

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For The Six Months Ended June 30, 2023 and 2022**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Overview	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~12
(5) Major sources of significant accounting assumptions, judgments and estimation uncertainty	13
(6) Explanation of significant accounts	13~69
(7) Related-party transactions	69~75
(8) Assets Pledged as security	76
(9) Significant contingent liability and unrecognized contract commitment	76~79
(10) Significant Catastrophic Loss	79
(11) Significant Subsequent Events	79
(12) Other	80~86
(13) Other disclosures	
(a) Information on significant transactions	87~89
(b) Related information of investee companies	90~91
(c) Information on overseas branches and representative offices	91
(d) Information on investments in the Mainland China	91~92
(e) Major shareholders	92
(f) Disclosures required for securities firm investing in countries or regions without securities authority	93~94
(14) Segment information	95~96



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Independent Auditors' Report

To the Board of Directors of
Capital Securities Corporation:

Opinion

We have audited the consolidated financial statements of Capital Securities Corporation and its subsidiaries (“the Group”), which comprise the consolidated statements of financial position as of June 30, 2023, December 31, 2022 and June 30, 2022 and the consolidated statements of comprehensive income for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022 as well as the changes in equity and cash flows for the six months ended June 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of another auditors (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023, December 31, 2022 and June 30, 2022, and its consolidated financial performance for the three months ended June 30, 2023 and 2022 and the six months ended June 30, 2023 and 2022 as well as its consolidated cash flows for the six months ended June 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards (“IASs”) 34 “Interim Financial Reporting”, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters of the Group's financial statements are stated as follows:

Valuation of financial instruments

Please refer to Note 4(g) of the consolidated financial statements as of and for the year ended December 31, 2022 for the related accounting policy regarding the valuation of financial instruments, Note 6(b) financial assets, Note 6(m) financial liabilities at fair value through profit or loss and Note 6(w)(v), fair value and fair value hierarchy of financial instruments for details.

Risk and descriptions of the key audit matter:

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

Procedures performed:

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

Other Matter

We did not audit the financial statements of Capital Investment Trust Corporation, an associate of Capital Securities Corporation. Those financial statements were audited by another auditor, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for Capital Investment Trust Corporation, is based solely on the report of another auditor. The recognized investment amount of Capital Investment Trust Corporation under equity method constituted 0.58%, 0.72% and 0.66% of consolidated total assets as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively, and the recognized profit or loss under using equity method constituted 3.63%, 59.74%, 3.34% and 14.61% of consolidated net income before income tax for the three months and six months ended June 30, 2023 and 2022, respectively.

The Group has prepared its parent-company-only financial statements as of and for the six months ended June 30, 2023 and 2022, on which we have issued an unmodified opinion with other matters paragraph.

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
August 25, 2023

Notes to Readers

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

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31, 2022, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

	June 30, 2023		December 31, 2022		June 30, 2022	
	Amount	%	Amount	%	Amount	%
Assets						
110000 Current assets:						
111100 Cash and cash equivalents (note 6(a))	\$ 9,193,739	4	11,259,550	6	10,709,048	6
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	56,890,252	25	42,404,385	22	42,659,796	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	19,819,338	9	13,716,679	7	8,779,637	4
114030 Receivable for securities provided as collateral	14,141,406	6	11,934,071	6	13,962,773	7
114040 Refinancing margin	11,064	-	18,859	-	18,073	-
114050 Refinancing collateral receivable	9,397	-	15,418	-	15,053	-
114060 Receivable of securities business money lending	4,670,401	2	4,426,333	3	5,522,843	3
114070 Customers' margin account (note 6(d))	39,314,235	18	39,049,741	20	42,856,788	22
114080 Receivable - futures margin	5	-	7	-	136	-
114090 Collateral for securities borrowed	142,727	-	1,764,422	1	141,011	-
114100 Security borrowing margin	11,825,525	5	13,729,016	7	11,819,389	6
114110 Notes receivable	9,915	-	12,550	-	22,108	-
114130 Accounts receivable (note 6(c))	14,530,660	7	6,011,995	3	12,720,727	7
114150 Prepayments	170,962	-	78,329	-	74,318	-
114170 Other receivables	885,983	-	277,511	-	682,004	-
114200 Other financial assets - current	152	-	-	-	-	-
114300 Leverage contract trading - customers' margin account	856,783	-	856,021	1	827,172	-
114600 Current income tax assets	226	-	233	-	235	-
119095 Amounts held for each customer in the account (note 6(o))	30,312,561	14	25,111,376	13	26,643,152	14
119990 Other current assets-others	507,614	-	731,120	-	844,602	-
	<u>203,292,945</u>	<u>90</u>	<u>171,397,616</u>	<u>89</u>	<u>178,298,865</u>	<u>91</u>
120000 Non-current assets:						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,401	-	179,171	-	179,064	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,209,884	1	2,690,775	1	2,853,113	1
123300 Financial assets at amortized cost - non-current (note 6(b))	5,167,757	2	3,268,785	2	-	-
124100 Investments accounted for under equity method (note 6(f))	1,395,740	1	1,485,977	1	1,397,752	1
125000 Property and equipment (notes 6(g) and 8)	3,076,722	1	2,773,271	2	2,829,761	2
125800 Right-of-use assets (note 6(h))	732,206	-	769,897	-	796,511	-
126000 Investment property (notes 6(i) and 8)	3,456,748	2	3,811,971	2	3,820,531	2
127000 Intangible assets (note 6(j))	3,620,484	2	3,614,000	2	3,610,062	2
128000 Deferred income tax assets	17,143	-	18,684	-	21,376	-
129000 Other non-current assets	1,682,330	1	1,606,494	1	1,601,339	1
	<u>22,538,415</u>	<u>10</u>	<u>20,219,025</u>	<u>11</u>	<u>17,109,509</u>	<u>9</u>
Total assets	\$ <u>225,831,360</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>	<u>195,408,374</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****June 30, 2023, December 31, 2022, and June 30, 2022****(Expressed in Thousands of New Taiwan Dollars)**

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(k))	\$ 3,880,146	2	2,870,799	1	4,731,608	3
211200 Commercial paper payable (note 6(l))	16,337,704	7	3,198,722	2	6,647,434	3
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	11,055,324	5	11,644,599	6	8,028,301	4
214010 Bonds sold under repurchase agreements (note 6(n))	44,931,475	20	36,035,969	19	28,707,997	15
214040 Guarantee deposited for short sales	1,342,679	1	4,118,440	2	1,935,917	1
214050 Proceeds payable from short sales	1,508,393	1	3,714,941	2	2,149,755	1
214070 Securities lending refundable deposits	14,843,867	7	14,681,018	7	14,431,722	7
214080 Futures traders' equity (note 6(d))	39,121,594	17	38,884,241	20	42,757,072	22
214090 Equity for each customer in the account (note 6(o))	30,312,561	14	25,111,376	13	26,643,152	14
214100 Leverage contract trading - customers' equity	856,723	-	849,887	1	829,796	1
214110 Notes payable	-	-	152	-	-	-
214130 Accounts payable (note 6(p))	12,134,823	5	4,680,994	3	10,033,141	5
214150 Advance receipts	25,121	-	33,649	-	33,848	-
214160 Receipts under custody	135,051	-	547,244	-	136,710	-
214170 Other payables	2,606,893	1	839,187	1	4,579,668	2
214200 Other financial liabilities - current (note 6(x))	3,543,761	2	3,028,050	2	3,194,677	2
214600 Current income tax liabilities	282,968	-	385,145	-	149,361	-
215100 Provisions - current (note 6(r))	56,659	-	51,577	-	59,296	-
216000 Current lease liabilities (note 6(q))	199,428	-	191,688	-	181,198	-
219000 Other current liabilities	25,289	-	18,447	-	57,063	-
	<u>183,200,459</u>	<u>82</u>	<u>150,886,125</u>	<u>79</u>	<u>155,287,716</u>	<u>80</u>
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(x))	634,168	-	494,542	-	689,612	-
226000 Non-current lease liabilities (note 6(q))	585,052	-	635,604	-	668,984	-
228000 Deferred income tax liabilities	607,227	-	776,337	1	797,450	1
229000 Other non-current liabilities	118,444	-	132,920	-	548,952	-
	<u>1,944,891</u>	<u>-</u>	<u>2,039,403</u>	<u>1</u>	<u>2,704,998</u>	<u>1</u>
Total liabilities	<u>185,145,350</u>	<u>82</u>	<u>152,925,528</u>	<u>80</u>	<u>157,992,714</u>	<u>81</u>
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(t))	21,709,081	10	21,709,081	11	21,709,081	11
302000 Capital surplus (note 6(t))	2,743,256	1	2,743,256	1	2,743,256	1
304000 Retained earnings:						
304010 Legal reserve	2,889,367	1	2,758,257	1	2,758,257	2
304020 Special reserve	6,049,211	3	5,786,990	3	5,786,990	3
304040 Unappropriated earnings (note 6(t))	2,331,391	1	1,339,434	1	55,945	-
305120 Exchange differences on translation of foreign operations	(17,365)	-	(55,863)	-	(165,518)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,089,397	1	1,463,354	1	1,799,802	1
Total equity attributable to the parent company	<u>37,794,338</u>	<u>17</u>	<u>35,744,509</u>	<u>18</u>	<u>34,687,813</u>	<u>18</u>
306000 Non-controlling interests	<u>2,891,672</u>	<u>1</u>	<u>2,946,604</u>	<u>2</u>	<u>2,727,847</u>	<u>1</u>
Total equity	<u>40,686,010</u>	<u>18</u>	<u>38,691,113</u>	<u>20</u>	<u>37,415,660</u>	<u>19</u>
Total liabilities and equity	<u>\$ 225,831,360</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>	<u>195,408,374</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2023 and 2022

