

**CAPITAL SECURITIES CORPORATION AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For The Six Months Ended June 30, 2022 and 2021**

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

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## Independent Auditors' Report

To the Board of Directors of  
Capital Securities Corporation:

### Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of June 30, 2022, December 31, 2021 and June 30, 2021, and the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021 as well as the changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022, December 31, 2021 and June 30, 2021, and its consolidated financial performance for the three months ended June 30, 2022 and 2021 and the six months ended June 30, 2022 and 2021 as well as its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards (“IASs”) 34 “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

## 1. Valuation of financial instruments

Please refer to Note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2021 for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(m) financial liabilities at fair value through profit or loss and Note 6(w)(v), fair value and fair value hierarchy of financial instruments for details.

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

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

### Procedures performed:

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

## **Other Matter**

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.66%, 0.68% and 0.74% of consolidated total assets as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively, and the recognized profit or loss under using equity method constituted 59.74%, 3.13%, 14.61% and 2.94% of consolidated net income before income tax for the three months and six months ended June 30, 2022 and 2021, respectively.

The Group has prepared its parent-company-only financial statements as of and for the six months ended June 30, 2022 and 2021, on which we have issued an unmodified opinion with other matters paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards ("IASs") 34 "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
August 25, 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 such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

**Consolidated Balance Sheets**

**June 30, 2022, December 31, 2021, and June 30, 2021**

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

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
110000 Cash and cash equivalents (note 6(a))	\$ 10,709,048	6	9,807,123	5	8,735,066	4
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	42,659,796	22	45,427,215	22	41,757,666	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	8,779,637	4	15,033,143	7	16,497,766	9
114030 Receivable for securities provided as collateral	13,962,773	7	21,115,979	10	23,437,603	12
114040 Refinancing margin	18,073	-	43,827	-	2,490	-
114050 Refinancing collateral receivable	15,053	-	36,519	-	5,643	-
114060 Receivable of securities business money lending	5,522,843	3	2,349,669	1	2,947,132	2
114070 Customers' margin account (note 6(d))	42,856,788	22	37,848,190	19	37,284,037	19
114080 Receivable - futures margin	136	-	-	-	-	-
114090 Collateral for securities borrowed	141,011	-	109,340	-	296,525	-
114100 Security borrowing margin	11,819,389	6	5,528,410	3	1,411,633	1
114110 Notes receivable	22,108	-	15,969	-	28,476	-
114130 Accounts receivable (note 6(c))	12,720,727	7	11,406,287	6	17,680,589	9
114150 Prepayments	74,318	-	32,492	-	32,458	-
114170 Other receivables	682,004	-	523,722	-	520,337	-
114300 Leverage contract trading - customers' margin account	827,172	-	624,232	-	448,035	-
114600 Current income tax assets	235	-	230	-	22,265	-
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))	26,643,152	14	26,706,922	13	22,950,860	12
119990 Other current assets-others	844,602	-	9,323,657	5	1,320,742	1
	178,298,865	91	185,983,038	91	175,379,323	91
<b>Non-current assets:</b>						
120000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,064	-	180,596	-	180,416	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,853,113	1	3,319,193	2	3,004,803	1
124100 Investments accounted for under equity method (note 6(f))	1,397,752	1	1,478,918	1	1,588,633	1
125000 Property and equipment (notes 6(g) and 8)	2,829,761	2	3,052,798	1	3,278,420	2
125800 Right-of-use assets (notes 6(h))	796,511	-	791,630	-	850,814	-
126000 Investment property (notes 6(i) and 8)	3,820,531	2	3,651,720	2	3,476,924	2
127000 Intangible assets (note 6(j))	3,610,062	2	3,615,760	2	3,608,371	2
128000 Deferred income tax assets	21,376	-	33,568	-	65,687	-
129000 Other non-current assets	1,601,339	1	1,586,718	1	1,530,906	1
	17,109,509	9	17,710,901	9	17,584,974	9
<b>Total assets</b>	\$ 195,408,374	100	203,693,939	100	192,964,297	100

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

**Consolidated Balance Sheets**

**June 30, 2022, December 31, 2021, and June 30, 2021**

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

	June 30, 2022		December 31, 2021		June 30, 2021	
	Amount	%	Amount	%	Amount	%
<b>Liabilities and Equity</b>						
<b>Current liabilities:</b>						
210000 Short-term borrowings (note 6(k))	\$ 4,731,608	3	3,087,820	2	4,859,285	3
211200 Commercial paper payable (note 6(l))	6,647,434	3	8,397,806	4	10,048,897	5
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	8,028,301	4	4,999,027	3	6,139,143	3
214010 Bonds sold under repurchase agreements (note 6(n))	28,707,997	15	37,345,935	18	34,864,327	18
214040 Guarantee deposited for short sales	1,935,917	1	2,848,834	1	2,486,622	1
214050 Proceeds payable from short sales	2,149,755	1	3,246,792	2	2,724,103	2
214070 Securities lending refundable deposits	14,431,722	7	8,149,786	4	2,122,433	1
214080 Futures traders' equity (note 6(d))	42,757,072	22	37,798,393	19	37,231,053	19
214090 Equity for each customer in the account (note 6(o))	26,643,152	14	26,706,922	13	22,950,860	12
214100 Leverage contract trading - customers' equity	829,796	1	630,830	-	449,378	-
214110 Notes payable	-	-	152	-	-	-
214130 Accounts payable (note 6(p))	10,033,141	5	10,760,098	5	18,095,282	10
214150 Advance receipts	33,848	-	34,143	-	40,823	-
214160 Receipts under custody	136,710	-	8,808,150	5	306,749	-
214170 Other payables	4,579,668	2	1,358,467	1	3,904,226	2
214200 Other financial liabilities - current (note 6(x))	3,194,677	2	4,470,183	2	4,489,877	3
214600 Current income tax liabilities	149,361	-	613,128	-	640,660	-
215100 Provisions - current (note 6(r))	59,296	-	49,604	-	62,285	-
216000 Current lease liabilities (note 6(q))	181,198	-	164,321	-	176,917	-
219000 Other current liabilities	57,063	-	14,798	-	21,373	-
	155,287,716	80	159,485,189	79	151,614,293	79
<b>Non-Current liabilities:</b>						
224200 Other financial liabilities - non-current (note 6(x))	689,612	-	575,697	-	530,431	-
226000 Non-current lease liabilities (note 6(q))	668,984	-	685,850	-	731,191	1
228000 Deferred income tax liabilities	797,450	1	496,354	-	427,374	-
229000 Other non-current liabilities (note 6(r))	548,952	-	977,265	1	608,677	-
	2,704,998	1	2,735,166	1	2,297,673	1
<b>Total liabilities</b>	157,992,714	81	162,220,355	80	153,911,966	80
<b>Equity attributable to shareholders of the parent:</b>						
301010 Common stock (note 6(t))	21,709,081	11	21,709,081	11	21,709,081	11
302000 Capital surplus (note 6(t))	2,743,256	1	2,743,465	1	2,743,465	1
304000 Retained earnings:						
304010 Legal reserve	2,758,257	2	2,267,833	1	2,267,833	1
304020 Special reserve	5,786,990	3	4,806,142	2	4,806,142	3
304040 Unappropriated earnings (note 6(t))	55,945	-	5,081,597	3	2,794,612	2
305120 Exchange differences on translation of foreign operations	(165,518)	-	(403,037)	-	(376,774)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,799,802	1	2,530,934	1	2,449,446	1
305170 Equity related to non-current assets classified as held for sale	-	-	(1,205)	-	-	-
<b>Total equity attributable to the parent company</b>	34,687,813	18	38,734,810	19	36,393,805	19
306000 <b>Non-controlling interests</b>	2,727,847	1	2,738,774	1	2,658,526	1
<b>Total equity</b>	37,415,660	19	41,473,584	20	39,052,331	20
<b>Total liabilities and equity</b>	\$ 195,408,374	100	203,693,939	100	192,964,297	100

See accompanying notes to consolidated financial statements.

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

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2022 and 2021

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

	For the three months ended June 30				For the six months ended June 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
<b>Income:</b>									
401000	Brokerage commissions (note 6(v))	\$ 1,376,984	94	2,326,164	67	2,891,406	83	4,040,855	61
402000	Revenues from securities business money lending	25	-	94	-	120	-	109	-
403000	Revenue from securities lending	86,394	6	79,225	2	204,458	6	134,940	2
404000	Underwriting commissions (note 6(v))	29,943	2	23,811	1	56,208	2	46,792	1
406000	Commissions on wealth management business	11,195	1	20,852	1	23,827	1	44,047	1
410000	Net gains (losses) on sale of trading securities (note 6(v))	(959,785)	(66)	1,255,051	36	47,528	1	2,311,597	35
421100	Securities management, distribution, and management fees	39,210	3	37,303	1	76,813	2	73,353	1
421200	Interest revenue (note 6(v))	359,839	25	423,980	12	749,424	21	826,324	12
421300	Dividend revenue	301,214	21	28,704	1	331,921	10	41,397	1
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	(1,803,499)	(124)	1,389,514	40	(2,762,461)	(79)	1,524,963	23
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements	67,723	5	127,818	4	116,266	3	179,353	3
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	653,149	45	(185,689)	(5)	663,561	19	(164,237)	(3)
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(71,503)	(5)	16,679	1	(295,246)	(8)	70,406	1
422000	Net gains (losses) from exchange traded notes (note 6(x))	71	-	(58)	-	188	-	(25)	-
422100	Management and commissions revenue from exchange traded notes (note 6(x))	1	-	2	-	3	-	5	-
422200	Net gains (losses) on stock warrants issued (note 6(v) and (x))	519,520	36	(1,795,313)	(52)	1,134,149	32	(2,010,322)	(30)
424100	Futures commission revenues (note 6(v))	79,907	5	94,394	3	154,178	4	191,626	3
424400	Net gains (losses) on derivative instruments - futures (note 6(x))	(52,495)	(4)	(122,793)	(4)	(821,368)	(23)	(289,024)	(4)
424500	Net gains (losses) on derivative instruments - OTC (note 6(x))	925,745	64	(339,520)	(10)	1,131,252	32	(491,234)	(8)
424800	Management fee revenues	114	-	781	-	265	-	1,721	-
424900	Consultancy fee revenue	4,669	-	7,922	-	10,320	-	13,578	-
425300	Impairment losses and reversal gains (note 6(w))	(1,243)	-	(11,894)	-	(787)	-	(10,414)	-
428000	Other operating revenues	(110,718)	(8)	83,890	2	(201,556)	(6)	101,052	1
		<u>1,456,460</u>	<u>100</u>	<u>3,460,917</u>	<u>100</u>	<u>3,510,469</u>	<u>100</u>	<u>6,636,862</u>	<u>100</u>
<b>Expenses:</b>									
501000	Brokerage fees	158,795	11	253,636	7	327,796	9	456,100	7
502000	Brokerage and clearing fees - proprietary trading	8,250	1	6,856	-	16,125	-	11,439	-
503000	Clearing and exchange fees - refinancing	817	-	1,072	-	1,361	-	1,794	-
504000	Clearing and exchange fees - underwriting	693	-	129	-	951	-	324	-
507000	Issuance and management fees on exchange traded notes (note 6(x))	-	-	-	-	377	-	85	-
521200	Financial costs	93,913	6	49,496	2	153,469	4	100,215	1
521640	Loss from securities borrowing transactions	76,239	5	-	-	78,419	2	2,745	-
524100	Futures commission expense (note 6(v))	97,478	7	83,067	2	194,227	6	169,772	3
524300	Cleaning and settlement expenses	52,736	4	50,497	2	101,924	3	96,399	1
528000	Other operating expenditure	5,711	-	6,556	-	13,381	-	13,228	-
531000	Employee benefits expenses (note 6(v))	552,543	38	1,003,079	29	1,314,360	38	1,892,888	28
532000	Depreciation and amortization expense (note 6(v))	115,150	8	122,469	4	231,169	7	239,915	4
533000	Other operating expenses (note 6(v))	554,336	38	525,194	15	1,097,094	31	966,932	15
		<u>1,716,661</u>	<u>118</u>	<u>2,102,051</u>	<u>61</u>	<u>3,530,653</u>	<u>100</u>	<u>3,951,836</u>	<u>59</u>
<b>Other income (expenses):</b>									
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	61,694	4	54,370	2	118,390	3	104,152	2
602000	Other gains and losses (note 6(v))	263,417	18	154,199	4	437,887	13	324,620	5
		<u>325,111</u>	<u>22</u>	<u>208,569</u>	<u>6</u>	<u>556,277</u>	<u>16</u>	<u>428,772</u>	<u>7</u>
902001	<b>Net income before income tax</b>	64,910	4	1,567,435	45	536,093	16	3,113,798	48
701000	<b>Less: Income tax expenses (note 6(s))</b>	258,555	17	251,539	7	379,456	11	437,093	7
	<b>Net income</b>	<u>(193,645)</u>	<u>(13)</u>	<u>1,315,896</u>	<u>38</u>	<u>156,637</u>	<u>5</u>	<u>2,676,705</u>	<u>41</u>
<b>Other comprehensive income:</b>									
805500	<b>Components that may not be reclassified to profit or loss in subsequent periods:</b>								
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(622,419)	(43)	210,439	6	(509,602)	(15)	719,311	11
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	486	-	2,629	-	486	-	3,659	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
	<b>Subtotal of components that may not be subsequently reclassified into profit or loss</b>	<u>(621,933)</u>	<u>(43)</u>	<u>213,068</u>	<u>6</u>	<u>(509,116)</u>	<u>(15)</u>	<u>722,970</u>	<u>11</u>
805600	<b>Components that may be reclassified to profit or loss in subsequent periods:</b>								
805610	Exchange differences on translation of foreign operations	150,143	10	(104,086)	(3)	283,718	8	(100,325)	(2)
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(78,511)	(5)	58,296	2	(218,590)	(6)	(278,486)	(4)
805699	Less: Income tax related to components of other comprehensive income (note 6(s))	11,265	1	(7,199)	-	20,857	1	(6,911)	-
	<b>Subtotal of items that may be subsequently reclassified into profit or loss</b>	<u>60,367</u>	<u>4</u>	<u>(38,591)</u>	<u>(1)</u>	<u>44,271</u>	<u>1</u>	<u>(371,900)</u>	<u>(6)</u>
805000	<b>Other comprehensive income, net</b>	<u>(561,566)</u>	<u>(39)</u>	<u>174,477</u>	<u>5</u>	<u>(464,845)</u>	<u>(14)</u>	<u>351,070</u>	<u>5</u>
902006	<b>Total comprehensive income</b>	<u><u>(755,211)</u></u>	<u><u>(52)</u></u>	<u><u>1,490,373</u></u>	<u><u>43</u></u>	<u><u>(308,208)</u></u>	<u><u>(9)</u></u>	<u><u>3,027,775</u></u>	<u><u>46</u></u>
<b>Net income attributable to:</b>									
913100	Shareholders of the parent	\$ (263,115)	(18)	1,260,816	36	20,074	1	2,552,712	39
913200	Non-controlling interests	69,470	5	55,080	2	136,563	4	123,993	2
		<u>\$ (193,645)</u>	<u>(13)</u>	<u>1,315,896</u>	<u>38</u>	<u>156,637</u>	<u>5</u>	<u>2,676,705</u>	<u>41</u>
<b>Total comprehensive income attributable to:</b>									
914100	Shareholders of the parent	\$ (834,469)	(57)	1,436,290	41	(465,995)	(13)	2,895,700	44
914200	Non-controlling interests	79,258	5	54,083	2	157,787	4	132,075	2
		<u>\$ (755,211)</u>	<u>(52)</u>	<u>1,490,373</u>	<u>43</u>	<u>(308,208)</u>	<u>(9)</u>	<u>3,027,775</u>	<u>46</u>
975000	<b>Basic earnings per share (note 6(u))</b>		<u>(0.12)</u>		<u>0.58</u>		<u>0.01</u>		<u>1.18</u>
985000	<b>Diluted earnings per share (note 6(u))</b>		<u>(0.12)</u>		<u>0.58</u>		<u>0.01</u>		<u>1.17</u>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity  
For the six months ended June 30, 2022 and 2021  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest					Non-controlling interests	Total Equity
		Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to the parent company		
<b>Balance at January 1, 2021</b>	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	35,886,069	2,788,661	38,674,730	
Net income for the six months ended June 30, 2021	-	-	-	-	2,552,712	-	-	-	2,552,712	123,993	2,676,705	
Other comprehensive income	-	-	-	-	-	(83,599)	426,587	-	342,988	8,082	351,070	
Total comprehensive income	-	-	-	-	2,552,712	(83,599)	426,587	-	2,895,700	132,075	3,027,775	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	344,894	-	(344,894)	-	-	-	-	-	-	
Special reserve	-	-	-	689,786	(689,786)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(2,387,999)	-	-	-	(2,387,999)	-	(2,387,999)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	64,541	-	(64,541)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,210)	(262,210)	
<b>Balance at June 30, 2021</b>	\$ 21,709,081	2,743,465	2,267,833	4,806,142	2,794,612	(376,774)	2,449,446	-	36,393,805	2,658,526	39,052,331	
<b>Balance at January 1, 2022</b>	\$ 21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810	2,738,774	41,473,584	
Net income for the six months ended June 30, 2022	-	-	-	-	20,074	-	-	-	20,074	136,563	156,637	
Other comprehensive income	-	-	-	-	-	237,519	(723,588)	-	(486,069)	21,224	(464,845)	
Total comprehensive income	-	-	-	-	20,074	237,519	(723,588)	-	(465,995)	157,787	(308,208)	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-	-	-	
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)	-	(3,581,998)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,544	-	(7,544)	-	-	-	-	
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205	
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)	
<b>Balance at June 30, 2022</b>	\$ 21,709,081	2,743,256	2,758,257	5,786,990	55,945	(165,518)	1,799,802	-	34,687,813	2,727,847	37,415,660	

