TSALM-HSIANG Independent Director are stakeholders in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by CHANG, CHIH-MING Vice Chairman) consulted the other attending Directors and it was passed without objection.

- (c) Agenda: In response to business needs, it was proposed to reassign the Company's list of Supervisors for the invested businesses.

Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC Venture Capital Corp.; CHANG, CHIH-MING Vice Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC Capital Management Co., and the legal representative of CSC Capital Management Co., which is a juristic person director of CSC Private Equity Fund I Co. They are stakeholders in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LIU, CHING-TSUN Director) consulted the other attending Directors and it was passed without objection.

(9) The 5th Meeting of the 12th Board held on March 13, 2023

- (a) Agenda: In response to the business capital needs of CSC International Holdings Ltd., which is a subsidiary of the Company, it was proposed to issue a Letter of Comfort for its application for credit line renewal from Cathay United Bank.

Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC International Holdings Ltd. and is the stakeholder in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LEE, SHEN-YI Independent Director) consulted the other attending Directors and it was passed without objection.

- (b) Agenda: In response to the business capital needs of CSC Securities (HK) Ltd., which is a subsidiary of the Company, it was proposed to issue a Letter of Comfort for its application for credit line renewal from Taishin Bank Hong Kong Branch.

Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC Securities (HK) Ltd. and is the stakeholder in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LEE, SHEN-YI Independent Director) consulted the other attending Directors and it was passed without objection.

- (c) Agenda: CSC Securities (HK) Ltd., which is an overseas re-investment business of the Company, proposed to continue applying for a short-term credit line of USD 10 million from CSC International Holdings Ltd., which is its parent company.

Reason for avoidance: WANG, JIUNN-CHIH Chairman is the legal representative of Capital Securities Corporation, which is a juristic person director of CSC International Holdings Ltd., and the legal representative of CSC International Holdings Ltd., which is a juristic person director of CSC Securities (HK) Ltd., and is the stakeholder in this case.

Voting situation: The chairman (in this case WANG, JIUNN-CHIH Chairman abstained, presided over by LEE, SHEN-YI Independent Director) consulted the other attending Directors and it was passed without objection.

3. TWSE/TPEX listed companies shall disclose information on the evaluation period and duration, scope, method, and content of the evaluation conducted by the Board itself (or peer), and fill in Attachment Two (2) Implementation of the Board of Directors' Evaluation.

4. The objectives of enhancing the Board's function in the current and recent years (for example, establishing an audit committee, improving transparency, etc.) and the evaluation of the execution situation.

- (1) To strengthen the Board's function, the Company has set up functional committees under the Board, such as the Remuneration Committee, Risk Management Committee, Audit Committee, and Sustainability Development Committee. Following international corporate governance trends and regulatory requirements, we will continue to strengthen the Board's structure and operation in the Company's corporate governance, fully utilizing the professionalism and independence of the Directors.

- (2) To implement corporate governance and enhance the function of the Board and functional committees, the Company passed the "Board and Functional Committee Performance Evaluation Guidelines" at the 6th Director Meeting on March 26, 2020 of the 11th term, and has conducted the Board performance evaluation annually since 2020.

## 2. Implementation of the Board of Directors' Evaluation

Evaluation Frequency (Note 1)	Perform once a year																
Evaluation Period (Note 2)	Performance evaluation from January 1, 2022, to December 31, 2022																
Scope of Evaluation (Note 3)	Board, Director members and functional committees (Audit Committee and Remuneration Committee)																
Evaluation Method (Note 4)	Self-assessment within the board, self-assessment of director members and self-assessment within functional committees																
Content of Evaluation and Result (Note 5)	<p>1. The performance evaluation of the Board includes the following five aspects, with a total of 41 evaluation items. All Directors and Independent Directors (a total of 11 people) conducted self-evaluations. The overall average score was 4.98 (out of a full score of 5). The overall evaluation results were all positive and affirmative. A summary of the evaluation aspects and comprehensive comments is as follows:</p> <table border="1"> <thead> <tr> <th>Evaluation Aspects</th> <th>Evaluation Items</th> </tr> </thead> <tbody> <tr> <td>1. Involvement in company operation</td> <td>12</td> </tr> <tr> <td>2. Improve the quality of Board's decision</td> <td>12</td> </tr> <tr> <td>3. Board composition and structure</td> <td>7</td> </tr> <tr> <td>4. Selection of Directors and Continuing Education</td> <td>4</td> </tr> <tr> <td>5. Internal Control</td> <td>6</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td style="text-align: center;">41</td> </tr> </tbody> </table> <p>General comments:                      1. Good performance.                      2. Smooth and good.                      3. The Board is fully functional.</p>	Evaluation Aspects	Evaluation Items	1. Involvement in company operation	12	2. Improve the quality of Board's decision	12	3. Board composition and structure	7	4. Selection of Directors and Continuing Education	4	5. Internal Control	6	Subtotal	41		
	Evaluation Aspects	Evaluation Items															
	1. Involvement in company operation	12															
	2. Improve the quality of Board's decision	12															
	3. Board composition and structure	7															
	4. Selection of Directors and Continuing Education	4															
	5. Internal Control	6															
	Subtotal	41															
	<p>2. The self-performance evaluation items for Director members include the following six aspects, with a total of 23 evaluation items. All Directors and Independent Directors (a total of 11 people) conducted self-evaluations. The overall average score was 4.94 (out of a full score of 5). The overall evaluation results were all positive and affirmative. A summary of the evaluation aspects and comprehensive comments is as follows:</p> <table border="1"> <thead> <tr> <th>Evaluation Aspects</th> <th>Evaluation Items</th> </tr> </thead> <tbody> <tr> <td>1. Mastery of company goals and tasks</td> <td>3</td> </tr> <tr> <td>2. Knowledge of the responsibilities of a director</td> <td>3</td> </tr> <tr> <td>3. Involvement in company operation</td> <td>8</td> </tr> <tr> <td>4. Internal relationship management and communication</td> <td>3</td> </tr> <tr> <td>5. Professional and continuing education of directors</td> <td>3</td> </tr> <tr> <td>6. Internal control</td> <td>3</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td style="text-align: center;">23</td> </tr> </tbody> </table> <p>Suggestions and overall comments:                      1. If a new director takes office, give a brief introduction of the core values and strategies of the Company.                      2. Good performance.</p>	Evaluation Aspects	Evaluation Items	1. Mastery of company goals and tasks	3	2. Knowledge of the responsibilities of a director	3	3. Involvement in company operation	8	4. Internal relationship management and communication	3	5. Professional and continuing education of directors	3	6. Internal control	3	Subtotal	23
	Evaluation Aspects	Evaluation Items															
1. Mastery of company goals and tasks	3																
2. Knowledge of the responsibilities of a director	3																
3. Involvement in company operation	8																
4. Internal relationship management and communication	3																
5. Professional and continuing education of directors	3																
6. Internal control	3																
Subtotal	23																
<p>3. The performance evaluation of the Audit Committee comprises the following five dimensions, with a total of 22 evaluation items. All Independent Directors (a total of 3 people) conducted self-assessments. The overall average score was 5.00 (out of a full score of 5), and the comprehensive evaluation results were all positive and affirmative. The evaluation aspects and overall comments are summarized as follows:</p> <table border="1"> <thead> <tr> <th>Evaluation Aspects</th> <th>Evaluation Items</th> </tr> </thead> <tbody> <tr> <td>1. Involvement in company operation</td> <td>4</td> </tr> <tr> <td>2. Knowledge of the of the responsibilities of the Audit Committee</td> <td>5</td> </tr> <tr> <td>3. Enhancement of the quality of audit committee decisions</td> <td>7</td> </tr> <tr> <td>4. Composition and appointment of Audit Committee members</td> <td>3</td> </tr> <tr> <td>5. Internal Control</td> <td>3</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td style="text-align: center;">22</td> </tr> </tbody> </table> <p>Overall Comments:                      The audit committee functions quite well.</p>	Evaluation Aspects	Evaluation Items	1. Involvement in company operation	4	2. Knowledge of the of the responsibilities of the Audit Committee	5	3. Enhancement of the quality of audit committee decisions	7	4. Composition and appointment of Audit Committee members	3	5. Internal Control	3	Subtotal	22			
Evaluation Aspects	Evaluation Items																
1. Involvement in company operation	4																
2. Knowledge of the of the responsibilities of the Audit Committee	5																
3. Enhancement of the quality of audit committee decisions	7																
4. Composition and appointment of Audit Committee members	3																
5. Internal Control	3																
Subtotal	22																

4. The performance evaluation of the Remuneration Committee includes the following four dimensions, with a total of 18 evaluation items. All members (a total of 3) conducted self-assessments. The overall average score was 5.00 (out of a full score of 5), and the comprehensive evaluation results were all positive and affirmative. The evaluation aspects and overall comments are summarized as follows:

Evaluation Aspects	Evaluation Items
1. Involvement in company operation	4
2. Knowledge of the responsibilities of the Remuneration Committee	4
3. Improving the quality of salary and Remuneration committee decisions	7
4. Composition and appointment of Remuneration Committee members	3
Subtotal	18
General Comments: None.	

Note 1: This field is for indicating the frequency of conducting the Board evaluation, for example, once per year.

Note 2: This field is for indicating the coverage period of the Board evaluation, for example, evaluating the performance of the Board from January 1, 2022, to December 31, 2022.

Note 3: The evaluation scope includes the Board, individual Director, and functional committees.

Note 4: The evaluation methods may include self-assessment within the Board, self-assessment by individual Director, peer evaluations, external professional organizations or experts, or other appropriate methods.

Note 5: The evaluation content should include, at a minimum, the following aspects:

- (1) Board performance evaluation, including involvement in company operation, decision-making quality of the Board, composition and structure of the Board, selection and continuous education of Directors, internal control, etc.
- (2) Individual Director member performance evaluation, including understanding of company goals and tasks, knowledge of the responsibilities of a director, involvement in company operation, internal relationship management and communication, professional expertise and continuous education of Directors, internal controls, etc.
- (3) Functional committee performance evaluation, including involvement in company operation, recognition of committee responsibilities, decision-making quality of the committee, composition and selection of committee members, internal controls, etc.

## (2) Information on Operations of Audit Committee

1 The Audit Committee of the Company is composed of all three Independent Directors. The main purpose of the Audit Committee is to oversee the following matters: (1) Reasonable presentation of the Company's financial statements; (2) Selection (or removal) and independence and performance assessment of the auditors; (3) Effective implementation of the Company's internal controls; (4) Compliance with relevant laws and regulations; (5) Control of existing or potential risks faced by the Company. The Audit Committee meets at least once per quarter and may convene additional meetings as needed.

2 In the most recent year from January 1, 2022, to June 26, 2022 the Audit Committee held 5 meetings, and from June 27, 2022, to March 31, 2023, it held 6 meetings, totaling 11 meetings (A). The attendance of Independent Directors is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	SHEA, JIA-DON	10	1	91%	Re-elected Election date 2022.6.27
Independent Director	LEE, SHEN-YI	11	0	100%	Re-elected Election date 2022.6.27
Independent Director	LIN, TSALM-HSIANG	6	0	100%	Newly elected Election date 2022.6.27
Former Independent Director	SU, PING-CHAN	5	0	100%	Former Election date 2022.6.27

Note 1: If there were Independent Directors who resigned before the year-end, their departure dates should be indicated in the remarks column. The actual attendance rate (%) should be calculated based on the number of Audit Committee meetings during their tenure and their actual attendance.

Note 2: If there were Independent Directors who were newly elected before the year-end, both the outgoing and incoming Independent Directors should be listed, and it should be indicated in the remarks column whether the Independent Director is outgoing, incoming, re-elected, or newly elected, along with the respective dates. The actual attendance rate (%) should be calculated based on the number of Audit Committee meetings during their tenure and their actual attendance.

Other matters to be disclosed:

1. The operation of the Audit Committee should include the following details in case of any of the following circumstances: the date and session of the Audit Committee meeting, agenda items, dissenting opinions from Independent Directors, reserved opinions or significant recommendations, resolutions of the Audit Committee, and the Company's response to the opinions of the Audit Committee.

1) Matters specified in Article 14-5 of the Securities and Exchange Act.

- i. The 14th Meeting of the 2nd Audit Committee held on January 10, 2022
  - a. Agenda: Retroactive approval of amendments to the "Internal Control System" and "Internal Audit Implementation Rules" based on external correspondence.  
Resolution of the Audit Committee: Approved for retroactive recognition.  
Company's response to the opinions of the Audit Committee: The case was approved for retroactive recognition after obtaining unanimous consent from all Directors during the 17th meeting of the 11th Board held on January 20, 2022.
  - b. Agenda: Changes in the Company's financial and accounting executives.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 17th meeting of the 11th Board held on January 20, 2022.
- ii. The 15th Meeting of the 2nd Audit Committee held on March 3, 2022
  - a. Agenda: "Internal Control System Statement" for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 18th meeting of the 11th Board held on March 14, 2022.
  - b. Agenda: Issuance of the "Anti-Money Laundering and Counter-Terrorist Financing Internal Control System Statement" in accordance with the "Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission."  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 18th meeting of the 11th Board held on March 14, 2022.
  - c. Agenda: Annual Business Report for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved with amendments.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 18th meeting of the 11th Board held on March 14, 2022.
- iii. The 16th Meeting of the 2nd Audit Committee held on March 14, 2022
  - a. Agenda: Individual and consolidated financial statements for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 18th meeting of the 11th Board held on March 14, 2022.
- iv. The 2nd Extraordinary Meeting of the 2nd Audit Committee held on April 7, 2022
  - a. Agenda: Proposal for the distribution of earnings for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 19th meeting of the 11th Board held on May 12, 2022.
- v. The 17th Meeting of the 2nd Audit Committee held on April 28, 2022
  - a. Agenda: "Internal Control System" and "Internal Audit Implementation Rules" amendments based on external correspondence for retrospective approval.  
Resolution of the Audit Committee: Approved for retrospective recognition.  
Company's response to the opinions of the Audit Committee: The case was approved for retrospective recognition after obtaining unanimous consent from all Directors during the 19th meeting of the 11th Board held on May 12, 2022.
  - b. Agenda: Compliance Risk Assessment Report for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 19th meeting of the 11th Board held on May 12, 2022.
  - c. Agenda: Comprehensive Anti-Money Laundering and Counter-Terrorist Financing Risk Assessment Report for the year 2021.  
Resolution of the Audit Committee: Deliberated and approved with amendments.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 19th meeting of the 11th Board held on May 12, 2022.
  - d. Agenda: Proposed amendments to certain provisions of the "Asset Acquisition or Disposal Processing Procedures."  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 19th meeting of the 11th Board held on May 12, 2022.
- vi. The 2nd Extraordinary Meeting of the 3rd Audit Committee held on July 21, 2022.
  - a. Agenda: Proposed investment of NT\$100 million in "Essence Venture Investment Limited Partnership."  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 1st meeting of the 12th Board held on July 25, 2022.

- vii. The 1st Meeting of the 3rd Audit Committee held on August 18, 2022
  - a. Agenda: "Internal Control System" and "Internal Audit Implementation Rules" amendments based on external correspondence for retrospective approval.  
Resolution of the Audit Committee: Approved for retrospective recognition.  
Company's response to the opinions of the Audit Committee: The case was approved for retrospective recognition after obtaining unanimous consent from all Directors during the 2nd meeting of the 12th Board held on August 25, 2022.
  - b. Agenda: Individual and Consolidated Financial Reports for the 2nd quarter of 2022, requesting retrospective approval.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 2nd meeting of the 12th Board held on August 25, 2022.
- viii. The 2nd Meeting of the 3rd Audit Committee held on November 8, 2022
  - a. Agenda: "Internal Control System" and "Internal Audit Implementation Rules" amendments based on external correspondence for retrospective approval.  
Resolution of the Audit Committee: Approved for retrospective recognition.  
Company's response to the opinions of the Audit Committee: The case was approved for retrospective recognition after obtaining unanimous consent from all Directors during the 3rd meeting of the 12th Board held on November 10, 2022.
  - b. Agenda: Development of the Internal Audit Plan for the year 2023.  
Resolution of the Audit Committee: Approved after amendment and deliberation.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 3rd meeting of the 12th Board held on November 10, 2022.
  - c. Agenda : Consolidated Financial Reports for the third quarter of 2022.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 3rd meeting of the 12th Board held on November 10, 2022.
  - d. Agenda : Evaluation of the independence of the CPAs  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 3rd meeting of the 12th Board held on November 10, 2022.
  - e. Agenda : CPAs remuneration for the year 2023.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all Directors during the 3rd meeting of the 12th Board held on November 10, 2022.
- ix. The 3rd Meeting of the 3rd Audit Committee held on January 5, 2023
  - a. Agenda: Amendment and retrospective approval of the Company's "Internal Control System" and "Internal Audit Implementation Regulations" based on external correspondence.  
Resolution of the Audit Committee: Approved after amendment and deliberation.  
Company's response to the opinions of the Audit Committee: The case was approved for retrospective recognition after obtaining unanimous consent from all directors during the 4th meeting of the 12th Board held on January 12, 2023.
  - b. Agenda: Proposal to establish a Digital Business Department in the Company's Brokerage Division and lease a property from "Fu Tai Construction Co., Ltd" for office use, aiming to expand business and accommodate additional manpower.  
Resolution of the Audit Committee: Approved after amendment and deliberation.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from the attending Directors during the consultation conducted by the Chairman (Chairman WANG, JIUNN-CHIH recused himself, and the meeting was chaired by Independent Director SHEA, JIA-DONG) during the 4th meeting of the 12th Board held on January 12, 2023.
  - c. Agenda: Proposal to reappoint WU, CHENG-YEN, Certified Public Accountant of KPMG Taiwan, and appoint CHEN, YI-REN, Certified Public Accountant, to replace CHUNG, TAN-TAN, Certified Public Accountant, for the audit and certification of the Company's financial reports for the year 2023.  
Resolution of the Audit Committee: Deliberated and approved.  
Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 4th meeting of the 12th Board held on January 12, 2023.
- x. The 4th Meeting of the 3rd Audit Committee held on March 10, 2023
  - a. Agenda: Amendment and retrospective approval of the Company's "Internal Control System" and "Internal Audit Implementation Regulations" based on external correspondence.

Resolution of the Audit Committee: Approved after amendment and deliberation.  
Company's response to the opinions of the Audit Committee: The case was approved for retrospective recognition after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- b. Agenda: Company's "Internal Control System Statement" for the year 2022.

Resolution of the Audit Committee: Deliberated and approved.

Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- c. Agenda: Proposal to issue the "Anti-Money Laundering and Counter-Terrorist Financing Internal Control System Statement" in accordance with the " Regulations Governing Internal Audit and Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Business and Other Financial Institutions Designated by the Financial Supervisory Commission " designated by the Financial Supervisory Commission.

Resolution of the Audit Committee: Deliberated and approved.

Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- d. Agenda: Company's individual and consolidated financial reports for the year 2022.

Resolution of the Audit Committee: Deliberated and approved.

Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- e. Agenda: Proposal for profit distribution for the year 2022.

Resolution of the Audit Committee: Deliberated and approved.

Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- f. Agenda: Company's annual business report for the year 2022.

Resolution of the Audit Committee: Approved after amendment and deliberation.

Company's response to the opinions of the Audit Committee: The case was approved after obtaining unanimous consent from all directors during the 5th meeting of the 12th Board held on March 13, 2023.

- 2) Except for the preceding matters, other matters not approved by the Audit Committee and approved by two-thirds or more of all Directors: None.

2. For cases where an Independent Director recuses themselves from discussions due to conflicts of interest, the following information should be provided: the name of the Independent Director, the agenda content, the reason for recusal based on potential conflicts of interest, and the participation in the voting process.

From January 1, 2022, to March 31, 2023, there were no instances where Independent Directors had conflicts of interest in the agendas discussed during the Audit Committee meetings.

3. Regarding the communication between Independent Directors and the Internal Audit Manager and Accountant, the following information should be included: significant matters, methods, and results of communication regarding the Company's finances and business conditions.

- 1) The Company provides a monthly consolidated report in writing to the Independent Director for their review, which summarizes the findings of audits, deficiencies, and corrective actions taken in the previous month. The Independent Director provides instructions, explanations, reports, or other suggested matters in response to the report.
- 2) The Internal Audit Manager attends the Audit Committee meetings to explain the updates and effectiveness of the internal control system to the Independent Director.
- 3) The Company holds Board meetings at least once a quarter, where both the Independent Director and the Audit Manager attend. The Audit Manager reports on the internal audit activities, results, and follow-up progress during each Board meeting.
- 4) During the review of semi-annual and annual financial reports, the signing auditor attends the Audit Committee meetings to explain the auditing process, scope, relevant regulatory updates, and engages in thorough discussions with the Independent Director. The signing auditor also attends Board meetings to provide explanations to all Directors.
- 5) The Audit Manager and the Accountant maintain direct and open communication channels with the Independent Director, and they can contact each other as needed.
- 6) The topics, summaries, and execution results of the communications between the Independent Director and the Audit Manager and Accountant can be found on the Company's website.

(3) Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons:

Evaluation Items	Implementation Status (Note)		Abstract Explanation	Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N		
1. Is the Company in compliance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" by establishing and disclosing its own corporate governance practices?	V		The Company has established its "Corporate Governance Best Practice Principles" and has disclosed them on the Company's website, internal network, and the MOPS.	None
2. Shareholding Structure and Shareholders' Equity				
(1) Has the Company established internal procedures to handle shareholder proposals, inquiries, disputes, and litigation matters, and implemented them according to the procedures?	V		1.The Company has established "Guidelines for Handling Business Disputes" and "Fair Customer Treatment Guidelines." Business units have operational procedures or guidelines for safeguarding customer rights, standardizing operations for business personnel, utilizing customer information, confidentiality, and handling customer feedback and complaints. The Company also has a spokesperson, investor relations and shareholder services contact window, a dedicated section for stakeholders on its website, a customer service center, and a legal compliance and legal affairs office. These units provide channels for stakeholders to communicate, address concerns, resolve disputes, and handle legal matters.	None
(2) Does the Company have a list of the major shareholders who effectively control the Company and the ultimate controllers of the major shareholders?	V		2.The Company maintains a shareholder registry and conducts monthly reporting to confirm shareholder holdings and names. The list of major shareholders who are corporate entities and the major shareholders who are corporate entities are disclosed on page 11-17. Additionally, the top ten shareholders by ownership percentage are disclosed on page 65.	None
(3) Has the Company established and implemented risk control and firewall mechanisms between related parties?	V		3.The Company manages transactions with related parties based on differentiated information systems to achieve risk control and establish firewalls. Other details are handled in accordance with regulations set by the regulatory authorities.	None
(4) Has the Company established internal regulations prohibiting insiders from trading securities based on undisclosed material information in the market?	V		4.The Company has established "Code of Conduct and Behavioral Guidelines for Integrity in Operations," "Internal Handling Guidelines for Material Nonpublic Information," and "Internal Management Measures for Opening Securities Accounts and Engaging in Futures Trading by Insiders" to regulate transactions involving the use of material nonpublic information in trading securities, among other matters.	None

Evaluation Items	Implementation Status (Note)			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
3. Composition and Responsibilities of the Board				
(1) Does the Board formulate a diversity policy, specific management goals, and ensure their effective implementation?	V		(1) The Company has established the "Corporate Governance Best Practice Principles," which are disclosed on the Company's website and the MOPS. These principles outline that the Board should develop appropriate diversification policies considering the Company's operations, business model, and development needs. Board members are expected to possess the necessary knowledge, skills, and qualities to fulfill their responsibilities. The composition of the Board should embrace diversity, including but not limited to gender, age, culture, educational background, and professional experience. To strengthen corporate governance and enhance the functions and independence of independent directors, the Company strictly adheres to standards that limit the tenure of independent directors to a maximum of three terms. Currently, all former independent directors have complied with this requirement. The Board consists of members with expertise in various fields, including business management, international business, information/technology, banking, securities, financial management, and legal research. The members come from diverse backgrounds, including academia and industries, contributing to the development of comprehensive business strategies and operational efficiency. We are committed to maintaining a strong corporate governance framework that promotes transparency, accountability, and ethical conduct throughout our organization. Detailed information about the Board members, including their backgrounds and the implementation of diversification, is disclosed on page 9-10 and 18-20.	None
(2) Besides the mandatory establishment of the Remuneration Committee and Audit Committee as required by law, does the Company voluntarily establish other functional committees?	V		(2) Currently, the Company has established the following committees: Remuneration Committee, Audit Committee, Risk Management Committee, and Sustainability Development Committee. Additionally, we have the Integrity Committee and the Personnel Evaluation Committee.	None
(3) Has the Company established performance evaluation methods and processes for the Board, conducted regular performance evaluations on an annual basis, reported the evaluation results to the Board, and utilized them as reference for individual director remuneration and nomination for reappointment?	V		(3) The Company has formulated the "Board and Functional Committee Performance Evaluation Criteria" for conducting performance evaluations. The results of the 2022 performance evaluation for the Board and functional committees were reported to the 12th 5th Board meeting on March 13, 2023. These results may serve as reference criteria for the selection or nomination of directors. Individual director performance evaluation results can also be used as a reference for determining their individual Remuneration.	None
(4) Does the Company conduct regular evaluations of the independence of the CPAs?	V		(4) In accordance with Article 47 of the Accountant Act and Bulletin No. 10 of the Code of Professional Ethics for Accountants, the Company has developed an independence assessment form. This form assesses the independence, professionalism, and suitability of the accountants, including whether they have any relationships or financial interests with the Company. Additionally, the Company obtains statements from the accountants and reviews their independence assessment working papers. The independence of the CPAs is assessed annually (at least once a year) by the Audit Committee and the Board during the fourth quarter. The assessment considers the Audit Quality Indicators (AQIs). Based on the 2022 evaluation, both Wu Zheng-Yan and Chung Dan-Dan from KPMG Taiwan have met the independence assessment criteria and are qualified to serve as the Company's financial and tax CPAs. The resolution regarding the evaluation of the independence of the signing auditors by the Board can be found on page 36.	None

Evaluation Items	Implementation Status (Note)			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Explanation	
4. Does the TWSE/TPEX listed company have an appropriate number of qualified governance personnel and appoint a corporate governance officer responsible for governance-related matters (including but not limited to providing necessary information to directors and supervisors, assisting directors and supervisors in complying with laws and regulations, handling meeting-related matters of the board of directors and shareholders' meetings, and preparing minutes of board and shareholders' meetings)?	V		<p>On May 13, 2019, during the 10th 18th Board meeting, the Company made a resolution to establish a Chief Corporate Governance Officer, a Corporate Governance Office under the Planning Department, the Governance Section was formed with an appropriate number of qualified personnel. The Governance Office is responsible for handling matters related to Board and shareholder meetings in accordance with the law. This includes preparing meeting minutes, assisting directors in their appointments and professional development, providing necessary information for directors to carry out their duties, ensuring compliance with laws, promoting integrity in business operations, and participating in the compilation of sustainability reports. The establishment of the Governance Office aims to enhance the effectiveness of the Board and cultivate a culture of good corporate governance.</p> <p>Furthermore, on May 12, 2022, the Board passed a resolution to change the position of the Chief Corporate Governance Officer to be held concurrently by Senior Associate HSIEH, HSIU-YING in the Planning Department. The change took effect on June 10, 2022. As stipulated in the "Guidelines for the Establishment and Exercise of Authority by Boards of Listed Companies," Article 24, HSIEH, HSIU-YING has fulfilled the required professional development hours, totaling 18 hours as of March 2023. For more details on the professional development activities, please refer to the Company's website.</p>	None
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up a dedicated section on its website for stakeholders, and appropriately addressed important corporate social responsibility (CSR) issues that concern stakeholders	V		<p>The Company has established a spokesperson, an Investor Relations and Customer Service Center. Additionally, the Company website features a dedicated "Stakeholders" where contact information and communication channels are disclosed for stakeholders to provide feedback and opinions. We are committed to creating the maximum benefit for stakeholders and maintaining open and diverse communication channels to identify issues and propose corresponding solutions.</p> <p>On a regular basis (at least once a year), we report the communication status with stakeholders to the Board. The stakeholder communication report for the year 2022 was presented to the Board on March 13, 2023.</p>	None
6. Does the Company appoint a professional shareholding agent to conduct shareholders' meetings?	V		<p>Capital Securities Corporation is a general securities broker. The Company's Registrar Agency Department is a professional stock agency, and the Company's shareholders' meetings are conducted by it.</p>	None
7. Information Disclosure:				
(1) Does the Company have a website that discloses financial and corporate governance information?	V		(1) The Company's website discloses relevant financial and corporate governance information and is regularly updated for investors to access.	None
(2) Does the Company employ other methods for information disclosure, such as having an English website, designating a responsible person for collecting and disclosing company information, implementing a spokesperson system, or publishing the process of corporate briefings on the Company's website?	V		<p>(2) 1. We have established an English version of our website, which can be accessed directly from our main website.  2. The collection and disclosure of company information are carried out by respective departments responsible for these tasks.  3. We have a spokesperson and an Investor Relations department, and their contact information and communication channels are disclosed on the Company website to provide convenient communication channels for investors.  4. Our Investor Conference information and recorded files are disclosed on the Company website.</p>	None
(3) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year? Does it also disclose and report its first, second, and third quarterly financial statements, as well as monthly operational performance, within the required deadlines?		V	(3) In accordance with the "Securities and Exchange Act" and the "Regulations Governing Securities Firms," we announce and report annual financial statements, quarterly financial statements (Q1, Q2, Q3), and monthly operational results as required.	The Company operates in accordance with the Securities and Exchange Act and the Regulations Governing Securities Firms.

Evaluation Items	Implementation Status (Note)			Deviations from the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N	Abstract Explanation	
8. Does the Company have any other important information that contributes to understanding the operation of corporate governance, including but not limited to employee rights, employee care, investor relations, supplier relationships, rights of stakeholders, professional development of Directors and supervisors, implementation of risk management policies and risk measurement standards, execution of customer policies, and the Company's provision of liability insurance for Directors and supervisors?	V		<p>(1) Employee Rights: The Company has various personnel management regulations in place and has established guidelines for preventing and addressing workplace harassment and for using an employee suggestion box. Employees are encouraged to provide feedback on business content, operational processes, administrative measures, regulations, and any issues that may affect their individual rights or have a positive impact on the Company's operations.</p> <p>(2) Employee Care: In addition to providing statutory leaves, such as maternity and bereavement leaves, the Company offers employee benefits such as labor insurance and national health insurance. We also provide various types of insurance (accident insurance, life insurance, medical insurance, savings insurance) at favorable rates. Additionally, we offer subsidies for employee weddings, funerals, and other significant events, and organize a range of employee activities to enhance their sense of belonging and engagement with the Company.</p> <p>(3) Investor Relations and Stakeholder Rights: The Company has a spokesperson, an Investor Relations department, and a Customer Service Center. We also have a dedicated "Stakeholder Zone" on the Company website, where contact information and communication channels for stakeholders are disclosed. We are committed to maximizing the interests of stakeholders and maintaining open and diverse communication channels. We value their feedback, actively address their concerns, and seek their input in order to develop appropriate strategies and solutions.</p> <p>(4) Supplier Relationships: The Company requires suppliers to comply with sustainability requirements and operate in accordance with legal regulations. Suppliers are expected to fulfill their corporate social responsibilities. If a supplier violates our sustainability policies and significantly impacts the environment or society, we reserve the right to terminate or cancel the contract without any liability on our part. The supplier shall not seek any Remuneration from the Company.</p> <p>(5) Director Training and Continuing Education: Detailed information on director training can be found on page 59-60.</p> <p>(6) Implementation of Risk Management Policy and Risk Measurement Standards: The Company has established a "Risk Management Policy" and risk measurement standards. The Risk Management Committee meets regularly every quarter. The risk management unit provides appropriate reports on risk and return measurements and their impact on the Company's capital adequacy ratio to the management level. Through the implementation of risk management systems, we aim to create stable and high-quality profits for shareholders.</p> <p>(7) Implementation of Customer Policy: The Company has established a "Fair Treatment of Customers Guideline," which covers principles such as fair and honest contracting, duty of care and loyalty, truthful advertising and solicitation, suitability of products or services, disclosure and transparency, sale of complex and high-risk products, fair Remuneration and performance balance, complaint protection, and professionalism of sales representatives.</p> <p>(8) Purchase of Directors' Liability Insurance: Every year, the Company's Board approves the renewal of directors' liability insurance for all directors. For the resolution regarding the purchase of directors' liability insurance for all directors, please refer to page 59.</p>	None
9. Please explain the improvements made based on the recent corporate governance evaluation results published by the Taiwan Stock Exchange Corporate Governance Center, and provide priority areas and measures for further enhancement.				
<p>In the 2022 corporate governance evaluation, 1,662 TWSE listed companies underwent evaluation. The Company's evaluation result falls within the range of 21% to 35% among evaluated listed companies. We are committed to enhancing shareholder rights and equal treatment, strengthening board structure and operations, improving information transparency, and promoting sustainable development, which are the four main categories evaluated. Currently, we will prioritize enhancing the board structure and operations, reviewing the areas where we did not score well, and considering improvement measures.</p>				

Note: Regardless of whether "Yes" or "No" is selected for the operational status, it should be explained in the summary column.

## (4) Operation of the Remuneration Committee

### 1. Committee Member Information

December 31, 2022

Position (Note 1)	Criteria		Status of Independence (Note 3)	Number of concurrent positions held as a member of the Remuneration Committee in other publicly traded companies
	Name	Professional Qualifications and Experiences (Note 2)		
Independent Director Convener	LEE, SHEN-YI	Please refer to page 18, "Background Information of Directors (2)" for professional qualifications and main experiences.	The members of the Remuneration Committee of the Company maintain independence within the scope of their duties and have no direct or indirect conflicts of interest with the Company. Each member's independence complies with Article 6 of the "Regulations for the Establishment and Exercise of Authority of the Compensation Committee of Listed Companies or Companies Traded at Securities Business Places."	2
Independent Director	LIN, TSALM-HSIANG	Please refer to page 18, "Background Information of Directors (2)" for professional qualifications and main experiences.		0
Other	YEN, CHIEN-SAN	1. Possesses professional qualifications as an accountant. 2. Main experiences: (1) Section Chief of the Central Bank (2) Senior Commissioner of the Joint Credit Information Center of the Taipei City Bank Association (3) Senior Vice President of the Finance Department at Hung Tai Securities (4) Head of Accounting and Chief Auditor at EnTie Commercial Bank		0

Note 1: Please provide specific details in the table regarding the work experience, professional qualifications, expertise, and independence status of each member of the Remuneration Committee. If they are an Independent Director, you can indicate to refer to Appendix I on page OO for relevant information on Directors and Supervisors. Please indicate their role as Independent Director or other (if convener, please make a note).

Note 2: Professional qualifications and expertise: Describe the professional qualifications and expertise of individual members of the Remuneration Committee.

Note 3: Independence status: Describe the independence status of members of the Remuneration Committee, including but not limited to whether they or their spouse, close relatives within the second degree, etc., serve as Directors, Supervisors, or employees of the Company or its affiliated enterprises; whether they or their spouse, close relatives within the second degree (or using others' names) hold shares or stakes in the Company; whether they serve as Directors, Supervisors, or employees of related companies with specific relationships to the Company (refer to Article 6, paragraphs 5-8 of the Rules for Establishment and Exercise of Authority of Remuneration Committees of Companies Listed on the Stock Exchange or Operating at Securities Business Places); the remuneration received in the past two years for providing commercial, legal, financial, accounting, or other services to the Company or its affiliated enterprises.

Note 4: Please refer to the Taiwan Stock Exchange Corporate Governance Center website for disclosure methods, which serve as best practice reference examples.

Please note that the translation provided is a general interpretation of the given information, and the specific context and terminology used in the original document may require further refinement.

## 2. Information on Operation of the Remuneration Committee

I. The Company's Remuneration Committee consists of three members.

II. Term of the members:

- (1) The term of the fourth committee members: From June 24, 2019, to June 23, 2022, the fourth Remuneration Committee of 2022 met six times (A), and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)(Note)	Remarks
Convener	LEE, SHEN-YI	6	0	100%	
Member	SU, PING-CHAN	6	0	100%	
Member	YEN, CHIEN-SAN	6	0	100%	

- (2) The term of the fifth committee members: From June 27, 2022, to June 26, 2025, the fifth Remuneration Committee of 2022 met seven times (A), and the qualifications and attendance of the members are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)(Note)	Remarks
Convener	LEE, SHEN-YI	7	0	100%	
Member	LIN, TSALM-HSIANG	7	0	100%	
Member	YEN, CHIEN-SAN	7	0	100%	

(3) Other matters that should be noted:

- (i) If the Board does not adopt or amend the recommendations of the Remuneration Committee, the date, term, content of the proposal, result of the Board's decision, and the Company's treatment of the Remuneration Committee's opinions should be stated: None.
- (ii) If there are dissenting or reserved opinions among the members of the Remuneration Committee and there are records or written statements, the date, term, content of the proposal, all members' opinions, and the treatment of members' opinions should be stated: None.

## III. Scope of the Remuneration Committee's authority

- (1) Establish and regularly review the performance evaluation and remuneration policies, systems, standards, and structure for the Director and executives.
- (2) Regularly assess and determine the remuneration of the Director and executives.

## (5) Implementation of Sustainable Development

### Implementation of Sustainable Development and Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons

Promotional Items	Implementation Status (Note 1)		Abstract Explanation	Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Y	N		
1. Has the Company established a governance framework to promote sustainable development and appointed a dedicated unit to promote sustainable development, and the dedicated unit is handled by the upper management authorized by the Board and supervised by the Board? (Listed and OTC companies should report on the implementation status, not compliance or explanation.)	V		<p>1. The Company, with the Board as the highest governing body for sustainability, supervised the following sustainability issues in the 2022 fiscal year and reported to the Board:</p> <p>(1) January 20, 2022, "Communication with Stakeholders in the 2021 fiscal year" report.</p> <p>(2) March 14, 2022, "Sustainability Promotion Plan and Implementation Results for the 2021 fiscal year" and "Sustainability Promotion Plan for the 2022 fiscal year" discussion, which was successfully approved.</p> <p>(3) August 25 and November 10, 2022, "Greenhouse Gas Inventory and Verification Schedule" execution effectiveness report.</p> <p>(4) November 10, 2022, amendment to the "ESG Committee Organization Regulations" to "Sustainability Committee Organization Regulations," elevating the organizational level to be subordinate to the Board.</p> <p>2. The Company established the ESG Committee on January 21, 2022, as approved by the Board, to be responsible for the implementation and supervision of ESG matters. However, to emphasize the importance of sustainability and ensure prudence, the Company amended its organizational charter and structure on November 10, 2022, renaming it as the Sustainability Committee and elevating its organizational level to be subordinate to the Board. This aims to enhance management oversight of ESG-related issues.</p> <p>3. The members of the Sustainability Committee are appointed by Board resolution, and the number of members shall not be less than three, with a majority of independent Directors. Their responsibilities include reporting to the Board at least once a year and supervising the implementation of environmental, social, and corporate governance-related systems or management policies.</p> <p>4. The Sustainability Committee establishes the Sustainable Operations Office, with the General Manager serving as the Chief Executive Officer. It also establishes six working groups: Corporate Governance, Sustainable Finance, Human Rights Protection, Environmental Sustainability, Climate Change, and Social Welfare. Each working group is led by a department head who coordinates the tasks of the respective group.</p>	None
2. Has the Company conducted risk assessments related to environmental, social, and corporate governance issues relevant to its operations based on materiality principles and established related risk management policies or strategies? (Note 2) (Listed and OTC companies should report on the implementation status, not compliance or explanation.)	V		<p>1. The risk assessment boundary is focused on the Company itself and covers the period from January 2022 to December 2022.</p> <p>2. Overall business orientation: Following the Securities Firm Risk Management Practices Guidelines, the Company conducts primary risk analysis. By reviewing domestic and international research reports and significant issues, risk management policies including effective identification, assessment and evaluation, monitoring, and control mechanisms are established, and a specific action plan is used to mitigate the impact of related risks.</p> <p>3. Environmental orientation: The main focus is on climate change risks and opportunities. Climate change issues impact the securities industry, mainly driven by regulatory authorities, industries, and relevant investors, which indirectly affect the Company's risk and opportunities related to financing, equity and bond markets, and secondary market circulation.</p> <p>4. Social orientation: Primarily related to the manpower, health and safety of employees. The nature of the policy is based on human rights. The Company has formulated a human rights policy in 2022 as part of its human rights-related risk management policy. Regular or ad hoc meetings and other means are utilized to monitor the significance of risk assessments for timely response and management.</p> <p>5. Corporate governance orientation: The Company has established policies and risk assessment methodologies and strategies regarding products, anti-money laundering, stakeholders, information security and privacy, and business continuity. Risk assessments are conducted at least once a year, and periodic assessments are carried out in response to market or operational changes. Management mechanisms are reviewed based on risk assessment results to identify appropriate risk management measures or trigger risk handling mechanisms.</p> <p>6. Detailed information, including risk management policies, strategies, and management mechanisms, is regularly disclosed on the Company's official website, annual reports, and public information channels. The Board is also provided with reports on the Company's sustainability development contingency plans in various scenarios.</p>	None

Promotional Items	Implementation Status (Note 1)			Deviations from “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Y	N	Abstract Explanation	
3. Environmental Issues (1) Has the Company established an appropriate environmental management system based on its industry characteristics?	V		(1) 1 As a financial securities company, which is not a manufacturing company, our direct impact on the environment is generally low. However, we have established environmental protection procedures based on the characteristics of our industry to ensure effective environmental management. 2 The Company has the Board as the highest governing body for sustainability. Since January 21, 2021, an ESG Committee has been established, approved by the Board, to oversee the implementation and monitoring of ESG practices. To demonstrate our commitment and importance to sustainability, we revised our organizational charter and structure on November 10, 2022, renaming it as the Sustainability Committee and elevating its position to report directly to the Board, enhancing the management oversight and driving the development of ESG-related initiatives within the Company. 3 The members of the Sustainability Committee are appointed by the Board, with a minimum of three members, and more than half of the committee members should be Independent Directors. Their responsibilities include reporting to the Board at least once a year and overseeing the implementation of environmental, social, and corporate governance policies and practices within the Company. 4 The Sustainability Committee has established a dedicated Sustainability Office, led by the President as the Executive Director. It also includes working groups such as Environmental Sustainability and Climate Change, which are coordinated by department heads to execute specific tasks related to sustainability management.	None
(2) Is the Company committed to improving energy efficiency and using environmentally friendly renewable materials?	V		(2) 1 As a financial securities company, our direct impact on the environment is generally low, as we do not engage in the production or sale of manufactured products, nor do we have packaging materials that require recycling. 2 We are committed to enhancing resource efficiency within our operations. For example, we actively promote electronic billing, utilize electronic bulletin boards for internal communication, implement electronic signature systems, and encourage the use of digital presentations during meetings to minimize paper usage. We promote double-sided printing and provide resource recycling racks near photocopiers to reduce paper consumption. Recycling bins are placed on each floor to encourage resource sorting and minimize pollution and resource waste, thereby achieving sustainable resource utilization.	None
(3) Has the Company assessed the potential risks and opportunities of climate change to its current and future business and taken relevant measures?	V		(3) 1 The Company has the Board as the highest governing body for sustainability and have established the ESG Committee in 2021, which operates under the Board's oversight. In order to enhance the management and governance of ESG issues, we have elevated the committee's organizational structure and membership to be directly under the Board. This ensures a higher level of management and supervision over ESG-related matters. 2 The members of the Sustainability Committee are appointed by the Board, with a minimum of three members, and more than half of the committee members should be Independent Directors. Additionally, an office for sustainable operations has been set up under the ESG Committee, headed by the President. A climate change working group has also been established, led by department heads, to coordinate and execute tasks related to climate change. 3 Climate change is recognized as a significant issue for the Company, taking into account external legal requirements, regulatory expectations, and stakeholder feedback. We manage climate change risks and opportunities through our risk management mechanisms. 4 We have adopted the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for climate change management. This framework helps identify short-, medium-, and long-term risks and opportunities, and clarifies their financial impacts. 5 In identifying climate change issues, the following areas have been identified for the Company: 1) Immediate or short-term physical risks: typhoon flooding and operational disruptions. 2) Transition risks: the impact of carbon fees mandated by regulations on credit and market risks. 6 In response to the identified climate change issues, the following risk management strategies and measures have been established: 1) Risk identification and management begin with financing and investment activities, incorporating carbon emission-related factors into credit ratings and conducting stress tests based on the impact of carbon emission-sensitive stocks and bonds. 2) For investor financing that includes the stocks of industries with high energy consumption or high greenhouse gas/carbon emissions as collateral, the credit risk exposure is evaluated based on the transparency of industry disclosure information and the impact it faces, and exposure limits are controlled to mitigate credit risk. 3) Annual greenhouse gas inventories are conducted to identify emission sources and roster them for control. Plans are in place to implement international standard verification in the future. 4) Energy-saving and carbon reduction initiatives are continuously implemented and the policy for overall emission reduction is planned within the Company to reduce environmental impacts and lower costs related to electricity and water consumption.	None

Promotional Items	Implementation Status (Note 1)			Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Y	N	Abstract Explanation	
			<p>5) Information and progress regarding points (3) and (4) are consolidated and reported to the ESG Committee and the Board on a quarterly basis to facilitate supervision and control.</p> <p>6) We continue to follow the TCFD framework to identify climate change-related issues and conduct financial impact analysis and disclosure evaluations.</p>	
(4) Has the Company recorded greenhouse gas emissions, water usage, and total waste weight over the past two years and formulated policies for greenhouse gas reduction, water conservation, or other waste management?	V		<p>(4)</p> <p>1 We consider reducing global warming and promoting energy conservation and environmental protection as important issues. In line with government energy-saving and environmental policies, we continue to promote energy-saving and carbon reduction practices within the Company to minimize the consumption of Earth's resources and create value through green initiatives.</p> <p>2 Greenhouse gas emissions: The estimated emissions for the year 2021 were approximately 3,988,000 kilograms, while for the year 2022, the estimated emissions were around 5,481,000 kilograms. The increase in greenhouse gas emissions in 2022 is due to the inclusion of additional factors in accordance with ISO 14064-1 and the greenhouse gas inventory protocol. This includes the diesel fuel consumption of emergency generators, emissions from fugitive sources (refrigerants, septic tanks, fire extinguishers), and the allocation of electricity consumption for the Dunaan Office (Shareholder Services Department) and the Head Office and the Branch Offices.</p> <p>3 Water consumption: The estimated water consumption for the year 2021 was approximately 25,160 cubic meters, while for the year 2022, it was around 52,374 cubic meters. The increase in water consumption in 2022 is due to the inclusion of the Dunaan Office (Shareholder Services Department) and the allocation of common water usage for the Head Office and the Branch Offices in the water consumption inventory.</p> <p>4 Waste: The total weight of waste generated in the year 2022 was approximately 67.48 metric tons. To implement waste reduction and promote recycling, waste is categorized into general waste and recyclables. Employees are responsible for sorting waste at designated waste collection areas, and the building management company or cleaning company assists in the collection. General waste is collected by qualified waste disposal companies and transported to incineration plants, while recyclable materials are collected by recycling vendors for further processing.</p>	None
4. Social Issues (1) Has the Company established relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	V		<p>(1)</p> <p>The Company complies with the provisions of the Labor Standards Act regarding labor conditions, including wages, leave, holidays, retirement, and occupational accident remuneration. These measures are in place to safeguard the rights and interests of our employees, promote effective employee management, and foster harmonious labor relations.</p> <p>We adhere to the regulations of the Gender Equality in Employment Act and have established the "Measures for Preventing and Dealing with Workplace Sexual Harassment" to prevent and address issues of sexual harassment in the workplace. The Company stipulates in the "Work Rules" that all employees are required to participate in labor insurance and national health insurance. The insurance premiums are subsidized by the Company in accordance with legal requirements. The Company follows a policy of non-discrimination in recruitment, selection, employment, distribution, assignment, performance evaluation, promotion, education and training, and salary payment, regardless of gender, sexual orientation, age, race, or religion.</p> <p>Please note that while I strive to provide accurate and up-to-date information, labor laws and regulations may vary and it's always a good idea to consult legal professionals or relevant authorities for the most current and specific guidance in your jurisdiction.</p>	None
(2) Has the Company developed and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance or results in employee remuneration?			<p>(2)</p> <p>The Company has established work rules and related personnel regulations that cover various aspects of employment, including basic wages, working hours, leave, retirement benefits, labor and health insurance benefits, and occupational accident remuneration. These regulations comply with the relevant provisions of the Labor Standards Act. We have also set up an Employee Welfare Committee, which operates through the election of committee members by employees, to handle various welfare matters. Our remuneration policy is based on individual capabilities, contributions to the Company, performance, and their correlation with the Company's business performance.</p>	

Promotional Items	Implementation Status (Note 1)		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons																			
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(3) Does the Company provide employees with a safe and healthy working environment and regularly implement safety and health education?			<p>(3) The Company is committed to providing employees with a clean and safe working environment. We prioritize employee safety and health by providing necessary safety protective equipment and regularly reviewing the work environment. We also organize employee health check-ups to ensure their well-being. Additionally, we invite physicians from reputable hospitals, such as National Taiwan Hospital, to provide on-site health consultation services for our employees.</p> <p>Creating a conducive and healthy work environment is essential for employee well-being and productivity. It's important to note that specific measures and practices may vary between companies, but the overall goal remains the same – to prioritize employee safety and health in the workplace.</p> <table border="1"> <thead> <tr> <th>Action</th> <th>Item</th> <th>Details</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Staff Health</td> <td>Insurance &amp; Benefits</td> <td>           1. Labor and Health Insurance            i. Establishment of "Measures for Prevention, Complaints, and Penalties for Sexual ii. Harassment in the Workplace"            iii. Setting up a "Lactation Room for Employees"            iv. Regular Employee Health Checkups            v. Employing contracted doctors to regularly provide health education, health promotion, and hygiene guidance at the head office            2. Items Above and Beyond Legal Requirements:            i. Providing employees with group insurance, including life insurance, accident insurance, accident medical insurance, and occupational disaster insurance.            ii. To care for employees and their families, we also offer voluntary group insurance with low premiums, including term life insurance, accident insurance, medical insurance, and cancer insurance.            iii. Hosting the "Understanding Exercise for Health and Weight Loss" seminar to promote the importance of exercise for health.            iv. Establishment of the "Recreation and Public Welfare Society Establishment and Subsidy Management Measures" to encourage employees to engage in sports and public welfare activities.         </td> </tr> <tr> <td>Environment</td> <td>           1. The establishment of "Measures for Tobacco Hazard Control in the Company".            2. 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The main purpose of this certification is to ensure that in the event of an emergency, the damage is minimized to ensure the safety of personnel, compliance with laws, protection of customer rights, company reputation, and assets, and to allow the key businesses of the group to recover within the recovery time objective to maintain operations.</td> </tr> <tr> <td>Personal Data Accreditation</td> <td>The Company is leading the industry and is the first domestic financial institution to obtain international certification for personal data in securities, futures, and insurance intermediaries. This demonstrates that the Personal Information Management System (PIMS) implemented within the organization has effectively protected and managed personal data, fully complied with the requirements of the Personal Information Protection Act, actively protected the rights of the data subjects, reduced the potential impact of any personal data file being compromised, and continuously operated and improved the personal data management system.</td> </tr> <tr> <td>Labor Safety</td> <td>In accordance with the "Occupational Safety and Health Act", we have established an occupational safety and health manager, first aid personnel, and implemented training according to the Occupational Safety and Health Training Rules. The Company has formulated and promoted the "Human Hazard Prevention Plan" to prevent musculoskeletal injuries or diseases caused by work. In addition, we have formulated and promoted the "Abnormal Workload Induced Disease Prevention Plan" to prevent diseases caused by abnormal workload, such as shift work, night work, and long working hours, and to plan and take necessary safety and health measures. In 2022, there were 2 occupational accidents involving 2 employees, accounting for 0.29% of the total number of employees reported for occupational accidents (691 people). Both of these accidents were traffic accidents that occurred on the way to and from work. We have reminded employees to pay attention to safety on the road to avoid reoccurrences.</td> </tr> <tr> <td>Fire Safety</td> <td>1. Regularly holding fire drills. 2. Appointing a fire safety manager according to the Fire Services Act and the implementation rules of the Fire Services Act, and regularly receiving training.</td> </tr> <tr> <td>Safety and security</td> <td>Our company's business premises and all branches are insured for the following items: 1. 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Promotional Items	Implementation Status (Note 1)		Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons	
	Y	N		Abstract Explanation
(4) Has the Company established an effective career development and training program for employees?	V		<p>(4) The Company is dedicated to establishing an effective career development and training program for employees, including the following initiatives:</p> <p>1 We have designed comprehensive training plans tailored to different career stages and organizational development needs. These plans provide our employees with diverse and timely learning opportunities, fostering both organizational and individual growth. The training programs cover various aspects such as orientation for new employees, specialized training, leadership development, and managerial growth. We also invite experts and scholars to conduct financial-themed lectures and seminars within the Company. Additionally, we established the "GTS Financial University" in 2007 as a platform to cultivate middle-level management talents.</p> <p>2 We conduct intensive training for our sales personnel through video conferences and broadcast connections throughout the country. These training sessions aim to enhance their professional knowledge and skills. To optimize the learning outcomes, we develop e-learning courses and utilize various digital systems, allowing employees to access learning materials and grow anytime, anywhere.</p> <p>3 To encourage employees to obtain financial certifications, we have established a system to provide rewards and subsidies for professional examinations and license fees. This serves as an incentive for employees to pursue continuous learning and enhance their professional qualifications.</p>	None
(5) Does the Company comply with relevant laws and international standards regarding customer health and safety, customer privacy, marketing, labeling, and other issues, and develop relevant policies and complaint procedures to protect consumer or customer rights?	V		<p>The Company, as a securities and financial services provider, prioritizes the privacy and security of our clients. We adhere to the Personal Data Protection Act and relevant securities regulations, and have established internal policies such as the Personal Objective Management Policy and Personal Data Protection Management Measures to safeguard client privacy and transaction security. Additionally, we have obtained the ISO/IEC 27001:2013 &amp; BS10012:2017 international standards certification from BSI, a globally recognized third-party verification organization.</p> <p>To ensure appropriate financial services to consumers and effectively manage marketing activities while safeguarding client rights, we have implemented various internal guidelines and measures. These include the Fair Treatment of Customers Guidelines, Customer Assessment Procedures, Advertising and Marketing Material Production and Distribution Management Measures, Internal Personnel Account Opening and Securities/Futures Trading Procedures, Conflicts of Interest Prevention Guidelines for Business Personnel, Trading of Bonds and Derivative Financial Instruments Management Measures, Management of Equity Securities Issued by Substantial Stakeholders, Securities Business Loan and Unrestricted Use Loan Management Measures, and Guidelines for Transactions Involving Substantial Stakeholders.</p> <p>In the event of any complaints, we have established the Business Dispute Handling Guidelines as the basis for handling complaint cases.</p>	None
(6) Has the Company established a supplier management policy requiring suppliers to comply with relevant norms regarding environmental protection, occupational safety and health, and labor rights, and has it implemented such policy?	V		<p>(6) The Company has established a "Supplier Management Policy" to uphold the principles of environmental sustainability and corporate social responsibility. We promote human rights policies, environmental sustainability policies, and codes of conduct among our suppliers, with the expectation that they will adhere to and practice these principles. In the event that a supplier violates these guidelines, we may request corrective actions or termination of the contract, and if the Company incurs damages, we reserve the right to seek remuneration.</p> <p>Furthermore, we select suppliers based on their demonstration of social responsibility and ethical standards. We prioritize suppliers who exhibit good performance while eliminating those who demonstrate poor performance. This approach encourages all suppliers to take measures to improve their social responsibility and ethical standards. As of 2022, we have not encountered any negative news regarding suppliers violating human rights or labor rights.</p>	None
5. Does the Company follow internationally recognized reporting guidelines or frameworks to prepare non-financial information disclosure reports such as sustainability reports? Has the aforementioned report obtained a confident or assured opinion from a third-party verification unit?	V		<p>The Company follows the "Guidelines for the Preparation and Filing of Corporate Social Responsibility Reports by Listed Companies" issued by the Taiwan Stock Exchange, as well as international reporting frameworks such as GRI:2021, TCFD, SASB, and SDGs, to prepare our sustainability report. In 2022, we prepared the 2021 sustainability report, which obtained an assurance opinion from Ernst &amp; Young. For the current year (2023), we will continue to engage an accounting firm to provide assurance for the 2022 sustainability report.</p>	None

Promotional Items	Implementation Status (Note 1)		Abstract Explanation	Deviations from "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Y	N		
<p>6. If the Company has its own sustainability guidelines in accordance with the "Guidelines for Sustainable Development Practices of Listed and OTC Companies," please describe how they are implemented and any differences between the guidelines and practices.</p> <p>The Company adopted the Corporate Social Responsibility (CSR) Practices Guidelines on January 28, 2015, and revised them to the Sustainability Practices Guidelines on March 14, 2022. The Company's operational practices adhere to these guidelines. The guidelines provide a framework for implementing sustainable practices and ensuring social and environmental responsibility within the organization. Any differences between the guidelines and actual practices are regularly reviewed and addressed to align with evolving sustainability objectives.</p> <p>7. Other important information that contributes to understanding the implementation of sustainable development:</p> <p>Since 2015, the Company has been publishing annual Corporate Social Responsibility Reports, which have been renamed as Sustainability Reports starting in 2022. These reports provide comprehensive and transparent information about the Company's sustainability performance, initiatives, and progress. The reports follow recognized reporting frameworks such as GRI (Global Reporting Initiative) Standards, TCFD (Task Force on Climate-related Financial Disclosures), SASB (Sustainability Accounting Standards Board), and SDGs (Sustainable Development Goals).</p> <p>The Company has established a dedicated section on its website for corporate social responsibility, where stakeholders can access relevant and reliable sustainability reports and related information. Stakeholders are also encouraged to reach out to the Company through phone, email, or the website to express their concerns or provide feedback, and the Company ensures timely responses and actions on relevant issues.</p>				

Note 1: If "Yes" is selected for the implementation status, please provide specific details about the significant policies, strategies, measures, and implementation status. If "No" is selected, please explain the differences and reasons compared to the Guidelines for Sustainable Development Practices of Listed and OTC Companies and outline plans for future adoption of related policies, strategies, and measures. For items one and two, companies should describe the governance and oversight framework for sustainable development, including but not limited to policy formulation, strategy and goal setting, review mechanisms, etc. Also, describe the Company's risk management policies or strategies for environmental, social, and corporate governance issues related to operations, as well as the assessment status.