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

	For the three months ended June 30				For the six months ended June 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
401000 Brokerage commissions (note 6(v))	\$ 1,283,403	47	1,376,984	94	2,436,513	44	2,891,406	83
402000 Revenues from securities business money lending	144	-	25	-	316	-	120	-
403000 Revenue from securities lending	104,573	4	86,394	6	212,563	4	204,458	6
404000 Underwriting commissions (note 6(v))	20,058	1	29,943	2	32,732	1	56,208	2
406000 Commissions on wealth management business	15,123	1	11,195	1	30,322	1	23,827	1
410000 Net gains (losses) on sale of trading securities (note 6(v))	400,235	14	(959,785)	(66)	1,550,281	28	47,528	1
421100 Securities management, distribution, and management fees	39,742	1	39,210	3	77,273	1	76,813	2
421200 Interest revenue (note 6(v))	543,969	20	359,839	25	1,026,765	18	749,424	21
421300 Dividend revenue	2,044,092	74	301,214	21	2,103,041	38	331,921	10
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	(536,937)	(19)	(1,803,499)	(124)	706,497	13	(2,762,461)	(79)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(x))	(122,041)	(4)	67,723	5	(160,619)	(3)	116,266	3
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	171,884	6	653,149	45	(650,718)	(12)	663,561	19
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	3,095	-	(71,503)	(5)	6,195	-	(295,246)	(8)
422000 Net gains (losses) from exchange traded notes (note 6(x))	-	-	71	-	-	-	188	-
422100 Management and commissions revenue from exchange traded notes (note 6(x))	-	-	1	-	-	-	3	-
422200 Net gains (losses) on stock warrants issued (notes 6(v) and (x))	(169,619)	(6)	519,520	36	(210,662)	(4)	1,134,149	32
424100 Futures commission revenues (note 6(v))	67,038	2	79,907	5	121,332	2	154,178	4
424400 Net gains (losses) on derivative instruments - futures (note 6(x))	(788,081)	(29)	(52,495)	(4)	(715,045)	(13)	(821,368)	(23)
424500 Net gains (losses) on derivative instruments - OTC (note 6(x))	(265,412)	(10)	925,745	64	(944,930)	(17)	1,131,252	32
424800 Management fee revenues	723	-	114	-	1,164	-	265	-
424900 Consultancy fee revenue	3,160	-	4,669	-	5,452	-	10,320	-
425100 Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note (b))	-	-	-	-	38	-	-	-
425300 Impairment losses and reversal gains (note 6(w))	(1,560)	-	(1,243)	-	(6,414)	-	(787)	-
428000 Other operating revenues	(53,905)	(2)	(110,718)	(8)	(31,527)	(1)	(201,556)	(6)
	<u>2,759,684</u>	<u>100</u>	<u>1,456,460</u>	<u>100</u>	<u>5,590,569</u>	<u>100</u>	<u>3,510,469</u>	<u>100</u>
Expenses:								
501000 Brokerage fees	151,220	6	158,795	11	277,441	5	327,796	9
502000 Brokerage and clearing fees - proprietary trading	9,298	-	8,250	1	17,728	-	16,125	-
503000 Clearing and exchange fees - refinancing	441	-	817	-	1,528	-	1,361	-
504000 Clearing and exchange fees - underwriting	145	-	693	-	303	-	951	-
507000 Issuance and management fees on exchange traded notes (note 6(x))	-	-	-	-	-	-	377	-
521200 Financial costs	462,528	17	93,913	6	816,206	15	153,469	4
521640 Loss from securities borrowing transactions	54,941	2	76,239	5	81,715	1	78,419	2
524100 Futures commission expense (note 6(v))	71,375	3	97,478	7	148,459	3	194,227	6
524300 Cleaning and settlement expenses	38,426	1	52,736	4	76,075	1	101,924	3
528000 Other operating expenditure	7,055	-	5,711	-	18,618	-	13,381	-
531000 Employee benefits expenses (note 6(v))	755,989	27	552,543	38	1,512,694	27	1,314,360	38
532000 Depreciation and amortization expense (note 6(v))	116,168	4	115,150	8	229,599	4	231,169	7
533000 Other operating expenses (note 6(v))	594,847	22	554,336	38	1,142,329	21	1,097,094	31
	<u>2,262,433</u>	<u>82</u>	<u>1,716,661</u>	<u>118</u>	<u>4,322,695</u>	<u>77</u>	<u>3,530,653</u>	<u>100</u>
Other income (expenses):								
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	55,078	2	61,694	4	97,073	2	118,390	3
602000 Other gains and losses (note 6(v))	703,956	25	263,417	18	1,148,838	20	437,887	13
	<u>759,034</u>	<u>27</u>	<u>325,111</u>	<u>22</u>	<u>1,245,911</u>	<u>22</u>	<u>556,277</u>	<u>16</u>
902001 Net income before income tax	1,256,285	45	64,910	4	2,513,785	45	536,093	16
701000 Less: Income tax expenses (note 6(s))	58,427	2	258,555	17	101,336	2	379,456	11
Net income	<u>1,197,858</u>	<u>43</u>	<u>(193,645)</u>	<u>(13)</u>	<u>2,412,449</u>	<u>43</u>	<u>156,637</u>	<u>5</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	357,124	13	(622,419)	(43)	630,874	11	(509,602)	(15)
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	(2,276)	-	486	-	(2,276)	-	486	-
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>354,848</u>	<u>13</u>	<u>(621,933)</u>	<u>(43)</u>	<u>628,598</u>	<u>11</u>	<u>(509,116)</u>	<u>(15)</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:								
805610 Exchange differences on translation of foreign operations	95,146	3	150,143	10	45,978	1	283,718	8
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(130,632)	(5)	(78,511)	(5)	34,346	1	(218,590)	(6)
805699 Less: Income tax related to components of other comprehensive income (note 6(s))	7,294	-	11,265	1	3,875	-	20,857	1
Subtotal of items that may be subsequently reclassified into profit or loss	<u>(42,780)</u>	<u>(2)</u>	<u>60,367</u>	<u>4</u>	<u>76,449</u>	<u>2</u>	<u>44,271</u>	<u>1</u>
805000 Other comprehensive income, net	<u>312,068</u>	<u>11</u>	<u>(561,566)</u>	<u>(39)</u>	<u>705,047</u>	<u>13</u>	<u>(464,845)</u>	<u>(14)</u>
902006 Total comprehensive income	<u>\$ 1,509,926</u>	<u>54</u>	<u>(755,211)</u>	<u>(52)</u>	<u>3,117,496</u>	<u>56</u>	<u>(308,208)</u>	<u>(9)</u>
Net income attributable to:								
913100 Shareholders of the parent	\$ 1,089,297	39	(263,115)	(18)	2,198,796	39	20,074	1
913200 Non-controlling interests	108,561	4	69,470	5	213,653	4	136,563	4
	<u>\$ 1,197,858</u>	<u>43</u>	<u>(193,645)</u>	<u>(13)</u>	<u>2,412,449</u>	<u>43</u>	<u>156,637</u>	<u>5</u>
Total comprehensive income attributable to:								
914100 Shareholders of the parent	\$ 1,390,750	50	(834,469)	(57)	2,896,484	52	(465,995)	(13)
914200 Non-controlling interests	119,176	4	79,258	5	221,012	4	157,787	4
	<u>\$ 1,509,926</u>	<u>54</u>	<u>(755,211)</u>	<u>(52)</u>	<u>3,117,496</u>	<u>56</u>	<u>(308,208)</u>	<u>(9)</u>
975000 Basic earnings per share (note 6(u))	<u>\$ 0.50</u>		<u>(0.12)</u>		<u>1.01</u>		<u>0.01</u>	
985000 Diluted earnings per share (note 6(u))	<u>\$ 0.50</u>		<u>(0.12)</u>		<u>1.01</u>		<u>0.01</u>	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company										Non-controlling interests	Total Equity
	Stock					Total other equity interest						
	Common stocks	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Total equity attributable to the parent company			
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 six months ended June 30, 2022	-	-	-	-	20,074	-	-	-	20,074	136,563	156,637	
Other comprehensive income	-	-	-	-	-	237,519	(723,588)	-	(486,069)	21,224	(464,845)	
Total comprehensive income	-	-	-	-	20,074	237,519	(723,588)	-	(465,995)	157,787	(308,208)	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-	-	-	
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)	-	(3,581,998)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	7,544	-	(7,544)	-	-	-	-	
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205	
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)	
Balance at June 30, 2022	\$ 21,709,081	2,743,256	2,758,257	5,786,990	55,945	(165,518)	1,799,802	-	34,687,813	2,727,847	37,415,660	
Balance at January 1, 2023	\$ 21,709,081	2,743,256	2,758,257	5,786,990	1,339,434	(55,863)	1,463,354	-	35,744,509	2,946,604	38,691,113	
Net income for the six months ended June 30, 2023	-	-	-	-	2,198,796	-	-	-	2,198,796	213,653	2,412,449	
Other comprehensive income	-	-	-	-	-	38,498	659,190	-	697,688	7,359	705,047	
Total comprehensive income	-	-	-	-	2,198,796	38,498	659,190	-	2,896,484	221,012	3,117,496	
Appropriation and distribution of retained earnings: (note 6(t))												
Legal reserve	-	-	131,110	-	(131,110)	-	-	-	-	-	-	
Special reserve	-	-	-	262,221	(262,221)	-	-	-	-	-	-	
Cash dividends of common stocks	-	-	-	-	(846,655)	-	-	-	(846,655)	-	(846,655)	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	33,147	-	(33,147)	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(275,944)	(275,944)	
Balance at June 30, 2023	\$ 21,709,081	2,743,256	2,889,367	6,049,211	2,331,391	(17,365)	2,089,397	-	37,794,338	2,891,672	40,686,010	

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$ 2,513,785	536,093
Adjustments:		
Income and expenses items:		
Depreciation expense	209,434	213,168
Amortization expense	20,165	18,001
Impairment losses	6,414	787
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(55,779)	2,098,900
Financial cost	816,206	153,469
Net gains arising from derecognition of financial assets measured at amortized cost	(38)	-
Interest revenue (including financial revenue)	(1,690,999)	(861,808)
Dividend revenue	(2,364,479)	(379,487)
Shares of profit of associates and joint ventures accounted for using equity method	(97,073)	(118,390)
(Gains) losses on disposal and retirement of property and equipment	(50)	8
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	108,274	4,680
Impairment loss on non-financial assets	2,231	2,445
Net losses on lease modifications	-	668
Subtotal of income of non-cash activities	(3,045,694)	1,133,651
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(14,518,517)	664,652
(Increase) decrease in receivable for securities provided as collateral	(2,207,750)	7,153,255
Decrease in refinancing margin	7,795	25,754
Decrease in receivable on refinancing collateral	6,021	21,466
Increase in receivable of securities business money lending	(244,068)	(3,173,174)
Increase in customers' margin account	(264,494)	(5,008,598)
Decrease (increase) in margin receivable of futures trading	153	(28)
Decrease (increase) in collateral for securities borrowed	1,621,695	(31,671)
Decrease (increase) in security borrowing margin	1,903,491	(6,290,979)
Decrease (increase) in notes receivable	2,635	(6,139)
Increase in accounts receivable	(6,575,276)	(1,091,959)
Increase in prepayments	(34,648)	(41,826)
Decrease in other receivables	278,299	46,934
Increase in leverage contract trading - customer's margin account	(762)	(202,940)
(Increase) decrease in financial assets at fair value through other comprehensive income	(5,884,552)	6,019,642
Decrease in other current assets	223,506	8,479,055
Increase in other current financial assets	(152)	-
Increase in other non-current assets	(76,009)	(14,576)
Increase (decrease) in bonds sold under repurchase agreements	8,895,506	(8,637,938)
(Decrease) increase in financial liabilities at fair value through profit or loss	(609,614)	3,029,274
Decrease in guarantee deposited for short sales	(2,775,761)	(912,917)
Decrease in proceeds payable from short sales	(2,206,548)	(1,097,037)
Increase in securities lending refundable deposits	162,849	6,281,936
Increase in futures traders' equity	237,353	4,957,956
Increase in leverage contract trading - customers' equity	6,836	198,966
Decrease in notes payable	(152)	(152)
Increase (decrease) in accounts payable	7,391,648	(727,343)
Decrease in advance receipts	(8,528)	(295)
Decrease in receipts under custody	(412,193)	(8,671,440)
Increase (decrease) in other payable	260,324	(507,841)
Increase in provision - current	5,082	9,692
Increase (decrease) in other financial liabilities	655,337	(1,161,591)
Increase in other current liabilities	6,842	42,265
Decrease in other non-current liabilities	(14,476)	(428,313)
Total changes in assets and liabilities from operating activities	(14,168,128)	(1,075,910)
Total adjustments	(17,213,822)	57,741

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash generated from operating activities	\$ (14,700,037)	593,834
Interest received	1,622,774	896,150
Dividends received	160,841	113,397
Interest paid	(753,760)	(152,361)
Income taxes paid	(375,171)	(550,791)
Net Cash flows (used in) provided by operating activities	(14,045,353)	900,229
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(124,382)	(24,374)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,786	-
Acquisition of financial assets at amortized cost	(2,011,987)	-
Proceeds from disposal of financial assets at amortized cost	121,662	-
Proceeds from disposal of non-current assets classified as held for sale	-	51,031
Acquisition of property and equipment	(61,356)	(60,242)
Proceeds from disposal of property and equipment	860	48
Acquisition of intangible assets	(28,666)	(14,320)
Increase in deferred debits	(36)	(339)
Increase in prepayments for business facilities	(57,780)	-
Net cash flows used in investing activities	(2,112,899)	(48,196)
Cash flows from financing activities:		
Increase in short-term borrowings	1,009,347	1,643,788
Increase (decrease) in commercial papers payable	13,138,982	(1,750,372)
Payment of lease liabilities	(101,250)	(99,219)
Acquisition of ownership interests in subsidiaries	-	(23,653)
Net cash flows provided by (used in) financing activities	14,047,079	(229,456)
Effect of exchange rate changes on cash and cash equivalents	45,362	279,348
(Decrease) increase in cash and cash equivalents	(2,065,811)	901,925
Cash and cash equivalents, beginning of period	11,259,550	9,807,123
Cash and cash equivalents, end of period	\$ 9,193,739	10,709,048

See accompanying notes to consolidated financial statements.

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Overview:

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of June 30, 2023, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of June 30, 2023, except for the Head Office, the Company has established an Offshore Securities Unit branch and 51 branches nationwide.

The Company is authorized to conduct the following businesses:

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

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

The consolidated financial statements were authorized for issuance by the board of directors on August 25, 2023.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

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

The Group’s adoption of the new amendments, effective for annual period beginning on January 1, 2024, are expected to have the following impacts:

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- 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”

(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, 2022. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2022 for the detail disclosures of significant accounting policies.

- (b) Basis of preparation

- (i) Basis of measurement

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

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

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership		
			June 30, 2023	December 31, 2022	June 30, 2022
The Company	Capital Investment Management Corp.	Engaged in providing advice on securities investment and discretionary investment services.	100.00 %	100.00 %	100.00 %
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 %
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	100.00 %	100.00 %
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	100.00 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			June 30, 2023	December 31, 2022	June 30, 2022	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$7,400. As of June 30, 2023, December 31, 2022 and June 30, 2022, the total assets constituted 0.02%, 0.02% and 0.02% of the Group's total assets, respectively. For the six months ended June 30, 2023 and 2022, the operation revenue constituted 0.00% and 0.74% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of June 30, 2023, December 31, 2022 and June 30, 2022, the total assets constituted 0.05%, 0.05% and 0.07% of the Group's total assets, respectively. For the six months ended June 30, 2023 and 2022, the operation revenue constituted 1.33% and 3.75% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

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

(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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2022.

(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 2022 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2022 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Cash	\$ 3,048	2,818	2,856
Bank deposits			
Checking accounts	39,120	44,323	152,268
Demand deposits	<u>2,139,622</u>	<u>3,205,314</u>	<u>1,776,946</u>
Subtotal	<u>2,178,742</u>	<u>3,249,637</u>	<u>1,929,214</u>
Cash equivalents			
Time deposits	4,343,581	5,532,913	6,506,176
Futures margin - excess margin	2,351,377	2,474,182	2,270,802
Commercial papers	<u>316,991</u>	<u>-</u>	<u>-</u>
Subtotal	<u>7,011,949</u>	<u>8,007,095</u>	<u>8,776,978</u>
Total	<u>\$ 9,193,739</u>	<u>11,259,550</u>	<u>10,709,048</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Financial assets

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 419,298	299,075	144,074
Valuation adjustment	<u>12,549</u>	<u>(8,892)</u>	<u>(2,890)</u>
Subtotal	<u>431,847</u>	<u>290,183</u>	<u>141,184</u>
Securities invested by securities broker			
Securities invested by securities broker	27,345	15,996	108,439
Valuation adjustment	<u>1,623</u>	<u>(453)</u>	<u>(118)</u>
Subtotal	<u>28,968</u>	<u>15,543</u>	<u>108,321</u>
Trading securities - proprietary trading			
Listed stocks	5,534,203	2,172,320	2,099,435
Listed funds	6,107,288	4,309,153	4,317,332
OTC stocks	422,353	518,212	300,772
OTC funds	3,878,067	1,175,314	456,337
Emerging market stocks	394,380	358,332	482,692
Convertible bonds	1,755,340	415,008	418,169
Government bonds	2,786,473	2,314,993	1,359,863
Corporate bonds	6,637,714	6,837,714	9,162,714
International bonds	6,275,700	5,532,559	5,751,968
Financial debentures	550,000	801,985	1,406,815
Foreign stocks	234,830	875,045	926,792
Foreign bonds	214,618	230,783	207,785
Others	<u>46,969</u>	<u>43,970</u>	<u>3,472</u>
	34,837,935	25,585,388	26,894,146
Valuation adjustment	<u>(1,189,625)</u>	<u>(793,237)</u>	<u>(942,867)</u>
Subtotal	<u>33,648,310</u>	<u>24,792,151</u>	<u>25,951,279</u>
Trading securities - underwriting			
Listed stocks	27,170	50,999	72,576
Convertible bonds	<u>11,910</u>	<u>67,283</u>	<u>40,846</u>
	39,080	118,282	113,422
Valuation adjustment	<u>(2,771)</u>	<u>(7,248)</u>	<u>(11,085)</u>
Subtotal	<u>36,309</u>	<u>111,034</u>	<u>102,337</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Trading securities - hedging			
Listed stocks	\$ 4,434,120	2,437,167	1,906,404
OTC stocks	1,081,043	527,514	347,399
Convertible bonds	14,651,405	12,834,051	12,686,490
Others	<u>711,051</u>	<u>722,856</u>	<u>731,749</u>
	20,877,619	16,521,588	15,672,042
Valuation adjustment	<u>(36,679)</u>	<u>(1,002,923)</u>	<u>(1,165,696)</u>
Subtotal	<u>20,840,940</u>	<u>15,518,665</u>	<u>14,506,346</u>
Derivatives			
Buy options	103,947	89,537	192,036
Futures margin - proprietary fund	1,211,112	1,133,174	934,959
IRS asset swaps	20,054	17,807	23,715
Asset swap options - long position	284,280	205,121	314,887
Leverage derivatives - non-hedging	215,263	202,915	189,986
Structured notes	1,572	2,056	10,505
Exchange rate derivatives	54,072	9,345	178,048
Equity derivatives	<u>13,578</u>	<u>16,854</u>	<u>6,193</u>
Subtotal	<u>1,903,878</u>	<u>1,676,809</u>	<u>1,850,329</u>
Total	<u>\$ 56,890,252</u>	<u>42,404,385</u>	<u>42,659,796</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, trading securities undertaken for repurchase agreements of the Group, please refer to note 8 for details.