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2022 and 2021**

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

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net income before tax	\$ 536,093	3,113,798
<b>Adjustments:</b>		
<b>Income and expenses items:</b>		
Depreciation expense	213,168	222,267
Amortization expense	18,001	17,648
Impairment loss	787	10,414
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	2,098,900	(1,360,726)
Financial cost	153,469	100,215
Interest revenue (including financial revenue)	(861,808)	(932,219)
Dividend revenue	(379,487)	(41,652)
Shares of profit of associates and joint ventures accounted for using equity method	(118,390)	(104,152)
Losses on disposal and retirement of property and equipment	8	137
Losses on disposal of investments accounted for using equity method	1,210	-
Net losses (gains) on non-operating financial instruments at fair value through profit or loss	4,680	(943)
Impairment loss on non-financial assets	2,445	2,398
Net losses (gains) on lease modifications	668	111
<b>Subtotal of income of non-cash activities</b>	<u>1,133,651</u>	<u>(2,086,502)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in financial assets at fair value through profit or loss	664,652	(5,199,024)
Decrease in financial assets at fair value through other comprehensive income	6,019,642	1,899,675
Decrease (increase) in receivable for securities provided as collateral	7,153,255	(8,437,984)
Decrease in refinancing margin	25,754	95,224
Decrease in receivable on refinancing collateral	21,466	79,618
Increase in receivable of securities business money lending	(3,173,174)	(636,902)
Decrease (increase) in customers' margin account	(5,008,598)	1,065,795
Decrease (increase) in margin receivable of futures trading	(28)	126
Decrease (increase) in collateral for securities borrowed	(31,671)	499,737
Increase in security borrowing margin	(6,290,979)	(650,818)
Increase in notes receivable	(6,139)	(5,697)
Increase in accounts receivable	(1,091,959)	(6,609,356)
Decrease (increase) in prepayments	(41,826)	4,855
Decrease (increase) in other receivables	46,934	(48,410)
Increase in leverage contract trading - customers' margin account	(202,940)	(95,073)
Decrease in other current assets	8,479,055	493,126
Decrease (increase) in other non-current assets	(14,576)	53,258
Increase in financial liabilities at fair value through profit or loss	3,029,274	2,510,751
Decrease in bonds sold under repurchase agreements	(8,637,938)	(401,255)
Decrease in guarantee deposited for short sales	(912,917)	(145,141)
Decrease in proceeds payable from short sales	(1,097,037)	(297,146)
Increase in securities lending refundable deposits	6,281,936	1,089,008
Increase (decrease) in futures traders' equity	4,957,956	(1,085,568)
Increase in leverage contract trading - customers' equity	198,966	97,322
Decrease in notes payable	(152)	(152)
Increase (decrease) in accounts payable	(727,343)	7,354,733
Increase (decrease) in advance receipts	(295)	5,346
Decrease in receipts under custody	(8,671,440)	(1,329,768)
Decrease in other payable	(507,841)	(188,585)
Increase in provision - current	9,692	12,116
Increase in other current liabilities	42,265	1,744
Increase (decrease) in other financial liabilities - non-current	(1,161,591)	269,218
Decrease in other non-current liabilities	(428,313)	(235,872)
<b>Total changes in assets and liabilities from operating activities</b>	<u>(1,075,910)</u>	<u>(9,835,099)</u>
<b>Total adjustments</b>	<u>57,741</u>	<u>(11,921,601)</u>

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

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the six months ended June 30, 2022 and 2021****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the six months ended June 30</b>	
	<b>2022</b>	<b>2021</b>
Cash generated from (used in) operating activities	\$ 593,834	(8,807,803)
Interest received	896,150	921,035
Dividends received	113,397	23,770
Interest paid	(152,361)	(105,971)
Income taxes paid	(550,791)	(355,952)
<b>Net Cash flows provided by (used in) operating activities</b>	<b>900,229</b>	<b>(8,324,921)</b>
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(24,374)	(209,245)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	200,560
Increase in deferred debits	(339)	(136)
Proceeds from disposal of non-current assets classified as held for sale	51,031	-
Acquisition of property and equipment	(60,242)	(148,565)
Proceeds from disposal of property and equipment	48	-
Acquisition of intangible assets	(14,320)	(8,672)
<b>Net cash flows used in investing activities</b>	<b>(48,196)</b>	<b>(166,058)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	1,643,788	1,188,174
Increase (decrease) in commercial papers payable	(1,750,372)	7,749,205
Payment of lease liabilities	(99,219)	(110,143)
Acquisition of ownership interests in subsidiaries	(23,653)	-
Proceed from right of inclusion options exercised	-	62
<b>Net cash flows (used in) provided by financing activities</b>	<b>(229,456)</b>	<b>8,827,298</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>279,348</b>	<b>(98,335)</b>
<b>Increase in cash and cash equivalents</b>	<b>901,925</b>	<b>237,984</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,807,123</b>	<b>8,497,082</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 10,709,048</b>	<b>8,735,066</b>

See accompanying notes to consolidated financial statements.

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

**Notes to the Consolidated Financial Statements**

**June 30, 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 June 30, 2022, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of June 30, 2022, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the board of directors on August 25, 2022.

(Continued)

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

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

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

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

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

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

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

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

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

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	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

(Continued)

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

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

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

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

**(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. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		
			June 30, 2022	December 31, 2021	June 30, 2021
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	97.27 %	97.27 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %

(Continued)

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

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		
			June 30, 2022	December 31, 2021	June 30, 2021
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	100.00 %

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2022	December 31, 2021	June 30, 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 June 30, 2022, December 31, 2021 and June 30, 2021, the total assets constituted 0.02%, 0.02% and 0.02% of the Group's total assets, respectively. For the six months ended June 30, 2022 and 2021, the operation revenue constituted 0.74% and 0.42% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of June 30, 2022, December 31, 2021 and June 30, 2021, the total assets constituted 0.07%, 0.05% and 0.04% of the Group's total assets, respectively. For the six months ended June 30, 2022 and 2021, the operation revenue constituted 3.75% and 0.75% 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.

(Continued)

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

(e) Income tax

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

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

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

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

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

In these consolidated financial statements, judgments and key sources of estimation and assumption uncertainty are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2021.

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

(a) Cash and cash equivalents

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Cash	\$ <u>2,856</u>	<u>3,021</u>	<u>2,794</u>
Bank deposits			
Checking accounts	152,268	25,007	30,319
Demand deposits	<u>1,776,946</u>	<u>2,334,466</u>	<u>1,811,526</u>
Subtotal	<u>1,929,214</u>	<u>2,359,473</u>	<u>1,841,845</u>
Cash equivalents			
Time deposits	6,506,176	5,757,638	5,253,636
Futures margin - excess margin	2,270,802	1,676,997	1,629,853
Commercial papers	<u>-</u>	<u>9,994</u>	<u>6,938</u>
Subtotal	<u>8,776,978</u>	<u>7,444,629</u>	<u>6,890,427</u>
Total	<u>\$ <b>10,709,048</b></u>	<u><b>9,807,123</b></u>	<u><b>8,735,066</b></u>

(Continued)

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

## (b) Financial assets

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<b>Open-ended funds and money-market instruments</b>			
Open-ended funds and money-market instruments	\$ 144,074	184,074	224,576
Valuation adjustment	<u>(2,890)</u>	<u>1,645</u>	<u>18,463</u>
Subtotal	<u>141,184</u>	<u>185,719</u>	<u>243,039</u>
<b>Securities invested by securities broker</b>			
Securities invested by securities broker	108,439	37,931	61,278
Valuation adjustment	<u>(118)</u>	<u>(2,531)</u>	<u>559</u>
Subtotal	<u>108,321</u>	<u>35,400</u>	<u>61,837</u>
<b>Trading securities - proprietary trading</b>			
Listed stocks	2,099,435	2,075,807	1,510,343
Listed funds	4,317,332	2,221,337	870,131
OTC stocks	300,772	377,385	317,436
OTC funds	456,337	220,838	151,470
Emerging market stocks	482,692	466,424	674,067
Convertible bonds	418,169	677,306	706,648
Government bonds	1,359,863	2,826,231	2,327,574
Corporate bonds	9,162,714	11,013,683	9,466,811
International bonds	5,751,968	5,601,278	5,404,809
Financial debentures	1,406,815	1,757,778	1,457,778
Foreign stocks	926,792	117,593	250,470
Foreign bonds	207,785	249,209	155,594
Others	<u>3,472</u>	<u>1,980</u>	<u>226,094</u>
	26,894,146	27,606,849	23,519,225
Valuation adjustment	<u>(942,867)</u>	<u>170,316</u>	<u>240,008</u>
Subtotal	<u>25,951,279</u>	<u>27,777,165</u>	<u>23,759,233</u>
<b>Trading securities - underwriting</b>			
Listed stocks	72,576	34,488	153,188
Convertible bonds	<u>40,846</u>	<u>58,498</u>	<u>-</u>
	113,422	92,986	153,188
Valuation adjustment	<u>(11,085)</u>	<u>5,175</u>	<u>(1,634)</u>
Subtotal	<u>102,337</u>	<u>98,161</u>	<u>151,554</u>

(Continued)

