

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Nine Months Ended September 30, 2022 and 2021**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2022 and 2021, as well as the changes in equity and cash flows for the nine months ended September 30, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,219,795 thousands and \$2,972,137 thousands, constituting 1.62% and 1.55% of consolidated total assets as of September 30, 2022 and 2021, respectively, total liabilities amounting to \$352,132 thousands and \$230,618 thousands, constituting 0.22% and 0.15% of consolidated total liabilities as of September 30, 2022 and 2021, respectively, and total comprehensive income (loss) amounting to \$(45,158) thousands, \$6,811 thousands, \$(65,286) thousands and \$(37,996) thousands, constituting (56.68)%, 0.54%, 28.57% and (0.89)% of consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021, respectively.

Furthermore, as stated in Note 6(e), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,440,323 thousands and \$1,472,960 thousands as of September 30, 2022 and 2021, respectively, and its equity in net earnings on these investee companies of \$42,412 thousands, \$42,389 thousands, \$160,802 thousands and \$146,541 thousands for the three months and the nine months ended September 30, 2022 and 2021, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$159 thousands, \$(52) thousands, \$645 thousands and \$3,235 thousands for the three months and the nine months ended September 30, 2022 and 2021, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of September 30, 2022 and 2021, and of its consolidated financial performance for the three months and the nine months ended September 30, 2022 and 2021, as well as its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 10, 2022

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
REVIEWED ONLY, NOT AUDITED IN ACCORDANCE WITH THE GENERALLY ACCEPTED AUDITING
STANDARDS AS OF SEPTEMBER 30, 2022 AND 2021

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
110000 Cash and cash equivalents (note 6(a))	\$ 11,636,698	6	9,807,123	5	10,181,508	5
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	47,021,124	24	45,427,215	22	41,726,326	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	12,190,372	6	15,033,143	7	17,425,748	9
114030 Receivable for securities provided as collateral	12,531,331	7	21,115,979	10	18,058,468	10
114040 Refinancing margin	46,589	-	43,827	-	63,546	-
114050 Refinancing collateral receivable	38,737	-	36,519	-	56,457	-
114060 Receivable of securities business money lending	4,752,539	2	2,349,669	1	2,538,896	1
114070 Customers' margin account (note 6(d))	40,981,064	21	37,848,190	19	37,882,937	20
114080 Receivable - futures margin	334	-	-	-	-	-
114090 Collateral for securities borrowed	924,902	-	109,340	-	51,704	-
114100 Security borrowing margin	12,979,819	7	5,528,410	3	4,738,640	2
114110 Notes receivable	16,151	-	15,969	-	23,684	-
114130 Accounts receivable (note 6(c))	8,648,612	4	11,406,287	6	12,841,980	7
114150 Prepayments	77,751	-	32,492	-	75,301	-
114170 Other receivables	492,846	-	523,722	-	501,327	-
114200 Other financial assets - current	38	-	-	-	-	-
114300 Leverage contract trading - customers' margin account	969,675	1	624,232	-	508,917	-
114600 Current income tax assets	237	-	230	-	228	-
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))	26,590,128	13	26,706,922	13	25,562,448	13
119990 Other current assets-others	1,048,370	-	9,323,657	5	1,609,920	1
	180,947,317	91	185,983,038	91	173,848,035	90
Non-current assets:						
120000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	178,474	-	180,596	-	180,145	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	2,602,979	1	3,319,193	2	3,091,678	2
123300 Financial assets at amortized cost - non-current (note 6(b))	499,822	-	-	-	-	-
124100 Investments accounted for under equity method (note 6(f))	1,440,323	1	1,478,918	1	1,472,960	1
125000 Property and equipment (notes 6(g) and 8)	2,805,813	2	3,052,798	1	2,894,991	2
125800 Right-of-use assets (note 6(h))	780,776	-	791,630	-	819,928	-
126000 Investment property (notes 6(i) and 8)	3,816,954	2	3,651,720	2	3,830,086	2
127000 Intangible assets (note 6(j))	3,602,960	2	3,615,760	2	3,601,363	2
128000 Deferred income tax assets	25,462	-	33,568	-	30,626	-
129000 Other non-current assets	1,583,821	1	1,586,718	1	1,584,699	1
	17,337,384	9	17,710,901	9	17,506,476	10
Total assets	\$ 198,284,701	100	203,693,939	100	191,354,511	100

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STANDARDS AS OF SEPTEMBER 30, 2022 AND 2021

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2022, December 31, 2021, and September 30, 2021

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2022		December 31, 2021		September 30, 2021	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(k))	\$ 4,886,201	3	3,087,820	2	4,058,203	2
211200 Commercial paper payable (note 6(l))	8,265,333	4	8,397,806	4	3,649,676	2
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	8,774,080	4	4,999,027	3	2,924,919	2
214010 Bonds sold under repurchase agreements (note 6(n))	33,209,244	17	37,345,935	18	39,324,178	21
214040 Guarantee deposited for short sales	3,172,205	2	2,848,834	1	3,204,497	2
214050 Proceeds payable from short sales	3,526,146	2	3,246,792	2	3,692,847	2
214070 Securities lending refundable deposits	15,076,292	8	8,149,786	4	7,166,596	4
214080 Futures traders' equity (note 6(d))	40,959,427	21	37,798,393	19	37,845,682	20
214090 Equity for each customer in the account (note 6(o))	26,590,128	13	26,706,922	13	25,562,448	13
214100 Leverage contract trading - customers' equity	966,226	-	630,830	-	510,823	-
214110 Notes payable	228	-	152	-	228	-
214130 Accounts payable (note 6(p))	7,321,507	4	10,760,098	5	11,646,349	6
214150 Advance receipts	32,608	-	34,143	-	34,256	-
214160 Receipts under custody	744,532	-	8,808,150	5	1,368,312	1
214170 Other payables	907,363	-	1,358,467	1	1,199,233	1
214200 Other financial liabilities - current (note 6(x))	3,262,739	2	4,470,183	2	5,755,063	3
214600 Current income tax liabilities	239,033	-	613,128	-	467,575	-
215100 Provisions - current (note 6(r))	60,092	-	49,604	-	62,262	-
216000 Current lease liabilities (note 6(q))	184,407	-	164,321	-	175,146	-
219000 Other current liabilities	35,975	-	14,798	-	22,543	-
	158,213,766	80	159,485,189	79	148,670,836	79
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(x))	535,633	-	575,697	-	570,440	-
226000 Non-current lease liabilities (note 6(q))	655,553	-	685,850	-	708,323	-
228000 Deferred income tax liabilities	835,746	1	496,354	-	494,598	-
229000 Other non-current liabilities (note 6(r))	548,667	-	977,265	1	600,926	-
	2,575,599	1	2,735,166	1	2,374,287	-
Total liabilities	160,789,365	81	162,220,355	80	151,045,123	79
Equity attributable to shareholders of the parent:						
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	2
304000 Retained earnings:						
304010 Legal reserve	2,758,257	1	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))	320,721	-	5,081,597	3	4,098,540	2
305120 Exchange differences on translation of foreign operations	54,774	-	(403,037)	-	(381,065)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,270,813	1	2,530,934	1	2,366,127	1
305170 Equity related to non-current assets classified as held for sale	-	-	(1,205)	-	-	-
Total equity attributable to the parent company	34,643,892	17	38,734,810	19	37,610,123	20
306000 Non-controlling interests	2,851,444	2	2,738,774	1	2,699,265	1
Total equity	37,495,336	19	41,473,584	20	40,309,388	21
Total liabilities and equity	\$ 198,284,701	100	203,693,939	100	191,354,511	100

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and nine months ended September 30, 2022 and 2021

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

	For the three months ended September 30				For the nine months ended September 30				
	2022		2021		2022		2021		
	Amount	%	Amount	%	Amount	%	Amount	%	
Income:									
401000	Brokerage commissions (note 6(v))	\$ 1,316,086	57	2,132,412	64	4,207,492	73	6,173,267	62
402000	Revenues from securities business money lending	20	-	39	-	140	-	148	-
403000	Revenue from securities lending	79,446	3	89,795	3	283,904	5	224,735	2
404000	Underwriting commissions (note 6(v))	18,115	1	38,048	1	74,323	1	84,840	1
406000	Commissions on wealth management business	22,731	1	16,944	1	46,558	-	60,991	1
410000	Net gains (losses) on sale of trading securities (note 6(v))	(803,451)	(35)	896,535	27	(755,923)	(13)	3,208,132	32
421100	Securities management, distribution, and management fees	41,709	2	40,656	1	118,522	2	114,009	1
421200	Interest revenue (note 6(v))	364,932	16	444,016	13	1,114,356	19	1,270,340	13
421300	Dividend revenue	279,089	12	216,600	6	611,010	11	257,997	3
421500	Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	(507,645)	(22)	(2,581,250)	(77)	(3,270,106)	(56)	(1,056,287)	(11)
421600	Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(x))	281,850	12	(24,427)	(1)	398,116	7	154,926	2
421610	Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	379,023	17	150,246	4	1,042,584	18	(13,991)	-
421750	Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(2,659)	-	18,012	1	(297,905)	(5)	88,418	1
422000	Net gains (losses) from exchange traded notes (note 6(x))	-	-	92	-	188	-	67	-
422100	Management and commissions revenue from exchange traded notes (note 6(x))	-	-	3	-	3	-	8	-
422200	Net gains (losses) on stock warrants issued (notes 6(v) and (x))	113,889	5	1,346,550	40	1,248,038	22	(663,772)	(7)
424100	Futures commission revenues (note 6(v))	88,540	4	72,318	2	242,718	4	263,944	3
424400	Net gains (losses) on derivative instruments - futures (note 6(x))	436,475	19	120,892	4	(384,893)	(7)	(168,132)	(2)
424500	Net gains (losses) on derivative instruments - OTC (note 6(x))	335,128	15	322,702	10	1,466,380	25	(168,532)	(2)
424800	Management fee revenues	169	-	398	-	434	-	2,119	-
424900	Consultancy fee revenue	5,799	-	4,467	-	16,119	-	18,045	-
425300	Impairment losses and reversal gains (note 6(w))	(2,800)	-	(2,216)	-	(3,587)	-	(12,630)	-
428000	Other operating revenues	(150,161)	(7)	36,586	1	(351,717)	(6)	137,638	1
		<u>2,296,285</u>	<u>100</u>	<u>3,339,418</u>	<u>100</u>	<u>5,806,754</u>	<u>100</u>	<u>9,976,280</u>	<u>100</u>
Expenses:									
501000	Brokerage fees	157,765	7	240,247	7	485,561	8	696,347	7
502000	Brokerage and clearing fees - proprietary trading	9,427	1	5,717	-	25,552	-	17,156	-
503000	Clearing and exchange fees - refinancing	951	-	686	-	2,312	-	2,480	-
504000	Clearing and exchange fees - underwriting	100	-	343	-	1,051	-	667	-
507000	Issuance and management fees on exchange traded notes (note 6(x))	-	-	353	-	377	-	438	-
521200	Financial costs	163,153	7	41,573	2	316,622	6	141,788	1
521640	Loss from securities borrowing transactions	226,497	10	3,127	-	304,916	5	5,872	-
524100	Futures commission expense (note 6(v))	98,513	4	74,934	2	292,740	5	244,706	2
524300	Clearing and settlement expenses	52,541	2	51,089	2	154,465	3	147,488	1
528000	Other operating expenditure	6,484	-	5,401	-	19,865	-	18,629	-
531000	Employee benefits expenses (note 6(v))	742,919	32	1,002,342	30	2,057,279	36	2,895,230	29
532000	Depreciation and amortization expense (note 6(v))	116,751	5	113,924	3	347,920	6	353,839	4
533000	Other operating expenses (note 6(v))	570,669	25	522,587	16	1,667,763	29	1,489,519	15
		<u>2,145,770</u>	<u>93</u>	<u>2,062,323</u>	<u>62</u>	<u>5,676,423</u>	<u>98</u>	<u>6,014,159</u>	<u>59</u>
Other income (expenses):									
601000	Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	42,412	2	42,389	1	160,802	3	146,541	1
602000	Other gains and losses (note 6(v))	310,747	13	202,462	6	748,634	13	527,082	5
		<u>353,159</u>	<u>15</u>	<u>244,851</u>	<u>7</u>	<u>909,436</u>	<u>16</u>	<u>673,623</u>	<u>6</u>
902001	Net income before income tax	503,674	22	1,521,946	45	1,039,767	18	4,635,744	47
701000	Less: Income tax expenses (note 6(s))	162,732	7	178,184	5	542,188	9	615,277	6
	Net income	<u>340,942</u>	<u>15</u>	<u>1,343,762</u>	<u>40</u>	<u>497,579</u>	<u>9</u>	<u>4,020,467</u>	<u>41</u>
Other comprehensive income:									
805500	Components that may not be reclassified to profit or loss in subsequent periods:								
805540	Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(249,288)	(11)	467	-	(758,890)	(13)	719,778	7
805550	Share of other comprehensive income of associates and joint ventures accounted for using equity method	159	-	-	-	645	-	3,659	-
805599	Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
	Subtotal of components that may not be subsequently reclassified into profit or loss	<u>(249,129)</u>	<u>(11)</u>	<u>467</u>	<u>-</u>	<u>(758,245)</u>	<u>(13)</u>	<u>723,437</u>	<u>7</u>
805600	Components that may be reclassified to profit or loss in subsequent periods:								
805610	Exchange differences on translation of foreign operations	268,346	11	(5,930)	-	552,064	9	(106,255)	(1)
805615	Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(259,366)	(11)	(81,710)	(3)	(477,956)	(8)	(360,196)	(4)
805699	Less: Income tax related to components of other comprehensive income (note 6(s))	21,117	1	(468)	-	41,974	1	(7,379)	-
	Subtotal of items that may be subsequently reclassified into profit or loss	<u>(12,177)</u>	<u>(1)</u>	<u>(87,172)</u>	<u>(3)</u>	<u>32,134</u>	<u>-</u>	<u>(459,072)</u>	<u>(5)</u>
805000	Other comprehensive income, net	<u>(261,266)</u>	<u>(12)</u>	<u>(86,705)</u>	<u>(3)</u>	<u>(726,111)</u>	<u>(13)</u>	<u>264,365</u>	<u>2</u>
902006	Total comprehensive income	<u>\$ 79,676</u>	<u>3</u>	<u>1,257,057</u>	<u>37</u>	<u>(228,532)</u>	<u>(4)</u>	<u>4,284,832</u>	<u>43</u>
Net income attributable to:									
913100	Shareholders of the parent	\$ 243,020	11	1,297,012	39	263,094	5	3,849,724	39
913200	Non-controlling interests	97,922	4	46,750	1	234,485	4	170,743	2
		<u>\$ 340,942</u>	<u>15</u>	<u>1,343,762</u>	<u>40</u>	<u>497,579</u>	<u>9</u>	<u>4,020,467</u>	<u>41</u>
Total comprehensive income attributable to:									
914100	Shareholders of the parent	\$ (43,921)	(2)	1,216,318	36	(509,916)	(9)	4,112,018	41
914200	Non-controlling interests	123,597	5	40,739	1	281,384	5	172,814	2
		<u>\$ 79,676</u>	<u>3</u>	<u>1,257,057</u>	<u>37</u>	<u>(228,532)</u>	<u>(4)</u>	<u>4,284,832</u>	<u>43</u>
975000	Basic earnings per share (note 6(u))	<u>\$ 0.11</u>		<u>0.60</u>		<u>0.12</u>		<u>1.77</u>	
985000	Diluted earnings per share (note 6(u))	<u>\$ 0.11</u>		<u>0.60</u>		<u>0.12</u>		<u>1.77</u>	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

