

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Three Months Ended March 31, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,091,702 thousands and \$3,496,351 thousands, constituting 1.56% and 1.99% of consolidated total assets as of March 31, 2022 and 2021, respectively, total liabilities amounting to \$269,021 thousands and \$685,155 thousands, constituting 0.17% and 0.51% of consolidated total liabilities as of March 31, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$41,608 thousands and \$(8,996) thousands, constituting 9.31% and (0.59)% of consolidated total comprehensive income (loss) for the three months ended March 31, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,535,616 thousands and \$1,532,079 thousands as of March 31, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$56,696 thousands and \$49,782 thousands for the three months ended March 31, 2022 and 2021, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$0 thousands and \$1,014 thousands for the three months ended March 31, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
May 12, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING
STANDARDS AS OF MARCH 31, 2022 AND 2021

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
110000 Cash and cash equivalents (note 6(a))	\$ 11,252,087	6	9,807,123	5	9,266,876	5
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	43,335,726	22	45,427,215	22	39,678,478	23
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	7,892,712	4	15,033,143	7	16,900,826	10
114030 Receivable for securities provided as collateral	19,068,905	10	21,115,979	10	18,428,889	11
114040 Refinancing margin	49,570	-	43,827	-	14,102	-
114050 Refinancing collateral receivable	40,974	-	36,519	-	11,743	-
114060 Receivable of securities business money lending	4,714,184	2	2,349,669	1	2,030,881	1
114070 Customers' margin account (note 6(d))	42,055,945	21	37,848,190	19	37,812,144	22
114080 Receivable - futures margin	27	-	-	-	137	-
114090 Collateral for securities borrowed	23,498	-	109,340	-	415,585	-
114100 Security borrowing margin	10,320,455	5	5,528,410	3	1,239,750	1
114110 Notes receivable	10,110	-	15,969	-	25,198	-
114130 Accounts receivable (note 6(c))	11,727,929	6	11,406,287	6	14,340,911	8
114150 Prepayments	46,957	-	32,492	-	340,319	-
114170 Other receivables	519,660	-	523,722	-	360,910	-
114300 Leverage contract trading - customers' margin account	777,255	1	624,232	-	429,988	-
114600 Current income tax assets	238	-	230	-	23,598	-
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))	27,581,229	14	26,706,922	13	16,609,008	9
119990 Other current assets-others	556,130	-	9,323,657	5	462,469	-
	179,973,591	91	185,983,038	91	158,391,812	90
Non-current assets:						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,154	-	180,596	-	180,636	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,368,513	1	3,319,193	2	2,728,892	2
124100 Investments accounted for under equity method (note 6(f))	1,535,616	1	1,478,918	1	1,532,079	1
125000 Property and equipment (notes 6(g) and 8)	2,867,876	1	3,052,798	1	3,493,847	2
125800 Right-of-use assets (notes 6(h))	826,984	1	791,630	-	855,241	-
126000 Investment property (notes 6(i) and 8)	3,822,132	2	3,651,720	2	3,259,505	2
127000 Intangible assets (note 6(j))	3,609,329	2	3,615,760	2	3,611,635	2
128000 Deferred income tax assets	85,376	-	33,568	-	72,124	-
129000 Other non-current assets	1,601,371	1	1,586,718	1	1,544,726	1
	17,896,351	9	17,710,901	9	17,278,685	10
Total assets	\$ 197,869,942	100	203,693,939	100	175,670,497	100

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STANDARDS AS OF MARCH 31, 2022 AND 2021

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2022, December 31, 2021, and March 31, 2021

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2022		December 31, 2021		March 31, 2021	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(k))	\$ 3,066,151	1	3,087,820	2	4,535,003	2
211200 Commercial paper payable (note 6(l))	12,496,030	7	8,397,806	4	9,848,928	6
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	5,903,640	3	4,999,027	3	3,969,197	2
214010 Bonds sold under repurchase agreements (note 6(n))	29,828,578	15	37,345,935	18	34,651,317	20
214040 Guarantee deposited for short sales	1,397,942	1	2,848,834	1	1,153,586	1
214050 Proceeds payable from short sales	1,557,882	1	3,246,792	2	1,276,219	1
214070 Securities lending refundable deposits	12,958,769	7	8,149,786	4	1,486,666	1
214080 Futures traders' equity (note 6(d))	42,022,524	21	37,798,393	19	37,731,051	21
214090 Equity for each customer in the account (note 6(o))	27,581,229	14	26,706,922	13	16,609,008	9
214100 Leverage contract trading - customers' equity	698,525	-	630,830	-	430,832	-
214110 Notes payable	76	-	152	-	76	-
214130 Accounts payable (note 6(p))	10,065,541	5	10,760,098	5	14,764,084	8
214150 Advance receipts	21,841	-	34,143	-	38,586	-
214160 Receipts under custody	372,527	-	8,808,150	5	166,137	-
214170 Other payables	1,022,152	1	1,358,467	1	871,552	1
214200 Other financial liabilities - current (note 6(x))	3,478,198	2	4,470,183	2	4,642,251	3
214600 Current income tax liabilities	648,835	-	613,128	-	745,505	1
215100 Provisions - current (note 6(r))	53,027	-	49,604	-	54,400	-
216000 Current lease liabilities (note 6(q))	181,292	-	164,321	-	178,463	-
219000 Other current liabilities	27,154	-	14,798	-	17,212	-
	153,381,913	78	159,485,189	79	133,170,073	76
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(x))	692,710	-	575,697	-	517,809	-
226000 Non-current lease liabilities (note 6(q))	701,855	1	685,850	-	734,700	1
228000 Deferred income tax liabilities	638,637	-	496,354	-	427,189	-
229000 Other non-current liabilities	555,763	-	977,265	1	608,532	-
	2,588,965	1	2,735,166	1	2,288,230	1
Total liabilities	155,970,878	79	162,220,355	80	135,458,303	77
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(t))	21,709,081	11	21,709,081	11	21,709,081	12
302000 Capital surplus (note 6(t))	2,743,256	1	2,743,465	1	2,743,465	2
304000 Retained earnings:						
304010 Legal reserve	2,267,833	1	2,267,833	1	1,922,939	1
304020 Special reserve	4,806,142	3	4,806,142	2	4,116,356	2
304040 Unappropriated earnings (note 6(t))	5,372,672	3	5,081,597	3	4,913,562	3
305120 Exchange differences on translation of foreign operations	(290,691)	-	(403,037)	-	(289,334)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,495,987	1	2,530,934	1	2,229,445	1
305170 Equity related to non-current assets classified as held for sale	-	-	(1,205)	-	-	-
Total equity attributable to the parent company	39,104,280	20	38,734,810	19	37,345,514	21
306000 Non-controlling interests	2,794,784	1	2,738,774	1	2,866,680	2
Total equity	41,899,064	21	41,473,584	20	40,212,194	23
Total liabilities and equity	\$ 197,869,942	100	203,693,939	100	175,670,497	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2022 and 2021

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

	For the three months ended March 31			
	2022		2021	
	Amount	%	Amount	%
Income:				
401000 Brokerage commissions (note 6(v))	\$ 1,514,422	74	1,714,691	54
402000 Revenues from securities business money lending	95	-	15	-
403000 Revenue from securities lending	118,064	6	55,715	2
404000 Underwriting commissions (note 6(v))	26,265	1	22,981	1
406000 Commissions on wealth management business	12,632	-	23,195	1
410000 Net gains (losses) on sale of trading securities (note 6(v))	1,007,313	49	1,056,546	33
421100 Securities management, distribution, and management fees	37,603	2	36,050	1
421200 Interest revenue (note 6(v))	389,585	19	402,344	13
421300 Dividend revenue	30,707	1	12,693	-
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	(958,962)	(47)	135,449	4
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements	48,543	2	51,535	2
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	10,412	1	21,452	1
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(223,743)	(11)	53,727	2
422000 Net gains (losses) from exchange traded notes (note 6(x))	117	-	33	-
422100 Management and commissions revenue from exchange traded notes (note 6(x))	2	-	3	-
422200 Net gains (losses) on stock warrants issued (note 6(v) and (x))	614,629	30	(215,009)	(7)
424100 Futures commission revenues (note 6(v))	74,271	4	97,232	3
424400 Net gains (losses) on derivative instruments - futures (note 6(x))	(768,873)	(37)	(166,231)	(5)
424500 Net gains (losses) on derivative instruments - OTC (note 6(x))	205,507	10	(151,714)	(5)
424800 Management fee revenues	151	-	940	-
424900 Consultancy fee revenue	5,651	-	5,656	-
425300 Impairment losses and reversal gains (note 6(w))	456	-	1,480	-
428000 Other operating revenues	(90,838)	(4)	17,162	-
	<u>2,054,009</u>	<u>100</u>	<u>3,175,945</u>	<u>100</u>
Expenses:				
501000 Brokerage fees	169,001	8	202,464	6
502000 Brokerage and clearing fees - proprietary trading	7,875	-	4,583	-
503000 Clearing and exchange fees - refinancing	544	-	722	-
504000 Clearing and exchange fees - underwriting	258	-	195	-
507000 Issuance and management fees on exchange traded notes (note 6(x))	377	-	85	-
521200 Financial costs	59,556	3	50,719	2
521640 Loss from securities borrowing transactions	2,180	-	2,745	-
524100 Futures commission expense (note 6(v))	96,749	5	86,705	3
524300 Cleaning and settlement expenses	49,188	2	45,902	1
528000 Other operating expenditure	7,670	-	6,672	-
531000 Employee benefits expenses (note 6(v))	761,817	37	889,809	28
532000 Depreciation and amortization expense (note 6(v))	116,019	6	117,446	4
533000 Other operating expenses (note 6(v))	542,758	27	441,738	14
	<u>1,813,992</u>	<u>88</u>	<u>1,849,785</u>	<u>58</u>
Other income (expenses):				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	56,696	3	49,782	2
602000 Other gains and losses (note 6(v))	174,470	8	170,421	5
	<u>231,166</u>	<u>11</u>	<u>220,203</u>	<u>7</u>
902001 Net income before income tax	471,183	23	1,546,363	49
701000 Less: Income tax expenses (note 6(s))	120,901	6	185,554	6
Net income	<u>350,282</u>	<u>17</u>	<u>1,360,809</u>	<u>43</u>
805000 Other comprehensive income:				
805500 Components that may not be reclassified to profit or loss in subsequent periods:				
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	112,817	5	508,872	16
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	1,030	-
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-
Subtotal of components that may not be subsequently reclassified into profit or loss	<u>112,817</u>	<u>5</u>	<u>509,902</u>	<u>16</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:				
805610 Exchange differences on translation of foreign operations	133,575	7	3,761	-
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(140,079)	(7)	(336,782)	(11)
805699 Less: Income tax related to components of other comprehensive income (note 6(s))	9,592	-	288	-
Subtotal of items that may be subsequently reclassified into profit or loss	<u>(16,096)</u>	<u>-</u>	<u>(333,309)</u>	<u>(11)</u>
805000 Other comprehensive income, net	<u>96,721</u>	<u>5</u>	<u>176,593</u>	<u>5</u>
902006 Total comprehensive income	<u>\$ 447,003</u>	<u>22</u>	<u>1,537,402</u>	<u>48</u>
Net income attributable to:				
913100 Shareholders of the parent	\$ 283,189	14	1,291,896	41
913200 Non-controlling interests	67,093	3	68,913	2
	<u>\$ 350,282</u>	<u>17</u>	<u>1,360,809</u>	<u>43</u>
Total comprehensive income attributable to:				
914100 Shareholders of the parent	\$ 368,474	18	1,459,410	46
914200 Non-controlling interests	78,529	4	77,992	2
	<u>\$ 447,003</u>	<u>22</u>	<u>1,537,402</u>	<u>48</u>
975000 Basic earnings per share (note 6(u))	<u>\$ 0.13</u>		<u>0.60</u>	
985000 Diluted earnings per share (note 6(u))	<u>\$ 0.13</u>		<u>0.59</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 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	
Balance at January 1, 2021	\$ 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 three months ended March 31, 2021	-	-	-	-	1,291,896	-	-	-	1,291,896	68,913	1,360,809
Other comprehensive income	-	-	-	-	-	3,841	163,673	-	167,514	9,079	176,593
Total comprehensive income	-	-	-	-	1,291,896	3,841	163,673	-	1,459,410	77,992	1,537,402
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	21,628	-	(21,628)	-	-	-	-
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	27	27
Balance at March 31, 2021	\$ 21,709,081	2,743,465	1,922,939	4,116,356	4,913,562	(289,334)	2,229,445	-	37,345,514	2,866,680	40,212,194
Balance at January 1, 2022	\$ 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 three months ended March 31, 2022	-	-	-	-	283,189	-	-	-	283,189	67,093	350,282
Other comprehensive income	-	-	-	-	-	112,346	(27,061)	-	85,285	11,436	96,721
Total comprehensive income	-	-	-	-	283,189	112,346	(27,061)	-	368,474	78,529	447,003
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,886	-	(7,886)	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(22,519)	(22,519)
Balance at March 31, 2022	\$ 21,709,081	2,743,256	2,267,833	4,806,142	5,372,672	(290,691)	2,495,987	-	39,104,280	2,794,784	41,899,064