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
<b>Trading securities - hedging</b>			
Listed stocks	\$ 1,906,404	4,294,213	3,711,938
OTC stocks	347,399	1,052,623	985,845
Convertible bonds	12,686,490	9,224,117	8,275,501
Others	<u>731,749</u>	<u>1,007,075</u>	<u>1,871,440</u>
	15,672,042	15,578,028	14,844,724
Valuation adjustment	<u>(1,165,696)</u>	<u>469,008</u>	<u>1,971,288</u>
Subtotal	<u>14,506,346</u>	<u>16,047,036</u>	<u>16,816,012</u>
<b>Derivatives</b>			
Buy options	192,036	61,687	64,861
Futures margin - proprietary fund	934,959	564,132	306,941
IRS asset swaps	23,715	13,301	13,976
Asset swap options - long position	314,887	555,469	272,692
Leverage derivatives - non-hedging	189,986	81,844	61,872
Structured notes	10,505	4,183	3,658
Currency swaps	178,048	635	1,991
Equity derivatives	<u>6,193</u>	<u>2,483</u>	<u>-</u>
Subtotal	<u>1,850,329</u>	<u>1,283,734</u>	<u>725,991</u>
Total	<u>\$ 42,659,796</u>	<u>45,427,215</u>	<u>41,757,666</u>

As of June 30, 2022, December 31, 2021 and June 30, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 1,810,601	2,216,205	2,218,496
Corporate bonds	493,672	-	-
International bonds	475,520	442,880	780,047
Foreign bonds	<u>5,626,947</u>	<u>11,805,725</u>	<u>12,514,827</u>
	8,406,740	14,464,810	15,513,370
Valuation adjustment	<u>(107,756)</u>	<u>112,543</u>	<u>311,082</u>
Subtotal	<u>8,298,984</u>	<u>14,577,353</u>	<u>15,824,452</u>

(Continued)

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 283,596	288,563	450,594
OTC stocks	87,792	44,743	103,986
Emerging market stocks	<u>187,244</u>	<u>86,868</u>	<u>68,557</u>
	558,632	420,174	623,137
Valuation adjustment	<u>(77,979)</u>	<u>35,616</u>	<u>50,177</u>
Subtotal	<u>480,653</u>	<u>455,790</u>	<u>673,314</u>
Total	<u>\$ 8,779,637</u>	<u>15,033,143</u>	<u>16,497,766</u>

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

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

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

For the three months and the six months ended June 30, 2022 and 2021, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$9,810, \$1,192, \$10,872 and \$1,392, 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 \$128,093, \$422,203, \$248,895 and \$519,183, respectively, cumulative dispose gains (losses) for the three months and the six months ended June 30, 2022 and 2021, amounted to \$(342), \$59,087, \$7,544 and \$80,715, 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 six months ended June 30, 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).

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 181,457	181,457	180,329
Valuation adjustment	<u>(2,393)</u>	<u>(861)</u>	<u>87</u>
Total	<u>\$ 179,064</u>	<u>180,596</u>	<u>180,416</u>

As of June 30, 2022, December 31, 2021 and June 30, 2021, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 989,297	1,051,825	1,035,163
Valuation adjustment	<u>1,863,816</u>	<u>2,267,368</u>	<u>1,969,640</u>
Total	<u>\$ 2,853,113</u>	<u>3,319,193</u>	<u>3,004,803</u>

For the three months and the six months ended June 30, 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 \$47,447, \$0, \$47,447 and \$0, respectively.

For the three months and the six months ended June 30, 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 six months ended June 30, 2022 and 2021 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	June 30, 2022	December 31, 2021	June 30, 2021	For the six months ended June 30,					
				2022			2021		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,508,995	1,761,408	1,723,112	1,653,436	1,811,101	1,508,995	1,666,787	1,883,240	1,527,654

(Continued)

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

## (c) Accounts Receivable

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Receivable on securities purchased by customers	\$ 43,296	132,534	193,602
Settlement	-	995,267	-
Interests receivable	518,616	560,798	448,881
Receivables on securities sold	11,799,694	9,598,623	16,933,931
Others	<u>359,140</u>	<u>119,115</u>	<u>104,218</u>
Subtotal	12,720,746	11,406,337	17,680,632
Less: allowance for doubtful accounts	<u>(19)</u>	<u>(50)</u>	<u>(43)</u>
Total	<u>\$ 12,720,727</u>	<u>11,406,287</u>	<u>17,680,589</u>

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

(ii) For the six months ended June 30, 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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Customers' margin account			
Cash in banks	\$ 32,278,563	26,264,654	26,696,344
Customers' margin account - futures clearing house	6,381,384	7,926,606	7,272,072
Customers' margin account - other futures commission merchants	4,194,979	3,652,626	3,313,888
Marketable securities	<u>1,862</u>	<u>4,304</u>	<u>1,733</u>
Total customers' margin account	<u>42,856,788</u>	<u>37,848,190</u>	<u>37,284,037</u>
Add:			
Commission expense	3,405	3,439	1,822
Other	360	364	1,241
Less:			
Brokerage fee revenue	(17,373)	(12,674)	(11,709)
Futures transaction tax	(3,039)	(1,652)	(2,833)
Interest revenues	(723)	(523)	(880)
Temporary receipts	(9,542)	(3,122)	(1,040)
Remittance amount of the customers after the market closed	(36,501)	(7,535)	(13,972)
Other receivable	<u>(36,303)</u>	<u>(28,094)</u>	<u>(25,613)</u>
Futures traders' equity	<u>\$ 42,757,072</u>	<u>37,798,393</u>	<u>37,231,053</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 Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group, at the disposal amount of USD\$1,123 thousands and HK\$5,520 thousands. Thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. On December 31, 2021 the assets classified as held-for-sale and the other related comprehensive income amounted to \$50,112 and \$2,129, respectively. All shares had been transferred on February 15, 2022.

(f) Investments accounted for under equity method

As of June 30, 2022, December 31, 2021 and June 30, 2021, investments under equity method consisted of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 64,780	60,571	63,385
Capital Insurance Agency Corp.	<u>39,571</u>	<u>38,364</u>	<u>39,596</u>
Subtotal	<u>104,351</u>	<u>98,935</u>	<u>102,981</u>
Associates			
True Partner Advisor Hong Kong Ltd.	-	-	49,588
Capital Investment Trust Corp.	1,293,128	1,379,659	1,436,064
EnnoCap Venture Inc.	<u>273</u>	<u>324</u>	<u>-</u>
Subtotal	<u>1,293,401</u>	<u>1,379,983</u>	<u>1,485,652</u>
Total	<u><u>\$ 1,397,752</u></u>	<u><u>1,478,918</u></u>	<u><u>1,588,633</u></u>

(i) Subsidiaries:

For the three months and the six months ended June 30, 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 June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 22,946</u>	<u>4,974</u>	<u>40,121</u>	<u>11,805</u>

  

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Total assets	<u>\$ 189,272</u>	<u>144,295</u>	<u>131,926</u>
Total liabilities	<u>\$ 84,921</u>	<u>45,360</u>	<u>28,945</u>

  

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 92,529</u>	<u>38,230</u>	<u>157,801</u>	<u>77,906</u>
Net income	<u>\$ 22,946</u>	<u>4,974</u>	<u>40,121</u>	<u>11,805</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		
			June 30, 2022	December 31, 2021	June 30, 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 Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group; thus, the investments accounted for using equity method were reclassified as assets to held-for-sale. All shares had been transferred on February 15, 2022. Please refer to note 5.

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

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

	June 30, 2022	December 31, 2021	June 30, 2021
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,293,401</u>	<u>1,379,983</u>	<u>1,485,652</u>
	For the three months ended June 30, 2022	For the six months ended June 30, 2022	For the six months ended June 30, 2021
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations	\$ 38,748	49,396	78,269
Other comprehensive income (losses)	486	2,273	486
Total comprehensive income (losses)	<u>\$ 39,234</u>	<u>51,669</u>	<u>78,755</u>
		<u>78,755</u>	<u>95,634</u>

## (iii) Collateral

As of June 30, 2022, December 31, 2021 and June 30, 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**

(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	-	-	37,530	22,712	60,242
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(126,213)	(74,350)	-	-	(200,563)
Disposals and retirements	-	-	(24,178)	(32,806)	(56,984)
Effect of exchange rate changes	-	5,096	3,957	755	9,808
Balance at June 30, 2022	<u>\$ 1,808,846</u>	<u>1,131,402</u>	<u>661,768</u>	<u>255,384</u>	<u>3,857,400</u>
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	117,242	31,323	148,565
Transferred from investment property	238,339	135,003	-	-	373,342
Reclassified to investment property	(174,920)	(154,814)	-	-	(329,734)
Disposals and retirements	-	-	(93,193)	(37,747)	(130,940)
Effect of exchange rate changes	-	(2,177)	(1,824)	(268)	(4,269)
Balance at June 30, 2021	<u>\$ 2,054,272</u>	<u>1,293,816</u>	<u>629,934</u>	<u>261,618</u>	<u>4,239,640</u>
Depreciation and impairment loss					
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	11,554	67,329	27,796	106,679
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(17,590)	-	-	(17,590)
Disposals and retirements	-	-	(24,122)	(32,806)	(56,928)
Effect of exchange rate changes	-	2,493	3,146	168	5,807
Balance at June 30, 2022	<u>\$ -</u>	<u>491,434</u>	<u>387,430</u>	<u>148,775</u>	<u>1,027,639</u>
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	13,918	63,757	25,777	103,452
Transferred from investment property	-	26,765	-	-	26,765
Reclassified to investment property	-	(106,937)	-	-	(106,937)
Disposals and retirements	-	-	(93,064)	(37,739)	(130,803)
Effect of exchange rate changes	-	(1,024)	(1,473)	(113)	(2,610)
Balance at June 30, 2021	<u>\$ -</u>	<u>510,349</u>	<u>314,086</u>	<u>136,785</u>	<u>961,220</u>
Carrying amount:					
At June 30, 2022	<u>\$ 1,808,846</u>	<u>639,968</u>	<u>274,338</u>	<u>106,609</u>	<u>2,829,761</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 June 30, 2021	<u>\$ 2,054,272</u>	<u>783,467</u>	<u>315,848</u>	<u>124,833</u>	<u>3,278,420</u>

As of June 30, 2022, December 31, 2021 and June 30, 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, machinery, and vehicles. Information about leases for which the Group as a lessee is presented below:

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At June 30, 2022	\$ <u>778,213</u>	<u>18,298</u>	<u>796,511</u>
At January 1, 2022	\$ <u>776,945</u>	<u>14,685</u>	<u>791,630</u>
At June 30, 2021	\$ <u>841,893</u>	<u>8,921</u>	<u>850,814</u>
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Additions of Right-of-use assets	\$ <u>19,628</u>	<u>52,371</u>	<u>100,970</u>
Depreciation for the period			
Buildings	44,751	54,833	89,960
Others	<u>1,816</u>	<u>1,608</u>	<u>3,743</u>
	\$ <u>46,567</u>	<u>56,441</u>	<u>93,703</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 June 30, 2022	\$ <u>3,146,861</u>	<u>673,670</u>	<u>3,820,531</u>
At January 1, 2022	\$ <u>3,022,677</u>	<u>629,043</u>	<u>3,651,720</u>
At June 30, 2021	\$ <u>2,901,435</u>	<u>575,489</u>	<u>3,476,924</u>
<u>Fair Value:</u>			
At June 30, 2022			<u>7,730,127</u>
At January 1, 2022			<u>7,520,041</u>
At June 30, 2021			<u>7,258,253</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 June 30, 2022, December 31, 2021 and June 30, 2021, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the six months ended June 30, 2022 and 2021, the depreciation expense of the Group amounted to \$6,519, \$5,379, \$12,786 and \$10,403, respectively.

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

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the six months ended June 30, 2022 and 2021. For the six months ended June 30, 2022 and 2021, \$182,973 and \$222,797 of land and buildings out of use were transferred to investment property, and \$2,428 and \$346,577 of investment property were transferred to property and equipment.