(ii) Financial assets at fair value through other comprehensive income — current

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 3,651,853	2,807,868	1,810,601
Corporate bonds	3,726,832	3,263,958	493,672
International bonds	498,240	491,360	475,520
Foreign bonds	<u>11,718,885</u>	<u>6,795,491</u>	<u>5,626,947</u>
	19,595,810	13,358,677	8,406,740
Valuation adjustment	<u>(214,546)</u>	<u>(240,037)</u>	<u>(107,756)</u>
Subtotal	<u>19,381,264</u>	<u>13,118,640</u>	<u>8,298,984</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 173,542	351,885	283,596
OTC stocks	55,244	136,544	87,792
Emerging market stocks	<u>244,671</u>	<u>184,089</u>	<u>187,244</u>
	473,457	672,518	558,632
Valuation adjustment	<u>(35,383)</u>	<u>(74,479)</u>	<u>(77,979)</u>
Subtotal	<u>438,074</u>	<u>598,039</u>	<u>480,653</u>
Total	<u>\$ 19,819,338</u>	<u>13,716,679</u>	<u>8,779,637</u>

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

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

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

For the three months and the six months ended June 30, 2023 and 2022, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$6,812, \$9,810, \$7,192 and \$10,872, respectively. For the six months ended June 30, 2022 and 2021, no dividends were recognized from disposing equity instrument investments.

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 \$319,696, \$128,093, \$596,034 and \$248,895, respectively, cumulative dispose gains (losses) for the three months and the six months ended June 30, 2023 and 2022, amounted to \$33,897, \$(342), \$64,378 and \$7,544, respectively, were transferred from other equity items to retained earnings.

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

4) For the six months ended June 30, 2023 and 2022, 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).

5) As of June 30, 2023, December 31, 2022 and June 30, 2022, financial assets at fair value through other comprehensive income undertaken for repurchase agreements of the Group, please refer to note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 181,467	181,467	181,457
Valuation adjustment	<u>(2,066)</u>	<u>(2,296)</u>	<u>(2,393)</u>
Total	<u>\$ 179,401</u>	<u>179,171</u>	<u>179,064</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,017,023	1,056,265	989,297
Valuation adjustment	<u>2,192,861</u>	<u>1,634,510</u>	<u>1,863,816</u>
Total	<u>\$ 3,209,884</u>	<u>2,690,775</u>	<u>2,853,113</u>

For the three months and the six months ended June 30, 2023 and 2022, 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 \$37,962, \$47,447, \$37,962 and \$47,447, respectively.

For the three months and the six months ended June 30, 2023 and 2022 under the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equities recognized in FVOCI non current for a fair value \$106,500, \$0, \$106,500 and \$0, generated cumulative dispose (losses) gains \$(43,125), \$0, \$(43,125) and \$0 and the gains were transferred from other equity items to retained earnings. Furthermore, for the three months and the six months ended June 30, 2023 and 2022, the investee company refunded the proceeds of capital reduction amounted to \$0, \$0, \$12,175 and \$0.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the six months ended June 30, 2023 and 2022 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	June 30, 2023	December 31, 2022	June 30, 2022	For the six months ended June 30,					
				2023			2022		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,887,436	1,474,730	1,508,995	1,590,681	1,887,436	1,403,626	1,653,436	1,811,101	1,508,995

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
1) Debt Securities at amortized cost :			
Financial debentures	\$ 500,000	500,000	-
Currency debentures	<u>4,669,489</u>	<u>2,769,926</u>	<u>-</u>
	5,169,489	3,269,926	-
Less: loss allowance	<u>(1,732)</u>	<u>(1,141)</u>	<u>-</u>
Total	<u>\$ 5,167,757</u>	<u>3,268,785</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.

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

- 2) Profit and Loss on Sale of Financial Assets at amortized cost and carrying amount on the date of derecognition:

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Carrying amount on the date of derecognition	<u>\$ 121,624</u>	<u>-</u>
Current profit and loss	<u>\$ 38</u>	<u>-</u>

The reason for the Group selling financial assets measured at amortized cost is that the credit risk of the bond issuer has increased, and other sales are infrequent (even if the amount is significant), or the individual and collective amounts are not significant (even if frequent).

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Accounts Receivable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Receivable on securities purchased by customers	\$ 70,772	64,921	43,296
Settlement	183,800	598,397	-
Interests receivable	621,927	576,237	518,616
Receivables on securities sold	11,616,785	4,626,242	11,799,694
Others	<u>2,037,376</u>	<u>146,198</u>	<u>359,140</u>
Subtotal	14,530,660	6,011,995	12,720,746
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>(19)</u>
Total	<u><u>\$ 14,530,660</u></u>	<u><u>6,011,995</u></u>	<u><u>12,720,727</u></u>

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

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

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Customers' margin account			
Cash in banks	\$ 27,891,834	29,259,271	32,278,563
Customers' margin account - futures clearing house	5,712,652	5,428,820	6,381,384
Customers' margin account - other futures commission merchants	5,708,970	4,338,662	4,194,979
Marketable securities	<u>779</u>	<u>22,988</u>	<u>1,862</u>
Total customers' margin account	<u>39,314,235</u>	<u>39,049,741</u>	<u>42,856,788</u>
Add:			
Commission expense	4,377	4,214	3,405
Other	-	-	360
Less:			
Brokerage fee revenue	(17,160)	(15,952)	(17,373)
Futures transaction tax	(2,116)	(1,617)	(3,039)
Interest revenues	(11,104)	(5,668)	(723)
Temporary receipts	(762)	(29,355)	(9,542)
Remittance amount of the customers after the market closed	(18,825)	(11,610)	(36,501)
Other receivable	(146,804)	(104,766)	(36,303)
Other	<u>(247)</u>	<u>(746)</u>	<u>-</u>
Futures traders' equity	<u><u>\$ 39,121,594</u></u>	<u><u>38,884,241</u></u>	<u><u>42,757,072</u></u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(f) Investments accounted for under equity method

As of June 30, 2023, December 31, 2022 and June 30, 2022, investments under equity method consisted of the following:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 38,950	72,021	64,780
Capital Insurance Agency Corp.	<u>39,502</u>	<u>39,501</u>	<u>39,571</u>
Subtotal	<u>78,452</u>	<u>111,522</u>	<u>104,351</u>
Associates			
Capital Investment Trust Corp.	1,317,127	1,374,245	1,293,128
EnnoCap Venture Inc.	<u>161</u>	<u>210</u>	<u>273</u>
Subtotal	<u>1,317,288</u>	<u>1,374,455</u>	<u>1,293,401</u>
Total	<u>\$ 1,395,740</u>	<u>1,485,977</u>	<u>1,397,752</u>

(i) Subsidiaries:

For the three months and the six months ended June 30, 2023 and 2022, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 9,475</u>	<u>22,946</u>	<u>13,080</u>	<u>40,121</u>
	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
Total assets	<u>\$ 154,485</u>	<u>142,532</u>	<u>189,272</u>	
Total liabilities	<u>\$ 76,033</u>	<u>31,010</u>	<u>84,921</u>	

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue	<u>\$ 47,899</u>	<u>92,529</u>	<u>74,128</u>	<u>157,801</u>
Net income	<u>\$ 9,475</u>	<u>22,946</u>	<u>13,080</u>	<u>40,121</u>

(ii) Associates

<u>Name of associate</u>	<u>Nature between the Company</u>	<u>Primary business area and registered country</u>	<u>Proportion of Ownership and Voting Rights</u>		
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %	20.00 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00 %	40.00 %	40.00 %

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:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,317,288</u>	<u>1,374,455</u>	<u>1,293,401</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
The Group's share of gains based on the associates' financial statements:				
Net gains from continuing operations	\$ 45,603	38,748	83,993	78,269
Other comprehensive income (losses)	(2,276)	486	(2,276)	486
Total comprehensive income (losses)	<u>\$ 43,327</u>	<u>39,234</u>	<u>81,717</u>	<u>78,755</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Collateral

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	41,030	20,325	61,355
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(72,405)	(36,407)	(108,812)
Effect of exchange rate changes	-	1,073	430	116	1,619
Balance at June 30, 2023	<u>\$ 2,045,574</u>	<u>1,267,100</u>	<u>658,924</u>	<u>250,993</u>	<u>4,222,591</u>
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	37,530	22,712	60,242
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(126,213)	(74,350)	-	-	(200,563)
Disposals and retirements	-	-	(24,178)	(32,806)	(56,984)
Effect of exchange rate changes	-	5,096	3,957	755	9,808
Balance at June 30, 2022	<u>\$ 1,808,846</u>	<u>1,131,402</u>	<u>661,768</u>	<u>255,384</u>	<u>3,857,400</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	11,540	62,943	25,845	100,328
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(71,595)	(36,407)	(108,002)
Effect of exchange rate changes	-	545	360	37	942
Balance at June 30, 2023	<u>\$ -</u>	<u>546,410</u>	<u>440,012</u>	<u>159,447</u>	<u>1,145,869</u>
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	11,554	67,329	27,796	106,679
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(17,590)	-	-	(17,590)
Disposals and retirements	-	-	(24,122)	(32,806)	(56,928)
Effect of exchange rate changes	-	2,493	3,146	168	5,807
Balance at June 30, 2022	<u>\$ -</u>	<u>491,434</u>	<u>387,430</u>	<u>148,775</u>	<u>1,027,639</u>
Carrying amount:					
At June 30, 2023	<u>\$ 2,045,574</u>	<u>720,690</u>	<u>218,912</u>	<u>91,546</u>	<u>3,076,722</u>
At January 1, 2023	<u>\$ 1,805,285</u>	<u>629,434</u>	<u>241,565</u>	<u>96,987</u>	<u>2,773,271</u>
At June 30, 2022	<u>\$ 1,808,846</u>	<u>639,968</u>	<u>274,338</u>	<u>106,609</u>	<u>2,829,761</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Right-of-use assets

	<u>Buildings</u>		<u>Others</u>		<u>Total</u>
Carrying amount:					
At June 30, 2023	\$ <u>719,225</u>		<u>12,981</u>		<u>732,206</u>
At January 1, 2023	\$ <u>755,229</u>		<u>14,668</u>		<u>769,897</u>
At June 30, 2022	\$ <u>778,213</u>		<u>18,298</u>		<u>796,511</u>
		<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Additions of Right-of-use assets	\$ <u>49,882</u>	<u>19,628</u>	<u>58,366</u>	<u>100,970</u>	
Depreciation for the period					
Buildings	46,740	44,751	92,552	89,960	
Others	<u>1,858</u>	<u>1,816</u>	<u>3,674</u>	<u>3,743</u>	
	\$ <u>48,598</u>	<u>46,567</u>	<u>96,226</u>	<u>93,703</u>	

(i) Investment property

	<u>Land</u>		<u>Buildings</u>		<u>Total</u>
<u>Carrying Amount:</u>					
At June 30, 2023	\$ <u>2,910,134</u>		<u>546,614</u>		<u>3,456,748</u>
At January 1, 2023	\$ <u>3,150,422</u>		<u>661,549</u>		<u>3,811,971</u>
At June 30, 2022	\$ <u>3,146,861</u>		<u>673,670</u>		<u>3,820,531</u>
<u>Fair Value:</u>					
At June 30, 2023					<u>7,309,060</u>
At January 1, 2023					<u>7,761,103</u>
At June 30, 2022					<u>7,730,127</u>

The Group elected to apply Cost Method to evaluate investment property. The fair value of investment property was evaluated and estimated by using Market Method based on the market evidence of transaction price of similar properties in the locations.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the six months ended June 30, 2023 and 2022, the depreciation expense of the Group amounted to \$6,333, \$6,519, \$12,880 and \$12,786, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the six months ended June 30, 2023 and 2022. For the six months ended June 30, 2023 and 2022, \$0 and \$182,973 of land and buildings out of use were transferred to investment property, and \$342,557 and \$2,428 of investment property were transferred to property and equipment.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Lessor

The Group leases investment property to other under operating lease agreements. The future lease receivables under non-cancellable leases are as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Within 1 year	\$ 145,124	160,299	165,493
1-5 years	453,169	461,109	486,026
Over 5 years	<u>106,574</u>	<u>110,170</u>	<u>214,329</u>
	<u>\$ 704,867</u>	<u>731,578</u>	<u>865,848</u>

The rental revenue from investment property for the three months and the six months ended June 30, 2023 and 2022 amounted to \$37,424, \$41,984, \$87,315 and \$85,792, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts were all \$3,126,698.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of goodwill were \$8,900, \$11,131 and \$13,488, respectively. Furthermore, the Group recognized an impairment loss of \$2,231 and \$2,445 for the six months ended June 30, 2023 and 2022 respectively, by using discount rate of 4.20% and 4.45% 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 June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of the operation franchise were all \$389,999.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Other intangible assets - Membership of foreign futures Exchanges