Note 2: Significance refers to the significant impact of environmental, social, and corporate governance issues on the Company's investors and other stakeholders.

Note 3: Please refer to the Taiwan Stock Exchange Corporate Governance Center website for examples of best practice in disclosure.

## (6) Fulfillment of Ethical Corporate Management

### Fulfillment of Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons

Evaluation Item	Implementation Status (Note)			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons	
	Y	N	Abstract Explanation		
<p>1. Establishing policies and programs for integrity management</p> <p>(1) Has the Company formulated an integrity management policy approved by the Board and clearly stated the policy and practices of integrity management in regulations and external documents, as well as the commitment of the Board and senior management to implement the policy?</p> <p>(2) Has the Company established a mechanism for assessing the risk of dishonest behavior, regularly analyzing and evaluating business activities with a higher risk of dishonest behavior within its scope of operations, and developing preventive measures against such behavior, at least covering the preventive measures for the items listed in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?</p> <p>(3) Has the Company specified operational procedures, behavior guidelines, disciplinary measures for violations, and complaint systems in the prevention of dishonest behavior plan, and implemented and periodically reviewed and revised the plan?</p>	V		(1) The Company has established the "Code of Conduct" and "Code of Conduct Procedures and Behavioral Guidelines," which were approved by the Board during the 8th Extraordinary Meeting of the 5th Board (March 29, 2012). The Board and senior management are actively implementing the policy of integrity in internal management and business activities. They have signed a declaration of commitment to the policy of integrity and disclosed it on the Company's website to ensure that business partners, customers, and other stakeholders understand the Company's principles and norms of integrity in business.	None	
		V		(2) The Company has established a mechanism to assess the risks of dishonest behavior and regularly analyzes and evaluates them using the "Self-assessment Form for Dishonest Behavior." For business activities with a higher risk of dishonest behavior within the scope of operations, preventive measures have been formulated, including those specified in Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies." These measures are specifically stipulated in various company regulations and procedures.	None
		V		(3) The "Code of Conduct Procedures and Behavioral Guidelines" of the Company provides regulations and procedures for various dishonest behaviors. The Company incorporates integrity in employee performance evaluations and human resources policies, establishes a clear and effective system of rewards, penalties, and complaints. In cases of serious violations of integrity, individuals may be dismissed or terminated according to relevant laws or company personnel regulations. The Integrity Committee of the Company regularly evaluates the effectiveness of the preventive measures established for integrity and assesses the compliance with related business processes. The relevant regulations are also reviewed and revised in accordance with changes in internal and external regulations.	None
<p>2. Implementing integrity management</p> <p>(1) Does the Company assess the integrity records of counterparties and include integrity clauses in contracts signed with them?</p> <p>(2) Has the Company established a dedicated unit under the Board responsible for promoting corporate integrity management and regularly (at least once a year) reporting to the Board on its integrity management policy, measures to prevent dishonest behavior, and the supervision of their implementation?</p> <p>(3) Has the Company developed a policy to prevent conflicts of interest, provided appropriate channels for disclosure, and implemented it?</p>	V		(1) When the Company enters into contracts with counterparties, it fully understands their integrity status and includes relevant integrity clauses in commercial contracts. If either party engages in dishonest behavior in business activities, the other party has the right to terminate or rescind the contract unconditionally.	None	
		V		(2) The Company has established an Integrity Management Committee responsible for formulating and supervising the integrity management policy and preventive measures. The committee convenes at least once a year to review the Company's compliance with integrity management and reports to the Board at least once a year. The Company has established the "Code of Conduct" and "Code of Conduct Procedures and Behavioral Guidelines," which ensure the commitment to integrity policy and its implementation in internal management and business activities. The Company actively promotes high-risk business activities related to dishonest behavior within its scope and conducts various integrity management-related courses. It also designs post-course assessments that employees must pass. In 2022, a total of 9 online courses on different topics were held, including securities regulations, integrity management-related laws, business dispute resolution guidelines, prohibitions on behaviors by securities practitioners, corporate sustainability, introduction to the whistleblowing system, introduction to the Financial Consumer Protection Act, internal handling of significant information, and insider trading-related laws. A total of 32,107 participants attended the training, totaling 40,238 person-hours.	None
		V		(3) The Company has established the "Guidelines for Integrity Management Procedures and Behavior" and the "Guidelines for Preventing Conflicts of Interest and Appointing Business Personnel." In the case of Directors with conflicts of interest with the matters listed, where their own interests or the interests of entities they represent may harm the Company's interests, they have the right to express their opinions and be questioned but are not allowed to participate in discussions or voting, and they must recuse themselves. These matters are recorded in the minutes of the respective meetings. When employees identify situations where they may obtain undue benefits that are in conflict with their own interests or those of related parties while performing their duties, they are required to report such matters to their department heads and the dedicated unit of the Company. The department heads provide appropriate guidance.	None

Evaluation Item	Implementation Status (Note)		Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons	
	Y	N		Abstract Explanation
(4) Has the Company established effective accounting and internal control systems to enhance integrity management and developed relevant audit plans based on the assessment of the risk of dishonest behavior? Or has the Company engaged external auditors to conduct audits?	V		(4) The Company has established the "Accounting System" and "Internal Control System" in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." The internal audit unit develops audit plans based on the internal control system and conducts regular audits. The results of the assessment of dishonest behavior risks are also provided to the internal audit department for verification of compliance with preventive measures against dishonest behavior.	None
(5) Does the Company hold regular internal and external education and training on integrity management?	V		(5) The Company plans and regularly conducts training courses on integrity in business. Post-training assessments are designed, and employees are required to pass the assessments to complete the courses. In 2022, a total of 9 different topics were covered in the training courses, including securities laws and regulations, integrity in business-related laws and regulations, guidelines for handling business disputes, prohibitions on behaviors of securities practitioners, corporate sustainable development, introduction to the whistleblowing system, introduction to the Financial Consumer Protection Act, handling of internal material information, and laws and regulations related to insider trading. Online courses were conducted, and a total of 32,107 participants completed the training, with a total of 40,238 person-hours.	None
3. Operation of the Whistleblowing System				
(1) Has the Company established specific reporting and reward systems and convenient channels for whistleblowing, and assigned appropriate personnel to handle reported cases?	V		(1) In order to establish a culture of integrity and transparency and promote sound management practices, the Company adopted the "Guidelines for the Implementation of Whistleblowing System" during the 15th extraordinary board meeting of the 10th term (November 12, 2018). The internal audit department is responsible for receiving and investigating whistleblowing cases. Whistleblowers can report cases through telephone, email, or written letters.	None
(2) Has the Company established standard operating procedures for investigating reported matters, defined follow-up measures after investigations, and implemented relevant confidentiality mechanisms?	V		(2) The "Guidelines for the Implementation of Whistleblowing System" allow anyone who discovers potential crimes, fraud, or violations of laws within the Company to file a whistleblowing report. The accepted types of cases include criminal acts, fraudulent activities, and violations of laws and regulations. The internal audit department is responsible for receiving and investigating whistleblowing cases.  If a whistleblowing case is found to be substantiated, immediate action should be taken to stop the related activities of the accused individual. The relevant departments should propose review and improvement measures. In the case of significant violations or potential damage to the Company, the matter should be reported to the Audit Committee, and if necessary, legal procedures may be pursued to seek compensation and protect the Company's reputation and interests. The identity of whistleblowers should be kept confidential, and any violations of confidentiality will be subject to disciplinary action by the Human Resources Evaluation Committee in accordance with the Company's relevant work rules.	None
(3) Does the Company take measures to protect whistleblowers from improper treatment as a result of reporting?	V		(3) The Company shall not take any adverse actions such as termination, dismissal, demotion, salary reduction, or any other unfavorable treatment against whistleblowers in relation to the reported cases. Whistleblowers should not be deprived of their rights and benefits as prescribed by laws, contracts, or customary practices.	None
4. Strengthening Information Disclosure				
Does the Company disclose the content of its integrity management guidelines and the effectiveness of its implementation on its website and the public information platform?	V		The Company's "Code of Conduct" and "Guidelines for Integrity in Business Operations" are disclosed on the Company's internal and external websites, as well as on the public information platform. The implementation status of integrity in business operations is also disclosed on the Company's website.	None
5. If the Company has its own code of ethics in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe how its operation differs from the code: The operation and formulation of the "Code of Conduct" and "Code of Conduct Procedures and Behavioral Guidelines" by the Company comply with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."				
6. Other important information for understanding the Company's integrity operations: (e.g., the Company's review of the amendments to its Code of Conduct on Integrity) The Company reviews or amends the content of integrity management-related regulations in accordance with regulatory requirements. After approval by the Board, they are disclosed on the MOPS, and internal network, providing investors and employees with an understanding of the Company's integrity management policy.				

Note: The operation should be described in the summary description field, regardless of whether "Yes" or "No" is checked.

**(7) Where a company has a code of corporate governance and related regulations, it should disclose how to make enquiries about them:**

The Company's corporate governance-related regulations are disclosed as follows:

1. MOPS/Under the Corporate Governance.
2. The Capital Group (<https://www.capital.com.tw/>)/About Capital/Corporate Governance Section.

**(8) Other important information that can enhance the understanding of the Company's corporate governance operations may also be disclosed: None.**

## (9) Statement of Internal Control System

### 1. Statement of Internal Control System

#### Declaration of Internal Control System

Date: March 13, 2023

Based on the findings of a self-check, the Company states the following with regard to its internal control system during the year of 2022:

- I. The Company acknowledges that the Company's Board of Directors and the managerial officers are responsible for establishing, implementing, and maintaining an adequate internal control system, and the Company has established such system. The objectives of internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of security for assets), ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting, and providing reasonable assurance.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three aforementioned objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component comprises a few different items. For more information concerning the items, please refer to the Regulations.
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of the aforementioned evaluation, the Company believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries and the overall implementation status of cyber security works) to provide reasonable assurance over our operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Declaration is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Declaration was passed by the Board of Directors in the meeting held on March 13, 2023, with none of the eleven attending Directors expressing dissenting opinions. The remainder all affirmed the content of this Declaration.

Chairman:  
President:  
Chief Auditor:  
IT Security Director:

**Internal Control System Improvement Items and Plans**  
(As of December 31, 2022)

Items That Should Be Strengthened	Improvement Measures	Scheduled Completion
<p>Taiwan Depository &amp; Clearing Corporation has audited the stock-related operations carried out by our company for the temporary shareholders meeting of XX Company Limited on April 9, 2021, and found the following deficiencies: There were instances of erroneous calculations in the issuance of shareholding certificates to shareholders for the proxy solicitation, causing disputes at the Company's temporary shareholder meeting. This violates Article 3, Paragraph 3, and Article 6, Paragraph 2 of the Regulations Governing the Administration of Shareholder Services of Public Companies, as well as Article 2, Paragraph 2 of the Regulations Governing Securities Firms. The Financial Supervisory Commission (FSC) imposed a fine of NT\$720,000 according to Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act. (FSC Securities Letter No. 1100364002, January 5, 2022)</p> <p>Our company's stock-related operations evaluation for 2022 was deemed inadequate, which is a significant issue. To implement the evaluation's objective and enhance supervision and management of the stock handling agency, we have been penalized according to Article 3-5 of the Regulations Governing the Administration of Shareholder Services of Public Companies. From the day following the delivery of the penalty notice, we may not sign new contracts for stock-related operations for one year. (FSC Securities Exchange Letter No. 1110357429, October 21, 2022)</p>	<p>1. We reiterate that when issuing shareholding certificates to solicited shareholders, if the shares are deposited in a centralized securities depository account, the written calculation should be based on the securities passbook indicated by the shareholder or the balance data certificate produced by the Central Depository &amp; Clearing Corporation. We should also implement a review mechanism and strengthen staff training.</p>	<p>Already Improved</p>
<p>The Taiwan Stock Exchange found that the staff of the penalized party had collectively fundraised and invested in securities with clients, with an agreement on profit and loss distribution. The penalized party failed to implement internal control systems and auditing mechanisms. A fine of NT\$240,000 was imposed on the penalized party according to Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act. (FSC Securities Penalty Letter No. 1110359574, December 22, 2022)</p>	<p>1. Our business office has targeted the top 3 employees in terms of performance and those with customer complaints, disputes, or penalties from the regulatory authority for good faith care interviews from the second quarter of 2022. The number of interviewees has been increased from 2 to 5.</p> <p>2. On September 8, 2022, we reiterated the prohibition against violating Article 18 of the Regulations Governing Responsible Persons and Associated Persons of Securities Firms, as well as common deficiencies in various securities management laws and regulations. This information has been circulated to all levels of business personnel for compliance and record retention.</p>	<p>Already Improved</p>

Note: Please list all warnings or fines of NT\$240,000 or more issued by the regulatory authority; additionally, please detail the improvements made in response to information security deficiencies identified by the regulatory authority, Taiwan Stock Exchange, Over-The-Counter (OTC) market, and futures exchange.

2. CPA audit report of the internal control system: None.

**(10) For the most recent year and as of the date of the annual report, the Company and its internal personnel have been punished by law, or the Company has imposed penalties on its internal personnel for violating the provisions of the internal control system, and the results of such penalties may have a significant impact on shareholders' equity or securities prices, the contents of the penalties, major deficiencies and improvements should be listed**

1. The Financial Supervisory Commission (FSC) on January 5, 2022, under the number 1100364002:

The Company conducted a stock agency operation for ○○ Co., Ltd., which involved issuing incorrect shareholding certificates to the Company's shareholders who were seeking proxies. This led to a dispute at the Company's extraordinary shareholders' meeting and violated the regulations of the Securities Dealer Management Rules and others. The FSC imposed a fine of NT\$720,000 in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act.

Improvement measures:

When issuing shareholding certificates to shareholders seeking proxies, if the shares are held in a custodian account, the shares should be verified in writing based on the evidence of the securities passbook or the balance data produced by Taiwan Depository & Clearing Corporation. The Company should implement a verification mechanism and strengthen personnel training.

2. The Taiwan Stock Exchange on June 7, 2022, under the number 1110501566:

The Yanping branch had personnel who were involved in borrowing and lending with clients, which violated some business rules. The Company was asked to pay attention and make improvements. The offending personnel were suspended from their duties for one month.

Improvement measures:

Strengthen employee education and training to reinforce the observance of laws and the implementation of the internal control system.

3. The Taiwan Stock Exchange on September 2, 2022, under the number 1110502560:

There was a case where a business personnel at a branch office had "agreed with a customer to share the profits and losses of securities trading, and was engaged in securities trading". This violated certain rules and regulations, and the Company was fined NT\$60,000 and asked to improve. The offending business personnel was suspended for 6 months.

Improvement measures:

- 1) From the second quarter of 2022, the number of interviewees for good faith care interviews was increased from 2 to 5, including the top 3 performers and those with customer complaints or penalties from the authorities.
- 2) Strengthen employee education and training to reinforce the observance of laws and the implementation of the internal control system.

4. The Financial Supervisory Commission on October 21, 2022, under the number 1110357429:

The Company's 2022 stock agency operation evaluation was unqualified, and the situation was severe. To carry out the evaluation purpose and strengthen the supervision and management of the stock agency institutions, the Company was punished according to the regulations. From the day following the receipt of the disposition letter, no new stock agency contracts can be signed within a year.

Improvement measures:

When issuing shareholding certificates to shareholders seeking proxies, if the shares are held in a custodian account, the shares should be verified in writing based on the evidence of the securities passbook or the balance data produced by Taiwan Depository & Clearing Corporation. The Company should implement a verification mechanism and strengthen personnel training.

5. The Financial Supervisory Commission on December 22, 2022, under the number 1110359574:  
The stock exchange's audit revealed that the employees were involved in joint fundraising investments with clients and had agreed upon profit-sharing arrangements. It was found that the disciplined party failed to implement and enforce internal control systems and audit mechanisms. As a result, a penalty of NTD 240,000 has been imposed in accordance with Article 178-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act.  
Improvement Measures:
- 1) Starting from the second quarter of 2022, enhance the operation of goodwill visits, increasing the number of interviewers from 2 to 5 for the top 3 performers and those who have customer complaints or have been disciplined by regulatory authorities.
  - 2) Strengthen education and training for employees to ensure compliance with laws and regulations, and effectively implement internal control systems.
6. The Financial Supervisory Commission on January 16, 2023, under the number 1110358523:  
The regulatory agency conducted a special inspection on Dongmen and Dunnan branches of the disciplined party, focusing on their brokerage and commodity sales business. The inspection revealed several deficiencies, including employees handing over their computer passwords to proxies during leave, failure to disclose actual service fees and annual rates charged for wealth management services, failure to obtain signatures or seals from elderly clients confirming their understanding of principal-protected products, lack of a control mechanism for collecting transaction documents during external visits, instances of employees using their own computer certificates to place orders on behalf of clients, conducting self-audits that were merely formalities, and delays in setting up entrusted trading quotas. These findings indicate a failure to implement internal control systems and audit mechanisms as required by Article 2, Paragraph 2 of the Regulations Governing Securities Firms, thereby violating the provisions. Accordingly, a disciplinary action has been imposed on the disciplined party, with a deferred fine of NTD 480,000, in accordance with Article 17-1, Paragraph 1, Subparagraph 4 of the Securities and Exchange Act.  
Improvement Measures:  
The disciplined party is required to review its internal control systems, strengthen mechanisms in systems and operational procedures, enhance education and training for employees to ensure compliance with laws and regulations, and effectively implement internal control systems.

**(11) For the most recent year and as of the date of the annual report, major resolutions of shareholders' meeting and board meetings:**

**1. Important resolutions and execution follow-up of the Board**

Capital Securities Corp. Board's important resolutions:

**1) The 17th Meeting of the 11th Board held on January 20, 2022**

- i Agenda: Application for dissolution and liquidation of the Company's invested business, Capital Insurance Agency Corp., and recommendation for the selection of a liquidator.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Approved by the competent authority as required, and relevant dissolution and liquidation procedures have been carried out.

**2) The 18th Meeting of the 11th Board held on March 14, 2022**

- i Agenda: The Company's 2021 individual and consolidated financial statements.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Announced and reported to the competent authority as required, and presented for approval at the 2022 general shareholders meeting.
- ii Agenda: The Company's 2022 general shareholders meeting agenda, acceptance of shareholder proposals, and nomination period and venue for Director candidates.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Announced as required and related tasks for the 2022 general shareholders meeting have been handled.
- iii Agenda: The re-election of the 12th board of Directors.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Announced as required, and the re-election of Directors was carried out at the 2022 general shareholders meeting.

**3) The 7th Extraordinary Meeting of the 11th Board held on April 7, 2022**

- i Agenda: Distribution of the Company's 2021 employee and Director remuneration.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Distributed as required and reported at the 2022 general shareholders meeting.
- ii Agenda: Proposed distribution of the Company's 2021 profits.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Presented for approval at the 2022 general shareholders meeting.

**4) The 19th Meeting of the 11th Board held on May 12, 2022**

- i Agenda: Proposed amendments to the Company's "Procedures for the Acquisition or Disposal of Assets."  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Presented for approval at the 2022 general shareholders meeting.
- ii Agenda: Changes in the Company's Chief Corporate Governance.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Effective from June 10, 2022, announced and reported as required.

**5) The 1st Extraordinary Meeting of the 12th Board held on June 27, 2022**

- i Agenda: Election of the 12th session Chairman of the Company.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman. WANG, JIUNN-CHIH Director was appointed as the Chairman of the 12th Board of Capital Securities Corporation.  
Execution status: Announced and reported as required after the election.
- ii Agenda: Election of the 12th session Vice Chairman of the Company.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman. CHANG, CHIH-MING Director was appointed as the Vice Chairman of the 12th Board of Capital Securities Corporation.  
Execution status: Announced and reported as required after the election.

**6) The 1st Meeting of the 12th Board held on July 25, 2022**

- i Agenda: Liability insurance for directors, supervisors, and key personnel of the group for the year 2022.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: The renewal process has been completed, with the insurance period running from September 1, 2022, to September 1, 2023.

**7) The 2nd Meeting of the 12th Board held on August 25, 2022**

- i Agenda: Appointment of the Company's President.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: Announced as required, and approved by the competent authority on October 7, 2022.

**8) The 5th Meeting of the 12th Board held on March 13, 2023**

- i Agenda: Distribution of the Company's 2022 employee and Director remuneration.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: To be reported at the 2023 general shareholders meeting.
- ii Agenda: Proposed distribution of the Company's 2022 profits.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman.  
Execution status: To be presented for approval at the 2023 general shareholders meeting.

**9) The 3rd Extraordinary Meeting of the 12th Board held on March 31, 2023**

- i Agenda: Election of the Company's Acting Chairman.  
Resolution: Approved unanimously after consultation with all Directors by the Chairman. LEE, WEN-CHU Director was elected as the the Company's Acting Chairman. The appointment came into effect on April 1, 2023.  
Execution status: The announcement and declaration were conducted in accordance with related regulations after the election.

**2. Shareholders' Meeting resolutions and implementation status (2022 Annual General Meeting held on June 27):**

Item	Proposal	Resolution	Implementation Status	
Approval	Proposal (1)	Accepted the 2021 Business Report and Financial Statements.	Based on the voting results meeting the required approval threshold, the proposal is approved.	To be carried out and announced in accordance with the resolution of the shareholders' meeting.
	Proposal (2)	Accepted the Proposal of Earnings Distribution of 2021.	Based on the voting results meeting the required approval threshold, the proposal is approved.	The distribution is completed in accordance with the resolution of the shareholders' meeting, with a cash dividend of NT\$1.65 (ex-dividend date: July 14, 2022; dividend payment date: August 10, 2022).
Discussion items	Proposal	Please discuss the amendment to the "Procedure for Acquisition or Disposal of Assets."	Based on the voting results meeting the required approval threshold, the proposal is approved.	It has been announced on the Company's website and will be implemented in accordance with the revised "Procedure for Acquisition or Disposal of Assets."
Election items	Proposal	Election of the 12th Board of Directors.	Result of election: Director: Yin Feng Enterprise Co., Ltd. Representative: WANG, JIUNN-CHIH Number of voting rights received: 1,872,783,535 share rights Director: Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING Number of voting rights received: 1,596,058,804 share rights	After the election by the annual shareholders' meeting on June 27, 2022, the elected directors took office, with material information published on the MOPS. The 12th Board of Directors consists of 11 members (including 3

		Director: Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN Number of voting rights received: 1,570,940,007 share rights Director: Hung Lung Enterprise Co., Ltd. Representative: TONG, CHIE-SHIANG Number of voting rights received: 1,562,106,975 share rights Director: Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI Number of voting rights received: 1,554,488,299 share rights Director: Hung Lung Enterprise Co., Ltd. Representative: TSAL, I-CHING Number of voting rights received: 1,548,378,658 share rights Director: Kwang Hsing Industrial Co., Ltd. Representative: TSENG, CHUN-HAO Number of voting rights received: 1,520,618,682 share rights Director: Hung Lung Enterprise Co., Ltd. Representative: HUNG, TSUNG-YEN Number of voting rights received: 1,510,414,073 share rights Number of voting rights received: 1,463,083,056 share rights Independent director: SHEA, JIA-DONG Number of voting rights received: 1,484,620,024 share rights Independent director: LEE, SHEN-YI Number of voting rights received: 1,480,216,526 share rights Independent director: LIN, TSALM-HSIANG	independent directors) who will serve for a three-year term from June 27, 2022 to June 26, 2025.
Other proposals	Proposal	Removal of restrictions against competing business involvements by the Company's directors.	A statutory majority voted in favor, and the proposal was approved as proposed. Pursuant to the resolution, material information was published on the MOPS on June 27, 2022.

**(12) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.**

**(13) Resignation of relevant personnel in the last year, up till the publication date of this annual report**

April 29, 2023

Title	Name	Date Onboard	Date Departed	Reasons For Resignation Or Discharge
Executive Vice President	TAN, TE-CHENG	2002/12/17	2022/2/1	Retirement
Executive Vice President	CHEN, MING-SHING	2018/10/1	2022/6/10	Leave without pay
President	CHIA, CHUNG-TAO	2018/10/17	2022/8/25	Resignation
Vice Chairman	CHANG, CHIH-MING	2021/9/6	2023/3/1	Resignation
Chairman	WANG, JIUNN-CHIH	2012/9/3	2023/4/1	Resignation

Note: The relevant personnel means the Chairman, President, accounting manager, financial manager, chief internal auditor, chief corporate governance officer and R&D manager.

**(14) The Company's management, directors, and supervisors participated in corporate governance-related training and further education:**

**1. Management:**

December 31, 2022

Title	Name	Course Start Time	Course End Time	Organizing Unit	Hours	Course Name
President	LEE, WEN-CHU	2022/09/06	2022/09/06	TWSA	8	On-the-job Training for Securities Firm Practitioners
		2022/09/14	2022/09/14	TABF	3	Pre-employment training for trust supervisors
		2022/12/01	2022/12/01	TWSA	3	Fiduciary trading of foreign securities regulations and ethics
Executive Vice President	CHEN, MING-SHING	2022/03/17	2022/03/17	SFI	3	Corporate Governance Risks and Opportunities of Climate Change and Energy Policy Trends on Business Operations
Senior Vice President	HSIEH, HSIU-YING	2022/07/06	2022/07/06	TWSA	3	Corporate Governance Analysis of the preparation, review and interpretation of corporate financial statements
Vice President	LAI, AI-WEN	2022/07/07	2022/07/08	TWSA	6	On-the-job training for anti-money laundering and counter terrorism personnel
		2022/07/25	2022/07/26	TWSA	6	On-the-job training for anti-money laundering and counter-financing of terrorism personnel
Executive Vice President	HUANG, CHI-MING	2022/04/20	2022/04/20	Trust Association	3	On-the-job Training for Trust Supervisors
		2022/04/29	2022/04/29	TWSE	4	Presentation on the revision of the standardized internal control system of securities firms in 2022
		2022/07/22	2022/07/22	TAIFEX	3	Revision of the Standards and Regulations for Internal Control Systems of Futures Commissions and Futures Trading Auxiliaries and Anti-Money Laundering and Anti-Counterfeiting Issues for the Year 2022
		2022/07/27	2022/07/27	SFI	7	Seminar on compliance with the Securities Industry Act
Senior Vice President	WANG, YA-FANG	2022/09/15	2022/09/19	TABF	6	Sustainable Finance Capability Plan_ESG and Sustainable Finance
		2022/09/20	2022/09/25	TABF	12	Financial Sustainability Program_ Responsible Investment Principles
		2022/09/26	2022/09/30	TABF	6	TCFD and Climate Change Risk
Executive Vice President	CHOU, HSIEN-YANG	2022/03/24	2022/03/24	SFI	6	Pre-employment Training for Securities Brokerage Practitioners
		2022/04/12	2022/04/12	TWSA	3	Legal Liability for Financial Misrepresentation and Insider Trading and Case Studies
		2022/04/13	2022/04/13	TWSA	3	Trends and international standards of digital evidence and digital forensics
		2022/05/04	2022/05/04	TABF	6	On-the-job training for trust supervisors
		2022/10/13	2022/10/13	TWSA	3	How to analyze the important information of corporate operation from financial reports
		2022/11/07	2022/11/07	TWSA	3	Regulations and ethics of trustee trading in foreign marketable securities
		2022/11/16	2022/11/16	TWSA	3	Causes and Prevention of Financial Fraud
Senior Vice President	LIN, CHAO-HSU	2022/05/11	2022/05/11	TWSA	3	Causes and Prevention of Financial Fraud
		2022/07/06	2022/07/06	TWSA	3	Analysis of preparation, review and interpretation of corporate financial statements
		2022/08/27	2022/08/27	TWSA	6	On-the-job training on foreign exchange derivatives
		2022/10/13	2022/10/13	TWSA	3	Trends in digital evidence and digital forensics and international standards
		2022/02/08	2022/03/09	CNFA	6	On-the-job training for futures practitioners
		2022/04/13	2022/04/13	TWSA	3	How to analyze the important information of corporate operation from financial reports
Senior Vice President	XU, TSUI-YUN	2022/08/10	2022/08/11	TWSA	6	On-the-job training on foreign exchange derivatives
		2022/09/14	2023/02/04	CAPITAL SECURITY	84	Leadership Course at National Taiwan University_ Quan Yi Securities
Executive Vice President	ZHANG, JIA-WEN	2022/01/20	2022/01/20	TWSA	3	The development of new business models and market analysis in the corporate governance universe
		2022/09/06	2022/09/06	TWSA	8	On-the-job training for securities dealers
Senior Vice President	CHIU, TSAN-HSI	2022/03/28	2022/04/01	TWSA	15	On-the-job Training for Securities Brokerage Practitioners
Vice President	YEN, ELLIE	2022/01/20	2022/01/20	TWSA	3	Corporate Governance - Development of New Business Model and Market Analysis

Title	Name	Course Start Time	Course End Time	Organizing Unit	Hours	Course Name
Executive Vice President	LAI, JUN-FU	2022/09/05	2022/09/05	TDCC	3	Seminar on Education and Training for Stock Executives
		2022/09/20	2022/09/20	TWSA	3	Case Study Workshop on Securities Industry Penalties
Senior Vice President	TSENG, MEI-LING	2022/09/05	2022/09/05	TDCC	3	Education and Training Seminar for Stock Executives
		2022/09/20	2022/09/20	TWSA	3	Case Study Workshop on Securities Industry Penalties
Executive Vice President	LIN, YAN-FEN	2022/09/06	2022/09/06	TWSA	8	On-the-job Training for Securities Brokerage Practitioners
		2022/11/12	2022/11/12	TWSA	6	On-the-job Training on Foreign Exchange Derivatives
Senior Vice President	LIN, YAN-FEN	2022/11/12	2022/11/12	TWSA	6	On-the-job training on foreign exchange derivatives
Executive Vice President	WANG, JUAN-HUI	2022/07/07	2022/08/02	TWSA	12	On-the-job training for anti-money laundering and counter-financing terrorism personnel
		2022/08/10	2022/08/11	TWSA	6	Foreign Exchange Derivatives In-Service Training
		2022/12/13	2022/12/13	TABF	6	On-the-job Training for Trust Supervisors
Senior Vice President	ZHENG, SHUFEN	2022/04/20	2022/04/20	Trust Association	3	Money Laundering Prevention and Anti-Counterfeiting Issues Series Briefing
		2022/10/15	2022/10/15	TWSA	6	On-the-job Training on Foreign Exchange Derivatives
		2022/11/29	2022/11/29	Trust Association	4	Specialized Classes for Trust Managers
Executive Vice President	MA, JIA-HUAN	2022/05/13	2022/05/20	TABF	12	On-the-job training for trust managers
Senior Vice President	ZHENG, YU-LING	2022/04/12	2022/04/13	CNFA	6	On-the-job training for futures practitioners
		2022/02/13	2022/02/25	TABF	12	On-the-job training for trust managers
Senior Vice President	CHANG, XUE-HE	2022/03/12	2022/03/19	TABF	12	On-the-job training for trust managers
		2022/08/27	2022/08/27	TWSA	6	Wealth management on-the-job training
		2022/12/03	2022/12/03	CNFA	6	On-the-job Training for Futures Practitioners
		2022/12/16	2022/12/17	TWSA	15	On-the-job Training for Securities Brokerage Practitioners

## 2. Directors and Supervisors:

December 31, 2022

Title	Name	Date	Organizing Unit	Course Name	Hours
Chairman	Yin Feng Enterprise Co., Ltd. Representative: WANG, JUNN-CHIH	2022/09/06	TWSA	On-the-job Training for Advanced Course: ESG and Sustainable Management in Securities Industry + Domestic and International Economic and Financial Situation Analysis	7.5
		2022/09/21	TABF	Real Estate Trust E-Course (Trust Accreditation)	3
		2022/09/21	TABF	Design and Taxation of Trust Products E-Course (Trust Authorization)	3
		2022/09/22	TABF	Emerging Financial Crimes and Financial Sanctions Ban E-Course (Statutory Approval)	4.5
Vice Chairman	Yin Feng Enterprise Co., Ltd. Representative: CHANG, CHIH-MING	2022/12/16	SFI	Introduction and Case Studies on Short-Term Trading by Corporate Insiders	3
		2022/12/20	SFI	Corporate tax governance and tax technology solutions from ESG trends and epidemic environment	3
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	2022/04/13	TWSA	Trends in Digital Evidence and Digital Forensics and International Standards	3
		2022/10/12	TWSA	Corporate Governance and Transparency of Corporate Financial Information	3
Director	Hung Lung Enterprise Co., Ltd. Representative: CHEN TONG, CHIE-SHIANG	2022/06/21	CGA	Recommendations for corporate ESG enhancement	3
		2022/06/21	CGA	From CSR to ESG Corporate Management Approach	3
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	2022/03/10	SFI	Global Risk Awareness - Opportunities and Challenges in the Next Decade	3
		2022/03/15	SFI	How Directors and Supervisors Should Supervise Corporate Risk Management and Crisis Management	3
		2022/04/19	TABF	Corporate Governance Seminar No. 121 - The Board's Requirements on Anti-Money Laundering and Anti-Financing Regulations	3
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	2022/04/20	SFI	Risks and Opportunities of Climate Change and Zero Emission Policy on Business Operation	3
		2022/12/20	SFI	Corporate tax governance and tax technology solutions from ESG trends and epidemic environment	3
Director	Kwang Hsing Industrial Co., Ltd. Representative: TSENG, CHUN-HAO	2022/07/20	TWSA	Latest ESG Trends: Sustainable Business Strategies in the Securities (Financial) Industry as an Example	3
		2022/10/12	TWSA	Legal Liability and Case Analysis of Financial Misrepresentation and Insider Trading	3
		2022/11/16	TWSA	Causes and Prevention of Financial Fraud	3
		2022/11/23	SFI	The latest trend of international carbon tariff and its response	3
Director	Tai He Real Estate Management Co., Ltd. Representative: HUNG, TSUNG-YEN	2022/04/01	CNAIC	Corporate Director and Supervisor Seminar on "Opportunities and Challenges of Economic Integration in the Asia-Pacific Region for Taiwan"	3
		2022/12/20	SFI	Corporate Tax Governance and Tax Technology Solutions from ESG Trend and Epidemic Environment	3

Title	Name	Date	Organizing Unit	Course Name	Hours
Independent Director	SHEA, JIA-DONG	2022/03/10	SFI	Global Risk Awareness - Opportunities and Challenges for the Next Decade	3
		2022/09/23	SFI	A Corporate Perspective on Emerging Fintech Crimes and Anti-Money Laundering	3
Independent Director	LEE, SHEN-YI	2022/03/15	SFI	How Directors and Supervisors Should Supervise Corporate Risk Management and Crisis Management	3
		2022/07/20	TWSA	The latest trend of ESG: An example of sustainable management strategy in the securities (financial) industry	3
		2022/08/26	SFI	A Practical Study on Money Laundering Prevention and Anti-Financial Terrorism	3
		2022/09/15	TABF	Trust Industry Supervisors (including In-Service) Workshop	3
		2022/10/12	TWSA	Legal Liability and Case Analysis of Financial Misrepresentation and Insider Trading	3
		2022/11/14	TWIOD	Board Governance in a Sustainable Reality	3
		2022/11/14	TWIOD	Information Security Management Trends and Challenges	3
Independent Director	LIN, TSALM-HSIANG	2022/04/12	SFI	Technology Development and Business Model of Blockchain	3
		2022/07/22	SFI	Emerging Fintech Crimes and Anti-Money Laundering from a Corporate Perspective	3

**(15) The Company's personnel related to financial information transparency obtaining relevant certifications:**

Certification Name	Audit Department (24 people)	Finance Department (32 people)	Risk Management Department (7 people)
Securities Salesperson	8	10	1
Securities Senior Salesperson	24	13	6
Financing and securities financing	11	2	1
Securities Lending	2		
Futures salesman	20	4	4
Investment Advisory	9	6	
Investment and investment related laws and regulations (including self-regulatory standards)	2	3	
Bills and Notes Sales	2	2	
Life insurance salesperson	9	3	1
Investment Insurance	8	1	
Property and casualty insurance salesperson	9	3	
Non-investment insurance product qualification for foreign currency receipt and payment	8	2	
Wealth Management	13	2	
Equity	1		
Bond	1		
Trust Operations	12	7	1
Trust Management	1		1
Trust Regulations		1	
Structured Products Sales	1		1
Certified Public Accountant		1	
Bookkeeper		2	
Internal Auditor Training for Beginners in the Securities Industry	11		
Seminar for Initial Internal Auditors in the Futures Industry	2		
Bank Internal Control and Internal Audit		3	
Advanced Algorithm Reporting for Capital Adequacy Ratio of Securities Firms	8	14	7

Certification Name	Audit Department (24 people)	Finance Department (32 people)	Risk Management Department (7 people)
Chartered Financial Analyst (CFA)			1
Financial Risk Manager (FRM)			4
Derivatives salesperson qualification	1		
Derivative Foreign Exchange Business Course Training	4	6	1
12 hours training in spot foreign exchange trading		20	1
Junior Foreign Exchange Officer Professional Competency Test		1	
Certified Anti-Money Laundering Specialist (CAMS)	1		
Anti-Money Laundering and Counter-Terrorism (AML/CFT) Professionals Test	1		
12 hours training for AML/CFT personnel	2		
24-hour training for AML/CFT personnel	3		
Total	174	106	30

## 5. Information Regarding the Company's Audit Fee

### Information Regarding the Audit Fee

Unit: NTS1,000

Firm	Name of CPA	Period Covered by CPAs' Audit	Audit Fee	Non-audit Fee	Total	Remarks
KPMG	WU, CHENG YEN	January 2022~December 2022	3,810	670	4,480	
	CHUNG, TAN TAN					

Note: Non-audit public fees services include tax verification and the review of the payroll information checklist for full-time employees not serving in managerial positions.

- (1) Change of accounting firm and the audit fees paid for the change year are less than the audit fees for the year before the change: None.
- (2) The audit fee is reduced by more than ten percent compared to the previous year: None.

### 6. Information on replacement of CPA: None.

### 7. Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPAs or at an affiliated enterprise of such accounting firm: None.

## 8. Changes in the shareholding status of directors, supervisors, managers and major shareholders

Title	Name	2021		As of April 29	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Yin Feng Enterprise Co., Ltd. Representative: LEE, WEN-CHU	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: FU, CHIEN-YI	0	0	0	0
Director	Yin Feng Enterprise Co., Ltd. Representative: LIU, CHING-TSUN	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: KUO, YUH-CHYI	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: CHEN TONG, CHIE-SHIANG	0	0	0	0
Director	Hung Lung Enterprise Co., Ltd. Representative: TSAI, I-CHING	0	0	0	0
Director	Kwang Hsing Industrial Co., Ltd. Representative: CHANG, YI-PING	0	0	0	0
Director	Tai He Real Estate Management Co., Ltd. Representative: LI, MENG-CHING	0	0	0	0
Independent Director	SHEA, JIA-DONG	0	0	0	0
Independent Director	LEE, SHEN-YI	0	0	0	0
Independent Director	LIN, TSALM-HSIANG	0	0	0	0
President	LEE, WEN-CHU	0	0	0	0
Executive Vice President	MA, JIA-HUAN	24,600	0	409,700	0
Executive Vice President	YANG, JIE-BIN	0	0	0	0
Executive Vice President	HUANG, CHI-MING	0	0	(17,000)	0
Executive Vice President	CHANG, PEI-WEN	0	0	0	0
Executive Vice President	LIN, YAN-FEN	0	0	0	0
Executive Vice President	LAI, JUN-FU	0	0	0	0
Executive Vice President	ZHANG, JIA-WEN	0	0	0	0
Executive Vice President	FANG, CHIH-HUNG	0	0	0	0
Executive Vice President	CHEN, MING-SHING	0	0	0	0
Executive Vice President	QIU, JIAN-HUA	0	0	0	0
Executive Vice President	WANG, JUAN-HUI	0	0	0	0
Executive Vice President	CHOU, HSIEN-YANG	10,000	0	0	0
Executive Vice President	HUNG, HSIN-JU	0	0	0	0
Senior Vice President	ZHENG, YU-LING	0	0	0	0
Senior Vice President	CHANG, TUN-FU	0	0	0	0
Senior Vice President	CHEN, PEI-QI	0	0	0	0
Senior Vice President	WANG, YA-FANG	0	0	0	0

Title	Name	2021		As of April 29	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Vice President	PAN, HUI-MEI	9,000	0	0	0
Senior Vice President	LEE, MU-XIAN	0	0	0	0
Senior Vice President	LIN, JING-HUA	0	0	0	0
Senior Vice President	ZHENG, SHU-FEN	0	0	0	0
Senior Vice President	HSIEH, HSIU-YING	0	0	0	0
Senior Vice President	LIN, BO-WEI	0	0	0	0
Senior Vice President	HUANG, ZHI-HUA	0	0	0	0
Senior Vice President	WU, YUN-WEN	0	0	0	0
Senior Vice President	LIU, SHU-RU	0	0	0	0
Senior Vice President	CHEN, YI-REN	0	0	0	0
Senior Vice President	YAO, MING-QING	0	0	0	0
Senior Vice President	XU, TSUI-YUN	0	0	0	0
Senior Vice President	CHANG, LI-FEN	0	0	0	0
Senior Vice President	CHIU, TSAN-HSI	0	0	0	0
Senior Vice President	CHANG, JING-YAO	0	0	0	0
Senior Vice President	YEH, YU-ZHEN	0	0	0	0
Senior Vice President	TSENG, MEI-LING	0	0	0	0
Senior Vice President	KAN, KAI-CHUNG	0	0	0	0
Senior Vice President	XIE, HUI-YA	0	0	0	0
Senior Vice President	CHANG, XUE-HE	0	0	0	0
Senior Vice President	TU, TSUNG-EN	0	0	0	0
Senior Vice President	CHANG, YU-CHING	0	0	0	0
Senior Vice President	KUO, NIEN-CHING	0	0	0	0
Senior Vice President	LIU, HSIANG-LI	0	0	0	0
Senior Vice President	LEE, KUEI-JUNG	0	0	0	0
Senior Vice President	MA, SHAO-HONG	0	0	0	0
Senior Vice President	HUANG, YI-LIAN	0	0	0	0
Senior Vice President	HO, YU-WEN	0	0	0	0
Assistant Vice President	TANG, WEN-JI	0	0	0	0
Assistant Vice President	LIN, JING-WEN	0	0	0	0
Assistant Vice President	KAI, SHI-HUA	0	0	0	0
Assistant Vice President	HAI, YAN	0	0	0	0
Assistant Vice President	PENG, GUI-CONG	0	0	0	0
Assistant Vice President	XU, LI-FEN	0	0	0	0
Assistant Vice President	WU, HONG-ZHI	0	0	0	0
Assistant Vice President	ZHENG, YU-CHANG	0	0	0	0
Assistant Vice President	ZHAO, ZHI-MING	0	0	0	0
Assistant Vice President	LEE, XIANG-JUN	0	0	0	0
Assistant Vice President	CAO, HOU-SHENG	0	0	0	0
Assistant Vice President	CAI, QING-FEN	0	0	0	0
Assistant Vice President	CHEN, XUAN-ZHI	0	0	0	0

Title	Name	2021		As of April 29	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Assistant Vice President	YANG, YAN-QIU	0	0	0	0
Assistant Vice President	CHANG, REN-FANG	0	0	0	0
Assistant Vice President	CHEN, ZHI-SHAN	0	0	0	0
Assistant Vice President	CHEN, MEI-RU	0	0	0	0
Assistant Vice President	LAI, AI-WEN	0	0	0	0
Assistant Vice President	DENG, XUE-REN	0	0	0	0
Assistant Vice President	YANG, KUN-LONG	0	0	0	0
Assistant Vice President	YEN, CHIA-YUEH	0	0	0	0
Assistant Vice President	WU, CHEN-YI	0	0	0	0
Assistant Vice President	HUANG, MIAO-YIN	0	0	0	0
Assistant Vice President	WU, QING-YAN	0	0	0	0
Assistant Vice President	LEE, CHIH-CHIANG	0	0	0	0
Assistant Vice President	LIU, PIN-CHEN	0	0	0	0
Assistant Vice President	HUANG, SHIH-CHUNG	0	0	0	0
Assistant Vice President	CHANG, CHUN-FU	0	0	0	0
Assistant Vice President	KU, PEI-CHING	0	0	0	0
Assistant Vice President	FU, CHENG-HUI	0	0	0	0
Assistant Vice President	TSAI, HSIN-TAI	0	0	0	0
Assistant Vice President	TIEN, CHIH-MIN	0	0	0	0
Assistant Vice President	CHOU, YUN-AN	0	0	0	0
Assistant Vice President	CHUANG, YUNG-CHIEH	0	0	0	0
Assistant Vice President	WU, FEN-FANG	0	0	0	0
Assistant Vice President	YEH, HSIEN-PENG	0	0	0	0
Assistant Vice President	WANG, HSIANG	0	0	0	0
Assistant Vice President	LEE, SHU-YU	0	0	0	0
Assistant Vice President	CHENG, YA-YUN	0	0	0	0
Assistant Vice President	CHEN, WEI-CHIH	0	0	0	0
Assistant Vice President	LIN, CHANG-CHIH	0	0	0	0
Assistant Vice President	CHUNG, YI-CHIEN	0	0	0	0
Assistant Vice President	CHEN, HUI-CHEN	0	0	0	0
Assistant Vice President	HUANG, CHUN-WEI	0	0	0	0
Assistant Vice President	WANG, HSIN-HUI	0	0	0	0
Assistant Vice President	FANG, PO-HSIANG	0	0	0	0
Assistant Vice President	WU, CHI-YING	0	0	0	0
Assistant Vice President	YEH, YU-CHING	0	0	0	0
Assistant Vice President	WU, WEI-HSIANG	0	0	0	0
Assistant Vice President	LI, YI-CHIH	0	0	0	0

Note 1: Shareholders who hold more than ten percent of the total shares of the Company should be noted as major shareholders and listed separately.  
Note 2: If the counterparty to a share transfer or pledge of shares is a related party, the following table should also be filled out.

## 9. Shareholding information of the top 10 shareholders and their relationships with each other

As of April 29, 2023  
Units: Shares

Name	Shares held by the individual		Shares held by spouse and minor children		Total shares held under others' names		Names or identities of the top ten shareholders who have related party relationships or are spouses or relatives within the second degree of kinship, and their relationships.		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Fu Ding Investment Co., Ltd. Representataive: LIAO, CHIEN-HUNG	76,405,643	3.52%	0	0.00%	0	0.00%	-	-	-
Bao Zuo Investment Co., Ltd. Representataive: LIAO, CHIEN-HUNG	75,871,574	3.50%	0	0.00%	0	0.00%	-	-	-
Bao Sheng Investment Co., Ltd. Representataive: HSIEH, YU-TING	72,313,817	3.33%	0	0.00%	0	0.00%	-	-	-
Tai Sheng Investment Co., Ltd. Representataive: WANG, CHUN-FU	71,454,831	3.29%	0	0.00%	0	0.00%	-	-	-
Hong Chia Investment Co., Ltd. Representataive: HSIEH, YU-TING	64,689,914	2.98%	0	0.00%	0	0.00%	-	-	-
Min Huei Enterprise Co., Ltd. Representataive: WANG, HUI-JING	61,245,459	2.82%	0	0.00%	0	0.00%	-	-	-
Hontai Life Insurance Inc. Representataive: LU, HUAN-YI	60,702,749	2.80%	0	0.00%	0	0.00%	-	-	-
Bao Qing Investment Co., Ltd. Representataive: YANG, SHU-HUEI	60,338,725	2.78%	0	0.00%	0	0.00%	-	-	-
Hung Lung Enterprise Co., Ltd. Representataive: LIAO, CHIEN-HUNG	50,871,288	2.34%	0	0.00%	0	0.00%	-	-	-
Tai Lian Investment Co., Ltd. Representataive: LIN, HSIN-YI	42,699,377	1.97%	0	0.00%	0	0.00%	-	-	-

Note: (1) The top ten shareholders should be listed, including the names of corporate shareholders and the names of their representatives.

(2) Calculation of shareholding percentage should consider shares held under one's own name, spouse, minor children, or shares held under another person's name.

(3) The relationships between the listed shareholders, including both corporate and individual shareholders, should be disclosed according to the financial reporting standards of the issuer.