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

	Equity attributable to the parent company											
	Stock	Retained earnings				Total other equity interest						Total Equity
		Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to the parent company	Non-controlling interests	
Balance at January 1, 2021	\$ 21,709,081	2,743,430	1,922,939	4,116,356	3,600,038	(293,175)	2,087,400	-	35,886,069	2,788,661	38,674,730	
Net income for the nine months ended September 30, 2021	-	-	-	-	3,849,724	-	-	-	3,849,724	170,743	4,020,467	
Other comprehensive income	-	-	-	-	-	(87,890)	350,184	-	262,294	2,071	264,365	
Total comprehensive income	-	-	-	-	3,849,724	(87,890)	350,184	-	4,112,018	172,814	4,284,832	
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	-	-	-	-	71,457	-	(71,457)	-	-	-	-	
Capital surplus changes in ownership interests in subsidiaries	-	35	-	-	-	-	-	-	35	-	35	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(262,210)	(262,210)	
Balance at September 30, 2021	\$ 21,709,081	2,743,465	2,267,833	4,806,142	4,098,540	(381,065)	2,366,127	-	37,610,123	2,699,265	40,309,388	
Balance at January 1, 2022	\$ 21,709,081	2,743,465	2,267,833	4,806,142	5,081,597	(403,037)	2,530,934	(1,205)	38,734,810	2,738,774	41,473,584	
Net income for the nine months ended September 30, 2022	-	-	-	-	263,094	-	-	-	263,094	234,485	497,579	
Other comprehensive income	-	-	-	-	-	457,811	(1,230,821)	-	(773,010)	46,899	(726,111)	
Total comprehensive income	-	-	-	-	263,094	457,811	(1,230,821)	-	(509,916)	281,384	(228,532)	
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	-	-	-	-	29,300	-	(29,300)	-	-	-	-	
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205	
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)	
Balance at September 30, 2022	\$ 21,709,081	2,743,256	2,758,257	5,786,990	320,721	54,774	1,270,813	-	34,643,892	2,851,444	37,495,336	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the nine months ended September 30</u>	
	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net income before tax	\$ 1,039,767	4,635,744
Adjustments:		
Income and expenses items:		
Depreciation expense	320,888	327,414
Amortization expense	27,032	26,425
Expected credit impairment losses	3,587	12,630
Net losses on financial assets or liabilities at fair value through profit or loss	2,227,522	1,070,278
Financial cost	316,622	141,788
Interest revenue (including financial revenue)	(1,348,775)	(1,415,724)
Dividend revenue	(710,545)	(309,329)
Shares of profit of associates and joint ventures accounted for using equity method	(160,802)	(146,541)
Losses on disposal and retirement of property and equipment	8	138
Losses on disposal of investments accounted for using equity method	1,210	-
Net losses on non-operating financial instruments at fair value through profit or loss	5,609	16,003
Impairment loss on non-financial assets	3,623	3,643
Net losses on lease modifications	694	111
Subtotal of income of non-cash activities	<u>686,673</u>	<u>(273,164)</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(3,851,272)	(7,612,846)
Decrease (increase) in receivable for securities provided as collateral	8,584,697	(3,058,861)
Decrease (increase) in refinancing margin	(2,762)	34,168
Decrease (increase) in receivable on refinancing collateral	(2,218)	28,804
Increase in receivable of securities business money lending	(2,402,870)	(228,666)
Decrease (increase) in customers' margin account	(3,132,874)	466,895
Decrease (increase) in margin receivable of futures trading	(170)	181
Decrease (increase) in collateral for securities borrowed	(815,562)	744,558
Increase in security borrowing margin	(7,451,409)	(3,977,825)
Increase in notes receivable	(182)	(905)
Decrease (increase) in accounts receivable	2,722,940	(1,713,001)
Increase in prepayments	(45,259)	(37,988)
Decrease (increase) in other receivables	41,535	(375,244)
Decrease in financial assets at fair value through other comprehensive income	2,338,450	750,363
Increase in leverage contract trading - customer's margin account	(345,443)	(155,955)
Decrease in other current assets	8,275,287	145,699
Increase in other current financial assets	(38)	-
Decrease in other non-current assets	3,086	57,586
Increase (decrease) in bonds sold under repurchase agreements	(4,136,691)	4,058,596
Increase (decrease) in financial liabilities at fair value through profit or loss	3,799,370	(705,947)
Increase in guarantee deposited for short sales	323,371	572,734
Increase in proceeds payable from short sales	279,354	671,598
Increase in securities lending refundable deposits	6,926,506	6,133,171
Increase (decrease) in futures traders' equity	3,160,286	(470,939)
Increase in leverage contract trading - customers' equity	335,396	158,767
Increase in notes payable	76	76
Increase (decrease) in accounts payable	(3,445,922)	906,475
Decrease in advance receipts	(1,535)	(1,221)
Decrease in receipts under custody	(8,063,618)	(268,205)
Increase (Decrease) in other payable	(454,996)	98,603
Increase in provision - current	10,488	12,093
Increase (decrease) in other financial liabilities	(1,247,508)	1,574,413
Increase in other current liabilities	21,177	2,914
Decrease in other non-current liabilities	(428,598)	(243,014)
Total changes in assets and liabilities from operating activities	<u>993,092</u>	<u>(2,432,923)</u>
Total adjustments	<u>1,679,765</u>	<u>(2,706,087)</u>

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2022	2021
Cash generated from operating activities	\$ 2,719,532	1,929,657
Interest received	1,386,434	1,344,556
Dividends received	891,062	454,572
Interest paid	(305,526)	(148,310)
Income taxes paid	(610,759)	(582,431)
Net Cash flows provided by operating activities	4,080,743	2,998,044
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(26,275)	(386,994)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	430,896
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	13,032	-
Acquisition of financial assets at amortized cost	(500,000)	-
Acquisition of investments using equity method	-	(400)
Proceeds from disposal of non-current assets classified as held for sale	51,031	-
Acquisition of property and equipment	(87,927)	(176,775)
Proceeds from disposal of property and equipment	48	-
Acquisition of intangible assets	(17,179)	(11,573)
Increase in deferred debits	(595)	(124)
Net cash flows used in investing activities	(567,865)	(144,970)
Cash flows from financing activities:		
Increase in short-term borrowings	1,798,381	387,092
Increase (decrease) in commercial papers payable	(132,473)	1,349,984
Payment of lease liabilities	(141,562)	(151,331)
Cash dividends paid	(3,728,193)	(2,650,236)
Acquisition of ownership interests in subsidiaries	(23,653)	-
Proceed from right of inclusion options exercised	-	62
Net cash flows used in financing activities	(2,227,500)	(1,064,429)
Effect of exchange rate changes on cash and cash equivalents	544,197	(104,219)
Increase in cash and cash equivalents	1,829,575	1,684,426
Cash and cash equivalents, beginning of period	9,807,123	8,497,082
Cash and cash equivalents, end of period	\$ 11,636,698	10,181,508

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

September 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 September 30, 2022, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of September 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 November 10, 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:

Standards or Interpretations	Content of amendment	Effective date per IASB
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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

(a) Statement of compliance

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

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All 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			Note
			September 30, 2022	December 31, 2021	September 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 %	(Note 1)
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	(Note 2)
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %	
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %	(Note 3)
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %	(Note 4)
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 %	(Note 5)
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	97.27 %	97.27 %	
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %	(Note 6)
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %	(Note 6)
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %	(Note 6)
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %	(Note 2)
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	(Note 2)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	100.00 %	(Note 5)

Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total assets amounted to \$128,648 and \$123,491, and the total liabilities amounted to \$39,030 and \$44,208, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$7,275, \$(344), \$13,386 and \$3,403, respectively.

Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total consolidated assets amounted to \$1,926,229 and \$1,661,660, and the total consolidated liabilities amounted to \$297,897 and \$166,616, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$(15,922), \$12,300, \$(58,660) and \$3,399, respectively.

Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total consolidated assets amounted to \$28 and \$48, and the total consolidated liabilities amounted to \$3 and \$0, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$(62), \$(273), \$(646) and \$(405), respectively.

Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total assets amounted to \$815,020 and \$790,963, and the total liabilities amounted to \$7,839 and \$13,242, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$(38,568), \$(12,067), \$22,628 and \$(60,550), respectively.

Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total assets amounted to \$313,109 and \$350,998, and the total liabilities amounted to \$1,835 and \$508, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$3,847, \$8,161, \$(36,933) and \$20,478, respectively.

Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2022 and 2021, the total consolidated assets amounted to \$36,761 and \$44,977, and the total consolidated liabilities amounted to \$5,528 and \$6,044, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2022 and 2021 were \$(1,728), \$(966), \$(5,061) and \$(4,591), respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2022	December 31, 2021	September 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 September 30, 2022, December 31, 2021 and September 30, 2021, the total assets constituted 0.02%, 0.02% and 0.02% of the Group's total assets, respectively. For the nine months ended September 30, 2022 and 2021, the operation revenue constituted 0.45% and 0.40% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
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 September 30, 2022, December 31, 2021 and September 30, 2021, the total assets constituted 0.06%, 0.05% and 0.03% of the Group's total assets, respectively. For the nine months ended September 30, 2022 and 2021, the operation revenue constituted 2.80% and 0.68% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

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

(e) Income tax

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

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

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

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

(a) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash	\$ 2,754	3,021	2,758
Bank deposits			
Checking accounts	131,591	25,007	28,584
Demand deposits	<u>2,519,439</u>	<u>2,334,466</u>	<u>2,975,409</u>
Subtotal	<u>2,651,030</u>	<u>2,359,473</u>	<u>3,003,993</u>
Cash equivalents			
Time deposits	6,254,246	5,757,638	5,290,298
Futures margin - excess margin	2,728,668	1,676,997	1,884,459
Commercial papers	<u>-</u>	<u>9,994</u>	<u>-</u>
Subtotal	<u>8,982,914</u>	<u>7,444,629</u>	<u>7,174,757</u>
Total	<u>\$ 11,636,698</u>	<u>9,807,123</u>	<u>10,181,508</u>