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 “Intangible Assets” endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of June 30, 2023, December 31, 2022 and June 30, 2022, the carrying amounts of intangible assets were \$46,296, \$46,278 and \$46,203, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of June 30, 2023, December 31, 2022 and June 30, 2022, the amortized book value were \$48,591, \$39,894 and \$33,674, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Collateralized loan	\$ -	1,792,235	1,392,085
Credit loan	3,880,146	1,078,564	3,339,523
Total	<u>\$ 3,880,146</u>	<u>2,870,799</u>	<u>4,731,608</u>
Interest rate range	<u>1.575%~5.98%</u>	<u>2.39%~5.29%</u>	<u>0.88%~2.35%</u>

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(l) Commercial paper payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Commercial paper payable	\$ 16,350,000	3,200,000	6,650,000
Less: Unamortized discount	(12,296)	(1,278)	(2,566)
Net amount	<u>\$ 16,337,704</u>	<u>3,198,722</u>	<u>6,647,434</u>
Interest rate range	<u>1.448%~1.708%</u>	<u>1.378%~1.598%</u>	<u>0.898%~1.078%</u>

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Liabilities on sale of borrowed securities	\$ 7,524,775	10,395,729	6,274,093
Redeem liabilities on sale of borrowed securities	(12,989)	(73,941)	(2,945)
Valuation adjustment	<u>(3,951)</u>	<u>(654,679)</u>	<u>(644,820)</u>
Subtotal	<u>7,507,835</u>	<u>9,667,109</u>	<u>5,626,328</u>
Stock warrants issued	16,580,842	11,073,530	14,785,880
Stock warrants repurchased	<u>(15,608,969)</u>	<u>(10,572,072)</u>	<u>(14,291,762)</u>
Subtotal	<u>971,873</u>	<u>501,458</u>	<u>494,118</u>
Sale options	71,939	128,999	226,680
IRS asset swaps	52,164	51,106	49,894
Asset swap options - short position	2,347,031	1,140,992	1,497,377
Structured notes	100,541	103,125	123,737
Leverage derivatives - non-hedging	2,932	28,918	9,828
Exchange rate derivatives	-	21,123	1
Interest rate swaps	167	59	155
Equity derivatives	<u>842</u>	<u>1,710</u>	<u>183</u>
Subtotal	<u>2,575,616</u>	<u>1,476,032</u>	<u>1,907,855</u>
Total	<u>\$ 11,055,324</u>	<u>11,644,599</u>	<u>8,028,301</u>

(n) Bonds sold under repurchase agreements

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Bonds sold under repurchase agreements	\$ 44,931,475	36,035,969	28,707,997
Agreed-upon repurchase amounts	<u>45,713,108</u>	<u>36,440,943</u>	<u>28,794,831</u>
Interest rates	<u>0.70%~5.68%</u>	<u>0.55%~5.2%</u>	<u>0.23%~1.90%</u>
Date of repurchase	<u>2023.7.3~2024.6.28</u>	<u>2023.1.3~2023.12.27</u>	<u>2022.7.1~2023.6.20</u>

(o) Equity for each customer in the account

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Equity for each customer in the account	\$ 30,312,561	25,111,376	26,643,152
Amount of separate account ledger in NTD			
Demand deposit amount	27,812,557	25,111,371	26,643,148
Time deposit amount	1,000,000	-	-
Time deposit amount in other banks(market values)	1,500,000	-	-
Total	<u>\$ 30,312,557</u>	<u>25,111,371</u>	<u>26,643,148</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Accounts payable

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Payable of securities sold by customers	\$ 88,402	31,239	38,414
Settlement	-	-	3,530,697
Payable of settlements	11,780,724	4,435,412	6,308,814
Others	<u>265,697</u>	<u>214,343</u>	<u>155,216</u>
Total	<u>\$ 12,134,823</u>	<u>4,680,994</u>	<u>10,033,141</u>

(q) Lease liabilities

The Group's lease liabilities are as follow:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Current	<u>\$ 199,428</u>	<u>191,688</u>	<u>181,198</u>
Non-current	<u>\$ 585,052</u>	<u>635,604</u>	<u>668,984</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 2,556</u>	<u>2,718</u>	<u>4,996</u>	<u>5,534</u>
Expenses relating to short-term leases	<u>\$ 2,573</u>	<u>1,456</u>	<u>5,769</u>	<u>2,798</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 1,403</u>	<u>1,953</u>	<u>2,819</u>	<u>4,018</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>108</u>	<u>-</u>	<u>216</u>

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

	<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 114,834</u>	<u>111,569</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2022 and 2021.

For the three months and the six months ended June 30, 2023 and 2022, the Group's pension expenses recognized in profit or loss were \$(156), \$1,155, \$(312) and \$2,307, 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 \$23,158, \$25,298, \$46,585 and \$52,334 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the six months ended June 30, 2023 and 2022, respectively.

(iii) For the three months and the six months ended June 30, 2023 and 2022, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,238, \$1,039, \$2,435 and \$2,088, respectively.

(iv) Provision for employee benefits liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Compensated absences	\$ 56,659	51,577	59,296

(s) Income tax

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

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the six months ended June 30, 2023 and 2022.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the six months ended June 30, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the six months ended June 30, 2023 and 2022.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the six months ended June 30, 2023 and 2022.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 135,472	47,008	272,780	87,025
Deferred income tax expense (benefit)	(77,045)	211,547	(171,444)	292,431
Total	<u>\$ 58,427</u>	<u>258,555</u>	<u>101,336</u>	<u>379,456</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ 7,294</u>	<u>11,265</u>	<u>3,875</u>	<u>20,857</u>

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2020 were assessed by the Tax Authority.
- 2) Subsidiary - Capital Investment Management Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2020 were assessed by the Tax Authority.
- 4) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 5) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Capital Management Co.'s income tax returns through 2021 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co.'s income tax returns through 2021 were assessed by the Tax Authority.

(v) Income tax administrative relief

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Capital and other equity

(i) Capital stock

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company had authorized capital of \$30,000,000 and issued common stock were all 2,170,908 thousand shares, with a par value of \$10 per share.

(ii) Capital surplus

In accordance with the ROC Company Act amended in January 2012, realized capital surplus can only be used to cover accumulated deficit or to issue new shares or cash to shareholders in proportion to their share ownership, provided that the company has no accumulated deficit. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, the amount of capital surplus to be capitalized shall not exceed 10 percent of the paid-in capital each year.

The followings are the capital surplus of the Company:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</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	1,042	1,042
Changes in ownership interests in subsidiaries	<u>30,339</u>	<u>30,339</u>	<u>30,339</u>
	<u>\$ 2,743,256</u>	<u>2,743,256</u>	<u>2,743,256</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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

In accordance with Article 41 of the “Securities and Exchange Act”, 20 percent of the current year’s earnings after tax should be set aside as special reserve. Ruling No. 1100365484 issued by the Financial Supervisory Commission on January 21, 2022, an equivalent amount of special reserve should be set aside from earnings after tax of the current year and the undistributed earnings of the prior period based on the decreased amount of stockholders’ equity. For the cumulative deduction in stockholders’ equity of the prior period, the equal amount of special reserve set aside based on undistributed earnings should not be distributed. If there is any reversal of the deduction in stockholders’ equity, the earnings may be distributed based on the reversal proportion.

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

3) Undistributed earnings

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

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

The Company’s fiscal year 2022 earnings distribution proposed by the shareholders’ meeting on June 27, 2023, and fiscal year 2021 earnings distribution resolved by the shareholder’s meeting on June 27, 2022. Dividends distributed to the owners were as follows:

	2022		2021	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Cash dividends	\$ 846,655	0.39	3,581,998	1.65

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income attributable to common shareholders of the Company	\$ <u>1,089,297</u>	<u>(263,115)</u>	<u>2,198,796</u>	<u>20,074</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>0.50</u>	<u>(0.12)</u>	<u>1.01</u>	<u>0.01</u>
Effect of potentially dilutive common stock	<u>761</u>	<u>(166)</u>	<u>1,870</u>	<u>306</u>
- Employee remuneration (thousands of shares) (Note)				
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,171,669</u>	<u>2,170,742</u>	<u>2,172,778</u>	<u>2,171,214</u>
Dilutive earnings per share (dollar)	\$ <u>0.50</u>	<u>(0.12)</u>	<u>1.01</u>	<u>0.01</u>

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

(v) Items of the statements of comprehensive income

(i) Brokerage commissions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Brokerage commission from TSE market	\$ 630,768	623,734	1,122,533	1,387,027
Brokerage commission from OTC market	220,969	207,162	407,661	424,178
Handling fee from security financing	7,194	12,097	12,134	20,601
Futures commission income - brokerage	366,046	496,692	785,819	985,131
Overseas subsidiaries	13,791	5,791	22,957	11,582
Others	<u>44,635</u>	<u>31,508</u>	<u>85,409</u>	<u>62,887</u>
	<u>\$ 1,283,403</u>	<u>1,376,984</u>	<u>2,436,513</u>	<u>2,891,406</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Underwriting commissions

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue from underwriting securities on a firm commitment basis	\$ 16,146	11,549	24,079	32,588
Handling fee revenues from underwriting securities on consignment	102	113	204	241
Processing fee revenues from underwriting operations	2,950	17,041	5,953	19,989
Revenue from underwriting consultation	810	820	2,010	2,350
Others	50	420	486	1,040
	<u>\$ 20,058</u>	<u>29,943</u>	<u>32,732</u>	<u>56,208</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains (losses) on securities sold - proprietary trading	\$ 77,050	(521,086)	768,346	479,372
Gains (losses) on securities sold - underwriting	3,629	2,011	7,731	7,334
Gains (losses) on securities sold - hedging	319,556	(440,710)	774,204	(439,178)
	<u>\$ 400,235</u>	<u>(959,785)</u>	<u>1,550,281</u>	<u>47,528</u>

(iv) Interest revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest revenue - margin loans	\$ 177,168	226,507	335,972	476,563
Interest revenue - bonds	311,614	86,302	581,037	181,782
Overseas subsidiaries	5,040	3,903	9,552	8,531
Others	50,147	43,127	100,204	82,548
	<u>\$ 543,969</u>	<u>359,839</u>	<u>1,026,765</u>	<u>749,424</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Trading securities - proprietary	\$ (756,497)	(746,480)	(264,222)	(1,111,498)
Trading securities - underwriting	(190)	(15,398)	4,476	(16,260)
Trading securities - hedging	219,750	(1,041,809)	966,243	(1,634,703)
Settlements coverage bonds payable of short sale	-	188	-	-
	<u>\$ (536,937)</u>	<u>(1,803,499)</u>	<u>706,497</u>	<u>(2,762,461)</u>

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains on changes in fair value of stock warrants	\$ 1,797,758	17,047,916	1,772,379	29,916,203
Gains on exercise of stock warrants before maturity	18,328,852	1,925,706	28,830,848	13,853,355
Losses on changes in fair value of stock warrants repurchased	(20,205,240)	(18,409,624)	(30,675,543)	(42,518,479)
Gains on expiration of stock warrants	4,619	9,765	20,886	16,829
Stock warrants issuance expenses	(95,608)	(54,243)	(159,232)	(133,759)
	<u>\$ (169,619)</u>	<u>519,520</u>	<u>(210,662)</u>	<u>1,134,149</u>

- (vii) Futures commission revenues

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 67,038</u>	<u>79,907</u>	<u>121,332</u>	<u>154,178</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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Commission expenses - future

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Future trading - reconsignment	\$ 52,033	68,914	118,315	143,603
Future trading - introducing brokers	1,013	764	1,657	1,040
Commission expenses - CSC Futures (HK) Ltd.	18,329	27,800	28,487	49,584
	<u>\$ 71,375</u>	<u>97,478</u>	<u>148,459</u>	<u>194,227</u>

(ix) Employee benefits, depreciation, and amortization expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Employee benefit expenses				
Salary expense	\$ 670,194	461,364	1,334,413	1,117,229
Health and labor insurance expense	44,844	47,571	97,360	107,377
Pension expense	24,240	27,492	48,708	56,729
Others	16,711	16,116	32,213	33,025
Depreciation expense	104,981	106,072	209,434	213,168
Amortization expense	11,187	9,078	20,165	18,001
	<u>\$ 872,157</u>	<u>667,693</u>	<u>1,742,293</u>	<u>1,545,529</u>

(x) Other operating expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Rental expense	\$ 3,990	3,413	8,610	6,824
Taxes	158,689	155,219	294,282	318,660
Information technology expense	68,621	81,026	136,662	160,373
Postage expense	61,308	60,735	122,071	114,371
Professional service fee	4,994	8,667	10,775	13,790
Other expenses	297,245	245,276	569,929	483,076
	<u>\$ 594,847</u>	<u>554,336</u>	<u>1,142,329</u>	<u>1,097,094</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Financial revenue	\$ 373,879	69,530	664,234	112,384
Currency exchange gains (losses)	(2,432)	7,551	2,942	25,980
Net gains (losses) on disposal of investment	32,756	1,599	34,049	(16,484)
Net gains (losses) on measurement of non- operating financial instruments at fair value through profit or loss	(119,899)	(9,511)	(108,274)	(4,680)
Revenue from bank's allocation fee	77,868	63,958	152,560	118,050
Net gains (losses) on disposal of property and equipment	-	-	50	(8)
Dividend revenue	261,299	47,566	261,438	47,566
Gains on reversal of prior year's liabilities	18,151	17,317	18,379	31,510
Rental income	37,424	41,984	87,315	85,792
Others	24,910	23,423	36,145	37,777
	<u>\$ 703,956</u>	<u>263,417</u>	<u>1,148,838</u>	<u>437,887</u>

(xii) Remuneration to employees and directors

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

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

For the three months and the six months ended June 30, 2023 and 2022, the estimated amounts of remuneration to employees were \$13,333, \$(3,479), \$26,645 and \$4,285, respectively, and to directors were \$13,333, \$(4,243), \$26,645 and \$5,225, 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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2022 and 2021, the estimated amounts of remuneration to employees were \$16,731 and \$82,129, and to directors were \$20,404 and \$100,380 by the Company. The difference between actual employee remuneration of \$8,197 and \$74,649 and actual remuneration to directors of \$10,930 and \$91,238 were \$18,008 and \$16,622 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2023 and 2022. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the three months and the six months ended June 30, 2023 and 2022, the estimated amounts of remuneration to employees were \$3,793, \$1,545, \$8,418 and \$4,738 and to directors were \$3,793, \$1,540, \$8,418 and \$4,743 by the domestic subsidiaries of the Group, respectively.