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2022	2021
Cash flows from operating activities:		
Net income before tax	\$ 471,183	1,546,363
Adjustments:		
Income and expenses items:		
Depreciation expense	107,096	108,554
Amortization expense	8,923	8,892
Reversal of impairment losses	(456)	(1,480)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	948,550	(156,901)
Financial cost	59,556	50,719
Interest revenue (including financial revenue)	(432,439)	(455,818)
Dividend revenue	(30,707)	(12,693)
Loss on disposal of investments accounted for using equity method	1,210	-
Share of profit of associates and joint ventures accounted for using equity method	(56,696)	(49,782)
Losses on disposal and retirement of property and equipment	8	-
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	(4,831)	3,308
Impairment loss on non-financial assets	1,250	1,206
Subtotal of income of non-cash activities	<u>601,464</u>	<u>(503,995)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	1,148,918	(4,325,860)
Decrease in financial assets at fair value through other comprehensive income	7,086,804	1,560,045
Decrease (increase) in receivable for securities provided as collateral	2,047,057	(3,428,857)
Decrease (increase) in refinancing margin	(5,743)	83,612
Decrease (increase) in receivable on refinancing collateral	(4,455)	73,518
Decrease (increase) in receivable of securities business money lending	(2,364,515)	279,349
Decrease (increase) in customers' margin account	(4,207,755)	537,688
Decrease (increase) in margin receivable of futures trading	28	(73)
Decrease in collateral for securities borrowed	85,842	380,677
Increase in security borrowing margin	(4,792,045)	(478,935)
Decrease (increase) in notes receivable	5,859	(2,419)
Increase in accounts receivable	(335,324)	(3,289,835)
Increase in prepayments	(14,465)	(303,006)
Increase in other receivables	(974)	(218,392)
Increase in leverage contract trading - customers' margin account	(153,023)	(77,026)
Decrease in other current assets	8,767,527	1,351,399
Decrease (increase) in other non-current assets	(14,596)	39,422
Increase in financial liabilities at fair value through profit or loss	904,613	338,501
Decrease in bonds sold under repurchase agreements	(7,517,357)	(614,265)
Decrease in guarantee deposited for short sales	(1,450,892)	(1,478,177)
Decrease in proceeds payable from short sales	(1,688,910)	(1,745,030)
Increase in securities lending refundable deposits	4,808,983	453,241
Increase (decrease) in futures traders' equity	4,224,131	(585,570)
Increase in leverage contract trading - customers' equity	67,695	78,776
Decrease in notes payable	(76)	(76)
Increase (decrease) in accounts payable	(686,948)	4,019,409
Increase (decrease) in advance receipts	(12,302)	3,109
Decrease in receipts under custody	(8,435,623)	(1,470,380)
Decrease in other payable	(336,731)	(229,763)
Increase in provision - current	3,423	4,231
Increase(decrease) in other current liabilities	12,356	(2,417)
Increase (decrease) in other financial liabilities	(874,972)	408,970
Decrease in other non-current liabilities	(421,502)	(237,083)
Total changes in assets and liabilities from operating activities	<u>(4,154,972)</u>	<u>(8,875,217)</u>
Total adjustments	<u>(3,553,508)</u>	<u>(9,379,212)</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the three months ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Cash generated from (used in) operating activities	\$ (3,082,325)	(7,832,849)
Interest received	453,899	453,228
Dividends received	24,163	6,349
Interest paid	(66,854)	(51,878)
Income taxes paid	(4,310)	(14,713)
Net Cash flows used in operating activities	<u>(2,675,427)</u>	<u>(7,439,863)</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(18,738)	(65,681)
Decrease (increase) in deferred debits	(207)	3
Acquisition of property and equipment	(43,119)	(87,402)
Proceeds from disposal of property and equipment	41	-
Acquisition of intangible assets	(3,510)	(2,061)
Proceeds from disposal of non-current assets held-for-sale	51,031	-
Net cash flows used in investing activities	<u>(14,502)</u>	<u>(155,141)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(21,669)	863,892
Increase in commercial papers payable	4,098,224	7,549,236
Payment of lease liabilities	(49,417)	(52,069)
Acquisition of ownership interests in subsidiaries	(23,653)	-
Proceed from right of inclusion options exercised	-	62
Net cash flows provided by financing activities	<u>4,003,485</u>	<u>8,361,121</u>
Effect of exchange rate changes on cash and cash equivalents	<u>131,408</u>	<u>3,677</u>
Increase in cash and cash equivalents	1,444,964	769,794
Cash and cash equivalents, beginning of period	9,807,123	8,497,082
Cash and cash equivalents, end of period	<u>\$ 11,252,087</u>	<u>9,266,876</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 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 March 31, 2022, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of March 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 presented to the board of directors on May 12, 2022, and issued afterwards.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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 new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the 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 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as the consolidated financial statements as of and for the year ended December 31, 2021. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2021 for the detail disclosures of significant accounting policies.

(b) Basis of preparation

(i) Basis of measurement

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

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

(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 amounts have been rounded to the nearest thousand, unless otherwise indicated.

(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		
			March 31, 2022	December 31, 2021	March 31, 2021
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %	100.00 % (Note 1)
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 % (Note 2)
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 % (Note 3)
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 % (Note 4)
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 % (Note 5)
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	97.27 %	97.27 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 % (Note 6)
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 % (Note 6)
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 % (Note 6)
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 % (Note 2)
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 % (Note 2)
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 % (Note 3)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	- %	(Note 5)

Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total assets amounted to \$122,615 and \$119,857, and the total liabilities amounted to \$39,813 and \$44,124, respectively. The total comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$3,434 and \$(147), respectively.

Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total consolidated assets amounted to \$1,710,474 and \$2,154,071, and the total consolidated liabilities amounted to \$214,973 and \$628,090, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$(29,861) and \$(3,657), respectively.

Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total consolidated assets amounted to \$52 and \$26, and the total consolidated liabilities amounted to \$0 and \$15, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$(337) and \$(275), respectively.

Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total assets amounted to \$898,219 and \$849,125, and the total liabilities amounted to \$7,635 and \$10,180, respectively. The total comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$99,131 and \$(2,176), respectively.

Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total assets amounted to \$320,723 and \$329,329, and the total liabilities amounted to \$1,912 and \$215, respectively. The total comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$(29,396) and \$(628), respectively.

Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2022 and 2021, the total consolidated assets amounted to \$39,619 and \$43,943, and the total consolidated liabilities amounted to \$4,688 and \$2,531, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2022 and 2021 were \$(1,363) and \$(2,113), respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of March 31, 2022, December 31, 2021 and March 31, 2021, the total assets constituted 0.02%, 0.02% and 0.03% of the Group's total assets, respectively. For the three months ended March 31, 2022 and 2021, the operation revenue constituted 0.72% and 0.40% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of the investor</u>	<u>Subsidiaries</u>	<u>Business type</u>	<u>Ratio of Equity Ownership</u>			<u>Note</u>
			<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of March 31, 2022, December 31, 2021 and March 31, 2021, the total assets constituted 0.06%, 0.05% and 0.05% of the Group's total assets, respectively. For the three months ended March 31, 2022 and 2021, the operation revenue constituted 2.46% and 0.85% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

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

(e) Income tax

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

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

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

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

The preparation of the consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Firms and IAS 34 "Interim Financial Reporting" requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In these consolidated financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2021.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Except the following disclosures, there were no material differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2021 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2021 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash	\$ 2,868	3,021	2,734
Bank deposits			
Checking accounts	71,717	25,007	34,965
Demand deposits	<u>2,939,206</u>	<u>2,334,466</u>	<u>1,836,998</u>
Subtotal	<u>3,010,923</u>	<u>2,359,473</u>	<u>1,871,963</u>
Cash equivalents			
Time deposits	5,723,866	5,757,638	5,762,838
Futures margin - excess margin	2,514,430	1,676,997	1,564,472
Commercial papers	<u>-</u>	<u>9,994</u>	<u>64,869</u>
Subtotal	<u>8,238,296</u>	<u>7,444,629</u>	<u>7,392,179</u>
Total	<u>\$ 11,252,087</u>	<u>9,807,123</u>	<u>9,266,876</u>

(b) Financial assets

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 169,074	184,074	209,589
Valuation adjustment	<u>4,487</u>	<u>1,645</u>	<u>8,176</u>
Subtotal	<u>173,561</u>	<u>185,719</u>	<u>217,765</u>
Securities invested by securities broker			
Securities invested by securities broker	28,593	37,931	69,329
Valuation adjustment	<u>(3,699)</u>	<u>(2,531)</u>	<u>6,546</u>
Subtotal	<u>24,894</u>	<u>35,400</u>	<u>75,875</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Trading securities - proprietary trading			
Listed stocks	\$ 2,508,783	2,075,807	1,467,820
Listed funds	2,946,610	2,221,337	1,087,096
OTC stocks	390,253	377,385	306,716
OTC funds	349,015	220,838	151,470
Emerging market stocks	524,062	466,424	593,497
Convertible bonds	566,461	677,306	842,957
Government bonds	968,114	2,826,231	2,477,390
Corporate bonds	11,663,016	11,013,683	8,866,818
International bonds	5,782,402	5,601,278	6,231,721
Financial debentures	1,656,815	1,757,778	1,157,778
Foreign stocks	149,118	117,593	326,843
Foreign bonds	116,283	249,209	252,728
Others	<u>61,972</u>	<u>1,980</u>	<u>15,300</u>
	27,682,904	27,606,849	23,778,134
Valuation adjustment	<u>(190,258)</u>	<u>170,316</u>	<u>272,080</u>
Subtotal	<u>27,492,646</u>	<u>27,777,165</u>	<u>24,050,214</u>
Trading securities - underwriting			
Listed stocks	67,791	34,488	211,043
Convertible bonds	<u>56,655</u>	<u>58,498</u>	<u>28,550</u>
	124,446	92,986	239,593
Valuation adjustment	<u>4,313</u>	<u>5,175</u>	<u>7,231</u>
Subtotal	<u>128,759</u>	<u>98,161</u>	<u>246,824</u>
Trading securities - hedging			
Listed stocks	2,962,427	4,294,213	3,815,253
OTC stocks	513,987	1,052,623	1,142,864
Convertible bonds	9,828,045	9,224,117	7,064,313
Others	<u>809,716</u>	<u>1,007,075</u>	<u>1,829,401</u>
	14,114,175	15,578,028	13,851,831
Valuation adjustment	<u>(123,886)</u>	<u>469,008</u>	<u>540,862</u>
Subtotal	<u>13,990,289</u>	<u>16,047,036</u>	<u>14,392,693</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Derivatives			
Buy options	\$ 112,702	61,687	19,465
Futures margin - proprietary fund	611,188	564,132	356,976
IRS asset swaps	17,595	13,301	14,090
Asset swap options - long position	558,184	555,469	230,695
Leverage derivatives - non-hedging	140,557	81,844	60,019
Structured notes	4,095	4,183	7,678
Currency swaps	79,771	635	6,184
Equity derivatives	<u>1,485</u>	<u>2,483</u>	<u>-</u>
Subtotal	<u>1,525,577</u>	<u>1,283,734</u>	<u>695,107</u>
Total	<u><u>\$ 43,335,726</u></u>	<u><u>45,427,215</u></u>	<u><u>39,678,478</u></u>