(b) Financial assets

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 199,089	184,074	175,577
Valuation adjustment	<u>(5,439)</u>	<u>1,645</u>	<u>2,267</u>
Subtotal	<u>193,650</u>	<u>185,719</u>	<u>177,844</u>
Securities invested by securities broker			
Securities invested by securities broker	68,920	37,931	25,790
Valuation adjustment	<u>(4,343)</u>	<u>(2,531)</u>	<u>(44)</u>
Subtotal	<u>64,577</u>	<u>35,400</u>	<u>25,746</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Trading securities - proprietary trading			
Listed stocks	\$ 3,565,062	2,075,807	2,019,299
Listed funds	5,090,238	2,221,337	808,461
OTC stocks	487,883	377,385	294,065
OTC funds	492,431	220,838	199,060
Emerging market stocks	351,123	466,424	650,174
Convertible bonds	403,462	677,306	803,860
Government bonds	3,221,602	2,826,231	4,131,177
Corporate bonds	9,087,714	11,013,683	10,667,136
International bonds	6,121,668	5,601,278	5,354,680
Financial debentures	1,006,670	1,757,778	1,457,778
Foreign stocks	992,676	117,593	490,967
Foreign bonds	238,645	249,209	210,174
Others	<u>1,996</u>	<u>1,980</u>	<u>76,480</u>
	31,061,170	27,606,849	27,163,311
Valuation adjustment	<u>(1,390,007)</u>	<u>170,316</u>	<u>(18,553)</u>
Subtotal	<u>29,671,163</u>	<u>27,777,165</u>	<u>27,144,758</u>
Trading securities - underwriting			
Listed stocks	220,010	34,488	34,488
Convertible bonds	<u>41,978</u>	<u>58,498</u>	<u>56,185</u>
	261,988	92,986	90,673
Valuation adjustment	<u>(910)</u>	<u>5,175</u>	<u>(4,873)</u>
Subtotal	<u>261,078</u>	<u>98,161</u>	<u>85,800</u>
Trading securities - hedging			
Listed stocks	2,028,215	4,294,213	2,908,587
OTC stocks	413,656	1,052,623	647,233
Convertible bonds	13,178,349	9,224,117	8,970,725
Others	<u>719,831</u>	<u>1,007,075</u>	<u>1,518,649</u>
	16,340,051	15,578,028	14,045,194
Valuation adjustment	<u>(1,236,513)</u>	<u>469,008</u>	<u>(347,816)</u>
Subtotal	<u>15,103,538</u>	<u>16,047,036</u>	<u>13,697,378</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Derivatives			
Buy options	\$ 179,569	61,687	57,046
Futures margin - proprietary fund	779,116	564,132	218,702
IRS asset swaps	19,598	13,301	13,888
Asset swap options - long position	247,023	555,469	236,080
Leverage derivatives - non-hedging	242,480	81,844	51,950
Structured notes	7,383	4,183	9,088
Exchange rate derivatives	241,178	635	7,685
Equity derivatives	10,761	2,483	359
Interest rate swaps	<u>10</u>	<u>-</u>	<u>2</u>
Subtotal	<u>1,727,118</u>	<u>1,283,734</u>	<u>594,800</u>
Total	<u>\$ 47,021,124</u>	<u>45,427,215</u>	<u>41,726,326</u>

As of September 30, 2022, December 31, 2021 and September 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 2,808,856	2,216,205	2,217,353
Corporate bonds	1,044,082	-	-
International bonds	508,000	442,880	445,600
Foreign bonds	<u>7,497,702</u>	<u>11,805,725</u>	<u>13,978,958</u>
	11,858,640	14,464,810	16,641,911
Valuation adjustment	<u>(385,302)</u>	<u>112,543</u>	<u>228,419</u>
Subtotal	<u>11,473,338</u>	<u>14,577,353</u>	<u>16,870,330</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 492,384	288,563	410,891
OTC stocks	145,826	44,743	45,052
Emerging market stocks	<u>187,244</u>	<u>86,868</u>	<u>85,345</u>
	825,454	420,174	541,288
Valuation adjustment	<u>(108,420)</u>	<u>35,616</u>	<u>14,130</u>
Subtotal	<u>717,034</u>	<u>455,790</u>	<u>555,418</u>
Total	<u>\$ 12,190,372</u>	<u>15,033,143</u>	<u>17,425,748</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 nine months ended September 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 \$13,743, \$30,909, \$24,615 and \$32,301, 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 \$115,131, \$342,466, \$364,026 and \$861,649, respectively, cumulative dispose gains (losses) for the three months and the nine months ended September 30, 2022 and 2021, amounted to \$21,755, \$4,666, \$29,299 and \$85,381, 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 nine months ended September 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 181,467	181,457	180,329
Valuation adjustment	<u>(2,993)</u>	<u>(861)</u>	<u>(184)</u>
Total	<u>\$ 178,474</u>	<u>180,596</u>	<u>180,145</u>

As of September 30, 2022, December 31, 2021 and September 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 979,765	1,051,825	1,090,193
Valuation adjustment	<u>1,623,214</u>	<u>2,267,368</u>	<u>2,001,485</u>
Total	<u>\$ 2,602,979</u>	<u>3,319,193</u>	<u>3,091,678</u>

For the three months and the nine months ended September 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 \$51,617, \$48,842, \$99,064 and \$48,842, respectively.

For the nine months ended September 30, 2022 and 2021, the Group did not sell equities recognized in FVOCI -non-current. Furthermore, for the nine months ended September 30, 2022, the investee company refunded the proceeds of capital reduction amounted to \$13,032.

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Debt Securities at amortized cost :			
Financial debentures	\$ 500,000	-	-
Less: loss allowance	<u>(178)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 499,822</u>	<u>-</u>	<u>-</u>

The Group has assessed the assets shown above are held for collecting the contractual cash flows, and these financial assets' cash flows are expected to completely provided by repayment of principal and interest calculated on the basis of outstanding principal amount; therefore, they have been classified as debt instrument investments measured at amortized cost.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

- (vi) 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 nine months ended September 30, 2022 and 2021 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	September 30, 2022	December 31, 2021	September 30, 2021	For the nine months ended September 30,					
				2022			2021		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,448,903	1,761,408	1,634,872	1,608,247	1,811,101	1,448,903	1,665,163	1,883,240	1,527,654

(c) Accounts Receivable

	September 30, 2022	December 31, 2021	September 30, 2021
Receivable on securities purchased by customers	\$ 98,623	132,534	106,212
Settlement	-	995,267	-
Interests receivable	506,686	560,798	511,048
Receivables on securities sold	7,912,860	9,598,623	12,088,684
Others	130,443	119,115	136,076
Subtotal	8,648,612	11,406,337	12,842,020
Less: allowance for doubtful accounts	-	(50)	(40)
Total	<u>\$ 8,648,612</u>	<u>11,406,287</u>	<u>12,841,980</u>

- (i) For credit risk (including the impairment of debt instrument investments) and market risk; please refer to note 6(w).
- (ii) For the nine months ended September 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).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Customers' margin account			
Cash in banks	\$ 30,216,314	26,264,654	28,359,785
Customers' margin account - futures clearing house	6,332,033	7,926,606	5,990,182
Customers' margin account - other futures commission merchants	4,431,209	3,652,626	3,530,232
Marketable securities	<u>1,508</u>	<u>4,304</u>	<u>2,738</u>
Total customers' margin account	<u>40,981,064</u>	<u>37,848,190</u>	<u>37,882,937</u>
Add:			
Commission expense	6,847	3,439	4,076
Other payable	30,505	-	-
Other	125	364	705
Less:			
Brokerage fee revenue	(27,958)	(12,674)	(17,849)
Futures transaction tax	(3,054)	(1,652)	(2,857)
Interest revenues	(2,211)	(523)	(569)
Temporary receipts	(987)	(3,122)	(2,469)
Remittance amount of the customers after the market closed	(24,904)	(7,535)	(13,515)
Other receivable	<u>-</u>	<u>(28,094)</u>	<u>(4,777)</u>
Futures traders' equity	<u>\$ 40,959,427</u>	<u>37,798,393</u>	<u>37,845,682</u>

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Investments accounted for under equity method

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

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 71,879	60,571	41,120
Capital Insurance Agency Corp.	<u>39,519</u>	<u>38,364</u>	<u>39,248</u>
Subtotal	<u>111,398</u>	<u>98,935</u>	<u>80,368</u>
Associates			
True Partner Advisor Hong Kong Ltd.	-	-	49,850
Capital Investment Trust Corp.	1,328,688	1,379,659	1,342,342
EnnoCap Venture Inc.	<u>237</u>	<u>324</u>	<u>400</u>
Subtotal	<u>1,328,925</u>	<u>1,379,983</u>	<u>1,392,592</u>
Total	<u>\$ 1,440,323</u>	<u>1,478,918</u>	<u>1,472,960</u>

(i) Subsidiaries:

For the three months and the nine months ended September 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 September 30,</u>		<u>For the nine months ended September 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>\$ 7,047</u>	<u>3,513</u>	<u>47,168</u>	<u>15,318</u>
		<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Total assets		<u>\$ 148,907</u>	<u>144,295</u>	<u>110,573</u>
Total liabilities		<u>\$ 37,509</u>	<u>45,360</u>	<u>30,205</u>
		<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
		<u>2022</u>	<u>2021</u>	<u>2021</u>
Revenue		<u>\$ 31,346</u>	<u>30,067</u>	<u>189,147</u>
Net income		<u>\$ 7,047</u>	<u>3,513</u>	<u>47,168</u>
				<u>15,318</u>

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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		
			September 30, 2022	December 31, 2021	September 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 %	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:

	September 30, 2022	December 31, 2021	September 30, 2021
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,328,925</u>	<u>1,379,983</u>	<u>1,392,592</u>
	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2022
	2022	2021	2021
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations	\$ 35,365	38,876	113,634
Other comprehensive income (losses)	159	(52)	645
Total comprehensive income (losses)	\$ <u>35,524</u>	<u>38,824</u>	<u>114,279</u>
	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	2022	2021	2021
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations	\$ 35,365	38,876	113,634
Other comprehensive income (losses)	159	(52)	645
Total comprehensive income (losses)	\$ <u>35,524</u>	<u>38,824</u>	<u>114,279</u>
	For the three months ended September 30, 2022	For the three months ended September 30, 2021	For the nine months ended September 30, 2021
	2022	2021	2021
The Group's share of gains based on the associates' financial statements:			
Net gains from continuing operations	\$ 35,365	38,876	113,634
Other comprehensive income (losses)	159	(52)	645
Total comprehensive income (losses)	\$ <u>35,524</u>	<u>38,824</u>	<u>114,279</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Collateral

As of September 30, 2022, December 31, 2021 and September 30, 2021, none of the investment accounted for under equity method of the Group was pledged for collateral.

(g) Property and equipment

Movements in property and equipment of the Group are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
Cost or deemed cost					
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	52,848	35,079	87,927
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(128,034)	(75,562)	-	-	(203,596)
Disposals and retirements	-	-	(24,178)	(32,806)	(56,984)
Effect of exchange rate changes	-	10,165	8,089	1,548	19,802
Balance at September 30, 2022	<u>\$ 1,807,025</u>	<u>1,135,259</u>	<u>681,218</u>	<u>268,544</u>	<u>3,892,046</u>
Balance at January 1, 2021	\$ 1,990,853	1,315,804	607,709	268,310	4,182,676
Additions	-	-	143,996	32,779	176,775
Transferred from investment property	238,339	135,004	-	-	373,343
Reclassified to investment property	(412,682)	(318,139)	-	-	(730,821)
Disposals and retirements	-	-	(93,115)	(37,732)	(130,847)
Effect of exchange rate changes	-	(1,842)	(2,084)	(311)	(4,237)
Balance at September 30, 2021	<u>\$ 1,816,510</u>	<u>1,130,827</u>	<u>656,506</u>	<u>263,046</u>	<u>3,866,889</u>
Depreciation and impairment loss					
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	17,233	100,995	42,049	160,277
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(18,691)	-	-	(18,691)
Disposals and retirements	-	-	(24,122)	(32,806)	(56,928)
Effect of exchange rate changes	-	4,999	6,537	368	11,904
Balance at September 30, 2022	<u>\$ -</u>	<u>498,518</u>	<u>424,487</u>	<u>163,228</u>	<u>1,086,233</u>
Balance at January 1, 2021	\$ -	577,627	344,866	148,860	1,071,353
Depreciation	-	19,645	96,324	39,466	155,435
Transferred from investment property	-	26,765	-	-	26,765
Reclassified to investment property	-	(148,236)	-	-	(148,236)
Disposals and retirements	-	-	(92,986)	(37,723)	(130,709)
Effect of exchange rate changes	-	(870)	(1,703)	(137)	(2,710)
Balance at September 30, 2021	<u>\$ -</u>	<u>474,931</u>	<u>346,501</u>	<u>150,466</u>	<u>971,898</u>
Carrying amount:					
At September 30, 2022	<u>\$ 1,807,025</u>	<u>636,741</u>	<u>256,731</u>	<u>105,316</u>	<u>2,805,813</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 September 30, 2021	<u>\$ 1,816,510</u>	<u>655,896</u>	<u>310,005</u>	<u>112,580</u>	<u>2,894,991</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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As of September 30, 2022, December 31, 2021 and September 30, 2021, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(h) Right-of-use assets

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

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At September 30, 2022	\$ <u>764,293</u>	<u>16,483</u>	<u>780,776</u>
At January 1, 2022	\$ <u>776,945</u>	<u>14,685</u>	<u>791,630</u>
At September 30, 2021	\$ <u>812,615</u>	<u>7,313</u>	<u>819,928</u>

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Additions of Right-of-use assets	\$ <u>29,704</u>	<u>16,500</u>	<u>130,674</u>	<u>125,869</u>
Depreciation for the period				
Buildings	45,762	45,123	135,722	150,183
Others	<u>1,815</u>	<u>1,608</u>	<u>5,558</u>	<u>4,960</u>
	\$ <u>47,577</u>	<u>46,731</u>	<u>141,280</u>	<u>155,143</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 September 30, 2022	\$ <u>3,148,682</u>	<u>668,272</u>	<u>3,816,954</u>
At January 1, 2022	\$ <u>3,022,677</u>	<u>629,043</u>	<u>3,651,720</u>
At September 30, 2021	\$ <u>3,139,197</u>	<u>690,889</u>	<u>3,830,086</u>
<u>Fair Value:</u>			
At September 30, 2022			<u>7,773,522</u>
At January 1, 2022			<u>7,520,041</u>
At September 30, 2021			<u>7,741,093</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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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As of September 30, 2022, December 31, 2021 and September 30, 2021, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the nine months ended September 30, 2022 and 2021, the depreciation expense of the Group amounted to \$6,545, \$6,433, \$19,331 and \$16,836, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the nine months ended September 30, 2022 and 2021. For the nine months ended September 30, 2022 and 2021, \$184,905 and \$582,585 of land and buildings out of use were transferred to investment property, and \$2,428 and \$346,578 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:

	September 30, 2022	December 31, 2021	September 30, 2021
Within 1 year	\$ 163,176	156,076	159,207
1-5 years	473,174	484,702	495,754
Over 5 years	<u>111,974</u>	<u>217,936</u>	<u>219,740</u>
	<u>\$ 748,324</u>	<u>858,714</u>	<u>874,701</u>

The rental revenue from investment property for the three months and the nine months ended September 30, 2022 and 2021 amounted to \$42,822, \$41,931, \$128,614 and \$118,427, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amounts were all \$3,126,698.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amounts of goodwill were \$12,310, \$15,933 and \$17,241, respectively. Furthermore, the Group recognized an impairment loss of \$3,623 and \$3,643 for the nine months ended September 30, 2022 and 2021 respectively, by using discount rate of 4.30% and 4.65% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 “Intangible Assets” endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of September 30, 2022, December 31, 2021 and September 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 September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amounts of intangible assets were \$46,332, \$46,084 and \$46,098, 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 September 30, 2022, December 31, 2021 and September 30, 2021, the amortized book value were \$27,621, \$37,046 and \$21,327, respectively.