Investment property include several commercial buildings for lease. Each lease contract contains original non-cancellable lease period of 1 to 12 years, which the subsequent lease period is negotiable with lessee, and no contingent rent payment. Related information (including rental revenue and direct operation expense), please refer to note 6(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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Within 1 year	\$ 165,493	156,076	159,336
1-5 years	486,026	484,702	502,770
Over 5 years	<u>214,329</u>	<u>217,936</u>	<u>323,020</u>
	<u>\$ 865,848</u>	<u>858,714</u>	<u>985,126</u>

The rental revenue from investment property for the three months and the six months ended June 30, 2022 and 2021 amounted to \$41,984, \$37,828, \$85,792 and \$76,496, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022, December 31, 2021 and June 30, 2021, the carrying amounts of goodwill were \$13,488, \$15,933 and \$18,486, respectively. Furthermore, the Group recognized an impairment loss of \$2,445 and \$2,398 for the six months ended June 30, 2022 and 2021 respectively, by using discount rate of 4.45% 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**  
**Notes to the Consolidated Financial Statements**

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of June 30, 2022, December 31, 2021 and June 30, 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 June 30, 2022, December 31, 2021 and June 30, 2021, the carrying amounts of intangible assets were \$46,203, \$46,084 and \$46,103, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of June 30, 2022, December 31, 2021 and June 30, 2021, the amortized book value were \$33,674, \$37,046 and \$27,085, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Collateralized loan	\$ 1,392,085	1,336,944	1,083,754
Credit loan	3,339,523	1,750,876	3,775,531
Total	<u>\$ 4,731,608</u>	<u>3,087,820</u>	<u>4,859,285</u>
Interest rate range	<u>0.88%~2.35%</u>	<u>0.60%~1.46%</u>	<u>0.48%~1.46%</u>

As of June 30, 2022, December 31, 2021 and June 30, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Commercial paper payable	\$ 6,650,000	8,400,000	10,050,000
Less: Unamortized discount	(2,566)	(2,194)	(1,103)
Net amount	<u>\$ 6,647,434</u>	<u>8,397,806</u>	<u>10,048,897</u>
Interest rate range	<u>0.898%~1.078%</u>	<u>0.448%~0.588%</u>	<u>0.308%~0.408%</u>

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

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

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Liabilities on sale of borrowed securities	\$ 6,274,093	1,036,721	648,621
Redeem liabilities on sale of borrowed securities	(2,945)	-	(21,163)
Valuation adjustment	<u>(644,820)</u>	<u>18,741</u>	<u>147,010</u>
Subtotal	<u>5,626,328</u>	<u>1,055,462</u>	<u>774,468</u>
Liabilities for issuance of Exchange Traded Notes	-	781	764
Valuation adjustment	<u>-</u>	<u>162</u>	<u>247</u>
Subtotal	<u>-</u>	<u>943</u>	<u>1,011</u>
Stock warrants issued	14,785,880	18,396,778	15,171,316
Stock warrants repurchased	<u>(14,291,762)</u>	<u>(17,130,305)</u>	<u>(12,314,575)</u>
Subtotal	<u>494,118</u>	<u>1,266,473</u>	<u>2,856,741</u>
Sale options	226,680	51,288	70,965
IRS asset swaps	49,894	42,823	18,897
Asset swap options - short position	1,497,377	2,270,540	1,828,703
Structured notes	123,737	286,362	582,573
Leverage derivatives - non-hedging	9,828	16,671	1,996
Currency swaps	1	7,417	3,610
Interest rate swaps	155	397	179
Equity derivatives	<u>183</u>	<u>651</u>	<u>-</u>
Subtotal	<u>1,907,855</u>	<u>2,676,149</u>	<u>2,506,923</u>
Total	<u>\$ 8,028,301</u>	<u>4,999,027</u>	<u>6,139,143</u>

(n) Bonds sold under repurchase agreements

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Bonds sold under repurchase agreements	\$ <u>28,707,997</u>	<u>37,345,935</u>	<u>34,864,327</u>
Agreed-upon repurchase amounts	<u>28,794,831</u>	<u>37,375,943</u>	<u>34,902,299</u>
Interest rates	<u>0.23%~1.90%</u>	<u>0.00%~0.55%</u>	<u>0.05%~2.55%</u>
Date of repurchase	<u>2022.7.1~2023.6.20</u>	<u>2022.1.3~2022.12.22</u>	<u>2021.7.1~2022.6.30</u>

(o) Equity for each customer in the account

According to article 38, subparagraph 2 of the “Regulations Governing Securities Firms”, a securities firm may, with the consent of the customer, retain the customer’s settlement funds in the securities firm’s settlement account. The securities firm shall set up a separate account ledger for each customer in the settlement account.

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Equity for each customer in the account	\$ <u>26,643,152</u>	<u>26,706,922</u>	<u>22,950,860</u>

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

## (p) Accounts payable

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Payable of securities sold by customers	\$ 38,414	106,032	231,587
Settlement	3,530,697	-	593,097
Payable of settlements	6,308,814	10,514,342	17,116,707
Others	<u>155,216</u>	<u>139,724</u>	<u>153,891</u>
Total	<u>\$ 10,033,141</u>	<u>10,760,098</u>	<u>18,095,282</u>

## (q) Lease liabilities

The Group's lease liabilities are as follow:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Current	<u>\$ 181,198</u>	<u>164,321</u>	<u>176,917</u>
Non-current	<u>\$ 668,984</u>	<u>685,850</u>	<u>731,191</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 June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	<u>\$ 2,718</u>	<u>3,184</u>	<u>5,534</u>	<u>6,242</u>
Expenses relating to short-term leases	<u>\$ 1,456</u>	<u>1,978</u>	<u>2,798</u>	<u>3,588</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 1,953</u>	<u>1,525</u>	<u>4,018</u>	<u>3,033</u>
Covid-19-related rent concessions	<u>\$ 108</u>	<u>-</u>	<u>216</u>	<u>-</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	<u>\$ 111,569</u>	<u>122,997</u>

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

(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 and the six months ended June 30, 2022 and 2021, the Group's pension expenses recognized in profit or loss were \$1,155, \$2,105, \$2,307 and \$4,207, 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 \$25,298, \$25,389, \$52,334 and \$50,086 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the six months ended June 30, 2022 and 2021, respectively.

(iii) For the three months and the six months ended June 30, 2022 and 2021, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,039, \$1,069, \$2,088 and \$2,235, respectively.

(iv) Provision for employee benefits liabilities

	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Compensated absences	<b>\$ 59,296</b>	<b>49,604</b>	<b>62,285</b>

(s) Income tax

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

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the six months ended June 30, 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 six months ended June 30, 2022 and 2021.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the six months ended June 30, 2022 and 2021.

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

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the six months ended June 30, 2022 and 2021.

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 47,008	237,718	87,025	417,937
Deferred income tax expense (benefit)	211,547	13,821	292,431	19,156
Total	<u>\$ 258,555</u>	<u>251,539</u>	<u>379,456</u>	<u>437,093</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ 11,265</u>	<u>(7,199)</u>	<u>20,857</u>	<u>(6,911)</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 2019 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 income tax reporting assessed by the Tax Authority.

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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 June 30, 2022, December 31, 2021 and June 30, 2021, the Company had authorized capital of \$30,000,000 and issued common stock were all 3,000,000 thousand shares, with a par value of \$10 per share 2,170,908 thousand shares.

(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:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
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 resolved by the shareholders’ meeting on June 27, 2022, and the Company’s fiscal year 2020 earnings distribution has reached the statutory resolution threshold by electronic voting on June 25, 2021, and the Company held the resolution of the shareholder’s meeting on July 14, 2021. Dividends distributed to the owners were as follows:

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

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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 and the six months ended June 30, 2022 and 2021 were calculated as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income attributable to common shareholders of the Company	\$ <u>(263,115)</u>	<u>1,260,816</u>	<u>20,074</u>	<u>2,552,712</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>(0.12)</u>	<u>0.58</u>	<u>0.01</u>	<u>1.18</u>
Effect of potentially dilutive common stock				
- Employee remuneration (thousands of shares) (Note)	<u>(166)</u>	<u>988</u>	<u>306</u>	<u>2,123</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,170,742</u>	<u>2,171,896</u>	<u>2,171,214</u>	<u>2,173,031</u>
Dilutive earnings per share (dollar)	\$ <u>(0.12)</u>	<u>0.58</u>	<u>0.01</u>	<u>1.17</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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Brokerage commission from TSE market	\$ 623,734	1,506,461	1,387,027	2,429,870
Brokerage commission from OTC market	207,162	304,559	424,178	560,299
Handling fee from security financing	12,097	12,076	20,601	19,421
Futures commission income - brokerage	496,692	459,654	985,131	926,943
Overseas subsidiaries	5,791	8,584	11,582	24,709
Others	<u>31,508</u>	<u>34,830</u>	<u>62,887</u>	<u>79,613</u>
	<u>\$ 1,376,984</u>	<u>2,326,164</u>	<u>2,891,406</u>	<u>4,040,855</u>

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

## (ii) Underwriting commissions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue from underwriting securities on a firm commitment basis	\$ 11,549	20,716	32,588	37,672
Handling fee revenues from underwriting securities on consignment	113	123	241	243
Processing fee revenues from underwriting operations	17,041	1,602	19,989	5,811
Revenue from underwriting consultation	820	970	2,350	2,050
Others	420	400	1,040	1,016
	<u>\$ 29,943</u>	<u>23,811</u>	<u>56,208</u>	<u>46,792</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gains (losses) on securities sold - proprietary trading	\$ (521,086)	289,362	479,372	718,718
Gains (losses) on securities sold - underwriting	2,011	12,060	7,334	16,766
Gains (losses) on securities sold - hedging	(440,710)	953,629	(439,178)	1,576,113
	<u>\$ (959,785)</u>	<u>1,255,051</u>	<u>47,528</u>	<u>2,311,597</u>

## (iv) Interest revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest revenue - margin loans	\$ 226,507	245,229	476,563	454,402
Interest revenue - bonds	86,302	126,653	181,782	265,275
Overseas subsidiaries	3,903	7,971	8,531	20,970
Others	43,127	44,127	82,548	85,677
	<u>\$ 359,839</u>	<u>423,980</u>	<u>749,424</u>	<u>826,324</u>

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- (v) Net gains (losses) on measurement of trading securities at fair value through profit or loss

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Trading securities - proprietary	\$ (746,480)	(32,046)	(1,111,498)	27,744
Trading securities - underwriting	(15,398)	(8,866)	(16,260)	(6,027)
Trading securities - hedging	(1,041,809)	1,430,426	(1,634,703)	1,503,246
Settlement coverage bonds payable of short sale	188	-	-	-
	<u>\$ (1,803,499)</u>	<u>1,389,514</u>	<u>(2,762,461)</u>	<u>1,524,963</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gains on changes in fair value of stock warrants	\$ 17,047,916	(8,625,494)	29,916,203	(8,964,270)
Gains on exercise of stock warrants before maturity	1,925,706	18,966,485	13,853,355	28,090,777
Losses on changes in fair value of stock warrants repurchased	(18,409,624)	(12,092,644)	(42,518,479)	(21,035,627)
Gains on expiration of stock warrants	9,765	11,099	16,829	18,325
Stock warrants issuance expenses	(54,243)	(54,759)	(133,759)	(119,527)
	<u>\$ 519,520</u>	<u>(1,795,313)</u>	<u>1,134,149</u>	<u>(2,010,322)</u>

- (vii) Futures commission revenues

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>79,907</u>	<u>94,394</u>	<u>154,178</u>	<u>191,626</u>

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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(viii) Commission expenses - future

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Future trading - reconsignment	\$ 68,914	51,913	143,603	112,270
Future trading - introducing brokers	764	287	1,040	641
Commission expenses - CSC Futures (HK) Ltd.	27,800	30,867	49,584	56,861
	<u>\$ 97,478</u>	<u>83,067</u>	<u>194,227</u>	<u>169,772</u>

(ix) Employee benefits, depreciation, and amortization expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Employee benefit expenses				
Salary expense	\$ 461,364	907,539	1,117,229	1,697,606
Health and labor insurance expense	47,571	47,856	107,377	103,592
Pension expense	27,492	28,563	56,729	56,528
Others	16,116	19,121	33,025	35,162
Depreciation expense	106,072	113,713	213,168	222,267
Amortization expense	9,078	8,756	18,001	17,648
	<u>\$ 667,693</u>	<u>1,125,548</u>	<u>1,545,529</u>	<u>2,132,803</u>

(x) Other operating expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Rental expense	\$ 3,413	3,497	6,824	6,610
Taxes	155,219	181,540	318,660	318,955
Information technology expense	81,026	66,280	160,373	123,925
Postage expense	60,735	56,869	114,371	110,826
Professional service fee	8,667	6,245	13,790	12,795
Other expenses	245,276	210,763	483,076	393,821
	<u>\$ 554,336</u>	<u>525,194</u>	<u>1,097,094</u>	<u>966,932</u>

(Continued)

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

(xi) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Financial revenue	\$ 69,530	52,421	112,384	105,895
Currency exchange gains (losses)	7,551	(18,567)	25,980	(15,261)
Net gains (losses) on disposal of investment	1,599	3,540	(16,484)	17,368
Net gains (losses) on measurement of non- operating financial instruments at fair value through profit or loss	(9,511)	4,251	(4,680)	943
Revenue from bank's allocation fee	63,958	46,015	118,050	91,407
Net gains (losses) on disposal of property and equipment	-	(137)	(8)	(137)
Dividend revenue	47,566	255	47,566	255
Gains on reversal of prior year's liabilities	17,317	3,484	31,510	12,568
Rental income	41,984	37,828	85,792	76,496
Others	23,423	25,109	37,777	35,086
	<u>\$ 263,417</u>	<u>154,199</u>	<u>437,887</u>	<u>324,620</u>

(xii) Remuneration to employees and directors

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

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

(Continued)

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

For the three months and the six months ended June 30, 2022 and 2021, the estimated amounts of remuneration to employees were \$(3,479), \$18,269, \$4,285 and \$35,983, respectively, and to directors were \$(4,243), \$27,404, \$5,225 and \$53,974, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2020 and 2019, 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 2021 and 2020. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the three months and the six months ended June 30, 2022 and 2021, the estimated amounts of remuneration to employees were \$1,545, \$1,750, \$4,738 and \$4,100 and to directors were \$1,540, \$1,750, \$4,743 and \$4,100 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 June 30, 2022, December 31, 2021 and June 30, 2021, the maximum credit exposure amounted to \$147,849,011, \$152,088,665 and \$148,357,115, 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 86.51%); secondly, is in Asia (accounted for 7.85%, exclusion of Taiwan); then, is in America (accounted for 3.71%). Compared to the same period of last year, there is no significant change in proportion of region of investments.