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of June 30, 2023, December 31, 2022 and June 30, 2022, the maximum credit exposure amounted to \$181,653,549, \$144,399,399 and \$147,849,011, 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 84.56%); secondly, is in Asia (accounted for 7.76%, exclusion of Taiwan); then, is in America (accounted for 5.27%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Taiwan	\$ 153,599,232	122,669,163	127,906,859
Asia (Taiwan is excluded)	14,097,553	11,862,797	11,609,891
Europe	4,095,239	2,797,074	2,635,357
America	9,566,797	7,001,295	5,482,199
Other	<u>294,728</u>	<u>69,070</u>	<u>214,705</u>
Total	<u>\$ 181,653,549</u>	<u>144,399,399</u>	<u>147,849,011</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Impairment loss

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

	June 30, 2023		December 31, 2022		June 30, 2022	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 34,263,384	34,929	22,685,084	35,167	32,919,128	30,645
Past due 0~30 days	40	40	-	-	-	-
Past due 31~120 days	159	159	-	-	-	-
Past due 121~360 days	2,307	2,307	4,519	4,519	5,274	5,274
Past due more than 360 days	260,928	260,928	256,623	256,623	259,111	259,111
	\$ 34,526,818	298,363	22,946,226	296,309	33,183,513	295,030

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of June 30, 2023, December 31, 2022 and June 30, 2022, the impairment losses of receivables were \$298,363, \$296,309 and \$295,030, 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).

The Group regards a financial asset as a default when the client of brokerage business is unable to fulfill the settlement obligation, which the counterparty is unable to pay the Group. Thus, the Group will recognize the impairment losses.

The loss allowance provision for the six months ended June 30, 2023 and 2022 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, 2023	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577
Provision or reversal of Impairment loss	-	3,602	604	-	-	-	2,208	-	-	6,414
Amounts written off	-	-	(35)	-	-	-	(371)	-	-	(406)
Effect of exchange rate	-	-	22	-	-	-	217	-	-	239
Balance on June 30, 2023	\$ -	8,729	1,732	-	-	-	298,363	-	-	308,824
	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	-	(3,872)	-	-	-	-	4,659	-	-	787
Amounts written off	-	-	-	-	-	-	(1,271)	-	-	(1,271)
Effect of exchange rate	-	-	-	-	-	-	1,468	-	-	1,468
Balance on June 30, 2022	\$ -	2,907	-	-	-	-	295,030	-	-	297,937

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

June 30, 2023	<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	\$ 7,507,835	7,507,835	7,507,835	-	-	-	-
Stock warrants issued	971,873	971,873	766,895	204,955	23	-	-
Put options	71,939	71,939	71,939	-	-	-	-
Equity derivatives	842	842	842	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	52,331	52,331	2,799	4,423	25,874	19,235	-
Asset swap option - short position	2,347,031	2,347,031	209,328	329,868	1,002,500	805,335	-
Leverage derivatives - non-hedging	2,932	2,932	2,932	-	-	-	-
Structured notes	100,541	100,541	75,474	16,703	3,567	4,797	-
Short-term borrowings	3,880,146	3,880,146	3,880,146	-	-	-	-
Commercial paper payable	16,337,704	16,350,000	16,350,000	-	-	-	-
Bonds sold under repurchase agreements	44,931,475	45,713,108	30,936,664	14,776,444	-	-	-
Guarantee deposited for short sales	1,342,679	1,342,679	1,342,679	-	-	-	-
Proceeds payable from short sales	1,508,393	1,508,393	1,508,393	-	-	-	-
Securities lending refundable deposits	14,843,867	14,843,867	14,843,867	-	-	-	-
Futures traders' equity	39,121,594	39,121,594	39,121,594	-	-	-	-
Equity for each customer in the account	30,312,561	30,312,561	30,312,561	-	-	-	-
Leverage contract trading customers' equity	856,723	856,723	856,723	-	-	-	-
Notes payable and accounts payable	265,697	265,697	265,697	-	-	-	-
Receipts under custody	135,051	135,051	135,051	-	-	-	-
Other payables	2,606,893	2,606,893	2,603,971	2,922	-	-	-
Other financial liabilities	4,177,929	4,177,929	3,277,643	266,118	402,188	231,980	-
Lease liabilities	784,480	809,531	102,648	105,664	195,133	395,028	11,058
	<u>\$ 172,160,516</u>	<u>172,979,496</u>	<u>154,175,681</u>	<u>15,707,097</u>	<u>1,629,285</u>	<u>1,456,375</u>	<u>11,058</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2022							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 9,667,109	9,667,109	9,667,109	-	-	-	-
Stock warrants issued	501,458	501,458	451,680	49,778	-	-	-
Put options	128,999	128,999	128,999	-	-	-	-
Equity derivatives	1,710	1,710	1,710	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	72,288	72,288	22,216	6,302	24,073	19,697	-
Asset swap option - short position	1,140,992	1,140,992	73,526	231,087	381,921	454,458	-
Leverage derivatives - non- hedging	28,918	28,918	28,918	-	-	-	-
Structured notes	103,125	103,125	3,834	75,485	20,160	3,646	-
Short-term borrowings	2,870,799	2,870,799	2,870,799	-	-	-	-
Commercial paper payable	3,198,722	3,200,000	3,200,000	-	-	-	-
Bonds sold under repurchase agreements	36,035,969	36,440,943	28,208,730	8,232,213	-	-	-
Guarantee deposited for short sales	4,118,440	4,118,440	4,118,440	-	-	-	-
Proceeds payable from short sales	3,714,941	3,714,941	3,714,941	-	-	-	-
Securities lending refundable deposits	14,681,018	14,681,018	14,681,018	-	-	-	-
Futures traders' equity	38,884,241	38,884,241	38,884,241	-	-	-	-
Equity for each customer in the account	25,111,376	25,111,376	25,111,376	-	-	-	-
Leverage contract trading customers' equity	849,887	849,887	849,887	-	-	-	-
Notes payable and accounts payable	214,494	214,494	214,494	-	-	-	-
Receipts under custody	547,244	547,244	547,244	-	-	-	-
Other payables	839,187	839,187	837,610	1,577	-	-	-
Other financial liabilities	3,522,592	3,522,592	2,655,826	372,224	308,275	186,267	-
Lease liabilities	827,292	852,368	104,396	96,618	186,748	399,989	64,617
	<u>\$ 147,060,801</u>	<u>147,492,129</u>	<u>136,376,994</u>	<u>9,065,284</u>	<u>921,177</u>	<u>1,064,057</u>	<u>64,617</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30, 2022	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 5,626,328	5,626,328	5,626,328	-	-	-	-
Stock warrants issued	494,118	494,118	448,389	44,769	960	-	-
Put options	226,680	226,680	226,680	-	-	-	-
Equity derivatives	183	183	183	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	50,050	50,050	933	3,651	15,467	29,999	-
Asset swap option - short position	1,497,377	1,497,377	109,573	159,711	528,492	699,601	-
Leverage derivatives - non-hedging	9,828	9,828	9,828	-	-	-	-
Structured notes	123,737	123,737	8,273	-	111,302	4,162	-
Short-term borrowings	4,731,608	4,731,608	4,731,608	-	-	-	-
Commercial papers payable	6,647,434	6,650,000	6,650,000	-	-	-	-
Bonds sold under repurchase agreements	28,707,997	28,794,831	24,627,110	4,167,721	-	-	-
Guarantee deposited for short sales	1,935,917	1,935,917	1,935,917	-	-	-	-
Proceeds payable from short sales	2,149,755	2,149,755	2,149,755	-	-	-	-
Securities lending refundable deposits	14,431,722	14,431,722	14,431,722	-	-	-	-
Futures traders' equity	42,757,072	42,757,072	42,757,072	-	-	-	-
Equity for each customer in the account	26,643,152	26,643,152	26,643,152	-	-	-	-
Leverage contract trading customers' equity	829,796	829,796	829,796	-	-	-	-
Notes payable and accounts payable	155,216	155,216	155,216	-	-	-	-
Receipts under custody	136,710	136,710	136,710	-	-	-	-
Other payables	4,579,668	4,579,668	4,576,871	2,797	-	-	-
Other financial liabilities	3,884,289	3,884,289	3,091,589	103,088	557,635	131,977	-
Lease liabilities	850,182	879,692	93,934	97,079	180,537	397,851	110,291
	<u>\$ 146,468,819</u>	<u>146,587,729</u>	<u>139,240,639</u>	<u>4,578,816</u>	<u>1,394,393</u>	<u>1,263,590</u>	<u>110,291</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

				December 31, 2022		
				Foreign Currency		
				(thousands)	Exchange Rate	Amount
<u>Financial assets</u>						
<u>Monetary Item</u>						
USD	\$	926,044		30.7100		28,438,811
AUD		3,624		20.8300		75,488
CAD		1		22.6700		23
CHF		1		33.2050		33
EUR		18,520		32.7200		605,974
GBP		616		37.0900		22,847
HKD		219,790		3.9380		865,533
JPY		1,379,480		0.2324		320,591
SGD		661		22.8800		15,124
CNY		151,975		4.4080		669,906
ZAR		4,522		1.8110		8,189
KRW		4,716,303		0.0246		116,021
NZD		288		19.4400		5,599
THB		2,984		0.8941		2,668
MYR		113		6.6990		757
VND		6,667,230		0.0013		8,667
<u>Non-Monetary Item</u>						
USD		461,018		30.7100		14,157,863
AUD		82,209		20.8300		1,712,413
EUR		5,775		32.7200		188,958
HKD		2,428		3.9380		9,561
JPY		18,553		0.2324		4,312
CNY		10,134		4.4080		44,671
ZAR		169		1.8110		306
NZD		5		19.4400		97

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2022		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,442,783	30.7100	44,307,866
AUD	81,158	20.8300	1,690,521
CAD	329	22.6700	7,458
CHF	226	33.2050	7,504
EUR	23,989	32.7200	784,920
GBP	510	37.0900	18,916
HKD	345,517	3.9380	1,360,646
JPY	1,366,067	0.2324	317,474
SGD	472	22.8800	10,799
CNY	124,427	4.4080	548,474
KRW	4,656,727	0.0246	114,555
THB	689	0.8941	616
MYR	96	6.6990	643
<u>Non-Monetary Item</u>			
USD	660	30.7100	20,269
CAD	3	22.6700	68
CHF	29	33.2050	963
GBP	3	37.0900	111
CNY	2,093	4.4080	9,226

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months and the six months ended June 30, 2023 and 2022, the realized and unrealized currency exchange gains (losses) amounted to \$(94,414), \$(150,543), \$(92,879) and \$(260,192), respectively.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, amortized cost of a financial asset, customers' margin account, short-term borrowings, futures traders' equity, and securities lending refundable deposits, which are denominated in foreign currencies. Currency exchange gains or losses occur when translating the foreign currency assets to NTD assets. For the six months ended June 30, 2023 and 2022, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the six months ended June 30,		For the six months ended June 30,	
	2023		2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
Net income	(554,810)	554,810	(319,565)	319,565
Other comprehensive income	479,430	(479,430)	240,189	(240,189)

(iv) Sensitivity analysis of interest rate risk

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

Market risk type	June 30, 2023	December 31, 2022	June 30, 2022	For the six months ended June 30,					
				2023			2022		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,037,920	1,728,619	1,664,444	1,953,732	2,042,202	1,781,528	1,553,572	1,664,444	1,453,750

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of June 30, 2023, December 31, 2022 and June 30, 2022, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	June 30, 2023		December 31, 2022		June 30, 2022	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets:						
Cash and cash equivalents	\$ 9,193,739	9,193,739	11,259,550	11,259,550	10,709,048	10,709,048
Accrued receivable	76,540,022	76,540,022	63,301,791	63,301,791	71,547,504	71,547,504
Customers' margin account	39,314,235	39,314,235	39,049,741	39,049,741	42,856,788	42,856,788
Leverage contract trading - customers' margin account	856,783	856,783	856,021	856,021	827,172	827,172
Restricted assets - current	350,683	350,683	219,234	219,234	229,615	229,615
Other non-current assets	1,606,940	1,606,940	1,537,038	1,537,038	1,541,911	1,541,911
Financial liabilities:						
Short-term borrowings	3,880,146	3,880,146	2,870,799	2,870,799	4,731,608	4,731,608
Commercial paper payable	16,337,704	16,337,704	3,198,722	3,198,722	6,647,434	6,647,434
Bonds sold under repurchase agreements	44,931,475	44,931,475	36,035,969	36,035,969	28,707,997	28,707,997
Accrued payable	63,167,235	63,167,235	54,078,497	54,078,497	60,059,426	60,059,426
Futures traders' equity	39,121,594	39,121,594	38,884,241	38,884,241	42,757,072	42,757,072
Leverage contract trading - customers' equity	856,723	856,723	849,887	849,887	829,796	829,796
Other financial liabilities - current	3,543,761	3,543,761	3,028,050	3,028,050	3,194,677	3,194,677
Other financial liabilities - non- current	634,168	634,168	494,542	494,542	689,612	689,612
Other non-current liabilities	96,951	96,951	99,969	99,969	99,872	99,872

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

	Level 1	Level 2	Level 3	Total
June 30, 2023				
Investment property	\$ -	-	7,309,060	7,309,060
Debt securities at amortized cost	-	5,189,284	-	5,189,284
	\$ -	5,189,284	7,309,060	12,498,344
December 31, 2022				
Investment property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	\$ -	3,283,116	7,761,103	11,044,219

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2022				
Investment Property	\$ -	-	7,730,127	7,730,127
Debt securities at amortized cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>-</u>	<u>7,730,127</u>	<u>7,730,127</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 approach. Estimation and assumption in which the Group applies on evaluation approach will be as same as informations market participators use to estimate and assume when pricing financial instruments, and the informations can be acquired by the Group.