As of March 31, 2022, December 31, 2021 and March 31, 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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 1,811,480	2,216,205	2,219,626
International bonds	458,000	442,880	798,810
Foreign bonds	<u>5,030,466</u>	<u>11,805,725</u>	<u>12,798,576</u>
	7,299,946	14,464,810	15,817,012
Valuation adjustment	<u>(25,259)</u>	<u>112,543</u>	<u>257,340</u>
Subtotal	<u>7,274,687</u>	<u>14,577,353</u>	<u>16,074,352</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	318,491	288,563	563,867
OTC stocks	73,279	44,743	98,352
Emerging market stocks	<u>195,900</u>	<u>86,868</u>	<u>53,689</u>
	587,670	420,174	715,908
Valuation adjustment	<u>30,355</u>	<u>35,616</u>	<u>110,566</u>
Subtotal	<u>618,025</u>	<u>455,790</u>	<u>826,474</u>
Total	<u><u>\$ 7,892,712</u></u>	<u><u>15,033,143</u></u>	<u><u>16,900,826</u></u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

For the three months ended March 31, 2022 and 2021, the dividends were recognized from the Group designated the aforementioned equity instrument investments measured at fair value through other comprehensive income – current amounted to \$1,062 and \$200, 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 \$120,802 and \$96,980, respectively, cumulative dispose gains (losses) for the three months ended March 31, 2022 and 2021, amounted to \$7,886 and \$21,628, 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 three months ended March 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).

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 181,457	181,457	180,329
Valuation adjustment	<u>(2,303)</u>	<u>(861)</u>	<u>307</u>
Total	<u>\$ 179,154</u>	<u>180,596</u>	<u>180,636</u>

As of March 31, 2022, December 31, 2021 and March 31, 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).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 990,953	1,051,825	945,135
Valuation adjustment	<u>2,377,560</u>	<u>2,267,368</u>	<u>1,783,757</u>
Total	<u>\$ 3,368,513</u>	<u>3,319,193</u>	<u>2,728,892</u>

For the three months ended March 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 \$0, respectively.

For the three months ended March 31, 2022 and 2021, the Group did not sell equities recognized in FVOCI-non-current.

- (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 three months ended March 31, 2022 and 2021 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	March 31, 2022	December 31, 2021	March 31, 2021	For the three months ended March 31,					
				2022			2021		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,745,358	1,761,408	1,736,406	1,754,375	1,811,101	1,706,667	1,600,090	1,736,406	1,527,654

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Accounts Receivable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Receivable on securities purchased by customers	\$ 62,609	132,534	196,919
Settlement	1,446,730	995,267	256,454
Interests receivable	540,507	560,798	439,688
Receivables on securities sold	9,527,266	9,598,623	13,357,849
Others	<u>150,817</u>	<u>119,115</u>	<u>90,044</u>
Subtotal	11,727,929	11,406,337	14,340,954
Less: allowance for doubtful accounts	<u>-</u>	<u>(50)</u>	<u>(43)</u>
Total	<u>\$ 11,727,929</u>	<u>11,406,287</u>	<u>14,340,911</u>

(i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(w).

(ii) For the three months ended March 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).

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

As of March 31, 2022, December 31, 2021 and March 31, 2021, a reconciliation of the customers' margin account and the futures traders' equity was as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Customers' margin account			
Cash in banks	\$ 30,647,094	26,264,654	27,971,815
Customers' margin account - futures clearing house	7,266,417	7,926,606	6,064,525
Customers' margin account - other futures commission merchants	4,139,028	3,652,626	3,774,442
Marketable securities	<u>3,406</u>	<u>4,304</u>	<u>1,362</u>
Total customers' margin account	<u>42,055,945</u>	<u>37,848,190</u>	<u>37,812,144</u>
Add:			
Commission expense	3,300	3,439	1,730
Other	30,171	364	6
Less:			
Brokerage fee revenue	(13,912)	(12,674)	(12,188)
Futures transaction tax	(2,426)	(1,652)	(2,523)
Interest revenues	(451)	(523)	(762)
Temporary receipts	(572)	(3,122)	(27,122)
Remittance amount of the customers after the market closed	(18,381)	(7,535)	(10,071)
Other receivable	<u>(31,150)</u>	<u>(28,094)</u>	<u>(30,163)</u>
Futures traders' equity	<u>\$ 42,022,524</u>	<u>37,798,393</u>	<u>37,731,051</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

On November 11, 2021, the Board of Directors of the subsidiary Capital Future 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. All shares would be transferred on February 15, 2022. 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.

(f) Investments accounted for under equity method

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 76,702	60,571	58,363
Capital Insurance Agency Corp.	<u>39,409</u>	<u>38,364</u>	<u>39,644</u>
Subtotal	<u>116,111</u>	<u>98,935</u>	<u>98,007</u>
Associates			
True Partner Advisor Hong Kong Ltd.	-	-	49,762
Capital Investment Trust Corp.	1,419,200	1,379,659	1,384,310
EnnoCap Venture Inc.	<u>305</u>	<u>324</u>	<u>-</u>
Subtotal	<u>1,419,505</u>	<u>1,379,983</u>	<u>1,434,072</u>
Total	<u><u>\$ 1,535,616</u></u>	<u><u>1,478,918</u></u>	<u><u>1,532,079</u></u>

(i) Subsidiaries:

For the three months ended March 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 three months ended March 31,</u>		
	<u>2022</u>	<u>2021</u>	
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 17,175</u>	<u>6,831</u>	
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Total assets	<u>\$ 158,720</u>	<u>144,295</u>	<u>126,826</u>
Total liabilities	<u>\$ 42,609</u>	<u>45,360</u>	<u>28,819</u>
	<u>For the three months ended March 31,</u>		
	<u>2022</u>	<u>2021</u>	
Revenue	<u>\$ 65,272</u>	<u>39,676</u>	
Net income	<u>\$ 17,175</u>	<u>6,831</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		
			March 31, 2022	December 31, 2021	March 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 %	49.00 %
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %	20.00 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00 %	40.00 %	- %

On November 11, 2021, the Board of Directors of the subsidiary Capital Future 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 would be transferred on February 15, 2022, please refer to Note 6(e) for details.

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:

	March 31, 2022	December 31, 2021	March 31, 2021
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,419,505</u>	<u>1,379,983</u>	<u>1,434,072</u>
		For the three months ended March 31,	
		2022	2021
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations		\$ 39,521	42,951
Other comprehensive income (losses)		-	1,014
Total comprehensive income (losses)		\$ <u>39,521</u>	<u>43,965</u>

(iii) Collateral

As of March 31, 2022, December 31, 2021 and March 31, 2021, none of the investment accounted for under equity method of the Group was pledged for collateral.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) The unreviewed financial statements of investments accounted for using equity method

For investments accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed by the independent auditors.

(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	-	-	22,405	20,714	43,119
Transferred from investment property	2,028	1,414	-	-	3,442
Reclassified to investment property	(122,364)	(71,725)	-	-	(194,089)
Disposals and retirements	-	-	(24,164)	(32,806)	(56,970)
Effect of exchange rate changes	-	2,361	1,937	347	4,645
Balance at March 31, 2022	<u>\$ 1,812,694</u>	<u>1,131,292</u>	<u>644,637</u>	<u>252,978</u>	<u>3,841,601</u>
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	86,312	1,090	87,402
Transferred from investment property	238,339	135,004	-	-	373,343
Disposals and retirements	-	-	(45,011)	(27,499)	(72,510)
Effect of exchange rate changes	-	193	(119)	(6)	68
Balance at March 31, 2021	<u>\$ 2,229,192</u>	<u>1,451,001</u>	<u>648,891</u>	<u>241,895</u>	<u>4,570,979</u>
Depreciation and impairment loss					
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	5,894	33,955	13,844	53,693
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(15,473)	-	-	(15,473)
Disposals and retirements	-	-	(24,115)	(32,806)	(56,921)
Effect of exchange rate changes	-	1,149	1,531	75	2,755
Balance at March 31, 2022	<u>\$ -</u>	<u>486,547</u>	<u>352,448</u>	<u>134,730</u>	<u>973,725</u>
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	7,142	31,711	12,706	51,559
Transferred from investment property	-	26,765	-	-	26,765
Disposals and retirements	-	-	(45,011)	(27,499)	(72,510)
Effect of exchange rate changes	-	90	(118)	(7)	(35)
Balance at March 31, 2021	<u>\$ -</u>	<u>611,624</u>	<u>331,448</u>	<u>134,060</u>	<u>1,077,132</u>
Carrying amount:					
At March 31, 2022	<u>\$ 1,812,694</u>	<u>644,745</u>	<u>292,189</u>	<u>118,248</u>	<u>2,867,876</u>
At January 1, 2022	<u>\$ 1,933,030</u>	<u>705,280</u>	<u>303,382</u>	<u>111,106</u>	<u>3,052,798</u>
At March 31, 2021	<u>\$ 2,229,192</u>	<u>839,377</u>	<u>317,443</u>	<u>107,835</u>	<u>3,493,847</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At March 31, 2022	\$ <u>806,849</u>	<u>20,135</u>	<u>826,984</u>
At January 1, 2022	\$ <u>776,945</u>	<u>14,685</u>	<u>791,630</u>
At March 31, 2021	\$ <u>845,276</u>	<u>9,965</u>	<u>855,241</u>
		<u>For the three months ended March 31,</u>	
		2022	2021
Additions of Right-of-use assets		\$ <u>81,342</u>	<u>56,998</u>
Depreciation of Right-of-use assets for the period			
Buildings		45,209	50,228
Others		1,927	1,743
		\$ <u>47,136</u>	<u>51,971</u>

(i) Investment property

Movements in investment property of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At March 31, 2022	\$ <u>3,143,013</u>	<u>679,119</u>	<u>3,822,132</u>
At January 1, 2022	\$ <u>3,022,677</u>	<u>629,043</u>	<u>3,651,720</u>
At March 31, 2021	\$ <u>2,726,515</u>	<u>532,990</u>	<u>3,259,505</u>
<u>Fair Value:</u>			
At March 31, 2022			<u>7,719,027</u>
At January 1, 2022			<u>7,520,041</u>
At March 31, 2021			<u>6,843,083</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 March 31, 2022, December 31, 2021 and March 31, 2021, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months ended March 31, 2022 and 2021, the depreciation expense of the investment property of the Group amounted to \$6,267 and \$5,024, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the three months ended March 31, 2022 and 2021. For the three months ended March 31, 2022 and 2021, \$178,616 and \$0 of land and buildings out of use, which were for lease, were transferred to investment property, and \$2,427 and \$346,578 of investment property were transferred to property and equipment. Please refer to Note 6 (i) of the consolidated financial statements as of and for the year ended December 31, 2021 for other relevant information.