(Continued)

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

<u>Region</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Taiwan	\$ 127,906,859	126,675,667	121,317,707
Asia (Taiwan is excluded)	11,609,891	13,198,006	14,868,264
Europe	2,635,357	4,515,220	7,537,973
America	5,482,199	7,649,360	4,606,287
Other	214,705	50,412	26,884
Total	<u>\$ 147,849,011</u>	<u>152,088,665</u>	<u>148,357,115</u>

2) Impairment loss

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

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 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	\$ 32,919,128	30,645	35,425,789	30,132	44,608,333	30,117
Past due 0~30 days	-	-	-	-	6,557	-
Past due 31~120 days	-	-	906	906	12,887	12,217
Past due 121~360 days	5,274	5,274	18,148	18,148	7,127	6,939
Past due more than 360 days	259,111	259,111	240,988	240,988	274,838	274,808
	<u>\$ 33,183,513</u>	<u>295,030</u>	<u>35,685,831</u>	<u>290,174</u>	<u>44,909,742</u>	<u>324,081</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 June 30, 2022, December 31, 2021 and June 30, 2021, the impairment losses of receivables were \$295,030, \$290,174 and \$324,081, 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**  
**Notes to the Consolidated Financial Statements**

The loss allowance provision for the six months ended June 30, 2022 and 2021 was as follows:

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2021	\$ -	6,779	-	-	290,174	-	296,953
Provision or reversal of Impairment loss	-	(3,872)	-	-	4,659	-	787
Amounts written off	-	-	-	-	(1,271)	-	(1,271)
Effect of exchange rate	-	-	-	-	1,468	-	1,468
Balance on June 30, 2022	<u>\$ -</u>	<u>2,907</u>	<u>-</u>	<u>-</u>	<u>295,030</u>	<u>-</u>	<u>297,937</u>

  

	12-month ECL		Lifetime ECL -not credit impaired		Lifetime ECL -credit impaired		Total
	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	Accrued receivables	Debt securities at FVOCI	
Balance on January 1, 2021	\$ -	9,391	-	-	313,934	-	323,325
Provision or reversal of Impairment loss	-	(2,169)	-	-	12,583	-	10,414
Amounts written off	-	-	-	-	(942)	-	(942)
Effect of exchange rate	-	-	-	-	(1,494)	-	(1,494)
Balance on June 30, 2021	<u>\$ -</u>	<u>7,222</u>	<u>-</u>	<u>-</u>	<u>324,081</u>	<u>-</u>	<u>331,303</u>

(Continued)

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

(ii) Liquidity risk

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

June 30, 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	\$ 5,626,328	5,626,328	5,626,328	-	-	-	-
Stock warrants issued	494,118	494,118	448,389	44,769	960	-	-
Put options	226,680	226,680	226,680	-	-	-	-
Equity derivatives	183	183	183	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	50,050	50,050	933	3,651	15,467	29,999	-
Asset swap option - short position	1,497,377	1,497,377	109,573	159,711	528,492	699,601	-
Leverage derivatives - non-hedging	9,828	9,828	9,828	-	-	-	-
Structured notes	123,737	123,737	8,273	-	111,302	4,162	-
Short-term borrowings	4,731,608	4,731,608	4,731,608	-	-	-	-
Commercial paper payable	6,647,434	6,650,000	6,650,000	-	-	-	-
Bonds sold under repurchase agreements	28,707,997	28,794,831	24,627,110	4,167,721	-	-	-
Guarantee deposited for short sales	1,935,917	1,935,917	1,935,917	-	-	-	-
Proceeds payable from short sales	2,149,755	2,149,755	2,149,755	-	-	-	-
Securities lending refundable deposits	14,431,722	14,431,722	14,431,722	-	-	-	-
Futures traders' equity	42,757,072	42,757,072	42,757,072	-	-	-	-
Equity for each customer in the account	26,643,152	26,643,152	26,643,152	-	-	-	-
Leverage contract trading customers' equity	829,796	829,796	829,796	-	-	-	-
Notes payable and accounts payable	155,216	155,216	155,216	-	-	-	-
Receipts under custody	136,710	136,710	136,710	-	-	-	-
Other payables	4,579,668	4,579,668	4,576,871	2,797	-	-	-
Other financial liabilities	3,884,289	3,884,289	3,091,589	103,088	557,635	131,977	-
Lease liabilities	850,182	879,692	93,934	97,079	180,537	397,851	110,291
	<u>\$ 146,468,819</u>	<u>146,587,729</u>	<u>139,240,639</u>	<u>4,578,816</u>	<u>1,394,393</u>	<u>1,263,590</u>	<u>110,291</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 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**  
**Notes to the Consolidated Financial Statements**

June 30, 2021	<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	\$ 774,468	774,468	774,468	-	-	-	-
Stock warrants issued	2,856,741	2,856,741	2,344,475	512,266	-	-	-
Put options	70,965	70,965	70,965	-	-	-	-
Exchange traded notes	1,011	1,011	1,011	-	-	-	-
Interest rate swaps and Currency swaps (including IRS asset swaps)	22,686	22,686	682	4,258	10,712	7,034	-
Asset swap option - short position	1,828,703	1,828,703	150,643	208,174	554,536	915,350	-
Leverage derivatives - non- hedging	1,996	1,996	1,996	-	-	-	-
Structured notes	582,573	582,573	11,841	440	952	569,340	-
Short-term borrowings	4,859,285	4,859,285	4,859,285	-	-	-	-
Commercial papers payable	10,048,897	10,050,000	10,050,000	-	-	-	-
Bonds sold under repurchase agreements	34,864,327	34,902,299	24,919,845	9,982,454	-	-	-
Guarantee deposited for short sales	2,486,622	2,486,622	2,486,622	-	-	-	-
Proceeds payable from short sales	2,724,103	2,724,103	2,724,103	-	-	-	-
Securities lending refundable deposits	2,122,433	2,122,433	2,122,433	-	-	-	-
Futures traders' equity	37,231,053	37,231,053	37,231,053	-	-	-	-
Equity for each customer in the account	22,950,860	22,950,860	22,950,860	-	-	-	-
Leverage contract trading customers' equity	449,378	449,378	449,378	-	-	-	-
Notes payable and accounts payable	153,891	153,891	153,891	-	-	-	-
Receipts under custody	306,749	306,749	306,749	-	-	-	-
Other payables	3,904,226	3,904,226	3,901,764	2,462	-	-	-
Other financial liabilities	5,020,308	5,020,308	4,290,244	199,633	230,244	300,187	-
Lease liabilities	908,108	946,047	96,068	91,800	158,468	392,235	207,476
	<u>\$ 134,169,383</u>	<u>134,246,397</u>	<u>119,898,376</u>	<u>11,001,487</u>	<u>954,912</u>	<u>2,184,146</u>	<u>207,476</u>

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

(iii) Currency risk

1) Currency risk exposure

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

	<b>June 30, 2022</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,154,429	29.7200	34,309,630
AUD	1,966	20.4500	40,205
CAD	65	23.0200	1,496
CHF	192	31.1150	5,974
EUR	12,972	31.0500	402,781
GBP	820	36.0700	29,577
HKD	202,152	3.7880	765,752
JPY	1,249,465	0.2182	272,633
SGD	813	21.3700	17,374
CNY	144,814	4.4390	642,829
ZAR	399	1.8310	731
KRW	3,458,531	0.0231	79,892
NZD	201	18.5000	3,719
THB	3,689	0.8469	3,124
MYR	67	6.4730	434
VND	6,667,230	0.0013	8,667
<b><u>Non-Monetary Item</u></b>			
USD	369,156	29.7200	10,971,316
AUD	68,245	20.4500	1,395,610
EUR	3,912	31.0500	121,468
HKD	2,166	3.7880	8,205
JPY	24,902	0.2182	5,434
CNY	10,232	4.4390	45,420
ZAR	65	1.8310	119
NZD	1	18.5000	19

(Continued)

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

	<b>June 30, 2022</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,593,431	29.7200	47,356,769
AUD	65,637	20.4500	1,342,277
CHF	48	31.1150	1,494
EUR	16,493	31.0500	512,108
GBP	663	36.0700	23,914
HKD	334,359	3.7880	1,266,552
JPY	1,177,991	0.2182	257,038
SGD	571	21.3700	12,202
CNY	56,984	4.4390	252,952
ZAR	315	1.8310	577
KRW	3,411,780	0.0231	78,812
NZD	3	18.5000	56
THB	1,724	0.8469	1,460
MYR	52	6.4730	337
<b><u>Non-Monetary Item</u></b>			
USD	294	29.7200	8,738
CAD	7	23.0200	161
CHF	5	31.1150	156
CNY	215	4.4390	954

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

				December 31, 2021		
				Foreign Currency		
				(thousands)	Exchange Rate	Amount
<b><u>Financial assets</u></b>						
<b><u>Monetary Item</u></b>						
USD	\$	897,199		27.6800		24,834,468
AUD		2,998		20.0800		60,200
CAD		211		21.6200		4,562
CHF		96		30.1750		2,897
EUR		8,008		31.3200		250,811
GBP		2,867		37.3000		106,939
HKD		121,089		3.5490		429,745
JPY		946,873		0.2405		227,723
SGD		1,038		20.4600		21,237
CNY		142,878		4.3440		620,662
ZAR		80		1.7330		139
KRW		508,738		0.0235		11,955
NZD		121		18.8900		2,286
THB		3,095		0.8347		2,583
MYR		29		6.3550		184
VND		6,782,896		0.0012		8,139
<b><u>Non-Monetary Item</u></b>						
USD		554,313		27.6800		15,343,384
AUD		122,719		20.0800		2,464,198
EUR		9,313		31.3200		291,683
HKD		7,691		3.5490		27,295
JPY		18,726		0.2405		4,504
CNY		10,261		4.3440		44,574

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

	December 31, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,502,490	27.6800	41,588,923
AUD	119,062	20.0800	2,390,765
CAD	4	21.6200	86
CHF	40	30.1750	1,207
EUR	16,092	31.3200	504,001
GBP	2,728	37.3000	101,754
HKD	214,521	3.5490	761,335
JPY	902,639	0.2405	217,085
SGD	635	20.4600	12,992
CNY	56,112	4.3440	243,751
ZAR	12	1.7330	21
KRW	476,241	0.0235	11,192
THB	1,503	0.8347	1,255
MYR	14	6.3550	89
<b><u>Non-Monetary Item</u></b>			
USD	327	27.6800	9,051
CAD	66	21.6200	1,427
CHF	12	30.1750	362
GBP	2	37.3000	75
JPY	1,407	0.2405	338
CNY	1,196	4.3440	5,195
ZAR	69	1.7330	120
NZD	5	18.8900	94

(Continued)

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

	<b>June 30, 2021</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial assets</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 670,223	27.8600	18,672,413
AUD	2,926	20.9400	61,270
CAD	103	22.4800	2,315
CHF	8	30.1950	242
EUR	8,003	33.1500	265,299
GBP	3,005	38.5400	115,813
HKD	147,527	3.5870	529,179
JPY	868,752	0.2521	219,012
SGD	1,146	20.7300	23,757
CNY	148,844	4.3090	641,369
ZAR	379	1.9490	739
KRW	776,407	0.0249	19,333
NZD	95	19.4900	1,852
THB	5,478	0.8744	4,790
MYR	35	6.4400	225
<b><u>Non-Monetary Item</u></b>			
USD	555,279	27.8600	15,470,073
AUD	133,492	20.9400	2,795,322
CAD	1	22.4800	22
CHF	3	30.1950	91
EUR	12,808	33.1500	424,585
HKD	18,323	3.5870	65,725
JPY	18,995	0.2521	4,789
CNY	60,509	4.3090	260,733
ZAR	4	1.9490	8
<b><u>Investments under equity method</u></b>			
HKD	13,824	3.5870	49,588

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

	<b>June 30, 2021</b>		
	<b>Foreign Currency (thousands)</b>	<b>Exchange Rate</b>	<b>Amount</b>
<b><u>Financial liabilities</u></b>			
<b><u>Monetary Item</u></b>			
USD	\$ 1,217,069	27.8600	33,907,542
AUD	126,703	20.9400	2,653,161
CHF	2	30.1950	60
EUR	19,291	33.1500	639,497
GBP	2,895	38.5400	111,573
HKD	266,510	3.5870	955,971
JPY	829,000	0.2521	208,991
SGD	668	20.7300	13,848
CNY	61,808	4.3090	266,331
ZAR	8	1.9490	16
KRW	680,925	0.0249	16,955
THB	4,290	0.8744	3,751
MYR	20	6.4400	129
<b><u>Non-Monetary Item</u></b>			
USD	67	27.8600	1,867
GBP	1	38.5400	39
JPY	301	0.2521	76
NZD	1	19.4900	19

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months and the six months ended June 30, 2022 and 2021, the realized and unrealized currency exchange gains (losses) amounted to \$(150,543), \$33,807, \$(260,192) and \$18,647, respectively.