**10. The total number of shares and total equity stake held in any single enterprise by the Company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company:**

Unit: share; %

Date :March 31, 2023

Investee (Note )	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Capital Investment Management Corp.	7,000,000	100.00%	-	-	7,000,000	100.00%
CSC International Holdings Ltd.	45,000,000	100.00%	-	-	45,000,000	100.00%
Capital Futures Co., Ltd.	119,066,014	56.58%	488,386	0.23%	119,554,400	56.81%
Capital Insurance Advisory Co., Ltd.	500,000	100.00%	-	-	500,000	100.00%
Capital Insurance Agency Co., Ltd.	740,000	100.00%	-	-	740,000	100.00%
CSC Venture Capital Co., Ltd.	100,000,000	100.00%	-	-	100,000,000	100.00%
Taiwan International Securities (B.V.I.) Corp.	300	100.00%	-	-	300	100.00%
CSC Capital Management Co.	33,000,000	100.00%	-	-	33,000,000	100.00%
Capital Securities Nominee Co., Ltd.	33,067,507	20.00%	-	-	33,067,507	20.00%

Note: This refers to long-term investments of the Company using the equity method.

## IV. Capital Overview

### 1. Capital and Shares

#### (1) Source and Type of Capital:

##### 1. Source of capital

Units as of April 29, 2023: Thousands of shares/\$1,000

Year/ Month	Issue price (\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Jun. 2011	10	3,000,000	30,000,000	2,334,062	23,340,621	Consolidated capital increase by issuing new shares of \$283,395 thousand	None	Note 1
Oct. 2011	10	3,000,000	30,000,000	2,369,073	23,690,730	Capital increase from earnings of \$350,109 thousand	None	Note 2
Nov. 2015	10	3,000,000	30,000,000	2,319,073	23,190,730	Capital reduction of \$500,000 thousand	None	Note 3
Feb. 2016	10	3,000,000	30,000,000	2,269,073	22,690,730	Capital reduction of \$500,000 thousand	None	Note 4
Feb. 2017	10	3,000,000	30,000,000	2,169,073	21,690,730	Capital reduction of \$1,000,000 thousand	None	Note 5
Sep. 2018	10	3,000,000	30,000,000	2,320,908	23,209,081	Capital increase from earnings of \$1,518,351 thousand	None	Note 6
Feb. 2020	10	3,000,000	30,000,000	2,170,908	21,709,081	Capital reduction of \$1,500,000 thousand	None	Note 7

Note 1: Approved by the competent authority on March 18, 2011, with document number SFB No. 1000009983.

Note 2: Approved by the competent authority on July 11, 2011, with document number SFB No. 1000031788.

Note 3: Approved by the competent authority on November 10, 2015, with document number SFB No. 1040045464.

Note 4: Approved by the competent authority on January 14, 2016, with document number SFB No. 1050001350.

Note 5: Approved by the competent authority on January 13, 2017, with document number SFB No. 1060001490.

Note 6: Approved by the Financial Supervisory Commission, Securities and Futures Bureau, on July 12, 2018, and confirmed by the Ministry of Economic Affairs, letter No. 10701117580, on September 25, 2018.

Note 7: Approved by the competent authority on January 9, 2020, with document number SFB No. 1090300266, and confirmed by the Ministry of Economic Affairs, letter No. 10901022470, on February 21, 2020.

##### 2. Share type

Unit: Thousands of shares

Share Type	Authorized Capital			Remarks
	Outstanding Shares (listed)	Unissued Shares	Total	
Common Stock	2,170,908	829,092	3,000,000	-

##### 3. Information about the Comprehensive Reporting System: Not applicable.

#### (2) Structure of Shareholders

April 29, 2023

Shareholder Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	3	6	402	108,482	314	109,207
Shareholding	6,010,671	73,951,332	935,273,198	782,958,914	372,713,982	2,170,908,097
Percentage	0.28%	3.41%	43.08%	36.07%	17.16%	100.00%

Note: Listed companies and emerging stock companies are required to disclose the proportion of Chinese investment. Chinese investment refers to individuals, legal entities, groups, other organizations, or companies from mainland China as defined in Article 3 of the Regulations Governing Permits for Mainland China People to Make Investments in Taiwan or their investments in third countries or regions.

### (3) Shareholding Distribution Status

April 29, 2023

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1-999	46,354	7,544,741	0.35%
1,000-5,000	38,920	91,132,193	4.20%
5,001-10,000	10,746	82,924,152	3.82%
10,001-15,000	4,203	52,620,807	2.42%
15,001-20,000	2,555	46,877,144	2.16%
20,001-30,000	2,249	56,608,292	2.61%
30,001-40,000	1,040	37,046,564	1.71%
40,001-50,000	746	34,585,663	1.59%
50,001-100,000	1,255	89,588,654	4.13%
100,001-200,000	562	79,252,973	3.65%
200,001-400,000	267	74,749,897	3.44%
400,001-600,000	100	49,162,875	2.27%
600,001-800,000	39	26,957,246	1.24%
800,001-1,000,000	26	23,562,408	1.08%
Information related to the comprehensive reporting system: Not applicable. For those with more than 1,000,001, it will be classified according to the actual situation.	145	1,418,294,488	65.33%
Total	109,207	2,170,908,097	100.00%

### Preferred Shares

April 29, 2023

Shareholding classification	Number of shareholders	Shares held	Shareholding percentage
Classified according to actual conditions	-	-	-
Total	-	-	-

### (4) List of major shareholders

Shareholder's Name	Shares	Shareholding	Percentage
Fu Ding Investment Co., Ltd.		76,405,643	3.52%
Bao Zuo Investment Co., Ltd.		75,871,574	3.50%
Bao Sheng Investment Co., Ltd.		72,313,817	3.33%
Tai Sheng Investment Co., Ltd.		71,454,831	3.29%
Hong Chia Investment Co., Ltd.		64,689,914	2.98%
Min Huei Enterprise Co., Ltd.		61,245,459	2.82%
Hontai Life Insurance Co., Ltd.		60,702,749	2.80%
Bao Qing Investment Co., Ltd.		60,338,725	2.78%
Hung Lung Enterprise Co., Ltd.		50,871,288	2.34%
Tai Lian Investment Co., Ltd.		42,699,377	1.97%

**(5) The per share market price, net asset value, earnings, dividends, and related information for the most recent two years and the current year:**

Item		Year	2021	2022	As of March 31, 2023 (Note 8)
Market price per share (Note 1)	Highest		19.60	17.35	12.4
	Lowest		13.20	9.74	10.7
	Average		15.90	13.36	11.85
Net worth per share (Note 2)	Before distribution		17.84	16.47	--
	After distribution		16.19	--	--
Earnings per share	Weighted average outstanding shares (in thousands)		2,170,908	2,170,908	2,170,908
	Earnings per share (Note 3)		2.42	0.39	--
Dividends per share	Cash dividends		1.65	Note 9	--
	Stock dividends	Retained Earnings	--	Note 9	--
		Capital surplus	--	Note 9	--
	Accumulated unpaid dividends (Note 4)		--	--	--
Return on Investment	Price/Earnings Ratio (Note 5)		6.57	34.26	--
	Price/Dividend Ratio (Note 6)		9.64	Note 9	--
	Cash dividend yield (Note 7)		10.38%	Note 9	--

If there are bonus shares or capital increases distributed from retained earnings or capital surplus, the adjusted market price and cash dividend information based on the number of shares issued should be disclosed.

Note 1: List the highest and lowest market prices of common shares for each year and calculate the average market price based on the trading value and volume for each year.

Note 2: Use the year-end number of shares issued and fill in the information based on the decisions made by the Board or the following year's shareholders' meeting.

Note 3: If adjustments are necessary due to situations such as free bonus shares, disclose the earnings per share before and after the adjustment.

Note 4: If there are provisions in the conditions for issuing equity securities that require the accumulation of undistributed dividends until a profitable year for distribution, disclose the accumulated unpaid dividends as of the end of the current year.

Note 5: P/E ratio = Average closing price per share for the year / Earnings per share.

Note 6: P/B ratio = Average closing price per share for the year / Cash dividend per share.

Note 7: Dividend yield = Cash dividend per share / Average closing price per share for the year.

Note 8: Book value per share and earnings per share should be filled in based on the latest quarter audited (reviewed) by the accountants until the printing date of the annual report; other columns should be filled in with data for the current year until the printing date of the annual report.

Note 9: Appropriation of 2022 earnings had not yet been resolved in a shareholder meeting, up till the publication date of this annual report.

**(6) Dividend Policy and Implementation Status**

**1. Dividend Policy as specified in the Company's Articles of Incorporation:**

According to the Company's Articles of Incorporation, if there are profits in the annual financial statements after paying taxes and donations and offsetting accumulated losses, 10% of the statutory retained earnings, 20% of the special retained earnings, and any amounts required to be set aside by law shall be provisioned.

The Board proposes a resolution for profit distribution and submits it to the shareholders' meeting for approval of the distribution of dividends to shareholders. The distributable amount mentioned above, after deducting the portion of retained earnings, shall not be less than 10% of the distributable amount. Types of dividends: Based on the Company's capital budget plan, stock dividends shall be distributed to retain the necessary funds, and the remaining portion may be distributed in cash. Cash dividends shall not be less than 10%.

**2. Proposed dividend distribution for the current shareholders' meeting:**

For the fiscal year 2022, the Company proposes to distribute cash dividends to shareholders in the amount of NT\$846,654,158 (cash dividend of NT\$0.39 per share), with the dividend payment to be made up to the decimal point (rounded down for decimals below the unit). The distribution proposal is subject to approval by the shareholders' meeting, and the Chairman is authorized to set the ex-dividend date for distribution.

**(7) The effect of the proposed gratis allotment of shares at the shareholders' meeting on the Company's operating results and earnings per share: None.**

## **(8) Remuneration of Employees, Directors and Supervisors:**

### **1. The percentage or range of employee, Director, and Supervisor remuneration stipulated in the Company's articles of incorporation:**

The Company aims to continuously expand its scale and increase profitability while ensuring capital adequacy. We adopt a residual dividend policy.

In the event of annual profits, the Company should allocate between 0.6% to 2% as employee remuneration, to be distributed in the form of stocks or cash at the discretion of the Board. The recipients of such distribution include employees of subsidiary companies who meet certain conditions, as determined by the Board. Additionally, the Company may allocate up to 3% of the aforementioned profit amount as director remuneration, as decided by the Board. The distribution of employee remuneration and director remuneration cases should be reported to the shareholders' meeting.

However, in the presence of accumulated losses, the Company should reserve an amount for offsetting these losses. Employee remuneration and director remuneration should be allocated in accordance with the aforementioned proportions after the offsetting of losses.

### **2. Accounting Treatment for Deviations in Estimated Employee, Director, and Supervisor Remuneration Provision, Basis for Calculation of Stock-based Employee Remuneration, and Accounting Treatment for Differences in Actual Distribution Amounts:**

- (1) The basis for estimating the amount of employee, director, and supervisor remuneration for the current period and the basis for calculating the stock dividend distribution: According to the Company's articles of incorporation, a provision of between 0.6% and 2% of profits should be allocated for employee remuneration, and a provision of up to 3% for director remuneration. However, if the Company has accumulated losses, an amount should be reserved to offset these losses. The estimated employee and director remuneration for the fiscal year 2022 is based on the Company's pre-tax net profit for that period, minus the amount allocated for employee and director remuneration, multiplied by the proportion set forth in the Company's articles of incorporation.
- (2) The basis for calculating the stock-based employee remuneration: It is based on the closing price of the Company's shares on the day before the shareholders' meeting resolution, taking into account the impact of ex-dividend and ex-rights.
- (3) Accounting treatment for differences between the estimated provision and the actual distribution amount: If there are changes in the subsequent year after the financial statements have been issued, the accounting estimate will be adjusted, and the impact of the adjustment will be recognized in the income statement of the subsequent year.

### **3. The board's approval of remuneration distribution:**

- (1). Cash or stock distribution of employee and director remuneration. If there are differences between the provisioned amount and the estimated amount for the year, the differences, reasons, and handling should be disclosed:

On March 13, 2023, the Board of Directors approved the distribution of employee remuneration in the amount of NT\$8,197,353 and director remuneration in the amount of NT\$10,929,804, both to be disbursed in cash. The differences between the approved distribution of employee and director remuneration by the Board and the provisioned amount in the annual estimate of expenses are as follows:

Unit: NTS

Item (2022)	Employee Remuneration	Director Remuneration
Estimated amount recognized as expense of the year (A)	16,731,000	20,404,000
Remuneration for directors (B)	8,197,353	10,929,804
Difference (A-B)	8,533,647	9,474,196
Treatment of difference	The difference between the estimates based on the self-assessed profit and loss is adjusted to the profit and loss of 2023 based on the change in accounting estimate.	

- (2) The proportion of employee remuneration distributed in the form of stock dividends to the post-tax net income and the total amount of employee remuneration for the current period: 0% (all employee dividends of the Company are paid in cash).

4. The actual distribution of employee and director remuneration for the previous year (2021), including the number of shares distributed, amount, stock price, any differences from recognized employee, director, and supervisor remuneration, and the explanation and handling of such differences:

UNIT: NTS

Item (2020)	Employee Remuneration	Director Remuneration
Estimated amount recognized as expense of the year (A)	82,129,050	100,379,950
Remuneration for directors (B)	74,649,000	91,237,600
Difference (A-B)	7,480,050	9,142,350
Treatment of difference	The difference between the estimates based on the self-assessed profit and loss is adjusted to the profit and loss of 2022 based on the change in accounting estimate.	

**(9) Buyback of Treasury Stock: None.**

**2. Issuance of Corporate Bonds: None.**

**3. Issuance of Preferred Shares: None.**

**4. Issuance of Issuance of Global Depository Receipts: None.**

**5. Issuance of Employee Stock Options: None.**

**6. Issuance of Restricted Stock: None.**

**7. Status of New Shares Issuance in Connection with Mergers and Acquisitions:**

**None.**

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

# V. Operations Overview

## 1. Business Activities:

### (1) Scope of business

#### (1) The main content of the business

1. Underwriting of securities.
2. Proprietary trading of securities over Taiwan Stock Exchange (TWSE).
3. Consigned trading of securities over Taiwan Stock Exchange (TWSE).
4. Proprietary trading of securities over Taipei Exchange (TPEX).
5. Consigned trading of securities over Taipei Exchange (TPEX).
6. Margin trading and short sale service.
7. Securities administration agency services.
8. Consigned trading of foreign securities.
9. Short term notes and bills.
10. Introducing brokerage for futures.
11. Lending against securities.
12. Derivative financial instrument business.
13. Lending and borrowing of securities (except book-entry central government bonds).
14. Trust services.
15. International securities services.
16. Other securities services approved by the competent authority.

### (2) Recent three-year business proportion

UNIT: NT\$1,000

Year	2020		2021		2022	
Product category	Amount	%	Amount	%	Amount	%
Brokerage	4,665,261	63	7,824,703	72	5,100,616	90
Proprietary	2,240,809	31	2,732,442	25	196,311	4
Underwriting	461,664	6	382,153	3	346,285	6
Total	7,367,734	100	10,939,298	100	5,643,212	100

### (3) The Company's current products (goods) or services and their important purposes or functions

Service Categories	Main Purpose or Function
Brokerage Department	Consigned trading of domestic and foreign securities, futures and options approved by the authority, settlement, and offering of margin trading, short-selling and securities borrowing/lending services. Providing brokerage services, selling wealth management services and operating and managing branches.
Wealth Management Department	Planning for wealth management services, asset allocation, management, use and disposal of trust property, and planning, implementation and receipt of trust services.
Investment Banking Department	Provides guidance to businesses on fundraising solutions such as public offering, TWSE/TPEX listing, cash issue, corporate bond issue, TDR issue and securities underwriting, and comprehensive investment banking services including corporate M&A, business sale, equity investment, valuation, privatization, finance planning and services as an offshore securities unit (OSU).
Proprietary Trading Department	Trading securities in own capacity in the centralized exchange market and over-the-counter market, regulating market supplies and demands as a proprietary trader, and playing the role of a market generator in coordination with the underwriters. Trading and operating domestic and foreign futures and options. Using the Company's own funds for, if permitted by law, investment in commodities in overseas spot and futures markets depending on the international economic conditions and changes in the stock and foreign exchange markets.
Fixed Income Department	Managing domestic and foreign bonds, short-term financing of bond derivatives, conditional trading of bonds, and providing quick and concrete consulting services to customers regarding information on bond investment.
Derivatives Department	Issuance and trading of derivatives, and offering of investment and advisory services on derivatives.
Registrar Agency Department	Agency of stock affairs for TWSE/TPEX-listed, public and non-public companies.

#### (4) Planned new products (services) for development

1. Establishment of the Digital Business Department in the Brokerage Division.
2. Transformation of the Wealth Management Division's business model.
3. Establishment of a Product Design Center.
4. Enhancing the self-media mobile platform of Securities Hong Kong and actively recruiting proprietary and research talents.

#### (2) Industry overview:

##### 1. Industry overview:

Description of the current situation and development of the industry:

Looking at the overall securities market in 2022 (see table below), the trading volume of stocks and warrants decreased compared to the previous year, with a 37.63% decrease in the centralized market and a 35.63% decrease in the over-the-counter market. Overall, the trading volume of stock and bond products decreased by 27.94% compared to the previous year.

#### Trading volume in the securities market over the past three years

Unit: NT\$ billion

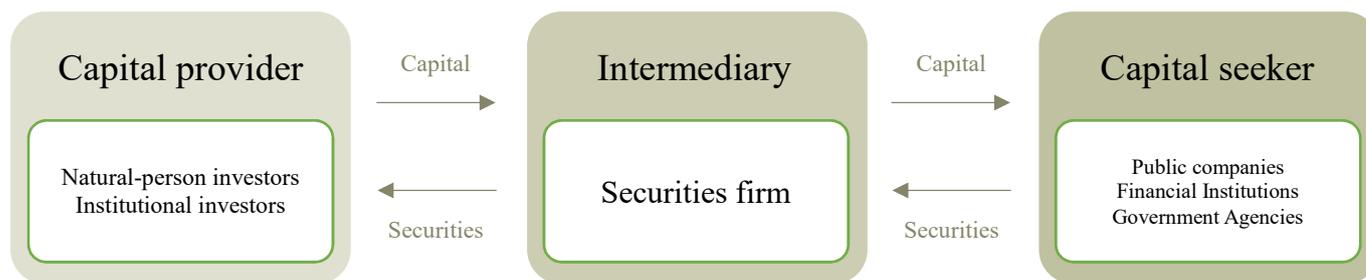
Year	2020	2021	2022	Increase / decrease in 2022
<b>TWSE-listed</b>				
Stocks	45,654.29	92,289.97	56,080.59	-39.23%
ETFs	2,838.64	2,454.48	2,938.09	19.70%
Beneficiary Securities	11.55	5.31	9.43	77.59%
Call (Put) warrants	509.19	681.15	531.21	-22.01%
TDR+ETN	168.86	86.08	14.42	-83.25%
Subtotal	49,182.53	95,516.99	59,573.74	-37.63%
<b>TPEX-listed</b>				
Stock	12,087.07	20,275.96	14,878.66	-26.62%
Call (Put) warrants	154.60	177.41	133.74	-24.62%
ETF+ETN	417.30	249.64	230.08	-7.84%
Bonds	40,604.16	29,171.37	29,956.55	2.68%
Sub-total	53,263.13	49,874.38	45,199.03	-9.37%
Total	102,445.66	145,391.37	104,772.77	-27.94%
Excluding bonds	61,841.50	116,220.00	74,816.22	-35.63%

Data source: TWSE, TPEX.

With the diversification of the market and the introduction of new financial products, technology-driven finance has enriched the investment channels and products available to investors. Regulatory authorities have actively opened up policies, including the authorization of regular investment plans and Trust 2.0 initiatives, to assist and encourage the financial industry's international development and enhance its product innovation capabilities. At the same time, financial institutions are required to strengthen corporate governance and risk management, as well as prioritize consumer protection and rights. Embracing an "innovation and prudence" mindset, financial institutions are strengthening their institutional resilience to enhance the competitiveness of the securities industry.

The securities industry leverages its business advantages and regional development niches to effectively utilize asset allocation and risk control capabilities, thereby building differentiated competitive advantages and translating them into profitable business models. As the industry continues to innovate and adopt a prudent approach, it can create value and provide investors with diversified, stable, and competitive investment options.

## 2. The link between upstream, midstream and downstream industries



## 3. Product development trends and competition

Securities firms can engage in various businesses, including brokerage services, underwriting services, proprietary trading, bond services, derivative product services, and wealth management services. The development trends and competitive landscape of brokerage services, underwriting services, derivative product services, and wealth management services are as follows:

### (1) Brokerage Services:

With the advent of the digital age, the widespread use of the internet and the improvement in transmission speed, electronic trading has become an important direction for the development of brokerage services in securities firms. In addition to offering a wide range of products, including equities, futures, and overseas investments, securities firms are introducing convenient trading platforms and providing effective investment strategy APIs for clients to choose from. This enables them to offer more diversified and favorable securities services to meet customer demands. Furthermore, securities firms are leveraging social media to enhance interaction with clients and develop new business channels.

### (2) Investment Banking:

In 2022, the Company served as the lead underwriter for AMIDA Technology IPO. In the secondary market, we completed fundraising cases such as LASTER TECH CO., LTD. CB4, LASTER TECH CO., LTD. CB5, LASTER TECH CO., LTD. rights issue, and Ruentex Industries Co., Ltd. rights issue. Our underwriting team has extensive experience in providing tailor-made capital market planning for clients.

In 2022, the total number of listed and OTC companies increased from 1,747 to 1,779, with a net increase of 32 companies compared to the previous year. However, the market capitalization of listed and OTC companies decreased from NT\$62.06 trillion to NT\$48.69 trillion, a decrease of NT\$13.37 trillion compared to the previous year. In terms of fundraising, there were 183 cases of external fundraising by listed and OTC companies in 2022, a decrease of 34 cases compared to 2021.

To expand the size of the capital market, the government has implemented the "Capital Market Blueprint" three-year plan, aiming to strengthen the capital market's fundraising function and promote the development of investment banking businesses in securities firms. Underwriters will continue to play a role in direct finance, contributing to the growth of new momentum in the real economy.

### (3) Derivatives:

In 2022, total 54,891 batches of warrants were issued, and likely to be a record high. In the future, new products will be developed based on market demands to keep the leading position of the Company in the derivatives market.

### (4) Wealth Management:

The Company has envisioned Capital Securities becoming the number one wealth management brand among local securities firms, and hopes to develop full service capacity by combining human and digital channels.

We aim to enhance brand recognition and establish a professional image in wealth management for high-end clients. By strengthening KYC (Know Your Customer) procedures and gaining deep insights into our clients, we can provide differentiated services through data analysis and management. We classify products and implement client segmentation to offer tailored recommendations and planning based on their suitability.

In line with the Financial Supervisory Commission's "New Wealth Management Solution," we obtained the license to provide services to high-net-worth clients through wealth management trusts in September 2021. In January 2022, we also obtained approval for securities beneficial trusts. With these licenses, we can provide diversified financial products and services specifically designed for high-net-worth clients, assisting them in asset allocation and wealth inheritance, as well as meeting their trust needs.

Furthermore, we will strengthen digital, online, and mobile financial management services to provide convenient access to financial management tools. By integrating data mining and personalized segmentation services, we aim to deliver innovative financial and technological solutions that cater to the needs of our clients. Our goal is to continuously provide high-quality wealth management products and services, establishing a comprehensive securities firm centered around wealth management.

### (3) Technical and R&D status

#### 1. Research and development expenditures in the past three years

Year	Amount (in thousands)
2020	63,505
2021	65,143
2022	62,965
2023 (Estimate)	78,534

#### 2. Recent year's research and development achievements and future development direction

##### Financial Product Development

In 2022, the listing rights fees for call (put) warrants reached 67.9 billion NTD, with a total of 6,192 listings, ranking third in the market in terms of both issuance amount and number of listings. The total issuance of structured products for the year amounted to 13.2 billion NTD. In the future, in line with regulatory changes and market demand, there will be a focus on developing various trading strategies and evaluation models to provide investors with more diverse and customized financial products. Additionally, efforts will be made to create a favorable and stable market-making environment for warrants, aiming to enhance the quality of market-making services.

##### Driving business transformation through technological innovation, continuous research and development to enhance service quality, and achieving sustainable development through ESG.

As a leading player in the financial industry, the Company has been committed to promoting the development of financial technology and digital transformation. Through technological innovation and research and development, we strive to enhance service quality and customer experience. We actively promote green finance and environmental protection, encouraging clients to invest in environmentally friendly products. We also make efforts to reduce our carbon footprint through initiatives such as green building and energy-saving measures. In order to cultivate digital talent, we provide various training and learning opportunities. We have established the Yuanta Digital Talent Center within our Information Technology department, which offers the latest training and practical opportunities in financial technology for our employees and interns from universities. This helps to develop their expertise and skills in the digital finance field. Additionally, we have created a digital learning platform to provide convenient online learning opportunities for our employees. The platform covers topics such as digital financial technology, specialized knowledge of various financial products, and regulatory compliance to meet the continuous development needs of the Company and the industry. The Company is committed to investing significant resources and manpower in the development of innovative financial technology to create a diverse range of services:

1. Digital trading platforms: We have developed various digital trading platforms, including online trading, mobile trading, and smart investing. These platforms enable clients to invest in securities and various financial products anytime, anywhere. Clients can also utilize various features on the platforms to stay updated on market trends and engage in automated trading.
2. Data analytics and artificial intelligence: We leverage technologies such as data analytics and artificial intelligence to apply more effective investment strategies and risk management methods. This enhances clients' trading experience and investment returns.
3. OPEN API: We implement the application of OPEN APIs, particularly in areas such as securities trading and financial derivatives, to improve transaction efficiency and security.
4. Digital learning platform: We have developed a digital learning platform to provide employees with online learning and professional training opportunities, nurturing digital talent. Overall, we provide an environment for employees to learn and develop, cultivating digital talent and driving the development of financial technology. In the ESG domain, our specific achievements demonstrate continuous progress in social responsibility and sustainable development. We are committed to promoting green finance, social welfare, transparency in corporate governance, and ethical operations. In the future, Yuanta will continue to strengthen its investment and development in the ESG field to achieve sustainable growth and create greater value.

### (4) Long- and short-term business development plans

Short-term Business Development Plan:

- (1) Establish a digital business division in the brokerage department
- (2) Transform the wealth management department's business model
- (3) Set up a product design center
- (4) Build a comprehensive back-end system
- (5) Strengthen entrusted business
- (6) Establish a cross-departmental mechanism for joint client visits
- (7) Create long-term investment positions
- (8) Establish cross-departmental and cross-company collaboration models
- (9) CSC Securities (HK) to enhance self-media platform and actively recruit proprietary and research talents
- (10) Strengthen risk control mechanisms and regulatory compliance
- (11) Promote sustainable financial development

Long-term Business Development Plan:

- (1) Becoming the best investment bank and wealth management institution in Asia.
- (2) Cultivating the capability to develop new innovative products and becoming the most innovative professional financial institution.
- (3) Actively evaluating the possibility of establishing overseas subsidiaries based on economic developments in overseas regions.

## 2. Market and Sales Overview:

### (1) Market analysis

The Taiwan stock market index showed a declining trend throughout the year, closing at 14,137 points in 2022, which was a decrease of 4,081 points, marking the second-largest annual decline in history. The 22.4% drop in the index was the 7th largest in history. At the end of 2022, the market capitalization of the centralized market was NT\$43.377 trillion, a decrease of NT\$13.131 trillion compared to the end of 2021. The OTC market closed at 180.34 points, with a decrease of 57.21 points and a 24.08% decline for the year. The total trading volume in the centralized market for 2022 was NT\$59.57 trillion, a decrease of NT\$35.94 trillion or 37.6% compared to the previous year.

#### 2022 Global Economic Trends:

1. Resilience of the U.S. economy: The Federal Reserve raised interest rates 17 times in 2022, with the federal funds rate reaching 4.25%-4.5% by the end of the year. Rising commodity prices, housing rents, and wages in the labor market were the main reasons behind the Federal Reserve's tightening monetary policy to curb demand growth. The supply chain issues caused by the pandemic eased, and the results of the midterm elections in November showed a balanced power distribution between parties, demonstrating the resilience of the U.S. economy.
2. Multiple challenges in Europe: The conflict between Russia and Ukraine led to deteriorating U.S.-Russia relations, and Russia attempted to use energy as a weapon to divide the European Union (EU). The economic situation in Europe rapidly deteriorated, with the euro briefly falling to parity with the U.S. dollar in the third quarter. In October, the UK's new cabinet's fiscal bill almost triggered a bond and financial crisis. Fortunately, the UK government swiftly reorganized and avoided the crisis. EU countries cooperated actively to increase energy reserves, and the crisis was alleviated with the help of a mild winter.
3. Policy reversal in China following the outbreak of the pandemic: The healthcare conditions in non-urban areas of China were inadequate, leading to the continued implementation of strict lockdown measures to control the pandemic. In March 2022, the sudden lockdown of Shanghai without prior notice shocked the world. It not only restricted personal freedom but also had an impact on the economic supply chains in the Yangtze River Delta. In October, during the 20th National Congress, Xi Jinping secured another term as China's leader. During this time, coinciding with the World Cup, China's strict lockdown measures sparked a widespread "blank paper revolution" across the country. Subsequently, China's epidemic control policies underwent an abrupt change, aligning with the level of openness seen in Europe and the United States.
4. Energy crisis and conflicting green energy issues: The conflict between Russia and Ukraine caused a significant increase in oil prices in the first half of 2022. France expanded its nuclear power capacity, and the EU recognized nuclear energy as a green energy source. The major beneficiary of rising oil prices was the OPEC organization, and OPEC became a focal point in the intense competition between the U.S. and Russia. The world was immersed in the shadow of stagflation, reminiscent of the stagnant inflation of the 1980s.
5. Restructuring of the global economic and trade order: In December 2022, Mr. Morris CHANG mentioned a significant change in the geopolitical landscape faced by semiconductor manufacturers, stating that "globalization and free trade are almost dead and unlikely to recover." Additionally, China's competitive advantage of a large population and low production costs over the past 20 years is diminishing. India, Southeast Asia, and even Mexico are emerging as new production bases for international manufacturers. Free economic markets and the Chinese market are competing, while political, economic, trade, diplomatic, and military issues overlap and intertwine.

### **The main characteristics of Taiwan's economy in 2022 were as follows:**

#### **1. Slowing export growth momentum:**

Taiwan's total export orders in 2022 amounted to USD 666.79 billion, a decrease of 1.1% compared to 2021. Among the product categories, only electronic products showed a positive growth rate of 7.8%, while the rest experienced a decline. The largest decline in export orders was seen in exports to China and Hong Kong, with a negative growth rate of 17%. On the other hand, exports to the ASEAN region showed a relatively better performance with a growth rate of 15.7%, reflecting the ongoing global supply chain shift. Taiwan's GDP growth rate in 2022 was 2.45%, the weakest performance since 2017.

#### **2. Rising inflationary pressures:**

Taiwan's average Consumer Price Index (CPI) inflation rate for the year was 2.95%, the highest in nearly 14 years, second only to the 3.5% inflation rate in 2008. The main contributors to CPI inflation were the significant price increases in food items, which accounted for nearly half of the overall inflation rate. Factors such as rising feed costs led to price increases in eggs and meat, and even caused a shortage of low-priced eggs due to insufficient profitability. In addition, rising costs of dining out, rent, and oil prices also contributed to CPI inflation.

#### **3. Impacts of the COVID-19 pandemic in its third year:**

Taiwan experienced a peak in COVID-19 cases in 2022, with approximately 9 million reported infections within the year. Taking into account potential unreported cases, the actual number of infections and individuals who developed antibodies may reach 18 million. In 2022, the Omicron variant of COVID-19 emerged, characterized by high infectivity but low severity. Taiwan's epidemic control strategy shifted towards coexistence with the virus, and with a significant increase in vaccination coverage, the epidemic situation cooled down in the fourth quarter. As a result, the domestic demand-driven economy began to recover, and the country's borders were officially reopened. These factors shaped the economic landscape of Taiwan in 2022, with challenges arising from the global economic environment, inflationary pressures, and the ongoing impact of the COVID-19 pandemic.

#### **4. Dominance of Semiconductors and High-Tech Sector**

In 2022, Taiwan's listed semiconductor companies generated a total revenue of USD 175 billion, contributing approximately 13% to Taiwan's GDP. The wafer foundry industry, a vital part of Taiwan's semiconductor sector, recorded a total revenue of USD 91 billion, contributing 52% to the entire semiconductor industry in Taiwan. TSMC, the world-renowned semiconductor company, achieved a post-tax profit of TWD 1.165 trillion in 2022, marking a year-on-year growth of 70.4%. The IC design industry also surpassed USD 40 billion in revenue in 2022, with a global market share of over 20%. The growth of the high-tech sector in Taiwan is closely tied to its substantial capabilities in laptop and smartphone assembly.

### **The key characteristics of Taiwan's stock market development in 2022 include:**

#### **1. High correlation with international markets:**

In January 2022, the U.S. technology stocks experienced a sharp decline, with the NASDAQ and Philadelphia Semiconductor indexes plunging from their peaks. Taiwan's stock market reacted accordingly, with TSMC's stock price dropping from a historical high of TWD 688 to TWD 370 by the end of October, representing a 46% decline. However, a global market rebound in late October led to a strong surge in TSMC's stock price, driving the Taiwan Stock Exchange index up by over 2,000 points. Therefore, the trend of Taiwan's stock market and the performance of heavyweight stocks are highly synchronized with international technology stocks.

#### **2. Net selling by foreign investors:**

Foreign investors had a net selling position in Taiwan's listed stocks, with a cumulative net selling value of around TWD 1.889 trillion and TWD 52.597 billion for listed and over-the-counter stocks, respectively, in 2022. Foreign investors also had a net capital outflow of USD 13.564 billion (equivalent to TWD 416.4 billion), setting a record for the largest annual net outflow in history. The third quarter alone witnessed a net capital outflow of USD 16.298 billion (approximately TWD 514.5 billion), marking a new quarterly high. In the first three quarters of 2022, the net capital outflow amounted to USD 22.472 billion (around TWD 709.4 billion). The Taiwanese dollar experienced a significant depreciation of 3.018 against the U.S. dollar in 2022, representing a depreciation rate of 9.83%, the largest since the Asian financial crisis in 1997. These developments in the semiconductor industry and the stock market reflect Taiwan's significant role and global influence in the high-tech sector. However, the performance of the stock market is influenced by international market conditions and the capital flow of foreign investors.

#### **3. Increased Difficulty in Day Trading**

In 2022, the total amount of day trading transactions reached NT\$23.1 trillion, accounting for 38.8% of the total trading volume in the Taiwan Stock Exchange. However, the profits from day trading amounted to NT\$37.257 billion, representing a significant decline of 46% compared to the same period last year, when it was NT\$69.04 billion. After deducting transaction fees and taxes, it is estimated that overall day trading in 2022 resulted in a net loss. The bearish market sentiment in the Taiwanese stock market during 2022, coupled with weak investor confidence and a decline in the willingness to chase prices, negatively impacted the manipulation of day trading activities. As a result, day traders gradually withdrew and adopted a wait-and-see approach.

#### **4. Berkshire Hathaway's Trading of TSMC ADR Sparks Discussion**

In the third quarter of 2022, Warren Buffett's Berkshire Hathaway disclosed the purchase of 60.1 million units of TSMC ADR, worth US\$4.12 billion (equivalent to NT\$128 billion), representing a 1.2% stake in TSMC. Buffett's investment in TSMC ADR indicates the attractiveness of TSMC's leading position in the semiconductor industry and its stable dividend distribution. However, in the fourth quarter of 2022, Berkshire Hathaway almost entirely divested its position in TSMC ADR, indicating that geopolitical risks remain an important consideration for long-term institutional investors.

2023 Taiwan stock market outlook cautiously optimistic: Taiwan's economic momentum is influenced by the global economic conditions, and it is expected to gradually improve quarter by quarter. Financial markets believe that the Federal Reserve may have the opportunity to stop raising interest rates in 2023, which can further stimulate consumption and investment growth. In terms of economic policies, with the presidential election scheduled for January 2024, pre-election policies are expected to be supportive and comprehensive.

In terms of the stock market, since 2020, foreign investors have reassessed the "investment value" of Taiwan stocks. In the past two decades, Taiwan and Hong Kong were often regarded as peripheral to the Greater China economic sphere during China's rapid economic growth. However, in recent years, Taiwan's economic and industrial development has shown a higher correlation with global economic growth than China. In January 2023, TSMC briefly became the world's 7th largest company by market capitalization, representing Taiwan's strong economic strength and global recognition of its technological capabilities despite its small size.

**Key changes to watch for in Taiwan's stock market in 2023 include:**

1. Impact of inflation on stock market investment: The Federal Reserve, the European Central Bank, and most central banks have tightened monetary policies and raised interest rates continuously to curb inflation as a top priority. The reduced risk appetite in financial markets and consecutive interest rate hikes have dampened consumption and investment willingness, leading to a decline in most global stock markets. In Taiwan, the pressure from rising prices has compressed domestic consumption willingness, increased production costs, and reduced investment sentiment.
2. Difficulty for Taiwan to stay out of the U.S.-China rivalry: Apart from cross-strait relations, the United States has been escalating economic sanctions against China. The U.S. is concerned that China will catch up with advanced industries such as semiconductors and artificial intelligence within a few years, similar to how it surpassed Taiwan in industries like 5G and panels. Advanced semiconductor manufacturing processes, big data, artificial intelligence, and security monitoring have become national security issues for the Biden administration. The "CHIPS for America Act" provides investment incentives for international companies to invest in the U.S. while limiting investments in chip production in China within the next 10 years. This means that Taiwan's semiconductor industry faces a choice of taking sides.
3. Semiconductors as the new energy source of the future: Intel CEO Pat Gelsinger stated, "The location of oil reserves determined the geopolitics of the past 50 years; the location of chip factories will be even more important for the next 50 years." The U.S. is investing billions of dollars to revitalize its leading position in the semiconductor industry, ensuring its dominance in high-speed computing, artificial intelligence, and other future trends. However, challenges such as high production costs, shortage of qualified labor, and control over key raw materials pose significant challenges. The investment performance of TSMC and its supply chain in the U.S. has attracted global attention from the political, economic, and industrial sectors.
4. Gradual separation of Taiwan stock index performance from the overall market: The Taiwan stock market index is weighted by market capitalization, meaning that the index movement is related to the profitability of companies. It is also influenced by the Philadelphia Semiconductor Index and the NASDAQ Index. Foreign investors manipulate the Taiwan stock index through futures contracts and weighted stocks. In recent years, sector rotation has become more meaningful than index movements. For example, biotech stocks benefit from policy support for new drug research and contract manufacturing opportunities, container stocks benefit from the supply chain imbalance caused by the pandemic, and there are investment opportunities in energy storage, water resources, and green energy due to the focus on energy issues. The opening of opportunities benefits domestic demand, tourism, and aviation sectors the most. Additionally, Taiwan's defense and military supply chain have gained increased attention due to geopolitical risks.
5. Volatile stock market conditions: The growth of the technology industry has slowed down, and there is increased pressure on inventory in the mobile phone and information hardware sectors. The performance of TSMC remains the biggest factor in index movements, as it is NVIDIA's largest partner in the field of artificial intelligence. Furthermore, with the onset of the interest rate cycle, high-valuation technology stocks have undergone revaluation and adjustment for nearly a year. It is expected that in 2023, after reaching the peak of interest rate hikes, there will be a possibility of rate cuts in 2024, providing room for revaluation of technology stock valuations. Overall, the divergence between bullish and bearish sentiment will lead to a volatile market in the Taiwan stock market throughout the year. Being overly optimistic can lead to losses, while being overly conservative may result in missing out on profit opportunities.

**1. Major product sales regions**

Our business includes stock brokerage, online order placement, proprietary trading, corporate finance underwriting, stock agency, bonds, credit trading, and warrant subscription, etc. Our services are available throughout Taiwan for both domestic and foreign corporations and individuals.

**2. Market Share**

Market Share of Major Businesses in 2022

Rank	Brokerage trading volume		Margin balance(2022)	
	Securities firm	Market share	Securities firm	Market share
1	YUANTA	11.95%	YUANTA	15.36%
2	KGI	10.54%	KGI	7.79%
3	FUBON	4.97%	SinoPac	6.52%
4	UBS	4.90%	MEGA	5.47%

Rank	Brokerage trading volume		Margin balance(2022)	
	Securities firm	Market share	Securities firm	Market share
5	SINOPAC	4.88%	MASTERLINK	5.44%
6	JPMorgan	4.23%	CAPITAL	5.30%
7	CATHAY	3.83%	FUBON	5.07%
8	CAPITAL	3.62%	PSC	4.83%
9	Merrill Lynch	3.59%	ENTRUST	4.82%
10	MASTERLINK	3.46%	IBFS	4.65%

Data Source: Taiwan Stock Exchange Corporation and Taipei Exchange, financial figures provided by various securities firms

### 3. Market supply and demand and growth prospects

#### (1) Demand situation

In 2022, the Taiwan stock market became more volatile, with short-term trading, holding for a period, or holding stocks for the medium to long term all having their own advantages and disadvantages. The stock market's intense volatility has led to a continued increase in demand for trading and investment services.

#### (2) Supply situation

We are actively developing one-stop financial services, internet finance, and internet marketing, etc., leveraging emerging technological forces and innovative business models to provide customers with comprehensive investment and financial services.

### 4. Favorable and unfavorable factors in the development prospects

Advantages:

- (1) Balanced development of brokerage, corporate finance, and new financial products.
- (2) Implementation of internet finance and financial consultant strategies.
- (3) Comprehensive and high-quality research and investment services.

Disadvantages:

- (1) The cultivation of professional securities investment talent and the pressure of human resources are significant.
- (2) Intense price competition in the brokerage business.
- (3) Actual profitability is affected by market volatility, and stability is low. Response strategy:

In the future, we will use financial technology and artificial intelligence (AI) to assist in developing new business opportunities, integrate resources from various securities service systems, implement growth policies to enhance profitability. The Company continues to diversify and internationalize to enhance competitiveness and increase profitability.

**(2) Main product applications and manufacturing processes: Not applicable.**

**(3) Supply situation for major raw materials: Not applicable.**

**(4) Customer list for imports and exports in the last two years: Not applicable.**

**(5) Production value in the last two years: Not applicable.**

**(6) Sales value in the last two years: Not applicable.**

### 3. Human Resource Information:

Information on employees for the last two years and up to the date of publication of the annual report

March 31, 2023

Year	2021	2022	Current year ending March 31, 2022 (Note)
Number of Employees	2,002	1,888	1,855
Average age	44.41	44.73	44.80
Average years of service	12.45	12.84	12.90
Academic Qualification	Doctoral Degree	0.05%	0.05%
	Masters Degree	10.84%	11.18%
	Bachelor Degree	71.38%	71.98%
	Senior high school	17.63%	16.74%
	Below senior high school	0.10%	0.05%

Note: Employee Data for the Most Recent Two Years and as of the Printing Date of the Annual Report

### 4. Environmental Protection Expenses:

The Company is engaged in the securities business, so there are no environmental pollution issues.

### 5. Labor Relations:

(1) The Company implements various employee welfare measures, continuing education and training programs, retirement systems, as well as agreements and measures to safeguard employee rights. The details are as follows: Employee welfare measures: The Company established an Employee Welfare Committee in 1990, registered with the competent authority, to provide employees with benefits such as wedding, funeral, and celebratory subsidies, club activity subsidies, and travel activity subsidies. Overall, the budget for employee welfare is considered sufficient, and the welfare measures are implemented according to plan.

Employee continuing education and training: The Company is committed to talent development and improving operational and managerial performance. It actively conducts various education and training programs, including new employee training, professional training, leadership development programs, and inviting experts and scholars to give financial seminars within the Company. Since 2007, the Company has also established the "Capital Financial University" as an internal platform for nurturing mid-level managers. In 2022, the total expenditure for employee education and training amounted to NT\$6,236,000, with 3,363 participants attending external training programs, resulting in an average training rate of 178%. The Company organized 131 internal training sessions and conducted intensive training for sales staff through province-wide video conferences and broadcasts to enhance their professional qualifications and skills. To enhance the learning effectiveness, the Company developed multiple e-learning training courses and utilized various e-learning systems, enabling employees to learn and grow anytime, anywhere.

These measures demonstrate the Company's commitment to providing employee welfare, continuous education, and training opportunities to enhance employee skills and expertise.

Retirement system: The Company has established employee retirement criteria and a Retirement Fund Management Committee in November 1994 to provide for the well-being of employees after retirement and foster long-term harmonious labor-management relations. Since April 1998, following the implementation of the Labor Standards Act, the Company has entrusted retirement reserve funds to the Bank of Taiwan under the supervision of the Supervisory Commission of Retirement Reserve Funds. Employees who meet the conditions specified in the retirement regulations are eligible to apply for retirement benefits. Furthermore, starting from July 2005, in compliance with the Labor Pension Act, the Company respects the employees' freedom of choice to opt for the new pension system. The Company contributes 6% of the employee's monthly salary to their individual retirement account.

Employee insurance: In addition to the legally required labor insurance and national health insurance, the Company provides group insurance coverage for employees, including life insurance, accident insurance, accident medical insurance, and occupational hazard insurance. The Company also negotiates favorable group insurance plans for employees and their dependents, such as term life insurance, accident insurance, medical insurance, and cancer insurance, to ensure comprehensive insurance coverage for employees and their families.

The Company maintains harmonious and cordial labor-management relations and strictly adheres to labor-related laws and regulations. It actively communicates and disseminates information through the Company's internal website to keep employees informed of matters related to their rights and benefits. Additionally, the Company proactively reminds employees to assert their individual rights through various means.

By implementing these measures, the Company aims to safeguard the welfare and rights of its employees and foster a positive working environment.

(2) State the losses suffered due to labor disputes in the most recent fiscal year and up to the date of printing the annual report, and disclose the estimated amounts that may occur in the future and the corresponding measures. If it is impossible to estimate reasonably, it should explain the fact that it cannot be reasonably estimated:

In 2022, there were no losses or penalties due to labor disputes.

## 6. Cyber security management:

### 1) Cyber security risk management framework

#### 1. Information Security Risk Management Framework

##### (1) Corporate Information Security Governance Organization

Capital Securities Corporation established the Strategy Development Department under the Information Department in 2018. The Strategy Development Department 2 is responsible for coordinating information security and continuous operation management related policy formulation, execution, risk management and compliance checks. They report management effectiveness and future directions to the Management Review Committee annually.

To implement information security strategies and ensure internal compliance with information security guidelines, procedures, and regulations, an "Information Security Advisory Group" was specifically established in 2021. The President serves as the convenor, with the head of the Information Department, the Chief Information Security Officer, and the Compliance Officer as committee members. The head of the audit room, the head of the management department, and the head of the planning room may attend meetings as needed. Meetings are held every half year to review and decide on information security and information protection policies, and to verify the effectiveness of information security management measures.

#### 2. Information Security Policy

##### (1) Information Security Management Strategy and Framework

To protect information assets from intentional or accidental damage from both inside and outside the Company, and to ensure sustainable business operation, the Company has formulated an information security policy to demonstrate management's commitment to information security and to provide guidance for related personnel. In addition to reducing the impact of any potential information security incidents, it also continuously operates and improves the information security system to protect the interests of the Company and its customers.

##### (2) Corporate Information Security Risk Management and Continuous Improvement Framework

In accordance with ISO standards, the "Plan-Do-Check-Act" (PDCA) operation model is adopted to establish an information security management system and maintain its effective operation and continuous improvement.

##### (3) Specific Management Plan

In addition to complying with government regulations, the Company also regularly conducts information security risk evaluations, audits, and improvements every half year based on the Company's internal control regulations, as well as technical and IT knowledge, to maintain the effectiveness of ISO certification. The following items are planned and executed to review implementation and effectiveness:

I. Monitor and analyze network traffic, system performance, and abnormal events at any time.

II. When program changes go live, each one must be tested and patched or evaluated for vulnerability risks and compensatory measures before they can go live.

III. Regularly conduct email social engineering drills to raise employee awareness.

IV. Respond and take preventive measures based on information security notices issued by F-ISAC, SF-CERT, and other information security intelligence units or information security service providers.

V. Regularly perform phishing website and counterfeit mobile application detection checks.

VI. Regularly hold off-site disaster recovery drills for information systems.

VII. Regularly process the outsourcing service for cyber security health checks.

##### (4) Resources Invested in Information Security Management

1. The Company continuously passes ISO/IEC 27001 Information Security Management System, ISO/IEC 22301 Business Continuity Management System, BS 10012 Personal Data Management System certifications.

i. Provide information security education training for the entire group every quarter, and arrange courses introducing the Company's three major systems for new employees after they join, to enhance employees' understanding of the Company's systems. In addition, to ensure that the education and training courses provided to the entire group have a certain level of professionalism, the Company will also periodically purchase information security-related courses to update employees' knowledge.

##### 2. Strengthen the system's security mechanism

i. Fully implement antivirus software and regularly update for security.

ii. Implement firewall control to protect network security.

iii. Implement Intrusion Detection and Alert System (IPS) for protection.

iv. Implement webpage anti-tampering system for protection.

v. Adopt DLP control for email transmission security specifications.

vi. Implementing DDOS traffic cleaning mechanisms to guard against DDOS attacks.

- vii. Introducing a source code detection system, whereby program changes must be detected, patched, and vulnerabilities evaluated before they can go live.
- viii. Regularly conducting mobile application APP checks to ensure APP security.
- ix. Regularly conducting vulnerability scans and penetration testing to ensure the security of the host system.
- x. Regularly conducting Internet of Things vulnerability scans to strengthen overall network security.

## **2) The impact of cyber security risks on the Company's financial business and response measures**

To prevent and mitigate the risks and damages caused by malicious hackers, computer viruses, destructive software, or ransomware, which may disrupt the Company's operations, extort or ransom the Company, gain control over computer systems, or obtain confidential information, the Company has implemented various improvement measures and continues to update them. These measures include:

Limiting the connectivity and data access mechanisms of contracted vendors.

Requiring vendors to provide relevant security assurance certificates or declarations.

Implementing comprehensive antivirus software and regularly updating security patches.

Implementing firewall controls to protect network security.

Deploying intrusion detection and alert systems (IPS) for proactive defense.

Regularly conducting checks for unauthorized software installations.

Regularly monitoring and detecting phishing websites and fraudulent mobile applications to prevent unauthorized use of the Company's name and trademarks.

Conducting regular vulnerability scans and penetration testing to ensure the security of host systems.

Implementing web page tampering protection systems.

Implementing DDoS traffic scrubbing mechanisms to prevent DDoS attacks.

By implementing these measures, the Company aims to mitigate and manage the risks, place them within a controllable range, and protect the Company's information security.

## **3) Losses incurred in recent years due to major cyber security incidents:**

No significant losses due to cybersecurity incidents in 2021 and 2022.

## 7. Important contracts: None.

## 8. Workplace environment and employee personal safety protection measures:

The Company values the personal safety and physical and mental health of employees and is committed to providing and maintaining a good working environment. The relevant protection and welfare measures are as follows:

Measures	Item	Description
Staff Health	Insurance and Benefits	(I) Legal compliance measures: 1 Labor insurance, health insurance. 2 Establishing measures for the prevention of, complaint about, and punishment for sexual harassment in the workplace. 3 Setting up a nursing room for employees at the headquarters. 4 Regularly conducting employee health checks. 5 Employing contract doctors to regularly provide health education, health promotion, and hygiene guidance, among other consultation services, at the headquarters. (II) Measures exceeding legal requirements: 1 Providing employees with life insurance, accident insurance, accidental medical insurance, and occupational disaster group insurance. 2 To care for employees and their families, group insurance is also offered at low premiums, including term life insurance, accident insurance, medical insurance, and cancer insurance, etc. 3 Conducting seminars on "Understanding Exercise for Healthy Weight Loss" to promote the concept of maintaining health through exercise. 4 Establishing the "Regulations for the Establishment and Funding of Recreational and Charitable Societies," encouraging employees to engage in sports and public welfare activities.
	Environmental Health	(1) Establishing measures for "Control of Tobacco Hazards in the Company." (2) Obtaining the "Health Startup Badge for Healthy Workplaces" certification from the Health Promotion Administration, Ministry of Health and Welfare. (3) Obtaining the "Sport Enterprise Certification Badge" from the Sports Administration, Ministry of Education.
Workplace Safety	Safety Certification	The Company has obtained ISO 22301 Business Continuity Management certification from the British Standards Institution. The main purpose of this certification is to ensure that in the event of an emergency, the Company can minimize harm, ensuring personnel safety, legal compliance, customer rights, company reputation, and the preservation of company assets. It also allows the group's critical business to gradually recover within the recovery time objective to maintain operations.
	Personal Accreditation	The Company leads the industry, becoming the first domestic financial institution to obtain international certification for personal data in securities, futures, and insurance agency. This shows that the Personal Information Management System (PIMS) introduced within the organization has implemented personal data protection and management, fully complies with the relevant requirements of the Personal Data Protection Act, actively protects the rights of personal data subjects, reduces the impact of any personal data files being infringed, and continuously operates and improves the personal data management system.
	Labor Safety	According to the "Occupational Safety and Health Act," we have established occupational safety and health business managers and first-aid personnel, and implemented training in accordance with the Occupational Safety and Health Training Regulations. The Company has developed and promoted a "Human Hazard Prevention Plan" to prevent musculoskeletal injuries or diseases caused by work. In addition, a "Prevention Plan for Diseases Caused by Abnormal Workload" has been developed and promoted, aiming at the prevention of diseases triggered by abnormal workloads such as shift work, night work, long working hours, etc., planning and adopting necessary safety and health measures.
	Fire Safety	1 Regular fire drills are held. 2 Fire safety managers are established according to the Fire Services Act and its implementing rules, and they regularly receive training and refresher training.
	Safety and Security	The Company's place of business and all branches are insured for the following items: 1 Commercial fire insurance. 2 Electronic equipment insurance.