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:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Within 1 year	\$ 162,522	156,076	145,797
1-5 years	487,654	484,702	483,564
Over 5 years	216,133	217,936	327,547
	<u>\$ 866,309</u>	<u>858,714</u>	<u>956,908</u>

The rental revenue from investment property for the three months ended March 31, 2022 and 2021 amounted to \$43,808 and \$38,668, respectively.

- (j) Intangible assets
- (i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts were all \$3,126,698.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of goodwill were \$14,683, \$15,933 and \$19,678, respectively. Furthermore, the Group recognized an impairment loss of \$1,250 and \$1,206 for the three months ended March 31, 2022 and 2021 respectively, by using discount rate of 4.60% and 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of March 31, 2022, December 31, 2021 and March 31, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amounts of intangible assets were \$46,137, \$46,084 and \$46,145, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of March 31, 2022, December 31, 2021 and March 31, 2021, the amortized book value were \$31,812, \$37,046 and \$29,115, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Collateralized loan	\$ -	1,336,944	1,352,559
Credit loan	3,066,151	1,750,876	3,182,444
Total	<u>\$ 3,066,151</u>	<u>3,087,820</u>	<u>4,535,003</u>
Interest rate range	<u>0.58%~1.70%</u>	<u>0.60%~1.46%</u>	<u>0.47%~0.90%</u>

As of March 31, 2022, December 31, 2021 and March 31, 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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Commercial paper payable	\$ 12,500,000	8,400,000	9,850,000
Less: Unamortized discount	(3,970)	(2,194)	(1,072)
Net amount	<u>\$ 12,496,030</u>	<u>8,397,806</u>	<u>9,848,928</u>
Interest rate range	<u>0.428%~0.848%</u>	<u>0.448%~0.588%</u>	<u>0.288%~0.338%</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(m) Financial liabilities at fair value through profit or loss

	March 31, 2022	December 31, 2021	March 31, 2021
Liabilities on sale of borrowed securities	\$ 2,561,514	1,036,721	613,518
Redeem liabilities on sale of borrowed securities	(8,198)	-	-
Valuation adjustment	<u>8,329</u>	<u>18,741</u>	<u>(38,679)</u>
Subtotal	<u>2,561,645</u>	<u>1,055,462</u>	<u>574,839</u>
Settlement coverage bonds payable of short sale	49,014	-	-
Valuation adjustment	<u>188</u>	<u>-</u>	<u>-</u>
Subtotal	<u>49,202</u>	<u>-</u>	<u>-</u>
Liabilities for issuance of Exchange Traded Notes	781	781	868
Valuation adjustment	<u>43</u>	<u>162</u>	<u>224</u>
Subtotal	<u>824</u>	<u>943</u>	<u>1,092</u>
Stock warrants issued	17,893,596	18,396,778	14,894,525
Stock warrants repurchased	<u>(17,133,204)</u>	<u>(17,130,305)</u>	<u>(13,576,694)</u>
Subtotal	<u>760,392</u>	<u>1,266,473</u>	<u>1,317,831</u>
Sale options	79,660	51,288	53,801
IRS asset swaps	45,776	42,823	20,896
Asset swap options - short position	2,211,630	2,270,540	1,432,548
Structured notes	185,067	286,362	561,808
Leverage derivatives - non-hedging	8,693	16,671	799
Currency swaps	-	7,417	5,356
Interest rate swaps	126	397	227
Equity derivatives	<u>625</u>	<u>651</u>	<u>-</u>
Subtotal	<u>2,531,577</u>	<u>2,676,149</u>	<u>2,075,435</u>
Total	<u>\$ 5,903,640</u>	<u>4,999,027</u>	<u>3,969,197</u>

(n) Bonds sold under repurchase agreements

	March 31, 2022	December 31, 2021	March 31, 2021
Bonds sold under repurchase agreements	<u>\$ 29,828,578</u>	<u>37,345,935</u>	<u>34,651,317</u>
Agreed-upon repurchase amounts	<u>29,851,562</u>	<u>37,375,943</u>	<u>34,696,706</u>
Interest rates	<u>0.11%~0.80%</u>	<u>0.00%~0.55%</u>	<u>0.09%~2.55%</u>
Date of repurchase	<u>2022.4.1~2023.3.23</u>	<u>2022.1.3~2022.12.22</u>	<u>2021.4.1~2022.3.30</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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.

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Equity for each customer in the account	\$ <u>27,581,229</u>	<u>26,706,922</u>	<u>16,609,008</u>

(p) Accounts payable

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Payable of securities sold by customers	\$ 65,047	106,032	183,283
Payable of settlements	9,816,339	10,514,342	14,412,145
Others	<u>184,155</u>	<u>139,724</u>	<u>168,656</u>
Total	<u>\$ 10,065,541</u>	<u>10,760,098</u>	<u>14,764,084</u>

(q) Lease liabilities

The Group’s lease liabilities are as follow:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current	\$ <u>181,292</u>	<u>164,321</u>	<u>178,463</u>
Non-current	<u>\$ 701,855</u>	<u>685,850</u>	<u>734,700</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>2,816</u>	<u>3,058</u>
Expenses relating to short-term leases	\$ <u>1,342</u>	<u>1,610</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ <u>2,065</u>	<u>1,508</u>
Covid-19-related rent concessions	\$ <u>108</u>	<u>-</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>55,640</u>	<u>58,245</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(r) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2021 and 2020.

For the three months ended March 31, 2022 and 2021, the Group's pension expenses recognized in profit or loss were \$1,152 and \$2,102, respectively.

(ii) Defined contribution plan

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

The Group contributed \$27,036 and \$24,697 under defined contribution plan to the Bureau of the Labor Insurance for the three months ended March 31, 2022 and 2021, respectively.

(iii) For the three months ended March 31, 2022 and 2021, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,049 and \$1,166, respectively.

(iv) Provision for employee benefits liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Compensated absences	\$ 53,027	49,604	54,400

(s) Income tax

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

The Company and its subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp. and CSC Capital Management Co. are founded in Taiwan. The corporate income tax rates are both 20% for the three months ended March 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 three months ended March 31, 2022 and 2021.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the three months ended March 31, 2022 and 2021.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the three months ended March 31, 2022 and 2021.

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 40,017	180,219
Deferred income tax expense (benefit)	80,884	5,335
Total	<u>\$ 120,901</u>	<u>185,554</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Foreign exchange difference from translating financial statement of foreign operations	\$ <u>9,592</u>	<u>288</u>

(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 2020 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 30, 2021, and has not had a case of profit-seeking enterprise income tax.

(v) Income tax administrative relief

Since the tax losses carried forward in year 2015 were assessed differently from those reported by the Company, and the Company has filed for administrative relief. The additional tax was accrued based on conservative concept.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Capital and other equity

(i) Capital stock

As of March 31, 2022, December 31, 2021 and March 31, 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:

	March 31, 2022	December 31, 2021	March 31, 2021
Premium from stock issuance	\$ 1,661,604	1,661,604	1,661,604
Treasury stock transactions	486,556	486,556	486,556
Paid-in capital from merger	563,715	563,715	563,715
Difference between consideration transferred and carrying amount of subsidiaries acquired and disposed	1,042	1,251	1,251
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,339</u>	<u>30,339</u>
	<u>\$ 2,743,256</u>	<u>2,743,465</u>	<u>2,743,465</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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated 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 January 21, 2022, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative deduction in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders’ equity, the earnings may be distributed based on the reversal proportion.

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

3) Undistributed earnings

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

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

The Company’s fiscal year 2021 earnings distribution proposed by the board meeting on April 7, 2022 and fiscal year 2020 earnings distribution resolved by the shareholders’ meeting on July 14, 2021, were as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Dividends per share (dollar)</u>	<u>Amount</u>	<u>Dividends per share (dollar)</u>
Cash dividends	<u>\$ 3,581,998</u>	1.65	<u>2,387,999</u>	1.10

The information about the appropriations is available at the Market Observation Post System website.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months ended March 31, 2022 and 2021 were calculated as follows:

	For the three months ended March 31,	
	2022	2021
Net income attributable to common shareholders of the Company	\$ <u>283,189</u>	<u>1,291,896</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>0.13</u>	<u>0.60</u>
Effect of potentially dilutive common stock	<u>472</u>	<u>1,135</u>
- Employee remuneration (thousands of shares) (Note)		
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,171,380</u>	<u>2,172,043</u>
Dilutive earnings per share (dollar)	\$ <u>0.13</u>	<u>0.59</u>

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

(v) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the three months ended March 31,	
	2022	2021
Brokerage commission from TSE market	\$ 763,293	923,409
Brokerage commission from OTC market	217,016	255,740
Handling fee from security financing	8,504	7,345
Futures commission income - brokerage	488,439	467,289
Overseas subsidiaries	5,791	16,125
Others	<u>31,379</u>	<u>44,783</u>
	\$ <u>1,514,422</u>	<u>1,714,691</u>

(ii) Underwriting commissions

	For the three months ended March 31,	
	2022	2021
Revenue from underwriting securities on a firm commitment basis	\$ 21,039	16,956
Handling fee revenues from underwriting securities on consignment	128	120
Processing fee revenues from underwriting operations	2,948	4,209
Revenue from underwriting consultation	1,530	1,080
Others	<u>620</u>	<u>616</u>
	\$ <u>26,265</u>	<u>22,981</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Gains (losses) on securities sold - proprietary trading	\$ 1,000,458	429,356
Gains (losses) on securities sold - underwriting	5,323	4,706
Gains (losses) on securities sold - hedging	<u>1,532</u>	<u>622,484</u>
	<u>\$ 1,007,313</u>	<u>1,056,546</u>

(iv) Interest revenue

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest revenue - margin loans	\$ 250,056	209,173
Interest revenue - bonds	95,480	138,622
Overseas subsidiaries	4,628	12,999
Others	<u>39,421</u>	<u>41,550</u>
	<u>\$ 389,585</u>	<u>402,344</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Trading securities - proprietary	\$ (365,018)	59,790
Trading securities - underwriting	(862)	2,839
Trading securities - hedging	(592,894)	72,820
Settlement coverage bonds payable of short sale	<u>(188)</u>	<u>-</u>
	<u>\$ (958,962)</u>	<u>135,449</u>

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

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Gains on changes in fair value of stock warrants	\$ 12,868,287	(338,776)
Gains on exercise of stock warrants before maturity	11,927,649	9,124,292
Losses on changes in fair value of stock warrants repurchased	(24,108,855)	(8,942,983)
Gains on expiration of stock warrants	7,064	7,226
Stock warrants issuance expenses	<u>(79,516)</u>	<u>(64,768)</u>
	<u>\$ 614,629</u>	<u>(215,009)</u>

(vii) Futures commission revenues

	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 74,271</u>	<u>97,232</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(viii) Commission expenses - future

	For the three months ended March 31,	
	2022	2021
Future trading - reconsignment	\$ 74,689	60,357
Future trading - introducing brokers	276	354
Commission expenses - CSC Futures (HK) Ltd.	<u>21,784</u>	<u>25,994</u>
	<u>\$ 96,749</u>	<u>86,705</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended March 31,	
	2022	2021
Employee benefit expenses		
Salary expense	\$ 655,865	790,067
Health and labor insurance expense	59,806	55,736
Pension expense	29,237	27,965
Others	16,909	16,041
Depreciation expense	107,096	108,554
Amortization expense	<u>8,923</u>	<u>8,892</u>
	<u>\$ 877,836</u>	<u>1,007,255</u>

(x) Other operating expenses

	For the three months ended March 31,	
	2022	2021
Rental expense	\$ 3,411	3,113
Taxes	163,441	137,415
Information technology expense	79,347	57,645
Postage expense	53,636	53,957
Professional service fee	5,123	6,550
Other expenses	<u>237,800</u>	<u>183,058</u>
	<u>\$ 542,758</u>	<u>441,738</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(xi) Other gains and losses

	For the three months ended March 31,	
	2022	2021
Financial revenue	\$ 42,854	53,474
Currency exchange gains (losses)	18,429	3,306
Net gains (losses) on disposal of investment	(18,083)	13,828
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	4,831	(3,308)
Revenue from bank's allocation fee	54,092	45,392
Net gains (losses) on disposal of property and equipment	(8)	-
Gains on reversal of prior year's liabilities	14,193	14,775
Rental income	43,808	38,668
Others	14,354	4,286
	\$ 174,470	170,421

(xii) Remuneration to employees and directors

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

If there is accumulated deficit, specific amount shall be retained to cover, and appropriate the remainder in the aforementioned percentage as remuneration to employees and directors.