(Continued)

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

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the six months ended June 30, 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 six months ended June 30,		For the six months ended June 30,	
	2022		2021	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(319,565)	319,565	(511,093)	511,093
Other comprehensive income	240,189	(240,189)	545,043	(545,043)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	June 30, 2022	December 31, 2021	June 30, 2021	For the six months ended June 30,					
				2022			2021		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	1,664,444	1,598,692	1,498,290	1,553,572	1,664,444	1,453,750	1,439,730	1,510,260	1,373,366

(Continued)

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

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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

2) Not measured at fair value

As of June 30, 2022, December 31, 2021 and June 30, 2021, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	June 30, 2022		December 31, 2021		June 30, 2021	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Cash and cash equivalents	\$ 10,709,048	10,709,048	9,807,123	9,807,123	8,735,066	8,735,066
Accrued receivable	71,547,504	71,547,504	67,836,874	67,836,874	69,303,553	69,303,553
Customers' margin account	42,856,788	42,856,788	37,848,190	37,848,190	37,284,037	37,284,037
Leverage contract trading - customers' margin account	827,172	827,172	624,232	624,232	448,035	448,035
Restricted assets - current	229,615	229,615	285,135	285,135	265,814	265,814
Other non-current assets	1,541,911	1,541,911	1,510,089	1,510,089	1,473,531	1,473,531
Financial liabilities:						
Short-term borrowings	4,731,608	4,731,608	3,087,820	3,087,820	4,859,285	4,859,285
Commercial paper payable	6,647,434	6,647,434	8,397,806	8,397,806	10,048,897	10,048,897
Bonds sold under repurchase agreements	28,707,997	28,707,997	37,345,935	37,345,935	34,864,327	34,864,327
Accrued payable	60,059,426	60,059,426	62,492,329	62,492,329	53,230,935	53,230,935
Futures traders' equity	42,757,072	42,757,072	37,798,393	37,798,393	37,231,053	37,231,053
Leverage contract trading - customers' equity	829,796	829,796	630,830	630,830	449,378	449,378
Other financial liabilities - current	3,194,677	3,194,677	4,470,183	4,470,183	4,489,877	4,489,877
Other financial liabilities - non- current	689,612	689,612	575,697	575,697	530,431	530,431
Other non-current liabilities	99,872	99,872	98,265	98,265	98,774	98,774

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

	Level 1	Level 2	Level 3	Total
Investment property				
June 30, 2022	\$ -	-	7,730,127	7,730,127
December 31, 2021	\$ -	-	7,520,041	7,520,041
June 30, 2021	\$ -	-	7,258,253	7,258,253

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

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, 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>
<b>June 30, 2022</b>				
Financial assets at fair value through profit or loss	\$ 12,532,196	28,456,335	-	40,988,531
Financial assets at fair value through other comprehensive income	2,281,197	6,498,440	2,853,113	11,632,750
Derivative financial assets	<u>1,126,995</u>	<u>723,334</u>	<u>-</u>	<u>1,850,329</u>
	<u>\$ 15,940,388</u>	<u>35,678,109</u>	<u>2,853,113</u>	<u>54,471,610</u>
Financial liabilities at fair value through profit or loss	\$ 6,120,446	-	-	6,120,446
Derivative financial liabilities	<u>342,144</u>	<u>1,565,711</u>	<u>-</u>	<u>1,907,855</u>
	<u>\$ 6,462,590</u>	<u>1,565,711</u>	<u>-</u>	<u>8,028,301</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>December 31, 2021</b>				
Financial assets at fair value through profit or loss	\$ 15,442,463	28,881,614	-	44,324,077
Financial assets at fair value through other comprehensive income	2,683,955	12,349,188	3,319,193	18,352,336
Derivative financial assets	<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>
<b>June 30, 2021</b>				
Financial assets at fair value through profit or loss	\$ 15,280,363	25,931,728	-	41,212,091
Financial assets at fair value through other comprehensive income	2,921,322	13,576,444	3,004,803	19,502,569
Derivative financial assets	<u>371,802</u>	<u>354,189</u>	<u>-</u>	<u>725,991</u>
	<u>\$ 18,573,487</u>	<u>39,862,361</u>	<u>3,004,803</u>	<u>61,440,651</u>
Financial liabilities at fair value through profit or loss	\$ 3,632,220	-	-	3,632,220
Derivative financial liabilities	<u>641,257</u>	<u>1,865,666</u>	<u>-</u>	<u>2,506,923</u>
	<u>\$ 4,273,477</u>	<u>1,865,666</u>	<u>-</u>	<u>6,139,143</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the six months ended June 30, 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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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

(In Thousands Dollars)

Item	For the six months ended June 30, 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	-	(365,228)	66	-	-	-	100,918	2,853,113

  

Item	For the six months ended June 30, 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	-	653,718	64,000	-	-	-	-	3,004,803

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

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

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

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

	<b>Change in fair value recognized in other comprehensive income</b>	
	<b>Favorable change</b>	<b>Unfavorable change</b>
<b>June 30, 2022</b>		
Financial assets fair value through other comprehensive income	\$ <u>28,531</u>	<u>(28,531)</u>
<b>December 31, 2021</b>		
Financial assets fair value through other comprehensive income	\$ <u>33,192</u>	<u>(33,192)</u>
<b>June 30, 2021</b>		
Financial assets fair value through other comprehensive income	\$ <u>30,048</u>	<u>(30,048)</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	June 30, 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>29,654,926</u>	<u>28,707,997</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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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	\$ 39,185,058	37,345,935	-	-	-

  

June 30, 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	\$ 36,725,717	34,864,327	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS 7p42D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

(vii) Offsetting financial assets and financial liabilities

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

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

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

June 30, 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	\$ 723,334	-	723,334	-	-	723,334

  

June 30, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,681,175	-	1,681,175	-	-	1,681,175
Under repurchase agreements	28,707,997	-	28,707,997	28,707,997	-	-
Total	\$ 30,389,172	-	30,389,172	28,707,997	-	1,681,175

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

December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (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
June 30, 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	\$ 354,189	-	354,189	-	-	354,189
June 30, 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	\$ 2,435,958	-	2,435,958	-	-	2,435,958
Under repurchase agreements	34,864,327	-	34,864,327	34,864,327	-	-
Total	\$ 37,300,285	-	37,300,285	34,864,327	-	2,435,958

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(w) of the consolidated financial statements as of and for the year ended December 31, 2021.

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

As of June 30, 2022, December 31, 2021 and June 30, 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	June 30, 2022		December 31, 2021		June 30, 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	\$ 71,816,236	-	22,242,386	-	24,508,523	-

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.

(Continued)

**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 and the six months ended June 30, 2022 and 2021:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2022</u>	<u>For the six months ended June 30, 2022</u>	<u>Account</u>
Stock warrants issued	\$ 7,973,221	29,761,968	Gains (losses) on stock warrants issued
Stock warrants repurchased	(7,914,274)	(29,171,103)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended June 30, 2022</u>	<u>For the six months ended June 30, 2022</u>	<u>Account</u>
Security borrowing	\$ 1,556	(2,699)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(442,004)	(580,890)	Gains (losses) on sale of trading securities
Futures transaction	78,089	135,644	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended June 30, 2022</u>	<u>For the six months ended June 30, 2022</u>	<u>Account</u>
Stock warrants issued	\$ 11,010,166	14,024,419	Gains (losses) on stock warrants issued
Stock warrants repurchased	(10,495,350)	(13,347,376)	Gains (losses) on stock warrants issued

2) For the three months and the six months ended June 30, 2021:

a) Gains (losses) on valuation

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 4,932,296	11,908,815	Gains (losses) on stock warrants issued
Stock warrants repurchased	(6,564,564)	(13,664,200)	Gains (losses) on stock warrants issued

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b) Gains (losses) on sale

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Security borrowing	\$ 126,378	167,849	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	653,134	996,873	Gains (losses) on sale of trading securities
Futures transaction	(30,866)	(197,301)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended June 30, 2021</u>	<u>For the six months ended June 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 5,419,794	7,236,017	Gains (losses) on stock warrants issued
Stock warrants repurchased	(5,528,080)	(7,371,427)	Gains (losses) on stock warrants issued

Exchange traded notes

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

Financial Instruments	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 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	\$ -	-	943	-	1,011	-

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

(ii) Market risk:

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

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

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

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

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

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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- (v) Presentation of other financial instruments as approved by the authority:

	December 31,		June 30, 2021		Account
	June 30, 2022	2021	June 30, 2021	2021	
Margin - exchange traded notes	\$ -	25	25		Other non-current assets
Outstanding liabilities - exchange traded notes	-	943	1,011		Financial liabilities at fair value through profit or loss - current
	For the three months ended June 30,		For the six months ended June 30,		
	2022	2021	2022	2021	Account
Gains (losses) on exchange traded notes	\$ 71	(58)	188	(25)	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	1	2	3	5	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 June 30, 2022, December 31, 2021 and June 30, 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.

- (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

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demand.

(iv) Presentation of financial derivatives:

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>		<u>Account</u>
	Futures margin - proprietary fund	\$	934,959	564,132	306,941		
Excess futures margin		2,270,802	1,676,997	1,629,853			Cash and cash equivalent
Buy options		192,036	61,687	64,861			Financial assets at fair value through profit or loss - current
Sale options		226,680	51,288	70,965			Financial liabilities at fair value through profit or loss - current
		<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>			<u>Account</u>
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>		
Gains (losses) on futures transactions	\$	(52,495)	(122,793)	(821,368)	(289,024)		Gains (losses) on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 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	\$ 9,600,000	-	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

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maturity, there is no liquidity risk, cash flow risk, or significant cash demand.

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

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

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

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

(ii) Structured notes

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

Financial Instruments	June 30, 2022		December 31, 2021		June 30, 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	\$ 357,000	-	883,000	-	1,398,000	-
Principal guaranteed notes	2,871,138	-	3,729,644	-	3,486,192	-
Credit-linked notes	901,600	-	769,300	-	760,900	-

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.

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(iii) Convertible bond asset swaps

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

<u>Financial Instruments</u>	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	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	\$ 3,084,000	-	2,478,500	-	1,306,700	-
Convertible bond options	13,255,500	-	10,283,100	-	8,323,400	-

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

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

2) Market risk:

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

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

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.

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(iv) Options

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

<u>Financial Instruments</u>	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ 231,928	-	287,577	-	-	-

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

2) Market risk:

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

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

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

(v) Leverage derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 2021</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 3,416,886	-	3,800,382	-	1,843,335	-
Leverage derivatives-short position	3,410,128	-	3,787,547	-	1,717,496	-

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 ensure their overall credit risk is acceptable, and therefore the risk is controllable.

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2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of June 30, 2022, December 31, 2021 and June 30, 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>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 23,715	13,301	13,976
Asset swap options-long position	314,887	555,469	272,692
Leverage derivatives - non-hedging	189,986	81,844	61,872
Structured notes	10,505	4,183	3,658
Currency swaps	178,048	635	1,991
Equity derivatives	<u>6,193</u>	<u>2,483</u>	<u>-</u>
Total	<u>\$ 723,334</u>	<u>657,915</u>	<u>354,189</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 49,894	42,823	18,897
Asset swap options-short position	1,497,377	2,270,540	1,828,703
Leverage derivatives - non-hedging	9,828	16,671	1,996
Structured notes	123,737	286,362	582,573
Currency swaps	1	7,417	3,610
Interest rate swaps	155	397	179
Equity derivatives	<u>183</u>	<u>651</u>	<u>-</u>
Total	<u>\$ 1,681,175</u>	<u>2,624,861</u>	<u>2,435,958</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 3,194,677</u>	<u>4,470,183</u>	<u>4,489,877</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 689,612</u>	<u>575,697</u>	<u>530,431</u>

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

	<u>For the three months ended June 30, 2022</u>		<u>For the six months ended June 30, 2022</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 166	(29)	(49)	(155)
Equity derivatives	5,619	4,567	11,501	6,109
Structured notes	46,219	41,306	91,063	131,294
IRS asset swaps	(110)	(159)	(214)	(386)
Asset swap options	760,449	815,023	791,915	1,197,212
Currency swaps	75,707	98,276	161,981	178,047
Leverage derivatives - non-hedging	37,695	113,467	75,055	180,158
Total	<u>\$ 925,745</u>	<u>1,072,451</u>	<u>1,131,252</u>	<u>1,692,279</u>

	<u>For the six months ended June 30, 2021</u>		<u>For the six months ended June 30, 2021</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 23	48	(88)	(179)
Structured notes	(48,545)	(26,015)	1,611	30,616
IRS asset swaps	(61)	1,885	(93)	(4,922)
Asset swap options	(295,074)	5,400	(523,410)	(176,995)
Currency swaps	(13,440)	(2,447)	(7,333)	(1,618)
Leverage derivatives - non-hedging	17,577	657	38,079	(1,731)
Total	<u>\$ (339,520)</u>	<u>(20,472)</u>	<u>(491,234)</u>	<u>(154,829)</u>

(vii) 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. 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 main IBOR exposure at reporting day Corporate bonds indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR it 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 at the end of 2021. These clauses automatically switch the instrument from US dollar LIBOR to SOFR as and when US dollar LIBOR ceases. Please refer to note 6(x)(vii) of the consolidated financial statements for the year ended December 31, 2021.

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The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on June 30, 2022, December 31, 2021 and June 30, 2021. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	<u>USD LIBOR</u>				<u>EUR LIBOR</u>			
	<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>		<u>Total amount of unreformed contracts</u>		<u>Amount with appropriate fallback clause</u>	
<b><u>June 30, 2022</u></b>								
<b>Financial assets</b>								
Corporate bonds	USD	150,500	USD	145,500	-	-	-	-
<b>Financial liabilities</b>								
Credit loan	USD	5,000	USD	5,000	-	-	-	-
<b><u>December 31, 2021</u></b>								
<b>Financial assets</b>								
Corporate bonds	USD	163,500	USD	158,500	-	-	-	-
<b>Financial liabilities</b>								
Credit loan	USD	4,000	USD	4,000	-	-	-	-
<b><u>June 30, 2021</u></b>								
<b>Financial assets</b>								
Corporate bonds	USD	183,000	USD	178,000	-	-	-	-
<b>Financial liabilities</b>								
Secured bank loans	USD	38,900	USD	38,900	-	-	-	-
Credit loan	USD	63,000	USD	63,000	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.