(k) Short-term borrowings

Nature of borrowings	September 30, 2022	December 31, 2021	September 30, 2021
Collateralized loan	\$ 1,640,205	1,336,944	921,835
Credit loan	3,245,996	1,750,876	3,136,368
Total	<u>\$ 4,886,201</u>	<u>3,087,820</u>	<u>4,058,203</u>
Interest rate range	<u>1.19%~3.89%</u>	<u>0.60%~1.46%</u>	<u>0.50%~1.38%</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Commercial paper payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Commercial paper payable	\$ 8,270,000	8,400,000	3,650,000
Less: Unamortized discount	<u>(4,667)</u>	<u>(2,194)</u>	<u>(324)</u>
Net amount	<u>\$ 8,265,333</u>	<u>8,397,806</u>	<u>3,649,676</u>
Interest rate range	<u>1.298%~1.498%</u>	<u>0.448%~0.588%</u>	<u>0.338%~0.428%</u>

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Liabilities on sale of borrowed securities	\$ 7,602,492	1,036,721	57,600
Redeem liabilities on sale of borrowed securities	(6,514)	-	-
Valuation adjustment	<u>(1,023,843)</u>	<u>18,741</u>	<u>(3,237)</u>
Subtotal	<u>6,572,135</u>	<u>1,055,462</u>	<u>54,363</u>
Liabilities for issuance of Exchange Traded Notes	-	781	764
Valuation adjustment	<u>-</u>	<u>162</u>	<u>152</u>
Subtotal	<u>-</u>	<u>943</u>	<u>916</u>
Stock warrants issued	14,422,059	18,396,778	14,087,340
Stock warrants repurchased	<u>(13,871,473)</u>	<u>(17,130,305)</u>	<u>(13,229,653)</u>
Subtotal	<u>550,586</u>	<u>1,266,473</u>	<u>857,687</u>
Sale options	218,779	51,288	64,414
IRS asset swaps	59,897	42,823	19,270
Asset swap options - short position	1,241,389	2,270,540	1,451,336
Structured notes	121,223	286,362	471,566
Leverage derivatives - non-hedging	6,207	16,671	2,510
Interest rate swaps	-	397	-
Equity derivatives	3,531	651	171
Exchange rate derivatives	<u>333</u>	<u>7,417</u>	<u>2,686</u>
Subtotal	<u>1,651,359</u>	<u>2,676,149</u>	<u>2,011,953</u>
Total	<u>\$ 8,774,080</u>	<u>4,999,027</u>	<u>2,924,919</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Bonds sold under repurchase agreements

	September 30, 2022	December 31, 2021	September 30, 2021
Bonds sold under repurchase agreements	<u>\$ 33,209,244</u>	<u>37,345,935</u>	<u>39,324,178</u>
Agreed-upon repurchase amounts	<u>33,425,704</u>	<u>37,375,943</u>	<u>39,359,523</u>
Interest rates	<u>0.45%~3.76%</u>	<u>0.00%~0.55%</u>	<u>0.05%~0.55%</u>
Date of repurchase	<u>2022.10.3~2023.9.29</u>	<u>2022.1.3~2022.12.22</u>	<u>2021.10.1~2022.9.29</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.

	September 30, 2022	December 31, 2021	September 30, 2021
Equity for each customer in the account	<u>\$ 26,590,128</u>	<u>26,706,922</u>	<u>25,562,448</u>

(p) Accounts payable

	September 30, 2022	December 31, 2021	September 30, 2021
Payable of securities sold by customers	\$ 53,773	106,032	84,636
Settlement	735,713	-	2,855,989
Payable of settlements	6,346,315	10,514,342	8,582,638
Others	<u>185,706</u>	<u>139,724</u>	<u>123,086</u>
Total	<u>\$ 7,321,507</u>	<u>10,760,098</u>	<u>11,646,349</u>

(q) Lease liabilities

The Group’s lease liabilities are as follow:

	September 30, 2022	December 31, 2021	September 30, 2021
Current	<u>\$ 184,407</u>	<u>164,321</u>	<u>175,146</u>
Non-current	<u>\$ 655,553</u>	<u>685,850</u>	<u>708,323</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>2,626</u>	<u>3,016</u>	<u>8,160</u>	<u>9,258</u>
Expenses relating to short-term leases	\$ <u>2,588</u>	<u>2,077</u>	<u>5,386</u>	<u>5,656</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	\$ <u>2,001</u>	<u>3,283</u>	<u>6,019</u>	<u>6,316</u>
Covid-19-related rent concessions	\$ <u>-</u>	<u>540</u>	<u>216</u>	<u>756</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>161,127</u>	<u>172,561</u>

(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 nine months ended September 30, 2022 and 2021, the Group's pension expenses recognized in profit or loss were \$1,156, \$6,827, \$3,463 and \$11,034, 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 \$23,935, \$27,404, \$76,269 and \$77,490 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the nine months ended September 30, 2022 and 2021, respectively.

(iii) For the three months and the nine months ended September 30, 2022 and 2021, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,157, \$1,050, \$3,245 and \$3,285, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Provision for employee benefits liabilities

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>2021</u>
Compensated absences	<u>\$ 60,092</u>	<u>49,604</u>	<u>62,262</u>

(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 nine months ended September 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 nine months ended September 30, 2022 and 2021.

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

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

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current tax expense	\$ 149,639	75,432	236,664	493,369
Deferred income tax expense (benefit)	13,093	102,752	305,524	121,908
Total	<u>\$ 162,732</u>	<u>178,184</u>	<u>542,188</u>	<u>615,277</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 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>\$ 21,117</u>	<u>(468)</u>	<u>41,974</u>	<u>(7,379)</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2019 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2020 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2020 were assessed by the Tax Authority.
- 4) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 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.

(t) Capital and other equity

(i) Capital stock

As of September 30, 2022, December 31, 2021 and September 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The followings are the capital surplus of the Company:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>September 30,</u> <u>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.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Undistributed earnings

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

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

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

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

(u) Earnings per share

The basic earnings per share and dilutive earnings per share for the three months and the nine months ended September 30, 2022 and 2021 were calculated as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income attributable to common shareholders of the Company	\$ 243,020	1,297,012	263,094	3,849,724
Weighted-average number of common stock shares outstanding (thousands of shares)	2,170,908	2,170,908	2,170,908	2,170,908
Basic earnings per share (dollar)	\$ 0.11	0.60	0.12	1.77

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Effect of potentially dilutive common stock	<u>524</u>	<u>1,430</u>	<u>830</u>	<u>3,553</u>
- Employee remuneration (thousands of shares) (Note)				
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,171,432</u>	<u>2,172,338</u>	<u>2,171,738</u>	<u>2,174,461</u>
Dilutive earnings per share (dollar)	<u>\$ 0.11</u>	<u>0.60</u>	<u>0.12</u>	<u>1.77</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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Brokerage commission from TSE market	\$ 557,831	1,292,164	1,944,858	3,722,034
Brokerage commission from OTC market	207,609	341,089	631,787	901,388
Handling fee from security financing	11,518	15,260	32,119	34,681
Futures commission income - brokerage	491,045	441,361	1,476,176	1,368,304
Overseas subsidiaries	10,043	9,939	21,625	34,648
Others	<u>38,040</u>	<u>32,599</u>	<u>100,927</u>	<u>112,212</u>
	<u>\$ 1,316,086</u>	<u>2,132,412</u>	<u>4,207,492</u>	<u>6,173,267</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 September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue from underwriting securities on a firm commitment basis	\$ 12,180	27,485	44,768	65,157
Handling fee revenues from underwriting securities on consignment	104	176	345	419
Processing fee revenues from underwriting operations	2,546	6,222	22,535	12,033
Revenue from underwriting consultation	710	2,570	3,060	4,620
Others	<u>2,575</u>	<u>1,595</u>	<u>3,615</u>	<u>2,611</u>
	<u>\$ 18,115</u>	<u>38,048</u>	<u>74,323</u>	<u>84,840</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gains (losses) on securities sold - proprietary trading	\$ (468,931)	177,937	10,441	896,655
Gains (losses) on securities sold - underwriting	2,186	2,264	9,520	19,030
Gains (losses) on securities sold - hedging	(336,706)	716,334	(775,884)	2,292,447
	<u>\$ (803,451)</u>	<u>896,535</u>	<u>(755,923)</u>	<u>3,208,132</u>

(iv) Interest revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest revenue - margin loans	\$ 182,831	270,913	659,394	725,315
Interest revenue - bonds	133,168	122,900	314,950	388,175
Overseas subsidiaries	4,595	6,109	13,126	27,079
Others	<u>44,338</u>	<u>44,094</u>	<u>126,886</u>	<u>129,771</u>
	<u>\$ 364,932</u>	<u>444,016</u>	<u>1,114,356</u>	<u>1,270,340</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Trading securities - proprietary	\$ (447,003)	(258,906)	(1,558,501)	(231,162)
Trading securities - underwriting	10,175	(3,239)	(6,085)	(9,266)
Trading securities - hedging	(70,817)	(2,319,105)	(1,705,520)	(815,859)
	<u>\$ (507,645)</u>	<u>(2,581,250)</u>	<u>(3,270,106)</u>	<u>(1,056,287)</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gains on changes in fair value of stock warrants	\$ 7,329,594	12,486,198	37,245,797	3,521,928
Gains on exercise of stock warrants before maturity	8,389,139	2,968,283	22,242,494	31,059,060
Losses on changes in fair value of stock warrants repurchased	(15,558,692)	(14,059,362)	(58,077,171)	(35,094,989)
Gains on expiration of stock warrants	12,662	19,889	29,491	38,214
Stock warrants issuance expenses	(58,814)	(68,458)	(192,573)	(187,985)
	<u>\$ 113,889</u>	<u>1,346,550</u>	<u>1,248,038</u>	<u>(663,772)</u>

- (vii) Futures commission revenues

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Futures commission revenues - CSC Futures (HK) Ltd.	\$ <u>88,540</u>	<u>72,318</u>	<u>242,718</u>	<u>263,944</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
Notes to the Consolidated Financial Statements

(viii) Commission expenses - future

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Future trading - reconsignment	\$ 68,295	50,245	211,898	162,515
Future trading - introducing brokers	570	283	1,610	924
Commission expenses - CSC Futures (HK) Ltd.	29,648	24,406	79,232	81,267
	<u>\$ 98,513</u>	<u>74,934</u>	<u>292,740</u>	<u>244,706</u>

(ix) Employee benefits, depreciation, and amortization expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Employee benefit expenses				
Salary expense	\$ 653,534	891,487	1,770,763	2,589,093
Health and labor insurance expense	46,538	55,356	153,915	158,948
Pension expense	26,248	35,281	82,977	91,809
Others	16,599	20,218	49,624	55,380
Depreciation expense	107,720	105,147	320,888	327,414
Amortization expense	9,031	8,777	27,032	26,425
	<u>\$ 859,670</u>	<u>1,116,266</u>	<u>2,405,199</u>	<u>3,249,069</u>

(x) Other operating expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Rental expense	\$ 4,596	5,378	11,420	11,988
Taxes	169,885	162,723	488,545	481,678
Information technology expense	78,253	65,591	238,626	189,516
Postage expense	58,889	59,751	173,260	170,577
Professional service fee	2,794	8,225	16,584	21,020
Other expenses	256,252	220,919	739,328	614,740
	<u>\$ 570,669</u>	<u>522,587</u>	<u>1,667,763</u>	<u>1,489,519</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Financial revenue	\$ 122,035	39,489	234,419	145,384
Currency exchange gains (losses)	11,944	478	37,924	(14,783)
Net gains (losses) on disposal of investment	4,417	344	(12,067)	17,712
Net gains (losses) on measurement of non- operating financial instruments at fair value through profit or loss	(929)	(16,946)	(5,609)	(16,003)
Revenue from bank's allocation fee	70,620	52,406	188,670	143,813
Net gains (losses) on disposal of property and equipment	-	(1)	(8)	(138)
Dividend revenue	51,969	51,077	99,535	51,332
Gains on reversal of prior year's liabilities	99	24,203	31,609	36,771
Rental income	42,822	41,931	128,614	118,427
Others	<u>7,770</u>	<u>9,481</u>	<u>45,547</u>	<u>44,567</u>
	<u>\$ 310,747</u>	<u>202,462</u>	<u>748,634</u>	<u>527,082</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
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For the three months and the nine months ended September 30, 2022 and 2021, the estimated amounts of remuneration to employees were \$4,468, \$18,023, \$8,753 and \$54,006, respectively, and to directors were \$5,449, \$27,035, \$10,674 and \$81,009, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 2021 and 2020, the estimated amounts of remuneration to employees were \$82,129 and \$45,574, and to directors were \$100,380 and \$76,446 by the Company. The difference between actual employee remuneration of \$74,649 and \$47,228 and actual remuneration to directors of \$91,238 and \$71,657 were \$16,622 and \$3,135 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 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 nine months ended September 30, 2022 and 2021, the estimated amounts of remuneration to employees were \$3,292, \$1,700, \$8,030 and \$5,800 and to directors were \$3,312, \$1,700, \$8,055 and \$5,800 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 September 30, 2022, December 31, 2021 and September 30, 2021, the maximum credit exposure amounted to \$149,496,465, \$152,088,665 and \$150,894,342, respectively.