3) Measured at fair value

a) Hierarchy information of fair value

The Group's financial instruments measured at fair value are evaluated on a recurring basis. The financial assets and liabilities measured at fair value were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2023				
Financial assets at fair value through profit or loss	\$ 26,263,981	28,901,794	-	55,165,775
Financial assets at fair value through other comprehensive income	4,193,169	15,741,567	3,094,486	23,029,222
Derivative financial assets	<u>1,315,059</u>	<u>588,819</u>	<u>-</u>	<u>1,903,878</u>
	<u>\$ 31,772,209</u>	<u>45,232,180</u>	<u>3,094,486</u>	<u>80,098,875</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2023				
Financial liabilities at fair value through profit or loss	\$ 8,479,708	-	-	8,479,708
Derivative financial liabilities	<u>167,402</u>	<u>2,408,214</u>	<u>-</u>	<u>2,575,616</u>
	<u>\$ 8,647,110</u>	<u>2,408,214</u>	<u>-</u>	<u>11,055,324</u>
December 31, 2022				
Financial assets at fair value through profit or loss	\$ 15,543,900	25,320,365	42,482	40,906,747
Financial assets at fair value through other comprehensive income	3,384,936	10,331,743	2,690,775	16,407,454
Derivative financial assets	<u>1,222,711</u>	<u>454,098</u>	<u>-</u>	<u>1,676,809</u>
	<u>\$ 20,151,547</u>	<u>36,106,206</u>	<u>2,733,257</u>	<u>58,991,010</u>
Financial liabilities at fair value through profit or loss	\$ 10,168,567	-	-	10,168,567
Derivative financial liabilities	<u>228,290</u>	<u>1,247,742</u>	<u>-</u>	<u>1,476,032</u>
	<u>\$ 10,396,857</u>	<u>1,247,742</u>	<u>-</u>	<u>11,644,599</u>
June 30, 2022				
Financial assets at fair value through profit or loss	\$ 12,532,196	28,456,335	-	40,988,531
Financial assets at fair value through other comprehensive income	2,281,197	6,498,440	2,853,113	11,632,750
Derivative financial assets	<u>1,126,995</u>	<u>723,334</u>	<u>-</u>	<u>1,850,329</u>
	<u>\$ 15,940,388</u>	<u>35,678,109</u>	<u>2,853,113</u>	<u>54,471,610</u>
Financial liabilities at fair value through profit or loss	\$ 6,120,446	-	-	6,120,446
Derivative financial liabilities	<u>342,144</u>	<u>1,565,711</u>	<u>-</u>	<u>1,907,855</u>
	<u>\$ 6,462,590</u>	<u>1,565,711</u>	<u>-</u>	<u>8,028,301</u>

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the six months ended June 30, 2023 and 2022, 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(In Thousands Dollars)

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

Item	For the six months ended June 30, 2022								
	Beginning Balance	Gains and losses on valuation		Addition		Reduction			Ending Balance
		Amount recognized in profit or loss	Amount recognized in comprehensive income	Purchased or issued	Transferred to Level 3	Sold, disposed or settled	Capital reduction	Transferred from Level 3	
Financial assets at fair value through other comprehensive income	\$ 3,319,193	-	(365,228)	66	-	-	-	100,918	2,853,113

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

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

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

Item	Valuation technique	Significant unobservable inputs	Correlation between inputs and fair value
Financial assets at fair value through other comprehensive income - equity instruments without an active market	Market approach	<ul style="list-style-type: none"> • 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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
June 30, 2023		
Financial assets at fair value through other comprehensive income	\$ <u>30,945</u>	<u>(30,945)</u>
December 31, 2022		
Financial assets at fair value through profit or loss	\$ <u>425</u>	<u>(425)</u>
Financial assets at fair value through other comprehensive income	\$ <u>26,908</u>	<u>(26,908)</u>
June 30, 2022		
Financial assets fair value through other comprehensive income	\$ <u>28,531</u>	<u>(28,531)</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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Transfer of financial assets

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

June 30, 2023					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>46,968,653</u>	<u>44,931,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2022					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>37,067,224</u>	<u>36,035,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2022					
Types of financial assets	Book value of the transferred financial assets	Book value of relevant financial liabilities	Fair value of the transferred financial assets (Note)	Fair value of relevant financial liabilities (Note)	Fair value net position (Note)
Under repurchase agreements	\$ <u>29,654,926</u>	<u>28,707,997</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(vii) Offsetting financial assets and financial liabilities

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

June 30, 2023						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 588,819	-	588,819	-	-	588,819
June 30, 2023						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 2,503,677	-	2,503,677	-	-	2,503,677
Under repurchase agreements	44,931,475	-	44,931,475	44,931,475	-	-
Total	\$ 47,435,152	-	47,435,152	44,931,475	-	2,503,677
December 31, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 454,098	-	454,098	-	-	454,098
December 31, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,347,033	-	1,347,033	-	-	1,347,033
Under repurchase agreements	36,035,969	-	36,035,969	36,035,969	-	-
Total	\$ 37,383,002	-	37,383,002	36,035,969	-	1,347,033
June 30, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 723,334	-	723,334	-	-	723,334

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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, 2022.

As of June 30, 2023, December 31, 2022 and June 30, 2022, the related financial risk and the presentation of the Group's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

Financial Instruments	June 30, 2023		December 31, 2022		June 30, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 21,418,130	-	26,259,600	-	71,816,236	-

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

(ii) Market risk:

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

(v) Presentation of financial derivatives

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

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

a) Gains (losses) on valuation

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

b) Gains (losses) on sale

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

c) Gains (losses) on maturity

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

2) For the three months and the six months ended June 30, 2022:

a) Gains (losses) on valuation

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

b) Gains (losses) on sale

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

c) Gains (losses) on maturity

	For the three months ended June 30, 2022	For the six months ended June 30, 2022	Account
Stock warrants issued	\$ 11,110,166	14,024,419	Gains (losses) on stock warrants issued
Stock warrants repurchased	(10,495,350)	(13,347,376)	Gains (losses) on stock warrants issued

Exchange traded notes

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

The exchange traded notes issued by the Group expired for redemption on April 30, 2022, and therefore, there is no retained contract amount on June 30, 2023, December 31, 2022, and June 30, 2022.

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended June 30,		For the six months ended June 30,		Account
	2023	2022	2023	2022	
Gains (losses) on exchange traded notes	\$ -	71	-	188	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	1	-	3	Management and commissions revenue from exchange traded notes
Management and commissions expense on exchange traded notes	-	-	-	(377)	Management and commissions expense on exchange traded notes

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of June 30, 2023, December 31, 2022 and June 30, 2022.

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Presentation of financial derivatives:

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>		<u>Account</u>
	\$						
Futures margin - proprietary fund	1,211,112		1,133,174		934,959		Financial assets at fair value through profit or loss - current
Excess futures margin	2,351,377		2,474,182		2,270,802		Cash and cash equivalent
Buy options	103,947		89,537		192,036		Financial assets at fair value through profit or loss - current
Sale options	71,939		128,999		226,680		Financial liabilities at fair value through profit or loss - current
	<u>For the three months ended June 30, 2023</u>		<u>For the six months ended June 30, 2022</u>		<u>For the three months ended June 30, 2023</u>		<u>Account</u>
	\$		\$		\$		
Losses on futures transactions	(788,081)	(52,495)	(715,045)	(821,368)			Losses on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</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	\$ 10,600,000	-	7,000,000	-	9,600,000	-

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

2) Market risk:

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

(ii) Structured notes

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

Financial Instruments	June 30, 2023		December 31, 2022		June 30, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 349,000	-	336,000	-	357,000	-
Principal guaranteed notes	2,906,687	-	2,469,656	-	2,871,138	-
Credit-linked notes	1,090,900	-	952,300	-	901,600	-
Principal guaranteed notes (in USD thousands)	USD 2,055	-	USD 90	-	USD -	-

The Group collects premium from investors prior to conducting structured note transactions, and therefore, does not assume any credit risk.

2) Market risk

For structured notes, the respective products are exercised at their fair value and the hedged items all have fair values. Therefore, there is no significant market risk of structured notes.

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Convertible bond asset swaps

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

Financial Instruments	June 30, 2023		December 31, 2022		June 30, 2022	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 2,678,600	-	2,976,300	-	3,084,000	-
Convertible bond options	14,792,000	-	13,364,000	-	13,255,500	-

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Options

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

<u>Financial Instruments</u>	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal/ Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
Equity options	\$ 589,201	-	705,123	-	231,928	-

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

2) Market risk:

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

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

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

(v) Leverage derivatives

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

<u>Financial Instruments</u>	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</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:						
Leverage derivatives-long position	\$ 3,817,344	-	4,078,689	-	3,416,886	-
Leverage derivatives-short position	3,821,655	-	4,059,360	-	3,410,128	-

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of June 30, 2023, December 31, 2022 and June 30, 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps were presented on the balance sheets as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 20,054	17,807	23,715
Asset swap options-long position	284,280	205,121	314,887
Leverage derivatives - non-hedging	215,263	202,915	189,986
Structured notes	1,572	2,056	10,505
Exchange rate derivatives	54,072	9,345	178,048
Equity derivatives	<u>13,578</u>	<u>16,854</u>	<u>6,193</u>
Total	<u>\$ 588,819</u>	<u>454,098</u>	<u>723,334</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 52,164	51,106	49,894
Asset swap options-short position	2,347,031	1,140,992	1,497,377
Leverage derivatives - non-hedging	2,932	28,918	9,828
Structured notes	100,541	103,125	123,737
Exchange rate derivatives	-	21,123	1
Interest rate swaps	167	59	155
Equity derivatives	<u>842</u>	<u>1,710</u>	<u>183</u>
Total	<u>\$ 2,503,677</u>	<u>1,347,033</u>	<u>1,681,175</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 3,543,761</u>	<u>3,028,050</u>	<u>3,194,677</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 634,168</u>	<u>494,542</u>	<u>689,612</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months and the six months ended June 30, 2023 and 2022, relevant transaction of interest rate financial derivatives, structured notes, equity derivatives, bond options, convertible bond asset swaps, exchange rate derivatives and interest rate swaps are presented on statements of income as follows:

	<u>For the three months ended June 30, 2023</u>		<u>For the six months ended June 30, 2023</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 37	(65)	93	(167)
Equity derivatives	603	12,177	2,386	13,707
Structured notes	(34,839)	(12,679)	(51,851)	132,846
IRS asset swaps	(200)	(129)	(462)	(982)
Asset swap options	(348,683)	(277,928)	(1,065,914)	581,816
Exchange rate derivatives	89,007	37,722	121,915	54,072
Leverage derivatives - non-hedging	28,663	207,351	48,903	212,331
Total	<u>\$ (265,412)</u>	<u>(33,551)</u>	<u>(944,930)</u>	<u>993,623</u>

	<u>For the three months ended June 30, 2023</u>		<u>For the six months ended June 30, 2022</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 166	(29)	(49)	(155)
Equity derivatives	5,619	4,567	11,501	6,109
Structured notes	46,219	41,306	91,063	131,294
IRS asset swaps	(110)	(159)	(214)	(386)
Asset swap options	760,449	815,023	791,915	1,197,212
Exchange rate derivatives	75,707	98,276	161,981	178,047
Leverage derivatives - non-hedging	37,695	113,467	75,055	180,158
Total	<u>\$ 925,745</u>	<u>1,072,451</u>	<u>1,131,252</u>	<u>1,692,279</u>

(vii) Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates. The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’).

The Group’s remaining IBOR exposures at the reporting date are corporate debt securities indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). On March, 2021, the Financial Conduct Authority (FCA) announced that panel banks will stop submitting US dollar LIBOR quotes from June 30, 2023. The Group had finished the process of implementing appropriate fallback clauses for all US dollar LIBOR-indexed exposures by the end of 2022. These clauses automatically switch the instrument from USD LIBOR to SOFR when US dollar LIBOR either ceases to be provided or is no longer representative.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language on June 30, 2023, December 31, 2022 and June 30, 2022. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD LIBOR			
	June 30, 2023		Amount with appropriate fallback clause	
Financial assets	Total amount of unreformed contracts		Total amount of unreformed contracts	Amount with appropriate fallback clause
Corporate bonds	USD	65,000	USD	40,000
December 31, 2022				
Corporate bonds	USD	103,000	USD	56,000
June 30, 2022				
Corporate bonds	USD	150,500	USD	145,500
Financial liabilities				
Credit loan	USD	5,000	USD	5,000

(y) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital base includes shares capital, capital surplus and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to make sure the Group has sufficient financial resources to cope with the future need of operating fund, capital expenditure and other operating need.

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

	June 30, 2023	December 31, 2022	June 30, 2022
Capital adequacy ratio	305 %	337 %	320 %

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the six months ended June 30, 2023 and 2022, were as follows:

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(7) Related-party transactions:

- (a) Parent company and ultimate controlling party

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

- (b) Names of related parties and relationships

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel

Note : The corporation has become an associate of the Company from August, 2022. The transaction amount in 2022 was taken into account starting from August.