For the three months ended March 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$7,764 and \$17,714, respectively, and to directors were \$9,468 and \$26,570, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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 three months ended March 31, 2022 and 2021, the estimated amounts of remuneration to employees were \$3,193 and \$2,350 and to directors were \$3,203 and \$2,350 by the domestic subsidiaries of the Group, respectively.

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of March 31, 2022, December 31, 2021 and March 31, 2021, the maximum credit exposure amounted to \$151,918,070, \$152,088,665 and \$136,250,319, 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 86.96%); secondly, is in Asia (accounted for 7.96%, exclusion of Taiwan); then, is in America (accounted for 3.17%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Taiwan	\$ 132,102,968	126,675,667	108,583,404
Asia (Taiwan is excluded)	12,088,939	13,198,006	15,278,231
Europe	2,866,475	4,515,220	3,863,644
America	4,810,059	7,649,360	8,508,666
Other	<u>49,629</u>	<u>50,412</u>	<u>16,374</u>
Total	<u>\$ 151,918,070</u>	<u>152,088,665</u>	<u>136,250,319</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impairment loss

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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>	<u>Gross carrying amount</u>	<u>Allowance</u>
Not past due	\$ 36,061,416	30,711	35,425,789	30,132	35,198,472	36,744
Past due 0~30 days	-	-	-	-	140	140
Past due 31~120 days	3,801	3,801	906	906	148	148
Past due 121~360 days	17,482	17,482	18,148	18,148	32	32
Past due more than 360 days	242,425	242,425	240,988	240,988	275,894	275,894
	<u>\$ 36,325,124</u>	<u>294,419</u>	<u>35,685,831</u>	<u>290,174</u>	<u>35,474,686</u>	<u>312,958</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 March 31, 2022, December 31, 2021 and March 31, 2021, the impairment losses of receivables were \$294,419, \$290,174 and \$312,958, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Group including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2021.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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The loss allowance provision for the three months ended March 31, 2022 and 2021 was as follows:

	<u>12-month ECL</u>		<u>Lifetime ECL -not credit impaired</u>		<u>Lifetime ECL -credit impaired</u>		<u>Total</u>
	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	
Balance on January 1, 2022	\$ -	6,779	-	-	290,174	-	296,953
Provision or reversal of Impairment loss	-	(4,218)	-	-	3,762	-	(456)
Amounts written off	-	-	-	-	(175)	-	(175)
Effect of exchange rate	-	-	-	-	658	-	658
Balance on March 31, 2022	<u>\$ -</u>	<u>2,561</u>	<u>-</u>	<u>-</u>	<u>294,419</u>	<u>-</u>	<u>296,980</u>
	<u>12-month ECL</u>		<u>Lifetime ECL -not credit impaired</u>		<u>Lifetime ECL -credit impaired</u>		<u>Total</u>
	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	<u>Accrued receivables</u>	<u>Debt securities at FVOCI</u>	
Balance on January 1, 2021	\$ -	9,391	-	-	313,934	-	323,325
Provision or reversal of Impairment loss	-	(1,429)	-	-	(51)	-	(1,480)
Amounts written off	-	-	-	-	(870)	-	(870)
Effect of exchange rate	-	-	-	-	(55)	-	(55)
Balance on March 31, 2021	<u>\$ -</u>	<u>7,962</u>	<u>-</u>	<u>-</u>	<u>312,958</u>	<u>-</u>	<u>320,920</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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.

March 31, 2022	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 2,561,645	2,561,645	2,561,645	-	-	-	-
Settlement coverage bonds payable of short sale	49,202	49,202	49,202	-	-	-	-
Stock warrants issued	760,392	760,392	669,771	88,882	1,739	-	-
Put options	79,660	79,660	79,660	-	-	-	-
Exchange traded notes	824	824	824	-	-	-	-
Equity derivatives	625	625	625	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	45,902	45,902	57	2,128	19,594	24,123	-
Asset swap option - short position	2,211,630	2,211,630	101,157	168,412	876,601	1,065,460	-
Leverage derivatives - non- hedging	8,693	8,693	8,693	-	-	-	-
Structured notes	185,067	185,067	9,457	84	151,547	23,979	-
Short-term borrowings	3,066,151	3,066,151	3,066,151	-	-	-	-
Commercial paper payable	12,496,030	12,500,000	12,500,000	-	-	-	-
Bonds sold under repurchase agreements	29,828,578	29,851,562	26,460,881	3,390,681	-	-	-
Guarantee deposited for short sales	1,397,942	1,397,942	1,397,942	-	-	-	-
Proceeds payable from short sales	1,557,882	1,557,882	1,557,882	-	-	-	-
Securities lending refundable deposits	12,958,769	12,958,769	12,958,769	-	-	-	-
Futures traders' equity	42,022,524	42,022,524	42,022,524	-	-	-	-
Equity for each customer in the account	27,581,229	27,581,229	27,581,229	-	-	-	-
Leverage contract trading customers' equity	698,525	698,525	698,525	-	-	-	-
Notes payable and accounts payable	184,232	184,232	184,232	-	-	-	-
Receipts under custody	372,527	372,527	372,527	-	-	-	-
Other payables	1,022,152	1,022,152	1,020,145	2,007	-	-	-
Other financial liabilities	4,170,908	4,170,908	3,329,772	148,426	547,787	144,923	-
Lease liabilities	883,147	914,314	94,792	96,450	179,583	405,826	137,663
	<u>\$ 144,144,236</u>	<u>144,202,357</u>	<u>136,726,462</u>	<u>3,897,070</u>	<u>1,776,851</u>	<u>1,664,311</u>	<u>137,663</u>

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	<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	51,288	51,288	51,288	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	651	651	651	-	-	-	-
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	-
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 paper 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
	<u>\$ 149,414,699</u>	<u>149,479,594</u>	<u>138,313,765</u>	<u>7,719,305</u>	<u>1,649,497</u>	<u>1,635,111</u>	<u>161,916</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<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>
March 31, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 574,839	574,839	574,839	-	-	-	-
Stock warrants issued	1,317,831	1,317,831	1,202,554	115,277	-	-	-
Put options	53,801	53,801	53,801	-	-	-	-
Exchange traded notes	1,092	1,092	1,092	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	26,479	26,479	3,357	3,120	10,623	9,379	-
Asset swap option - short position	1,432,548	1,432,548	46,321	188,466	539,946	657,815	-
Leverage derivatives - non- hedging	799	799	799	-	-	-	-
Structured notes	561,808	561,808	13,206	537	-	548,065	-
Short-term borrowings	4,535,003	4,535,003	4,535,003	-	-	-	-
Commercial papers payable	9,848,928	9,850,000	9,850,000	-	-	-	-
Bonds sold under repurchase agreements	34,651,317	34,696,706	26,188,636	8,508,070	-	-	-
Guarantee deposited for short sales	1,153,586	1,153,586	1,153,586	-	-	-	-
Proceeds payable from short sales	1,276,219	1,276,219	1,276,219	-	-	-	-
Securities lending refundable deposits	1,486,666	1,486,666	1,486,666	-	-	-	-
Futures traders' equity	37,731,051	37,731,051	37,731,051	-	-	-	-
Equity for each customer in the account	16,609,008	16,609,008	16,609,008	-	-	-	-
Leverage contract trading customers' equity	430,832	430,832	430,832	-	-	-	-
Notes payable and accounts payable	709,616	709,616	709,616	-	-	-	-
Receipts under custody	166,137	166,137	166,137	-	-	-	-
Other payables	871,552	871,552	869,568	1,984	-	-	-
Other financial liabilities	5,160,060	5,160,060	4,349,682	292,569	201,526	316,283	-
Lease liabilities	913,163	928,762	98,949	89,143	141,767	364,210	234,693
	<u>\$ 119,512,335</u>	<u>119,574,395</u>	<u>107,350,922</u>	<u>9,199,166</u>	<u>893,862</u>	<u>1,895,752</u>	<u>234,693</u>

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(iii) Currency risk

1) Currency risk exposure

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

	March 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,090,141	28.6250	31,205,286
AUD	4,537	21.4200	97,183
CAD	88	22.8800	2,013
CHF	179	30.9350	5,537
EUR	10,625	31.9200	339,150
GBP	2,688	37.6200	101,123
HKD	175,051	3.6560	639,986
JPY	1,059,454	0.2353	249,290
SGD	974	21.1600	20,610
CNY	143,030	4.5060	644,493
ZAR	603	1.9820	1,195
KRW	861,806	0.0238	20,511
NZD	92	19.8900	1,830
THB	3,322	0.8651	2,874
MYR	29	6.5360	190
DKK	4	4.2900	17
VND	6,667,230	0.0012	8,001
<u>Non-Monetary Item</u>			
USD	339,522	28.6250	9,718,817
AUD	69,789	21.4200	1,494,880
EUR	4,077	31.9200	130,138
GBP	5	37.6200	188
HKD	1,762	3.6560	6,442
JPY	20,383	0.2353	4,796
CNY	10,254	4.5060	46,205
ZAR	1	1.9820	2

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	March 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,492,828	28.6250	42,732,202
AUD	69,474	21.4200	1,488,133
CAD	1	22.8800	23
CHF	39	30.9350	1,206
EUR	14,059	31.9200	448,763
GBP	2,558	37.6200	96,232
HKD	329,537	3.6560	1,204,787
JPY	1,028,484	0.2353	242,002
SGD	712	21.1600	15,066
CNY	57,860	4.5060	260,717
ZAR	9	1.9820	18
KRW	825,377	0.0238	19,644
THB	1,517	0.8651	1,312
MYR	14	6.5360	92
<u>Non-Monetary Item</u>			
USD	219	28.6250	6,269
CAD	6	22.8800	137
CNY	560	4.5060	2,523
NZD	4	19.8900	80

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	December 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
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
<u>Non-Monetary Item</u>			
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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