## 9. Adoption of employee behavior or code of ethics:

All employees of the Company are required to sign the "Code of Conduct for Employees of Yuanta Financial Holdings Group" upon joining, committing to conduct their business with integrity. The key points of the code are as follows:

1 We provide high-value products and services to establish and maintain long-term relationships with our clients, assisting them in achieving their goals.

2 We handle interactions and transactions with clients based on the highest ethical and safety standards, strictly safeguarding client information and ensuring its use complies with legal requirements. Any clients developed during employment belong to the Company, and cannot be transferred to other companies, whether during employment or after leaving.

3 We never allow personal interests to conflict with or potentially conflict with the interests of the Company or clients.

4 We are prohibited from disclosing confidential information obtained in our positions to others or engaging in trading activities involving securities using personal or others' names.

5 During our service with the Company or after leaving, we will never:

(1) Disclose any business secrets learned or obtained (including but not limited to client information, technology, intellectual property rights, program systems, information system architecture, source code, executable files, trading strategies or modules, risk models, operational data, personnel or organizational data, financial and accounting records, strategic planning, and any other non-public and economically valuable company information) for personal or others' use.

(2) Illegally use undisclosed information (also known as "insider information").

Seek unlawful benefits for ourselves or others through business transactions.

(3) We integrate risk management and regulatory compliance into our business process control system and strictly adhere to them.

6 Please note that the translation provided is a general interpretation of the given information, and the specific context and terminology used in the original document may require further refinement.

7 We promptly and accurately report the status and reality of various business matters, and strive to maximize the interests of the Company.

8 We understand that we are handling and using shareholders' assets, and we should handle and use the Company's property as if it were our own, with care and appreciation.

9 We do not misuse the Company's network and email for non-business purposes, such as browsing, disseminating, or storing pornographic literature, images, and other defamatory articles. We also do not use the Company's network for non-official purposes such as political discussions, propaganda, or personal entertainment.

10 We will strictly comply with relevant laws and regulations and will not engage in improper business marketing activities through email, electronic bulletin boards, or internet systems (including but not limited to personal blogs or website forums). We will not engage in inappropriate competition involving transaction fees or provide judgment, recommendations, or trading strategy suggestions regarding individual contract future transaction prices.

11 We must ensure the accuracy and completeness of the information, reports, records, and data owned, used, and managed by the Yuanta Financial Holdings Group, and must not make improper deductions or transmissions.

In accordance with the Personal Data Protection Act, unauthorized access to internal information and data of the group is prohibited. All company documents are for internal management purposes only and shall not be reproduced or used beyond the aforementioned purposes. Any violation shall be held liable for civil and criminal legal responsibilities.

12 We do not make unauthorized public statements. Only designated spokespersons of the Company are allowed to represent the Company and make statements to the media.

14 We never accept or allow any form of gift, service, loan, or special treatment to be given to ourselves or our immediate family members by anyone (including clients, suppliers, or any other individuals) in exchange for current or future relationships with the Company.

14 When we become aware of any behavior that violates laws or the Company's work rules, we immediately report such suspected violations to appropriate personnel, such as our immediate supervisors, the human resources department, or the audit unit.

## VI. Financial Information

### 1. Five-Year Financial Summary

#### 1) Condensed Balance Sheet (Parent Company Only & Consolidated)

1. Consolidated financial statements:

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note 1)					Financial Information as of March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		101,969,620	116,002,501	146,258,737	185,983,038	171,397,616	(Note 3)
Property, plant and equipment		5,340,960	3,025,605	3,111,323	3,052,798	2,773,271	
Intangible Assets		3,621,070	3,609,740	3,619,563	3,615,760	3,614,000	
Other Assets		6,458,257	10,532,567	10,073,011	11,042,343	13,831,754	
Total Assets		117,389,907	133,170,413	163,062,634	203,693,939	191,616,641	
Current liabilities	Before Distribution	80,738,838	94,684,661	121,864,300	159,485,189	150,886,125	
	After Distribution	81,667,201	96,421,387	124,252,299	163,067,187	(Note 2)	
Non-current liabilities		1,446,333	2,269,623	2,523,604	2,735,166	2,039,403	
Total liabilities	Before Distribution	82,185,171	96,954,284	124,387,904	162,220,355	152,925,528	
	After Distribution	83,113,534	98,691,010	126,775,903	165,802,353	(Note 2)	
Equity attributable to owners of the parent company		32,971,992	33,992,640	35,886,069	38,734,810	35,744,509	
Share Capital		23,209,081	23,209,081	21,709,081	21,709,081	21,709,081	
Capital Reserve		2,852,299	2,852,299	2,743,430	2,743,465	2,743,256	
Retained Surplus	Before Distribution	6,209,696	7,927,126	9,639,333	12,155,572	9,884,681	
	After Distribution	5,281,333	6,190,400	7,251,334	8,573,574	(Note 2)	
Other Equity		700,916	1,578,134	1,794,225	2,126,692	1,407,491	
Treasury stock		-	(1,574,000)	-	-	-	
Non-controlling interests		2,232,744	2,223,489	2,788,661	2,738,774	2,946,604	
Total equity	Before Distribution	35,204,736	36,216,129	38,674,730	41,473,584	38,691,113	
	After Distribution	34,276,373	34,479,403	36,286,731	37,891,586	(Note 2)	

Note 1: The financial information for the recent five years has been audited and certified by CPA.

Note 2: The 2022 earnings distribution plan has not yet been decided by the shareholders' meeting.

Note 3: As of the publication date, the financial statements of the first quarter of 2023 have not been reviewed by CPA.

## 2. Parent company only financial statement

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note 1)					Financial Information as of March 31, 2023
		2018	2019	2020	2021	2022	
Current Assets		61,469,761	73,984,497	98,672,749	138,897,632	121,537,935	(Note 3)
Property, plant and equipment		4,577,214	2,339,571	2,417,207	2,388,771	2,118,780	
Intangible assets		3,543,038	3,527,506	3,538,857	3,544,599	3,552,359	
Other Assets		11,838,403	15,567,056	16,308,559	17,085,942	20,202,033	
Total Assets		81,428,416	95,418,630	120,937,372	161,916,944	147,411,107	
Current liabilities	Before Distribution	47,025,844	59,239,075	82,594,785	120,526,984	109,725,935	
	After Distribution	47,954,207	60,975,801	84,982,784	124,108,982	(Note 2)	
Non-current liabilities		1,430,580	2,186,915	2,456,518	2,655,150	1,940,663	
Total liabilities	Before Distribution	48,456,424	61,425,990	85,051,303	123,182,134	111,666,598	
	After Distribution	49,384,787	63,162,716	87,439,302	126,764,132	(Note 2)	
Equity attributable to owners of the parent company		-	-	-	-	-	
Share Capital		23,209,081	23,209,081	21,709,081	21,709,081	21,709,081	
Capital Reserve		2,852,299	2,852,299	2,743,430	2,743,465	2,743,256	
Retained Surplus	Before Distribution	6,209,696	7,927,126	9,639,333	12,155,572	9,884,681	
	After Distribution	5,281,333	6,190,400	7,251,334	8,573,574	(Note 2)	
Other Equity		700,916	1,578,134	1,794,225	2,126,692	1,407,491	
Treasury stock		-	(1,574,000)	-	-	-	
Total equity	Before Distribution	32,971,992	33,992,640	35,886,069	38,734,810	35,744,509	
	After Distribution	32,043,629	32,255,914	33,498,070	35,152,812	(Note 2)	

Note 1: The financial information for the recent five years has been audited and certified by CPA.

Note 2: The 2022 earnings distribution plan has not yet been decided by the shareholders' meeting.

Note 3: As of the publication date, the financial statements of the first quarter of 2023 have not been reviews by CPA.

## 2) Condensed Statement of Comprehensive Income (Parent Company Only & Consolidated)

### 1. Consolidated financial statements:

Unit: NTS1,000

Item	Year	Financial information for the last five years (Note)					Financial Information as of March 31, 2023
		2018	2019	2020	2021	2022	
Operating Income		7,638,645	7,796,951	9,724,095	13,281,753	8,219,057	(Note 2)
Gross profit		5,695,441	6,227,871	8,126,530	11,617,510	6,013,444	
Operating Profit and Loss		1,173,168	1,993,246	3,252,195	5,320,327	537,523	
Non-operating income and expenses		1,153,362	1,234,851	1,130,505	907,182	1,308,528	
Net Income before Tax		2,326,530	3,228,097	4,382,700	6,227,509	1,846,051	
Net profit for the period from continuing operations		1,777,510	2,829,234	3,840,679	5,461,649	1,179,016	
Loss from discontinued operations		-	-	-	-	-	
Net income (loss) for the period		1,777,510	2,829,234	3,840,679	5,461,649	1,179,016	
Other comprehensive income (net of tax) for the period		(442,188)	947,213	75,975	(12,622)	(211,771)	
Total comprehensive income or loss for the period		1,335,322	3,776,447	3,916,654	5,449,027	967,245	
Net income attributable to owners of the parent company		1,408,865	2,566,823	3,569,529	5,249,590	840,040	
Net income attributable to noncontrolling interests		368,645	262,411	271,150	212,059	338,976	
Total comprehensive income or loss attributable to owners of the parent company		957,751	3,523,011	3,665,024	5,236,705	590,701	
Total comprehensive income and loss attributable to noncontrolling interests		377,571	253,436	251,630	212,322	376,544	
Earnings per share		0.61	1.11	1.64	2.42	0.39	

Note 1: The financial information for the above years is disclosed in the consolidated financial statements and has been audited and certified by an accountant.

Note 2: As of the publication date, the financial statements of the first quarter of 2023 have not been reviews by CPA.

## 2. Parent company only financial reporting

Unit: NT\$1,000

Item	Year	Financial information for the last five years (Note)					Financial Information as of March 31, 2023
		2018	2019	2020	2021	2022	
Operating Income		4,922,660	5,885,962	7,367,734	10,939,298	5,643,212	(Note 2)
Gross profit		4,003,138	5,094,599	6,709,143	10,148,596	4,391,199	
Operating Profit and Loss		619,169	1,780,192	2,846,280	4,875,974	63,735	
Non-operating income and expenses		1,219,276	1,038,556	1,103,108	1,027,609	1,265,355	
Net Income before Tax		1,838,445	2,818,748	3,949,388	5,903,583	1,329,090	
Net profit for the period from continuing operations		1,408,865	2,566,823	3,569,529	5,249,590	840,040	
Loss from discontinued operations		-	-	-	-	-	
Net income (loss) for the period		1,408,865	2,566,823	3,569,529	5,249,590	840,040	
Other comprehensive income (net of tax) for the period		(451,114)	956,188	95,495	(12,885)	(249,339)	
Total comprehensive income or loss for the period		957,751	3,523,011	3,665,024	5,236,705	590,701	
Earnings per share		0.61	1.11	1.64	2.42	0.39	

Note 1: The financial information for the recent five years has been audited and certified by CPA.

Note 2: As of the publication date, the financial statements of the first quarter of 2023 have not been reviews by CPA.

## 3) Name of the auditors and audit opinions for the past five years

Year	Name	Opinion
2018	LEE, FENG-HUI \ CHUNG, TAN TAN	Unqualified opinion
2019	LEE, FENG-HUI \ CHUNG, TAN TAN	Unqualified opinion
2020	LEE, FENG-HUI \ CHUNG, TAN TAN	Unqualified opinion
2021	WU, CHENG YEN \ CHUNG, TAN TAN	Unqualified opinion
2022	WU, CHENG YEN \ CHUNG, TAN TAN	Unqualified opinion

## 2. Five-Year Financial Analysis

### 1. Consolidated financial statement:

Item	Year	Financial information for the last five years (Note 1)					Financial Information as of March 31, 2023	
		2018	2019	2020	2021	2022		
Financial Structure (%)	Debt to assets ratio	70.01	72.80	76.28	79.64	79.81	(Note 3)	
	Long-term capital to property, plant and equipment	686.23	1,272.00	1,324.14	1,448.14	1,468.68		
Solvency (%)	Current Ratio	126.30	122.51	120.02	116.61	113.59		
	Quick Ratio	126.25	122.48	119.99	116.59	113.54		
Profitability	Return on Assets (%)	1.37	2.26	2.59	2.98	0.60		
	Return on equity (%)	5.18	7.92	10.26	13.63	2.94		
	Ratio to paid-in capital (%)	Business Benefits	5.05	8.59	14.98	24.51		2.48
		Net income before tax	10.02	13.91	20.19	28.69		8.50
	Net Income Ratio (%)	23.27	36.29	39.50	41.12	14.34		
	Earnings per share (NT\$)	0.61	1.11	1.64	2.42	0.39		
Cash flow (%)	Cash Flow Ratio	12.93	1.04	2.20	-	9.18		
	Cash Flow Allowance Ratio	228.37	233.88	184.51	149.12	228.30		
	Cash reinvestment ratio	25.97	-	1.84	-	24.20		
Rate of special provisions (%)	Total liabilities to net capital	233.45	267.71	321.63	391.14	395.25		
	Property and equipment as a percentage of total assets	5.50	3.00	2.57	1.98	2.03		
	Ratio	1.43	0.76	1.00	0.35	0.58		
	Total underwriting as a percentage of quick assets	28.40	33.60	38.83	50.91	30.84		
	Total Financing to Net Worth	13.98	14.21	14.62	14.70	20.25		

Reasons for changes in various financial ratios in the last two fiscal years (increases or decreases of more than 20%):

- (1) The return on assets, return on equity, operating profit and pre-tax net profit to paid-in capital ratio, and earnings per share decreased compared to the previous period, mainly because the operating profit, pre-tax profit and loss, and after-tax profit and loss in this period decreased compared to the previous period.
- (2) The cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio increased compared to the previous period, mainly due to a decrease in the positions of investments such as bonds, stocks, and funds in this period, resulting in a net cash inflow from operating activities.
- (3) The ratio of total underwriting to net current assets increased compared to the previous period due to an increase in the underwriting of securities and a decrease in operating capital in this period.
- (4) The ratio of total financing to net value decreased compared to the previous period, which was due to a decrease in the amount of financing in this period.
- (5) The ratio of the total amount of securities borrowing to net value increased compared to the previous period, which was due to an increase in the amount of securities borrowing in this period.

## 2. Parent company only financial statement

Item	Year	Financial information for the last five years (Note 1)					Financial Information as of March 31, 2023	
		2018	2019	2020	2021	2022		
Financial Structure (%)	Debt to assets ratio	59.51	64.38	70.33	76.08	75.75	(Note 3)	
	Long-term capital to property, plant and equipment	751.61	1,546.42	1,586.24	1,732.69	1,778.63		
Solvency (%)	Current Ratio	130.71	124.89	119.47	115.24	110.77		
	Quick Ratio	130.68	124.85	119.43	115.22	110.73		
Profitability	Return on Assets (%)	1.46	2.90	3.30	3.71	0.54		
	Return on equity (%)	4.38	7.67	10.22	14.07	2.26		
	Ratio to paid-in capital (%)	Business Benefits	2.67	7.67	13.11	22.46		0.29
		Net income before tax	7.92	12.15	18.19	27.19		6.12
	Net Income Ratio (%)	28.62	43.61	48.45	47.99	14.89		
	Earnings per share (NT\$)	0.61	1.11	1.64	2.42	0.39		
Cash flow (%)	Cash Flow Ratio	20.44	0.45	3.18	-	12.67		
	Cash Flow Allowance Ratio	190.52	198.78	132.40	127.37	218.95		
	Cash reinvestment ratio	26.02	-	2.28	-	26.73		
Rate of special provisions (%)	Total liabilities to net capital	146.96	180.70	237.00	318.01	312.40		
	Property and equipment as a percentage of total assets	6.70	3.21	2.66	1.97	2.05		
	Total Underwriting to Quick Assets	2.10	1.09	1.52	0.51	1.00		
	Total Financing to Net Worth	29.60	35.12	40.52	53.99	32.95		
	Total financing amount to net worth	14.92	15.14	15.75	15.74	21.91		

Reasons for changes in financial ratios (changes of 20% or more) for the last two years

- (1) The decreases in return on assets, return on equity, operating income, net income before income taxes to paid-in capital and earnings per share were mainly due to the decreases in operating income, income before income taxes and income after income taxes.
- (2) The increase in cash flow ratio, cash flow equivalency ratio and cash reinvestment ratio was mainly due to the decrease in investments in bonds, stocks and funds, which resulted in net cash inflows from operating activities.
- (3) The increase in the ratio of underwriting to current net assets was due to the increase in underwriting of marketable securities and the decrease in working capital in the current period.
- (4) The decrease in the ratio of total financing amount to net assets was due to the decrease in financing amount in the current period.
- (5) The increase in the ratio of total financing amount to net worth was due to the increase in the amount of financing in the current period.

Note 1: The annual financial statements were audited and certified by the accountants.

Note 2: The formula for the financial analysis is as follows:

1. Financial structure
  - (1) Debt to assets ratio = Total liabilities / Total assets.
  - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities.
  - (3) Interest coverage = Net income before income tax and interest expense / Interest expense for the period.
3. Profitability
  - (1) Return on assets = Profit or loss after tax / average total assets.
  - (2) Return on equity = Profit or loss after tax / average total equity.
  - (3) Operating income to paid-in capital ratio = Operating income / paid-in capital.
  - (4) Ratio of net income before income tax to paid-in capital = Net income before income tax / paid-in capital.
  - (5) Net income ratio = Income after tax / Net sales.
  - (6) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted average number of shares outstanding.
4. Cash flow
  - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
  - (2) Net cash flow equivalency ratio = net cash flow from operating activities for the last five years / net cash flow from operating activities for the last five years (capital expenditures + increase in inventories + cash dividends).
  - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other noncurrent assets + working capital).
5. Special Ratios
  - (1) Total liabilities to net capital = Total liabilities / Shareholders' equity.
  - (2) Property, plant and equipment to total assets = Total property, plant and equipment / Total assets.
  - (3) Total underwriting to current assets = Total underwritten securities / (current assets - current liabilities).
  - (4) Total financing amount to net worth = Total financing amount / Shareholders' equity.
  - (5) Total amount of financing to net worth = Total amount of financing / Shareholders' equity.

Note 3: As of the publication date, the financial statements of the first quarter of 2023 have not been reviews by CPA.

### **3. Audit Committee's Report in the Most Recent Year:**

Please refer to pages 92 for details

### **4. Financial Statements in the Most Recent Year:**

Please refer to pages 93~210 for details

### **5. Parent Company Only Financial for the Latest Fiscal Year:**

Please refer to pages 211~308 for details

### **6. The Company and its associates have not encountered any financial difficulties during the latest fiscal year and up to the date of printing this annual report.**

### **3. Audit Committee's Report in the Most Recent Year:**

#### **Audit Committee Review Report on the Latest Annual Financial Report**

## **Capital Securities Corporation 2022 The Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2022 Business Report, Financial Statements (including Consolidated Financial Statements) and Earnings Distribution Proposal. The Financial Statements have been audited by KPMG, which has been issued an unqualified opinion.

The aforementioned Business Report, Financial Statements (including Consolidated Financial Statements), and Earnings Distribution Proposal have been reviewed and determined to be fairly presented as stated by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted by

2023 General Shareholders' Meeting of Capital Securities Corporation

Capital Securities Corporation  
Convener of the Audit Committee  
Shea, Jia-Dong

March 13, 2023

#### **4. Financial Statements in the Most Recent Year:**

##### **Representation Letter**

The entities that are required to be included in the combined financial statements of Capital Securities Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements." endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Capital Securities Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Capital Securities Corporation  
Chairman: Jiunn-Chih Wang  
Date: March 13, 2023

## Independent Auditors' Report

To the Board of Directors of  
Capital Securities Corporation:

### Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries ( "the Group" ), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance, and its consolidated cash flows for the years then ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and with the International Financial Reporting Standards ( "IFRSs" ), International Accounting Standards ( "IASs" ), interpretations developed by the International Financial Reporting Interpretations Committee ( "IFRIC" ) or the former Standing Interpretations Committee ( "SIC" ) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public 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 year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 1. Valuation of financial instruments

Please refer to Note 4(g) for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial asset, Note 6(m) financial liabilities at fair value through profit or loss and Note 6(w)(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.

## 2. Goodwill impairment

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

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

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

### Procedures performed:

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

## **Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation and Enno Cap Venture Inc., associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose reports has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation and Enno Cap Venture Inc., are based solely on the reports of another auditor. The recognized investment amount of Capital Investment Trust Corporation and Enno Cap Venture Inc. under equity method constituted 0.72%, 0.68% of consolidated total assets as of December 31, 2022 and 2021, respectively, and the recognized profit of loss under using equity method constituted 8.33% and 2.76% of consolidated net income before income tax for the years ended December 31, 2022 and 2021, respectively.

The Group has prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion with other matters paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are WU, CHENG YEN and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2023

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2022 and 2021**

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

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Assets</b>				
<b>110000 Current assets:</b>				
111100 Cash and cash equivalents (note 6(a))	\$ 11,259,550	6	9,807,123	5
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	42,404,385	22	45,427,215	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	13,716,679	7	15,033,143	7
114030 Receivable for securities provided as collateral	11,934,071	6	21,115,979	10
114040 Refinancing margin	18,859	-	43,827	-
114050 Refinancing collateral receivable	15,418	-	36,519	-
114060 Receivable of securities business money lending	4,426,333	3	2,349,669	1
114070 Customers' margin account (note 6(d))	39,049,741	20	37,848,190	19
114080 Receivable - futures margin	7	-	-	-
114090 Collateral for securities borrowed	1,764,422	1	109,340	-
114100 Security borrowing margin	13,729,016	7	5,528,410	3
114110 Notes receivable	12,550	-	15,969	-
114130 Accounts receivable (note 6(c))	6,011,995	3	11,406,287	6
114150 Prepayments	78,329	-	32,492	-
114170 Other receivables	277,511	-	523,722	-
114300 Leverage contract trading - customers' margin account	856,021	1	624,232	-
114600 Current income tax assets	233	-	230	-
114710 Non-current assets classified as held for sale (note 6(e))	-	-	50,112	-
119095 Amounts held for each customer in the account (note 6(o))	25,111,376	13	26,706,922	13
119990 Other current assets-others	731,120	-	9,323,657	5
	<u>171,397,616</u>	<u>89</u>	<u>185,983,038</u>	<u>91</u>
<b>120000 Non-current assets:</b>				
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,171	-	180,596	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,690,775	1	3,319,193	2
123300 Financial assets at amortized cost - non-current (note 6(b))	3,268,785	2	-	-
124100 Investments accounted for under equity method (note 6(f))	1,485,977	1	1,478,918	1
125000 Property and equipment (notes 6(g) and 8)	2,773,271	2	3,052,798	1
125800 Right-of-use assets (note 6(h))	769,897	-	791,630	-
126000 Investment property (notes 6(i) and 8)	3,811,971	2	3,651,720	2
127000 Intangible assets (note 6(j))	3,614,000	2	3,615,760	2
128000 Deferred income tax assets (note 6(s))	18,684	-	33,568	-
129000 Other non-current assets	1,606,494	1	1,586,718	1
	<u>20,219,025</u>	<u>11</u>	<u>17,710,901</u>	<u>9</u>
<b>Total assets</b>	<b>\$ 191,616,641</b>	<b>100</b>	<b>203,693,939</b>	<b>100</b>

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2022 and 2021**

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

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
210000 Short-term borrowings (note 6(k))	\$ 2,870,799	1	3,087,820	2
211100 Commercial paper payable (note 6(l))	3,198,722	2	8,397,806	4
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	11,644,599	6	4,999,027	3
214010 Bonds sold under repurchase agreements (note 6(n))	36,035,969	19	37,345,935	18
214040 Guarantee deposited for short sales	4,118,440	2	2,848,834	1
214050 Proceeds payable from short sales	3,714,941	2	3,246,792	2
214070 Securities lending refundable deposits	14,681,018	7	8,149,786	4
214080 Futures traders' equity (note 6(d))	38,884,241	20	37,798,393	19
214090 Equity for each customer in the account (note 6(o))	25,111,376	13	26,706,922	13
214100 Leverage contract trading - customers' equity	849,887	1	630,830	-
214110 Notes payable	152	-	152	-
214130 Accounts payable (note 6(p))	4,680,994	3	10,760,098	5
214150 Advance receipts	33,649	-	34,143	-
214160 Receipts under custody	547,244	-	8,808,150	5
214170 Other payables	839,187	1	1,358,467	1
214200 Other financial liabilities - current (note 6(x))	3,028,050	2	4,470,183	2
214600 Current income tax liabilities	385,145	-	613,128	-
215100 Provisions - current (note 6(r))	51,577	-	49,604	-
216000 Current lease liabilities (note 6(q))	191,688	-	164,321	-
219000 Other current liabilities	18,447	-	14,798	-
	<u>150,886,125</u>	<u>79</u>	<u>159,485,189</u>	<u>79</u>
<b>Non-Current liabilities:</b>				
220000 Other financial liabilities - non-current (note 6(x))	494,542	-	575,697	-
226000 Non-current lease liabilities (note 6(q))	635,604	-	685,850	-
228000 Deferred income tax liabilities (note 6(s))	776,337	1	496,354	-
229000 Other non-current liabilities (note 6(r))	132,920	-	977,265	1
	<u>2,039,403</u>	<u>1</u>	<u>2,735,166</u>	<u>1</u>
<b>Total liabilities</b>	<u>152,925,528</u>	<u>80</u>	<u>162,220,355</u>	<u>80</u>
<b>Equity attributable to shareholders of the parent:</b>				
301010 Common stock (note 6(t))	21,709,081	11	21,709,081	11
302000 Capital surplus (note 6(t))	2,743,256	1	2,743,465	1
304000 Retained earnings:				
304010 Legal reserve	2,758,257	1	2,267,833	1
304020 Special reserve	5,786,990	3	4,806,142	2
304040 Unappropriated earnings (note 6(t))	1,339,434	1	5,081,597	3
305120 Exchange differences on translation of foreign operations	(55,863)	-	(403,037)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,463,354	1	2,530,934	1
305170 Equity related to non-current assets classified as held for sale	-	-	(1,205)	-
<b>Total equity attributable to the parent company</b>	<u>35,744,509</u>	<u>18</u>	<u>38,734,810</u>	<u>19</u>
306000 <b>Non-controlling interests</b>	<u>2,946,604</u>	<u>2</u>	<u>2,738,774</u>	<u>1</u>
<b>Total equity</b>	<u>38,691,113</u>	<u>20</u>	<u>41,473,584</u>	<u>20</u>
<b>Total liabilities and equity</b>	<u>\$ 191,616,641</u>	<u>100</u>	<u>203,693,939</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
<b>Income:</b>				
401000 Brokerage commissions (note 6(v))	5,449,536	66	7,945,138	60
402000 Revenues from securities business money lending	227	-	292	-
403000 Revenue from securities lending	374,139	5	350,411	3
404000 Underwriting commissions (note 6(v))	97,262	1	151,211	1
406000 Commissions on wealth management business	65,446	1	76,085	-
410000 Net gains (losses) on sale of trading securities (note 6(v))	(799,702)	(10)	3,964,813	30
421100 Securities management, distribution, and management fees	157,356	2	151,854	1
421200 Interest revenue (note 6(v))	1,499,194	18	1,704,793	13
421300 Dividend revenue	651,772	8	297,090	2
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	(2,440,813)	(29)	(42,019)	-
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(x))	565,920	7	152,353	1
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	673,419	8	(35,969)	-
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(381,784)	(5)	39,636	-
422000 Net gains (losses) from exchange traded notes (note 6(x))	188	-	37	-
422100 Management and commissions revenue from exchange traded notes (note 6(x))	3	-	10	-
422200 Net gains (losses) on stock warrants issued (notes 6(v) and (x))	1,378,349	17	(925,885)	(7)
424100 Futures commission revenues (note 6(v))	310,640	4	327,803	3
424400 Net gains (losses) on derivative instruments - futures (note 6(x))	(644,422)	(8)	(380,019)	(3)
424500 Net gains (losses) on derivative instruments - OTC (note 6(x))	1,507,051	18	(722,553)	(6)
424800 Management fee revenues	685	-	2,349	-
424900 Consultancy fee revenue	20,852	-	24,600	-
425300 Impairment losses and reversal gains (note 6(w))	(4,973)	-	(16,676)	-
428000 Other operating revenues	(261,288)	(3)	216,399	2
	<u>8,219,057</u>	<u>100</u>	<u>13,281,753</u>	<u>100</u>
<b>Expenses:</b>				
501000 Brokerage fees	636,304	8	897,179	7
502000 Brokerage and clearing fees - proprietary trading	36,024	-	23,244	-
503000 Clearing and exchange fees - refinancing	3,374	-	3,537	-
504000 Clearing and exchange fees - underwriting	1,466	-	1,414	-
507000 Issuance and management fees on exchange traded notes (note 6(x))	377	-	438	-
521200 Financial costs	581,079	7	195,527	1
521640 Loss from securities borrowing transactions	337,523	4	5,872	-
524100 Futures commission expense (note 6(v))	373,966	5	319,135	3
524300 Cleaning and settlement expenses	207,540	3	193,739	1
528000 Other operating expenditure	27,960	-	24,158	-
531000 Employee benefits expenses (note 6(v))	2,775,475	34	3,807,047	29
532000 Depreciation and amortization expense (note 6(v))	463,513	6	469,975	4
533000 Other operating expenses (note 6(v))	2,236,933	27	2,020,161	15
	<u>7,681,534</u>	<u>94</u>	<u>7,961,426</u>	<u>60</u>
<b>Other income (expenses):</b>				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	201,060	2	206,656	2
602000 Other gains and losses (note 6(v))	1,107,468	14	700,526	5
	<u>1,308,528</u>	<u>16</u>	<u>907,182</u>	<u>7</u>
902001 <b>Net income before income tax</b>	1,846,051	22	6,227,509	47
701000 <b>Less: Income tax expenses (note 6(s))</b>	667,035	8	765,860	6
<b>Net income</b>	<u>1,179,016</u>	<u>14</u>	<u>5,461,649</u>	<u>41</u>
805000 <b>Other comprehensive income:</b>				
805500 <b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510 Gains (losses) on remeasurements of defined benefit plans	425,862	5	(377,622)	(3)
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(697,493)	(8)	967,513	7
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	6,041	-	(855)	-
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-
<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	<u>(265,590)</u>	<u>(3)</u>	<u>589,036</u>	<u>4</u>
805600 <b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805610 Exchange differences on translation of foreign operations	420,315	5	(131,617)	-
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(334,683)	(4)	(476,719)	(4)
805690 Equity related to non-current assets classified as held for sale	-	-	(2,129)	-
805699 Less: Income tax related to components of other comprehensive income (note 6(s))	31,813	-	(8,807)	-
<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>53,819</u>	<u>1</u>	<u>(601,658)</u>	<u>(4)</u>
805000 <b>Other comprehensive income, net</b>	<u>(211,771)</u>	<u>(2)</u>	<u>(12,622)</u>	<u>-</u>
902006 <b>Total comprehensive income</b>	<u><u>967,245</u></u>	<u><u>12</u></u>	<u><u>5,449,027</u></u>	<u><u>41</u></u>
<b>Net income attributable to:</b>				
913100 Shareholders of the parent	840,040	10	5,249,590	39
913200 Non-controlling interests	338,976	4	212,059	2
	<u>1,179,016</u>	<u>14</u>	<u>5,461,649</u>	<u>41</u>
<b>Total comprehensive income attributable to:</b>				
914100 Shareholders of the parent	590,701	7	5,236,705	39
914200 Non-controlling interests	376,544	5	212,322	2
	<u>967,245</u>	<u>12</u>	<u>5,449,027</u>	<u>41</u>
975000 <b>Basic earnings per share (note 6(u))</b>		<u>0.39</u>		<u>2.42</u>
985000 <b>Diluted earnings per share (note 6(u))</b>		<u>0.39</u>		<u>2.41</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
For the years ended December 31, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest						Total Equity
		Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to the parent company	Non-controlling interests	
<b>Balance at January 1, 2021</b>	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	35,886,069	2,788,661	38,674,730	
Net income for the year ended December 31, 2021	-	-	-	-	5,249,590	-	-	-	5,249,590	212,059	5,461,649	
Other comprehensive income	-	-	-	-	(378,003)	(109,862)	476,185	(1,205)	(12,885)	263	(12,622)	
Total comprehensive income	-	-	-	-	4,871,587	(109,862)	476,185	(1,205)	5,236,705	212,322	5,449,027	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-	-	-	
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	(2,387,999)	-	(2,387,999)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	32,651	-	(32,651)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,209)	(262,209)	
Balance at December 31, 2021	21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810	2,738,774	41,473,584	
Net income for the year ended December 31, 2022	-	-	-	-	840,040	-	-	-	840,040	338,976	1,179,016	
Other comprehensive income	-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)	37,568	(211,771)	
Total comprehensive income	-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701	376,544	967,245	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-	-	-	
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)	-	(3,581,998)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	45,459	-	(45,459)	-	-	-	-	
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205	
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)	
<b>Balance at December 31, 2022</b>	\$ 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	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 1,846,051	6,227,509
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	426,975	434,960
Amortization expense	36,538	35,015
Impairment loss	4,973	16,676
Net losses on financial assets or liabilities at fair value through profit or loss	1,767,394	77,988
Financial cost	581,079	195,527
Interest revenue (including financial revenue)	(1,990,751)	(1,897,064)
Dividend revenue	(752,513)	(375,628)
Shares of profit of associates and joint ventures accounted for using equity method	(201,060)	(206,656)
Losses on disposal and retirement of property and equipment	8	136
Losses on disposal of investments accounted for using equity method	1,210	-
Net losses on non-operating financial instruments at fair value through profit or loss	9,019	18,679
Impairment loss on non-financial assets	4,802	4,951
Net losses on lease modifications	626	258
<b>Subtotal of income of non-cash activities</b>	<b>(111,700)</b>	<b>(1,695,158)</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	1,226,819	(10,324,269)
Decrease (increase) in receivable for securities provided as collateral	9,182,153	(6,116,216)
Decrease in refinancing margin	24,968	53,887
Decrease in receivable on refinancing collateral	21,101	48,742
Increase in receivable of securities business money lending	(2,076,664)	(39,439)
(Increase) decrease in customers' margin account	(1,997,548)	501,642
Decrease in margin receivable of futures trading	257	236
(Increase) decrease in collateral for securities borrowed	(1,655,082)	686,922
Increase in security borrowing margin	(8,200,606)	(4,767,595)
Decrease in notes receivable	3,419	6,810
Decrease (increase) in accounts receivable	5,420,477	(237,870)
(Increase) decrease in prepayments	(45,826)	4,821
Decrease (increase) in other receivables	278,922	(400,647)
Decrease in financial assets at fair value through other comprehensive income	1,004,100	3,059,953
Increase in leverage contract trading - customer's margin account	(231,789)	(271,270)
Decrease (increase) in other current assets	8,592,537	(7,509,789)
Increase in other non-current assets	(17,292)	(1,504)
(Decrease) increase in bonds sold under repurchase agreements	(1,309,966)	2,080,353
Increase in financial liabilities at fair value through profit or loss	6,664,887	1,368,161
Increase in guarantee deposited for short sales	1,269,606	217,071
Increase in proceeds payable from short sales	468,149	225,543
Increase in securities lending refundable deposits	6,531,232	7,116,361
Increase (decrease) in futures traders' equity	1,881,108	(518,228)
Increase in leverage contract trading - customers' equity	219,057	278,774
(Decrease) increase in accounts payable	(6,117,212)	20,646
Decrease in advance receipts	(494)	(1,334)
(Decrease) increase in receipts under custody	(8,260,906)	7,171,633
(Decrease) increase in other payable	(522,771)	258,269
Increase (decrease) in provision - current	1,973	(565)
(Decrease) increase in other financial liabilities	(1,523,288)	294,790
Increase (decrease) in other current liabilities	9,570	(4,831)
Decrease in other non-current liabilities	(426,915)	(246,713)
<b>Total changes in assets and liabilities from operating activities</b>	<b>10,413,976</b>	<b>(7,045,656)</b>
<b>Total adjustments</b>	<b>10,302,276</b>	<b>(8,740,814)</b>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2022</b>	<b>2021</b>
Cash generated from operating activities	\$ 12,148,327	(2,513,305)
Interest received	1,937,287	1,773,553
Dividends received	941,871	531,461
Interest paid	(539,611)	(202,837)
Income taxes paid	(631,973)	(587,218)
<b>Net Cash flows provided by (used in) operating activities</b>	<b>13,855,901</b>	<b>(998,346)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(106,275)	(411,996)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	439,755
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	16,532	3,921
Acquisition of financial assets at amortized cost	(3,269,926)	-
Acquisition of investments using equity method	-	(400)
Proceeds from disposal of non-current assets classified as held for sale	51,031	-
Acquisition of property and equipment	(110,599)	(215,085)
Proceeds from disposal of property and equipment	48	9
Acquisition of intangible assets	(38,854)	(35,752)
Increase in deferred debits	(489)	(623)
<b>Net cash flows used in investing activities</b>	<b>(3,458,532)</b>	<b>(220,171)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	(217,021)	(583,291)
(Decrease) increase in commercial papers payable	(5,199,084)	6,098,114
Payment of lease liabilities	(191,731)	(203,872)
Cash dividends paid	(3,728,193)	(2,650,236)
Acquisition of ownership interests in subsidiaries	(23,653)	-
Proceed from right of inclusion options exercised	-	62
<b>Net cash flows (used in) provided by financing activities</b>	<b>(9,359,682)</b>	<b>2,660,777</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>414,740</b>	<b>(132,219)</b>
<b>Increase in cash and cash equivalents</b>	<b>1,452,427</b>	<b>1,310,041</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,807,123</b>	<b>8,497,082</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 11,259,550</b>	<b>9,807,123</b>

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Overview:**

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2022, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of December 31, 2022, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the board of directors on March 13, 2023.

(Continued)

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

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

- (a) The impact of the International Financial Reporting Standards ( “IFRSs” ) endorsed by the Financial Supervisory Commission ( “FSC” ), 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, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018 –2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

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

- (c) The impact of IFRS 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:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies:

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(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.

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership	
			December 31, 2022	December 31, 2021
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00%	100.00%
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00%	100.00%
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58%	56.58%
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00%	100.00%
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00%	100.00%
"	CSC Capital Management Co.	Consulting business and venture capital	100.00%	100.00%
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00%	97.27%
"	Capital International Technology Corp.	Management, consulting and information service business	100.00%	100.00%
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00%	51.00%
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00%	100.00%
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00%	100.00%
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00%	100.00%
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00%	100.00%
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00%	100.00%
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00%	100.00%

(Continued)

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

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		Note
			December 31, 2022	December 31, 2021	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00%	100.00%	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of December 31, 2022 and 2021, the total assets constituted 0.02% and 0.02% of the Group's total assets, respectively. For the year ended December 31, 2022 and 2021, the operation revenue constituted 0.32% and 0.39% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00%	100.00%	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of December 31, 2022 and 2021, the total assets constituted 0.05% and 0.05% of the Group's total assets, respectively. For the year ended December 31, 2022 and 2021, the operation revenue constituted 2.23% and 1.00% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

(f) Cash and cash equivalents

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

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

#### 4) Impairment of financial assets

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### 5) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

When the treasury stock is retired, the capital surplus premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 4) Financial liabilities

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

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

#### 5) Derecognition of financial liabilities

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

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

#### 6) Offsetting of financial assets and liabilities

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

#### 7) Interest rate benchmark

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(iii) Derivative financial instruments

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

(h) Margin loan, short sale and refinancing

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

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

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

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

(i) Bonds with resell and repurchase agreements

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(k) Securities borrowing transactions

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

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

Investments in associate accounted for using equity method that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, these investments are remeasured in accordance with the Group's accounting policies. Thereafter, generally, these investments are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

(m) Investment in associates

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

(n) Property and equipment

(i) Recognition and measurement

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (iv) Depreciation

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

Land is not depreciated.

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

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

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

#### (o) Investment property

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

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

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

#### (p) Intangible assets

##### (i) Recognition and measurement

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) Subsequent expenditure

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

#### (iii) Amortization

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

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

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

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

#### (q) Leases

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

##### (i) Lessee

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

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

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

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

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

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

#### (ii) Lessor

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(r) Non-financial assets impairment

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

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

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

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

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

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

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(t) Revenue recognition

The recognition of the Group's major revenue:

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

(ii) Underwriting commissions

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) Gains or losses from sale of equity investments at fair value is recognized on the trade date.
- (vi) Dividend revenue is recognized as the right of receiving payment confirmed.
- (vii) Gains on Futures and Options transactions: Futures transaction margins are recognized as costs and valued at daily fair value. The gains or losses arising from reverse trading or execution of the futures and options recognized as Net Profit or Loss for the period.

(u) Provisions

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

(v) Income tax

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

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

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

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

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

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

- (i) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) The same taxable entity; or

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 2) Different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

- (w) Business combinations

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

- (x) Earnings per share (EPS)

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

- (y) Segment information

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

#### **(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(a) The fair value of financial instrument:

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

(b) The impairment evaluation of goodwill:

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

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

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	\$ 2,818	3,021
Bank deposits		
Checking accounts	44,323	25,007
Demand deposits	3,205,314	2,334,466
Subtotal	3,249,637	2,359,473
Cash equivalents		
Time deposits	5,532,913	5,757,638
Futures margin - excess margin	2,474,182	1,676,997
Commercial papers	-	9,994
Subtotal	8,007,095	7,444,629
Total	<b>\$ 11,259,550</b>	<b>9,807,123</b>

(Continued)

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

(b) Financial assets

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 299,075	184,074
Valuation adjustment	<u>(8,892)</u>	<u>1,645</u>
Subtotal	<u>290,183</u>	<u>185,719</u>
<b>Securities invested by securities broker</b>		
Securities invested by securities broker	15,996	37,931
Valuation adjustment	<u>(453)</u>	<u>(2,531)</u>
Subtotal	<u>15,543</u>	<u>35,400</u>
<b>Trading securities - proprietary trading</b>		
Listed stocks	2,172,320	2,075,807
Listed funds	4,309,153	2,221,337
OTC stocks	518,212	377,385
OTC funds	1,175,314	220,838
Emerging market stocks	358,332	466,424
Convertible bonds	415,008	677,306
Government bonds	2,314,993	2,826,231
Corporate bonds	6,837,714	11,013,683
International bonds	5,532,559	5,601,278
Financial debentures	801,985	1,757,778
Foreign stocks	875,045	117,593
Foreign bonds	230,783	249,209
Others	<u>43,970</u>	<u>1,980</u>
	25,585,388	27,606,849
Valuation adjustment	<u>(793,237)</u>	<u>170,316</u>
Subtotal	<u>24,792,151</u>	<u>27,777,165</u>
<b>Trading securities - underwriting</b>		
Listed stocks	50,999	34,488
Convertible bonds	<u>67,283</u>	<u>58,498</u>
	118,282	92,986
Valuation adjustment	<u>(7,248)</u>	<u>5,175</u>
Subtotal	<u>111,034</u>	<u>98,161</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	December 31, 2022	December 31, 2021
<b>Trading securities - hedging</b>		
Listed stocks	\$ 2,437,167	4,294,213
OTC stocks	527,514	1,052,623
Convertible bonds	12,834,051	9,224,117
Others	722,856	1,007,075
	16,521,588	15,578,028
Valuation adjustment	(1,002,923)	469,008
Subtotal	15,518,665	16,047,036
<b>Derivatives</b>		
Buy options	89,537	61,687
Futures margin - proprietary fund	1,133,174	564,132
IRS asset swaps	17,807	13,301
Asset swap options - long position	205,121	555,469
Leverage derivatives - non-hedging	202,915	81,844
Structured notes	2,056	4,183
Exchange rate derivatives	9,345	635
Equity derivatives	16,854	2,483
Subtotal	1,676,809	1,283,734
<b>Total</b>	<b>\$ 42,404,385</b>	<b>45,427,215</b>

As of December 31, 2022 and 2021, trading securities and financial assets at fair value through other comprehensive income 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

	December 31, 2022	December 31, 2021
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 2,807,868	2,216,205
Corporate bonds	3,263,958	-
International bonds	491,360	442,880
Foreign bonds	6,795,491	11,805,725
	13,358,677	14,464,810
Valuation adjustment	(240,037)	112,543
Subtotal	13,118,640	14,577,353

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	December 31, 2022	December 31, 2021
Equity instrument at fair value through other comprehensive income		
Listed stocks	\$ 351,885	288,563
OTC stocks	136,544	44,743
Emerging market stocks	184,089	86,868
	672,518	420,174
Valuation adjustment	(74,479)	35,616
Subtotal	598,039	455,790
Total	<b>\$ 13,716,679</b>	<b>15,033,143</b>

- 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 year ended December 31, 2022 and 2021, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$26,141 and \$32,425, 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 \$704,953 and \$1,092,073, respectively, cumulative dispose gains (losses) for the year ended December 31, 2022 and 2021, amounted to \$45,459 and \$105,406, 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(w).
  
- 4) For the years ended December 31, 2022 and 2021, 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(w).

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 181,467	181,457
Valuation adjustment	(2,296)	(861)
Total	<b>\$ 179,171</b>	<b>180,596</b>

As of December 31, 2022 and 2021, 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).

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

	December 31, 2022	December 31, 2021
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	\$ 1,056,265	1,051,825
Valuation adjustment	1,634,510	2,267,368
Total	<b>\$ 2,690,775</b>	<b>3,319,193</b>

For the years ended December 31, 2022 and 2021, 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 \$100,386 and \$76,046, respectively.

For the years ended December 31, 2022 and 2021 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 and \$720, generated cumulative dispose (losses) gains \$0 and \$(29,280) and the gains were transferred from other equity items to retained earnings. Furthermore, the Group acquired proceeds from capital reduction of the investees amounted to \$16,532 and \$3,921, and the distribution of residual property from liquidation amounted to \$0 and \$660 for the year ended December 31, 2022 and 2021.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2022 and 2021 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	For the years ended December 31,								
	2022			2021					
	December 31, 2022	December 31, 2021	Mean	Maximum	Minimum	Mean	Maximum	Minimum	Minimum
Equity stocks	1,474,730	1,761,408	1,573,176	1,811,101	1,430,388	1,680,0	1,883,2	1,527,65	4
						57	40		4

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

	December 31, 2022	December 31, 2021
Debt Securities at amortized cost :		
Financial debentures	\$ 3,269,926	-
Less: loss allowance	(1,141)	-
Total	<b>\$ 3,268,785</b>	-

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(w).

- (c) Accounts Receivable

	December 31, 2022	December 31, 2021
Receivable on securities purchased by customers	\$ 64,921	132,534
Settlement	598,397	995,267
Interests receivable	576,237	560,798
Receivables on securities sold	4,626,242	9,598,623
Others	146,198	119,115
Subtotal	6,011,995	11,406,337
Less: allowance for doubtful accounts	-	(50)
Total	<b>\$ 6,011,995</b>	<b>11,406,287</b>

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(w).
- (ii) For the year ended December 31, 2022 and 2021, impairment test has been applied by the Group, the variation of loss allowance in receivables, please refer to note 6(w).

(Continued)

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Customers' margin account		
Cash in banks	\$ 29,259,271	26,264,654
Customers' margin account - futures clearing house	5,428,820	7,926,606
Customers' margin account - other futures commission merchants	4,338,662	3,652,626
Marketable securities	<u>22,988</u>	<u>4,304</u>
Total customers' margin account	<u>39,049,741</u>	<u>37,848,190</u>
Add:		
Commission expense	4,214	3,439
Other	-	364
Less:		
Brokerage fee revenue	(15,952)	(12,674)
Futures transaction tax	(1,617)	(1,652)
Interest revenues	(5,668)	(523)
Temporary receipts	(29,355)	(3,122)
Remittance amount of the customers after the market closed	(11,610)	(7,535)
Other receivable	(104,766)	(28,094)
Other	<u>(746)</u>	<u>-</u>
Futures traders' equity	<u>\$ 38,884,241</u>	<u>37,798,393</u>

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

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

(Continued)

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

(f) Investments accounted for under equity method

As of December 31, 2022 and 2021, investments under equity method consisted of the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries		
Capital Insurance Advisory Corp.	\$ 72,021	60,571
Capital Insurance Agency Corp.	<u>39,501</u>	<u>38,364</u>
Subtotal	<u>111,522</u>	<u>98,935</u>
Associates		
Capital Investment Trust Corp.	1,374,245	1,379,659
EnnoCap Venture Inc.	<u>210</u>	<u>324</u>
Subtotal	<u>1,374,455</u>	<u>1,379,983</u>
Total	<u><b>\$ 1,485,977</b></u>	<u><b>1,478,918</b></u>

(i) Subsidiaries:

For the years ended December 31, 2022 and 2021, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 47,292</u>	<u>33,884</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total assets	<u>\$ 142,532</u>	<u>144,295</u>
Total liabilities	<u>\$ 31,010</u>	<u>45,360</u>
	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 209,351</u>	<u>184,934</u>
Net income	<u>\$ 47,292</u>	<u>33,884</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights	
			December 31, 2022	December 31, 2021
True Partner Advisor Hong Kong Ltd.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Hong Kong	- %	49.00%
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00%	20.00%
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00%	40.00%

On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group; thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. All shares had been transferred on February 15, 2022. Please refer to note 5.

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

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

	December 31, 2022	December 31, 2021
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,374,455</u>	<u>1,379,983</u>
	For the years ended December 31,	
	2022	2021
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ 153,768	172,772
Other comprehensive income (losses)	6,041	(855)
Total comprehensive income (losses)	<u>\$ 159,809</u>	<u>171,917</u>

(Continued)

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

(iii) Collateral

As of December 31, 2022 and 2021, 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, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	70,123	40,476	110,599
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(31,017)	(39,440)	(70,457)
Effect of exchange rate changes	-	7,568	6,304	1,200	15,072
Balance at December 31, 2022	<u>\$ 1,805,285</u>	<u>1,131,369</u>	<u>689,869</u>	<u>266,959</u>	<u>3,893,482</u>
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	170,646	44,439	215,085
Transferred from investment property	358,419	206,350	-	-	564,769
Reclassified to investment property	(416,242)	(320,559)	-	-	(736,801)
Disposals and retirements	-	-	(131,304)	(47,630)	(178,934)
Effect of exchange rate changes	-	(2,353)	(2,592)	(396)	(5,341)
Balance at December 31, 2021	<u>\$ 1,933,030</u>	<u>1,199,242</u>	<u>644,459</u>	<u>264,723</u>	<u>4,041,454</u>
Depreciation and impairment loss					
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	22,852	133,058	55,498	211,408
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(30,961)	(39,440)	(70,401)
Effect of exchange rate changes	-	3,739	5,130	297	9,166
Balance at December 31, 2022	<u>\$ -</u>	<u>501,935</u>	<u>448,304</u>	<u>169,972</u>	<u>1,120,211</u>
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	25,534	129,541	52,571	207,646
Transferred from investment property	-	42,102	-	-	42,102
Reclassified to investment property	-	(150,184)	-	-	(150,184)
Disposals and retirements	-	-	(131,166)	(47,623)	(178,789)
Effect of exchange rate changes	-	(1,117)	(2,164)	(191)	(3,472)
Balance at December 31, 2021	<u>\$ -</u>	<u>493,962</u>	<u>341,077</u>	<u>153,617</u>	<u>988,656</u>
Carrying amount:					
At December 31, 2022	<u>\$ 1,805,285</u>	<u>629,434</u>	<u>241,565</u>	<u>96,987</u>	<u>2,773,271</u>
At December 31, 2021	<u>\$ 1,933,030</u>	<u>705,280</u>	<u>303,382</u>	<u>111,106</u>	<u>3,052,798</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2022 and 2021, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(h) Right-of-use assets

The Group leases many assets including buildings, machinery, and vehicles. Information about leases for which the Group as a lessee is presented below:

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 1,170,660	25,420	1,196,080
Additions	163,617	7,377	170,994
Reductions	(78,572)	(5,849)	(84,421)
Effect of changes in foreign exchange rates	4,997	-	4,997
Balance at December 31, 2022	<u>\$ 1,260,702</u>	<u>26,948</u>	<u>1,287,650</u>
Balance at January 1, 2021	\$ 1,165,635	23,566	1,189,201
Additions	145,292	12,829	158,121
Reductions	(138,444)	(10,975)	(149,419)
Effect of changes in foreign exchange rates	(1,823)	-	(1,823)
Balance at December 31, 2021	<u>\$ 1,170,660</u>	<u>25,420</u>	<u>1,196,080</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 393,715	10,735	404,450
Depreciation	182,331	7,373	189,704
Reductions	(72,201)	(5,828)	(78,029)
Effect of changes in foreign exchange rates	1,628	-	1,628
Balance at December 31, 2022	<u>\$ 505,473</u>	<u>12,280</u>	<u>517,753</u>
Balance at January 1, 2021	\$ 327,134	11,857	338,991
Depreciation	197,631	6,581	204,212
Reductions	(130,204)	(7,703)	(137,907)
Effect of changes in foreign exchange rates	(846)	-	(846)
Balance at December 31, 2021	<u>\$ 393,715</u>	<u>10,735</u>	<u>404,450</u>
Carrying amount:			
At December 31, 2022	<u>\$ 755,229</u>	<u>14,668</u>	<u>769,897</u>
At December 31, 2021	<u>\$ 776,945</u>	<u>14,685</u>	<u>791,630</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(i) Investment property

Movements in investment property of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2022	\$ 3,022,677	1,213,106	4,235,783
Transferred from property and equipment	129,774	76,855	206,629
Reclassified to Property and equipment	(2,029)	(1,414)	(3,443)
Disposals and retirements	-	(1,213)	(1,213)
Effect of changes in foreign exchange rates	-	3,072	3,072
Balance at December 31, 2022	<u>\$ 3,150,422</u>	<u>1,290,406</u>	<u>4,440,828</u>
Balance at January 1, 2021	\$ 2,964,854	1,099,613	4,064,467
Transferred from property and equipment	416,242	320,559	736,801
Reclassified to Property and equipment	(358,419)	(206,350)	(564,769)
Disposals and retirements	-	(260)	(260)
Effect of changes in foreign exchange rates	-	(456)	(456)
Balance at December 31, 2021	<u>\$ 3,022,677</u>	<u>1,213,106</u>	<u>4,235,783</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2022	\$ -	584,063	584,063
Depreciation	-	25,863	25,863
Transferred from property and equipment	-	19,633	19,633
Reclassified to Property and equipment	-	(1,015)	(1,015)
Disposals and retirements	-	(1,213)	(1,213)
Effect of changes in foreign exchange rates	-	1,526	1,526
Balance at December 31, 2022	<u>\$ -</u>	<u>628,857</u>	<u>628,857</u>
Balance at January 1, 2021	\$ -	453,360	453,360
Depreciation	-	23,102	23,102
Transferred from property and equipment	-	150,184	150,184
Reclassified to Property and equipment	-	(42,102)	(42,102)
Disposals and retirements	-	(260)	(260)
Effect of changes in foreign exchange rates	-	(221)	(221)
Balance at December 31, 2021	<u>\$ -</u>	<u>584,063</u>	<u>584,063</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Land	Buildings	Total
<u>Carrying Amount:</u>			
At December 31, 2022	<u>\$ 3,150,422</u>	<u>661,549</u>	<u>3,811,971</u>
At December 31, 2021	<u>\$ 3,022,677</u>	<u>629,043</u>	<u>3,651,720</u>
<u>Fair Value:</u>			
At December 31, 2022			<u>7,761,103</u>
At December 31, 2021			<u>7,520,041</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.