The regional distribution of financial assets' credit risk exposure amount which owned by the Group is as the list below. The region of exposure is mostly in Taiwan (accounted for 84.65%); secondly, is in Asia (accounted for 8.40%, exclusion of Taiwan); then, is in America (accounted for 4.99%). Compare 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Taiwan	\$ 126,554,940	126,675,667	123,435,013
Asia (Taiwan is excluded)	12,564,160	13,198,006	14,332,101
Europe	2,823,391	4,515,220	5,063,470
America	7,461,780	7,649,360	8,013,237
Other	92,194	50,412	50,521
Total	<u>\$ 149,496,465</u>	<u>152,088,665</u>	<u>150,894,342</u>

2) Impairment loss

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

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 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	\$ 26,457,035	31,373	35,425,789	30,132	33,970,715	30,044
Past due 0~30 days	-	-	-	-	441	441
Past due 31~120 days	862	862	906	906	1,165	1,165
Past due 121~360 days	4,145	4,145	18,148	18,148	12,284	12,284
Past due more than 360 days	261,920	261,920	240,988	240,988	241,350	241,350
	<u>\$ 26,723,962</u>	<u>298,300</u>	<u>35,685,831</u>	<u>290,174</u>	<u>34,225,955</u>	<u>285,284</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 September 30, 2022, December 31, 2021 and September 30, 2021, the impairment losses of receivables were \$298,300, \$290,174 and \$285,284, 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 nine months ended September 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	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2022	\$ -	6,779	-	-	-	-	290,174	-	-	296,953
Provision or reversal of Impairment loss	-	(3,067)	178	-	-	-	6,476	-	-	3,587
Amounts written off	-	-	-	-	-	-	(1,396)	-	-	(1,396)
Effect of exchange rate	-	-	-	-	-	-	3,046	-	-	3,046
Balance on September 30, 2022	<u>\$ -</u>	<u>3,712</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,300</u>	<u>-</u>	<u>-</u>	<u>302,190</u>
	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Total
Balance on January 1, 2021	\$ -	9,391	-	-	-	-	313,934	-	-	323,325
Provision or reversal of Impairment loss	-	(1,546)	-	-	-	-	14,176	-	-	12,630
Amounts written off	-	-	-	-	-	-	(41,127)	-	-	(41,127)
Effect of exchange rate	-	-	-	-	-	-	(1,699)	-	-	(1,699)
Balance on September 30, 2021	<u>\$ -</u>	<u>7,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,284</u>	<u>-</u>	<u>-</u>	<u>293,129</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

September 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	\$ 6,572,135	6,572,135	6,572,135	-	-	-	-
Stock warrants issued	550,586	550,586	500,229	50,009	348	-	-
Put options	218,779	218,779	218,779	-	-	-	-
Equity derivatives	3,531	3,531	3,531	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	60,230	60,230	1,042	2,675	20,241	36,272	-
Asset swap option - short position	1,241,389	1,241,389	103,010	164,998	451,270	522,111	-
Leverage derivatives - non- hedging	6,207	6,207	6,207	-	-	-	-
Structured notes	121,223	121,223	8,884	68,705	40,205	3,429	-
Short-term borrowings	4,886,201	4,886,201	4,886,201	-	-	-	-
Commercial paper payable	8,265,333	8,270,000	8,270,000	-	-	-	-
Bonds sold under repurchase agreements	33,209,244	33,425,704	27,655,803	5,769,901	-	-	-
Guarantee deposited for short sales	3,172,205	3,172,205	3,172,205	-	-	-	-
Proceeds payable from short sales	3,526,146	3,526,146	3,526,146	-	-	-	-
Securities lending refundable deposits	15,076,292	15,076,292	15,076,292	-	-	-	-
Futures traders' equity	40,959,427	40,959,427	40,959,427	-	-	-	-
Equity for each customer in the account	26,590,128	26,590,128	26,590,128	-	-	-	-
Leverage contract trading customers' equity	966,226	966,226	966,226	-	-	-	-
Notes payable and accounts payable	185,934	185,934	185,934	-	-	-	-
Receipts under custody	744,532	744,532	744,532	-	-	-	-
Other payables	907,363	907,363	904,905	2,458	-	-	-
Other financial liabilities	3,798,372	3,798,372	2,903,063	359,676	368,441	167,192	-
Lease liabilities	839,960	867,360	101,969	91,909	182,956	398,736	91,790
	<u>\$ 151,901,443</u>	<u>152,149,970</u>	<u>143,356,648</u>	<u>6,510,331</u>	<u>1,063,461</u>	<u>1,127,740</u>	<u>91,790</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2021							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 1,055,462	1,055,462	1,055,462	-	-	-	-
Stock warrants issued	1,266,473	1,266,473	1,137,294	129,179	-	-	-
Put options	51,288	51,288	51,288	-	-	-	-
Exchange traded notes	943	943	943	-	-	-	-
Equity derivatives	651	651	651	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	50,637	50,637	517	9,637	14,568	25,915	-
Asset swap option - short position	2,270,540	2,270,540	163,941	259,226	770,553	1,076,820	-
Leverage derivatives - non- hedging	16,671	16,671	16,671	-	-	-	-
Structured notes	286,362	286,362	11,936	-	232,119	42,307	-
Short-term borrowings	3,087,820	3,087,820	3,087,820	-	-	-	-
Commercial 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

September 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	\$ 54,363	54,363	54,363	-	-	-	-
Stock warrants issued	857,687	857,687	724,774	132,913	-	-	-
Put options	64,414	64,414	64,414	-	-	-	-
Exchange traded notes	916	916	-	916	-	-	-
Equity derivatives	171	171	171	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	21,956	21,956	1,318	2,353	8,317	9,968	-
Asset swap option - short position	1,451,336	1,451,336	95,063	251,226	449,395	655,652	-
Leverage derivatives - non- hedging	2,510	2,510	2,510	-	-	-	-
Structured notes	471,566	471,566	14,338	381	367,763	89,084	-
Short-term borrowings	4,058,203	4,058,203	4,058,203	-	-	-	-
Commercial papers payable	3,649,676	3,650,000	3,650,000	-	-	-	-
Bonds sold under repurchase agreements	39,324,178	39,359,523	30,293,737	9,065,786	-	-	-
Guarantee deposited for short sales	3,204,497	3,204,497	3,204,497	-	-	-	-
Proceeds payable from short sales	3,692,847	3,692,847	3,692,847	-	-	-	-
Securities lending refundable deposits	7,166,596	7,166,596	7,166,596	-	-	-	-
Futures traders' equity	37,845,682	37,845,682	37,845,682	-	-	-	-
Equity for each customer in the account	25,562,448	25,562,448	25,562,448	-	-	-	-
Leverage contract trading customers' equity	510,823	510,823	510,823	-	-	-	-
Notes payable and accounts payable	123,314	123,314	123,314	-	-	-	-
Receipts under custody	1,368,312	1,368,312	1,368,312	-	-	-	-
Other payables	1,199,233	1,199,233	1,197,329	1,904	-	-	-
Other financial liabilities	6,325,503	6,325,503	5,612,946	142,118	407,729	162,710	-
Lease liabilities	883,469	918,650	102,928	82,668	158,037	385,883	189,134
	<u>\$ 137,839,700</u>	<u>137,910,550</u>	<u>125,346,613</u>	<u>9,680,265</u>	<u>1,391,241</u>	<u>1,303,297</u>	<u>189,134</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:

	September 30, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,065,901	31.7500	33,842,357
AUD	3,690	20.6600	76,235
CHF	458	32.5150	14,892
EUR	13,229	31.2600	413,539
GBP	641	35.5300	22,775
HKD	108,109	4.0440	437,193
JPY	1,283,493	0.2201	282,497
SGD	502	22.2100	11,149
CNY	136,589	4.4730	610,963
ZAR	915	1.7750	1,624
KRW	3,831,965	0.0224	85,836
NZD	414	18.1900	7,531
THB	4,948	0.8452	4,182
MYR	66	6.5960	435
VND	6,667,230	0.0013	8,667
<u>Non-Monetary Item</u>			
USD	410,044	31.7500	13,018,897
AUD	63,099	20.6600	1,303,625
CHF	26	32.5150	845
EUR	2,949	31.2600	92,186
HKD	1,841	4.0440	7,445
JPY	18,399	0.2201	4,050
CNY	10,187	4.4730	45,566

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,538,685	31.7500	48,853,249
AUD	62,241	20.6600	1,285,899
CAD	29	23.2400	674
CHF	57	32.5150	1,853
EUR	15,859	31.2600	495,752
GBP	577	35.5300	20,501
HKD	132,640	4.0440	536,396
JPY	1,221,850	0.2201	268,929
SGD	291	22.2100	6,463
CNY	97,635	4.4730	436,721
ZAR	197	1.7750	350
KRW	3,778,067	0.0224	84,629
NZD	144	18.1900	2,619
THB	2,779	0.8452	2,349
MYR	52	6.5960	343
<u>Non-Monetary Item</u>			
USD	142	31.7500	4,509
AUD	18	20.6600	372
CAD	9	23.2400	209
JPY	1,437	0.2201	316
CNY	287	4.4730	1,284
ZAR	928	1.7750	1,647
NZD	74	18.1900	1,346

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

				September 30, 2021
				Foreign Currency
				(thousands)
				Exchange Rate
				Amount
<u>Financial assets</u>				
<u>Monetary Item</u>				
USD	\$	861,765	27.8500	24,000,155
AUD		2,667	20.0700	53,527
CAD		180	21.9100	3,944
CHF		85	29.8150	2,534
EUR		8,876	32.3200	286,872
GBP		3,078	37.4600	115,302
HKD		105,329	3.5760	376,657
JPY		801,640	0.2490	199,608
SGD		1,143	20.4700	23,397
CNY		141,676	4.3050	609,915
ZAR		509	1.8420	938
KRW		1,041,437	0.0237	24,682
NZD		162	19.1800	3,107
THB		2,964	0.8284	2,455
MYR		35	6.3780	223
VND		6,855,000	0.0012	8,226
<u>Non-Monetary Item</u>				
USD		612,741	27.8500	17,064,837
AUD		143,793	20.0700	2,885,926
EUR		6,296	32.3200	203,487
HKD		597	3.5760	2,135
JPY		27,067	0.2490	6,740
CNY		10,310	4.3050	44,385
ZAR		25	1.8420	46
NZD		1	19.1800	19
<u>Investments under equity method</u>				
HKD		13,940	3.5760	49,850

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2021		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,527,444	27.8500	42,539,315
AUD	137,074	20.0700	2,751,075
CHF	33	29.8150	984
EUR	13,853	32.3200	447,729
GBP	2,945	37.4600	110,320
HKD	171,061	3.5760	611,714
JPY	775,387	0.2490	193,071
SGD	710	20.4700	14,534
CNY	56,498	4.3050	243,224
KRW	987,705	0.0237	23,409
THB	1,523	0.8284	1,262
MYR	20	6.3780	128
<u>Non-Monetary Item</u>			
USD	4	27.8500	111
CAD	6	21.9100	131
CHF	2	29.8150	60
CNY	516	4.3050	2,221

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 nine months ended September 30, 2022 and 2021, the realized and unrealized currency exchange gains (losses) amounted to \$(171,548), \$(7,006), \$(431,740) and \$11,641, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 nine months ended September 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 nine months ended September 30, 2022		For the nine months ended September 30, 2021	
	Appreciated	Depreciated	Appreciated	Depreciated
	5%	5%	5%	5%
Net income	(374,616)	374,616	(625,956)	625,956
Other comprehensive income	306,064	(306,064)	587,145	(587,145)

(iv) Sensitivity analysis of interest rate risk

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

<u>Market risk type</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>For the nine months ended September 30,</u>					
				<u>2022</u>			<u>2021</u>		
				<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest risk	1,703,403	1,598,692	1,718,522	1,591,530	1,703,403	1,453,750	1,515,752	1,718,522	1,373,366