				December 31, 2021
<u>Financial liabilities</u>	<u>Foreign Currency</u>	<u>(thousands)</u>	<u>Exchange Rate</u>	<u>Amount</u>
<u>Monetary Item</u>				
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
<u>Non-Monetary Item</u>				
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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 725,698	28.5350	20,707,792
AUD	3,403	21.7100	73,879
CAD	4	22.6500	91
CHF	69	30.2750	2,089
EUR	8,336	33.4800	279,089
GBP	2,853	39.2300	111,923
HKD	162,831	3.6700	597,590
JPY	780,636	0.2577	201,170
SGD	5,590	21.2100	118,564
CNY	163,895	4.3440	711,960
ZAR	443	1.9200	851
KRW	402,622	0.0254	10,227
NZD	42	19.9500	838
THB	4,779	0.9149	4,372
MYR	164	6.5725	1,078
<u>Non-Monetary Item</u>			
USD	567,438	28.5350	16,191,843
AUD	124,113	21.7100	2,694,493
EUR	16,163	33.4800	541,137
HKD	2,965	3.6700	10,882
JPY	34,794	0.2577	8,966
CNY	191,506	4.3440	831,902
ZAR	3	1.9200	6
<u>Investments under equity method</u>			
HKD	13,559	3.6700	49,762

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	March 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,264,088	28.5350	36,070,751
AUD	118,067	21.7100	2,563,235
CHF	52	30.2750	1,574
EUR	22,912	33.4800	767,094
GBP	2,765	39.2300	108,471
HKD	263,978	3.6700	968,799
JPY	787,875	0.2577	203,035
SGD	636	21.2100	13,490
CNY	148,593	4.3440	645,488
ZAR	9	1.9200	17
KRW	382,619	0.0254	9,719
THB	3,954	0.9149	3,618
MYR	150	6.5725	986
<u>Non-Monetary Item</u>			
USD	2	28.5350	57
GBP	8	39.2300	314
JPY	1,594	0.2577	411

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months ended March 31, 2022 and 2021, the realized and unrealized currency exchange gains (losses) amounted to \$(109,649) and \$(15,160), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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, 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 three months ended March 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 three months ended March 31, 2022		For the three months ended March 31, 2021	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(289,948)	289,948	(483,286)
Other comprehensive income	218,818	(218,818)	555,027	(555,027)

(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.

<u>Market risk type</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>For the three months ended March 31,</u>					
				<u>2022</u>			<u>2021</u>		
				<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest risk	1,453,750	1,598,692	1,373,366	1,533,298	1,612,479	1,453,750	1,423,772	1,510,260	1,373,366

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of March 31, 2022, December 31, 2021 and March 31, 2021, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 11,252,087	11,252,087	9,807,123	9,807,123	9,266,876	9,266,876
Accrued receivable	74,056,779	74,056,779	67,836,874	67,836,874	53,500,712	53,500,712
Customers' margin account	42,055,945	42,055,945	37,848,190	37,848,190	37,812,144	37,812,144
Leverage contract trading - customers' margin account	777,255	777,255	624,232	624,232	429,988	429,988
Restricted assets - current	206,106	206,106	285,135	285,135	181,915	181,915
Other non-current assets	1,543,072	1,543,072	1,510,089	1,510,089	1,486,205	1,486,205
Financial liabilities:						
Short-term borrowings	3,066,151	3,066,151	3,087,820	3,087,820	4,535,003	4,535,003
Commercial paper payable	12,496,030	12,496,030	8,397,806	8,397,806	9,848,928	9,848,928
Bonds sold under repurchase agreements	29,828,578	29,828,578	37,345,935	37,345,935	34,651,317	34,651,317
Accrued payable	55,626,794	55,626,794	62,492,329	62,492,329	37,072,833	37,072,833
Futures traders' equity	42,022,524	42,022,524	37,798,393	37,798,393	37,731,051	37,731,051
Leverage contract trading - customers' equity	698,525	698,525	630,830	630,830	430,832	430,832
Other financial liabilities - current	3,478,198	3,478,198	4,470,183	4,470,183	4,642,251	4,642,251
Other financial liabilities - non- current	692,710	692,710	575,697	575,697	517,809	517,809
Other non-current liabilities	99,735	99,735	98,265	98,265	98,892	98,892

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>
Investment property				
March 31, 2022	\$ -	-	<u>7,719,027</u>	<u>7,719,027</u>
December 31, 2021	\$ -	-	<u>7,520,041</u>	<u>7,520,041</u>
March 31, 2021	\$ -	-	<u>6,843,083</u>	<u>6,843,083</u>

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- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, 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.

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>
March 31, 2022				
Financial assets at fair value through profit or loss	\$ 12,407,912	29,581,391	-	41,989,303
Financial assets at fair value through other comprehensive income	2,422,250	5,470,462	3,368,513	11,261,225
Derivative financial assets	<u>723,890</u>	<u>801,687</u>	<u>-</u>	<u>1,525,577</u>
	<u>\$ 15,554,052</u>	<u>35,853,540</u>	<u>3,368,513</u>	<u>54,776,105</u>
Financial liabilities at fair value through profit or loss	\$ 3,372,063	-	-	3,372,063
Derivative financial liabilities	<u>255,186</u>	<u>2,276,391</u>	<u>-</u>	<u>2,531,577</u>
	<u>\$ 3,627,249</u>	<u>2,276,391</u>	<u>-</u>	<u>5,903,640</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
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	<u>625,819</u>	<u>657,915</u>	<u>-</u>	<u>1,283,734</u>
	<u>\$ 18,752,237</u>	<u>41,888,717</u>	<u>3,319,193</u>	<u>63,960,147</u>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	<u>325,714</u>	<u>2,350,435</u>	<u>-</u>	<u>2,676,149</u>
	<u>\$ 2,648,592</u>	<u>2,350,435</u>	<u>-</u>	<u>4,999,027</u>
March 31, 2021				
Financial assets at fair value through profit or loss	\$ 14,244,606	24,919,401	-	39,164,007
Financial assets at fair value through other comprehensive income	3,074,991	13,825,835	2,728,892	19,629,718
Derivative financial assets	<u>376,441</u>	<u>318,666</u>	<u>-</u>	<u>695,107</u>
	<u>\$ 17,696,038</u>	<u>39,063,902</u>	<u>2,728,892</u>	<u>59,488,832</u>
Financial liabilities at fair value through profit or loss	\$ 1,893,762	-	-	1,893,762
Derivative financial liabilities	<u>601,866</u>	<u>1,473,569</u>	<u>-</u>	<u>2,075,435</u>
	<u>\$ 2,495,628</u>	<u>1,473,569</u>	<u>-</u>	<u>3,969,197</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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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 three months ended March 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.

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

(In Thousands Dollars)

Item	For the three months ended March 31, 2022								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 3,319,193	-	148,883	66	-	-	-	99,629	3,368,513

Item	For the three months ended March 31, 2021								
	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	-	441,807	-	-	-	-	-	2,728,892

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

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

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

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	· Price-to-Book Ratio · Discount for lack of marketability	· The higher the multiple, the higher fair value. · The higher the discount for lack of marketability, the lower the fair value.
Financial assets at fair value through other comprehensive income - equity instruments without an active market - venture capital corporation	Net Asset Value Method	· Net Asset Value	Not applicable

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
March 31, 2022		
Financial assets fair value through other comprehensive income	\$ <u>33,685</u>	<u>(33,685)</u>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>33,192</u>	<u>(33,192)</u>
March 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>27,289</u>	<u>(27,289)</u>

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

- (vi) Transfer of financial assets

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

Types of financial assets	March 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	\$ <u>31,243,293</u>	<u>29,828,578</u>	<u>-</u>	<u>-</u>	<u>-</u>

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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	\$ <u>39,185,058</u>	<u>37,345,935</u>	<u>-</u>	<u>-</u>	<u>-</u>

March 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	\$ <u>36,418,370</u>	<u>34,651,317</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the 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:

March 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	\$ <u>801,687</u>	<u>-</u>	<u>801,687</u>	<u>-</u>	<u>-</u>	<u>801,687</u>

March 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	\$ 2,451,917	-	2,451,917	-	-	2,451,917
Under repurchase agreements	29,828,578	-	29,828,578	29,828,578	-	-
Total	\$ <u>32,280,495</u>	<u>-</u>	<u>32,280,495</u>	<u>29,828,578</u>	<u>-</u>	<u>2,451,917</u>

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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

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	-	-
Total	\$ 39,970,796	-	39,970,796	37,345,935	-	2,624,861

March 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	\$ 318,666	-	318,666	-	-	318,666

March 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	\$ 2,021,634	-	2,021,634	-	-	2,021,634
Under repurchase agreements	34,651,317	-	34,651,317	34,651,317	-	-
Total	\$ 36,672,951	-	36,672,951	34,651,317	-	2,021,634

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

(x) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements as of and for the year ended December 31, 2021.

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As of March 31, 2022, December 31, 2021 and March 31, 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	March 31, 2022		December 31, 2021		March 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 36,956,721	-	22,242,386	-	24,155,107	-

The Group collects premium from investors prior to issuing stock warrants, and therefore, does not assume any credit risk.

(ii) Market risk:

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

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

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

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(v) Presentation of financial derivatives

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

1) For the three months ended March 31, 2022 and 2021:

a) Gains (losses) on valuation

	<u>For the three months ended March 31,</u>		<u>Account</u>
	<u>2022</u>	<u>2021</u>	
Stock warrants issued	\$ 21,788,747	6,976,519	Gains (losses) on stock warrants issued
Stock warrants repurchased	(21,256,829)	(7,099,636)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended March 31,</u>		<u>Account</u>
	<u>2022</u>	<u>2021</u>	
Security borrowing	\$ (4,255)	41,471	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(138,886)	343,739	Gains (losses) on sale of trading securities
Futures transaction	57,555	(166,435)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended March 31,</u>		<u>Account</u>
	<u>2022</u>	<u>2021</u>	
Stock warrants issued	\$ 3,014,253	1,816,223	Gains (losses) on stock warrants issued
Stock warrants repurchased	(2,852,026)	(1,843,347)	Gains (losses) on stock warrants issued

Exchange traded notes

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

<u>Financial Instruments</u>	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
Exchange traded notes issued	\$ 824	-	943	-	1,092	-

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

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(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:

	December 31,			Account
	March 31, 2022	2021	March 31, 2021	
Margin - exchange traded notes	\$ 25	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes	824	943	1,092	Financial liabilities at fair value through profit or loss - current
		For the three months ended March 31,		
		2022	2021	Account
Gains (losses) on exchange traded notes	\$	117	33	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes		2	3	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes		(377)	(85)	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 March 31, 2022, December 31, 2021 and March 31, 2021.

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

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(ii) Market risk:

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

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

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

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

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

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

(iv) Presentation of financial derivatives:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Account</u>
Futures margin - proprietary fund	\$ 611,188	564,132	356,976	Financial assets at fair value through profit or loss - current
Excess futures margin	2,514,430	1,676,997	1,564,472	Cash and cash equivalent
Buy options	112,702	61,687	19,465	Financial assets at fair value through profit or loss - current
Sale options	79,660	51,288	53,801	Financial liabilities at fair value through profit or loss - current
		<u>For the three months ended March 31,</u>		
		<u>2022</u>	<u>2021</u>	<u>Account</u>
Gains (losses) on futures transactions		\$ (768,873)	(166,231)	Gains (losses) on derivatives - futures

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Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
NT dollar interest swaps	\$ 11,400,000	-	9,900,000	-	10,600,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	March 31, 2022		December 31, 2021		March 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 414,014	-	883,000	-	1,109,000	-
Principal guaranteed notes	3,178,824	-	3,729,644	-	3,872,758	-
Credit-linked notes	850,400	-	769,300	-	791,200	-
Principal guaranteed notes (in USD thousands)	USD -	-	USD -	-	USD 100	-

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	March 31, 2022		December 31, 2021		March 31, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 2,794,000	-	2,478,500	-	1,254,300	-
Convertible bond options	10,831,500	-	10,283,100	-	7,331,200	-

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.