As of December 31, 2022 and 2021, the investment properties were provided as collateral or pledged, for details please refer to note 8.

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

#### Lessor

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

	December 31, 2022	December 31, 2021
Within 1 year	\$ 160,299	156,076
1-5 years	461,109	484,702
Over 5 years	<u>110,170</u>	<u>217,936</u>
	<u>\$ 731,578</u>	<u>858,714</u>

The rental revenue from investment property for the year ended December 31, 2022 and 2021 amounted to \$167,907 and \$158,044, respectively.

#### (j) Intangible assets

##### (i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of December 31, 2022 and 2021, the carrying amounts were all \$3,126,698.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Goodwill is allocated to the operating segments as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	<u>1,557,096</u>	<u>1,557,096</u>
Total	<u>\$ 3,126,698</u>	<u>3,126,698</u>

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

The past experience, the actual operating results and the pre-tax cash flows of the next year's financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 7.16% and 3.69% in year 2022 and 2021 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2022 and 2021 exceeded the carrying amount, no impairment occurred for both years.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of December 31, 2022 and 2021, the carrying amounts of goodwill were \$11,131 and \$15,933, respectively. Furthermore, the Group recognized an impairment loss of \$4,802 and \$4,951 for the years ended December 31, 2022 and 2021 respectively, by using discount rate of 4.30% and 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2022 and 2021, the carrying amounts of the operation franchise were all \$389,999.

(iii) Other intangible assets - Membership of foreign futures Exchanges

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 "Intangible Assets" endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of December 31, 2022 and 2021, the carrying amounts of intangible assets were \$46,278 and \$46,084, respectively.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2022 and 2021, the amortized book value were \$39,894 and \$37,046, respectively.

(k) Short-term borrowings

Nature of borrowings	December 31, 2022	December 31, 2021
Collateralized loan	\$ 1,792,235	1,336,944
Credit loan	<u>1,078,564</u>	<u>1,750,876</u>
Total	<u><b>\$ 2,870,799</b></u>	<u><b>3,087,820</b></u>
Interest rate range	<u><b>2.39~5.29%</b></u>	<u><b>0.60%~1.46%</b></u>

As of December 31, 2022 and 2021, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(l) Commercial paper payable

	December 31, 2022	December 31, 2021
Commercial paper payable	\$ 3,200,000	8,400,000
Less: Unamortized discount	<u>(1,278)</u>	<u>(2,194)</u>
Net amount	<u><b>\$ 3,198,722</b></u>	<u><b>8,397,806</b></u>
Interest rate range	<u><b>1.378%~1.598%</b></u>	<u><b>0.448%~0.588%</b></u>

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

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

	December 31, 2022	December 31, 2021
Liabilities on sale of borrowed securities	\$ 10,395,729	1,036,721
Redeem liabilities on sale of borrowed securities	(73,941)	-
Valuation adjustment	<u>(654,679)</u>	<u>18,741</u>
Subtotal	<u>9,667,109</u>	<u>1,055,462</u>
Liabilities for issuance of Exchange Traded Notes	-	781
Valuation adjustment	<u>-</u>	<u>162</u>
Subtotal	<u>-</u>	<u>943</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Stock warrants issued	\$ 11,073,530	18,396,778
Stock warrants repurchased	<u>(10,572,072)</u>	<u>(17,130,305)</u>
Subtotal	<u>501,458</u>	<u>1,266,473</u>
Sale options	128,999	51,288
IRS asset swaps	51,106	42,823
Asset swap options - short position	1,140,992	2,270,540
Structured notes	103,125	286,362
Leverage derivatives - non-hedging	28,918	16,671
Interest rate swaps	59	397
Equity derivatives	1,710	651
Exchange rate derivatives	<u>21,123</u>	<u>7,417</u>
Subtotal	<u>1,476,032</u>	<u>2,676,149</u>
Total	<u><b>\$ 11,644,599</b></u>	<u><b>4,999,027</b></u>

(n) Bonds sold under repurchase agreements

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bonds sold under repurchase agreements	<u><b>\$ 36,035,969</b></u>	<u><b>37,345,935</b></u>
Agreed-upon repurchase amounts	<u><b>36,440,943</b></u>	<u><b>37,375,943</b></u>
Interest rates	<u><b>0.55%~5.2%</b></u>	<u><b>0.00%~0.55%</b></u>
Date of repurchase	<u><b>2023.1.3~2023.12.27</b></u>	<u><b>2022.1.3~2022.12.22</b></u>

(o) Equity for each customer in the account

According to article 38, subparagraph 2 of the “Regulations Governing Securities Firms” , a securities firm may, with the consent of the customer, retain the customer’ s settlement funds in the securities firm’s settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity for each customer in the account	<u><b>\$ 25,111,376</b></u>	<u><b>26,706,922</b></u>

(p) Accounts payable

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Payable of securities sold by customers	\$ 31,239	106,032
Payable of settlements	4,435,412	10,514,342
Others	<u>214,343</u>	<u>139,724</u>
Total	<u><b>\$ 4,680,994</b></u>	<u><b>10,760,098</b></u>

(Continued)

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

(q) Lease liabilities

The Group's lease liabilities are as follow:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Current	<u>\$ 191,688</u>	<u>164,321</u>
Non-current	<u>\$ 635,604</u>	<u>685,850</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest on lease liabilities	<u>\$ 10,690</u>	<u>12,150</u>
Expenses relating to short-term leases	<u>\$ 7,961</u>	<u>7,613</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 7,929</u>	<u>8,183</u>
Covid-19-related rent concessions	<u>\$ 432</u>	<u>864</u>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Total cash outflow for leases	<u>\$ 218,311</u>	<u>231,818</u>

(r) Employee benefit

(i) Defined benefit plans

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Present value of defined benefit obligations	<u>\$ (745,735)</u>	<u>(1,212,469)</u>
Fair value of plan assets	<u>721,680</u>	<u>334,271</u>
Recognized liabilities for defined benefit obligations	<u>\$ (24,055)</u>	<u>(878,198)</u>

The Group's employee benefits liabilities are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Compensated absences	<u>\$ 51,577</u>	<u>49,604</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

1) Composition of plan assets

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

The balance of the Group’s labor pension preparatory special account in Bank of Taiwan amounted to \$720,153 and \$336,599 as of December 31, 2022 and 2021, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$1,527 and \$436 as of December 31, 2022 and 2021, respectively.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit obligation on January 1	\$ 1,212,469	1,046,957
Current service costs and interest	6,132	9,612
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in demographical assumptions	-	(13,008)
-Actuarial loss (gain) arising from changes in financial assumptions	(54,125)	(2,139)
-Experience adjustments	(335,487)	397,667
Past service cost	8,707	-
Benefits paid by the plan	(91,961)	(226,620)
Defined benefit obligation on December 31	<b>\$ 745,735</b>	<b>1,212,469</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Group in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 334,271	303,061
Interest revenue	1,532	1,269
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	36,250	4,898
Contributions from the employer	438,619	243,447
Benefits paid from plan assets	(88,992)	(218,404)
Fair value of plan assets on December 31	<b>\$ 721,680</b>	<b>334,271</b>

4) Expense recognized in profit or loss

The expenses recognized by the Group in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 556	5,246
Past service cost	5,938	-
Net interest of net defined benefit liabilities (assets)	4,044	3,097
Current pension cost	<b>\$ 10,538</b>	<b>8,343</b>

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

For the years ended December 31, 2022 and 2021, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (709,610)	(331,988)
Recognized amount during the period	425,862	(377,622)
Balance at December 31	<b>\$ (283,748)</b>	<b>(709,610)</b>

6) Actuarial assumptions

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	1.38%~1.52%	0.46%
Future salary growth rate	2.50%~3.00%	2.50%~3.00%

The expected contribution to the defined benefit plan for the next year is \$219. The weighted average duration of the defined benefit obligation is 1 years.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

7) Sensitivity Analysis

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

As of December 31, 2022 and 2021, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2022		
Discount rate	(17,462)	18,141
Future salary growth rate	14,203	(13,848)
	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2021		
Discount rate	(29,763)	28,451
Future salary growth rate	24,218	(23,577)

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

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

(ii) Defined contribution plan

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

The Group contributed \$99,728 and \$106,194 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021, respectively.

(iii) For the years ended December 31, 2022 and 2021, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$4,296 and \$4,391, respectively.

(Continued)

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

(s) Income tax

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

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the years ended December 31, 2022 and 2021.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the years ended December 31, 2022 and 2021.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the years ended December 31, 2022 and 2021.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the years ended December 31, 2022 and 2021.

(ii) Income tax expense (benefit)

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax expense		
Current year	\$ 477,583	658,861
Adjustment to the prior years' income tax	(73,602)	(15,152)
	<u>403,981</u>	<u>643,709</u>
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	278,197	123,201
Unrealized gains (losses) on foreign investments under Equity Method	(12,349)	(3,844)
Unrealized gains (losses) on non-current assets held-for-sale	(2,794)	2,794
	<u>263,054</u>	<u>122,151</u>
Income tax expense from continuing operations	<u>\$ 667,035</u>	<u>765,860</u>

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange difference from translating financial statements of foreign operations	<u>\$ 31,813</u>	<u>(8,807)</u>

(Continued)

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

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

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Net income before tax	\$ 1,846,051	6,227,509
Income tax using the domestic tax rate of each Group entity	\$ 454,539	1,298,888
Tax exempt income	282,425	(534,470)
Alternative minimum tax	1,599	696
Unrecognized deferred tax assets for current-year losses	(2,508)	5,468
Changes in unrecognized temporary differences	(1,575)	5,107
Additional surtax on undistributed retained earnings	-	1,313
Adjustments to prior years' income tax	(73,602)	(15,152)
Others	6,157	4,010
Total	<u>\$ 667,035</u>	<u>765,860</u>

(iii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Unrealized losses on foreign investments under Equity Method	\$ 18,684	6,335
Foreign exchange difference from translating financial statements of foreign operations	-	27,233
Total	<u>\$ 18,684</u>	<u>33,568</u>

2) Unrecognized deferred tax assets

	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ 2,242	8,896
Tax loss carried forward	7,483	10,870
Total	<u>\$ 9,725</u>	<u>19,766</u>

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2022, the Group's estimated tax losses recognized under deferred income tax asset were as follows:

Year or loss	Amount	Expiry date
2016 (Declared)	\$ 1,089	2026
2017 (Declared)	2,480	2027
2020 (Declared)	1,866	2030
2021 (Reported)	28,276	2031
2022 (Estimated)	3,701	2032
Total	<b>\$ 37,412</b>	

3) Recognized deferred income tax liabilities

	December 31, 2022	December 31, 2021
Unrealized gains on derivative financial instruments	\$ 359,442	81,245
Losses on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Unrealized gains on non-current asset held-for-sale	-	2,794
Exchange differences on translation of foreign financial statement	4,580	-
Total	<b>\$ 776,337</b>	<b>496,354</b>

4) Unrecognized deferred tax liabilities

As of December 31, 2022 and 2021, the Group's temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2022	December 31, 2021
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 13,933</b>	<b>59</b>

The dividend policies of the Group's second level subsidiaries, Capital True Partner Technology Co., Ltd, was prescribed not to appropriate the retained earnings until December 31, 2022. Also, the Group does not plan to dispose of the investees in foreseeable future. Thus, the temporary differences related to investments in subsidiaries for the portion of not to intend to dispose or to appropriate are not recognized under deferred tax liabilities.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2019 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.' s income tax returns through 2020 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.' s income tax returns through 2020 were assessed by the Tax Authority.
- 4) Second level Subsidiary - Capital International Technology Corp.' s income tax returns through 2021 were assessed by the Tax Authority.
- 5) Subsidiary - CSC Venture Capital Corp.' s income tax returns through 2020 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Capital Management Co.' s income tax returns through 2020 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co. was established on April 20, 2021, and has not had a case of profit-seeking income tax reporting assessed by the Tax Authority.

(t) Capital and other equity

(i) Capital stock

As of December 31, 2022 and 2021, 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.

(Continued)

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

The followings are the capital surplus of the Company:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,251
Changes in ownership interests in subsidiaries	30,339	30,339
	<u><b>\$ 2,743,256</b></u>	<u><b>2,743,465</b></u>

(iii) Retained earnings

1) Legal reserve

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

2) Special reserve

In accordance with Article 41 of the "Securities and Exchange Act", 20 percent of the current year's earnings after tax should be set aside as special reserve. Ruling No. 1100365484 issued by the Financial Supervisory Commission on January 21, 2022, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders' equity. For the cumulative deduction in stockholders' equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders' equity, the earnings may be distributed based on the reversal proportion.

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.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 3) Undistributed earnings

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

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

The Company's fiscal year 2021 earnings distribution resolved by the shareholders' meeting on June 27, 2022, and the Company's fiscal year 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder's meeting on July 14, 2021. Dividends distributed to the owners were as follows:

	2021		2020	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ 3,581,998	1.65	2,387,999	1.10

#### (u) Earnings per share

The basic earnings per share and dilutive earnings per share for the years ended December 31, 2022 and 2021 were calculated as follows:

	<b>For the years ended December 31,</b>	
	2022	2021
Net income attributable to common shareholders of the Company	\$ 840,040	5,249,590
Weighted-average number of common stock shares outstanding (thousands of shares)	2,170,908	2,170,908
Basic earnings per share (dollar)	\$ 0.39	2.42
Effect of potentially dilutive common stock	1,542	4,307
- Employee remuneration (thousands of shares) (Note)		
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	2,172,450	2,175,215
Dilutive earnings per share (dollar)	\$ 0.39	2.41

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Items of the statements of comprehensive income

(i) Brokerage commissions

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Brokerage commission from TSE market	\$ 2,464,798	4,680,964
Brokerage commission from OTC market	811,952	1,253,910
Handling fee from security financing	39,869	45,441
Futures commission income - brokerage	1,967,301	1,769,866
Overseas subsidiaries	29,700	46,638
Others	135,916	148,319
	<b>\$ 5,449,536</b>	<b>7,945,138</b>

(ii) Underwriting commissions

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Revenue from underwriting securities on a firm commitment basis	\$ 63,560	87,868
Handling fee revenues from underwriting securities on consignment	550	584
Processing fee revenues from underwriting operations	25,607	51,381
Revenue from underwriting consultation	3,660	6,270
Others	3,885	5,108
	<b>\$ 97,262</b>	<b>151,211</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains (losses) on securities sold - proprietary trading	\$ (39,704)	1,212,555
Gains (losses) on securities sold - underwriting	61,650	26,374
Gains (losses) on securities sold - hedging	(821,648)	2,725,884
	<b>\$ (799,702)</b>	<b>3,964,813</b>

(iv) Interest revenue

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest revenue - margin loans	\$ 822,751	987,213
Interest revenue - bonds	487,778	515,433
Overseas subsidiaries	17,061	32,627
Others	171,604	169,520
	<b>\$ 1,499,194</b>	<b>1,704,793</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Trading securities - proprietary	\$ (956,460)	(43,767)
Trading securities - underwriting	(12,423)	782
Trading securities - hedging	(1,471,930)	966
	<b>\$ (2,440,813)</b>	<b>(42,019)</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains on changes in fair value of stock warrants	\$ 42,870,899	5,039,396
Gains on exercise of stock warrants before maturity	33,668,212	43,893,835
Losses on changes in fair value of stock warrants repurchased	(74,942,647)	(49,640,754)
Gains on expiration of stock warrants	37,523	46,545
Stock warrants issuance expenses	(255,638)	(264,907)
	<b>\$ 1,378,349</b>	<b>(925,885)</b>

- (vii) Futures commission revenues

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Futures commission revenues - CSC Futures (HK) Ltd.	<b>\$ 310,640</b>	<b>327,803</b>

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

- (viii) Commission expenses - future

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Future trading - reconsignment	\$ 278,395	215,936
Future trading - introducing brokers	2,358	1,193
Commission expenses - CSC Futures (HK) Ltd.	93,213	102,006
	<b>\$ 373,966</b>	<b>319,135</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ix) Employee benefits, depreciation, and amortization expenses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Employee benefit expenses		
Salary expense	\$ 2,396,021	3,396,513
Health and labor insurance expense	198,842	213,825
Pension expense	114,562	118,928
Others	66,050	77,781
Depreciation expense	426,975	434,960
Amortization expense	36,538	35,015
	<b>\$ 3,238,988</b>	<b>4,277,022</b>

(x) Other operating expenses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Rental expense	\$ 15,959	15,821
Taxes	664,290	640,149
Information technology expense	316,919	260,604
Postage expense	232,914	227,770
Professional service fee	22,945	25,827
Other expenses	983,906	849,990
	<b>\$ 2,236,933</b>	<b>2,020,161</b>

(xi) Other gains and losses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Financial revenue	\$ 491,557	192,271
Currency exchange gains (losses)	23,873	(14,279)
Net gains (losses) on disposal of investment	(11,508)	17,905
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(9,019)	(18,679)
Revenue from bank's allocation fee	258,653	196,413
Net gains (losses) on disposal of property and equipment	(8)	(136)
Dividend revenue	100,741	78,538
Gains on reversal of prior year's liabilities	31,946	12,689
Rental income	167,907	158,044
Others	53,326	77,760
	<b>\$ 1,107,468</b>	<b>700,526</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(xii) Remuneration to employees and directors

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

If there is accumulated deficit, specific amount shall be retained to cover, and appropriate the remainder in the aforementioned percentage as remuneration to employees and directors.

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, respectively, and to directors were \$20,404 and \$100,380, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$82,129 and \$45,574, and to directors were \$100,380 and \$76,446 by the Company. The difference between actual employee remuneration of \$74,649 and \$47,228 and actual remuneration to directors of \$91,238 and \$71,657 were \$16,622 and \$3,135 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2022 and 2021. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$11,623 and \$7,196 and to directors were \$11,644 and \$7,196 by the domestic subsidiaries of the Group, respectively.

(Continued)

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

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2022 and 2021, the maximum credit exposure amounted to \$144,399,399 and \$152,088,665, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 84.95%); secondly, is in Asia (accounted for 8.22%, exclusion of Taiwan); then, is in America (accounted for 4.85%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 122,669,163	126,675,667
Asia (Taiwan is excluded)	11,862,797	13,198,006
Europe	2,797,074	4,515,220
America	7,001,295	7,649,360
Other	69,070	50,412
Total	<u>\$ 144,399,399</u>	<u>152,088,665</u>

2) Impairment loss

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>
Not past due	\$ 22,685,084	35,167	35,425,789	30,132
Past due 31~120 days	-	-	906	906
Past due 121~360 days	4,519	4,519	18,148	18,148
Past due more than 360 days	256,623	256,623	240,988	240,988
	<u>\$ 22,946,226</u>	<u>296,309</u>	<u>35,685,831</u>	<u>290,174</u>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2022 and 2021, the impairment losses of receivables were \$296,309 and \$290,174, respectively.

(Continued)

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

3) Credit risk of receivables and debt securities

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

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

The loss allowance provision for the years ended December 31, 2022 and 2021 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, 2022	\$ -	6,779	-	-	-	-	290,174	-	-	296,953
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,474	-	-	4,973
Amounts written off	-	-	-	-	-	-	(1,722)	-	-	(1,722)
Effect of exchange rate	-	-	(10)	-	-	-	2,383	-	-	2,373
Balance on December 31, 2022	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577

	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, 2021	\$ -	9,391	-	-	-	-	313,934	-	-	323,325
Provision or reversal of Impairment loss	-	(2,612)	-	-	-	-	19,288	-	-	16,676
Amounts written off	-	-	-	-	-	-	(40,887)	-	-	(40,887)
Effect of exchange rate	-	-	-	-	-	-	(2,161)	-	-	(2,161)
Balance on December 31, 2021	\$ -	6,779	-	-	-	-	290,174	-	-	296,953

(Continued)

## 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.

December 31, 2022	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 9,667,109	9,667,109	9,667,109	-	-	-	-
Stock warrants issued	501,458	501,458	451,680	49,778	-	-	-
Put options	128,999	128,999	128,999	-	-	-	-
Equity derivatives	1,710	1,710	1,710	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	72,288	72,288	22,216	6,302	24,073	19,697	-
Asset swap option - short position	1,140,992	1,140,992	73,526	231,087	381,921	454,458	-
Leverage derivatives - non-hedging	28,918	28,918	28,918	-	-	-	-
Structured notes	103,125	103,125	3,834	75,485	20,160	3,646	-
Short-term borrowings	2,870,799	2,870,799	2,870,799	-	-	-	-
Commercial paper payable	3,198,722	3,200,000	3,200,000	-	-	-	-
Bonds sold under repurchase agreements	36,035,969	36,440,943	28,208,730	8,232,213	-	-	-
Guarantee deposited for short sales	4,118,440	4,118,440	4,118,440	-	-	-	-
Proceeds payable from short sales	3,714,941	3,714,941	3,714,941	-	-	-	-
Securities lending refundable deposits	14,681,018	14,681,018	14,681,018	-	-	-	-
Futures traders' equity	38,884,241	38,884,241	38,884,241	-	-	-	-
Equity for each customer in the account	25,111,376	25,111,376	25,111,376	-	-	-	-
Leverage contract trading customers' equity	849,887	849,887	849,887	-	-	-	-
Notes payable and accounts payable	214,494	214,494	214,494	-	-	-	-
Receipts under custody	547,244	547,244	547,244	-	-	-	-
Other payables	839,187	839,187	837,610	1,577	-	-	-
Other financial liabilities	3,522,592	3,522,592	2,655,826	372,224	308,275	186,267	-
Lease liabilities	827,292	852,368	104,396	96,618	186,748	399,989	64,617
	<b><u>\$ 147,060,801</u></b>	<b><u>147,492,129</u></b>	<b><u>136,376,994</u></b>	<b><u>9,065,284</u></b>	<b><u>921,177</u></b>	<b><u>1,064,057</u></b>	<b><u>64,617</u></b>

(Continued)

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

	Carrying amount	Contractual cash flows	Less than 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,055,462	1,055,462	1,055,462	-	-	-	-
Stock warrants issued	1,266,473	1,266,473	1,137,294	129,179	-	-	-
Put options	51,288	51,288	51,288	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	651	651	651	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	50,637	50,637	517	9,637	14,568	25,915	-
Asset swap option - short position	2,270,540	2,270,540	163,941	259,226	770,553	1,076,820	-
Leverage derivatives - non-hedging	16,671	16,671	16,671	-	-	-	-
Structured notes	286,362	286,362	11,936	-	232,119	42,307	-
Short-term borrowings	3,087,820	3,087,820	3,087,820	-	-	-	-
Commercial papers payable	8,397,806	8,400,000	8,400,000	-	-	-	-
Bonds sold under repurchase agreements	37,345,935	37,375,943	30,250,072	7,125,871	-	-	-
Guarantee deposited for short sales	2,848,834	2,848,834	2,848,834	-	-	-	-
Proceeds payable from short sales	3,246,792	3,246,792	3,246,792	-	-	-	-
Securities lending refundable deposits	8,149,786	8,149,786	8,149,786	-	-	-	-
Futures traders' equity	37,798,393	37,798,393	37,798,393	-	-	-	-
Equity for each customer in the account	26,706,922	26,706,922	26,706,922	-	-	-	-
Leverage contract trading customers' equity	630,830	630,830	630,830	-	-	-	-
Notes payable and accounts payable	139,876	139,876	139,876	-	-	-	-
Receipts under custody	8,808,150	8,808,150	8,808,150	-	-	-	-
Other payables	1,358,477	1,358,477	1,357,251	1,226	-	-	-
Other financial liabilities	5,045,880	5,045,880	4,355,627	114,556	470,764	104,933	-
Lease liabilities	850,171	882,864	94,709	79,610	161,493	385,136	161,916
	<b><u>\$ 149,414,699</u></b>	<b><u>149,479,594</u></b>	<b><u>138,313,765</u></b>	<b><u>7,719,305</u></b>	<b><u>1,649,497</u></b>	<b><u>1,635,111</u></b>	<b><u>161,916</u></b>

(Continued)

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

(iii) Currency risk

1) Currency risk exposure

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

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

				<b>December 31, 2021</b>		
				<b>Foreign Currency</b>		
				<b>(thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>						
<b><u>Monetary Item</u></b>						
USD	\$	897,199		27.6800		24,834,468
AUD		2,998		20.0800		60,200
CAD		211		21.6200		4,562
CHF		96		30.1750		2,897
EUR		8,008		31.3200		250,811
GBP		2,867		37.3000		106,939
HKD		121,089		3.5490		429,745
JPY		946,873		0.2405		227,723
SGD		1,038		20.4600		21,237
CNY		142,878		4.3440		620,662
ZAR		80		1.7330		139
KRW		508,738		0.0235		11,955
NZD		121		18.8900		2,286
THB		3,095		0.8347		2,583
MYR		29		6.3550		184
VND		6,782,896		0.0012		8,139
<b><u>Non-Monetary Item</u></b>						
USD		554,313		27.6800		15,343,384
AUD		122,719		20.0800		2,464,198
EUR		9,313		31.3200		291,683
HKD		7,691		3.5490		27,295
JPY		18,726		0.2405		4,504
CNY		10,261		4.3440		44,574

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

				<b>December 31, 2021</b>		
				<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Amount</b>
				<b>(thousands)</b>		
<b><u>Financial liabilities</u></b>						
<b><u>Monetary Item</u></b>						
USD	\$	1,502,490		27.6800		41,588,923
AUD		119,062		20.0800		2,390,765
CAD		4		21.6200		86
CHF		40		30.1750		1,207
EUR		16,092		31.3200		504,001
GBP		2,728		37.3000		101,754
HKD		214,521		3.5490		761,335
JPY		902,639		0.2405		217,085
SGD		635		20.4600		12,992
CNY		56,112		4.3440		243,751
ZAR		12		1.7330		21
KRW		476,241		0.0235		11,192
THB		1,503		0.8347		1,255
MYR		14		6.3550		89
<b><u>Non-Monetary Item</u></b>						
USD		327		27.6800		9,051
CAD		66		21.6200		1,427
CHF		12		30.1750		362
GBP		2		37.3000		75
JPY		1,407		0.2405		338
CNY		1,196		4.3440		5,195
ZAR		69		1.7330		120
NZD		5		18.8900		94

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the years ended December 31, 2022 and 2021, the realized and unrealized currency exchange gains (losses) amounted to \$(431,740) and \$46,636, respectively.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, amortized cost of a financial asset, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2022 and 2021, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31, 2022		For the years ended December 31, 2021	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(360,016)	360,016	(537,609)
Other comprehensive income	282,950	(282,950)	493,972	(493,972)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	December		For the years ended December 31,								
	31, 2022	31, 2021	2022			2021					
			Average	Maximum	Minimum	Average	Maximum	Minimum			
Interest risk	1,728,619	1,598,692	1,616,202	1,728,619	1,453,750	6	1,549,22	1	1,731,62	6	1,373,36

(Continued)

**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.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of December 31, 2022 and 2021, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	\$ 11,259,550	11,259,550	9,807,123	9,807,123
Accrued receivable	63,301,791	63,301,791	67,836,874	67,836,874
Customers' margin account	39,049,741	39,049,741	37,848,190	37,848,190
Leverage contract trading - customers' margin account	856,021	856,021	624,232	624,232
Restricted assets - current	219,234	219,234	285,135	285,135
Other non-current assets	1,537,038	1,537,038	1,510,089	1,510,089
Financial liabilities:				
Short-term borrowings	2,870,799	2,870,799	3,087,820	3,087,820
Commercial paper payable	3,198,722	3,198,722	8,397,806	8,397,806
Bonds sold under repurchase agreements	36,035,969	36,035,969	37,345,935	37,345,935
Accrued payable	54,078,497	54,078,497	62,492,329	62,492,329
Futures traders' equity	38,884,241	38,884,241	37,798,393	37,798,393
Leverage contract trading - customers' equity	849,887	849,887	630,830	630,830
Other financial liabilities - current	3,028,050	3,028,050	4,470,183	4,470,183
Other financial liabilities - non-current	494,542	494,542	575,697	575,697
Other non-current liabilities	99,969	99,969	98,265	98,265

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2022</b>				
Investment property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	<u>3,283,116</u>	-	<u>3,283,116</u>
	<u>\$ -</u>	<u>3,283,116</u>	<u>7,761,103</u>	<u>11,044,219</u>
<b>December 31, 2021</b>				
Investment Property	\$ -	-	7,520,041	7,520,041
Debt securities at amortized cost	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>7,520,041</u>	<u>7,520,041</u>

(Continued)

## 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, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities- current, other financial liabilities-non-current, and other non-current liabilities.
  - ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
  - iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation approach. Estimation and assumption in which the Group applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Group.

3) Measured at fair value

a) Hierarchy information of fair value

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Level 1	Level 2	Level 3	Total
<b>December 31, 2021</b>				
Financial assets at fair value through profit or loss	\$ 15,442,463	28,881,614	-	44,324,077
Financial assets at fair value through other comprehensive income	2,683,955	12,349,188	3,319,193	18,352,336
Derivative financial assets	625,819	657,915	-	1,283,734
	<b>\$ 18,752,237</b>	<b>41,888,717</b>	<b>3,319,193</b>	<b>63,960,147</b>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	325,714	2,350,435	-	2,676,149
	<b>\$ 2,648,592</b>	<b>2,350,435</b>	<b>-</b>	<b>4,999,027</b>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2022 and 2021, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

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

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

(In Thousands Dollars)

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

For the year ended December 31, 2021									
Item	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	891,620	153,621	-	1,212	3,921	8,000	3,319,193

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 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:

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
<b>December 31, 2022</b>		
Financial assets at fair value through profit or loss	\$ 425	(425)
Financial assets fair value through other comprehensive income	\$ 26,908	(26,908)
<b>December 31, 2021</b>		
Financial assets fair value through other comprehensive income	\$ 33,192	(33,192)

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

- (vi) Transfer of financial assets

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

Types of financial assets	December 31, 2022				
	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ 37,067,224	36,035,969	-	-	-

(Continued)

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

Types of financial assets	December 31, 2021				
	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	\$ 39,185,058	37,345,935	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

	December 31, 2022					
	Financial assets under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
			Financial instruments (Note)	Cash received as collaterals		
Derivative financial assets	\$ 454,098	-	454,098	-	-	454,098
	December 31, 2022					
	Financial liabilities under offsetting or general agreement of net amount settlement or similar norms					
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
			Financial instruments (Note)	Cash received as collaterals		
Derivative financial liabilities	\$ 1,347,033	-	1,347,033	-	-	1,347,033
Under repurchase agreements	36,035,969	-	36,035,969	36,035,969	-	-
Total	\$ 37,383,002	-	37,383,002	36,035,969	-	1,347,033
	December 31, 2021					
	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	\$ 657,915	-	657,915	-	-	657,915

(Continued)

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

December 31, 2021						
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	\$ 2,624,861	-	2,624,861	-	-	2,624,861
Under repurchase agreements	37,345,935	-	37,345,935	37,345,935	-	-
<b>Total</b>	<b>\$ 39,970,796</b>	<b>-</b>	<b>39,970,796</b>	<b>37,345,935</b>	<b>-</b>	<b>2,624,861</b>

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

(x) Financial risk management

(i) Brief

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

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

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

(ii) Risk management framework

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

(iii) Credit risk

1) Determining whether credit risk has increased significantly since initial recognition

- a) The Group measures each financial instrument that applies under IFRS9 if the credit risk of financial asset at the reporting date has increased significantly since initial recognition. The Group considers reasonable and supportable information that is relevant and available, including forward-looking information, since initial recognition for assessment. Main factors taking into consideration include credit risk rating and information of past due condition.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- b) Low Credit Risk: A financial instrument has low credit risk at the reporting date, assumed to have no significant increase in credit risk since initial recognition. The determination criteria are the financial instrument's external credit rating is 'investment grade' or above.

#### 2) Measurement of Expected Credit Losses (ECL)

##### a) Methods adopted and assumptions

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

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

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

#### (iv) Liquidity risk

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

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

#### (v) Market risk

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

(vi) Hedging strategies (financial hedging)

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

1) Equity securities:

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

2) Fixed income instruments:

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

3) Stock warrants:

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

4) Structured notes:

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

5) Asset swap:

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

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

As of December 31, 2022 and 2021, 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	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 26,259,600	-	22,242,386	-

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.

(Continued)

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the years ended December 31, 2022 and 2021:

a) Gains (losses) on valuation

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 20,852,051	17,315,545	Gains (losses) on stock warrants issued
Stock warrants repurchased	(20,641,600)	(17,452,496)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>	<u>Account</u>
Security borrowing	\$ 5,866	137,627	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(956,919)	1,673,217	Gains (losses) on sale of trading securities
Futures transaction	98,313	(201,373)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the year ended December 31, 2022</u>	<u>For the year ended December 31, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 55,724,583	31,664,231	Gains (losses) on stock warrants issued
Stock warrants repurchased	(54,301,047)	(32,188,258)	Gains (losses) on stock warrants issued

Exchange traded notes

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

<u>Financial Instruments</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:				
Exchange traded notes issued	\$ -	-	943	-

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(ii) Market risk:

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

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

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

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

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Account</u>
Margin-exchange traded notes	\$ -	25	Other non-current assets
Outstanding liabilities - exchange traded notes	-	943	Financial liabilities at fair value through profit or loss - current
	<u>For the years ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>Account</u>
Gains (losses) on exchange traded notes	188	37	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	3	10	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	(377)	(438)	Management and commissions expense on exchange traded notes

#### Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of December 31, 2022 and 2021.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

	December 31, 2022	December 31, 2021	Account
Futures margin - proprietary fund	\$ 1,133,174	564,132	Financial assets at fair value through profit or loss - current
Excess futures margin	2,474,182	1,676,997	Cash and cash equivalent
Buy options	89,537	61,687	Financial assets at fair value through profit or loss - current
Sale options	128,999	51,288	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Account</b>
Gains (losses) on futures transactions	(644,422)	(380,019)	Gains (losses) on derivatives - futures

(Continued)

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

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 7,000,000	-	9,900,000	-

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.

(Continued)

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

(ii) Structured notes

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 336,000	-	883,000	-
Principal guaranteed notes	2,469,656	-	3,729,644	-
Credit-linked notes	952,300	-	769,300	-
Principal guaranteed notes (in USD thousands)	USD 90	-	USD -	-

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	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,976,300	-	2,478,500	-
Convertible bond options	13,364,000	-	10,283,100	-

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.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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:

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal/	Credit Risk	Notional principal/	Credit Risk
For trading purpose:				
Equity options	\$ 705,123	-	287,577	-

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 risks is minimal.

2) Market risk:

Market risk of trading equity options results from the purchase and sale of options. Since the fair values of options are available, and stop-loss points are established in order to manage risk, the 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.

(Continued)

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

(v) Leverage derivatives

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

<b>Financial Instruments</b>	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Notional principal/</b>		<b>Notional principal/</b>	
	<b>Nominal amount</b>	<b>Credit Risk</b>	<b>Nominal amount</b>	<b>Credit Risk</b>
For trading purpose:				
Leverage derivatives-long position	\$ 4,078,689	-	3,800,382	-
Leverage derivatives-short position	4,059,360	-	3,787,547	-

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.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(vi) Presentation of derivative instruments in financial statement

As of December 31, 2022 and 2021, 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 17,807	13,301
Asset swap options-long position	205,121	555,469
Leverage derivatives - non-hedging	202,915	81,844
Structured notes	2,056	4,183
Exchange rate derivatives	9,345	635
Equity derivatives	16,854	2,483
Total	<b>\$ 454,098</b>	<b>657,915</b>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 51,106	42,823
Asset swap options-short position	1,140,992	2,270,540
Leverage derivatives - non-hedging	28,918	16,671
Structured notes	103,125	286,362
Exchange rate derivatives	21,123	7,417
Interest rate swaps	59	397
Equity derivatives	1,710	651
Total	<b>\$ 1,347,033</b>	<b>2,624,861</b>
Other financial liabilities - current		
Structured notes principal value	<b>\$ 3,028,050</b>	<b>4,470,183</b>
Other financial liabilities - non-current		
Structured notes principal value	<b>\$ 494,542</b>	<b>575,697</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2022 and 2021, 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:

	For the three months ended December 31, 2022		For the year ended December 31, 2021	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ 255	(59)	(154)	(397)
Equity derivatives	22,987	15,144	2,206	3,116
Structured notes	70,040	136,497	31,839	49,970
IRS asset swaps	(682)	(719)	(245)	(55)
Asset swap options	1,019,361	1,439,979	(828,422)	144,330
Exchange rate derivatives	247,310	(11,778)	(17,583)	(6,782)
Leverage derivatives - non-hedging	147,780	173,997	89,806	3,565
Total	<u>\$ 1,507,051</u>	<u>1,753,061</u>	<u>(722,553)</u>	<u>193,747</u>

#### (vii) Interest rate benchmark reform

##### 1) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group's modified its financial instruments linked to IBORs with most contract terms to include new benchmark rates such as SONIA in 2021. As of December 31, 2022, the remaining IBOR exposures of the Group's are linked to US dollar LIBOR, which is being replaced by the Secured Overnight Financing Rate (SOFR) for overnight, U.S. dollar-denominated, secured funding transactions. The Group's completed the implementation process of appropriate fallback provisions for US dollar LIBOR exposures in 2021. When US dollar LIBOR is phased out, the contract terms of these related financial instruments will automatically switch from US dollar LIBOR to SOFR. As announced by the Financial Conduct Authority (FCA) in early 2022, panel banks will stop submitting US dollar LIBOR quotes in the course of 2023.

##### 2) Non derivative financial assets

The Group's IBOR exposures to non derivative financial assets were Corporate bonds indexed to US dollar LIBOR. In respect of US dollar LIBOR exposures, the Group has been a party to agreements that introduce fallback clauses into all such instruments.

##### 3) Non derivative financial liabilities

The Group has no non-derivative financial liabilities exposed to IBOR on December 31, 2022 and 2021.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- 4) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on December 31, 2022 and 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD LIBOR				EUR LIBOR	
	Total amount of unreformed contracts		Amount with appropriate fallback clause		Total amount of unreformed contracts	Amount with appropriate fallback clause
<b>December 31, 2022</b>						
<b>Financial assets</b>						
Corporate bonds	USD	103,000	USD	56,000	-	-
<b>December 31, 2021</b>						
<b>Financial assets</b>						
Corporate bonds	USD	163,500	USD	158,500	-	-
<b>Financial liabilities</b>						
Credit loan	USD	4,000	USD	4,000	-	-

- (y) Capital management

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Capital adequacy ratio	337%	358%

(Continued)

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

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

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

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

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 910,350	(216,022)	156,588	(745)	-	850,171

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

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)
Bao Zuo Investment Corp.	Related party in substance (Note)
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Bao Ching Investment Corp.	Related party in substance (Note)
Bao Sheng Investment Corp.	Related party in substance (Note)
Wang Xing Enterprise Corp.	Related party in substance (Note)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel

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

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

(c) Key management personnel transactions

(i) Key management personnel compensation

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 253,164	348,294
Post-employment benefits	2,612	7,282
<b>Total</b>	<b><u>\$ 255,776</u></b>	<b><u>355,576</u></b>

(ii) Bonds sold under repurchase agreements

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Other related parties	<u>\$ 13,142</u>	<u>13,161</u>	<u>8,036</u>	<u>8,128</u>
<b>Total financial expenses</b>		<b>2022</b>	<b>2021</b>	
Other related parties	<b><u>\$ 313</u></b>		<b><u>18</u></b>	

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other related parties	<u>\$ 98,200</u>	<u>49,300</u>

(iv) Futures transactions

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b><u>Future Traders' equity</u></b>		
Other related parties	<u>\$ 270</u>	<u>763</u>

(v) Brokerage and sub-brokerage

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Brokerage commissions</b>		
Other related parties	<u>\$ 2,527</u>	<u>4,521</u>
<b>Re-consigned handling commissions</b>		
Other related parties	<u>\$ 120</u>	<u>313</u>

(Continued)

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

(vi) Other revenue

	<b>For the years ended December 31,</b>	
<b>Other revenue</b>	<b>2022</b>	<b>2021</b>
Other related parties	\$ <b>34</b>	<b>42</b>
	<b>December 31,</b>	
<b>Advance receipts</b>	<b>2022</b>	<b>December 31,</b>
Other related parties	\$ <b>46</b>	<b>2</b>

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Subsidiaries	\$ -	-	27,000	27,000
Funds issued by associate	705,000	705,000	-	-
Total	\$ <b>705,000</b>	<b>705,000</b>	<b>27,000</b>	<b>27,000</b>

	<b>For the years ended December 31,</b>	
<b>Total financial expenses</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 133	104
Funds issued by associate	961	244
Total	\$ <b>1,094</b>	<b>348</b>

Transaction terms are the same as the general clients.

(ii) Futures transactions

	<b>December 31,</b>	<b>December 31,</b>
<b>Futures traders' equity</b>	<b>2022</b>	<b>2021</b>
Funds issued by associate	\$ <b>270,227</b>	<b>269,049</b>
	<b>For the years ended December 31,</b>	
<b>Total financial expenses</b>	<b>2022</b>	<b>2021</b>
Funds issued by associate	\$ <b>278</b>	<b>27</b>

Transaction terms are the same as the general clients.

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(iii) Lease agreements

Lessor

	<u>For the years ended December 31,</u>	
<u>Lease revenue</u>	<u>2022</u>	<u>2021</u>
Associates	<u>\$ 17,237</u>	<u>17,237</u>

	<u>December 31,</u>	<u>December 31,</u>
<u>Guarantee deposits received</u>	<u>2022</u>	<u>2021</u>
Associates	<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

5) 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 \$791,508 and rent is paid monthly. For the year ended December 31, 2022 and 2021, the refundable deposits were \$23,915.

6) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the five months ended December 31, 2022.

7) Lease liabilities

	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Related party in substance	<u>\$ 521,082</u>	<u>-</u>

8) Financial expenses

	<u>For the years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Related party in substance	<u>\$ 3,015</u>	<u>-</u>

(iv) Custody account business

	<u>For the years ended December 31,</u>	
<u>Custody account business revenue(Account to rental income)</u>	<u>2022</u>	<u>2021</u>
Related party in substance	<u>\$ 42,342</u>	<u>-</u>

	<u>December 31,</u>	<u>December 31,</u>
<u>Other accounts receivable</u>	<u>2022</u>	<u>2021</u>
Related party in substance	<u>\$ 8,379</u>	<u>-</u>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(v) Insurance commission revenues

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

<b>Commission revenues</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 12,936</b>	<b>9,685</b>

<b>Accounts receivable</b>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 444</b>	<b>3,667</b>

(vi) Brokerage and sub-brokerage

<b>Brokerage commissions</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Funds issued by associate	<b>\$ 46,645</b>	<b>43,080</b>

<b>Re-consigned handling commissions</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Funds issued by associate	<b>\$ 12,413</b>	<b>13,733</b>

(vii) Fund services business

<b>Fund services revenue</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 1,894</b>	<b>4,657</b>

<b>Channel services revenue</b>		
Associates	<b>\$ 1,894</b>	<b>4,657</b>

<b>Account receivable</b>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 277</b>	<b>509</b>

(viii) Wealth management business

<b>Trust account commissions revenue</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 4,463</b>	<b>9,728</b>

<b>Trust account management fee revenue</b>	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 1,355</b>	<b>1,035</b>

(Continued)

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

(ix) Underwriting business

	<b>For the years ended December 31,</b>	
<b>Stock service income</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 123</b>	<b>121</b>
<b>Handling fee revenues from underwriting securities on consignment</b>		
Funds issued by associate	<b>\$ 116</b>	<b>-</b>
<b>Accounts receivable</b>		
Associates	<b>\$ 10</b>	<b>10</b>

(x) Other revenue

	<b>For the years ended December 31,</b>	
<b>Other revenue</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 2</b>	<b>3</b>

(xi) Custody account business

	<b>For the years ended December 31,</b>	
<b>Custody account business revenue</b>	<b>2022</b>	<b>2021</b>
Second-level subsidiaries (note)	<b>\$ 6,045</b>	<b>7,514</b>
<b>Accounts receivable</b>		
Second-level subsidiaries (note)	<b>\$ 577</b>	<b>571</b>

(xii) Accrued receivable

	<b>December 31,</b>	<b>December 31,</b>
<b>Accounts receivable/ Other receivable</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 80</b>	<b>84</b>

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.

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

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

**(8) Assets Pledged as security:**

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

	December 31, 2022	December 31, 2021	The collateral use
Restricted assets - current	\$ 219,234	285,135	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	-	Guarantee deposit for provisional seizure
Trading securities and bonds purchased under resale agreements (par value)	34,467,402	38,081,111	Repurchase agreement
Property (net amount)	1,882,060	2,071,440	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,171	180,596	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)	3,306,400	-	Repurchase agreement
Investment property (net amount)	3,334,212	3,183,055	Bank borrowings
<b>Total</b>	<b>\$ 43,438,354</b>	<b>43,801,337</b>	

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

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

	December 31, 2022		December 31, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	481,268	\$ 4,812,680	612,683	6,126,830
Collateral for margin purchase	15,745	157,450	11,332	113,321
Lending securities to customers through short sales	53,847	538,470	41,166	411,660
Collateral for short sales	5,394	53,940	7,659	76,588

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

	December 31, 2022		December 31, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	203	\$ 2,030	491	4,910

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

	December 31, 2022	December 31, 2021
Promissory notes	<b>\$ 26,320,000</b>	<b>24,660,000</b>
Promissory notes (in USD thousands)	<b>USD 85,000</b>	<b>USD 85,000</b>

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (d) As of December 31, 2022 and 2021, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$9,015,293 and \$7,342,642, respectively.
- (e) Securities and Futures Investors Protection Center claims against the Company for compensation of \$1,545; due to the fact that the Company, being the underwriter of Universal ABIT' s year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The first instance claimed the case in favor of the Company, but plaintiff appealed against the judgement. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) 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.
- (g) 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.
- (h) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC" ) is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of December 31, 2022.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

- (j) On August 10, 2022, the Taiwan High Court Criminal Division's judgment indicated that the former chairman of Taiwan International Securities, a company that was merged and eliminated, and other persons were suspected to involve illegal gains in accordance with the Securities Exchange Law, was received. It was determined that the undeducted criminal proceeds obtained by Taiwan International Securities amounted to USD 369,331.65, which shall be confiscated except for those should be returned to the victim or persons who can claim for damages. The Company has filed an appeal.
- (k) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
- (i) Balance sheet of trust accounts

#### Balance Sheet of Trust Accounts

##### December 31, 2022 and 2021

	December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
<b>Trust Assets</b>			<b>Trust Liabilities</b>		
Bank deposits	\$ 956,522	1,316,300	Accounts payable	\$ 67	97
Short-term investment			Trust capital	12,449,858	11,104,225
Funds	8,756,216	9,195,789	Net income	(1,385,219)	(53,638)
Stocks	153,242	276,944	Accumulated earnings or deficit	(40,291)	90,269
Bonds	1,032,735	58,590			
Structured notes	102,619	277,623			
Accounts receivable	23,081	15,707			
<b>Total Assets</b>	<b>\$ 11,024,415</b>	<b>11,140,953</b>	<b>Total Liabilities</b>	<b>\$ 11,024,415</b>	<b>11,140,953</b>

(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 years ended December 31, 2022 and 2021**

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Trust revenue		
Interest revenue	\$ 42,667	79,809
Cash dividends revenue	283,631	354,505
Rental revenue	8,461	6,037
Investment gains - unrealized	-	52,524
Subtotal	334,759	492,875
Trust expense		
Management fee	483	427
Service fee	23,186	34,562
Investment losses - realized	469,851	83,746
Investment losses - unrealized	1,226,132	427,654
Other fees	62	44
Subtotal	1,719,714	546,433
Gain (loss) before income tax	(1,384,955)	(53,558)
Less: Income tax expense	264	80
Net gain (loss)	<b>\$ (1,385,219)</b>	<b>(53,638)</b>

(iii) Property list of trust accounts

**Property list of trust accounts**

**December 31, 2022 and 2021**

<b>Investment items</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank deposits	\$ 956,522	1,316,300
Short-term investment		
Funds	8,756,216	9,195,789
Stocks	153,242	276,944
Bonds	1,032,735	58,590
Structured Notes	102,619	277,623
Other assets	23,081	15,707
Total	<b>\$ 11,024,415</b>	<b>11,140,953</b>

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

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

(Continued)

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

**(12) Other:**

(a) As of December 31, 2022 and 2021, the open positions of futures and option contracts were as follows:

(i) December 31, 2022

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(ii) December 31, 2021

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	131	\$ 463,863	475,472	
	TAIEX Futures	Short	249	(896,578)	(906,678)	
	Mini-TAIEX Futures	Short	292	(263,581)	(265,111)	
	Electronic Sector Index Futures	Long	24	83,370	84,072	
	Electronic Sector Index Futures	Short	38	(131,759)	(133,114)	
	Finance Sector Index Futures	Long	33	55,909	56,540	
	Mini Finance Sector Futures	Short	98	(41,516)	(41,983)	
	Single Stock Futures	Long	4,486	479,591	484,127	
	Single Stock Futures	Short	4,063	(848,134)	(870,892)	
	HHI Futures	Short	14	(20,172)	(20,538)	
	HSI Futures	Short	7	(28,603)	(29,130)	
	Mini HSI Futures	Long	17	13,949	14,149	
	Mini HSI Futures	Short	10	(8,199)	(8,323)	
	E-Mini Nasdaq Futures	Short	21	(190,948)	(189,739)	
	Micro E Mini Nasdaq Futures	Long	1	883	904	
	Wheat Futures	Long	1	1,115	1,067	
	Gold Futures	Short	9	(45,308)	(45,554)	
	Micro Gold Futures	Short	50	(25,549)	(25,308)	
	Silver Futures	Short	1	(3,178)	(3,232)	
	FTSE China A50 Index Futures	Long	151	65,580	65,471	
	FTSE China A50 Index Futures	Short	238	(104,235)	(103,423)	
	Micro E-mini S&P 500 Futures	Short	7	(4,634)	(4,610)	
	FTSE Vietnam 30 Index Futures	Short	21	(8,184)	(8,243)	
	TOPIX Futures	Short	9	(42,932)	(43,117)	
	Crude Oil Futures	Short	54	(114,155)	(112,418)	
	Brent Crude Oil Futures	Short	752	(1,583,222)	(1,619,019)	
	SGX Nikkei 225 Index Futures	Short	11	(37,653)	(38,042)	
	Mini-TOPIX Futures	Short	57	(27,228)	(27,307)	
	5 Year U.S. T Note Futures	Short	40	(134,187)	(133,945)	
	2 Year U.S. T Note Futures	Short	1	(6,049)	(6,039)	
	10 Year U.S. T Note Futures	Short	1	(3,611)	(3,611)	
	30 Year U.S. Treasury Bond	Short	5	(22,418)	(22,205)	
	Ultra U.S. Treasury Bond	Short	6	(32,969)	(32,739)	
	US Dollar Index Futures	Short	18	(47,926)	(47,628)	
	Mini Electronic Futures	Long	155	66,410	67,871	
	Mini Electronic Futures	Short	383	(165,124)	(167,704)	
	Subtotal			(3,607,382)		
Options contract :						
	TAIEX Options (Call)	Long	2,337	30,615	39,560	
	TAIEX Options (Put)	Long	3,429	31,784	16,237	
	TAIEX Options (Call)	Short	2,154	(24,743)	(30,982)	
	TAIEX Options (Put)	Short	2,753	(29,808)	(16,231)	
	Stock Options (Call)	Long	1	16	28	
	TAIEX Weekly Options (Call)	Long	375	1,979	1,614	
	TAIEX Weekly Options (Put)	Long	352	816	719	
	TAIEX Weekly Options (Call)	Short	442	(1,733)	(1,136)	
	TAIEX Weekly Options (Put)	Short	226	(1,082)	(1,135)	
	Finance Insurance Index Options (Call)	Long	127	475	732	
	Finance Insurance Index Options (Put)	Long	196	1,446	778	
	Finance Insurance Index Options (Call)	Short	88	(169)	(253)	
	Finance Insurance Index Options (Put)	Short	50	(95)	(7)	
	Electronic Sector Index Options (Call)	Long	107	851	1,457	
	Electronic Sector Index Options (Put)	Long	124	917	562	
	Electronic Sector Index Options (Call)	Short	68	(572)	(766)	
	Electronic Sector Index Options (Put)	Short	176	(1,610)	(778)	
	Subtotal			9,087		
Total				\$ (3,598,295)		

(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	Stockholders' equity	6,781,388	3.16	6,248,364	6.27	≥ 1	Satisfactory to requirement
	(Total liabilities - futures traders' equity)	2,147,858		996,339			
17	Current Assets	45,996,498	1.13	43,681,868	1.13	≥ 1	"
	Current Liabilities	40,595,760		38,702,447			
22	Stockholders' equity	6,781,388	608.20%	6,248,364	560.39%	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Adjusted net capital	3,701,351	44.35%	4,910,332	54.88%	≥ 20%	"
	Total amount of customers' margin required for open positions of futures trader	8,344,985		8,947,102		≥ 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	\$ 899,005	899,005	837,685	- %	2	-	Working capital	-		-	1,575,072	1,575,072
2	Taiwan International Securities (HK) (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	103,631	103,631	103,631	- %	2	-	Working capital & repayment of financing	-		-	103,631	103,631
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,717	5,717	5,717	- %	2	-	Repayment of financing	-		-	5,717	5,717
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,936	60,936	-	8.33%	1	11,998		-		-	191,768	958,840
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	426,551	426,551	152,340	4.58%~5.83%	1	189,343		-		-	426,551	958,840
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	91,404	91,404	-	7.33%	1	23,705		-		-	191,768	958,840
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,234	15,234	8,531	6.33%	1	2,491		-		-	191,768	958,840
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	6.33%	1	464		-		-	191,768	958,840
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,936	60,936	-	6.33%	1	11,841		-		-	191,768	958,840
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	45,702	45,702	-	6.33%	1	7,968		-		-	191,768	958,840

Note: Type of Loans

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

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

(Continued)

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

(vii) Significant transactions between parent company and subsidiaries for the year ended December 31, 2022:

(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	4,433		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	16,549		0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	260		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	43,166		0.02%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,742		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	186,991	General transaction	2.28%
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	17,884	General transaction	0.22%
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	628	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	442	General transaction	0.01%
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	58	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	14,122	General transaction	0.17%
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	68	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	29,115	General transaction	0.35%
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	48,491	General transaction	0.59%
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	1,710	General transaction	0.02%
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	88		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	69,000	General transaction	0.84%
0	Capital Securities Corp.	CSC Capital Management Co	1	Other receivables	4		- %
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	26		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	42		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	4		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	62		- %

(Continued)

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

0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	734	General transaction	0.01%
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %

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

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	17	General transaction	- %
0	Capital Futures Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	27		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,202,884		1.15%
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,202,884		1.15%
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Other payable	2,082		- %
1	Capital Futures Corp.	Capital True Partner Technology Co., Ltd.	3	Professional service fees	22,536	General transaction	0.27%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,065,357		0.56%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,720,246		1.94%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	4,158		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	9,536	General transaction	0.12%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	131,872	General transaction	1.60%
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	9,344	General transaction	0.11%
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	3,072	General transaction	0.04%
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,271,765		1.71%
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	616,876		0.32%
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	525	General transaction	0.01%
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
3	CSC Futures (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HKD 146		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 830	General transaction	0.04%
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 49	General transaction	- %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	556	General transaction	0.01%

(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	
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	6,070	General transaction	0.07%

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.

# CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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

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

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Highest Percentage of ownership	Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2022	Balance on December 31, 2021		Shares	Ratio	Book value					
0	Capital- Investment Management Corp.	Taipei, Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	100.00%	7,000,000	100.00%	88,079	75,436	11,247	11,247	3,136	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	56.58%	119,066,014	56.58%	3,837,039	2,587,869	781,860	442,301	190,505	"
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	100.00%	45,000,000	100.00%	1,575,072	(46,217)	(61,782)	(61,782)	-	"
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	100.00%	500,000	100.00%	72,021	183,029	46,155	46,155	34,705	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei, Taiwan, R.O.C.	November 8, 2000		Liquidation in progress.	7,400	7,400	100.00%	740,000	100.00%	39,501	26,322	1,137	1,137	-	"
0	Taiwan International Securities (B.V.I) Corp.	British Virgin Island	December 10, 1996	No. FSC-53981	Long-term equity investment business.	1,394,817	1,394,817	100.00%	300	100.00%	39	39	39	39	-	The transaction has been eliminated in the consolidated financial statements
0	CSC Venture Capital Corp.	Taipei, Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Long-term equity investment business.	1,000,000	1,000,000	100.00%	100,000,000	100.00%	833,287	5,520	(809)	(809)	6,900	"
0	CSC Capital Management Co.	Taipei, Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	100.00%	33,000,000	100.00%	286,999	(4,513)	(8,548)	(8,548)	-	"
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	20.00%	33,067,507	20.00%	1,374,245	1,994,779	769,405	153,882	165,337	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	100.00%	128,000,000	100.00%	645,836	23,901	(46,217)	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	100.00%	265,000,000	100.00%	(102,383)	-	39	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	100.00%	2	100.00%	(258,326)	-	22	-	-	"
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	862,631	100.00%	220,000,000	100.00%	958,841	334,273	12,235	-	-	"
4	Capital International Technology Co., Ltd.	Taipei, Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software.	50,000	50,000	100%	5,000,000	100.00%	26,468	3,072	(7,551)	-	-	"
4	True Partner Advisor Hong Kong Ltd.(Note 6)	Hong Kong	May 31, 2010	No. FSC-1040027513 date July 16, 2015	Asset Management.	-	36,701	49.00%	-	- %	-	-	-	-	-	Associates

(Continued)

# CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Highest Percentage of ownership	Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2022	Balance on December 31, 2021		Shares	Ratio	Book value					
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	100.00%	2	100.00%	-	-	-	-	-	The transaction has been eliminated in the consolidated financial statements
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	100.00%	30,000,000	100.00%	255,454	(3,970)	(10,584)	-	-	
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	400	40.00%	40,000	40.00%	210	-	(285)	-	-	Associates

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

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

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

Note 4: The board of directors of the Company resolved to dissolve the investee company on March 1, 2022. Liquidation in progress.

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

Note 6: On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares had been transferred on February 15, 2022. No profit or loss information will be disclosed as it has no significant impact.

### (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, 2022	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2022	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Highest Percentage of ownership	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2022
					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	(791)	28.86%	- %	(229) B(2)	7,550	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(4,077)	56.58%	- %	(2,307) B(2)	4,369	-

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

- Directly invest in a company in Mainland China.
- 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).
- Through a subsidiary to invest in a company in Mainland China.

Note 2: Investment gains and losses recognized during the period

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

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

(Continued)

**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 differs 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.

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company' s information on reinvestment in overseas businesses for the year ended December 31, 2022 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet  
Unit: US \$ thousands

Company	CSC International Holdings Ltd. December 31, 2022	Taiwan International Securities (B.V.I) Corp. December 31, 2022
Nature		
Current assets	9,109	1
Long-term investments	21,195	-
Property and premises	1,779	-
Other assets	19,395	3,380
Total assets	51,478	3,381
Current liabilities	64	20
Other liabilities	42	3,360
Total liabilities	106	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,521	(9,450)
Cumulative translation adjustments	(149)	(65)
Total stockholders' equity	51,372	1
Total liabilities and stockholders' equity	51,478	3,381

(Continued)

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

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the years ended December 31, 2022	For the years ended December 31, 2022
Operating revenue	(1,583)	1
Operating expense	(671)	-
Non-operating revenue	148	-
Non-operating expense	(10)	-
Income (loss) before tax	(2,116)	1
Net income (loss)	(2,116)	1

(ii) Securities held as of December 31, 2022

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2022	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>21,195</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities(HK) Limited.	Other liabilities	265,000,000	\$ <u>(3,360)</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.

(Continued)

**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

(Continued)

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

		For the year ended December 31, 2021							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue		\$ 7,824,703	382,153	1,898,293	834,149	193,350	2,439,197	(290,092)	13,281,753
Segment profit or loss	\$	4,406,296	187,851	1,539,717	512,033	(749,528)	599,901	(268,761)	6,227,509

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.

## 5. Parent Company Only Financial for the Latest Fiscal Year:

### Independent Auditors' Report

To the Board of Directors of Capital Securities Corporation:

#### Opinion

We have audited the financial statements of Capital Securities Corporation( “the Company” ), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and cash flows for the years ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Company's financial statements are stated as follows:

##### 1. Valuation of financial instruments

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

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

The Company's valuation of financial instruments is one of audit processes refer to important judgements. Financial products on balance sheets mainly belong to first or secondary level in fair value hierarchy, and can being 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.

(Continued)

### Procedures performed:

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

## 2. Goodwill impairment

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

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

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

### Procedures performed:

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

## **Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation, 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 0.93% and 0.85% of total assets as of December 31, 2022 and 2021, respectively, and the recognized profit of loss under using equity method constituted 11.58% and 2.91% of net income before income tax for the years ended December 31, 2022 and 2021, respectively.

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

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

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

(Continued)

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

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

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

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

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

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

(Continued)

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

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

The engagement partners on the audit resulting in this independent auditors' report are WU, CHENG YEN and CHUNG, TAN TAN.

KPMG

Taipei, Taiwan (Republic of China)  
March 13, 2023

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

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

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

## CAPITAL SECURITIES CORPORATION

## Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021		
	Amount	%	Amount	%	
<b>Assets</b>					
110000	<b>Current assets:</b>				
111100	Cash and cash equivalents (note 6(a))	\$ 4,483,970	3	2,933,772	2
112000	Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	41,545,387	28	44,804,134	28
113200	Financial assets at fair value through other comprehensive income - current (note 6(b))	13,473,473	9	14,878,453	9
114030	Receivable for securities provided as collateral	11,778,626	8	20,911,386	13
114040	Refinancing margin	18,859	-	43,827	-
114050	Refinancing collateral receivable	15,418	-	36,519	-
114060	Receivable of securities business money lending	4,426,333	3	2,349,669	1
114090	Collateral for securities borrowed	1,290,877	1	109,340	-
114100	Security borrowing margin	12,860,579	9	5,528,410	3
114110	Notes receivable	12,550	-	15,969	-
114130	Accounts receivable (note 6(c))	5,769,709	4	11,193,577	7
114150	Prepayments	34,849	-	20,559	-
114170	Other receivables	56,548	-	105,753	-
119095	Amounts held for each customer in the account (note 6(m))	25,111,376	17	26,706,922	17
119990	Other current assets-others	659,381	-	9,259,342	6
		<u>121,537,935</u>	<u>82</u>	<u>138,897,632</u>	<u>86</u>
120000	<b>Non-current assets:</b>				
122000	Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,171	-	180,596	-
123200	Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,418,318	2	3,040,586	2
123300	Financial assets at amortized cost - non-current (note 6(b))	3,268,785	2	-	-
124100	Investments accounted for under equity method (note 6(d))	8,106,282	6	7,710,943	5
125000	Property and equipment (notes 6(e) and 8)	2,118,780	2	2,388,771	1
125800	Right-of-use assets (notes 6(f))	691,896	-	709,440	-
126000	Investment property (notes 6(g) and 8)	4,356,992	3	4,201,808	3
127000	Intangible assets (note 6(h))	3,552,359	2	3,544,599	2
128000	Deferred income tax assets (note 6(q))	18,684	-	33,568	-
129000	Other non-current assets	1,161,905	1	1,209,001	1
		<u>25,873,172</u>	<u>18</u>	<u>23,019,312</u>	<u>14</u>
	<b>Total assets</b>	<u>\$ 147,411,107</u>	<u>100</u>	<u>161,916,944</u>	<u>100</u>

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

## CAPITAL SECURITIES CORPORATION

## Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>Liabilities and Equity</b>				
<b>Current liabilities:</b>				
210000 Short-term borrowings (note 6(i))	\$ 2,870,799	2	2,978,036	2
211100 Commercial paper payable (note 6(j))	3,198,722	2	8,397,806	5
212000 Financial liabilities at fair value through profit or loss - current (note 6(k))	10,799,714	7	4,931,221	3
214010 Bonds sold under repurchase agreements (note 6(l))	35,989,853	25	37,407,572	23
214040 Guarantee deposited for short sales	4,118,440	3	2,848,834	2
214050 Proceeds payable from short sales	3,714,941	3	3,246,792	2
214070 Securities lending refundable deposits	14,681,018	10	8,149,786	5
214090 Equity for each customer in the account (note 6(m))	25,111,376	17	26,706,922	17
214110 Notes payable	152	-	152	-
214130 Accounts payable (note 6(n))	4,526,709	3	10,597,540	7
214150 Advance receipts	31,024	-	30,476	-
214160 Receipts under custody	541,614	-	8,802,836	5
214170 Other payables	596,951	-	1,192,514	1
214200 Other financial liabilities - current (note 6(v))	3,028,050	2	4,470,183	3
214600 Current income tax liabilities	300,233	-	574,218	-
215100 Provisions - current (note 6(p))	44,020	-	42,652	-
216000 Current lease liabilities (note 6(o))	167,622	-	144,423	-
219000 Other current liabilities	4,697	-	5,021	-
	<u>109,725,935</u>	<u>74</u>	<u>120,526,984</u>	<u>75</u>
<b>Non-Current liabilities:</b>				
220000 Other financial liabilities - non-current (note 6(v))	494,542	-	575,697	-
226000 Non-current lease liabilities (note 6(o))	579,078	-	620,853	-
228000 Deferred income tax liabilities (note 6(q))	738,509	1	480,030	-
229000 Other non-current liabilities (note 6(p))	128,534	-	978,570	1
	<u>1,940,663</u>	<u>1</u>	<u>2,655,150</u>	<u>1</u>
<b>Total liabilities</b>	<u>111,666,598</u>	<u>75</u>	<u>123,182,134</u>	<u>76</u>
301010 Common stock (note 6(r))	21,709,081	15	21,709,081	14
302000 Capital surplus (note 6(r))	2,743,256	2	2,743,465	2
304000 Retained earnings:				
304010 Legal reserve	2,758,257	2	2,267,833	1
304020 Special reserve	5,786,990	4	4,806,142	3
304040 Unappropriated earnings (note 6(s))	1,339,434	1	5,081,597	3
305120 Exchange differences on translation of foreign operations	(55,863)	-	(403,037)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,463,354	1	2,530,934	1
305170 Equity related to non-current assets classified as held for sale	-	-	(1,205)	-
<b>Total equity</b>	<u>35,744,509</u>	<u>25</u>	<u>38,734,810</u>	<u>24</u>
<b>Total liabilities and equity</b>	<u>\$ 147,411,107</u>	<u>100</u>	<u>161,916,944</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
CAPITAL SECURITIES CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
<b>Income:</b>				
401000	\$ 3,454,262	61	6,128,754	56
402000	227	-	292	-
403000	374,139	7	350,411	3
404000	97,262	2	151,211	1
406000	65,446	1	76,085	-
410000	(773,807)	(14)	3,906,747	36
421100	158,024	3	152,456	1
421200	1,482,200	26	1,672,243	15
421300	639,308	11	280,962	3
421500	(2,412,565)	(43)	(23,876)	-
421600	554,710	10	145,822	1
421610	654,104	12	(35,969)	-
421750	(381,784)	(7)	39,636	-
422000	188	-	37	-
422100	3	-	10	-
422200	1,378,349	24	(925,885)	(8)
424100	186,991	3	170,416	2
424400	(868,361)	(15)	(490,138)	(4)
424500	1,337,102	24	(814,373)	(8)
425300	(4,746)	-	(16,630)	-
428000	(297,840)	(5)	171,087	2
	<u>5,643,212</u>	<u>100</u>	<u>10,939,298</u>	<u>100</u>
<b>Expenses:</b>				
501000	290,446	5	522,775	5
502000	22,991	-	21,070	-
503000	3,374	-	3,537	-
504000	1,466	-	1,414	-
507000	377	-	438	-
521200	561,548	10	184,375	2
521640	337,333	6	5,872	-
524200	14,122	-	27,152	-
528000	20,356	-	24,069	-
531000	2,071,830	37	3,192,785	29
532000	398,744	7	385,314	4
533000	1,856,890	33	1,694,523	15
	<u>5,579,477</u>	<u>98</u>	<u>6,063,324</u>	<u>55</u>
<b>Other income (expenses):</b>				
601100	583,622	10	477,982	4
602000	681,733	12	549,627	5
	<u>1,265,355</u>	<u>22</u>	<u>1,027,609</u>	<u>9</u>
902001	1,329,090	24	5,903,583	54
701000	489,050	9	653,993	6
	<u>840,040</u>	<u>15</u>	<u>5,249,590</u>	<u>48</u>
<b>Other comprehensive income:</b>				
<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>				
805510	422,748	7	(378,781)	(3)
805540	(683,201)	(12)	960,321	8
805560	(1,377)	-	(6,639)	-
805599	-	-	-	-
	<u>(261,830)</u>	<u>(5)</u>	<u>574,901</u>	<u>5</u>
<b>Components that may be reclassified to profit or loss in subsequent periods:</b>				
805600	325,369	6	(103,313)	(1)
805610	(334,683)	(6)	(476,719)	(4)
805660	53,618	1	(16,975)	-
805699	31,813	1	(9,221)	-
	<u>12,491</u>	<u>-</u>	<u>(587,786)</u>	<u>(5)</u>
805000	(249,339)	(5)	(12,885)	-
902006	<u>\$ 590,701</u>	<u>10</u>	<u>5,236,705</u>	<u>48</u>
975000	<u>\$ 0.39</u>		<u>2.42</u>	
985000	<u>\$ 0.39</u>		<u>2.41</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**CAPITAL SECURITIES CORPORATION**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Stock		Retained earnings			Total other equity interest			Total Equity
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	
<b>Balance at January 1, 2021</b>	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	35,886,069
Net income for the year ended December 31, 2021	-	-	-	-	5,249,590	-	-	-	5,249,590
Other comprehensive income	-	-	-	-	(378,003)	(109,862)	476,185	(1,205)	(12,885)
Total comprehensive income	-	-	-	-	4,871,587	(109,862)	476,185	(1,205)	5,236,705
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	(2,387,999)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	32,651	-	(32,651)	-	-
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35
Balance at December 31, 2021	21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810
Net income for the year ended December 31, 2022	-	-	-	-	840,040	-	-	-	840,040
Other comprehensive income	-	-	-	-	425,608	347,174	(1,022,121)	-	(249,339)
Total comprehensive income	-	-	-	-	1,265,648	347,174	(1,022,121)	-	590,701
Appropriation and distribution of retained earnings: (note 6(r))									
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	45,459	-	(45,459)	-	-
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)
<b>Balance at December 31, 2022</b>	<b>\$ 21,709,081</b>	<b>2,743,256</b>	<b>2,758,257</b>	<b>5,786,990</b>	<b>1,339,434</b>	<b>(55,863)</b>	<b>1,463,354</b>	<b>-</b>	<b>35,744,509</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
CAPITAL SECURITIES CORPORATION

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 1,329,090	5,903,583
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	369,422	359,960
Amortization expense	29,322	25,354
Impairment loss	4,746	16,630
Net losses on financial assets or liabilities at fair value through profit or loss	1,758,461	59,845
Financial cost	561,548	184,375
Interest revenue (including financial revenue)	(1,529,549)	(1,684,018)
Dividend revenue	(739,522)	(356,958)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(583,622)	(477,982)
Net losses on non-operating financial instruments at fair value through profit or loss	9,701	13,373
Net (gains) losses on lease modifications	(49)	24
<b>Subtotal of income of non-cash activities</b>	<b>(119,542)</b>	<b>(1,859,397)</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	1,492,010	(10,320,376)
Decrease in financial assets at fair value through other comprehensive income	1,074,867	3,125,532
Decrease (increase) in receivable for securities provided as collateral	9,132,760	(6,390,795)
Decrease in refinancing margin	24,968	53,887
Decrease in receivable on refinancing collateral	21,101	48,742
Increase in receivable of securities business money lending	(2,076,664)	(39,439)
(Increase) decrease in collateral for securities borrowed	(1,181,537)	686,922
Increase in security borrowing margin	(7,332,169)	(4,767,595)
Decrease in notes receivable	3,419	6,810
Decrease (increase) in accounts receivable	5,450,054	(469,314)
(Increase) decrease in prepayments	(14,290)	6,788
Decrease (increase) in other receivables	44,136	(54,290)
Decrease (increase) in other current assets	8,599,961	(7,512,007)
Decrease in other non-current assets	46,676	785
Increase in financial liabilities at fair value through profit or loss	5,868,493	1,361,704
(Decrease) increase in bonds sold under repurchase agreements	(1,417,719)	1,924,576
Increase in guarantee deposited for short sales	1,269,606	217,071
Increase in proceeds payable from short sales	468,149	225,543
Increase in securities lending refundable deposits	6,531,232	7,116,361
(Decrease) increase in accounts payable	(6,108,940)	216,717
Increase (decrease) in advance receipts	548	(939)
(Decrease) increase in receipts under custody	(8,261,222)	7,171,808
(Decrease) increase in other payable	(598,225)	263,487
Increase (decrease) in provision - current	1,368	(43)
(Decrease) increase in other current liabilities	(1,523,288)	294,790
(Decrease) increase in other financial liabilities - non-current	(324)	640
Decrease in other non-current liabilities	(427,288)	(237,839)
<b>Total changes in assets and liabilities from operating activities</b>	<b>11,087,682</b>	<b>(7,070,474)</b>
<b>Total adjustments</b>	<b>10,968,140</b>	<b>(8,929,871)</b>

(English Translation of Financial Statements Originally Issued in Chinese)

**CAPITAL SECURITIES CORPORATION**

**Statements of Cash Flows**

**For the years ended December 31, 2022 and 2021**

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

	<u>2022</u>	<u>2021</u>
Cash generated from operating activities	\$ 12,297,230	(3,026,288)
Interest received	1,513,932	1,557,210
Dividends received	1,129,358	857,474
Interest paid	(520,777)	(191,692)
Income taxes paid	(521,485)	(454,901)
<b>Net Cash flows provided by (used in) operating activities</b>	<u>13,898,258</u>	<u>(1,258,197)</u>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(80,000)	(95,001)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	660
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	16,150	3,921
Acquisition of financial assets at amortized cost	(3,269,926)	-
Increase in deferred debits	(100)	(747)
Acquisition of property and equipment	(88,415)	(187,696)
Acquisition of intangible assets	(36,563)	(30,616)
<b>Net cash flows used in investing activities</b>	<u>(3,458,854)</u>	<u>(309,479)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term borrowings	(107,237)	(583,053)
(Decrease) increase in commercial papers payable	(5,199,084)	6,098,114
Payment of lease liabilities	(167,183)	(166,599)
Cash dividends paid	(3,581,998)	(2,387,999)
<b>Net cash flows (used in) provided by financing activities</b>	<u>(9,055,502)</u>	<u>2,960,463</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>166,296</u>	<u>(57,208)</u>
<b>Increase in cash and cash equivalents</b>	1,550,198	1,335,579
<b>Cash and cash equivalents, beginning of period</b>	2,933,772	1,598,193
<b>Cash and cash equivalents, end of period</b>	<u>\$ 4,483,970</u>	<u>2,933,772</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

**For the years ended December 31, 2022 and 2021**

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

**(1) Overview:**

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of December 31, 2022, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The financial statements were authorized for issuance by the board of directors on March 13, 2023.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.  The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

#### (4) Summary of significant accounting policies:

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

##### (a) Statement of compliance

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

##### (b) Basis of preparation

###### (i) Basis of measurement

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedge is effective.

(ii) Foreign operations

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

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

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Financial instruments

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate financial assets at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss, if they can eliminate or significantly reduce a measurement or recognition inconsistency.

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

4) Impairment of financial assets

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### 5) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

##### 3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

When the treasury stock is retired, the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury stock in excess of the sum of its par value and premium on stock should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury stock in excess of its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### 4) Financial liabilities

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

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

#### 5) Derecognition of financial liabilities

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

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

#### 6) Offsetting of financial assets and liabilities

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

#### 7) Interest rate benchmark

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(iii) Derivative financial instruments

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

(g) Margin loan, short sale and refinancing

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

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

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

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

(h) Bonds with resell and repurchase agreements

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

(i) Securities borrowing transactions

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(j) Investment in associates

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

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

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(k) Investments in subsidiaries

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

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

(l) Property and equipment

(i) Recognition and measurement

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land is not depreciated.

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

(m) Investment property

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

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

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

(n) Intangible assets

(i) Recognition and measurement

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### (o) Leases

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

#### (i) Lease

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

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

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

(ii) Lessor

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

(p) Non-financial assets impairment

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(iv) Short-term employee benefits

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

(r) Revenue recognition

The recognition of the Company's major revenue:

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

(ii) Underwriting commissions

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

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

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

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

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

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

(s) Provisions

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

(t) Income tax

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

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

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

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

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

- (u) Business combinations

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(v) Earnings per share (EPS)

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

(w) Segment information

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

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

The preparation of the financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

(a) The fair value of financial instrument:

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

(b) The impairment evaluation of goodwill:

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

(Continued)

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

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

(a) Cash and cash equivalents

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Cash	<u>\$ 2,590</u>	<u>2,590</u>
Bank deposits		
Checking accounts	30,717	25,007
Demand deposits	<u>2,375,769</u>	<u>481,847</u>
Subtotal	<u>2,406,486</u>	<u>506,854</u>
Cash equivalents		
Time deposits	771,651	1,491,700
Futures margin - excess margin	<u>1,303,243</u>	<u>932,628</u>
Subtotal	<u>2,074,894</u>	<u>2,424,328</u>
Total	<u><b>\$ 4,483,970</b></u>	<u><b>2,933,772</b></u>

(b) Financial assets

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Open-ended funds and money-market instruments</b>		
Open-ended funds and money-market instruments	\$ 279,075	164,074
Valuation adjustment	<u>(8,623)</u>	<u>1,079</u>
Subtotal	<u>270,452</u>	<u>165,153</u>
<b>Trading securities - proprietary trading</b>		
Listed stocks	2,144,912	1,980,608
Listed funds	4,309,153	2,221,337
OTC stocks	507,832	373,248
OTC funds	1,175,314	220,838
Emerging market stocks	328,836	466,424
Convertible bonds	415,008	677,306
Government bonds	2,314,993	2,826,231
Corporate bonds	6,837,714	11,013,683
International bonds	5,532,559	5,601,278
Financial debentures	801,985	1,757,778
Foreign stocks	874,779	104,531
Others	<u>1,970</u>	<u>1,980</u>
	25,245,055	27,245,242
Valuation adjustment	<u>(755,762)</u>	<u>177,258</u>
Subtotal	<u>24,489,293</u>	<u>27,422,500</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

	December 31, 2022	December 31, 2021
<b>Trading securities - underwriting</b>		
Listed stocks	\$ 50,999	34,488
Convertible bonds	<u>67,283</u>	<u>58,498</u>
	118,282	92,986
Valuation adjustment	<u>(7,248)</u>	<u>5,175</u>
Subtotal	<u>111,034</u>	<u>98,161</u>
<b>Trading securities - hedging</b>		
Listed stocks	2,437,167	4,294,213
OTC stocks	527,514	1,052,623
Convertible bonds	12,834,051	9,224,117
Others	<u>722,856</u>	<u>1,007,075</u>
	16,521,588	15,578,028
Valuation adjustment	<u>(1,002,923)</u>	<u>469,008</u>
Subtotal	<u>15,518,665</u>	<u>16,047,036</u>
<b>Derivatives</b>		
Buy options	305	2,419
Futures margin - proprietary fund	921,309	495,277
IRS asset swaps	17,807	13,301
Asset swap options - long position	205,121	555,469
Structured notes	2,056	4,183
Exchange rate derivatives	<u>9,345</u>	<u>635</u>
Subtotal	<u>1,155,943</u>	<u>1,071,284</u>
<b>Total</b>	<b><u>\$ 41,545,387</u></b>	<b><u>44,804,134</u></b>

As of December 31, 2022 and 2021, trading securities and financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Company, please refer to note 8 for details.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Debt instruments at fair value through other comprehensive income		
Government bonds	\$ 2,807,868	2,216,205
Corporate bonds	3,263,958	-
International bonds	491,360	442,880
Foreign bonds	6,795,491	11,805,725
	13,358,677	14,464,810
Valuation adjustment	(240,037)	112,543
Subtotal	13,118,640	14,577,353
Equity instrument at fair value through other comprehensive income		
Listed stocks	254,635	247,034
OTC stocks	117,014	44,743
	371,649	291,777
Valuation adjustment	(16,816)	9,323
Subtotal	354,833	301,100
Total	<b>\$ 13,473,473</b>	<b>14,878,453</b>

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

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

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

For the years ended December 31, 2022 and 2021, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$18,594 and \$21,509, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Company sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$658,825 and \$631,460, respectively, cumulative dispose gains (losses) for the years ended December 31, 2022 and 2021, amounted to \$29,057 and \$63,507, respectively, were transferred from other equity items to retained earnings.

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

- 4) For the years ended December 31, 2022 and 2021, impairment test has been applied by the Company, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Company please refer to note 6(u).

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Government bonds	\$ 181,467	181,457
Valuation adjustment	(2,296)	(861)
Total	<b>\$ 179,171</b>	<b>180,596</b>

As of December 31, 2022 and 2021, the Company took advantage of government bonds as guaranty deposited of bills, interest rate swaps, structured notes, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	December 31, 2022	December 31, 2021
Equity instruments at fair value through other comprehensive income		
Non-listed or non-over-the-counter stocks	620,356	556,506
Valuation adjustment	1,797,962	2,484,080
Total	<b>\$ 2,418,318</b>	<b>3,040,586</b>

For the years ended December 31, 2022 and 2021, the dividends were recognized from the Company designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income – non-current amounted to \$100,214 and \$75,996, respectively.

For the years ended December 31, 2022 and 2021, the Company did not sell equities recognized in FVOCI -non-current. Furthermore, the Company acquired proceeds from capital reduction of the investees amounted to \$16,150 and \$3,921 and the distribution of residual property from liquidation amounted to \$0 and \$660 for the years ended December 31, 2022 and 2021.

- (v) The Company uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the years ended December 31, 2022 and 2021 VaR (99%, per 10-day) of equity stocks are as follows:

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

Type of market risk	December 31, 2022	December 31, 2021	For the years ended December 31,						
			2022			2021			
			Mean	Maximum	Minimum	Mean	Maximum	Minimum	
Equity stocks	1,474,730	1,761,408	1,573,176	1,811,101	1,430,388	57	1,680,040	1,883,244	1,527,654

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

	December 31, 2022	December 31, 2021
Debt Securities at amortized cost :		
Financial debentures	\$ 3,269,926	-
Less: loss allowance	(1,141)	-
Total	<b>\$ 3,268,785</b>	<b>-</b>

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

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

(c) Accounts Receivable

	December 31, 2022	December 31, 2021
Receivable on securities purchased by customers	\$ 64,921	132,534
Settlement	598,397	995,267
Interests receivable	576,237	560,798
Receivables on securities sold	4,372,913	9,375,305
Others	157,241	129,723
Subtotal	5,769,709	11,193,627
Less: allowance for doubtful accounts	-	(50)
Total	<b>\$ 5,769,709</b>	<b>11,193,577</b>

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

(ii) For the years ended December 31, 2022 and 2021, impairment test has been applied by the Company, the variation of loss allowance in receivables, please refer to note 6(u).

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(d) Investments accounted for under equity method

Investments under equity method consisted of the following:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries		
Capital Investment Management Corp.	\$ 88,079	79,368
CSC International Holdings Ltd.	1,575,072	1,477,776
Capital Futures Corp.	3,837,039	3,535,529
Capital Insurance Advisory Corp.	72,021	60,571
Capital Insurance Agency Corp.	39,501	38,364
CSC Venture Capital Corp.	833,287	791,454
Taiwan International Securities (B.V.I) Corp.	39	15
CSC Capital Management Co.	286,999	348,207
Subtotal	6,732,037	6,331,284
Associates		
Capital Investment Trust Corp.	1,374,245	1,379,659
Total	<b>\$ 8,106,282</b>	<b>7,710,943</b>

(i) Subsidiaries:

Please refer to the consolidated financial statements as of and for the year ended December 31, 2022 for further information.

For the years ended December 31, 2022 and 2021, the Company's share of gains or losses of the subsidiaries were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Based on the audited financial statements	<b>\$ 429,740</b>	<b>306,028</b>

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights	
			December 31, 2022	December 31, 2021
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00%	20.00%

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Total carrying amount of the associates	<u>\$ 1,374,245</u>	<u>1,379,659</u>
Based on the financial statement attributed to the company:		
Net gains from continuing operations	\$ 153,882	171,954
Other comprehensive income (losses)	<u>6,041</u>	<u>(855)</u>
Total comprehensive income (losses)	<u>\$ 159,923</u>	<u>171,099</u>

(iii) Collateral

As of December 31, 2022 and 2021, none of the investment accounted for under equity method of the Company was pledged for collateral.

(e) Property and equipment

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

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost					
Balance at January 1, 2022	\$ 1,537,428	916,675	506,247	232,821	3,193,171
Additions	-	-	48,663	39,752	88,415
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(129,774)	(76,855)	-	-	(206,629)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ 1,409,683</u>	<u>841,234</u>	<u>530,990</u>	<u>239,767</u>	<u>3,021,674</u>
Balance at January 1, 2021	\$ 1,595,251	1,002,404	397,967	225,860	3,221,482
Additions	-	-	153,235	34,461	187,696
Transferred from investment property	358,419	206,350	-	-	564,769
Reclassified to investment property	(416,242)	(292,079)	-	-	(708,321)
Disposals and retirements	-	-	(44,955)	(27,500)	(72,455)
Balance at December 31, 2021	<u>\$ 1,537,428</u>	<u>916,675</u>	<u>506,247</u>	<u>232,821</u>	<u>3,193,171</u>
Depreciation and impairment loss					
Balance at January 1, 2022	\$ -	415,857	249,361	139,182	804,400
Depreciation	-	17,237	106,304	50,297	173,838
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(19,633)	-	-	(19,633)
Disposals and retirements	-	-	(23,920)	(32,806)	(56,726)
Balance at December 31, 2022	<u>\$ -</u>	<u>414,476</u>	<u>331,745</u>	<u>156,673</u>	<u>902,894</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Balance at January 1, 2021	\$ -	490,772	193,282	120,221	804,275
Depreciation	-	19,599	101,034	46,461	167,094
Transferred from investment property	-	42,102	-	-	42,102
Reclassified to investment property	-	(136,616)	-	-	(136,616)
Disposals and retirements	-	-	(44,955)	(27,500)	(72,455)
Balance at December 31, 2021	<u>\$ -</u>	<u>415,857</u>	<u>249,361</u>	<u>139,182</u>	<u>804,400</u>
Carrying amount:					
December 31, 2022	<u>\$ 1,409,683</u>	<u>426,758</u>	<u>199,245</u>	<u>83,094</u>	<u>2,118,780</u>
December 31, 2021	<u>\$ 1,537,428</u>	<u>500,818</u>	<u>256,886</u>	<u>93,639</u>	<u>2,388,771</u>

As of December 31, 2022 and 2021, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(f) Right-of-use assets

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

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 1,067,263	19,389	1,086,652
Additions	146,973	4,865	151,838
Reductions	(78,087)	(7,201)	(85,288)
Balance at December 31, 2022	<u>\$ 1,136,149</u>	<u>17,053</u>	<u>1,153,202</u>
Balance at January 1, 2021	\$ 1,045,168	13,326	1,058,494
Additions	87,699	8,930	96,629
Reductions	(65,604)	(2,867)	(68,471)
Balance at December 31, 2021	<u>\$ 1,067,263</u>	<u>19,389</u>	<u>1,086,652</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2022	\$ 368,476	8,736	377,212
Depreciation	161,213	4,987	166,200
Reductions	(74,926)	(7180)	(82,106)
Balance at December 31, 2022	<u>\$ 454,763</u>	<u>6,543</u>	<u>461,306</u>
Balance at January 1, 2021	\$ 266,412	7,122	273,534
Depreciation	162,239	3,605	165,844
Reductions	(60,175)	(1,991)	(62,166)
Balance at December 31, 2021	<u>\$ 368,476</u>	<u>8,736</u>	<u>377,212</u>
Carrying amount:			
At December 31, 2022	<u>\$ 681,386</u>	<u>10,510</u>	<u>691,896</u>
At December 31, 2021	<u>\$ 698,787</u>	<u>10,653</u>	<u>709,440</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(g) Investment property

Movements in investment property of the Company are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost or deemed cost</u>			
Balance at January 1, 2022	\$ 3,418,279	1,398,644	4,816,923
Transferred from property and equipment	129,774	76,855	206,629
Reclassified to property and equipment	(2,029)	(1,414)	(3,443)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<u>\$ 3,546,024</u>	<u>1,472,872</u>	<u>5,018,896</u>
Balance at January 1, 2021	\$ 3,360,456	1,313,175	4,673,631
Transferred from property and equipment	416,242	292,079	708,321
Reclassified to property and equipment	(358,419)	(206,350)	(564,769)
Disposals and retirements	-	(260)	(260)
Balance at December 31, 2021	<u>\$ 3,418,279</u>	<u>1,398,644</u>	<u>4,816,923</u>
<u>Depreciation and impairment loss</u>			
Balance at January 1, 2022	\$ -	615,115	615,115
Depreciation	-	29,384	29,384
Transferred from property and equipment	-	19,633	19,633
Reclassified to property and equipment	-	(1,015)	(1,015)
Disposals and retirements	-	(1,213)	(1,213)
Balance at December 31, 2022	<u>\$ -</u>	<u>661,904</u>	<u>661,904</u>
Balance at January 1, 2021	\$ -	493,839	493,839
Depreciation	-	27,022	27,022
Transferred from property and equipment	-	136,616	136,616
Reclassified to property and equipment	-	(42,102)	(42,102)
Disposals and retirements	-	(260)	(260)
Balance at December 31, 2021	<u>\$ -</u>	<u>615,115</u>	<u>615,115</u>
<u>Carrying Amount:</u>			
December 31, 2022	<u>\$ 3,546,024</u>	<u>810,968</u>	<u>4,356,992</u>
December 31, 2021	<u>\$ 3,418,279</u>	<u>783,529</u>	<u>4,201,808</u>
<u>Fair Value:</u>			
December 31, 2022			<u>8,449,496</u>
December 31, 2021			<u>8,212,496</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

As of December 31, 2022 and 2021, the investment properties which are provided as collateral or pledged, please refer to note 8 for details.

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

#### Lessor

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Within 1 year	\$ 167,912	170,697
1-5 years	461,109	491,861
Over 5 years	110,170	217,936
	<b>\$ 739,191</b>	<b>880,494</b>

The rental revenue from investment property for the years ended December 31, 2022 and 2021 amounted to \$183,894 and \$175,359, respectively.

#### (h) Intangible assets

##### (i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized as goodwill. As of December 31, 2022 and 2021, the book value was both \$3,126,698.

Goodwill is allocated to the operating segments as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Brokerage segment	\$ 1,304,458	1,304,458
Underwriting segment	265,144	265,144
Proprietary trading segment	1,557,096	1,557,096
Total	<b>\$ 3,126,698</b>	<b>3,126,698</b>

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

The past experience, the actual operating results and the pre-tax cash flows of the next year' s financial budget approved by the board of directors are the basis to estimate the future cash flows. The growth rate was both 1.00% and the discount rate was 7.16% and 3.69% in year 2022 and 2021 respectively. But the cash flow projections for periods after five years will be estimated with no growth conservatively.

After impairment test, the recoverable amounts of both year 2022 and 2021 exceeded the carrying amount, no impairment occurred for both years.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of December 31, 2022 and 2021, the carrying amounts of the operation franchise were all \$389,999.

(iii) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of December 31, 2022 and 2021, the amortized book value were \$35,662 and \$27,902, respectively.

(i) Short-term borrowings

Nature of borrowings	December 31, 2022	December 31, 2021
Collateralized loan	\$ 1,792,235	1,336,944
Credit loan	1,078,564	1,641,092
Total	<b>\$ 2,870,799</b>	<b>2,978,036</b>
Interest rate range	<b>2.39~5.29%</b>	<b>0.6%~1.15%</b>

As of December 31, 2022 and 2021, the Company had provided the land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(j) Commercial paper payable

	December 31, 2022	December 31, 2021
Commercial paper payable	\$ 3,200,000	8,400,000
Less: Unamortized discount	(1,278)	(2,194)
Net amount	<b>\$ 3,198,722</b>	<b>8,397,806</b>
Interest rate range	<b>1.378%~1.598%</b>	<b>0.448%~0.588%</b>

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

(Continued)

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Liabilities on sale of borrowed securities	\$ 9,691,043	1,036,721
Redeem liabilities on sale of borrowed securities	(73,941)	-
Valuation adjustment	<u>(635,364)</u>	<u>18,741</u>
Subtotal	<u>8,981,738</u>	<u>1,055,462</u>
Liabilities for issuance of Exchange Traded Notes	-	781
Valuation adjustment	<u>-</u>	<u>162</u>
Subtotal	<u>-</u>	<u>943</u>
Stock warrants issued	11,073,530	18,396,778
Stock warrants repurchased	<u>(10,572,072)</u>	<u>(17,130,305)</u>
Subtotal	<u>501,458</u>	<u>1,266,473</u>
Sale options	113	158
IRS asset swaps	51,106	42,823
Asset swap options - short position	1,140,992	2,270,540
Structured notes	103,125	286,362
Interest rate swaps	59	397
Equity derivatives	-	646
Exchange rate derivatives	<u>21,123</u>	<u>7,417</u>
Subtotal	<u>1,316,518</u>	<u>2,608,343</u>
Total	<u><b>\$ 10,799,714</b></u>	<u><b>4,931,221</b></u>

(l) Bonds sold under repurchase agreements

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds sold under repurchase agreements	<u>\$ 35,989,853</u>	<u>37,407,572</u>
Agreed-upon repurchase amounts	<u>\$ 36,394,848</u>	<u>37,437,587</u>
Interest rates	<u>0.55%~5.2%</u>	<u>0.00%~0.42%</u>
Date of repurchase	<u>2023.1.3~2023.12.27</u>	<u>2022.1.3~2022.12.22</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(m) Equity for each customer in the account

According to article 38, subparagraph 2 of the “Regulations Governing Securities Firms” , a securities firm may, with the consent of the customer, retain the customer’s settlement funds in the securities firm’s settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account.

	December 31, 2022	December 31, 2021
Equity for each customer in the account	\$ 25,111,376	26,706,922

(n) Accounts payable

	December 31, 2022	December 31, 2021
Payable of securities sold by customers	\$ 30,951	106,032
Payable of settlements	4,325,142	10,390,629
Others	170,616	100,879
Total	\$ 4,526,709	10,597,540

(o) Lease liabilities

The Company’s lease liabilities are as follow:

	December 31, 2022	December 31, 2021
Current	\$ 167,622	144,423
Non-current	\$ 579,078	620,853

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

The amounts recognized in profit or loss were as follows:

	For the years ended December 31,	
	2022	2021
Interest on lease liabilities	\$ 9,157	10,397
Expenses relating to short-term leases	\$ 3,907	5,131
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ 7,175	7,439
Covid-19-related rent concessions	\$ 432	864

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

	For the years ended December 31,	
	2022	2021
Total cash outflow for leases	\$ 187,422	189,566

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(p) Employee benefit

(i) Defined benefit plans

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	\$ (726,825)	(1,195,594)
Fair value of plan assets	699,684	316,997
Recognized liabilities for defined benefit obligations	<b>\$ (27,141)</b>	<b>(878,597)</b>

The Company's employee benefits liabilities are as follows:

	December 31, 2022	December 31, 2021
Compensated absences	<b>\$ 44,020</b>	<b>42,652</b>

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

1) Composition of plan assets

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

The balance of the Company's labor pension preparatory special account in Bank of Taiwan amounted to \$698,157 and \$316,561 as of December 31, 2022 and 2021, respectively. The utilization of the labor pension fund includes the assets allocation and yield of the fund, please refers to the information published on the website under Bureau of Labor Funds, Ministry of Labor.

The balance of pension fund under employee retirement fund management committee was \$1,527 and \$436 as of December 31, 2022 and 2021, respectively.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Defined benefit obligation on January 1	\$ 1,195,594	1,022,188
Current service costs and interest	8,426	8,383
Remeasurement of net defined liabilities		
-Actuarial loss (gain) arising from changes in demographical assumptions	-	(13,216)
-Actuarial loss (gain) arising from changes in financial assumptions	(53,285)	(2,086)
-Experience adjustments	(334,918)	398,729
Benefits paid by the plan	(88,992)	(218,404)
Defined benefit obligation on December 31	<b>\$ 726,825</b>	<b>1,195,594</b>

3) Movements in fair value of defined benefit plan assets

The movements in fair value of defined benefit plan assets of the Company in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets on January 1	\$ 316,997	286,220
Interest revenue	1,435	1,200
Remeasurement of net defined liabilities		
-Return on plan assets (excluding interest)	34,545	4,646
Contributions from the employer	435,699	243,335
Benefits paid from plan assets	(88,992)	(218,404)
Fair value of plan assets on December 31	<b>\$ 699,684</b>	<b>316,997</b>

4) Expense recognized in profit or loss

The expenses recognized by the Company in 2022 and 2021 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current service cost	\$ 2,956	4,117
Net interest of net defined benefit liabilities (assets)	4,035	3,066
Current pension cost	<b>\$ 6,991</b>	<b>7,183</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

For the years ended December 31, 2022 and 2021, the re-measurement of net defined benefit plan recognized accumulatively in other comprehensive income was as follows:

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ (697,929)	(319,148)
Recognized amount during the period	422,748	(378,781)
Balance at December 31	<b>\$ (275,181)</b>	<b>(697,929)</b>

- 6) Actuarial assumptions

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Discount rate	1.38%	0.46%
Future salary growth rate	2.50%	2.50%

The expected contribution to the defined benefit plan for the next year is \$48. The weighted average duration of the defined benefit obligation is 1 years.

- 7) Sensitivity Analysis

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

As of December 31, 2022 and 2021, the effects of adopting significant actuarial assumptions to defined benefit obligations were as follows:

	<b>Effects to Defined Benefit Obligations</b>	
	<b>Increase 0.5%</b>	<b>Decrease 0.5%</b>
December 31, 2022		
Discount rate	(17,057)	17,718
Future salary growth rate	13,867	(13,522)
December 31, 2021		
Discount rate	(29,437)	28,137
Future salary growth rate	23,945	(23,313)

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

(ii) Defined contribution plan

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

The Company contributed \$83,406 and \$90,224 under defined contribution plan to the Bureau of the Labor Insurance for the years ended December 31, 2022 and 2021, respectively.

(q) Income tax

(i) Income tax expense (benefit)

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Current tax expense		
Current year	\$ 319,020	544,665
Adjustment to the prior years' income tax	(71,520)	(11,750)
	247,500	532,915
Deferred tax expense		
Unrealized gains (losses) on derivative financial instruments	253,899	121,992
Unrealized gains (losses) on foreign investments under Equity Method	(12,349)	(914)
	241,550	121,078
Income tax expense from continuing operations	<b>\$ 489,050</b>	<b>653,993</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange difference from translating financial statements of foreign operations	<b>\$ 31,813</b>	<b>(9,221)</b>

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

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net income before tax	\$ 1,329,090	5,903,583
Income tax using the Company's domestic tax rate	\$ 265,818	1,180,716
Tax exempt income	294,752	(516,286)
Additional surtax on undistributed retained earnings	-	1,313
Adjustments to prior years' income tax	(71,520)	(11,750)
Total	<b>\$ 489,050</b>	<b>653,993</b>

(ii) Deferred income tax assets and liabilities

1) Recognized deferred income tax assets

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrealized losses on foreign investments under Equity Method	18,684	6,335
Foreign exchange difference from translating financial statements of foreign operations	-	27,233
Total	<b>\$ 18,684</b>	<b>33,568</b>

2) Recognized deferred income tax liabilities

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Unrealized gains on derivative financial instruments	\$ 321,614	67,715
Losses on intercompany transactions	1,928	1,928
Amortization of goodwill	362,697	362,697
Land value incremental tax	47,690	47,690
Foreign exchange difference from translating financial statement of foreign operations	4,580	-
Total	<b>\$ 738,509</b>	<b>480,030</b>

(iii) Income tax assessment status

The Company's income tax returns through 2019 were assessed by the Tax Authority.

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(r) Capital and other equity

(i) Capital stock

As of December 31, 2022 and 2021, 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:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Premium from stock issuance	\$ 1,661,604	1,661,604
Treasury stock transactions	486,556	486,556
Paid-in capital from merger	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,251
Changes in ownership interests in subsidiaries	30,339	30,339
	<b>\$ 2,743,256</b>	<b>2,743,465</b>

(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.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Special reserve

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

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

3) Undistributed earnings

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

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

The Company’s fiscal year 2021 earnings distribution resolved by the shareholders' meeting on June 27, 2022, and the Company’s fiscal year 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder’s meeting on July 14, 2021. Dividends distributed to the owners were as follows:

	2021		2020	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ 3,581,998	1.65	2,387,999	1.10

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(s) Earnings per share

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net income attributable to common shareholders of the Company	<b>\$ 840,040</b>	<b>5,249,590</b>
Weighted-average number of common stock shares outstanding (thousands of shares)	<b>2,170,908</b>	<b>2,170,908</b>
Basic earnings per share (dollar)	<b>\$ 0.39</b>	<b>2.42</b>
Effect of potentially dilutive common stock		
- Employee remuneration (thousands of shares) (Note)	<b>1,542</b>	<b>4,307</b>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<b>2,172,450</b>	<b>2,175,215</b>
Dilutive earnings per share (dollar)	<b>\$ 0.39</b>	<b>2.41</b>

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

(t) Items of the statements of comprehensive income

(i) Brokerage commissions

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Brokerage commission from TSE market	\$ 2,466,525	4,681,084
Brokerage commission from OTC market	811,952	1,253,910
Handling fee from security financing	39,869	45,441
Others	135,916	148,319
	<b>\$ 3,454,262</b>	<b>6,128,754</b>

(ii) Underwriting commissions

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Revenue from underwriting securities on a firm commitment basis	\$ 63,560	87,868
Handling fee revenues from underwriting securities on consignment	550	584
Processing fee revenues from underwriting operations	25,607	51,381
Revenue from underwriting consultation	3,660	6,270
Others	3,885	5,108
	<b>\$ 97,262</b>	<b>151,211</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains (losses) on securities sold - proprietary trading	\$ (13,809)	1,154,489
Gains (losses) on securities sold - underwriting	61,650	26,374
Gains (losses) on securities sold - hedging	(821,648)	2,725,884
	<b>\$ (773,807)</b>	<b>3,906,747</b>

(iv) Interest revenue

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest revenue - margin loans	\$ 822,751	987,213
Interest revenue - bonds	487,778	515,433
Others	171,671	169,597
	<b>\$ 1,482,200</b>	<b>1,672,243</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Trading securities - proprietary	\$ (928,212)	(25,624)
Trading securities - underwriting	(12,423)	782
Trading securities - hedging	(1,471,930)	966
	<b>\$ (2,412,565)</b>	<b>(23,876)</b>

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

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Gains on changes in fair value of stock warrants	\$ 42,870,899	5,039,396
Gains on exercise of stock warrants before maturity	33,668,212	43,893,835
Losses on changes in fair value of stock warrants repurchased	(74,942,647)	(49,640,754)
Gains on expiration of stock warrants	37,523	46,545
Stock warrants issuance expenses	(255,638)	(264,907)
	<b>\$ 1,378,349</b>	<b>(925,885)</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(vii) Employee benefits, depreciation, and amortization expenses

	For the years ended December 31,	
	2022	2021
Employee benefit expenses		
Salary expense	\$ 1,765,126	2,854,918
Health and labor insurance expense	164,380	181,052
Pension expense	90,397	97,407
Others	51,927	59,408
Depreciation expense	369,422	359,960
Amortization expense	29,322	25,354
	<b>\$ 2,470,574</b>	<b>3,578,099</b>

(viii) Other operating expenses

	For the years ended December 31,	
	2022	2021
Rental expense	\$ 11,082	12,570
Taxes	551,235	559,967
Information technology expense	141,174	131,134
Postage expense	166,289	164,559
Professional service fee	76,891	76,531
Other expenses	910,219	749,762
	<b>\$ 1,856,890</b>	<b>1,694,523</b>

(ix) Other gains and losses

	For the years ended December 31,	
	2022	2021
Financial revenue	\$ 47,349	11,775
Net gains (losses) on disposal of investment	(14,537)	3,076
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	(9,701)	(13,373)
Revenue from bank's allocation fee	258,653	196,413
Revenue from information technology service	44,158	47,986
Dividend revenue	100,214	75,996
Gains on reversal of prior year's liabilities	31,946	12,689
Rental income	183,894	175,359
Others	39,757	39,706
	<b>\$ 681,733</b>	<b>549,627</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(x) Remuneration to employees and directors

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

For the years ended December 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, respectively, and to directors were \$20,404 and \$100,380, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$82,129 and \$45,574, and to directors were \$100,380 and \$76,446 by the Company. The difference between actual employee remuneration of \$74,649 and \$47,228 and actual remuneration to directors of \$91,238 and \$71,657 were \$16,622 and \$3,135 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2022 and 2021. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of December 31, 2022 and 2021, the maximum credit exposure amounted to \$94,981,506 and \$105,014,695, respectively.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

The regional distribution of financial assets' credit risk exposure amount which owned by the Company is as the list below. The region of exposure is mostly in Taiwan (accounted for 87.35%); secondly, is in America (accounted for 6.78%); then, is in Asia (accounted for 3.14%, exclusion of Taiwan). Compare to the same period of last year, there is no significant change in proportion of region of investments.