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

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

a) Fair value information

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 11,636,698	11,636,698	9,807,123	9,807,123	10,181,508	10,181,508
Accrued receivable	67,022,225	67,022,225	67,836,874	67,836,874	64,437,378	64,437,378
Customers' margin account	40,981,064	40,981,064	37,848,190	37,848,190	37,882,937	37,882,937
Leverage contract trading - customers' margin account	969,675	969,675	624,232	624,232	508,917	508,917
Restricted assets - current	329,973	329,973	285,135	285,135	221,174	221,174
Other non-current assets	1,529,389	1,529,389	1,510,089	1,510,089	1,520,595	1,520,595
Financial liabilities:						
Short-term borrowings	4,886,201	4,886,201	3,087,820	3,087,820	4,058,203	4,058,203
Commercial paper payable	8,265,333	8,265,333	8,397,806	8,397,806	3,649,676	3,649,676
Bonds sold under repurchase agreements	33,209,244	33,209,244	37,345,935	37,345,935	39,324,178	39,324,178
Accrued payable	57,577,434	57,577,434	62,492,329	62,492,329	54,308,085	54,308,085
Futures traders' equity	40,959,427	40,959,427	37,798,393	37,798,393	37,845,682	37,845,682
Leverage contract trading - customers' equity	966,226	966,226	630,830	630,830	510,823	510,823
Other financial liabilities - current	3,262,739	3,262,739	4,470,183	4,470,183	5,755,063	5,755,063
Other financial liabilities - non- current	535,633	535,633	575,697	575,697	570,440	570,440
Other non-current liabilities	100,056	100,056	98,265	98,265	98,940	98,940

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2022				
Investment property	\$ -	-	7,773,522	7,773,522
Debt securities at amortized cost	-	533,226	-	533,226
	<u>\$ -</u>	<u>533,226</u>	<u>7,773,522</u>	<u>8,306,748</u>
December 31, 2021				
Investment property	\$ -	-	7,520,041	7,520,041
Debt securities at amortized cost	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>7,520,041</u>	<u>7,520,041</u>
September 30, 2021				
Investment Property	\$ -	-	7,741,093	7,741,093
Debt securities at amortized cost	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>7,741,093</u>	<u>7,741,093</u>

c) Valuation techniques used in estimating the fair values of financial instruments

- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, accrued receivable, customers' margin account, leverage contract trading - customers' margin account, other current assets, other non-current assets, short-term borrowings, commercial paper payable, bonds sold under repurchase agreements, accrued payable, futures traders' equity, leverage contract trading-customers' equity, other financial liabilities-current, other financial liabilities-non-current, and other non-current liabilities.
- ii) The investment properties were evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.
- iii) The quoted market price is used as the fair value when the debt instrument investments measured at amortized cost have an active market, if there is no market price as reference, the fair values are determined based on evaluation method. Estimation and assumption the Group used in evaluation method is consistent with information market participants used in pricing financial instruments, and the information is available for the Group.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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>
September 30, 2022				
Financial assets at fair value through profit or loss	\$ 16,903,709	28,568,771	-	45,472,480
Financial assets at fair value through other comprehensive income	3,492,896	8,697,476	2,602,979	14,793,351
Derivative financial assets	<u>958,685</u>	<u>768,433</u>	<u>-</u>	<u>1,727,118</u>
	<u>\$ 21,355,290</u>	<u>38,034,680</u>	<u>2,602,979</u>	<u>61,992,949</u>
Financial liabilities at fair value through profit or loss	\$ 7,122,721	-	-	7,122,721
Derivative financial liabilities	<u>331,118</u>	<u>1,320,241</u>	<u>-</u>	<u>1,651,359</u>
	<u>\$ 7,453,839</u>	<u>1,320,241</u>	<u>-</u>	<u>8,774,080</u>
December 31, 2021				
Financial assets at fair value through profit or loss	\$ 15,442,463	28,881,614	-	44,324,077
Financial assets at fair value through other comprehensive income	2,683,955	12,349,188	3,319,193	18,352,336
Derivative financial assets	<u>625,819</u>	<u>657,915</u>	<u>-</u>	<u>1,283,734</u>
	<u>\$ 18,752,237</u>	<u>41,888,717</u>	<u>3,319,193</u>	<u>63,960,147</u>
Financial liabilities at fair value through profit or loss	\$ 2,322,878	-	-	2,322,878
Derivative financial liabilities	<u>325,714</u>	<u>2,350,435</u>	<u>-</u>	<u>2,676,149</u>
	<u>\$ 2,648,592</u>	<u>2,350,435</u>	<u>-</u>	<u>4,999,027</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2021				
Financial assets at fair value through profit or loss	\$ 13,858,628	27,453,043	-	41,311,671
Financial assets at fair value through other comprehensive income	2,797,157	14,628,591	3,091,678	20,517,426
Derivative financial assets	<u>275,748</u>	<u>319,052</u>	<u>-</u>	<u>594,800</u>
	<u>\$ 16,931,533</u>	<u>42,400,686</u>	<u>3,091,678</u>	<u>62,423,897</u>
Financial liabilities at fair value through profit or loss	\$ 912,966	-	-	912,966
Derivative financial liabilities	<u>521,261</u>	<u>1,490,692</u>	<u>-</u>	<u>2,011,953</u>
	<u>\$ 1,434,227</u>	<u>1,490,692</u>	<u>-</u>	<u>2,924,919</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the nine months ended September 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.

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

(In Thousands Dollars)

		For the nine months ended September 30, 2022							
		Gains and losses on valuation		Addition		Reduction			
Item	Beginning 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	Ending Balance
Financial assets at fair value through other comprehensive income	\$ 3,319,193	-	(605,831)	3,567	-	-	13,032	100,918	2,602,979

		For the nine months ended September 30, 2021							
		Gains and losses on valuation		Addition		Reduction			
Item	Beginning 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	Ending Balance
Financial assets at fair value through other comprehensive income	\$ 2,287,085	-	685,563	119,030	-	-	-	-	3,091,678

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
September 30, 2022		
Financial assets fair value through other comprehensive income	\$ <u>26,030</u>	<u>(26,030)</u>
December 31, 2021		
Financial assets fair value through other comprehensive income	\$ <u>33,192</u>	<u>(33,192)</u>
September 30, 2021		
Financial assets fair value through other comprehensive income	\$ <u>30,917</u>	<u>(30,917)</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	September 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>33,945,557</u>	<u>33,209,244</u>	<u>-</u>	<u>-</u>	<u>-</u>

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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	-	-	-

September 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	\$ 40,968,679	39,324,178	-	-	-

Note: The counterparties in repurchase agreements hold the right of recourse not merely on the transferred assets against the Group; hence according to IFRS7p42D(d), disclosure of the fair values of transferred assets and their relevant liabilities and fair value net position is not mandatory.

(vii) Offsetting financial assets and financial liabilities

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

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

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

September 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	\$ 768,433	-	768,433	-	-	768,433

September 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	\$ 1,432,580	-	1,432,580	-	-	1,432,580
Under repurchase agreements	33,209,244	-	33,209,244	33,209,244	-	-
Total	\$ 34,641,824	-	34,641,824	33,209,244	-	1,432,580

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December 31, 2021						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 657,915	-	657,915	-	-	657,915

December 31, 2021						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,624,861	-	2,624,861	-	-	2,624,861
Under repurchase agreements	37,345,935	-	37,345,935	37,345,935	-	-
Total	\$ 39,970,796	-	39,970,796	37,345,935	-	2,624,861

September 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	\$ 319,052	-	319,052	-	-	319,052

September 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	\$ 1,947,539	-	1,947,539	-	-	1,947,539
Under repurchase agreements	39,324,178	-	39,324,178	39,324,178	-	-
Total	\$ 41,271,717	-	41,271,717	39,324,178	-	1,947,539

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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As of September 30, 2022, December 31, 2021 and September 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	September 30, 2022		December 31, 2021		September 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	\$ 58,213,449	-	22,242,386	-	20,499,171	-

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

(ii) Market risk:

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

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

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

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

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

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

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

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

1) For the three months and the nine months ended September 30, 2022 and 2021:

a) Gains (losses) on valuation

	<u>For the three months ended September 30, 2022</u>	<u>For the nine months ended September 30, 2022</u>	<u>Account</u>
Stock warrants issued	\$ (6,113,680)	23,648,288	Gains (losses) on stock warrants issued
Stock warrants repurchased	5,811,014	(23,360,089)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended September 30, 2022</u>	<u>For the nine months ended September 30, 2022</u>	<u>Account</u>
Security borrowing	\$ 14,923	12,224	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	(351,150)	(932,040)	Gains (losses) on sale of trading securities
Futures transaction	67,306	202,950	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended September 30, 2022</u>	<u>For the nine months ended September 30, 2022</u>	<u>Account</u>
Stock warrants issued	\$ 21,845,075	35,869,494	Gains (losses) on stock warrants issued
Stock warrants repurchased	(21,369,706)	(34,717,082)	Gains (losses) on stock warrants issued

2) For the three months and the nine months ended September 30, 2021:

a) Gains (losses) on valuation

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 2,375,957	14,284,772	Gains (losses) on stock warrants issued
Stock warrants repurchased	(320,925)	(13,985,125)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Security borrowing	\$ (30,133)	137,716	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	447,543	1,444,416	Gains (losses) on sale of trading securities
Futures transaction	67,516	(129,785)	Gains (losses) on derivative financial instruments - futures

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c) Gains (losses) on maturity

	<u>For the three months ended September 30, 2021</u>	<u>For the nine months ended September 30, 2021</u>	<u>Account</u>
Stock warrants issued	\$ 13,098,413	20,334,430	Gains (losses) on stock warrants issued
Stock warrants repurchased	(13,738,437)	(21,109,864)	Gains (losses) on stock warrants issued

Exchange traded notes

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

<u>Financial Instruments</u>	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 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	-	916	-

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

(ii) Market risk:

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

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

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

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

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

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

(v) Presentation of other financial instruments as approved by the authority:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Account</u>
Margin-exchange traded notes	\$ -	25	25	Other non-current assets
Outstanding liabilities - exchange traded notes	-	943	916	Financial liabilities at fair value through profit or loss - current

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	For the three months ended September 30,		For the nine months ended September 30,		Account
	2022	2021	2022	2021	
Gains (losses) on exchange traded notes	\$ -	92	188	67	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	3	3	8	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	-	(353)	(377)	(438)	Management and commissions expense on exchange traded notes

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of September 30, 2022, December 31, 2021 and September 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 demand.

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(iv) Presentation of financial derivatives:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Account</u>	
Futures margin - proprietary fund	\$ 779,116	564,132	218,702	Financial assets at fair value through profit or loss - current	
Excess futures margin	2,728,668	1,676,997	1,884,459	Cash and cash equivalent	
Buy options	179,569	61,687	57,046	Financial assets at fair value through profit or loss - current	
Sale options	218,779	51,288	64,414	Financial liabilities at fair value through profit or loss - current	
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>			
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Account</u>
Gains (losses) on futures transactions	\$ 436,475	120,892	(384,893)	(168,132)	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>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 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	\$ 8,200,000	-	9,900,000	-	9,700,000	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- 3) Liquidity risk, cash flow risk, and the amount, period, and uncertainty of future cash demand:

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	September 30, 2022		December 31, 2021		September 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	\$ 335,000	-	883,000	-	1,783,000	-
Principal guaranteed notes	2,708,026	-	3,729,644	-	4,238,667	-
Credit-linked notes	994,100	-	769,300	-	816,800	-

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.

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

The Group collects premium from investors prior to transacting in structured notes, therefore there is no significant liquidity risk.

- (iii) Convertible bond asset swaps

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

Financial Instruments	September 30, 2022		December 31, 2021		September 30, 2021	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 3,116,800	-	2,478,500	-	1,376,700	-
Convertible bond options	13,765,600	-	10,283,100	-	9,074,600	-

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>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 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	\$ 314,058	-	287,577	-	54,030	-

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>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 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	\$ 3,063,243	-	3,800,382	-	2,269,632	-
Leverage derivatives-short position	3,056,022	-	3,787,547	-	3,513,237	-

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

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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 September 30, 2022, December 31, 2021 and September 30, 2021, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps were presented on the balance sheets as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 19,598	13,301	13,888
Asset swap options-long position	247,023	555,469	236,080
Leverage derivatives - non-hedging	242,480	81,844	51,950
Structured notes	7,383	4,183	9,088
Exchange rate derivatives	241,178	635	7,685
Interest rate swaps	10	-	2
Equity derivatives	<u>10,761</u>	<u>2,483</u>	<u>359</u>
Total	<u>\$ 768,433</u>	<u>657,915</u>	<u>319,052</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 59,897	42,823	19,270
Asset swap options-short position	1,241,389	2,270,540	1,451,336
Leverage derivatives - non-hedging	6,207	16,671	2,510
Structured notes	121,223	286,362	471,566
Exchange rate derivatives	333	7,417	2,686
Interest rate swaps	-	397	-
Equity derivatives	<u>3,531</u>	<u>651</u>	<u>171</u>
Total	<u>\$ 1,432,580</u>	<u>2,624,861</u>	<u>1,947,539</u>

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	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Other financial liabilities - current			
Structured notes principal value	\$ <u>3,262,739</u>	<u>4,470,183</u>	<u>5,755,063</u>
Other financial liabilities - non-current			
Structured notes principal value	\$ <u>535,633</u>	<u>575,697</u>	<u>570,440</u>

For the three months and the nine months ended September 30, 2022 and 2021, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	<u>For the three months ended September 30, 2022</u>		<u>For the nine months ended September 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	\$ 273	165	224	10
Equity derivatives	4,902	1,320	16,403	7,429
Structured notes	(12,782)	(7,127)	78,281	124,167
IRS asset swaps	(197)	(176)	(411)	(562)
Asset swap options	199,701	245,356	991,616	1,442,568
Exchange rate derivatives	97,313	62,798	259,294	240,845
Leverage derivatives - non-hedging	45,918	56,115	120,973	236,273
Total	\$ <u>335,128</u>	<u>358,451</u>	<u>1,466,380</u>	<u>2,050,730</u>
	<u>For the three months ended September 30, 2021</u>		<u>For the nine months ended September 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	\$ 132	181	44	2
Equity derivatives	(455)	116	(455)	116
Structured notes	23,708	3,112	25,319	33,728
IRS asset swaps	(44)	(24)	(137)	4
Asset swap options	269,035	508,253	(254,375)	331,258
Exchange rate derivatives	5,153	6,617	(2,180)	4,999
Leverage derivatives - non-hedging	25,173	(10,438)	63,252	(12,169)
Total	\$ <u>322,702</u>	<u>507,817</u>	<u>(168,532)</u>	<u>357,938</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’).