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Capital adequacy ratio	320 %	358 %	334 %

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(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the six months ended June 30, 2022 and 2021, were as follows:

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

	January 1, 2022	Cash flows	Non-cash changes			June 30, 2022
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 850,171	(104,753)	102,377	2,387	-	850,182

  

	January 1, 2021	Cash flows	Non-cash changes			June 30, 2021
			Other	Foreign exchange movement	Fair value changes	
Lease liabilities	\$ 910,350	(115,945)	114,313	(610)	-	908,108

**(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 June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Short-term employee benefits	\$ 20,523	52,364	159,044	187,806
Post-employment benefits	655	630	1,319	1,255
Total	\$ 21,178	52,994	160,363	189,061

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## (ii) Bonds sold under repurchase agreements

	June 30, 2022		December 31, 2021		June 30, 2021	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Other related parties	\$ 58,444	58,559	8,036	8,128	8,072	8,153
	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>			
	<b>2022</b>		<b>2021</b>		<b>2022</b>	
<b>Total financial expenses</b>	\$ 59		4		66	
Other related parties	59		4		9	

## (iii) Structured notes transactions - remaining balance

	June 30, 2022	December 31, 2021	June 30, 2021
	Other related parties	\$ 77,700	49,300

## (iv) Futures transactions

	June 30, 2022	December 31, 2021	June 30, 2021
	<b>Future Traders's equity</b>	\$ 1,241	763
Other related parties	1,241	763	-

## (v) Brokerage and sub-brokerage

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>Brokerage commissions</b>	\$ 820		1,252	
Other related parties	820		1,252	
	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>		<b>2021</b>	
<b>Re-consigned handling commissions</b>	\$ 22		24	
Other related parties	22		158	

## (vi) Other revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>Other revenue</b>	\$ 12		15	
Other related parties	12		26	
	<b>Advance receipts</b>		<b>December 31,</b>	
	<b>June 30, 2022</b>		<b>2021</b>	
Other related parties	\$ 11		2	
	11		-	

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	June 30, 2022		December 31, 2021		June 30, 2021	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ 64,000	64,000	27,000	27,000	52,000	52,007
Funds issued by associate	50,000	50,000	-	-	25,639	25,647
Total	<u>\$ 114,000</u>	<u>114,000</u>	<u>27,000</u>	<u>27,000</u>	<u>77,639</u>	<u>77,654</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>Total financial expenses</b>				
Subsidiaries	\$ 52	43	73	66
Funds issued by associate	107	113	124	243
Total	<u>\$ 159</u>	<u>156</u>	<u>197</u>	<u>309</u>

Transaction terms are the same as the general clients.

(ii) Futures transactions

	Futures traders' equity		December 31,	
	June 30, 2022	June 30, 2021	2021	June 30, 2021
Funds issued by associate	<u>\$ 275,364</u>		<u>269,049</u>	<u>272,305</u>

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>Total financial expenses</b>				
Funds issued by associate	<u>\$ 19</u>	<u>14</u>	<u>19</u>	<u>14</u>

Transaction terms are the same as the general clients.

(iii) Lease agreements

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
<b>Lease revenue</b>				
Associates	<u>\$ 4,309</u>	<u>4,309</u>	<u>8,618</u>	<u>8,618</u>

	Guarantee deposits received		December 31,	
	June 30, 2022	June 30, 2021	2021	June 30, 2021
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.

(Continued)

**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:

<b>Commission revenues</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Subsidiaries	\$ <u>6,846</u>	<u>1,541</u>	<u>10,719</u>	<u>3,487</u>

  

<b>Accounts receivable</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	Subsidiaries	\$ <u>4,355</u>	<u>3,667</u>

(v) Brokerage and sub-brokerage

<b>Brokerage commissions</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Funds issued by associate	\$ <u>12,502</u>	<u>12,243</u>	<u>23,697</u>	<u>21,684</u>

  

<b>Re-consigned handling commissions</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Funds issued by associate	\$ <u>2,618</u>	<u>2,784</u>	<u>5,325</u>	<u>6,982</u>

(vi) Fund services business

<b>Fund services revenue</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>460</u>	<u>1,288</u>	<u>1,046</u>	<u>2,569</u>

  

<b>Channel services revenue</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>460</u>	<u>1,288</u>	<u>1,046</u>	<u>2,569</u>

  

<b>Account receivable</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
	Associates	\$ <u>294</u>	<u>509</u>

(vii) Wealth management business

<b>Trust account commissions revenue</b>	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>120</u>	<u>3,415</u>	<u>1,077</u>	<u>6,859</u>

(Continued)

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
<b>Trust account management fee revenue</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>324</u>	<u>250</u>	<u>653</u>	<u>461</u>
 (viii) Underwriting business				
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
<b>Stock service income</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>33</u>	<u>30</u>	<u>63</u>	<u>60</u>
			<b>December 31,</b>	
<b>Accounts receivable</b>	<b>June 30, 2022</b>		<b>2021</b>	<b>June 30, 2021</b>
Associates	\$ <u>13</u>		<u>10</u>	<u>10</u>
 (ix) Other revenue				
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
<b>Other revenue</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Associates	\$ <u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
 (x) Custody account business				
	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
<b>Custody account business revenue</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Second-level subsidiaries (note)	\$ <u>1,488</u>	<u>2,021</u>	<u>2,901</u>	<u>3,869</u>
			<b>December 31,</b>	
<b>Accounts receivable</b>	<b>June 30, 2022</b>		<b>2021</b>	<b>June 30, 2021</b>
Second-level subsidiaries (note)	\$ <u>517</u>		<u>571</u>	<u>665</u>
 (xi) Accrued receivable				
	<b>June 30, 2022</b>		<b>December 31,</b>	<b>June 30, 2021</b>
<b>Accounts receivable/ Other receivable</b>			<b>2021</b>	
Subsidiaries	\$ 34,783		84	87
Associates	165,345		-	15
Total	\$ <u>200,128</u>		<u>84</u>	<u>102</u>

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

(Continued)

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

**(8) Pledged assets:**

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>	<u>The collateral use</u>
Restricted assets - current	\$ 229,615	285,135	265,814	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)	29,893,915	38,081,111	35,227,879	Repurchase agreement
Property (net amount)	1,890,231	2,071,440	1,908,429	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,064	180,596	180,416	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property (net amount)	<u>3,348,566</u>	<u>3,183,055</u>	<u>3,363,358</u>	Bank borrowings
Total	<u>\$ 35,591,266</u>	<u>43,801,337</u>	<u>40,945,896</u>	

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

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

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 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	461,913	\$ 4,619,130	612,683	6,126,830	654,375	6,543,750
Collateral for margin purchase	17,825	178,254	11,332	113,321	10,499	104,985
Lending securities to customers through short sales	35,500	355,000	41,166	411,660	43,486	434,860
Collateral for short sales	2,856	28,560	7,659	76,588	3,671	36,710

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

	<u>June 30, 2022</u>		<u>December 31, 2021</u>		<u>June 30, 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	352	\$ 3,520	491	4,910	84	840
Collateral for refinancing margin	-	-	-	-	43	430

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

	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
	<u>\$</u>	<u>\$</u>	<u>USD</u>
Promissory notes	<u>25,025,000</u>	<u>24,660,000</u>	<u>23,180,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>	<u>USD 85,000</u>

(Continued)

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

- (d) As of June 30, 2022, December 31, 2021 and June 30, 2021, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$10,217,469, \$7,342,642 and \$9,804,235, respectively.
- (e) Securities and Futures Investors Protection Center claims against the Company for compensation of \$1,545; due to the fact that the Company, being the underwriter of Universal ABIT's year 2002 cash capital increase case had provided false information on the contents disclosed in the prospectus. The first instance claimed the case in favor of the Company, but plaintiff appealed against the judgement. The case is under the trial of Taiwan High Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (g) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and it is not liable for compensation, thus the Company unrecognized this amount.
- (h) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of June 30, 2022.
- (i) The Company provided the Letter of Comfort to the banks which loaned to its subsidiary CSC International Holdings Ltd. and CSC Securities (HK) Ltd.

(Continued)

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

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

(i) Balance sheet of trust accounts

**Balance Sheet of Trust Accounts**

**June 30, 2022, December 31, 2021 and June 30, 2021**

<b>Trust Assets</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>	<b>Trust Liabilities</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>	<b>June 30, 2021</b>
Bank deposits	\$ 1,193,620	1,316,300	1,383,412	Accounts payable	\$ 232	97	88
Short-term investment				Trust capital	11,305,416	11,104,225	11,883,627
Funds	8,186,239	9,195,789	10,144,144	Net income	(1,323,795)	(53,638)	378,651
Stocks	193,804	276,944	269,346	Accumulated earnings or deficit	(5,878)	90,269	207,570
Bonds	252,248	58,590	67,430				
Structured notes	116,958	277,623	569,097				
Accounts receivable	33,106	15,707	36,507				
<b>Total Assets</b>	<b>\$ 9,975,975</b>	<b>11,140,953</b>	<b>12,469,936</b>	<b>Total Liabilities</b>	<b>\$ 9,975,975</b>	<b>11,140,953</b>	<b>12,469,936</b>

(ii) Income statement of trust accounts

**Income Statement of Trust Accounts**

**For the six months ended June 30, 2022 and 2021**

	<b>For the six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
Trust revenue		
Interest revenue	\$ 19,649	42,991
Cash dividends revenue	149,276	185,906
Rental revenue	7,523	4,280
Investment gains - realized	-	59,253
Investment gains - unrealized	-	164,434
Subtotal	176,448	456,864
Trust expense		
Management fee	334	219
Service fee	9,659	20,912
Investment losses - realized	216,966	3,246
Investment losses - unrealized	1,273,229	53,795
Other fees	1	-
Subtotal	1,500,189	78,172
Gain (loss) before income tax	(1,323,741)	378,692
Less: Income tax expense	54	41
Net gain (loss)	<b>\$ (1,323,795)</b>	<b>378,651</b>

(Continued)

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

(iii) Property list of trust accounts

**Property list of trust accounts**

**June 30, 2022, December 31, 2021 and June 30, 2021**

<u>Investment items</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Bank deposits	\$ 1,193,620	1,316,300	1,383,412
Short-term investment			
Funds	8,186,239	9,195,789	10,144,144
Stocks	193,804	276,944	269,346
Bonds	252,248	58,590	67,430
Structured Notes	116,958	277,623	569,097
Other assets	<u>33,106</u>	<u>15,707</u>	<u>36,507</u>
Total	<u>\$ 9,975,975</u>	<u>11,140,953</u>	<u>12,469,936</u>

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

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

(Continued)

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

**(12) Other:**

(a) As of June 30, 2022, December 31, 2021 and June 30, 2021, the open positions of futures and option contracts were as follows:

(i) June 30, 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	567	\$ 1,714,443	1,654,699	
	TAIEX Futures	Short	140	(418,081)	(406,215)	
	Mini-TAIEX Futures	Long	273	210,312	195,409	
	Mini-TAIEX Futures	Short	498	(379,063)	(360,449)	
	Electronic Sector Index Futures	Short	101	(281,700)	(269,010)	
	Finance Sector Index Futures	Long	4	6,725	6,114	
	Finance Sector Index Futures	Short	118	(187,783)	(183,726)	
	Mini-Finance Sector Futures	Long	379	150,561	147,526	
	Mini-Finance Sector Futures	Short	8	(3,161)	(3,059)	
	Single Stock Futures	Long	19,906	2,999,588	2,744,102	
	Single Stock Futures	Short	5,602	(1,127,477)	(1,018,339)	
	HHI Futures	Short	35	(51,447)	(50,307)	
	HSI Futures	Short	3	(12,583)	(12,355)	
	Mini-HSI Futures	Short	17	(14,186)	(14,002)	
	E-mini-Nasdaq Futures	Short	24	(169,348)	(164,475)	
	Micro E-mini-Nasdaq Futures	Short	34	(24,235)	(23,301)	
	Micro E-mini-Nasdaq Futures	Long	11	7,482	7,538	
	Wheat Futures	Short	15	(21,814)	(19,704)	
	E-mini crude oil	Short	3	(4,843)	(4,715)	
	Gold Futures	Short	12	(65,760)	(64,456)	
	Micro Gold Futures	Long	2	1,098	1,074	
	Silver Futures	Short	3	(9,906)	(9,073)	
	FTSE China A50 Index Futures	Long	396	175,160	175,160	
	FTSE China A50 Index Futures	Short	726	(317,668)	(321,126)	
	Micro E-mini S&P 500 Futures	Long	6	3,401	3,379	
	Micro E-mini S&P 500 Futures	Short	30	(17,370)	(16,894)	
	E-mini S&P 500 Futures	Short	7	(39,613)	(39,418)	
	TOPIX Futures	Short	16	(68,117)	(65,303)	
	Crude Oil Futures	Short	111	(371,020)	(348,736)	
	Brent Crude Oil Futures	Short	121	(411,739)	(392,085)	
	Mini-Weekly Stock Index Futures	Short	3	(2,264)	(2,209)	
	SGX Nikkei 225 Index Futures	Short	15	(49,406)	(47,279)	
	Mini-TOPIX Futures	Long	21	8,407	8,571	
	2 Year U.S. T-Note Futures	Short	8	(49,516)	(49,933)	
	10 Year U.S. T-Note Futures	Long	4	(14,103)	(14,091)	
	30 Year U.S. Treasury Bond	Short	17	(68,643)	(70,039)	
	Ultra U.S. Treasury Bond	Short	44	(197,424)	(201,832)	
	US Dollar Index Futures	Long	35	108,748	108,663	
	US Dollar Index Futures	Short	3	(9,263)	(9,314)	
	Japanese Yen Futures	Short	3	(8,391)	(8,265)	
	Mini Electronic Futures	Long	222	76,266	73,886	
	E-mini Russell 2000 Index Futures	Short	4	(10,376)	(10,152)	
	E-mini Dow Futures	Short	5	(22,638)	(22,870)	
	Dow Jones Real Estate Futures	Short	4	(4,352)	(4,243)	
	Subtotal			1,028,901		