Region	December 31, 2022	December 31, 2021
Taiwan	\$ 82,968,115	87,323,320
Asia (Taiwan is excluded)	2,978,170	6,439,512
Europe	2,597,276	4,171,338
America	6,437,945	7,080,525
Total	<b>\$ 94,981,506</b>	<b>105,014,695</b>

2) Impairment loss

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

	December 31, 2022		December 31, 2021	
	Gross carrying amount	Gross carrying amount	Gross carrying amount	Gross carrying amount
Not past due	\$ 22,059,627	28,411	34,583,498	23,112
Past due 0~30 days	-	-	-	-
Past due 31~120 days	-	-	906	906
Past due 121~360 days	4,519	4,519	18,148	18,148
Past due more than 360 days	232,678	232,678	219,180	219,180
	<b>\$ 22,296,824</b>	<b>265,608</b>	<b>34,821,732</b>	<b>261,346</b>

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of December 31, 2022 and 2021, the impairment losses of receivables were \$265,608 and \$261,346, respectively.

3) Credit risk of receivables and debt securities

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

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

(Continued)

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

The loss allowance provision for the years ended December 31, 2022 and 2021 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, 2022	\$ -	6,779	-	-	-	-	261,346	-	-	268,125
Provision or reversal of Impairment loss	-	(1,652)	1,151	-	-	-	5,247	-	-	4,746
Amounts written off	-	-	-	-	-	-	(985)	-	-	(985)
Effect of exchange rate	-	-	(10)	-	-	-	-	-	-	(10)
Balance on December 31, 2022	\$ -	5,127	1,141	-	-	-	265,608	-	-	271,876

	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, 2021	\$ -	9,391	-	-	-	-	242,624	-	-	252,015
Provision or reversal of Impairment loss	-	(2,612)	-	-	-	-	19,242	-	-	16,630
Amounts written off	-	-	-	-	-	-	(520)	-	-	(520)
Balance on December 31, 2021	\$ -	6,779	-	-	-	-	261,346	-	-	268,125

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(ii) Liquidity risk

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

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

(Continued)

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

	<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, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,055,462	1,055,462	1,055,462	-	-	-	-
Stock warrants issued	1,266,473	1,266,473	1,137,294	129,179	-	-	-
Put options	158	158	158	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	646	646	646	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	50,637	50,637	517	9,637	14,568	25,915	-
Asset swap option - short position	2,270,540	2,270,540	163,941	259,226	770,553	1,076,820	-
Structured notes	286,362	286,362	11,936	-	232,119	42,307	-
Short-term borrowings	2,978,036	2,978,036	2,978,036	-	-	-	-
Commercial papers payable	8,397,806	8,400,000	8,400,000	-	-	-	-
Bonds sold under repurchase agreements	37,407,572	37,437,587	30,311,716	7,125,871	-	-	-
Guarantee deposited for short sales	2,848,834	2,848,834	2,848,834	-	-	-	-
Proceeds payable from short sales	3,246,792	3,246,792	3,246,792	-	-	-	-
Securities lending refundable deposits	8,149,786	8,149,786	8,149,786	-	-	-	-
Equity for each customer in the account	26,706,922	26,706,922	26,706,922	-	-	-	-
Notes payable and accounts payable	101,031	101,031	101,031	-	-	-	-
Receipts under custody	8,802,836	8,802,836	8,802,836	-	-	-	-
Other payables	1,192,514	1,192,514	1,192,514	-	-	-	-
Other financial liabilities	5,045,880	5,045,880	4,355,627	114,556	470,764	104,933	-
Lease liabilities	765,276	794,365	83,685	69,411	141,113	349,567	150,589
	<u>\$ 110,574,506</u>	<u>110,635,804</u>	<u>99,548,676</u>	<u>7,707,880</u>	<u>1,629,117</u>	<u>1,599,542</u>	<u>150,589</u>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

December 31, 2021			
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 209,592	27.6800	5,801,507
AUD	1,722	20.0800	34,578
CAD	1	21.6200	22
EUR	509	31.3200	15,942
GBP	1	37.3000	37
HKD	24,205	3.5490	85,904
JPY	26,547	0.2405	6,385
SGD	2	20.4600	41
CNY	78,121	4.3440	339,358
VND	6,782,896	0.0012	8,139
<b><u>Non-Monetary Item</u></b>			
USD	548,314	27.6800	15,177,332
AUD	122,718	20.0800	2,464,177
EUR	9,313	31.3200	291,683
HKD	7,691	3.5490	27,295
JPY	18,726	0.2405	4,504
CNY	10,261	4.3440	44,574
<b><u>Investments under equity method</u></b>			
USD	53,485	27.6300	1,477,791
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	851,410	27.6800	23,567,029
AUD	117,858	20.0800	2,366,589
EUR	8,669	31.3200	271,513
HKD	87,068	3.5490	309,004
JPY	210	0.2405	51
SGD	1	20.4600	20
CNY	208	4.3440	904

For the years ended December 31, 2022 and 2021, the Company's currency projects that had a significant impact on exchange rate fluctuations. The impact on the realized and unrealized currency exchange gains (losses) amounted to \$(412,710) and \$64,825, respectively.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Sensitivity analysis

The currency risk of the Company arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortized cost, short-term borrowings, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the years ended December 31, 2022 and 2021, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the years ended December 31, 2022		For the years ended December 31, 2021	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(379,350)	379,350	(582,516)
Other comprehensive income	345,954	(345,954)	553,084	(553,084)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	December 31, 2022	December 31, 2021	For the years ended December 31,					
			2022			2021		
			Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,728,619	1,598,692	1,616,202	1,728,619	1,453,750	1,549,226	1,731,621	1,373,366

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the 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 Company determines the fair value of financial instruments in accordance with (a) the calculation of valuation techniques, (b) valuation provided by the professional electronic information company and commonly used by market participants, or (c) quoted prices of the counter party.

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Not measured at fair value

As of December 31, 2022 and 2021, the fair value information of the financial assets and financial liabilities of the Company was as follows:

a) Fair value information

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	\$ 4,483,970	4,483,970	2,933,772	2,933,772
Accrued receivable	61,340,875	61,340,875	67,001,372	67,001,372
Restricted assets - current	147,507	147,507	220,823	220,823
Other non-current assets	1,105,276	1,105,276	1,136,716	1,136,716
Financial liabilities:				
Short-term borrowings	2,870,799	2,870,799	2,978,036	2,978,036
Commercial paper payable	3,198,722	3,198,722	8,397,806	8,397,806
Bonds sold under repurchase agreements	35,989,853	35,989,853	37,407,572	37,407,572
Accrued payable	53,591,434	53,591,434	62,119,594	62,119,594
Other financial liabilities - current	3,028,050	3,028,050	4,470,183	4,470,183
Other financial liabilities - non-current	494,542	494,542	575,697	575,697
Other non-current liabilities	101,393	101,393	99,973	99,973

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2022</b>				
Investment property	\$		8,449,496	8,449,496
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<u>\$ -</u>	<u>3,283,116</u>	<u>8,449,496</u>	<u>11,732,612</u>
<b>December 31, 2021</b>				
Investment property	\$		8,212,496	8,212,496
Debt securities at amortized cost	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>8,212,496</u>	<u>8,212,496</u>

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2022</b>				
Financial assets at fair value through profit or loss	\$ 15,449,869	25,118,746	-	40,568,615
Financial assets at fair value through other comprehensive income	3,141,730	10,331,743	2,418,318	15,891,791
Derivative financial assets	<u>921,614</u>	<u>234,329</u>	<u>-</u>	<u>1,155,943</u>
	<b><u>\$ 19,513,213</u></b>	<b><u>35,684,818</u></b>	<b><u>2,418,318</u></b>	<b><u>57,616,349</u></b>
Financial liabilities at fair value through profit or loss	\$ 9,483,196	-	-	9,483,196
Derivative financial liabilities	<u>99,404</u>	<u>1,217,114</u>	<u>-</u>	<u>1,316,518</u>
	<b><u>\$ 9,582,600</u></b>	<b><u>1,217,114</u></b>	<b><u>-</u></b>	<b><u>10,799,714</u></b>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2021</b>				
Financial assets at fair value through profit or loss	\$ 15,274,621	28,638,824	-	43,913,445
Financial assets at fair value through other comprehensive income	2,529,265	12,349,188	3,040,586	17,919,039
Derivative financial assets	<u>497,696</u>	<u>573,588</u>	<u>-</u>	<u>1,071,284</u>
	<b><u>\$ 18,301,582</u></b>	<b><u>41,561,600</u></b>	<b><u>3,040,586</u></b>	<b><u>62,903,768</u></b>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	<u>274,584</u>	<u>2,333,759</u>	<u>-</u>	<u>2,608,343</u>
	<b><u>\$ 2,597,462</u></b>	<b><u>2,333,759</u></b>	<b><u>-</u></b>	<b><u>4,931,221</u></b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the years ended December 31, 2022 and 2021, there is no transfer of financial instruments between Level 1 and Level 2.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

5) Fair value adjustments

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

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

(In Thousands Dollars)

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

For the year ended December 31, 2021									
Item	Beginning	Gains and losses on valuation		Addition		Reduction			Ending
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 2,070,040	-	880,126	95,001	-	660	3,921	-	3,040,586

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
<b>December 31, 2022</b>		
Financial assets fair value through other comprehensive income	\$ <u>24,183</u>	<u>(24,183)</u>
<b>December 31, 2021</b>		
Financial assets fair value through other comprehensive income	\$ <u>30,406</u>	<u>(30,406)</u>

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

- (vi) Transfer of financial assets

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

(Continued)

# CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

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

December 31, 2021					
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	\$ 39,243,260	37,407,572	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

December 31, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 234,329	-	234,329	-	-	234,329

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities offsetting in the balance sheet	Net amount of financial assets presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 573,588	-	573,588	-	-	573,588

December 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets offsetting in the balance sheet	Net amount of financial liabilities presented in the balance sheets	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,608,185	-	2,608,185	-	-	2,608,185
Under repurchase agreements	37,407,572	-	37,407,572	37,407,572	-	-
<b>Total</b>	<b>\$ 40,015,757</b>	<b>-</b>	<b>40,015,757</b>	<b>37,407,572</b>	<b>-</b>	<b>2,608,185</b>

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

(v) Financial risk management

(i) Brief

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

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

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

(ii) Risk management framework

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

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

#### (iii) Credit risk

##### 1) Determining whether credit risk has increased significantly since initial recognition

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

##### 2) Measurement of Expected Credit Losses (ECL)

###### a) Methods adopted and assumptions

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

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

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

#### (iv) Liquidity risk

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

Moreover, the Company operates a dynamic monitoring of the volatility of market to manage the liquidity risk of holding positions.

(v) Market risk

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

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

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

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

(vi) Hedging strategies (financial hedging)

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

1) Equity securities:

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Fixed income instruments:

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

3) Stock warrants:

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

4) Structured notes:

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

5) Asset swap:

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

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

As of December 31, 2022 and 2021, the related financial risk and the presentation of the Company's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Stock warrants issued	\$ 26,259,600	-	22,242,386	-

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

(ii) Market risk:

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

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

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the year ended December 31, 2022 and 2021:

a) Gains (losses) on valuation

	For the years ended December 31,		Account
	2022	2021	
Stock warrants issued	\$ 20,852,051	17,315,545	Gains (losses) on stock warrants issued
Stock warrants repurchased	(20,641,600)	(17,452,496)	Gains (losses) on stock warrants issued

(Continued)

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

b) Gains (losses) on sale

	For the years ended December 31,		Account
	2022	2021	
Security borrowing	\$ 5,866	137,627	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(956,919)	1,673,217	Gains (losses) on sale of trading securities
Futures transaction	98,313	(201,373)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the years ended December 31,		Account
	2022	2021	
Stock warrants issued	\$ 55,724,583	31,664,231	Gains (losses) on stock warrants issued
Stock warrants repurchased	(54,301,047)	(32,188,258)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Exchange traded notes issued	\$ -	-	943	-

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

(ii) Market risk:

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

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

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

	December 31, 2022	December 31, 2021	Account
Margin - exchange traded notes	\$ -	25	Other non-current assets
Outstanding liabilities - exchange traded notes	-	943	Financial liabilities at fair value through profit or loss - current
<b>For the years ended December 31,</b>			
	2022	2021	Account
Gains (losses) on exchange traded notes	188	37	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	3	10	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	(377)	(438)	Management and commissions expense on exchange traded notes

#### Futures

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

	December 31, 2022		December 31, 2021	
Financial Instruments	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
TAIEX Futures	\$ 765,450	-	274,980	-
Electronic Sector Index Futures	62,503	-	83,370	-
Single Stock Futures	2,810,191	-	655,292	-
Mini Electronic Futures	4,494	-	164,284	-
US Dollar Index Futures	38,409	-	47,926	-
Gold Futures	10,868	-	9,939	-
Wheat Futures	-	-	1,115	-
E-mini S&P 500 Index	23,628	-	-	-
10 Years U.S. T-Note Futures	58,975	-	3,611	-
Ultra 10 Year U.S. T-Note Futures	14,736	-	-	-
5 Years U.S. T-Note Futures	-	-	134,187	-
Brent Crude Oil Futures	-	-	1,007,004	-
Crude Oil Futures	-	-	80,317	-
FTSE China A50 Index Futures	632,969	-	30,821	-
HHI Futures	25,625	-	17,297	-
Micro E-mini S&P 500 Futures	3,562	-	4,634	-
Micro E-mini-Nasdaq Futures	11,249	-	-	-
Micro E-mini Dow Futures	24,256	-	-	-
E-mini-Nasdaq Futures	52,956	-	54,364	-

(Continued)

# CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
Silver Futures	\$ 18,069	-	3,178	-
2 Year U.S. T-Note Futures	88,171	-	6,049	-
Ultra U.S. Treasury Bond	222,462	-	32,969	-
30 Year U.S. Treasury Bond	226,315	-	22,418	-
Dow Jones U.S. Real Estate Index	3,014	-	-	-
E-mini Dow Futures	46,563	-	-	-
For non-trading purpose:				
TAIEX Futures	895,750	-	812,218	-
Electronic Sector Index Futures	59,326	-	45,128	-
Single Stock Futures	1,018,935	-	672,423	-
Finance Sector Index Futures	13,374	-	-	-
E-mini - Nasdaq Futures	75,226	-	136,583	-
HSI Futures	19,786	-	28,603	-
Silver Futures	6,683	-	-	-
Gold Futures	88,524	-	35,369	-
Mini-HSI Futures	7,864	-	22,147	-
Crude Oil Futures	107,790	-	33,838	-
FTSE China A50 Index Futures	33,487	-	121,582	-
Japanese Yen Futures	28,959	-	-	-
mini TOPIX Futures	2,200	-	-	-
SGX Nikkei 225 Index Futures	-	-	37,653	-
TOPIX Futures	58,774	-	42,932	-
SGX Nikkei 225 Index Futures	29,112	-	-	-
Brent Crude Oil Futures	52,338	-	576,218	-
FTSE Vietnam 30 Index Futures	-	-	8,184	-
HHI Futures	30,991	-	2,875	-
Mini-TOPIX Futures	-	-	27,228	-
Micro E-Mini-Nasdaq Futures	8,189	-	883	-
Micro Gold Futures	-	-	25,549	-
E-mini Russell 2000 Index Futures	10,779	-	-	-
E-mini Dow Futures	50,297	-	-	-
Stock Options	1,661	-	16	-
TAIEX Options	-	-	3,946	-
TAIEX Weekly Options	445	-	295	-
Dow Jones U.S. Real Estate Index	9,367	-	-	-

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

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

	December 31, 2022	December 31, 2021	Account
Futures margin - proprietary fund	\$ 921,309	495,277	Financial assets at fair value through profit or loss - current
Excess futures margin	1,303,243	932,628	Cash and cash equivalent
Buy options	305	2,419	Financial assets at fair value through profit or loss - current
Sale options	113	158	Financial liabilities at fair value through profit or loss - current
	<b>For the years ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>Account</b>
Gains (losses) on futures transactions	(868,361)	(490,138)	Gains (losses) on derivatives - futures

(Continued)

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

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
NT dollar interest swaps	\$ 7,000,000	-	9,900,000	-

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

2) Market risk:

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

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

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

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

(ii) Structured notes

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Equity-linked notes	\$ 336,000	-	883,000	-
Principal guaranteed notes	2,469,656	-	3,729,644	-
Credit-linked notes	952,300	-	769,300	-
Principal guaranteed notes (in USD thousands)	USD 90	-	USD -	-

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

(iii) Convertible bond asset swaps

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:				
Convertible bond asset swaps	\$ 2,976,300	-	2,478,500	-
Convertible bond options	13,364,000	-	10,283,100	-

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

2) Market risk:

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

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

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

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

(iv) Options

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

Financial Instruments	December 31, 2022		December 31, 2021	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:				
Equity options	\$ -	-	25,363	-

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

2) Market risk:

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(v) Presentation of derivative instruments in financial statement

As of December 31, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss - current		
IRS asset swaps	\$ 17,807	13,301
Asset swap options-long position	205,121	555,469
Structured notes	2,056	4,183
Exchange rate derivatives	9,345	635
Total	<b>\$ 234,329</b>	<b>573,588</b>
Financial liabilities at fair value through profit or loss - current		
IRS asset swaps	\$ 51,106	42,823
Asset swap options-short position	1,140,992	2,270,540
Structured notes	103,125	286,362
Exchange rate derivatives	21,123	7,417
Interest rate swaps	59	397
Equity derivatives	-	646
Total	<b>\$ 1,316,405</b>	<b>2,608,185</b>
Other financial liabilities - current		
Structured notes principal value	<b>\$ 3,028,050</b>	<b>4,470,183</b>
Other financial liabilities - non-current		
Structured notes principal value	<b>\$ 494,542</b>	<b>575,697</b>

For the years ended December 31, 2022 and 2021, 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:

	For the year ended December 31, 2022		For the year ended December 31, 2021	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ 255	(59)	(154)	(397)
Equity derivatives	818	-	192	637
Structured notes	70,040	136,497	31,839	49,970
IRS asset swaps	(682)	(719)	(245)	(55)
Asset swap options	1,019,361	1,439,979	(828,422)	144,330
Exchange rate derivatives	247,310	(11,778)	(17,583)	(6,782)
Total	<b>\$ 1,337,102</b>	<b>1,563,920</b>	<b>(814,373)</b>	<b>187,703</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(vi) Managing interest rate benchmark reform and associated risks

1) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Company's modified its financial instruments linked to IBORs with most contract terms to include new benchmark rates such as SONIA in 2021. As of December 31, 2022, the remaining IBOR exposures of the Company's are linked to US dollar LIBOR, which is being replaced by the Secured Overnight Financing Rate (SOFR) for overnight, U.S. dollar-denominated, secured funding transactions. The Company's completed the implementation process of appropriate fallback provisions for US dollar LIBOR exposures in 2021. When US dollar LIBOR is phased out, the contract terms of these related financial instruments will automatically switch from US dollar LIBOR to SOFR. As announced by the Financial Conduct Authority (FCA) in early 2022, panel banks will stop submitting US dollar LIBOR quotes in the course of 2023.

2) Non-derivative financial assets

The Company's IBOR exposures to non derivative financial assets were Corporate bonds indexed to US dollar LIBOR. In respect of US dollar LIBOR exposures, the Company has been a party to agreements that introduce fallback clauses into all such instruments.

3) Non-derivative financial liabilities

The Company has no non-derivative financial liabilities exposed to IBOR on December 31, 2022 and 2021.

4) Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Company monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Company considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on December 31, 2022 and 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

		USD LIBOR	
December 31, 2022		Total amount of unreformed contracts	Amount with appropriate fallback clause
<b>Financial assets</b>			
Corporate bonds	USD	103,000	USD 56,000

		USD LIBOR	
January 1, 2022		Total amount of unreformed contracts	Amount with appropriate fallback clause
<b>Financial assets</b>			
Corporate bonds	USD	163,500	USD 158,500

(w) Capital management

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

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

	December 31, 2022	December 31, 2021
Capital adequacy ratio	337%	358%

(x) Financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2022 and 2021, were as follows:

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

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

	January 1, 2021	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	December 31, 2021
Lease liabilities	\$ 841,528	(176,996)	100,744	-	-	765,276

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

- (a) Relationships between parents and subsidiaries

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

- (b) Parent company and ultimate controlling party

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

- (c) Parent company and ultimate controlling party

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Futures Corp.	Subsidiary
Capital Investment Management Corp.	Subsidiary
CSC Venture Capital Corp.	Subsidiary
CSC Capital Management Co.	Subsidiary
CSC Securities (HK) Ltd.	Second-level subsidiary
Capital International Technology Corp.	Second-level subsidiary
Capital Private Equity Fund I Co.	Second-level subsidiary
Capital Investment Trust Corp.	Associates
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)
Bao Zuo Investment Corp.	Related party in substance (Note)
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Bao Ching Investment Corp.	Related party in substance (Note)
Bao Sheng Investment Corp.	Related party in substance (Note)
Wang Xing Enterprise Corp.	Related party in substance (Note)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel and others

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

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(d) Key management personnel transactions

(i) Key management personnel compensation

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 165,445	271,728
Post-employment benefits	1,456	1,385
<b>Total</b>	<b>\$ 166,901</b>	<b>273,113</b>

(ii) Bonds sold under repurchase agreements

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Other related parties	\$ 13,142	13,161	8,036	8,128
	<b>Total financial expenses</b>		<b>For the years ended December 31,</b>	
			<b>2022</b>	<b>2021</b>
Other related parties			<b>\$ 313</b>	<b>18</b>

Transaction terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Other related parties	\$ 98,200	49,300

(iv) Brokerage and sub-brokerage

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<u>Brokerage commissions</u>		
Other related parties	\$ 2,014	4,244
	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<u>Re-consigned handling commissions</u>		
Other related parties	\$ 120	313

(e) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<b>December 31, 2022</b>		<b>December 31, 2021</b>	
	<b>Par value</b>	<b>Purchase price</b>	<b>Par value</b>	<b>Purchase price</b>
Funds issued by associate	\$ 705,000	705,000	-	-
Subsidiaries	43,000	43,166	111,000	111,013
<b>Total</b>	<b>\$ 748,000</b>	<b>748,166</b>	<b>111,000</b>	<b>111,013</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

Total financial expenses	For the years ended December 31,	
	2022	2021
Funds issued by associate	\$ 961	244
Subsidiaries	529	316
Total	\$ 1,490	560

Transaction terms are the same as the general clients.

(ii) Futures commission revenue

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

	December 31, 2022	December 31, 2021
Commission receivable	\$ 12,761	11,448
Other Payable (Default loss)	\$ 3,646	3,771
	For the years ended December 31,	
	2022	2021
Futures commission revenue	\$ 186,991	170,416

(iii) Futures transactions

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

	December 31, 2022	December 31, 2021
Futures margin-proprietary fund	\$ 2,202,884	1,406,887
	For the years ended December 31,	
	2022	2021
Interest revenue of futures margin	\$ 68	80
Handling fees charge	\$ 29,115	10,625

(iv) Lease agreements

Lease revenue	For the years ended December 31,	
	2022	2021
Subsidiaries	\$ 17,884	17,935
Second-level Subsidiaries	734	734
Associates	17,237	17,237
Total	\$ 35,855	35,906

(Continued)

**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

<b>Guarantee deposits received</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	\$ 4,450	4,450
Second-level Subsidiaries	183	183
Associates	3,811	3,811
Total	<b>\$ 8,444</b>	<b>8,444</b>

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

Lessee

1) The Company leases office places from related party in substance for operation, and lease period is nine years. The aggregate contractual value of the lease is \$737,602 and rent is paid monthly. For the year ended December 31, 2022 and 2021, the refundable deposits were \$22,204.

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 five months ended December 31, 2022.

3) Lease liabilities

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Related party in substance	<b>\$ 484,132</b>	<b>-</b>

4) Financial expenses

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Related party in substance	<b>\$ 2,801</b>	<b>-</b>

(v) Custody account business

	<b>For the years ended December 31,</b>	
<b>Custody account business revenue(Accounted for as rental income)</b>	<b>2022</b>	<b>2021</b>
Related party in substance	<b>\$ 42,342</b>	<b>-</b>
<b>Other accounts receivable</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Related party in substance	<b>\$ 8,379</b>	<b>-</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(vi) Information Technology Service

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 48,191</b>	<b>47,986</b>

(vii) Insurance commission revenues

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

	<b>For the years ended December 31,</b>	
<b>Commission revenues</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 12,936</b>	<b>9,685</b>

	<b>For the years ended December 31,</b>	
<b>Accounts receivable</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Subsidiaries	<b>\$ 444</b>	<b>3,667</b>

(viii) Brokerage and sub-brokerage

	<b>For the years ended December 31,</b>	
<b>Brokerage commissions</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 1,752	131
Second-level Subsidiaries	17	6
Funds issued by associate	46,574	42,957
Related party in substance	118	-
Total	<b>\$ 48,461</b>	<b>43,094</b>

	<b>For the years ended December 31,</b>	
<b>Re-consigned handling commissions</b>	<b>2022</b>	<b>2021</b>
Funds issued by associate	<b>\$ 12,413</b>	<b>13,733</b>

	<b>For the years ended December 31,</b>	
<b>Re-consigned handling costs</b>	<b>2022</b>	<b>2021</b>
Second-level Subsidiaries	<b>\$ 3,266</b>	<b>5,359</b>

(ix) Fund services business

	<b>For the years ended December 31,</b>	
<b>Fund services revenue</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 1,894</b>	<b>4,657</b>

	<b>For the years ended December 31,</b>	
<b>Channel services revenue</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 1,894</b>	<b>4,657</b>

	<b>For the years ended December 31,</b>	
<b>Account receivable</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Associates	<b>\$ 277</b>	<b>509</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

(x) Wealth management business

	<b>For the years ended December 31,</b>	
<b>Trust account commissions revenue</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 4,463</b>	<b>9,728</b>

	<b>For the years ended December 31,</b>	
<b>Trust account management fee revenue</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 1,355</b>	<b>1,035</b>

(xi) Underwriting business

	<b>For the years ended December 31,</b>	
<b>Stock service income</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 648	582
Second-level subsidiaries	20	20
Associates	123	121
Total	<b>\$ 791</b>	<b>723</b>

	<b>For the years ended December 31,</b>	
<b>Handling fee revenues from underwriting securities on consignment</b>	<b>2022</b>	<b>2021</b>
Funds issued by associates	<b>\$ 116</b>	<b>-</b>

	<b>December 31,</b>	<b>December 31,</b>
<b>Accounts receivable</b>	<b>2022</b>	<b>2021</b>
Associates	<b>\$ 10</b>	<b>10</b>

(xii) Other revenues

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ 358	445
Associates	2	3
Total	<b>\$ 360</b>	<b>448</b>

(xiii) Custody account business

	<b>For the years ended December 31,</b>	
<b>Custody account business revenue</b>	<b>2022</b>	<b>2021</b>
Second-level subsidiaries	<b>\$ 6,045</b>	<b>7,514</b>

	<b>December 31,</b>	<b>December 31,</b>
<b>Accounts receivable</b>	<b>2022</b>	<b>2021</b>
Second-level subsidiaries	<b>\$ 577</b>	<b>571</b>

(Continued)

**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

(xiv) Consulting business

	<b>For the years ended December 31,</b>	
<b>Consulting fee expense</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 69,000</b>	<b>69,000</b>

(xv) Stock commission expense

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Accounts payable</b>		
Subsidiaries	<b>\$ 884</b>	<b>3,011</b>

	<b>For the years ended December 31,</b>	
<b>Stock commission expense</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 14,122</b>	<b>27,152</b>

(xvi) Information technology fees

	<b>For the years ended December 31,</b>	
<b>Information technology fees</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	<b>\$ 1,181</b>	<b>2,813</b>

(xvii) Accrued receivables

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Accounts receivable</b>		
Subsidiaries	<b>\$ 3,788</b>	<b>-</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Other receivable</b>		
Subsidiaries	\$ 494	618
Second-level subsidiaries	26	26
Total	<b>\$ 520</b>	<b>644</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Accounts payable</b>		
Subsidiaries	<b>\$ 3,536</b>	<b>-</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Other payable</b>		
Subsidiaries	\$ 189	148
Second-level subsidiaries	42	15
Total	<b>\$ 231</b>	<b>163</b>

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>Receipts under custody</b>		
Second-level subsidiaries	<b>\$ 4</b>	<b>5</b>

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

(xviii) Receipts in advance

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 27	24

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

#### (8) Assets Pledged as security:

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

	December 31, 2022	December 31, 2021	The collateral use
Restricted assets - current	\$ 147,507	220,823	Bank borrowings, accounts settled, repurchase agreement.
Trading securities and bonds purchased under resale agreements (par value)	34,393,704	38,137,431	Repurchase agreement
Property (net amount)	1,343,421	1,528,788	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,171	180,596	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)	3,306,400	-	Repurchase agreement
Investment property (net amount)	3,872,851	3,725,707	Bank borrowings
Total	\$ 43,243,054	43,793,345	

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

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

	December 31, 2022		December 31, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	481,268	\$ 4,812,680	612,683	6,126,830
Collateral for margin purchase	15,745	157,450	11,332	113,321
Lending securities to customers through short sales	53,847	538,470	41,166	411,660
Collateral for short sales	5,394	53,940	7,659	76,588

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

	December 31, 2022		December 31, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	203	\$ 2,030	491	4,910

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Promissory notes	<u>\$ 26,320,000</u>	<u>24,660,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>

- (d) As of December 31, 2022 and 2021, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$9,015,293 and \$7,342,642, respectively.
- (e) Securities and Futures Investors Protection Center claims against the Company for compensation of \$1,545; due to the fact that the Company, being the underwriter of Universal ABIT' s year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The first instance claimed the case in favor of the Company, but plaintiff appealed against the judgement. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) 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.
- (g) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the Company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and field an appeal, and the Company also field a side appeal. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (h) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC" ) is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of December 31, 2022.

(Continued)

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.
- (j) On August 10, 2022, the Taiwan High Court Criminal Division's judgment indicated that the former chairman of Taiwan International Securities, a company that was merged and eliminated, and other persons were suspected to involve illegal gains in accordance with the Securities Exchange Law, was received. It was determined that the undeducted criminal proceeds obtained by Taiwan International Securities amounted to USD 369,331.65, which shall be confiscated except for those should be returned to the victim or persons who can claim for damages. The Company has filed an appeal.
- (k) According to the Article 17 of Enforcement Rules of the Trust Enterprise Act, the balance sheet, income statement and property list of trust accounts were declared as follows:
- (i) Balance sheet of trust accounts

#### Balance Sheet of Trust Accounts

##### December 31, 2022 and 2021

	December 31, 2022	December 31, 2021		December 31, 2022	December 31, 2021
<b>Trust Assets</b>			<b>Trust Liabilities</b>		
Bank deposits	\$ 956,522	1,316,300	Accounts payable	\$ 67	97
Short-term investment			Trust capital	12,449,858	11,104,225
Funds	8,756,216	9,195,789	Net income	(1,385,219)	(53,638)
Stocks	153,242	276,944	Accumulated earnings or deficit	(40,291)	90,269
Bonds	1,032,735	58,590			
Structured notes	102,619	277,623			
Accounts receivable	<u>23,081</u>	<u>15,707</u>			
<b>Total Assets</b>	<b><u>\$ 11,024,415</u></b>	<b><u>11,140,953</u></b>	<b>Total Liabilities</b>	<b><u>\$ 11,024,415</u></b>	<b><u>11,140,953</u></b>

(Continued)

**CAPITAL SECURITIES CORPORATION**

**Notes to the Financial Statements**

(ii) Income statement of trust accounts

**Income Statement of Trust Accounts**

**For the years ended December 31, 2022 and 2021**

	<b>For the years ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Trust revenue		
Interest revenue	\$ 42,667	79,809
Cash dividends revenue	283,631	354,505
Rental revenue	8,461	6,037
Investment gains - unrealized	-	52,524
Subtotal	334,759	492,875
Trust expense		
Management fee	483	427
Service fee	23,186	34,562
Investment losses - realized	469,851	83,746
Investment losses - unrealized	1,226,132	427,654
Other fees	62	44
Subtotal	1,719,714	546,433
Gain (loss) before income tax	(1,384,955)	(53,558)
Less: Income tax expense	264	80
Net gain (loss)	<b>\$ (1,385,219)</b>	<b>(53,638)</b>

(iii) Property list of trust accounts

**Property list of trust accounts**

**December 31, 2022 and 2021**

<b>Investment items</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank deposits	\$ 956,522	1,316,300
Short-term investment		
Funds	8,756,216	9,195,789
Stocks	153,242	276,944
Bonds	1,032,735	58,590
Structured Notes	102,619	277,623
Other assets	23,081	15,707
Total	<b>\$ 11,024,415</b>	<b>11,140,953</b>

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

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

**(12) Other: None**

(Continued)

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

**(13) Other disclosures:**

(a) Information on significant transactions:

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

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	\$ 899,005	\$ 899,005	\$ 837,685	- %	2	-	Working capital	-	-	-	\$ 1,575,072	\$ 1,575,072
2	Taiwan International Securities (HK) (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	103,631	103,631	103,631	- %	2	-	Working capital & repayment of financing	-	-	-	103,631	103,631
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,717	5,717	5,717	- %	2	-	Repayment of financing	-	-	-	5,717	5,717
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	60,936	60,936	-	8.33%	1	11,998		-	-	-	191,768	958,840
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	426,551	426,551	152,340	4.58%~5.83%	1	189,343		-	-	-	426,551	958,840
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	91,404	91,404	-	7.33%	1	23,705		-	-	-	191,768	958,840
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,234	15,234	8,531	6.33%	1	2,491		-	-	-	191,768	958,840
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	6.33%	1	464		-	-	-	191,768	958,840
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	60,936	60,936	-	6.33%	1	11,841		-	-	-	191,768	958,840
10	CSC Futures(HK) Ltd.	F613091	Account receivables - Customer	No	45,702	45,702	-	6.33%	1	7,968		-	-	-	191,768	958,840

Note: Type of Loans

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

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

(Continued)

# CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2022	Balance on December 31, 2021	Shares	Ratio	Book value					
0	Capital- Investment Management Corp.	Taipei, Taiwan, R.O.C.	February 16, 1990		Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00%	88,079	75,436	11,247	11,247	3,136	Subsidiary
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58%	3,837,039	2,587,869	781,860	442,301	190,505	"
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%	1,575,072	(46,217)	(61,782)	(61,782)	-	"
0	Capital Insurance Advisory Corp.	Taipei, Taiwan, R.O.C.	November 9, 2000		Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00%	72,021	183,029	46,155	46,155	34,705	"
0	Capital Insurance Agency Corp. (Note 4)	Taipei, Taiwan, R.O.C.	November 8, 2000		Liquidation in progress.	7,400	7,400	740,000	100.00%	39,501	26,322	1,137	1,137	-	"
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%	39	39	39	39	-	"
0	CSC Venture Capital Corp.	Taipei, Taiwan, R.O.C.	January 12, 2016	No. FSC-1040034071 dated September 8, 2015	Long-term equity investment business.	1,000,000	1,000,000	100,000,000	100.00%	833,287	5,520	(809)	(809)	6,900	"
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%	286,999	(4,513)	(8,548)	(8,548)	-	"
0	Capital Investment Trust Corp.	Taipei, Taiwan, R.O.C.	October 16, 1995		Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00%	1,374,245	1,994,779	769,405	153,882	165,337	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%	645,836	23,901	(46,217)	Note 6	-	Second-level subsidiary
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00%	(102,383)	-	39	Note 6	-	"
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00%	(258,326)	-	22	Note 6	-	Third-level subsidiary
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	886,284	862,631	220,000,000	100.00%	958,841	334,273	12,235	Note 6	-	Second-level subsidiary
4	Capital International Technology Co., Ltd.	Taipei, Taiwan, R.O.C.	December 29, 2014	No. FSC-1030038387 dated November 18, 2014	Management and consulting business. Information technology software.	50,000	50,000	5,000,000	100.00%	26,468	3,072	(7,551)	Note 6	-	"
4	True Partner Advisor Hong Kong Ltd (Note7)	Hong Kong	May 31, 2010	No. FSC-1040027513 dated July 16, 2015	Asset Management.	-	36,701	-	- %	-	-	-	Note 7	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00%	-	-	-	Note 6	-	Third-level subsidiary
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	30,000,000	100.00%	255,454	(3,970)	(10,584)	Note 6	-	Second-level subsidiary

(Continued)

# CAPITAL SECURITIES CORPORATION

## Notes to the Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on December 31, 2022	Balance on December 31, 2021	Shares	Ratio	Book value					
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021		Investment and management consulting, venture capital and general investing.	400	400	40,000	40.00%	210	-	(285)	Note 6	-	Associates

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

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

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

Note 4: The board of directors of the Company resolved to dissolve the investee company on March 1, 2022. Liquidation in progress.

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

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

Note 7: On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares had be transferred on February 15, 2022. No profit of loss information will be disclosed as it has no significant impact.

### (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, 2022	Remittance of recoverable investment this period		Accumulated remittance as of December 31, 2022	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of December 31, 2022
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	(C)	24,372	-	-	24,372	(791)	28.86%	(229) B(2)	7,550	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(4,077)	56.58%	(2,307) B(2)	4,369	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

#### (ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(Continued)

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

(e) Major shareholders:

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

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

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

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the year ended December 31, 2022 are as follows:

(i) Balance sheet and income statement:

1) Balance sheet

Unit: US \$ thousands

<b>Company</b>	<b>CSC International Holdings Ltd.</b>	<b>Taiwan International Securities (B.V.I) Corp.</b>
<b>Nature</b>	<b>December 31, 2022</b>	<b>December 31, 2022</b>
Current assets	9,109	1
Long-term investments	21,195	-
Property and premises	1,779	-
Other assets	19,395	3,380
<b>Total assets</b>	<b>51,478</b>	<b>3,381</b>
Current liabilities	64	20
Other liabilities	42	3,360
<b>Total liabilities</b>	<b>106</b>	<b>3,380</b>
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,521	(9,450)
Cumulative translation adjustments	(149)	(65)
<b>Total stockholders' equity</b>	<b>51,372</b>	<b>1</b>
<b>Total liabilities and stockholders' equity</b>	<b>51,478</b>	<b>3,381</b>

## CAPITAL SECURITIES CORPORATION

### Notes to the Financial Statements

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the years ended December 31, 2022	For the years ended December 31, 2022
Operating revenue	(1,583)	1
Operating expense	(671)	-
Non-operating revenue	148	-
Non-operating expense	(10)	-
Income (loss) before tax	(2,116)	1
Net income (loss)	(2,116)	1

(ii) Securities held as of December 31, 2022

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	December 31, 2022	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities(HK) Ltd.	Long-term investments	128,000,000	<u>\$ 21,195</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	<u>\$ (3,360)</u>

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

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

**(14) Segment information:**

Please refer to the consolidated financial statements of the Company as of and for the years ended December 31, 2022

**6. The Company and its associates have not encountered any financial difficulties during the latest fiscal year and up to the date of printing this annual report.**

(Continued)

# VII. Review of Financial Conditions, Operating Results, and Risk Management

## 1. Financial Status:

Unit : NT\$ thousand

Item	Year	2022 (Note)	2021 (Note)	Difference	
				Amount	%
Current Assets		171,397,616	185,983,038	(14,585,422)	(7.84)
Non-current assets		20,219,025	17,710,901	2,508,124	14.16
Total assets		<b>191,616,641</b>	<b>203,693,939</b>	<b>(12,077,298)</b>	<b>(5.93)</b>
Current liabilities		150,886,125	159,485,189	(8,599,064)	(5.39)
Non-current liabilities		2,039,403	2,735,166	(695,763)	(25.44)
Total liabilities		<b>152,925,528</b>	<b>162,220,355</b>	<b>(9,294,827)</b>	<b>(5.73)</b>
Share capital		21,709,081	21,709,081	-	-
Capital surplus		2,743,256	2,743,465	(209)	(0.01)
Retained earnings		9,884,681	12,155,572	(2,270,891)	(18.68)
Other equity		1,407,491	2,126,692	(719,201)	(33.82)
Equity attributable to owners of the parent company		<b>35,744,509</b>	<b>38,734,810</b>	<b>(2,990,301)</b>	<b>(7.72)</b>
Non-controlling interests		<b>2,946,604</b>	<b>2,738,774</b>	<b>207,830</b>	<b>7.59</b>
Total shareholders' equity		<b>38,691,113</b>	<b>41,473,584</b>	<b>(2,782,471)</b>	<b>(6.71)</b>

Note: The financial data for each year mentioned above are disclosed in the consolidated financial statements and audited by a certified public accountant.

**In the past two years, there have been significant changes in certain items with an increase or decrease of more than 20%. The explanations are as follows:**

- (1) Non-current liabilities: The decrease in non-current liabilities is primarily due to a decrease in deferred income tax liabilities.
- (2) Other equity: The decrease in other equity is mainly attributed to a decrease in unrealized gains or losses from financial assets measured at fair value through other comprehensive income.

## 2. Operation Performance:

Unit : NT\$ thousand

Item	Year	2022 (Note)	2021 (Note)	Difference	
				Amount	%
Operating Income		8,219,057	13,281,753	(5,062,696)	(38.12)
Operating Expenses and Expenses		7,681,534	7,961,426	(279,892)	(3.52)
Share of profits and losses of affiliated companies and joint ventures recognized under the equity method		201,060	206,656	(5,596)	(2.71)
Other gains and losses		1,107,468	700,526	406,942	58.09
Income before income tax		1,846,051	6,227,509	(4,381,458)	(70.36)
Income tax		667,035	765,860	(98,825)	(12.90)
Profit or loss for the period		<b>1,179,016</b>	<b>5,461,649</b>	<b>(4,282,633)</b>	<b>(78.41)</b>

Note: The financial information for the above years is disclosed in the consolidated financial statements and has been audited and certified by an accountant.

**Recent two-year increase/decrease ratio analysis (increase/decrease change of 20% or more):**

- (1) Operating income: The decrease in operating income is mainly due to the decrease in brokerage fees compared to the same period last year, and the loss incurred by the sale of operating securities in the current period.
- (2) Other gains and losses: The increase in other gains and losses is mainly due to the increase in financial income compared to the same period last year.

### 3. Cash Flow:

I. Analysis of the changes in the cash flow of the Company and its subsidiaries in the recent fiscal year:

- (1) Operating activities: The net cash inflow from operating activities was NT\$13,855,901 thousand, an increase of NT\$14,854,247 thousand compared to the previous fiscal year, mainly due to a significant reduction in the receivables from securities financing compared to the previous fiscal year, resulting in an increase in the net cash inflow from operating activities.
- (2) Investing activities: The net cash outflow from investing activities was NT\$3,458,532 thousand, an increase of NT\$3,238,361 thousand compared to the previous fiscal year, mainly due to an increase in investments in financial assets measured at amortized cost, resulting in an increase in the net cash outflow from investing activities.
- (3) Financing activities: The net cash outflow from financing activities was NT\$9,359,682 thousand, an increase of NT\$12,020,459 thousand compared to the previous fiscal year, mainly due to the repayment of commercial paper, resulting in an increase in the net cash outflow from financing activities.

II. Analysis of liquidity over the last two fiscal years:

Year	2022	2021	Variation (%)
Cash Flow Ratio (%)	9.18	-	-
Cash Flow Allowance Ratio (%)	228.30	149.12	53.10
Cash reinvestment ratio (%)	24.20	-	-

Explanation of the changes in ratios:

- (1) The increase in the cash flow ratio is mainly due to an increase in net cash inflows from operating activities compared to the previous fiscal year.
- (2) The increase in the cash flow adequacy ratio is mainly due to a significant increase in net cash inflows from operating activities compared to the previous fiscal year.
- (3) The increase in the cash reinvestment ratio is mainly due to a significant increase in net cash inflows from operating activities compared to the previous fiscal year.

III. Cash flow liquidity analysis of the Company and its subsidiaries in the next fiscal year:

Unit: NT\$1,000

Beginning cash balance	Net cash flow from operating activities for the year	Projected cash outflow for the year	Projected cash surplus (deficiency) amount	Remedial measures for projected cash deficiency	
				Investment plans	Financial planning
9,807,123	4,216,000	5,846,654	8,176,469	-	-

**4. Impact of significant capital expenditures on financial operations in the recent year: No such circumstances.**

**5. Recent-year investment policy, main reasons for profit or loss, improvement plans, and future one-year investment plans:**

- (1) The investment policy of the Company is in line with the government's opening up of the financial industry, aiming to operate a comprehensive range of businesses including futures, brokerage, proprietary trading, underwriting, insurance, venture capital, and private equity funds. Following the government's policies on economic liberalization and financial internationalization, the group focuses on research and development efforts to move towards the goal of comprehensive securities and financial development. Other objectives include expanding the scale of wealth management business, developing high-value financial products, enhancing fundraising and distribution channels, establishing overseas branches to expand business coverage, forming strategic alliances to extend marketing networks, and providing cross-border investment and wealth management services to maximize overall profitability of the group.
- (2) The main reasons for investment gains or losses: There were no significant events affecting the investment profitability of the group.
- (3) Investment plans for the coming year: None

**6. Risk analysis:**

**(1) Impact of changes in interest rates, exchange rates and inflation on the Company's profit and the response of the Company**

1. The impact of interest rate changes on the Company's income mainly comes from margin trading and bond trading (including government bonds, corporate bonds, and repurchase agreement). In 2022, The Company's interest rate risk was measured in terms of the risk equivalent amount, which ranged between NTD 1,453,750,000 and NTD 1,728,619,000, with an average of approximately NTD 1,616,202,000. The Company's foreign exchange risk was measured in terms of the risk equivalent amount, which ranged between NTD 71,373,000 and NTD 105,404,000, with an average of approximately NTD 85,933,000.
2. Future measures in response: to manage the interest rate risk of the bond positions, the Company has taken measures in accordance with the risk management policy and relevant regulations. the Company has also entered into interest rate swap contracts or use other derivatives, such as futures contracts, to hedge against this risk. As for foreign exchange fluctuations, the Company will manage the risk through position control and dynamic hedging practices to mitigate adverse impact on the Company's income from changes in interest rates and exchange rates.
3. The impact of inflation on the Company's revenue and profit is a non-specific, indirect effect.

**(2) Policies on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profits or losses and the response of the Company**

1. The Company did not provide any loans to others or provide any endorsements or guarantees in the current year.
2. The Company's trading of derivatives is limited to the scope permitted by the competent authority and the Company's board of directors. Proprietary trading of index futures and options is controlled by setting stop-loss points to manage risks. The issuance of warrants and structured products is hedged using underlying stocks or other derivatives to avoid Delta and Gamma risks and ensure safe risk appetite.
3. Future measures in response: the Company will timely establish or revises various derivatives trading regulations and adopts market-neutral strategies to hedge and manage deviations within limits according to regulations, in order to comprehensively control the risks of various derivatives trading.

**(3) Future Research and Development Plans and Estimated R&D Expenditure:**

The Company is actively engaged in the continuous research and development of new financial

products that offer high gross margins, high added value, and comprehensive solution capabilities. We are also aligning our efforts with financial technology research and development initiatives. For detailed information regarding our technological advancements and research and development activities, as well as an overview of our operational performance, please refer to the Technology and R&D section in our annual report.

**(4) Impact of important domestic and international Law and legal changes on the Company's financial operations and the response of the Company:**

The Company maintains close attention to any significant domestic or international policy and legal changes that may impact our financial operations. As of the recent fiscal year and up to the date of printing this annual report, there have been no significant policy or legal changes that have affected our financial business operations.

**(5) Impact of technological changes (including cyber security risks) and industry changes on the Company's financial operations and the response of the Company**

1. Impact: The rise of internet technology has changed traditional trading and service models, leading to a greater need for specialized IT personnel and updated information equipment in the securities industry to support the rapid development of electronic trading and provide customers with more value-added online service functionalities. Malicious hackers may attempt to introduce computer viruses, destructive software, or ransomware into the Company's network systems to disrupt operations, engage in extortion or blackmail, gain control of computer systems, or access confidential information. Moreover, there is also a risk of network attacks on external and internal network systems maintained by third-party service providers or contractors.

2. Response measures:

- (1) Hiring information technology professionals and providing training in relevant expertise.
- (2) Continuously assessing and upgrading or procuring information equipment to adapt to technological changes and incorporating considerations for cybersecurity risks.
- (3) We continuously update and develop new service software to provide to our customers.
- (4) In order to prevent and minimize the harm caused by such risks and attacks, the Company implements relevant improvement measures and maintains continuous updates. For example, we restrict the connection methods and data access mechanisms of contracted vendors, require them to provide corresponding proof of secure detection or declarations, fully implement antivirus software with regular security updates, implement firewall controls to protect network security, employ intrusion detection and alert systems (IPS) for protection, conduct regular inspections for illegal software installations, regularly perform phishing website and counterfeit mobile application detection to ensure that the Company name and trademark are not misused, regularly conduct vulnerability scanning, penetration testing, app detection, IoT device vulnerability scanning, and information security check-ups to ensure the overall security of our hosts and network environments, implement webpage tampering protection systems, and deploy DDOS traffic scrubbing mechanisms to prevent DDOS attacks. These measures are taken to remove or reduce risks and place them within controllable boundaries to protect the information security of the Company.

**(6) Impact of the change in corporate image due to corporate crisis management and the response of the Company: None.**

**(7) Expected benefits, possible risks and responses to mergers and acquisitions: None.**

**(8) Expected benefits, possible risks and contingency measures for plant expansion: Not applicable.**

**(9) Risks of concentration of imports or sales and the response of the Company: Not applicable.**

**(10) Impact, risk and response to the substantial shift or change in shareholding of directors or substantial shareholders holding more than 10% of the shares of the Company: None.**

**(11) Impact of the change in corporate image due to corporate crisis management and the response of the Company: None.**

## (12) Significant Litigation or Non-litigation Cases

Event	Brief of Facts	Litigants	Current Handling Status	Litigation Start Date	Amount of Litigation (unit: dollars)
Criminal	A customer of the Xisong Branch of the Company had the transaction documents checked by YU, O-PING, and as a result the Company discovered that the agent CHIANG, O-PING of the branch forged non-existing documents for the PGN structured products of the Company to gain the property of 15 customers of the Xisong Branch including YU, O-PING.	Plaintiff: Capital Securities Corp. Defendant: CHIANG, O-PING	Criminal complaints including forged official documents and fraud, have been filed for this case, and are currently under investigation by Taiwan Taipei District Prosecutor's Office.	2018.12.18	
Civil	The agent CHAN, O-LING of the Wanhua Branch privately engaged in solicitation of investments for fraud and caused damage to the customer FAN, O-YEN, who as a result filed a lawsuit to claim an amount of NT\$2,798,313 as compensation jointly from the Company and the former employee CHAN, O-LING.	Plaintiff: FAN, O-YEN Defendant: Capital Securities Corp., CHAN, O-LING	The case is currently under trial at the Taiwan Taipei District Court.	2019.04.08	2,798,313 (NTD)
Criminal	The court notified the Company that about the Jinding, CHEN, O-ZHU and other securities trading law cases that the Company was ruled as a participant in criminal action, because there may be illegal profits, they may be reclaimed from the Company.	Defendant: CHEN, O-ZHU and 9 others Participant: Capital Securities Corp.	The Company received the verdict on August 10, 2022 from the Taiwan High Court Criminal Division, ruling that the Company's unseized criminal proceeds amounted to USD 369,331.65. Except for the victims or those who can claim damages, the proceeds will be confiscated. The Company has appealed.	2022.03.22	369,331.65 (USD)

## (13) Risk Management Policy

1. The risk management policy of the company is based on the company's operating principles and goals. We measure risk and return and consider the impact on the BIS ratio to establish risk control limits for each business, in order to optimize capital allocation and create profits.
2. Risk management framework and responsibilities

Department	Responsibility
(1) Board	1. The highest decision-making unit for risk management. 2. Responsible for approving risk management policies and directions. 3. Approve the risk management system.
(2) Risk Management Committee	1. Approve the risk management system and prepare risk management guidelines for all types of business. 2. Resolutions for improving the execution of all types of business. 3. Evaluation and resolution of risk asset allocation and management strategies. 4. Approval of all new business applications and authorized trading limits.
(3) President	1. Report to the Board on the risk assessment and trading performance of the positions held, and the achievement of set goals. 2. If there are abnormal situations in market price evaluations (such as positions exceeding the loss limit), the business unit is required to take necessary countermeasures.