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

2) Market risk:

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

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

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	March 31, 2022		December 31, 2021		March 31, 2021	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ 159,637	-	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.

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

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

(v) Leverage derivatives

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

Financial Instruments	March 31, 2022		December 31, 2021		March 31, 2021	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 2,860,622	-	3,800,382	-	1,991,991	-
Leverage derivatives-short position	2,851,148	-	3,787,547	-	1,992,863	-

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

2) Market risk:

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

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

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

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(vi) Presentation of derivative instruments in financial statement

As of March 31, 2022, December 31, 2021 and March 31, 2021, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps and currency swaps were presented on the balance sheets as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 17,595	13,301	14,090
Asset swap options-long position	558,184	555,469	230,695
Leverage derivatives - non-hedging	140,557	81,844	60,019
Structured notes	4,095	4,183	7,678
Currency swaps	79,771	635	6,184
Equity derivatives	<u>1,485</u>	<u>2,483</u>	<u>-</u>
Total	<u>\$ 801,687</u>	<u>657,915</u>	<u>318,666</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 45,776	42,823	20,896
Asset swap options-short position	2,211,630	2,270,540	1,432,548
Leverage derivatives - non-hedging	8,693	16,671	799
Structured notes	185,067	286,362	561,808
Currency swaps	-	7,417	5,356
Interest rate swaps	126	397	227
Equity derivatives	<u>625</u>	<u>651</u>	<u>-</u>
Total	<u>\$ 2,451,917</u>	<u>2,624,861</u>	<u>2,021,634</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 3,478,198</u>	<u>4,470,183</u>	<u>4,642,251</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 692,710</u>	<u>575,697</u>	<u>517,809</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended March 31, 2022 and 2021, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, currency swaps and interest rate swaps are presented on statements of income as follows:

	For the three months ended March 31, 2022		For the three months ended March 31, 2021	
	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)	Gains (losses) on derivative instruments - OTC	Unrealized Gains (losses)
Interest rate swaps	\$ (215)	(126)	(111)	(227)
Equity derivatives	5,882	1,542	-	-
Structured notes	44,844	89,988	50,156	56,631
IRS asset swaps	(104)	(227)	(32)	(6,807)
Asset swap options	31,466	382,189	(228,336)	(182,395)
Currency swaps	86,274	79,771	6,107	829
Leverage derivatives - non-hedging	37,360	66,691	20,502	(2,388)
Total	\$ 205,507	619,828	(151,714)	(134,357)

(vii) Managing interest rate benchmark reform

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 (referred to as ‘IBOR reform’). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. 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 Group’s remaining IBOR exposures at the reporting date are corporate debt securities indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). The Group had finished the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2021. These clauses automatically switch the instrument from USD LIBOR to SOFR when US dollar LIBOR either ceases to be provided or is no longer representative. Please refer to Note 6(x)7. of the consolidated financial statements for the year ended December 31, 2021 for further details.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on March 31, 2022, December 31, 2021 and March 31, 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	
March 31, 2022								
Financial assets								
Corporate bonds	USD	158,500	USD	153,500	-		-	
Financial liabilities								
Credit loan	USD	5,000	USD	5,000	-		-	
December 31, 2021								
Financial assets								
Corporate bonds	USD	163,500	USD	158,500	-		-	
Financial liabilities								
Credit loan	USD	4,000	USD	4,000	-		-	
March 31, 2021								
Financial assets								
Corporate bonds	USD	203,000	USD	198,000	-		-	
Financial liabilities								
Secured bank loans	USD	47,400	USD	47,400	-		-	
Credit loan	USD	79,500	USD	79,500	EUR	500	EUR	500

(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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	March 31, 2022	December 31, 2021	March 31, 2021
Capital adequacy ratio	363 %	358 %	349 %

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the three months ended March 31, 2022 and 2021, were as follows:

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

	January 1, 2022	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	March 31, 2022
Lease liabilities	\$ 850,171	(52,233)	84,053	1,156	-	883,147
				Non-cash changes		
	January 1, 2021	Cash flows	Other	Foreign exchange movement	Fair value changes	March 31, 2021
Lease liabilities	\$ 910,350	(55,127)	58,012	(72)	-	913,163

(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
Other related parties	Key management personnel

(c) Key management personnel transactions

(i) Key management personnel compensation

	For the three months ended March 31,	
	2022	2021
Short-term employee benefits	\$ 138,521	135,442
Post-employment benefits	664	625
Total	\$ 139,185	136,067

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Bonds sold under repurchase agreements

	March 31, 2022		December 31, 2021		March 31, 2021	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Other related parties	\$ 8,225	8,327	8,036	8,128	8,207	8,284
Total financial expenses				For the three months ended March 31,		
				2022	2021	
Other related parties				\$ 7	5	

(iii) Structured notes transactions - remaining balance

	March 31, 2022	December 31, 2021	March 31, 2021
	Other related parties	\$ 75,700	49,300

(iv) Futures transactions

	March 31, 2022	December 31, 2021	March 31, 2021
	Futures traders' equity		
Other related parties	\$ 588	763	-

(v) Brokerage and sub-brokerage

	For the three months ended March 31,	
	2022	2021
Brokerage commissions		
Other related parties	\$ 779	843
Re-consigned handling commissions		
Other related parties	\$ 57	134

(vi) Other revenue

	For the three months ended March 31,	
	2022	2021
Other revenue		
Other related parties	\$ 8	11
Advance receipts		
Other related parties	\$ 7	2

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Accrued receivable

<u>Accrued receivable</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Other related parties	\$ <u>-</u>	<u>-</u>	<u>9</u>

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 37,000	37,000	27,000	27,000	54,000	54,000
Funds issued by associate	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>40,052</u>	<u>39,789</u>
Total	<u>\$ 117,000</u>	<u>117,000</u>	<u>27,000</u>	<u>27,000</u>	<u>94,052</u>	<u>93,789</u>

<u>Total financial expenses</u>	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 21	23
Funds issued by associate	<u>17</u>	<u>130</u>
Total	<u>\$ 38</u>	<u>153</u>

Transaction terms are the same as the general clients.

(ii) Futures transactions

<u>Futures traders' equity</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Funds issued by associates	\$ <u>267,676</u>	<u>269,049</u>	<u>316,808</u>

Transaction terms are the same as the general clients.

(iii) Lease agreements

<u>Lease revenue</u>	<u>For the three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Associates	\$ <u>4,309</u>	<u>4,309</u>

<u>Guarantee deposits received</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Associates	\$ <u>3,811</u>	<u>3,811</u>	<u>3,811</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Insurance commission revenues

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

Commission revenues		For the three months ended March 31,	
		2022	2021
Subsidiaries		\$ <u>3,873</u>	<u>1,946</u>
Accounts receivable		December 31,	
		March 31, 2022	2021
Subsidiaries	\$	<u>2,736</u>	<u>3,667</u>
			<u>1,209</u>

(v) Brokerage and sub-brokerage

Brokerage commissions		For the three months ended March 31,	
		2022	2021
Funds issued by associate		\$ <u>11,195</u>	<u>9,441</u>
Re-consigned handling commissions		For the three months ended March 31,	
		2022	2021
Funds issued by associate	\$	<u>2,707</u>	<u>4,198</u>

(vi) Fund services business

Fund services revenue		For the three months ended March 31,	
		2022	2021
Associates		\$ <u>586</u>	<u>1,281</u>
Channel services revenue		For the three months ended March 31,	
		2022	2021
Associates	\$	<u>586</u>	<u>1,281</u>
Account receivable		December 31,	
		March 31, 2022	2021
Associates	\$	<u>357</u>	<u>509</u>
			<u>841</u>

(vii) Wealth management business

Trust account commissions revenue		For the three months ended March 31,	
		2022	2021
Associates		\$ <u>957</u>	<u>3,444</u>
Trust account management fee revenue		For the three months ended March 31,	
		2022	2021
Associates	\$	<u>329</u>	<u>211</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Underwriting business

Stock service income		For the three months ended March 31,	
		2022	2021
Associates		\$ 30	30
Accounts receivable		December 31,	
		March 31, 2022	2021
Associates		\$ 10	10
		March 31, 2021	March 31, 2021
		10	10

(ix) Other revenue

Other revenue		For the three months ended March 31,	
		2022	2021
Associates		\$ 1	1

(x) Custody account business

Custody account business revenue		For the three months ended March 31,	
		2022	2021
Second-level subsidiaries (note)		\$ 1,413	1,848
Accounts receivable		December 31,	
		March 31, 2022	2021
Second-level subsidiaries (note)		\$ 507	571
		March 31, 2021	March 31, 2021
		507	640

(xi) Accrued receivable

Accounts receivable/ Other receivable		March 31, 2022	December 31,	March 31, 2021
			2021	
Subsidiaries		\$ 100	84	97
Associates		1	-	1
Total		\$ 101	84	98

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.

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>The collateral use</u>
Restricted assets - current	\$ 206,106	285,135	181,915	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)	30,683,030	38,081,111	35,100,037	Repurchase agreement
Property (net amount)	1,894,052	2,071,440	1,912,430	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,154	180,596	180,636	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property (net amount)	3,350,888	3,183,055	3,145,829	Bank borrowings
Total	<u>\$ 36,363,105</u>	<u>43,801,337</u>	<u>40,520,847</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	585,814	\$ 5,858,140	612,683	6,126,830	609,685	6,096,850
Collateral for margin purchase	10,824	108,240	11,332	113,321	7,101	71,013
Lending securities to customers through short sales	22,737	227,370	41,166	411,660	37,604	376,040
Collateral for short sales	1,179	11,790	7,659	76,588	4,123	41,230

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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	317	\$ 3,170	491	4,910	1,023	10,230

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Promissory notes	<u>\$ 25,010,000</u>	<u>24,660,000</u>	<u>21,980,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>	<u>USD 85,000</u>

(d) As of March 31, 2022, December 31, 2021 and March 31, 2021, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$10,142,790, \$7,342,642 and \$7,971,570, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 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 March 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.