(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	8,046	32,155	15,967	
	TAIEX Options (Put )	Long	6,730	86,451	159,620	
	TAIEX Options (Call)	Short	6,630	(56,496)	(28,683)	
	TAIEX Options (Put )	Short	6,589	(99,627)	(182,302)	
	Stock Options (Call)	Long	76	1,648	651	
	Stock Options (Put)	Long	125	778	1,385	
	Stock Options (Call)	Short	12	(29)	(9)	
	Stock Options (Put)	Short	96	(1,951)	(2,643)	
	TAIEX Weekly Options (Call)	Long	2,517	6,877	4,692	
	TAIEX Weekly Options (Put)	Long	1,196	5,981	9,259	
	TAIEX Weekly Options (Call)	Short	2,239	(3,795)	(2,769)	
	TAIEX Weekly Options (Put)	Short	1,297	(6,458)	(9,128)	
	Finance Insurance Index Options (Call)	Long	80	578	268	
	Finance Insurance Index Options (Put)	Long	23	158	170	
	Finance Insurance Index Options (Call)	Short	21	(145)	(57)	
	Finance Insurance Index Options (Put)	Short	83	(702)	(985)	
	Electronic Sector Index Options (Put)	Long	2	12	24	
	Electronic Sector Index Options (Call)	Short	106	(81)	(55)	
	Electronic Sector Index Options (Put)	Short	2	(22)	(49)	
	Subtotal			(34,668)		
Total				\$ 994,233		

(Continued)

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

(ii) December 31, 2021

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	TAIEX Futures	Long	131	\$ 463,863	475,472	
	TAIEX Futures	Short	249	(896,578)	(906,678)	
	Mini-TAIEX Futures	Short	292	(263,581)	(265,111)	
	Electronic Sector Index Futures	Long	24	83,370	84,072	
	Electronic Sector Index Futures	Short	38	(131,759)	(133,114)	
	Finance Sector Index Futures	Long	33	55,909	56,540	
	Mini-Finance Sector Index 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)	
	U.S. 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) June 30, 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	30	\$ 92,235	103,504	
	TAIEX Futures	Short	233	(823,386)	(825,379)	
	Mini-TAIEX Futures	Long	443	376,799	389,165	
	Mini-TAIEX Futures	Short	6	(4,896)	(5,074)	
	Electronic Sector Index Futures	Long	3	9,819	9,913	
	Electronic Sector Index Futures	Short	72	(233,908)	(237,931)	
	Finance Sector Index Futures	Long	10	14,940	15,050	
	Finance Sector Index Futures	Short	5	(7,435)	(7,525)	
	Single Stock Futures	Long	322	67,197	69,797	
	Single Stock Futures	Short	4,816	(901,508)	(927,938)	
	HSI Futures	Short	17	(88,885)	(87,291)	
	Mini-HSI Futures	Short	47	(48,819)	(48,267)	
	E-mini-Nasdaq Futures	Short	28	(227,023)	(226,988)	
	Soybean Futures	Short	9	(16,744)	(17,539)	
	Copper Futures	Long	8	23,783	23,898	
	Gold Futures	Short	5	(24,678)	(24,678)	
	Micro Gold Futures	Short	58	(30,446)	(28,627)	
	FTSE Taiwan Index Futures	Short	16	(26,665)	(26,960)	
	FTSE China A50 Index Futures	Long	107	51,935	51,572	
	FTSE China A50 Index Futures	Short	318	(153,889)	(153,269)	
	FTSE Vietnam 30 Index Futures	Short	20	(7,351)	(7,433)	
	TPEX 200 Index Futures	Long	6	2,734	2,720	
	E-mini-S&P 500 Futures	Short	6	(35,394)	(35,844)	
	SGX Nikkei 225 Index Futures	Short	11	(40,224)	(39,849)	
	10 Year U.S. T-Note Futures	Short	50	(184,068)	(184,573)	
	Ultra 10 Year U.S. T-Note Futures	Short	38	(155,647)	155,841	
	TOPIX Futures	Short	14	(68,857)	(68,576)	
	Crude Oil Futures	Long	7	13,985	14,270	
	Crude Oil Futures	Short	6	(12,361)	(12,281)	
	U.S. dollar Index Futures	Long	32	81,827	82,404	
	U.S. dollar Index Futures	Short	2	(5,010)	(5,150)	
	Brent Crude Oil Futures	Short	114	(234,337)	(236,996)	
	Subtotal			(2,596,277)		
Options contract :						
	TAIEX Options (Call)	Long	1,489	29,149	49,669	
	TAIEX Options (Put)	Long	2,693	27,092	13,224	
	TAIEX Options (Call)	Short	1,690	(30,163)	(57,120)	
	TAIEX Options (Put)	Short	2,067	(23,869)	(12,732)	
	Stock Options (Call)	Long	42	249	70	
	Stock Options (Put)	Long	79	174	174	
	Stock Options (Call)	Short	18	(218)	(138)	
	TAIEX Weekly Options (Call)	Long	189	1,126	1,006	
	TAIEX Weekly Options (Put)	Long	187	554	472	
	TAIEX Weekly Options (Call)	Short	74	(606)	(543)	
	TAIEX Weekly Options (Put)	Short	31	(243)	(229)	
	Finance Insurance Index Options (Put)	Long	40	333	246	
	Finance Insurance Index Options (Call)	Short	40	(166)	(203)	
	Subtotal			3,412		
Total				\$ (2,592,865)		

(Continued)

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

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Stockholders' equity	6,276,693	3.43	6,062,051	6.77	≥ 1	Satisfactory to requirement
	(Total liabilities - futures traders' equity)	1,827,555		895,211			
17	Current Assets	50,107,523	1.11	42,610,236	1.12	≥ 1	"
	Current Liabilities	45,171,384		37,894,757			
22	Stockholders' equity	6,276,693	562.93 %	6,062,051	543.68 %	≥ 60%	"
	Minimum paid-in capital	1,115,000		1,115,000		≥ 40%	
22	Adjusted net capital	4,667,624	52.15 %	4,531,413	56.87 %	≥ 20%	"
	Total amount of customers' margin required for open positions of futures trader	8,950,460		7,967,419		≥ 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	\$ 869,977	869,977	810,637	- %	2	-	Working capital	-	-	-	1,538,736	1,538,736
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	100,285	100,285	100,285	- %	2	-	Working capital & repayment of financing	-	-	-	100,285	100,285
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,498	5,498	5,498	- %	2	-	Repayment of financing	-	-	-	5,498	5,498
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	58,976	58,976	14,744	5.73 %	1	10,013		-	-	-	181,062	905,310
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	412,831	412,831	294,879	1.98%~3.23%	1	208,508		-	-	-	412,831	905,310
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	88,464	88,464	-	1.73%~3.73%	1	27,264		-	-	-	181,062	905,310
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	14,744	14,744	14,744	3.73 %	1	2,825		-	-	-	181,062	905,310
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	3.73 %	1	566		-	-	-	181,062	905,310
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	58,976	58,976	-	3.73 %	1	11,530		-	-	-	181,062	905,310
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	44,232	44,232	-	3.73 %	1	4,293		-	-	-	181,062	905,310

Note: Type of Loans

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

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

(In Thousands of New Taiwan Dollars)

Company of classification-account receivables	Name of transaction parties	Relationship	Balance of account receivables-Related parties	Turnover	Expiration of account receivables-Related parties		Subsequent recoverable amount	Allowance of doubtful accounts
					Amount	Treatment		
Capital Securities Corp.	Capital Futures Corp.	Subsidiary	234,725	N/A	-	N/A	234,725	-
Capital Securities Corp.	Capital Investment Trust Corp.	Associate	165,653	N/A	-	N/A	165,653	-

(Continued)

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

(vii) Significant transactions between parent company and subsidiaries for the six months ended June 30, 2022:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	28,001		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	44,220		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	190,505		0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	65,051		0.03 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,756		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	97,442	General transaction	2.78 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	8,929	General transaction	0.25 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	296	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	140	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	33	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	9,115	General transaction	0.26 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	40	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	13,163	General transaction	0.37 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	24,245	General transaction	0.69 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	285	General transaction	0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	3,224		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	34,500	General transaction	0.98 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	1		- %
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	155		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	116		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	62		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other operating expense	1,979	General transaction	0.06 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	6,936		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Financial costs	1	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	183		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	367	General transaction	0.01 %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	15	General transaction	- %

(Continued)

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

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	26		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,092,060		1.07 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,092,060		1.07 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	1,876		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	11,200	General transaction	0.32 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	943,360		0.48 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,825,247		2.47 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	6,781		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	4,137	General transaction	0.12 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	68,225	General transaction	1.94 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	1,142	General transaction	0.03 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,536	General transaction	0.04 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Prepayments	1,536		- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,432,638		2.27 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	550,751		0.28 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	264	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 141		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 397	General transaction	0.04 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 42	General transaction	- %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	279	General transaction	0.01 %
5	CSC Venture Capital Corp.	Capital Private Equity Fund I Co.	3	Management fee revenue	3,035	General transaction	0.09 %

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

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

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

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

(Continued)

## CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on June 30, 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 %	82,343	36,384	6,111	6,111	3,136	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,551,543	1,272,711	314,844	178,123	190,505	-
0	CSC International Holdings Ltd.	British Virgin Island	March 4, 1996	No. FSC-65350 dated January 12, 1996	Long-term equity investment business.	1,339,555	1,339,555	45,000,000	100.00 %	1,538,736	(34,658)	(42,738)	(42,738)	-	-
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 %	64,780	131,680	38,914	38,914	34,705	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei, Taiwan, R.O.C.	November 8, 2000		Manages personal insurance agent business.	7,400	7,400	740,000	100.00 %	39,571	26,121	1,207	1,207	-	-
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 %	15	(584)	(584)	(584)	-	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 %	845,750	1,330	(1,922)	(1,922)	6,900	-
0	CSC Capital Management Co.	Taipei, Taiwan, R.O.C.	December 3, 2020	No. FSC-1090349163 dated September 7, 2020	Investment and management consulting, venture capital and general investing.	330,000	330,000	33,000,000	100.00 %	307,427	2,500	944	944	-	-
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 %	1,293,128	1,018,758	391,576	78,320	165,337	Associates
1	CSC Securities(HK) Ltd.	Hong Kong	May 3, 1994	No. FSC-90931 dated January 5, 1998	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses permitted by local law of Hong Kong.	HK 128,000 thousands	HK 128,000 thousands	128,000,000	100.00 %	631,939	2,009	(34,658)	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(99,090)	-	(584)	-	-	-
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2 thousands	HK 2 thousands	2	100.00 %	(248,768)	-	(326)	-	-	-
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 %	905,310	165,617	(4,342)	-	-	-
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 %	30,455	1,536	(3,664)	-	-	-
4	True Partner Advisor Hong Kong Ltd.(Note 6)	Hong Kong	May 31, 2010	No. FSC-1040027513 date July 16, 2015	Asset Management.	-	36,701	-	- %	-	-	-	-	-	Associates
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995		Agency services.	HK 2 thousands	HK 2 thousands	2	100.00 %	-	-	-	-	-	The transaction has been eliminated in the consolidated financial statements
6	Capital Private Equity Fund I Co.	Taipei, Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	30,000,000	100.00 %	276,438	2,587	(535)	-	-	-

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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 June 30, 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 %	273	-	(127)	-	-	Associates

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

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

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

Note 4: The board of directors of the Company resolved to dissolve the investee company on March 1, 2022.

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

Note 6: On November 11, 2021, the Board of Directors of the subsidiary Capital Futures Corp. approved to sell True Partner Advisor Hong Kong Ltd., the associate of the Group. All shares had to be transferred on February 15, 2022. No profit or loss information will be disclosed as it has no significant impact.

#### (c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

#### (d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2022	Remittance of recoverable investment this period		Accumulated remittance as of June 30, 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 June 30, 2022
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	Note 1 (C)	24,372	-	-	24,372	(51)	28.86%	(15) B(2)	9,107	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(2,067)	56.58%	(1,170) B(2)	5,552	-

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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(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the six months ended June 30, 2022 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. June 30, 2022	Taiwan International Securities (B.V.I) Corp. June 30, 2022
<b>Nature</b>		
Current assets	9,311	1
Long-term investments	21,433	-
Property and premises	1,816	-
Other assets	19,394	3,380
Total assets	51,954	3,381
Current liabilities	49	19
Other liabilities	44	3,361
Total liabilities	93	3,380
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	7,148	(9,471)
Cumulative translation adjustments	(287)	(44)
Total stockholders' equity	51,861	1
Total liabilities and stockholders' equity	51,954	3,381

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## 2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the six months ended June 30, 2022	For the six months ended June 30, 2022
Operating revenue	(1,208)	(20)
Operating expense	(356)	-
Non-operating revenue	79	-
Non-operating expense	(4)	-
Income (loss) before tax	(1,489)	(20)
Net income (loss)	(1,489)	(20)

## (ii) Securities held as of June 30, 2022

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	June 30, 2022	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>21,433</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Other liabilities	265,000,000	\$ <u>(3,361)</u>

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

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

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**CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**  
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**(14) Segment information:**

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

For the three months ended June 30, 2022								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,297,666	73,198	(565,818)	9,369	36,323	685,188	(79,466)	1,456,460
Segment profit or loss	\$ 652,685	34,849	(812,284)	(67,792)	159,818	187,584	(89,950)	64,910

  

For the three months ended June 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 2,267,498	76,696	420,603	74,423	48,335	652,498	(79,136)	3,460,917
Segment profit or loss	\$ 1,310,340	25,311	340,368	(13,535)	(186,562)	156,439	(64,926)	1,567,435

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For the six months ended June 30, 2022								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 2,785,422	143,680	(387,213)	(280,478)	45,346	1,365,243	(161,531)	3,510,469
Segment profit or loss	\$ 1,451,317	67,988	(813,025)	(423,784)	18,553	374,459	(139,415)	536,093

  

For the six months ended June 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 3,859,311	153,658	1,153,799	222,686	105,733	1,296,477	(154,802)	6,636,862
Segment profit or loss	\$ 2,184,535	56,204	989,603	59,902	(381,834)	353,764	(148,376)	3,113,798

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.