Department	Responsibility
(4) Risk Management Department	<ol style="list-style-type: none"> <li>1. Assist in developing risk management policies and systems.</li> <li>2. Assist in developing risk limits and allocation methods for various departments.</li> <li>3. Ensure the implementation of approved risk management guidelines.</li> <li>4. Timely and complete reporting of risk management-related reports to the President.</li> <li>5. Prior understanding of the nature of relevant transactions before conducting various trades and continuous monitoring of held positions from completed transactions.</li> <li>6. Enhance risk management measurement techniques for quantifiable financial instruments.</li> <li>7. Gain a thorough understanding of risk limits and utilization status in each business unit.</li> <li>8. Evaluate the Company's risk exposure and risk concentration level.</li> <li>9. Develop and implement stress testing and backtesting methods.</li> <li>10. Compare actual profits and losses of investment portfolios with predictions.</li> <li>11. Verify the use of pricing models and evaluation systems for financial instruments by business units.</li> <li>12. Address other risk management-related matters.</li> </ol>
(5) Business Units (Invested Subsidiaries)	<p>Risk Control Personnel:</p> <ol style="list-style-type: none"> <li>1. Regularly report on the risk exposure status of business units (subsidiaries).</li> <li>2. Ensure the timely and accurate transmission of risk management information.</li> <li>3. Ensure that business units (subsidiaries) effectively implement relevant provisions regarding risk limits.</li> <li>4. Monitor the risk exposure status and report any breaches, including the measures taken by business units (subsidiaries) to address breaches.</li> <li>5. Ensure that risk measurement, evaluation models, and assumption settings within business units (subsidiaries) are consistent.</li> <li>6. Ensure the effective implementation of internal control procedures within business units (subsidiaries) to comply with regulatory requirements and risk management policies.</li> </ol> <p>Business Unit Supervisor (Subsidiary Manager):</p> <ol style="list-style-type: none"> <li>1. Take overall responsibility for all risk management-related matters within their respective units (subsidiaries). Analyze and monitor relevant operational risks within business units (subsidiaries) and take various measures to address them.</li> <li>2. Supervise the transmission of relevant risk management information.</li> </ol>
(6) Audit Department	<ol style="list-style-type: none"> <li>1 Regularly assess the adequacy of internal controls for commodity trading within business units.</li> <li>2 Review the implementation of the Company's risk management system and disclose the findings in audit reports. Track and report on identified deficiencies or abnormalities discovered during audits to ensure that relevant units can take appropriate corrective measures in a timely manner.</li> <li>3 Conduct monthly audits to verify compliance with the system by business departments and other units, and analyze transaction cycles.</li> <li>4 Responsible for auditing compliance with regulations and standards related to the Company's overall financial and operational activities.</li> </ol>
(7) Audit Department	<ol style="list-style-type: none"> <li>1 Process accounting or fund adjustments based on approved contracts and transaction documents.</li> <li>2 Take note of off-balance sheet transaction contracts undertaken.</li> <li>3 Obtain price information from quotation systems independent of the trading department to reevaluate held positions.</li> <li>4 Timely record and recognize gains or losses from completed transactions.</li> <li>5 Make announcements in accordance with regulatory requirements.</li> </ol>
(8) Settlement Department	<ol style="list-style-type: none"> <li>1 Safeguarding and storage of transaction contracts.</li> <li>2 Delivery and settlement of commodities.</li> <li>3 Execution of collateral retrieval.</li> <li>4 Reporting of transaction contracts to relevant regulatory authorities.</li> <li>5 Confirmation of transaction details.</li> </ol>

Department	Responsibility
(9) Compliance and Legal Department	<p>1 Consult with legal advisors to discuss relevant management policies.</p> <p>2 Transaction contracts/agreements should be reviewed by the Legal Department for rights and obligations, legality, and related legal documents before signing with counterparties.</p> <p>3 Supervise compliance with laws and regulations.</p> <p>4 Supervise business units in assessing the impact of newly issued regulations on the Company's operations.</p> <p>5 Before launching new products, services, or initiating new business ventures, the responsible authority for legal compliance should provide opinions that are compliant with laws and internal regulations and sign off on them.</p>
(10) Information Department	Development and maintenance of risk management information system.

3, The types of risks that our company primarily faces include market risk, credit risk, liquidity risk, operational risk, and legal risk. Through risk identification, assessment, measurement, and monitoring processes, we generate daily risk reports for the president and the Chairman to understand the current risk positions of the Company, facilitating informed decision-making and judgment.

The measurement methods and risk mitigation strategies for each type of risk are described as follows:

1. Market Risk Management:

The Company sets limit such as trading limits and VaR to ensure compliance with BIS ratios and loss limits. The VaR of stocks is calculated using the variance-covariance method and is back-tested to validate the results. The one-day VaR is calculated using a 99% confidence level. The risk value of bonds is controlled based on bp value, and the one-day VaR risk value is calculated using a 99% confidence level to manage positions. The risk value of derivatives is controlled based on Delta and Gamma values, and the one-day VaR risk value is calculated using a 99% confidence level to manage positions. Stock margin loans are disposed of based on the maintenance margin rate set by the regulatory authority. Business units can utilize approved risk management tools such as futures, options, and swaps to adjust risk values and implement risk management systems, in accordance with regulatory and board-approved guidelines.

2. Credit Risk Management:

The Company has a credit risk management department responsible for evaluating, monitoring, and managing counterparty risks. Through customer credit rating mechanisms and internal limit controls, the Company ensures that credit risks associated with client transactions are within acceptable limits. Additionally, establishing long-term cooperative relationships with financial institutions strengthens risk management and monitoring mechanisms while complying with relevant laws and regulations.

3. Liquidity Risk Management:

The Company has a liquidity management department responsible for monitoring and managing liquidity risk. Through prudent cash flow planning and reserves, the Company ensures sufficient cash flow to address potential liquidity fluctuations. Additionally, effective risk response mechanisms such as bond issuance, refinancing, and fund allocation are established to control liquidity risk, while adhering to applicable regulations and guidelines.

4. Operational Risk Management:

The Company places significant importance on operational risk management and has an operational risk management department responsible for evaluating, monitoring, and managing operational risks. The Company implements robust internal controls, processes, and systems to identify and mitigate operational risks. Regular assessments and audits are conducted to ensure compliance with policies, procedures, and regulatory requirements, minimizing the likelihood of operational disruptions and losses.

5. Legal Risk Management:

The Company's legal risk is managed by the Audit Department and the Legal Compliance and Legal Affairs Office, ensuring compliance with regulatory requirements and reviewing the legality of contracts to protect the Company's interests. Additionally, periodic training and education on the latest regulatory amendments are provided to employees to enhance their understanding of legal compliance and reduce the risk of violations.

6. Other Risk Management:

The Company regularly monitoring operational risks and conducts BIS calculations using the business limits of each department's annual operating plan as a stress scenario. This serves as the basis for BIS planning and company strategy. For environmental, social, and corporate governance (ESG) risk management, risk identification and management are implemented on margin and investment fronts. The Company follow the "RISK MANAGEMENT BEST-PRACTICE

PRINCIPLES FOR SECURITIES FIRMS" announced on January 6th, 2022, "Transition Strategies of Sustainable Development for Securities and Futures Sectors" announced by the FSC on March 8th, 2022, and the "Green Finance Action Plan 3.0" announced by the FSC on September 28th, 2022, gradually adhering to the framework required by the Task Force on Climate-related Financial Disclosures (TCFD), and disclose potential financial impacts from climate risks. In accordance with international net-zero Emissions and domestic regulations such as the "Greenhouse Gas Reduction and Management Act," The Company evaluate the "transition risks" and "physical risks" faced by companies in our investment and margin trading under extreme climate conditions and develop operational transformation and risk management strategies. During the process, the Company actively establishes a climate risk database to fill data gaps and improve quantitative methodologies.

**(14) Other significant risks and the response of the Company: None.**

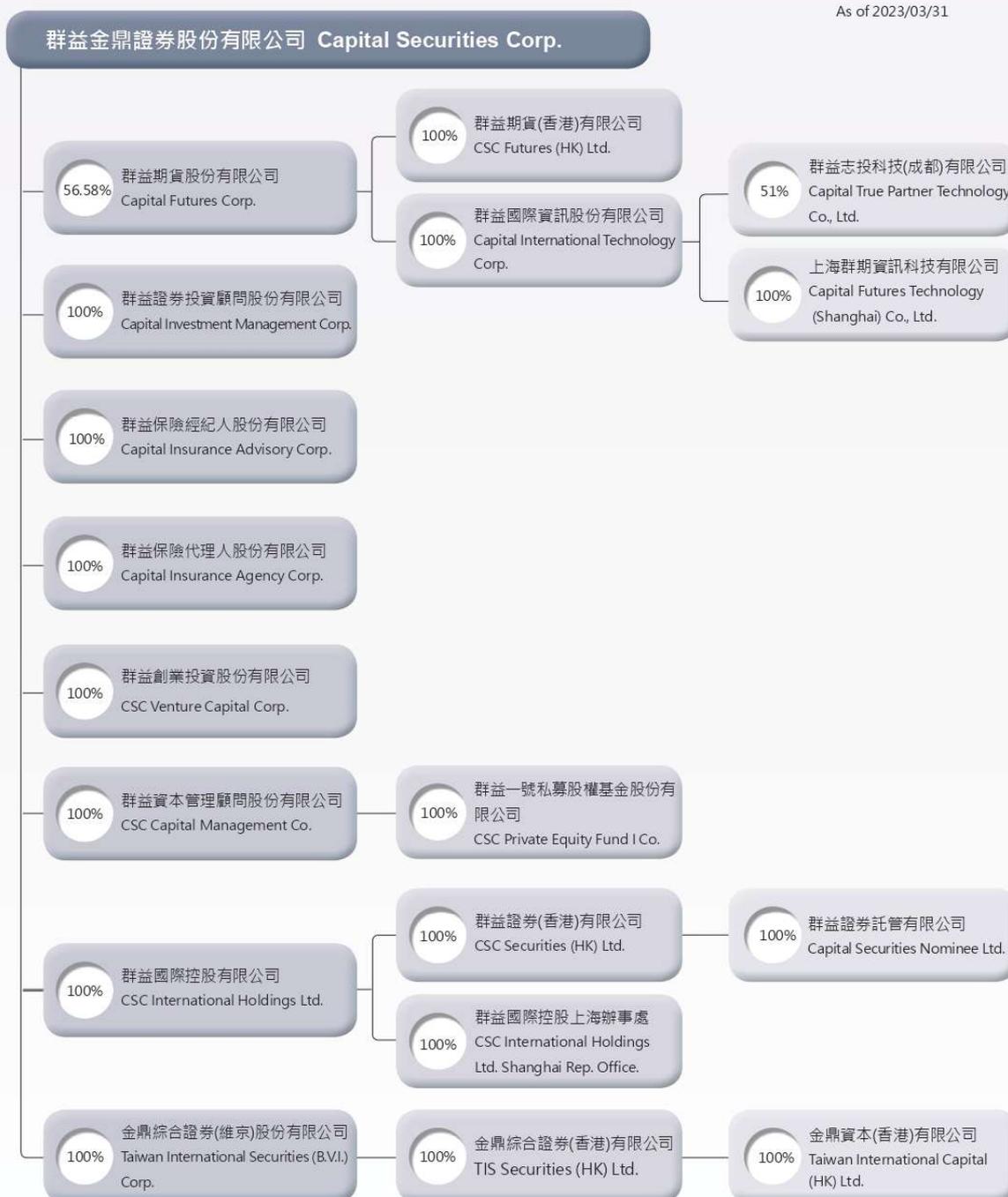
**7. Other important matters: None.**

# VIII. Special Disclosure

## 1. Summary of Affiliated Companies

### (1) Affiliate Organization Chart of Capital Securities Corp.

As of 2023/03/31



Note 1: Capital Insurance Agency Corp., TIS Securities (HK) Ltd., and Taiwan International Capital (HK) Ltd. are now in the liquidation process.

## 2) Basic Information on Affiliates

Unit: NTS

Name	Date of establishment	Location	Paid-in capital	Business
Capital Futures Corp.	86.02.26	32F and B1, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$2,104,375,840	Futures Brokerage Futures proprietary business Futures advisory business Futures brokerage Securities trading support staff Securities Investment Advisory Business Leverage Trader
Capital International Technology Corp.	103.12.29	32F, No. 97, Section 2, Dunhua South Road, Da'an District, Taipei City	NT\$50,000,000	Management Consulting Information Software Service Industry Information Processing Service Industry Electronic information supply service industry Computer and business equipment retailing Information software retailing Except for licensed businesses, businesses not prohibited or restricted by law may be conducted Businesses not prohibited or restricted by law
Capital Investment Management Corp.	79.02.16	11F-5, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$70,000,000	Securities Investment Advisory Services
Capital Insurance Advisory Corp.	89.11.09	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$5,000,000	Personal Insurance Brokers Property Insurance Brokers
Capital Insurance Agency Corp.	89.11.08	14F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$7,400,000	(in liquidation proceedings)
CSC Venture Capital Corp.	105.01.12	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$1,000,000,000	General Investment Venture Capital Investment Investment Consulting Management Consulting. Except for the permitted business, may conduct business that is not prohibited or restricted by law.
CSC Capital Management Co.	109.12.03	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$330,000,000	Investment Consulting Management Consulting Venture Capital General Investment Management Consulting Venture Capital General Investment Except for the permitted business, may conduct business that is not prohibited or restricted by law.
CSC Private Equity Fund I Co.	110.04.20	11F, No. 156, Section 3, Minsheng East Road, Taipei City	NT\$300,000,000	General Investment Venture Capital Except for the permitted business, may conduct business that is not prohibited or restricted by law.
CSC International Holdings Ltd.	85.03.04	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	US\$45,000,000	Invest in the establishment or acquisition of securities, futures, finance, and related peripheral businesses permitted by the laws of the host country.
CSC International Holdings Ltd. Shanghai Rep. Office	86.11.27	18F, Block H, New Shanghai International Building, No. 360 Pudong South Road, Pudong New Area, Shanghai	-	In accordance with laws and regulations, only conduct market research, industrial technology research and related information collection.
CSC Securities (HK) Ltd.	83.05.03	3F, Fu Wai Financial Centre, No. 308 Des Voeux Road Central, Hong Kong	HK\$128,000,000	Involve in securities brokerage, underwriting, proprietary trading, financial business and other securities business permissible under Hong Kong local laws.

Name	Date of establishment	Location	Paid-in capital	Business
Capital Securities Nominee Ltd.	84.04.07	3F, Fu Wai Financial Centre, No. 308 Des Voeux Road Central, Hong Kong	HK\$2	Agent Service Business
CSC Futures (HK) Ltd.	87.12.09	3F, Fu Wai Financial Centre, No. 308 Des Voeux Road Central, Hong Kong	HK\$20,000,000	Securities Trading Futures Contracts Trading
Capital True Partner Technology Co., Ltd.	97.8.20	No. 18, 17/F, Block C, Maoye Center, No. 28, Tianfu Avenue North, High-tech Zone, Chengdu, Sichuan Province, China	CNY,000,000	Work on the design, research, development, and transfer of our self-developed technological achievements in computer software and hardware products, and computer system integration. We sell our own products and provide related technical support and consultation (excluding nationally prohibited or restricted categories).
Capital Futures Technology (Shanghai) Co., Ltd.	105.10.14	18F, Block H, New Shanghai International Building, No. 360 Pudong South Road, Pudong New Area, Shanghai	CNY4,000,000	Engage in the wholesale, import and export of computer hardware, software, and auxiliary equipment, electronic equipment, and related components of the above products. (Does not involve state-managed trade goods. For goods subject to quotas and authorization management, applications are processed in accordance with national regulations.) We also provide related technical consulting and technical services; business management consulting.
Taiwan International Securities (B.V.I.) Corp.	85.12.10	Tropic Isle Building, P.O. B O X 438 , R o a d T o w n , T o r t o l a , B r i t i s h V i r g i n I s l a n d s	US\$9,516,300	Long-term equity investment business
TIS Securities (HK) Ltd.	82.08.17	3F, Fu Wai Financial Centre, No. 308 Des Voeux Road Central, Hong Kong	HK\$265,000,000	(In liquidation proceedings)
Taiwan International Capital (HK) Ltd.	86.07.16	3F, Fu Wai Financial Centre, No. 308 Des Voeux Road Central, Hong Kong	HK\$2	(In liquidation proceedings)

### (3) Assumed to have Control and Subordinate Relationships - Shareholder Information

Unit: NT\$'000; Shares; %

Reason for Assumption	Name	Shares Held		Establishment Date	Address	Paid-in Capital	Main Business
		Shares	%				
		NA		NA		NA	

**(4) The industries covered by the overall affiliates and their division of labor: The industries covered include securities brokerage, investment advisory consulting, and futures business, and the division of labor is based on business items and regional distinctions.**

## (5) Information of the directors, supervisors and general managers of each related company

Units: Shares; % Information As of: March 31, 2022

Name	Title	Name or representative	Shareholding	
			Shares	%
Capital Futures Corp.	Legal Entity	Capital Securities Corp.	119,066,014	56.58%
	Legal Entity	Hong Ye Investment Co., Ltd.	2,031	0.00%
	Chairman	Capital Securities Corp. Representataive: CHIA, CHUNG-TAO	0	0
	Director	Capital Securities Corp. Representataive: LIU, CHING-TSUN	0	0
	Director	Capital Securities Corp. Representataive: WANG, JIUNN-CHIH	0	0
	Director	Hong Ye Investment Co., Ltd.Representataive: LEE, YI-HUI	0	0
	Independent Director	CHEN, KUO-TAI	0	0
	Independent Director	HSIAO, NAI-JIN	0	0
	Independent Director	WU, YON-SHEN	0	0
	President	MAO, ZHENG-HUA	108,394	0.05%
Capital International Technology Corp.	Legal Entity	Capital Futures Corp.	5,000,000	100%
	Chairman	Capital Futures Corp.Representataive: CHIA, CHUNG-TAO	0	0
	Director	Capital Futures Corp.Representataive: MAO, ZHENG-HUA	0	0
	Director	Capital Futures Corp.Representataive: CHEN, CHI-HAO	0	0
	Supervisor	Capital Futures Corp.Representataive: LIN, LI-CHUAN	0	0
Capital Investment Management Corp.	Legal Entity	Capital Securities Corp.	7,000,000	100%
	Chairman	Capital Securities Corp.Representataive: TSAI, MIN-YEN	0	0
	Director	Capital Securities Corp.Representataive: YANG, HSIU-RU	0	0
	Director	Capital Securities Corp.Representataive: LEI, GU-ZHEN	0	0
	Supervisor	Capital Securities Corp.Representataive: LEE, MEI-YU	0	0
	President	TSAI, MIN-YEN	0	0
Capital Insurance Advisory Corp.	Legal Entity	Capital Securities Corp.	500,000	100.00%
	Chairman	Capital Securities Corp.Representataive: CHIU, CHAO-JIEN	0	0
	Director	Capital Securities Corp.Representataive: HSIEH, HSIU-YING	0	0
	Director	Capital Securities Corp.Representataive: ZHANG, PEI-WEN	0	0
	Supervisor	Capital Securities Corp.Representataive: CHOU, HSIEN-YANG	0	0
	President	HSU, WEN-TUNG	0	0
Capital Insurance Agency Corp.	Legal Entity	Capital Securities Corp.	740,000	100.00%
	Liquidator	CHIU, CHAO-JIEN	0	0
	Supervisor	Capital Securities Corp.Representataive: CHOU, HSIEN-YANG	0	0
CSC Venture Capital Corp.	Legal Entity	Capital Securities Corp.	100,000,000	100%
	Chairman	Capital Securities Corp.Representataive: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities Corp.Representataive: LEE, WEN-CHU	0	0
	Director	Capital Securities Corp.Representataive: FANG, CHIH-HUNG	0	0
	Supervisor	Capital Securities Corp.Representataive: CHOU, HSIEN-YANG	0	0
	President	LEE, WEN-CHU	0	0

Name	Title	Name or representative	Shareholding	
			Shares	%
CSC Capital Management Co.	Legal Entity	Capital Securities Corp.	33,000,000	100%
	Chairman	Capital Securities Corp.Representative: LEE, WEN-CHU	0	0
	Director	Capital Securities Corp.Representative: ZHANG, JIA-WEN	0	0
	Director	Capital Securities Corp.Representative: HSIEH, HSIU-YING	0	0
	Supervisor	Capital Securities Corp.Representative: CHOU, HSIEN-YANG	0	0
	President	ZHANG, JIA-WEN	0	0
CSC Private Equity Fund I Co.	Legal Entity	CSC Capital Management Co.	30,000,000	100%
	Chairman	CSC Capital Management Co. Representative: LEE, WEN-CHU	0	0
	Director	CSC Capital Management Co. Representative: ZHANG, JIA-WEN	0	0
	Director	CSC Capital Management Co. Representative: HSIEH, HSIU-YING	0	0
	Supervisor	CSC Capital Management Co. Representative: CHOU, HSIEN-YANG	0	0
	President	ZHANG, JIA-WEN	0	0

Name	Title	Name or representative	Shareholding	
			Shares	%
CSC International Holdings Ltd.	Legal Entity	Capital Securities Corp.	45,000,000	100.00%
	Director	Capital Securities Corp.Representataive: WANG, JIUNN-CHIH	0	0
	Director	Capital Securities Corp.Representataive: HSIEH, HSIU-YING	0	0
CSC Securities (HK) Ltd.	Legal Entity	CSC International Holdings Ltd.	128,000,000	100.00%
	Director	CSC International Holdings Ltd.Representataive: WANG, JIUNN-CHIH	0	0
	Director	CSC International Holdings Ltd.Representataive: HSIEH, HSIU-YING	0	0
	Director	CSC International Holdings Ltd.Representataive: CHANG, TUN-FU	0	0
Capital Securities Nominee Ltd.	Legal Entity	CSC Securities (HK) Ltd.	2	100.00%
	Director	CSC Securities (HK) Ltd.Representataive: CHANG, TUN-FU	0	0
	Director	CSC Securities (HK) Ltd.Representataive: HSIEH, HSIU-YING	0	0
CSC Futures (HK) Ltd.	Legal Entity	Capital Futures Corp.	220,000,000	100%
	Director	Capital Futures Corp.Representataive: WANG, JIUNN-CHIH	0	0
	Director	Capital Futures Corp.Representataive: HSIEH, HSIU-YING	0	0
	Director	Capital Futures Corp.Representataive: FANG, CHIH-HUNG	0	0
	Director	Capital Futures Corp.Representataive: CHIA, CHUNG-TAO	0	0
	Director	Capital Futures Corp.Representataive: CHEN, WEN-LIANG	0	0
	Director	Capital Futures Corp.Representataive: CHANG, TUN-FU	0	0
Capital True Partner Technology Co., Ltd.	Legal Entity	Capital International Technology Corp.	510,000	51%
	Legal Entity	True Partner China Holding Limited	490,000	49%
	Chairman	Capital International Technology Corp.Representataive: CHIA, CHUNG-TAO	0	0
	Director	Capital International Technology Corp.Representataive: MAO, ZHENG-HUA	0	0
	Director	True Partner China Holding LimitedRepresentataive: Remco Janssen	0	0
	Director	True Partner China Holding LimitedRepresentataive: Tobias Benjamin Hekster	0	0
	Supervisor	Capital International Technology Corp.Representataive: CHEN, CHI-HAO	0	0
	Supervisor	True Partner China Holding LimitedRepresentataive: YU, SHIN-ZHEN	0	0
Capital Futures Technology (Shanghai) Co., Ltd.	Legal Entity	Capital International Technology Corp.	4,000,000	100%
	Chairman	Capital International Technology Corp. Representataive: CHIA, CHUNG-TAO	0	0
	Director	Capital International Technology Corp. Representataive: MAO, ZHENG-HUA	0	0
	Director	Capital International Technology Corp. Representataive: CHEN, CHI-HAO	0	0
	Supervisor	Capital International Technology Corp. Representataive: LIN, LI-CHUAN	0	0
	President	HUNG, MIN-NAN	0	0
Taiwan International Securities (B.V.I.) Corp.	Legal Entity	Capital Securities Corp.	9,516,300	100.00%
	Director	Capital Securities Corp.Representataive: HSIEH, HSIU-YING	0	0
TIS Securities (HK) Ltd. (In liquidation proceedings)	Legal Entity	Taiwan International Securities (B.V.I.) Corp.	265,000,000	100.00%
	Director	Taiwan International Securities (B.V.I.) Corp.Representataive: HSIEH, HSIU-YING	0	0
	Director	Taiwan International Securities (B.V.I.) Corp.Representataive: HUANG, SHAO-MEI	0	0
Taiwan International Capital (HK) Ltd. (In liquidation proceedings)	Director	TIS Securities (HK) Ltd.	2	100.00%
	Director	TIS Securities (HK) Ltd.Representataive: HSIEH, HSIU-YING	0	0

## (6) Overview of the operations of our affiliates

Unit: NT\$ thousand

Name	Amount of capital	Total Assets	Total liabilities	Net value	Operating income	Business Benefits	Profit or loss for the period (After tax)	Earnings per share (\$)
Capital Futures Corp.	2,104,376	47,425,291	40,643,903	6,781,388	2,587,605	502,519	781,860	3.72
Capital International Technology Corp.	50,000	27,225	757	26,468	3,072	1,855	(7,551)	(1.51)
Capital Investment Management Corp.	70,000	133,550	45,471	88,079	75,436	11,055	11,247	1.61
Capital Insurance Advisory Corp.	5,000	103,031	31,010	72,021	183,029	56,249	46,155	92.31
Capital Insurance Agency Corp. (Note 4)	7,400	39,501	-	39,501	26,322	1,520	1,137	1.54
CSC Venture Capital Corp.	1,000,000	841,864	8,577	833,287	5,520	(2,762)	(809)	(0.01)
CSC Capital Management Co.	330,000	289,317	2,318	286,999	-	(8,137)	(8,548)	(0.26)
CSC Private Equity Fund I Co.	300,000	255,577	123	255,454	-	(10,691)	(10,584)	(0.35)
CSC International Holdings Ltd. (Note 1)	1,379,700	1,578,305	3,233	1,575,072	-	(65,796)	(61,782)	(1.37)
CSC Securities (HK) Ltd. (Note 1)	500,224	1,700,761	1,054,925	645,836	23,901	(61,161)	(46,217)	(0.36)
Capital Securities Nominee Ltd.(Note 1)	-	-	-	-	-	-	-	-
CSC Futures (HK) Ltd.	875,750	7,912,828	6,953,987	958,841	334,273	(19,686)	12,235	0.06
Capital True Partner Technology Co., Ltd.	5,013	8,359	4,020	4,339	23,062	(1,114)	(791)	(0.79)
Capital Futures Technology (Shanghai) Co., Ltd.	18,863	8,272	550	7,722	-	(4,229)	(4,077)	(1.02)
Taiwan International Securities (B.V.I.) Corp.(Note 1)	291,770	103,657	103,618	39	39	39	39	130.00
TIS Securities (HK) Ltd. (Note 1) (Note 2)	1,035,620	599	102,982	(102,383)	-	-	39	0.00
Taiwan International Capital (HK) Ltd.(Note 1) (Note 3)	-	-	258,326	(258,326)	-	-	22	11,240.76

Note 1: The exchange rates used for the recognition of net assets and income/loss of subsidiaries are based on the adjustments made by KGI Securities (the parent company) on December 30, 2022:

Assets and liabilities: TWD: USD = 30.66:1; TWD: HKD = 3.908:1; TWD: CNY = 4.383:1.

Income/loss: TWD: USD = 29.195:1; TWD: HKD = 3.744:1; TWD: CNY = 4.376:1.

Note 2: TIS Securities (HK) Ltd. was dissolved by the Board's resolution on December 30, 2011.

Note 3: Taiwan International Capital (HK) Ltd. was dissolved by the Board's resolution on December 30, 2011.

Note 4: Capital Insurance Agency Corp. has applied for dissolution registration, and the temporary shareholders' meeting held on March 1, 2022 has approved it. Liquidation is currently in progress.

## 2. Private Placement Securities in the Most Recent Years: None.

## 3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.

## 4. Other items of description which needs to be supplemented:

The unique Key Performance Indicator (KPI) for the Company in the industry:

Capital Adequacy Ratio: 337% (as of December 31, 2022)

328% (as of March 31, 2023)

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

(In Thousands of New Taiwan Dollars)

	2022	2021	Difference
Employee Count	1,619	1,730	(111)
Average employee benefit expenses of the year	992	1,420	(428)

## **IX. Significant Matters Affecting Shareholder Rights or Securities Prices**

Matters that have a significant impact on shareholders' income or securities prices as set forth in Subsection 2, Paragraph 3, Article 36 of the Securities and Exchange Act during 2022 and until the date of printing of the annual report shall be specified: None.

## X. Address and telephone number of the head office, branches and affiliated companies

### 群益金鼎證券股份有限公司

Capital Securities Corp.

總公司：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02)8789-8888 傳真：(02)8712-1219  
TEL：886-2-87898888 FAX：886-2-87121219

### 自營部

Proprietary Trading Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei  
City 105402, Taiwan, R.O.C.

電話：(02)8789-8888 傳真：(02)8712-3575  
TEL：886-2-87898888 FAX：886-2-87123575

### 經紀部

Brokerage Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02)8789-8888 傳真：(02)8712-3522  
TEL：886-2-87898888 FAX：886-2-87123522

### 財富管理部

Wealth Management Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei  
City 105402, Taiwan, R.O.C.

電話：(02)8789-8888 傳真：(02)8712-1136  
TEL：886-2-87898888 FAX：886-2-87121136

### 企業金融部

Investment Banking Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02)8789-8888 傳真：(02)8712-3587  
TEL：886-2-87898888 FAX：886-2-87123587

### 經紀部營業處

Brokerage Division

地址：105402 台北市松山區民生東路三段156號14樓之3  
14F.-3, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02)8780-8888 傳真：(02)8712-3796  
TEL：886-2-87808888 FAX：886-2-87123796

### 股務代理部

Registrar Agency Department

地址：106420 台北市大安區敦化南路二段97號地下二樓  
B2F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei  
City 106420, Taiwan, R.O.C.

電話：(02)2703-5000 傳真：(02)2708-5000  
TEL：886-2-27035000 FAX：886-2-27085000

### 忠孝分公司

Zhongxiao Branch

地址：106440 台北市大安區忠孝東路四段87號15樓  
15F., No.87, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei  
City 106440, Taiwan, R.O.C.

電話：(02)2777-1077 傳真：(02)2731-6236  
TEL：886-2-27771077 FAX：886-2-27316236

### 債券部

Fixed Income Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02) 8789-8888 傳真：(02)8712-3612  
TEL：886-2-87898888 FAX：886-2-87123612

### 敦南分公司

Dunnan Branch

地址：106420 台北市大安區敦化南路二段97號地下一樓之2  
B1F.-2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City  
106420, Taiwan, R.O.C.

電話：(02) 2705-2888 傳真：(02) 2701-7236  
TEL：886-2-27052888 FAX：886-2-27017236

### 衍生性商品部

Derivatives Department

地址：105402 台北市松山區民生東路三段156號11樓  
11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
Taipei City 105402, Taiwan, R.O.C.

電話：(02) 8789-8888 傳真：(02)8712-3585  
TEL：886-2-87898888 FAX：886-2-87123585

### 南京分公司

Nanjing Branch

地址：104689 台北市中山區南京東路二段71號9樓  
9F., No.71, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City  
104689, Taiwan, R.O.C.

電話：(02)2542-7088 傳真：(02)2571-6694  
TEL：886-2-25427088 FAX：886-2-25716694

### 西松分公司

#### Xisong Branch

地址：105409 台北市松山區南京東路五段213號3樓  
3F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist.,  
Taipei City 105409, Taiwan, R.O.C.

電話：(02) 2768-3388 傳真：(02) 2763-3252  
TEL：886-2-27683388 FAX：886-2-27633252

### 館前分公司

#### Guanqian Branch

地址：100414 台北市中正區重慶南路一段77號8樓  
8F., No. 77, Sec. 1, Chongqing S. Rd., Zhongzheng Dist.,  
Taipei City 100414, Taiwan, R.O.C.

電話：(02) 2361-5678 傳真：(02) 2311-9140  
TEL：886-2-23615678 FAX：886-2-23119140

### 古亭分公司

#### Guting Branch

地址：100040 台北市中正區南昌路二段85號1樓  
1F., No.85, Sec. 2, Nanchang Rd., Zhongzheng Dist.,  
Taipei City 100040, Taiwan, R.O.C.

電話：(02)2327-9288 傳真：(02)2356-7201  
TEL：886-2-23279288 FAX：886-2-23567201

### 中山分公司

#### Zhongshan Branch

地址：104410 台北市中山區林森北路372號6樓  
6F., No.372, Linsen N. Rd., Zhongshan Dist., Taipei City  
104410, Taiwan, R.O.C.

電話：(02)2100-2798 傳真：(02)2100-2780  
TEL：886-2-21002798 FAX：886-2-21002780

### 士林分公司

#### Shilin Branch

地址：111004 台北市士林區中正路118-1號1樓  
1F., No.118-1, Zhongzheng Rd., Shilin Dist., Taipei City  
111004, Taiwan, R.O.C.

電話：(02) 2838-0567 傳真：(02) 2831-2433  
TEL：886-2-28380567 FAX：886-2-28312433

### 東湖分公司

#### Donghu Branch

地址：114705 台北市內湖區成功路五段460號8樓之1  
8F.-1, No.460, Sec. 5, Chenggong Rd., Neihu Dist.,  
Taipei City 114705, Taiwan, R.O.C.

電話：(02)2633-3988 傳真：(02)2633-3987  
TEL：886-2-26333988 FAX：886-2-26333987

### 天母分公司

#### Tianmu Branch

地址：111038 台北市士林區中山北路七段18號3樓  
3F., No.18, Sec. 7, Zhongshan N. Rd., Shilin Dist., Taipei  
City 111038, Taiwan, R.O.C.

電話：(02)2876-7388 傳真：(02)2876-7377  
TEL：886-2-28767388 FAX：886-2-28767377

### 內湖分公司

#### Neihu Branch

地址：114049 台北市內湖區成功路四段50號6樓  
6F., No.50, Sec. 4, Chenggong Rd., Neihu Dist., Taipei  
City 114049, Taiwan, R.O.C.

電話：(02)2791-1999 傳真：(02)2792-5974  
TEL：886-2-27911999 FAX：886-2-27925974

### 台北分公司

#### Taipei Branch

地址：103607 台北市大同區重慶北路一段30號4樓  
4F., No.30, Sec. 1, Chongqing N. Rd., Datong Dist.,  
Taipei City 103607, Taiwan, R.O.C.

電話：(02)2556-1133 傳真：(02)2555-1297  
TEL：886-2-25561133 FAX：886-2-25551297

### 延平分公司

#### Yanping Branch

地址：103006 台北市大同區延平北路二段96號4樓  
4F., No.96, Sec. 2, Yanping N. Rd., Datong Dist., Taipei  
City 103006, Taiwan, R.O.C.

電話：(02)2555-3888 傳真：(02)2558-0964  
TEL：886-2-25553888 FAX：886-2-25580964

### 萬華分公司

#### Wanhua Branch

地址：108012 台北市萬華區桂林路31號2樓  
2F., No. 31, Guilin Rd., Wanhua Dist., Taipei City 108012,  
Taiwan, R.O.C.

電話：(02) 2375-1399 傳真：(02)2375-1998  
TEL：886-2-23751399 FAX：886-2-23751998

### 松山分公司

#### Songshan Branch

地址：105407 台北市松山區南京東路四段130號11樓  
11F., No.130, Sec. 4, Nanjing E. Rd., Songshan Dist.,  
Taipei City 105407, Taiwan, R.O.C.

電話：(02)2570-8889 傳真：(02)2570-6776  
TEL：886-2-25708889 FAX：886-2-25706776

### 大安分公司

#### Da-an Branch

地址：106662 台北市大安區忠孝東路四段169號2樓  
2F., No.169, Sec. 4, Zhongxiao E. Rd., Da' an Dist.,  
Taipei City 106662, Taiwan, R.O.C.  
電話：(02)2773-0899 傳真：(02)8771-9629  
TEL：886-2-27730899 FAX：886-2-87719629

### 市府分公司

#### Shifu Branch

地址：110065 台北市信義區忠孝東路五段293號3樓  
3F., No. 293, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei  
City 110065, Taiwan, R.O.C.  
電話：(02)2751-2288 傳真：(02)2773-8180  
TEL：886-2-27512288 FAX：886-2-27738180

### 永和分公司

#### Yonghe Branch

地址：234644 新北市永和區福和路353號2樓  
2F., No.353, Fuhe Rd., Yonghe Dist., New Taipei City  
234644, Taiwan, R.O.C.  
電話：(02)2920-7777 傳真：(02)2929-6363  
TEL：886-2-29207777 FAX：886-2-29296363

### 板橋分公司

#### Banqiao Branch

地址：220845 新北市板橋區三民路一段216號3樓  
3F., No.216, Sec. 1, Sanmin Rd., Banqiao Dist., New  
Taipei City 220845, Taiwan, R.O.C.  
電話：(02)8951-8089 傳真：(02)8951-8076  
TEL：886-2-89518089 FAX：886-2-89518076

### 土城分公司

#### Tucheng Branch

地址：236031 新北市土城區中央路一段261號1樓  
1F., No.261, Sec. 1, Zhongyang Rd., Tucheng Dist., New  
Taipei City 236031, Taiwan, R.O.C.  
電話：(02) 2262-5988 傳真：(02) 2261-0074  
TEL：886-2- 22625988 FAX：886-2- 22610074

### 新店分公司

#### Xindian Branch

地址：231031 新北市新店區中正路190號8樓  
8F.,No.190,Zhongzheng Rd.,Xindian Dist.,New Taipei  
City 231031,Taiwan,R.O.C.  
電話：(02)2912-1818 傳真：(02)2911-3568  
TEL：886-2-29121818 FAX：886-2-29113568

### 新莊分公司

#### Xinzhuang Branch

地址：242030 新北市新莊區中平路379號3樓  
3F.,No.379,Zhongping Rd.,Xinzhuang Dist.,New Taipei  
City 242030,Taiwan,R.O.C.  
電話：(02)8991-8899 傳真：(02)8991-4587  
TEL：886-2-89918899 FAX：886-2-89914587

### 丹鳳分公司

#### Danfong Branch

地址：242076 新北市新莊區富國路16號1樓  
1F., No.16, Fuguo Rd., Xinzhuang Dist., New Taipei City  
242076, Taiwan, R.O.C.  
電話：(02)2908-2388 傳真：(02)2908-2333  
TEL：886-2-29082388 FAX：886-2-29082333

### 三重分公司

#### Sanchong Branch

地址：241003 新北市三重區正義南路97號1樓  
1F., No.97, Zhengyi S. Rd., Sanchong Dist., New Taipei  
City 241003, Taiwan, R.O.C.  
電話：(02) 2973-4388 傳真：(02) 2973-4998  
TEL：886-2-29734388 FAX：886-2-29734998

### 海山分公司

#### Haishan Branch

地址：220542 新北市板橋區東門街30-2號3樓之1  
3F.-1, No.30-2, Dongmen St., Banqiao Dist., New Taipei  
City 220542, Taiwan, R.O.C.  
電話：(02)2969-9977 傳真：(02)2969-6300  
TEL：886-2-29699977 FAX：886-2-29696300

### 基隆分公司

#### Keelung Branch

地址：200005 基隆市仁愛區仁二路255號8樓  
8F., No.255, Ren 2nd Rd., Ren' ai Dist., Keelung City  
200005, Taiwan, R.O.C.  
電話：(02) 2422-1212 傳真：(02) 2426-2444  
TEL：886-2-24221212 FAX：886-2-24262444

### 桃園分公司

#### Taoyuan Branch

地址：330005 桃園市桃園區成功路一段32號4樓  
4F., No.32, Sec. 1, Chenggong Rd., Taoyuan Dist.,  
Taoyuan City 330005, Taiwan, R.O.C.  
電話：(03)337-7555 傳真：(03)337-3003  
TEL：886-3-3377555 FAX：886-3-3373003

### 中壢分公司

Zhongli Branch

地址：320676 桃園市中壢區中山路88號3樓  
3F., No.88, Zhongshan Rd., Zhongli Dist., Taoyuan City  
320676, Taiwan, R.O.C.  
電話：(03)427-8699 傳真：(03)427-8611  
TEL：886-3-4278699 FAX：886-3-4278611

### 新竹分公司

Hsinchu Branch

地址：300076 新竹市北區北大路307號8樓  
8F., No.307, Beida Rd., North Dist., Hsinchu City 300076,  
Taiwan, R.O.C.  
電話：(03)523-7777 傳真：(03)523-5555  
TEL：886-3-5237777 FAX：886-3-5235555

### 東大分公司

Dongda Branch

地址：300026 新竹市東區東大路一段118號3樓  
3F., No. 118, Sec. 1, Dongda Rd., East Dist., Hsinchu  
City 300026, Taiwan, R.O.C.  
電話：(03) 531-7777 傳真：(03) 532-7799  
TEL：886-3-5317777 FAX：886-3-5327799

### 竹南分公司

Zhunan Branch

地址：350001 苗栗縣竹南鎮民族街87號5樓  
5F., No.87, Minzu St., Zhunan Township, Miaoli County  
350001, Taiwan, R.O.C.  
電話：(037) 47-8345 傳真：(037) 46-5010  
TEL：886-37-478345 FAX：886-37-465010

### 台中分公司

Taichung Branch

地址：403513 台中市西區志明南路40號1樓  
1F., No.40, Zhongming S. Rd., West Dist., Taichung City  
403513, Taiwan, R.O.C.  
電話：(04)2320-0088 傳真：(04)2323-0317  
TEL：886-4-23200088 FAX：886-4-23230317

### 建成分公司

Jiancheng Branch

地址：401009 台中市東區建成路735號3樓  
3F., No.735, Jiancheng Rd., East Dist., Taichung City  
401009, Taiwan, R.O.C.  
電話：(04)2283-0099 傳真：(04)2283-0055  
TEL：886-4-22830099 FAX：886-4-22830055

### 民權分公司

Minquan Branch

地址：403301 台中市西區民權路91號4樓  
4F., No.91, Minquan Rd., West Dist., Taichung City 403301,  
Taiwan, R.O.C.  
電話：(04) 2220-8822 傳真：(04) 2220-4208  
TEL：886-4-22208822 FAX：886-4-22204208

### 崇德分公司

Chongde Branch

地址：406503 台中市北屯區崇德路二段416號地下一樓之1  
B1F.-1, No.416, Sec. 2, Chongde Rd., Beitun Dist., Taichung  
City 406503, Taiwan, R.O.C.  
電話：(04) 2246-8899 傳真：(04) 2246-2783  
TEL：886-4-22468899 FAX：886-4-22462783

### 中港分公司

Zhonggang Branch

地址：435058 台中市梧棲區大仁路二段369號1樓  
1F., No.369, Sec. 2, Daren Rd., Wuqi Dist., Taichung City  
435058, Taiwan, R.O.C.  
電話：(04) 2657-7599 傳真：(04) 2657-4837  
TEL：886-4-26577599 FAX：886-4-26574837

### 大甲分公司

Dajia Branch

地址：437008 台中市大甲區蔣公路295號2樓  
2F., No.295, Jianggong Rd., Dajia Dist., Taichung City  
437008, Taiwan, R.O.C.  
電話：(04)2688-2828 傳真：(04)2688-2882  
TEL：886-4-26882828 FAX：886-4-26882882

### 潭子分公司

Tanzi Branch

地址：427017 台中市潭子區興華一路418號  
No.418, Xinghua 1st Rd., Tanzi Dist., Taichung City 427017,  
Taiwan, R.O.C.  
電話：(04) 2531-9898 傳真：(04) 2531-5779  
TEL：886-4-25319898 FAX：886-4-25315779

### 彰化分公司

Changhua Branch

地址：500005 彰化縣彰化市民生路279號7樓  
7F., No.279, Minsheng Rd., Changhua City, Changhua  
County 500005, Taiwan, R.O.C.  
電話：(04)725-0888 傳真：(04)725-1366  
TEL：886-4-7250888 FAX：886-4-7251366

### 嘉義分公司

#### Chiayi Branch

地址：600009 嘉義市東區垂楊路87號1樓  
1F., No.87, Chuiyang Rd., East Dist., Chiayi City 600009,  
Taiwan, R.O.C.  
電話：(05)225-8666 傳真：(05)224-6978  
TEL：886-5-2258666 FAX：886-5-2246978

### 台南分公司

#### Tainan Branch

地址：700002 台南市中西區民生路二段76號3樓  
3F., No.76, Sec. 2, Minsheng Rd., West Central Dist.,  
Tainan City 700002, Taiwan, R.O.C.  
電話：(06)225-2588 傳真：(06)225-2388  
TEL：886-6-2252588 FAX：886-6-2252388

### 東門分公司

#### Dungmen Branch

地址：700008 台南市中西區北門路一段97號4樓  
4F., No.97, Sec. 1, Beimen Rd., West Central Dist.,  
Tainan City 700008, Taiwan, R.O.C.  
電話：(06)229-0077 傳真：(06)229-5611  
TEL：886-6-2290077 FAX：886-6-2295611

### 開元分公司

#### Kaiyuan Branch

地址：704001 台南市北區開元路280號3樓  
3F., No.280, Kaiyuan Rd., North Dist., Tainan City  
704001, Taiwan, R.O.C.  
電話：(06) 234-8899 傳真：(06) 234-8800  
TEL：886-6-2348899 FAX：886-6-2348800

### 高雄分公司

#### Kaohsiung Branch

地址：801702 高雄市前金區河東路165號1樓  
1F., No.165, Hedong Rd., Qianjin Dist., Kaohsiung City  
801702, Taiwan, R.O.C.  
電話：(07)215-0077 傳真：(07)215-1414  
TEL：886-7-2150077 FAX：886-7-2151414

### 三民分公司

#### Sanmin Branch

地址：807546 高雄市三民區大昌二路80號1樓  
1F., No.80, Dachang 2nd Rd., Sanmin Dist., Kaohsiung  
City 807546, Taiwan, R.O.C.  
電話：(07)395-2588 傳真：(07)386-9191  
TEL：886-7-3952588 FAX：886-7-3869191

### 高盛分公司

#### Gausheng Branch

地址：806002 高雄市前鎮區一心二路252號3樓  
3F., No.252, Yixin 2nd Rd., Qianzhen Dist., Kaohsiung City  
806002, Taiwan, R.O.C.  
電話：(07)330-9966 傳真：(07)330-7636  
TEL：886-7-3309966 FAX：886-7-3307636

### 北高雄分公司

#### North Kaohsiung Branch

地址：804605 高雄市鼓山區明華路317號3樓  
3F., No.317, Minghua Rd., Gushan Dist., Kaohsiung City  
804605, Taiwan, R.O.C.  
電話：(07) 555-9933 傳真：(07) 559-7000  
TEL：886-7-5559933 FAX：886-7-5597000

### 鳳山分公司

#### Fengshan Branch

地址：806017 高雄市前鎮區永豐路8號1樓  
1F., No.8, Yongfeng Rd., Qianzhen Dist., Kaohsiung City  
806017, Taiwan, R.O.C.  
電話：(07) 716-9788 傳真：(07) 716-8559  
TEL：886-7-7169788 FAX：886-7-7168559

### 瑞豐分公司

#### Rueifeng Branch

地址：802025 高雄市苓雅區三多一路174號2樓  
2F., No.174, Sanduo 1st Rd., Lingya Dist., Kaohsiung  
City 802025, Taiwan, R.O.C.  
電話：(07)721-1828 傳真：(07)711-0238  
TEL：886-7-7211828 FAX：886-7-7110238

### 屏東分公司

#### Pingtung Branch

地址：900006 屏東縣屏東市永福路9號3樓  
3F., No.9, Yongfu Rd., Pingtung City, Pingtung County  
900006, Taiwan, R.O.C.  
電話：(08) 733-9602 傳真：(08) 733-9280  
TEL：886-8-7339602 FAX：886-8-7339280

### 宜蘭分公司

#### Yilan Branch

地址：260003 宜蘭縣宜蘭市舊城南路50號5樓  
5F., No.50, Jiucheng S. Rd., Yilan City, Yilan County  
260003, Taiwan, R.O.C.  
電話：(03)933-1999 傳真：(03)932-8274  
TEL：886-3-9331999 FAX：886-3-9328274

### 國際證券業務分公司

Capital Securities Corp. Offshore Securities Unit  
 地址：105402 台北市松山區民生東路三段156號11樓之6  
 11F.-6, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
 Taipei City 105402, Taiwan, R.O.C.  
 電話：(02)8789-8888 傳真：(02)8712-3536  
 TEL：886-2-87898888 FAX：886-2-87123536

### 群益期貨股份有限公司

Capital Futures Corp.  
 地址：106420 台北市大安區敦化南路二段97號地下一樓  
 B1F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City  
 106420, Taiwan, R.O.C.  
 電話：(02)2700-2888 傳真：(02)2705-9777  
 TEL：886-2-27002888 FAX：886-2-27059777

### 群益國際資訊股份有限公司

Capital International Technology Corp.  
 地址：106420 台北市大安區敦化南路二段97號32樓  
 32F., No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City  
 106420, Taiwan, R.O.C.  
 電話：(02)2706-1077  
 TEL：886-2-27061077

### 群益志投科技(成都)有限公司

Capital True Partner Technology Co., Ltd.  
 地址：中國四川省成都市高新區天府大道北段28號茂業中心C座1718室  
 Room 1718, Block C, Maoye Center, No. 28, North Tianfu  
 Avenue, high-tech zone, Chengdu, Sichuan Province, P.R.China  
 電話：(8628)6555-2888 傳真：(8628)6555-2999  
 TEL：(8628)6555-2888 FAX：(8628)6555-2999

### 上海群期資訊科技有限公司

Capital Futures Technology (Shanghai) Co., Ltd.  
 地址：中國上海市浦東新區浦東南路360號新上海國際大廈18樓H座  
 Block H 18F., New Shanghai International Tower, No. 360  
 Pudong Nan Road, Shanghai, P.R.China  
 電話：(8621)6882-5928  
 TEL：(8621)6882-5928

### 群益證券投資顧問股份有限公司

Capital Investment Management Corp.  
 地址：105402 台北市松山區民生東路三段156號11樓之5  
 11F.-5, No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist.,  
 Taipei City 105402, Taiwan, R.O.C.  
 電話：(02) 8780-6789 傳真：(02)8712-6292  
 TEL：886-2-87806789 FAX：886-2-87126292

### 群益保險經紀人股份有限公司

Capital Insurance Advisory Corp.  
 地址：105402 台北市松山區民生東路三段156號14樓  
 14F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei  
 City 105402, Taiwan, R.O.C.  
 電話：(02)8789-6777 傳真：(02)8712-6773  
 TEL：886-2-87896777 FAX：886-2-87126773

### 群益創業投資股份有限公司

CSC Venture Capital Corp.  
 地址：105402 台北市松山區民生東路三段156號11樓  
 11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City  
 105402, Taiwan, R.O.C.  
 電話：(02)8789-9988 傳真：(02)8712-5758  
 TEL：886-2-87899988 FAX：886-2-87125758

### 群益資本管理顧問股份有限公司

CSC Capital Management Corp.  
 地址：105402 台北市松山區民生東路三段156號11樓  
 11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City  
 105402, Taiwan, R.O.C.  
 電話：(02)8789-8888 傳真：(02)8712-3587  
 TEL：886-2-87898888 FAX：886-2-87123587

### 群益一號私募股權基金股份有限公司

CSC Private Equity Fund I Corp.  
 地址：105402 台北市松山區民生東路三段156號11樓  
 11F., No. 156, Sec. 3, Minsheng E. Rd., Songshan Dist., Taipei City  
 105402, Taiwan, R.O.C.  
 電話：(02)8789-8888 傳真：(02)8712-3587  
 TEL：886-2-87898888 FAX：886-2-87123587

### 群益證券(香港)有限公司

CSC Securities (HK) Ltd.  
 地址：香港德輔道中308號 富衛金融中心 3樓  
 3F., FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong  
 電話：(852)2530-9966 傳真：(852)2104-6006  
 TEL：(852)2530-9966 FAX：(852)2104-6006

### 群益期貨(香港)有限公司

CSC Futures (HK) Ltd.  
 地址：香港德輔道中308號 富衛金融中心 3樓  
 3F., FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong  
 電話：(852)2530-9966 傳真：(852)2104-6006  
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### 群益國際控股有限公司上海辦事處

CSC International Holdings Ltd. Shanghai Rep. Office  
 地址：中國上海市浦東新區浦東南路360號新上海國際大廈18樓  
 18F., New Shanghai International Tower, No. 360 Pudong Nan  
 Road, Shanghai, P.R.China  
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 TEL：(8621)5888-7188 FAX：(8621)5888-2929