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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.

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on September 30, 2022, December 31, 2021 and September 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>
<u>September 30, 2022</u>						
Financial assets						
Corporate bonds	USD	150,500	USD	145,500	-	-
Financial liabilities						
Credit loan	USD	4,000	USD	4,000	-	-
<u>December 31, 2021</u>						
Financial assets						
Corporate bonds	USD	163,500	USD	158,500	-	-
Financial liabilities						
Credit loan	USD	4,000	USD	4,000	-	-
<u>September 30, 2021</u>						
Financial assets						
Corporate bonds	USD	166,000	USD	161,000	-	-
Financial liabilities						
Secured bank loans	USD	33,100	USD	33,100	-	-
Credit loan	USD	59,900	USD	59,900	-	-

(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.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Capital adequacy ratio	327 %	358 %	360 %

(z) Financing activities not affecting current cash flow

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

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

	January 1, 2022	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	September 30, 2022
Lease liabilities	\$ 850,171	(149,722)	134,676	4,835	-	839,960

	January 1, 2021	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	September 30, 2021
Lease liabilities	\$ 910,350	(160,589)	134,360	(652)	-	883,469

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Applicable from August, 2022)
Bao Zuo Investment Corp.	Related party in substance (Applicable from August, 2022)
Sheng Hsiang Enterprise Corp.	Related party in substance (Applicable from August, 2022)
Other related parties	Key management personnel

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(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 51,616	112,058	210,660	299,864
Post-employment benefits	643	5,357	1,962	6,612
Total	<u>\$ 52,259</u>	<u>117,415</u>	<u>212,622</u>	<u>306,476</u>

(ii) Bonds sold under repurchase agreements

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ 84,900	85,149	8,036	8,128	8,070	8,158

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total financial expenses				
Other related parties	<u>\$ 135</u>	<u>3</u>	<u>201</u>	<u>12</u>

(iii) Structured notes transactions - remaining balance

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Other related parties	\$ 74,200	49,300	63,700

(iv) Futures transactions

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Future Traders' equity			
Other related parties	\$ 343	763	-

(v) Brokerage and sub-brokerage

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Brokerage commissions				
Other related parties	\$ 470	1,204	2,069	3,299

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Re-consigned handling commissions				
Other related parties	\$ 23	38	102	196

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Other revenue

Other revenue	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2022	2021	2022	2021
Other related parties	\$ <u>24</u>	<u>8</u>	<u>26</u>	<u>34</u>
		September 30,	December 31,	September 30,
Advance receipts		2022	2021	2021
Other related parties		\$ <u>33</u>	<u>2</u>	<u>-</u>

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Subsidiaries	\$ 7,000	7,000	27,000	27,000	10,000	10,000
Funds issued by associate	140,000	140,000	-	-	-	-
Total	\$ <u>147,000</u>	<u>147,000</u>	<u>27,000</u>	<u>27,000</u>	<u>10,000</u>	<u>10,000</u>

Total financial expenses	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2022	2021	2022	2021
Subsidiaries	\$ 50	28	123	94
Funds issued by associate	208	1	332	244
Total	\$ <u>258</u>	<u>29</u>	<u>455</u>	<u>338</u>

Transaction terms are the same as the general clients.

(ii) Futures transactions

Futures traders' equity	September 30,	December 31,	September 30,
	2022	2021	2021
Funds issued by associate	\$ <u>272,694</u>	<u>269,049</u>	<u>261,295</u>

Total financial expenses	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2022	2021	2022	2021
Funds issued by associate	\$ <u>1</u>	<u>-</u>	<u>20</u>	<u>14</u>

Transaction terms are the same as the general clients.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Lease agreements

Lessor

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Lease revenue				
Associates	\$ <u>4,310</u>	<u>4,310</u>	<u>12,928</u>	<u>12,928</u>
		<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
Guarantee deposits received		<u>2022</u>	<u>2021</u>	<u>2021</u>
Associates		\$ <u>3,811</u>	<u>3,811</u>	<u>3,811</u>

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

Lessee

- 1) The Company leases office from related party in substance (note) for operation places, and lease period is nine years. The aggregate contractual value of the lease is \$737,602 and rent is paid monthly.
- 2) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the two months ended September 30, 2022.

- 3) Lease liabilities

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Related party in substance (note)	\$ <u>505,791</u>	<u>-</u>	<u>-</u>

- 4) Financial expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Related party in substance (note)	\$ <u>1,145</u>	<u>-</u>	<u>1,145</u>	<u>-</u>

Note: Related-party status was applicable from August, 2022.

(iv) Custody account business

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Custody account business revenue(Accounted for as rental income)				
Related party in substance (note)	\$ <u>16,759</u>	<u>-</u>	<u>16,759</u>	<u>-</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Other accounts receivable</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Related party in substance (note)	\$ <u>12,859</u>	<u>-</u>	<u>-</u>

Note: Related-party status was applicable from August, 2022.

(v) Insurance commission revenues

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

<u>Commission revenues</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ <u>1,382</u>	<u>1,112</u>	<u>12,101</u>	<u>4,599</u>

<u>Accounts receivable</u>	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2022</u>	<u>2021</u>	<u>2021</u>
Subsidiaries	\$ <u>721</u>	<u>3,667</u>	<u>918</u>

(vi) Brokerage and sub-brokerage

<u>Brokerage commissions</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Funds issued by associate	\$ 11,557	11,067	35,254	32,751
Related party in substance (note)	5	-	5	-
Total	\$ <u>11,562</u>	<u>11,067</u>	<u>35,259</u>	<u>32,751</u>

Note: Related-party status was applicable from August, 2022.

<u>Re-consigned handling commissions</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Funds issued by associate	\$ <u>3,645</u>	<u>2,622</u>	<u>8,970</u>	<u>9,604</u>

(vii) Fund services business

<u>Fund services revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associates	\$ <u>432</u>	<u>1,208</u>	<u>1,478</u>	<u>3,777</u>

<u>Channel services revenue</u>	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Associates	\$ <u>432</u>	<u>1,208</u>	<u>1,478</u>	<u>3,777</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Account receivable</u>	September 30, 2022	December 31, 2021	September 30, 2021
Associates	\$ <u>288</u>	<u>509</u>	<u>728</u>

(viii) Wealth management business

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Trust account commissions revenue</u>	2022	2021	2022	2021
Associates	\$ <u>1,648</u>	<u>1,508</u>	<u>2,725</u>	<u>8,367</u>

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Trust account management fee revenue</u>	2022	2021	2022	2021
Associates	\$ <u>338</u>	<u>334</u>	<u>991</u>	<u>795</u>

(ix) Underwriting business

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Stock service income</u>	2022	2021	2022	2021
Associates	\$ <u>30</u>	<u>31</u>	<u>93</u>	<u>91</u>

<u>Accounts receivable</u>	September 30, 2022	December 31, 2021	September 30, 2021
Associates	\$ <u>10</u>	<u>10</u>	<u>10</u>

(x) Other revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Other revenue</u>	2022	2021	2022	2021
Associates	\$ <u>-</u>	<u>1</u>	<u>2</u>	<u>3</u>

(xi) Custody account business

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Custody account business revenue</u>	2022	2021	2022	2021
Second-level subsidiaries (note)	\$ <u>1,575</u>	<u>1,954</u>	<u>4,476</u>	<u>5,823</u>

<u>Accounts receivable</u>	September 30, 2022	December 31, 2021	September 30, 2021
Second-level subsidiaries (note)	\$ <u>511</u>	<u>571</u>	<u>600</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Accrued receivable

<u>Accounts receivable/ Other receivable</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Subsidiaries	\$ 77	84	79
Associates	-	-	6
Total	<u>\$ 77</u>	<u>84</u>	<u>85</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.

(xiii) 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>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>The collateral use</u>
Restricted assets - current	\$ 329,973	285,135	221,174	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	-	-	Guarantee deposit for provisional seizure
Trading securities and bonds purchased under resale agreements (par value)	34,701,256	38,081,111	39,724,917	Repurchase agreement
Property (net amount)	1,886,058	2,071,440	1,904,428	Bank borrowings
Financial assets at fair value through profit or loss - non - current	178,474	180,596	180,145	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Investment property (net amount)	<u>3,339,770</u>	<u>3,183,055</u>	<u>3,359,624</u>	Bank borrowings
Total	<u>\$ 40,485,406</u>	<u>43,801,337</u>	<u>45,390,288</u>	

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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:

	September 30, 2022		December 31, 2021		September 30, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	478,107	\$ 4,781,070	612,683	6,126,830	567,638	5,676,380
Collateral for margin purchase	21,388	213,880	11,332	113,321	11,094	110,940
Lending securities to customers through short sales	51,832	518,320	41,166	411,660	56,561	565,610
Collateral for short sales	4,711	47,110	7,659	76,588	12,301	123,010

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

	September 30, 2022		December 31, 2021		September 30, 2021	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	512	\$ 5,120	491	4,910	1,400	14,000
Collateral for refinancing margin	-	-	-	-	54	540

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

	September 30, 2022	December 31, 2021	September 30, 2021
Promissory notes	<u>\$ 26,410,000</u>	<u>24,660,000</u>	<u>24,060,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>	<u>USD 85,000</u>

- (d) As of September 30, 2022, December 31, 2021 and September 30, 2021, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$9,026,712, \$7,342,642 and \$6,343,758, 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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 September 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.
- (j) On August 10, 2022, the Taiwan High Court Criminal Division's judgment indicated that the former chairman of Taiwan International Securities, a company that was merged and eliminated, and other persons were suspected to involve illegal gains in accordance with the Securities Exchange Law, was received. It was determined that the undeducted criminal proceeds obtained by Taiwan International Securities amounted to USD 369,331.65, which shall be confiscated except for those should be returned to the victim or persons who can claim for damages. The Company has filed an appeal.

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

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

(i) September 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	344	\$ 946,743	920,534	
	TAIEX Futures	Short	32	(88,530)	(85,518)	
	Mini-TAIEX Futures	Long	260	175,867	174,038	
	Mini-TAIEX Futures	Short	608	(438,822)	(406,115)	
	Electronic Sector Index Futures	Short	69	(174,215)	(167,711)	
	Finance Sector Index Futures	Long	9	13,189	13,051	
	Finance Sector Index Futures	Short	9	(13,576)	(13,050)	
	Mini-Finance Sector Futures	Long	27	9,813	9,788	
	Single Stock Futures	Long	12,034	1,368,754	1,254,806	
	Single Stock Futures	Short	10,253	(2,017,645)	(1,891,610)	
	HHI Futures	Long	3	3,573	3,587	
	HHI Futures	Short	29	(35,640)	(34,679)	
	HSI Futures	Short	8	(28,173)	(27,839)	
	Mini-HSI Futures	Long	1	692	696	
	E-mini-Nasdaq Futures	Short	12	(85,704)	(84,091)	
	Micro E-mini-Nasdaq Futures	Short	38	(28,139)	(26,629)	
	Micro E-mini Dow Futures	Long	18	8,420	8,230	
	Wheat Futures	Long	10	14,618	14,629	
	Gold Futures	Short	10	(53,066)	(53,086)	
	Silver Futures	Short	6	(18,286)	(18,135)	
	FTSE China A50 Index Futures	Long	784	321,688	321,505	
	FTSE China A50 Index Futures	Short	592	(244,169)	(242,769)	
	Micro E-mini S&P 500 Futures	Short	6	(3,493)	(3,431)	
	E-mini S&P 500 Futures	Short	23	(134,004)	(131,500)	
	TOPIX Futures	Short	10	(41,997)	(40,410)	
	Crude Oil Futures	Long	73	193,659	184,238	
	Crude Oil Futures	Short	4	(10,095)	(10,095)	
	Brent Crude Oil Futures	Short	230	(626,529)	(621,735)	
	Mini-Weekly Stock Index Futures	Short	95	(63,525)	(63,679)	
	SGX Nikkei 225 Index Futures	Short	11	(35,391)	(33,970)	
	Mini-TOPIX Futures	Short	48	(20,091)	(19,397)	
	2 Year U.S. T-Note Futures	Short	16	(105,783)	(104,338)	
	10 Year U.S. T-Note Futures	Short	3	(10,918)	(10,674)	
	30 Year U.S. Treasury Bond	Short	20	(80,234)	(80,268)	
	Ultra U.S. Treasury Bond	Short	28	(123,369)	(121,793)	
	US Dollar Index Futures	Long	25	89,210	88,967	
	US Dollar Index Futures	Short	28	(98,384)	(99,642)	
	Japanese Yen Futures	Long	2	5,544	5,527	
	British Pound Futures	Short	1	(2,147)	(2,219)	
	Coffee Futures	Short	3	(7,960)	(7,913)	
	Mini Electronic Futures	Long	376	117,311	114,238	
	Mini Electronic Futures	Short	1	(308)	(304)	
	E-mini Russell 2000 Index Futures	Short	5	(13,452)	(13,254)	
	E-mini Dow Futures	Short	16	(74,985)	(73,155)	
	Dow Jones Real Estate Futures	Short	17	(19,261)	(17,148)	
	Canadian Dollar Futures	Short	1	(2,316)	(2,299)	
	DAX Futures	Short	3	(28,303)	(28,448)	
	Subtotal			(1,459,429)		