- (c) Key management personnel transactions

- (i) Key management personnel compensation

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Short-term employee benefits	\$ 44,390	20,523	142,123	159,044
Post-employment benefits	<u>761</u>	<u>655</u>	<u>1,421</u>	<u>1,319</u>
Total	<u>\$ 45,151</u>	<u>21,178</u>	<u>143,544</u>	<u>160,363</u>

- (ii) Bonds sold under repurchase agreements

	June 30, 2023		December 31, 2022		June 30, 2022	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Other related parties	\$ <u>4,000</u>	<u>4,034</u>	<u>13,142</u>	<u>13,161</u>	<u>58,444</u>	<u>58,559</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Total financial expenses				
Other related parties	\$ <u>14</u>	<u>59</u>	<u>83</u>	<u>66</u>

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	Other related parties	\$ <u>89,300</u>	<u>98,200</u>

(iv) Futures transactions

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	Future Traders' equity		
Other related parties	\$ <u>36,116</u>	<u>270</u>	<u>1,241</u>

(v) Brokerage and sub-brokerage

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Brokerage commissions				
Other related parties	\$ <u>13,578</u>	<u>820</u>	<u>22,897</u>	<u>1,599</u>

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Re-consigned handling commissions				
Other related parties	\$ <u>339</u>	<u>22</u>	<u>545</u>	<u>79</u>

(vi) Consultancy Fee

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Consultancy Fee				
Other related parties	\$ <u>15</u>	<u>-</u>	<u>30</u>	<u>-</u>

(vii) Other revenue

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other revenue				
Other related parties	\$ <u>-</u>	<u>12</u>	<u>4</u>	<u>20</u>

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	Advance receipts		
Other related parties	\$ <u>-</u>	<u>46</u>	<u>11</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Property Transactions - Dispose Equipment

	For the three months ended June 30,				For the six months ended June 30,			
	2023		2022		2023		2022	
	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal
Other related parties	\$ -	-	-	-	860	50	-	-

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	June 30, 2023		December 31, 2022		June 30, 2022	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ 18,000	18,000	-	-	64,000	64,000
Funds issued by associate	909,000	909,000	705,000	705,000	50,000	50,000
Total	\$ 927,000	927,000	705,000	705,000	114,000	114,000

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Total financial expenses				
Subsidiaries	\$ 2	52	2	73
Funds issued by associate	2,636	107	4,695	124
Total	\$ 2,638	159	4,697	197

Transaction terms are the same as the general clients.

(ii) Financial assets transactions

The Company held securities regarding to related parties, and ending amount and related gains and losses were as followed :

		June 30, 2023		December 31, 2022		June 30, 2022	
		Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount	Ending shares (Note)	Ending amount
Funds issued by associate	Financial assets at fair value through profit or loss - current	103,966	\$ 1,253,027	89,472	825,936	78,834	703,199

Notes: Amounts in thousand shares.

	For the three months ended June 30,				For the six months ended June 30,			
	2023		2022		2023		2022	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	\$ 33,830	9,063	(9,910)	724	39,440	11,730	(26,032)	1,187

	December 31,	
	June 30, 2023	June 30, 2022
Prepayments		
Associates	\$ 8,685	4,727

Transaction terms are the same as the general clients.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Futures transactions

Futures traders' equity	June 30, 2023	December 31, 2022	June 30, 2022
Funds issued by associate	\$ <u>170,050</u>	<u>270,227</u>	<u>275,364</u>

Total financial expenses	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Funds issued by associate	\$ <u>163</u>	<u>19</u>	<u>174</u>	<u>19</u>

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

Lease revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>4,316</u>	<u>4,309</u>	<u>8,632</u>	<u>8,618</u>

Guarantee deposits received	June 30, 2023	December 31, 2022	June 30, 2022
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 Group leases office places from related party in substance for operation, and lease period is seven to nine years. The aggregate contractual value of the lease is \$840,606 and rent is paid monthly. As of June 30, 2023, December 31, 2022 and June 30, 2022, the refundable deposits were \$26,344, \$23,915 and \$0.

2) Acquisition of right-of-use assets

There new acquisition of right-of-use assets of the Company in the periods for the six months ended June 30, 2023 was \$25,008.

3) Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Related party in substance	\$ <u>521,341</u>	<u>521,082</u>	<u>-</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Financial expenses

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Related party in substance	\$ <u>1,661</u>	<u>-</u>	<u>3,365</u>	<u>-</u>

(v) Custody account business

Custody account business revenue(Account to rental income)		<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Related party in substance		\$ <u>21,684</u>	<u>-</u>	<u>51,747</u>	<u>-</u>
Other accounts receivable		June 30, 2023		December 31, 2022	June 30, 2022
Related party in substance		\$ <u>-</u>		<u>8,379</u>	<u>-</u>

(vi) Insurance commission revenues

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Commission revenues					
Subsidiaries	\$ <u>2,076</u>	<u>6,846</u>	<u>3,442</u>	<u>10,719</u>	
Accounts receivable		June 30, 2023		December 31, 2022	June 30, 2022
Subsidiaries	\$ <u>1,720</u>		<u>444</u>	<u>4,355</u>	

(vii) Brokerage and sub-brokerage

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

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Brokerage commissions					
Funds issued by associate	\$ 12,868	12,502	24,985	23,697	
Related party in substance	23	-	60	-	
Total	\$ <u>12,891</u>	<u>12,502</u>	<u>25,045</u>	<u>23,697</u>	
Re-consigned handling commissions		For the three months ended June 30,		For the six months ended June 30,	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Funds issued by associate		\$ <u>4,169</u>	<u>2,618</u>	<u>11,375</u>	<u>5,325</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(viii) Fund services business

Fund services revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>407</u>	<u>460</u>	<u>829</u>	<u>1,046</u>
Channel services revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>407</u>	<u>460</u>	<u>829</u>	<u>1,046</u>
Account receivable	June 30, 2023		December 31,	June 30, 2022
Associates	\$ <u>270</u>		<u>277</u>	<u>294</u>

(ix) Wealth management business

Trust account commissions revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>759</u>	<u>120</u>	<u>1,625</u>	<u>1,077</u>
Trust account management fee revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>533</u>	<u>324</u>	<u>1,061</u>	<u>653</u>

(x) Underwriting business

Stock service income	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>32</u>	<u>33</u>	<u>62</u>	<u>63</u>
Handling fee revenues from underwriting securities on consignment	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Funds issued by associate	\$ <u>6</u>	<u>-</u>	<u>13</u>	<u>-</u>
Accounts receivable	June 30, 2023		December 31,	June 30, 2022
Associates	\$ <u>12</u>		<u>10</u>	<u>13</u>

(xi) Other revenue and expense

Other revenue	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Associates	\$ <u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Other expense</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Related party in substance	\$ <u>243</u>	<u>-</u>	<u>243</u>	<u>-</u>

(xii) Custody account business

<u>Custody account business revenue</u>	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Second-level subsidiaries (note)	\$ <u>2,360</u>	<u>1,488</u>	<u>3,053</u>	<u>2,901</u>

<u>Accounts receivable</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	Second-level subsidiaries (note)	\$ <u>424</u>	<u>577</u>

(xiii) Accrued receivable

<u>Accounts receivable/ Other receivable</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
	Subsidiaries	\$ 46,262	80
Associates	138,891	-	165,345
Total	\$ <u>185,153</u>	<u>80</u>	<u>200,128</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.

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Assets Pledged as security:

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

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	<u>The collateral use</u>
Restricted assets - current	\$ 350,683	219,234	229,615	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	29,089,712	27,120,122	23,863,309	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	12,678,249	7,347,280	6,030,606	Repurchase agreement
Property (net amount)	1,874,133	1,882,060	1,890,231	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,401	179,171	179,064	Guaranty deposited for bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business
Financial assets at amortized cost - non - current(par value)	5,616,604	3,306,400	-	Repurchase agreement
Investment property (net amount)	3,324,714	3,334,212	3,348,566	Bank borrowings
Total	\$ <u>53,163,371</u>	<u>43,438,354</u>	<u>35,591,266</u>	

(9) Significant contingent liability and unrecognized contract commitment:

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

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities procured through margin purchase	465,632	\$ 4,656,320	481,268	4,812,680	461,913	4,619,130
Collateral for margin purchase	4,670	46,695	15,745	157,450	17,825	178,254
Lending securities to customers through short sales	26,802	268,020	53,847	538,470	35,500	355,000
Collateral for short sales	3,197	31,970	5,394	53,940	2,856	28,560

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

	<u>June 30, 2023</u>		<u>December 31, 2022</u>		<u>June 30, 2022</u>	
	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>	<u>Shares (in thousands)</u>	<u>Par value</u>
Securities borrowed from securities finance companies	389	\$ 3,890	203	2,030	352	3,520
Collateral for refinancing margin	32	320	-	-	-	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	June 30, 2023	December 31, 2022	June 30, 2022
Promissory notes	\$ 26,320,000	26,320,000	25,025,000
Promissory notes (in USD thousands)	USD 85,000	USD 85,000	USD 85,000

- (d) As of June 30, 2023, December 31, 2022 and June 30, 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$10,661,220, \$9,015,293 and \$10,217,469, respectively.
- (e) A resigned employee of Wan-Hua branch was accused of privately soliciting investment to scam. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$2,798. The case is under the trial of Taiwan Taipei District Court. The Company assesses that it is not liable for compensation, thus the Company unrecognized this amount.
- (f) A resigned employee of Xi-Song branch scammed the clients. The clients filed a lawsuit against the Company alleged for taking joint responsibility of compensation of \$16,375. The first instance ruled that the company should jointly and severally compensate the plaintiff \$41 and interest. The plaintiff refused to accept and filed an appeal, and the Company also filed a side appeal. The second instance claimed the case in favor of the Company, and it is not liable for compensation, thus the Company unrecognized this amount.
- (g) According to the documentation No. 0990030563 verdict of Financial Supervisory Commission (dated June 14, 2010), Taiwan International Securities Corporation (hereinafter known as "TISC") is suspected to violate the "Regulations Governing Securities Firms" due to some employees selling private placed products of Genesis Growth Income Preferred Shares B1 issued by GVEC (Genesis Voyager Equity Corporation, Danny Pang as related party) privately. According to the understanding and inspection of TISC, some employees may have been selling the aforementioned product and the suspected sales amount is US\$15 million. Some investors instituted proceedings towards TISC and claimed damages amounting to US\$7,956,873 dollars (including claim amount US\$130,000 dollars towards Taiwan International Securities Investment Consulting Corp.). The damages claimed for amounted to US\$6,355,536 dollars, which was in favor of the Company, or the investors reached compromises to waive off the appeal rights. Nevertheless, the Company had signed an agreement with the Unitech Printed Circuit Board Corp. and the other nine companies which were the original major shareholders of TISC on May 2, 2011, the date of merger with TISC. According to this agreement, the maximum claim damage compensation afford by the Company is \$173,000, thus the Company recognized this amount as other liabilities and the remaining balance was \$48,034 as of June 30, 2023.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Balance Sheet of Trust Accounts

June 30, 2023, December 31, 2022 and June 30, 2022

Trust Assets	June 30, 2023	December 31, 2022	June 30, 2022	Trust Liabilities	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	\$ 1,023,137	956,522	1,193,620	Accounts payable	\$ 200	67	232
Short-term investment				Trust capital	13,838,921	12,449,858	11,305,416
Funds	9,034,424	8,756,216	8,186,239	Net income	754,816	(1,385,219)	(1,323,795)
Stocks	1,387,103	153,242	193,804	Accumulated earnings or deficit	(1,413,312)	(40,291)	(5,878)
Bonds	1,445,262	1,032,735	252,248				
Structured notes	246,855	102,619	116,958				
Accounts receivable	43,844	23,081	33,106				
Total Assets	<u>\$ 13,180,625</u>	<u>11,024,415</u>	<u>9,975,975</u>	Total Liabilities	<u>\$ 13,180,625</u>	<u>11,024,415</u>	<u>9,975,975</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Income statement of trust accounts

	For the six months ended June 30,	
	2023	2022
Trust revenue		
Interest revenue	\$ 41,569	19,649
Cash dividends revenue	120,201	149,276
Rental revenue	2,523	7,523
Investment gains - unrealized	649,404	-
Subtotal	813,697	176,448
Trust expense		
Management fee	199	334
Service fee	9,034	9,659
Investment losses - realized	49,186	216,966
Investment losses - unrealized	-	1,273,229
Other fees	24	1
Subtotal	58,443	1,500,189
Gain (loss) before income tax	755,254	(1,323,741)
Less: Income tax expense	438	54
Net gain (loss)	\$ 754,816	(1,323,795)

(iii) Property list of trust accounts

Investment items	Property list of trust accounts		
	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	\$ 1,023,137	956,522	1,193,620
Short-term investment			
Funds	9,034,424	8,756,216	8,186,239
Stocks	1,387,103	153,242	193,804
Bonds	1,445,262	1,032,735	252,248
Structured Notes	246,855	102,619	116,958
Other assets	43,844	23,081	33,106
Total	\$ 13,180,625	11,024,415	9,975,975

(10) Significant Catastrophic Loss: None

(11) Significant Subsequent Events: None

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other:

(a) As of June 30, 2023, December 31, 2022 and June 30, 2022, the open positions of futures and option contracts were as follows:

(i) June 30, 2023

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Short	3,392	(36,541)	(41,208)	
	TAIEX Options (Put)	Long	3,656	38,978	37,511	
	TAIEX Options (Call)	Long	2,753	51,618	54,079	
	TAIEX Options (Put)	Short	2,880	(27,049)	(17,966)	
	Stock Options (Call)	Long	38	404	406	
	Stock Options (Call)	Short	70	(222)	(135)	
	Stock Options (Put)	Long	37	346	382	
	Stock Options (Put)	Short	37	(83)	(44)	
	Electronic Sector Index Options (Call)	Short	40	(324)	(475)	
	Electronic Sector Index Options (Put)	Long	10	190	106	
	Electronic Sector Index Options (Put)	Short	1	(2)	-	
	Finance Insurance Index Options (Call)	Short	51	(109)	(85)	
	Finance Insurance Index Options (Put)	Long	39	119	103	
	Finance Insurance Index Options (Call)	Long	91	334	195	
	Finance Insurance Index Options (Put)	Short	65	(509)	(455)	
	Gold Options (Call)	Short	2	(21)	(3)	
	Gold Options (Put)	Long	5	54	79	
	Gold Options (Call)	Long	5	29	2	
	Gold Options (Put)	Short	1	(2)	(2)	
	TAIEX Weekly Options (Call)	Short	2,871	(6,967)	(7,257)	
	TAIEX Weekly Options (Put)	Long	2,406	6,955	5,281	
	TAIEX Weekly Options (Call)	Long	2,446	5,718	5,803	
	TAIEX Weekly Options (Put)	Short	2,063	(4,474)	(4,309)	
	Subtotal			28,442		
Total				<u>\$ (8,233,079)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 2022