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of March 31, 2022, December 31, 2021 and March 31, 2021, the open positions of futures and option contracts were as follows:

(i) March 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 :						
	TAIEX Futures	Long	151	\$ 513,791	526,014	
	TAIEX Futures	Short	429	(1,504,737)	(1,510,382)	
	Mini-TAIEX Futures	Long	61	51,178	51,475	
	Mini-TAIEX Futures	Short	922	(808,224)	(810,574)	
	Electronic Sector Index Futures	Long	35	115,133	115,345	
	Electronic Sector Index Futures	Short	69	(226,818)	(227,410)	
	Finance Sector Index Futures	Long	2	3,565	3,636	
	Finance Sector Index Futures	Short	87	(161,684)	(163,160)	
	Mini-Finance Sector Futures	Long	316	146,965	148,157	
	Single Stock Futures	Long	7,779	1,364,389	1,361,350	
	Single Stock Futures	Short	4,930	(1,122,398)	(1,130,428)	
	HHI Futures	Short	1	(1,382)	(1,375)	
	HSI Futures	Short	11	(43,984)	(44,217)	
	Mini-HSI Futures	Short	8	(6,455)	(6,432)	
	E-Mini-Nasdaq Futures	Long	1	8,517	8,512	
	E-Mini-Nasdaq Futures	Short	9	(78,023)	(76,611)	
	Micro E-Mini-Nasdaq Futures	Short	10	(8,406)	(8,512)	
	Copper Futures	Short	9	(29,878)	(30,599)	
	Gold Futures	Short	11	(62,003)	(61,527)	
	Silver Futures	Short	5	(17,928)	(17,986)	
	FTSE China A50 Index Futures	Long	271	106,645	106,656	
	FTSE China A50 Index Futures	Short	676	(260,819)	(266,050)	
	Micro E-mini S&P 500 Futures	Long	21	13,411	13,618	
	TOPIX Futures	Short	7	(29,277)	(32,061)	
	Crude Oil Futures	Short	27	(79,792)	(77,504)	
	Brent Crude Oil Futures	Long	1	3,466	2,997	
	Brent Crude Oil Futures	Short	184	(580,733)	(551,508)	
	Mini-Weekly Stock Index Futures	Long	121	107,008	106,831	
	SGX Nikkei 225 Index Futures	Short	11	(32,618)	(35,971)	
	Mini-TOPIX Futures	Short	40	(18,097)	(18,320)	
	2 Year U.S. T-Note Futures	Short	1	(6,143)	(6,066)	
	10 Year U.S. T-Note Futures	Short	2	(7,132)	(7,035)	
	30 Year U.S. Treasury Bonds	Short	4	(16,963)	(17,182)	
	Ultra U.S. Treasury Bond	Short	29	(144,165)	(147,036)	
	US Dollar Index Futures	Short	17	(48,211)	(47,864)	
	Mini Electronic Futures	Long	3	1,236	1,236	
	Mini Electronic Futures	Short	185	(75,874)	(76,208)	
	E-Mini Russell 2000 Index Futures	Short	3	(8,912)	(8,873)	
	Subtotal			(2,945,352)		

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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	4,030	\$ 65,540	77,920	
	TAIEX Options (Put)	Long	3,235	32,464	24,136	
	TAIEX Options (Call)	Short	3,102	(30,318)	(24,601)	
	TAIEX Options (Put)	Short	3,666	(56,348)	(47,024)	
	Stock Options (Call)	Long	54	2,109	2,501	
	Stock Options (Put)	Long	96	826	1,155	
	Stock Options (Call)	Short	17	(223)	(324)	
	TAIEX Weekly Options (Call)	Long	812	2,601	2,047	
	TAIEX Weekly Options (Put)	Long	1,055	2,731	3,032	
	TAIEX Weekly Options (Call)	Short	796	(3,416)	(2,418)	
	TAIEX Weekly Options (Put)	Short	486	(2,923)	(3,542)	
	Finance Insurance Index Options (Call)	Long	69	398	1,449	
	Finance Insurance Index Options (Put)	Long	59	339	74	
	Finance Insurance Index Options (Call)	Short	68	(152)	(454)	
	Finance Insurance Index Options (Put)	Short	59	(308)	(38)	
	Electronic Sector Index Options (Call)	Long	39	295	179	
	Electronic Sector Index Options (Put)	Long	19	266	209	
	Electronic Sector Index Options (Call)	Short	132	(1,509)	(1,256)	
	Electronic Sector Index Options (Put)	Short	62	(644)	(3)	
	Subtotal			11,728		
Total				\$ (2,933,624)		

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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)		

(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	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				\$ <u>(3,598,295)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) March 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	60	\$ 197,616	197,018	
	TAIEX Futures	Short	231	(750,819)	(756,448)	
	Mini-TAIEX Futures	Long	107	81,820	86,490	
	Mini-TAIEX Futures	Short	363	(297,276)	(298,016)	
	Electronic Sector Index Futures	Long	2	6,504	6,561	
	Single Stock Futures	Long	772	253,231	254,507	
	Single Stock Futures	Short	3,959	(776,907)	(790,862)	
	Mini-HSI Futures	Short	54	(56,290)	(56,117)	
	Coffee Futures	Long	3	4,122	3,964	
	Corn Futures	Long	5	3,731	3,906	
	Soybean Futures	Short	4	(7,972)	(8,200)	
	Copper Futures	Long	9	26,168	25,653	
	Gold Futures	Short	37	(182,591)	(181,132)	
	Micro Gold Futures	Long	54	26,045	26,436	
	FTSE China A50 Index Futures	Long	160	78,967	78,446	
	FTSE China A50 Index Futures	Short	318	(156,935)	(155,912)	
	E-Mini S&P Index Futures	Short	9	(50,467)	(50,944)	
	SGX Nikkei 225 Index Futures	Short	11	(41,325)	(41,415)	
	5 Year U.S. T-Note Futures	Short	20	(70,499)	(70,423)	
	10 Year U.S. T-Note Futures	Short	20	(74,864)	(74,726)	
	Ultra 10 Year U.S. Treasury Note Futures	Short	65	(266,771)	(266,508)	
	Mini-TOPIX Futures	Long	76	38,606	38,269	
	TOPIX Futures	Short	20	(101,267)	(100,709)	
	Crude Oil Futures	Long	4	6,919	6,754	
	Crude Oil Futures	Short	21	(37,879)	(35,451)	
	Mini-Weekly Stock Index Futures	Long	11	9,109	9,048	
	U.S. Dollar Index Futures	Long	12	31,610	31,926	
	Euro-Bond Futures	Short	20	(114,726)	(114,689)	
	VIX Futures	Long	168	120,495	103,497	
	Brent Crude Oil Futures	Short	21	(38,879)	(37,596)	
	Subtotal			(2,140,524)		
Options contract :						
	TAIEX Options (Call)	Long	872	8,250	10,622	
	TAIEX Options (Put)	Long	1,716	17,676	8,296	
	TAIEX Options (Call)	Short	695	(25,064)	(38,031)	
	TAIEX Options (Put)	Short	1,416	(31,391)	(15,673)	
	Stock Options (Call)	Long	5	1	1	
	TAIEX Weekly Options (Call)	Long	124	280	246	
	TAIEX Weekly Options (Put)	Long	63	260	300	
	TAIEX Weekly Options (Call)	Short	24	(74)	(59)	
	TAIEX Weekly Options (Put)	Short	7	(33)	(38)	
	Subtotal			(30,095)		
Total				\$ (2,170,619)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,430,808}{1,171,443}$	5.49	$\frac{6,540,298}{941,921}$	6.94	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{48,773,993}{43,642,153}$	1.12	$\frac{43,719,998}{38,554,732}$	1.13	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,430,808}{1,115,000}$	576.75 %	$\frac{6,540,298}{1,115,000}$	586.57 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,985,389}{9,171,615}$	54.36 %	$\frac{4,876,556}{7,623,344}$	63.97 %	$\geq 20\%$ $\geq 15\%$	"

- (c) Unique risk for futures trading

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:**(a) Information on significant transactions:**

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

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	\$ 837,869	837,869	809,294	- %	2	-	Working capital	-	-	-	1,528,319	1,528,319
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	96,584	96,584	96,584	- %	2	-	Working capital & repayment of financing	-	-	-	96,584	96,584
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,305	5,305	5,305	- %	2	-	Repayment of financing	-	-	-	5,305	5,305
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	39,734	39,734	-	5 %	1	11,827		-	-	-	175,054	875,270
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	397,340	397,340	397,340	1.46%~2.71%	1	213,183		-	-	-	397,340	875,270
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	85,144	85,144	-	1.21%~3.21%	1	29,388		-	-	-	175,054	875,270
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	14,191	14,191	7,095	3.21 %	1	3,048		-	-	-	175,054	875,270
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	3.21 %	1	467		-	-	-	175,054	875,270
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	56,763	56,763	-	3.21 %	1	9,621		-	-	-	175,054	875,270
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	42,572	42,572	12,772	3.21 %	1	2,288		-	-	-	175,054	875,270

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 three months ended March 31, 2022:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	2,008		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	19,006		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	359		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	113,018		0.06 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	4,400		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	48,356	General transaction	2.35 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	4,464	General transaction	0.22 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	144	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	47	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	1	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	6,486	General transaction	0.32 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	9	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	6,320	General transaction	0.32 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	12,123	General transaction	0.59 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	17,250	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	94		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	61		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	33		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	1,172	General transaction	0.06 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	44		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	184	General transaction	0.01 %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	6	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	25		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,077,686		1.05 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,077,686		1.05 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	1,904		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	5,642	General transaction	0.27 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	920,450		0.47 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	5,074,783		2.57 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	9,127		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	2,653	General transaction	0.13 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	34,880	General transaction	1.70 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	232	General transaction	0.01 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Other payable	768		- %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	768	General transaction	0.04 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,736,749		2.39 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	582,416		0.29 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Advance receipts	134		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	133	General transaction	0.01 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Accumulated depreciation	1,200		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HKD 168		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 180	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 37	General transaction	0.01 %
5	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	141	General transaction	0.01 %
6	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	1,518	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.

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 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 %	82,802	18,861	3,434	3,434	-	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,638,755	637,063	154,884	87,631	-	"
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 %	1,495,501	(25,994)	(29,861)	(29,861)	-	"
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 %	76,702	50,516	16,131	16,131	-	Subsidiary
0	Capital Insurance Agency Corp.	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	39,409	14,756	1,044	1,044	-	"
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 %	52	(337)	(337)	(337)	-	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	100,000,000	100.00 %	890,584	-	(2,478)	(2,478)	-	"
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 %	318,811	(3,390)	(4,018)	(4,018)	-	"
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 %	1,419,200	526,031	197,698	39,540	-	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 %	HK 170,390 thousands	HK (2,223) thousands	HK (7,215) thousands	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 4)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	HK (26,302) thousands	HK - thousands	HK (93) thousands	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	HK (66,160) thousands	HK - thousands	HK (52) thousands	-	-	"
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 %	875,270	80,525	(2,515)	-	-	"
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 %	32,404	768	(1,932)	-	-	"
4	True Partner Advisor Hong Kong Ltd.(Note 5)	Hong Kong	May 31, 2010	No. FSC-1040027513 date July 16, 2015	Asset Management.	-	36,701	-	- %	-	-	-	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2	HK 2	2	100.00 %	HK -	HK -	HK -	-	-	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	30,000,000	100.00 %	288,411	(3,347)	(4,908)	-	-	"

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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		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 March 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 %	305	-	(69)	-	-	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 December 30, 2011. The representative office of China dissolved in 2014 as well. According to the laws of Hong Kong, it can't be liquidated voluntarily because the total assets of TIS Securities (HK) Limited. and Taiwan International Capital (HK) Ltd. can't cover the liabilities. The company has briefed it to the accountant in Hong Kong to plan the solutions.

Note 5: 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 would be transferred on February 15, 2022.

(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 March 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 March 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	(86)	28.86%	(25) B(3)	9,796	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	(C)	18,863	-	-	18,863	(1,122)	56.58%	(635) B(3)	6,186	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

	For the three months ended March 31, 2022							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,487,756	70,482	178,605	(289,847)	9,023	680,055	(82,065)	2,054,009
Segment profit or loss	\$ 798,632	33,139	(741)	(355,992)	(141,265)	186,875	(49,465)	471,183

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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For the three months ended March 31, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,591,813	76,962	733,196	148,263	57,398	643,979	(75,666)	3,175,945
Segment profit or loss	\$ 874,195	30,893	649,235	73,437	(195,272)	197,325	(83,450)	1,546,363

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.