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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	8,111	\$ 34,871	18,596	
	TAIEX Options (Put)	Long	6,349	94,045	145,932	
	TAIEX Options (Call)	Short	9,960	(52,916)	(35,316)	
	TAIEX Options (Put)	Short	5,802	(84,835)	(165,180)	
	Stock Options (Call)	Long	15	345	152	
	Stock Options (Put)	Short	2	(55)	(133)	
	TAIEX Weekly Options (Call)	Long	3,043	6,838	7,151	
	TAIEX Weekly Options (Put)	Long	2,995	6,419	6,592	
	TAIEX Weekly Options (Call)	Short	3,120	(7,752)	(7,629)	
	TAIEX Weekly Options (Put)	Short	2,566	(7,381)	(7,157)	
	Finance Insurance Index Options (Call)	Long	81	247	132	
	Finance Insurance Index Options (Put)	Long	111	633	1,000	
	Finance Insurance Index Options (Call)	Short	93	(451)	(227)	
	Finance Insurance Index Options (Put)	Short	11	(81)	(226)	
	Electronic Sector Index Options (Call)	Long	33	161	14	
	Electronic Sector Index Options (Call)	Short	24	(178)	(191)	
	Electronic Sector Index Options (Put)	Short	32	(516)	(2,720)	
	Subtotal			<u>(10,606)</u>		
Total				<u>\$ (1,470,035)</u>		

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(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) September 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	57	\$ 188,252	190,802	
	TAIEX Futures	Short	141	(476,499)	(477,116)	
	Mini-TAIEX Futures	Long	35	29,579	29,406	
	Mini-TAIEX Futures	Short	190	(160,824)	(159,875)	
	Electronic Sector Index Futures	Long	33	105,972	104,367	
	Electronic Sector Index Futures	Short	59	(193,910)	(186,605)	
	Finance Sector Index Futures	Long	73	117,143	115,807	
	Single Stock Futures	Long	908	61,635	61,585	
	Single Stock Futures	Short	2,414	(500,830)	(484,915)	
	HSI Futures	Short	4	(17,501)	(17,540)	
	Mini-HSI Futures	Long	5	4,355	4,385	
	E-mini-Nasdaq Futures	Short	10	(84,879)	(81,089)	
	Copper Futures	Long	2	5,920	5,694	
	Gold Futures	Short	7	(35,455)	(34,253)	
	Micro Gold Futures	Short	56	(28,377)	(27,402)	
	FTSE Taiwan Index Futures	Short	16	(26,444)	(26,083)	
	FTSE China A50 Index Futures	Long	7	3,023	3,020	
	FTSE China A50 Index Futures	Short	641	(275,373)	(276,579)	
	FTSE Vietnam 30 Index Futures	Short	17	(5,937)	(6,060)	
	Ultra 10 Year U.S. T-Note Futures	Long	10	40,430	40,452	
	TOPIX Futures	Short	19	(96,857)	(96,063)	
	Crude Oil Futures	Long	6	12,436	12,538	
	Crude Oil Futures	Short	11	(22,653)	(22,985)	
	Brent Crude Oil Futures	Short	126	(266,682)	(274,798)	
	Mini-Weekly Stock Index Futures	Short	3	(2,531)	(2,541)	
	Nikkei Stock Average Futures	Short	10	(37,011)	(36,939)	
	Mini topix Futures	Long	28	14,253	14,157	
	U.S. 5 Year T-Note Futures	Long	10	34,164	34,184	
	Japanese Yen Futures	Short	1	(3,173)	(3,127)	
	Mini Electronic Futures	Long	6	2,391	2,370	
	Mini Electronic Futures	Short	69	(27,256)	(27,279)	
	Subtotal			(1,642,639)		
Options contract :						
	TAIEX Options (Call)	Long	2,399	14,616	13,482	
	TAIEX Options (Put)	Long	2,284	28,857	34,493	
	TAIEX Options (Call)	Short	977	(18,113)	(15,656)	
	TAIEX Options (Put)	Short	1,826	(31,659)	(37,976)	
	Stock Options (Call)	Long	9	192	211	
	Stock Options (Put)	Long	10	40	13	
	Stock Options (Put)	Short	14	(159)	(116)	
	TAIEX Weekly Options (Call)	Long	500	1,479	1,840	
	TAIEX Weekly Options (Put)	Long	383	1,108	655	
	TAIEX Weekly Options (Call)	Short	236	(1,253)	(1,745)	
	TAIEX Weekly Options (Put)	Short	305	(1,917)	(1,022)	
	Finance Insurance Index Options (Call)	Long	119	445	510	
	Finance Insurance Index Options (Put)	Short	395	1,388	1,211	
	Finance Insurance Index Options (Call)	Short	493	(2,907)	(4,674)	
	Finance Insurance Index Options (Put)	Long	47	(172)	(138)	
	Electronic Sector Index Options (Call)	Long	164	499	310	
	Electronic Sector Index Options (Put)	Short	241	2,459	4,321	
	Electronic Sector Index Options (Call)	Short	285	(1,764)	(1,265)	
	Electronic Sector Index Options (Put)	Long	149	(1,208)	(1,822)	
	Subtotal			(8,069)		
Total				\$ (1,650,708)		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,561,295}{1,730,051}$	3.79	$\frac{6,155,667}{843,578}$	7.30	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{47,807,099}{42,620,642}$	1.12	$\frac{43,142,005}{38,324,422}$	1.13	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,561,295}{1,115,000}$	588.46 %	$\frac{6,155,667}{1,115,000}$	552.08 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,613,631}{8,268,683}$	55.80 %	$\frac{4,872,781}{7,034,455}$	69.27 %	$\geq 20\%$ $\geq 15\%$	"

- (c) Unique risk for futures trading

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(i) Loans to others:

(In Thousands Dollars)

Number	Name of the company providing Loans to Others	Party to Transactions	Account Classification	Related party	Maximum Balance of the Period	Ending balance	Capital Employed	Range of interest rate	Type of Loans (Note)	Amount of Transactions	Purposes of the Borrowers	Allowance of Doubtful Accounts	Collateral		Limit on Loans to a Single Business	Limit on the Amount of Loans
													Name	Value		
1	CSC International Holdings Ltd.	CSC Securities (HK) Ltd	Account receivables - Related party	Yes	\$ 929,500	929,500	866,100	- %	2	-	Working capital	-		-	1,644,015	1,644,015
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	107,146	107,146	107,146	- %	2	-	Working capital & repayment of financing	-		-	107,146	107,146
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,872	5,872	5,872	- %	2	-	Repayment of financing	-		-	5,872	5,872
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	63,020	63,020	6,302	6.75 %	1	11,674		-		-	193,648	968,241
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	441,139	441,139	315,099	3%-4.25%	1	208,717		-		-	441,139	968,241
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	94,530	94,530	45,689	5.75 %	1	24,428		-		-	193,648	968,241
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,755	15,755	15,755	4.75 %	1	2,799		-		-	193,648	968,241
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	4.75 %	1	534		-		-	193,648	968,241
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	63,020	63,020	-	4.75 %	1	12,721		-		-	193,648	968,241
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	47,265	47,265	-	4.75 %	1	7,930		-		-	193,648	968,241

Note: Type of Loans

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	28,597		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	44,136		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	256		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	91,100		0.05 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,836		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	143,493	General transaction	2.47 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	13,399	General transaction	0.23 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	466	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	272	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	38	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	11,296	General transaction	0.19 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	45	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	21,129	General transaction	0.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	36,368	General transaction	0.63 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	1,077	General transaction	0.02 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	51,750	General transaction	0.89 %
0	Capital Securities Corp.	CSC Capital Management Co	1	Other receivables	3		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	51		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	3		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	1		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	53		- %
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	551	General transaction	0.01 %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %

(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			
				General ledger account	Amount	Trading terms	Percentage of total consolidated revenue or total assets
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	16	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	28		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,305,838		1.16 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,305,838		1.16 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	1,890		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	16,864	General transaction	0.29 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	850,964		0.43 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	5,953,344		3.00 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	5,778		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	5,984	General transaction	0.10 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	101,558	General transaction	1.75 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	4,860	General transaction	0.08 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	2,304	General transaction	0.04 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Prepayments	768		- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	5,520,350		2.78 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	417,970		0.21 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Other payable	133		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co., Ltd.	3	Information technology expense	397	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 145		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 614	General transaction	0.04 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 46	General transaction	- %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	420	General transaction	0.01 %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	4,553	General transaction	0.08 %

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		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 September 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 %	89,618	56,629	13,386	13,386	3,136	The transaction has been eliminated in the consolidated financial statements
0	Capital Futures Corp.	Taipei, Taiwan, R.O.C.	February 26, 1997	No. FSC-1050044467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,712,547	1,943,837	540,366	305,700	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 %	1,628,332	(46,337)	(58,660)	(58,660)	-	"
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 %	71,879	162,826	46,013	46,013	34,705	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei, Taiwan, R.O.C.	November 8, 2000		Liquidation in progress.	7,400	7,400	740,000	100.00 %	39,519	26,321	1,155	1,155	-	"
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 %	25	(646)	(646)	(646)	-	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 %	807,181	5,520	501	501	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 %	311,274	(848)	(3,320)	(3,320)	-	"
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 %	1,328,688	1,511,891	568,599	113,721	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 %	663,929	10,837	(46,337)	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 5)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4, 1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(105,884)	-	(646)	-	-	"
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 %	(265,739)	-	(361)	-	-	"
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 %	968,241	259,621	(3,301)	-	-	"
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 %	28,703	2,304	(5,510)	-	-	"

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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 September 30, 2022	Balance on December 31, 2021	Shares	Ratio	Book value					
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	%	279,683	(708)	(5,401)	-	-
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	%	237	-	(218)	-	Associates

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

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

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

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

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

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

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2022	Remittance of recoverable investment this period		Accumulated remittance as of September 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 September 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	(43)	28.86%	(12) B(3)	8,455	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(3,156)	56.58%	(1,786) B(3)	4,977	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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 September 30, 2022							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>1,190,880</u>	<u>90,496</u>	<u>237,403</u>	<u>90,969</u>	<u>31,487</u>	<u>729,925</u>	<u>(74,875)</u>	<u>2,296,285</u>
Segment profit or loss	\$	<u>560,647</u>	<u>52,428</u>	<u>(199,796)</u>	<u>(6,986)</u>	<u>(70,472)</u>	<u>280,037</u>	<u>(112,184)</u>	<u>503,674</u>
		For the three months ended September 30, 2021							
		Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$	<u>2,133,916</u>	<u>99,467</u>	<u>177,611</u>	<u>348,664</u>	<u>45,908</u>	<u>603,228</u>	<u>(69,376)</u>	<u>3,339,418</u>
Segment profit or loss	\$	<u>1,223,719</u>	<u>52,261</u>	<u>98,171</u>	<u>261,295</u>	<u>(177,261)</u>	<u>137,438</u>	<u>(73,677)</u>	<u>1,521,946</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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For the nine months ended September 30, 2022								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>3,976,302</u>	<u>234,176</u>	<u>(149,810)</u>	<u>(189,509)</u>	<u>76,833</u>	<u>2,095,168</u>	<u>(236,406)</u>	<u>5,806,754</u>
Segment profit or loss	\$ <u>2,011,964</u>	<u>120,416</u>	<u>(1,012,821)</u>	<u>(430,770)</u>	<u>(51,919)</u>	<u>654,496</u>	<u>(251,599)</u>	<u>1,039,767</u>

For the nine months ended September 30, 2021								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>5,993,227</u>	<u>253,125</u>	<u>1,331,410</u>	<u>571,350</u>	<u>151,641</u>	<u>1,899,705</u>	<u>(224,178)</u>	<u>9,976,280</u>
Segment profit or loss	\$ <u>3,408,254</u>	<u>108,465</u>	<u>1,087,774</u>	<u>321,197</u>	<u>(559,095)</u>	<u>491,202</u>	<u>(222,053)</u>	<u>4,635,744</u>

Note 1: Internal segment revenues are eliminated on consolidation.

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

(d) Information about products and services

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

(e) Information about regions

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

(f) Information about major customers

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