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Futures contract :						
	Single Stock Futures	Long	23,219	\$ 3,456,948	3,340,461	
	Single Stock Futures	Short	5,999	(1,038,485)	(1,017,005)	
	TAIEX Futures	Long	166	472,031	468,827	
	TAIEX Futures	Short	495	(1,403,612)	(1,399,061)	
	Mini TAIEX Futures	Long	35	24,538	24,396	
	Mini TAIEX Futures	Short	361	(255,753)	(254,521)	
	Electronic Sector Index Futures	Short	54	(139,874)	(139,050)	
	Mini Electronic Futures	Long	70	13,548	13,519	
	10 Year U.S. T Note Futures	Short	17	(58,975)	(58,627)	
	10 Year U.S. T Note Futures	Short	4	(14,736)	(14,530)	
	Ultra U.S. Treasury Bond	Short	54	(222,462)	(222,736)	
	Brent Crude Oil Futures	Short	251	(638,653)	(662,212)	
	Crude Oil Futures	Long	93	214,838	229,225	
	Crude Oil Futures	Short	20	(48,663)	(49,296)	
	FTSE China A50 Index Futures	Long	1,669	666,456	670,620	
	E-mini S&P 500 Futures	Short	4	(23,628)	(23,714)	
	Gold Futures	Short	18	(99,392)	(100,949)	
	HHI Futures	Short	42	(56,616)	(55,904)	
	HSI Futures	Short	5	(19,786)	(19,606)	
	Mini TOPIX Futures	Long	5	2,200	2,198	
	TOPIX Futures	Short	13	(58,774)	(57,146)	
	JPY Index Futures	Short	10	(28,959)	(29,585)	
	Gold Futures	Short	4	(2,667)	(2,712)	
	Mini HSI Futures	Short	10	(7,864)	(7,843)	
	Micro E-mini Nasdaq Futures	Short	41	(28,020)	(27,757)	
	E-mini Nasdaq Futures	Short	8	(52,956)	(54,159)	
	E-mini Nasdaq Futures	Long	11	75,226	74,469	
	Micro E-mini Dow Futures	Short	46	(24,256)	(23,510)	
	E-mini Russell 2000 Index Futures	Short	14	(37,864)	(38,069)	
	SGX Nikkei 225 Index Futures	Short	19	(69,009)	(66,756)	
	E-mini Dow Futures	Short	18	(91,748)	(91,996)	
	E-mini Dow Futures	Long	1	5,112	5,111	
	US Dollar Index Futures	Short	26	(83,050)	(82,456)	
	Micro E-mini S&P 500 Futures	Short	131	(77,231)	(77,664)	
	Dow Jones U.S. Real Estate Index	Short	12	(12,381)	(12,154)	
	Silver Futures	Short	7	(24,752)	(25,839)	
	2 Year U.S. T Note Futures	Short	14	(88,171)	(88,171)	
	30 Year U.S. Treasury Bond	Short	59	(226,315)	(227,109)	
	Finance Sector Index Futures	Short	12	(17,866)	(17,933)	
	Mini Finance Sector Index Futures	Short	20	(7,415)	(7,472)	
	One Week E-Mini Stock Index Futures	Long	51	36,157	36,096	
	Mini Crude oil Futures	Long	14	17,161	17,265	
	Soybean futures	Long	10	23,380	23,401	
	Subtotal			<u>47,662</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	6,775	\$ 41,960	34,353	
	TAIEX Options (Call)	Short	5,361	(50,773)	(48,719)	
	TAIEX Options (Put)	Long	6,546	50,874	43,912	
	TAIEX Options (Put)	Short	6,458	(67,257)	(61,088)	
	TAIEX Options (Put)	Long	100	365	113	
	TAIEX Options (Put)	Short	100	(445)	(113)	
	Stock Options (Call)	Long	73	2,116	648	
	Stock Options (Call)	Short	44	(385)	(425)	
	Stock Options (Put)	Long	35	572	446	
	Stock Options (Put)	Short	31	(374)	(244)	
	Electronic Sector Index Options (Call)	Short	1	(8)	-	
	Electronic Sector Index Options (Call)	Long	3	17	5	
	Finance Insurance Index Options (Call)	Short	33	(65)	(31)	
	Finance Insurance Index Options (Put)	Long	16	64	22	
	Finance Insurance Index Options (Call)	Long	94	262	182	
	Finance Insurance Index Options (Put)	Short	85	(235)	(168)	
	Gold Options (Call)	Short	10	(48)	(38)	
	Gold Options (Put)	Long	7	25	5	
	Gold Options (Call)	Long	23	241	215	
	Gold Options (Put)	Short	6	(28)	(4)	
	TAIEX Weekly Options (Call)	Short	2,339	(9,953)	(9,614)	
	TAIEX Weekly Options (Put)	Long	3,532	5,282	5,303	
	TAIEX Weekly Options (Call)	Long	2,709	5,010	4,333	
	TAIEX Weekly Options (Put)	Short	2,539	(7,542)	(8,555)	
	Subtotal			(30,325)		
Total				\$ 17,337		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) June 30, 2022

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	8,046	\$ 32,155	15,967	
	TAIEX Options (Put)	Long	6,730	86,451	159,620	
	TAIEX Options (Call)	Short	6,630	(56,496)	(28,683)	
	TAIEX Options (Put)	Short	6,589	(99,627)	(182,302)	
	Stock Options (Call)	Long	76	1,648	651	
	Stock Options (Put)	Long	125	778	1,385	
	Stock Options (Call)	Short	12	(29)	(9)	
	Stock Options (Put)	Short	96	(1,951)	(2,643)	
	TAIEX Weekly Options (Call)	Long	2,517	6,877	4,692	
	TAIEX Weekly Options (Put)	Long	1,196	5,981	9,259	
	TAIEX Weekly Options (Call)	Short	2,239	(3,795)	(2,769)	
	TAIEX Weekly Options (Put)	Short	1,297	(6,458)	(9,128)	
	Finance Insurance Index Options (Call)	Long	80	578	268	
	Finance Insurance Index Options (Put)	Long	23	158	170	
	Finance Insurance Index Options (Call)	Short	21	(145)	(57)	
	Finance Insurance Index Options (Put)	Short	83	(702)	(985)	
	Electronic Sector Index Options (Put)	Long	2	12	24	
	Electronic Sector Index Options (Call)	Short	106	(81)	(55)	
	Electronic Sector Index Options (Put)	Short	2	(22)	(49)	
	Subtotal			(34,668)		
Total				\$ <u>994,233</u>		

(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	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,653,772}{2,102,755}$	3.16	$\frac{6,276,693}{1,827,555}$	3.43	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{45,614,104}{40,484,743}$	1.13	$\frac{50,107,523}{45,171,384}$	1.11	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,653,772}{1,115,000}$	596.75 %	$\frac{6,276,693}{1,115,000}$	562.93 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{4,439,639}{8,920,079}$	49.77 %	$\frac{4,667,624}{8,950,460}$	52.15 %	$\geq 20\%$ $\geq 15\%$	"

- (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	\$ 911,614	911,614	849,434	- %	2	-	Working capital	-		-	1,602,201	1,602,201
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	105,084	105,084	105,084	- %	2	-	Working capital & repayment of financing	-		-	105,084	105,084
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,770	5,770	5,770	- %	2	-	Repayment of financing	-		-	5,770	5,770
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	61,830	61,830	-	8.71 %	1	8,100		-		-	201,322	1,006,609
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	432,811	432,811	221,043	4.96%-6.21%	1	153,733		-		-	432,811	1,006,609
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	92,745	92,745	-	7.71 %	1	15,253		-		-	201,322	1,006,609
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,458	15,458	-	6.71 %	1	1,018		-		-	201,322	1,006,609
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	6.71 %	1	188		-		-	201,322	1,006,609
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	61,830	61,830	-	6.71 %	1	6,322		-		-	201,322	1,006,609
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	46,373	46,373	-	6.71 %	1	12,069		-		-	201,322	1,006,609

Note: Type of Loans

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

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

(In Thousands of New Taiwan Dollars)

Company of classification-account receivables	Name of transaction parties	Relationship	Balance of account receivables-Related parties	Turnover	Expiration of account receivables-Related parties		Subsequent recoverable amount	Allowance of doubtful accounts
					Amount	Treatment		
Capital Securities Corp.	Capital Futures Corp.	Subsidiary	370,648	N/A	-	N/A	370,648	-
Capital Securities Corp.	Capital Investment Trust Corp.	Associate	139,173	N/A	-	N/A	139,173	-

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the year ended June 30, 2023:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,966		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	10,837		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	359,811		0.16 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	44,294		0.02 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,729		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,450		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	62,150	General transaction	1.11 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	8,965	General transaction	0.16 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	335	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	618	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	177	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	5,633	General transaction	0.10 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	22	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	16,386	General transaction	0.29 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	26,870	General transaction	0.48 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	457	General transaction	0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Other receivables	10,732		- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	34,500	General transaction	0.62 %
0	Capital Securities Corp.	CSC Capital Management Co	1	Other receivables	2		- %
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	38		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	23		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	35		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	14,205		0.01 %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	14	General transaction	- %
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	368	General transaction	0.01 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	23	General transaction	- %
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp.	1	Advance receipts	27		- %
1	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,479,708		1.10 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,479,708		1.10 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Other payable	2,341		- %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	14,339	General transaction	0.26 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	874,227		0.39 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	3,619,812		1.60 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	4,909		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	6,000	General transaction	0.11 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	48,516	General transaction	0.87 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	7,560	General transaction	0.14 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,536	General transaction	0.03 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Prepayments	256		- %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	3,336,155		1.48 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	590,570		0.26 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	255		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	261	General transaction	- %
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 164		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other operating revenue	HKD 444	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Brokerage commissions expense	HKD 78	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	276	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	2,433	General transaction	0.04 %

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on June 30, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
0	Capital-Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	Note 6	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	80,911	36,120	3,492	3,492	10,660	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 %	3,764,727	844,251	490,792	277,584	359,579	"
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 %	1,602,201	16,927	8,266	8,266	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	Note 6	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	38,950	74,128	13,079	13,079	46,150	Subsidiary
0	Capital Insurance Agency Corp. (Note 4)	Taipei ,Taiwan, R.O.C.	November 8, 2000	Note 6	Liquidation in progress.	7,400	7,400	740,000	100.00 %	39,502	-	1	1	-	"
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 %	(11)	(561)	(561)	(561)	-	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 %	953,414	3,831	1,845	1,845	14,173	"
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 %	308,373	21,422	19,705	19,705	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	Note 6	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,317,127	1,034,219	420,208	84,042	138,884	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 %	668,659	44,046	16,927	-	-	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 %	(103,886)	-	(561)	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 5)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	(261,020)	-	(315)	-	-	"
4	CSC Futures(HK) Ltd.	Hong Kong	December 9, 1998	No. FSC-1010027412 dated August 24, 2012	Future brokerage and other businesses permitted by local law of Hong Kong.	886,284	886,284	220,000,000	100.00 %	1,006,609	133,337	39,054	-	-	"
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 %	22,741	1,536	(3,482)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January 5, 1998	Agency services.	HK 2	HK 2	2	100.00 %	-	-	-	-	-	The transaction has been eliminated in the consolidated financial statements
6	Capital Private Equity Fund I Co.	Taipei ,Taiwan, R.O.C.	April 20, 2021	No. FSC-1090380058 dated January 26, 2021	General investment and venture capital business.	300,000	300,000	30,000,000	100.00 %	276,112	22,057	18,989	-	-	"

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on June 30, 2023	Balance on December 31, 2022	Shares	Ratio	Book value					
7	EnnoCap Venture Inc.	Taipei, Taiwan, R.O.C.	July 30, 2021	No. FSC-1040034071 dated September 8, 2015	Investment and management consulting, venture capital and general investing.	400	400	40,000	40.00 %	161	-	(123)	-	-	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: According to the regulations of reinvesting domestic business issued by Financial Supervisory Commission, securities firms may invest securities finance enterprises and should file for recordation within 15 days after the investment. Therefore, this case only needs to be filed for recordation afterwards.

(c) Information on overseas branches and representative offices:

(In Thousands of New Taiwan Dollars)

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

(d) Information on investments in the Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee in Mainland China	Major Operations	Issued capital	Method of investment (Note 1)	Accumulated remittance as of January 1, 2023	Remittance of recoverable investment this period		Accumulated remittance as of June 30, 2023	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of June 30, 2023
					Remittance amount	Recoverable amount						
Capital True Partner Technology Co., Ltd.	Management, consulting and information service business	5,013	Note 1 (C)	24,372	-	-	24,372	1,124	28.86%	324	6,569	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(2,583)	56.58%	(1,461)	2,812	-

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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

According to article 1, paragraph 3, no. 5 of the letter no. 10703209011 issued by Financial Supervisory Commission on June 1, 2018, the required supplementary disclosures of the Company's information on reinvestment in overseas businesses for the six months ended June 30, 2023 are as follows:

- (i) Balance sheet and income statement:

- 1) Balance sheet

Unit: US \$ thousands

Company	CSC International Holdings Ltd. June 30, 2023	Taiwan International Securities (B.V.I) Corp. June 30, 2023
Nature		
Current assets	8,843	1
Long-term investments	21,637	-
Property and premises	1,742	-
Other assets	19,394	3,380
Total assets	51,616	3,381
Current liabilities	41	20
Other liabilities	41	3,361
Total liabilities	82	3,381
Common stock	45,000	9,516
Retained earnings (Accumulated deficit)	6,788	(9,468)
Cumulative translation adjustments	(254)	(48)
Total stockholders' equity	51,534	-
Total liabilities and stockholders' equity	51,616	3,381

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Income statement

Unit: US \$ thousands

Company	CSC International Holdings Ltd.	Taiwan International Securities (B.V.I) Corp.
Nature	For the six months ended June 30, 2023	For the six months ended June 30, 2023
Operating revenue	547	(18)
Operating expense	(347)	-
Non-operating revenue	74	-
Non-operating expense	(7)	-
Income (loss) before tax	267	(18)
Net income (loss)	267	(18)

(ii) Securities held as of June 30, 2023

Unit: shares / US\$ thousands

Name of holding company	Securities types and name	Account classification	June 30, 2023	
			Shares	Book value
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Long-term investments	128,000,000	\$ <u>21,637</u>
Taiwan International Securities (B.V.I) Corp.	TIS Securities(HK) Limited.	Other liabilities	265,000,000	\$ <u>(3,361)</u>

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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