

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Nine Months Ended September 30, 2023 and 2022**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2023 and 2022, as well as the changes in equity and cash flows for the nine months ended September 30, 2023 and 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(c), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to \$3,657,417 thousands and \$3,219,795 thousands, constituting 1.61% and 1.62% of consolidated total assets as of September 30, 2023 and 2022, respectively, total liabilities amounting to \$647,547 thousands and \$352,132 thousands, constituting 0.35% and 0.22% of consolidated total liabilities as of September 30, 2023 and 2022, respectively, and total comprehensive income (loss) amounting to \$39,636 thousands, \$60,432 thousands, \$222,632 thousands and \$144,586 thousands, constituting 3.34%, 75.80%, 5.17% and (63.30)% of consolidated total comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,443,085 thousands and \$1,440,086 thousands as of September 30, 2023 and 2022, respectively, and its equity in net earnings on these investee companies of \$47,505 thousands, \$42,448 thousands, \$144,627 thousands and \$160,889 thousands for the three months and the nine months ended September 30, 2023 and 2022, respectively, and its equity in other comprehensive income (loss) on these investee companies of \$0 thousands, \$159 thousands, \$(2,276) thousands and \$645 thousands for the three months and the nine months ended September 30, 2023 and 2022, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of September 30, 2023 and 2022, and of its consolidated financial performance for the three months and the nine months ended September 30, 2023 and 2022, as well as its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)
November 10, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Assets						
110000 Current assets:						
111100 Cash and cash equivalents (note 6(a))	\$ 9,253,146	4	11,259,550	6	11,636,698	6
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	59,042,263	26	42,404,385	22	47,021,124	24
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	21,790,844	10	13,716,679	7	12,190,372	6
114010 Bonds purchased under resale agreements (note 6(c))	90,063	-	-	-	-	-
114030 Receivable for securities provided as collateral	15,714,435	7	11,934,071	6	12,531,331	7
114040 Refinancing margin	6,469	-	18,859	-	46,589	-
114050 Refinancing collateral receivable	5,367	-	15,418	-	38,737	-
114060 Receivable of securities business money lending	4,998,097	2	4,426,333	3	4,752,539	2
114070 Customers' margin account (note 6(e))	39,921,698	18	39,049,741	20	40,981,064	21
114080 Receivable - futures margin	-	-	7	-	334	-
114090 Collateral for securities borrowed	140,942	-	1,764,422	1	924,902	-
114100 Security borrowing margin	12,479,705	6	13,729,016	7	12,979,819	7
114110 Notes receivable	10,225	-	12,550	-	16,151	-
114130 Accounts receivable (note 6(d))	9,723,541	4	6,011,995	3	8,648,612	4
114150 Prepayments	153,825	-	78,329	-	77,751	-
114170 Other receivables	168,929	-	277,511	-	492,846	-
114200 Other financial assets - current	-	-	-	-	38	-
114300 Leverage contract trading - customers' margin account	797,165	-	856,021	1	969,675	1
114600 Current income tax assets	233	-	233	-	237	-
119095 Amounts held for each customer in the account (note 6(p))	28,567,340	13	25,111,376	13	26,590,128	13
119990 Other current assets-others	623,581	-	731,120	-	1,048,370	-
	<u>203,487,868</u>	<u>90</u>	<u>171,397,616</u>	<u>89</u>	<u>180,947,317</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)	179,437	-	179,171	-	178,474	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,366,039	1	2,690,775	1	2,602,979	1
123300 Financial assets at amortized cost - non-current (note 6(b))	5,446,719	2	3,268,785	2	499,822	-
124100 Investments accounted for under equity method (note 6(g))	1,443,218	1	1,485,977	1	1,440,323	1
125000 Property and equipment (notes 6(h) and 8)	3,179,626	1	2,773,271	2	2,805,813	2
125800 Right-of-use assets (note 6(i))	711,789	-	769,897	-	780,776	-
126000 Investment property (notes 6(j) and 8)	3,451,403	2	3,811,971	2	3,816,954	2
127000 Intangible assets (note 6(k))	3,614,868	2	3,614,000	2	3,602,960	2
128000 Deferred income tax assets	16,803	-	18,684	-	25,462	-
129000 Other non-current assets	1,666,020	1	1,606,494	1	1,583,821	1
	<u>23,075,922</u>	<u>10</u>	<u>20,219,025</u>	<u>11</u>	<u>17,337,384</u>	<u>9</u>
Total assets	\$ <u>226,563,790</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>	<u>198,284,701</u>	<u>100</u>

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

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(l))	\$ 6,672,305	3	2,870,799	1	4,886,201	3
211200 Commercial paper payable (note 6(m))	8,445,994	4	3,198,722	2	8,265,333	4
212000 Financial liabilities at fair value through profit or loss - current (note 6(n))	15,370,106	7	11,644,599	6	8,774,080	4
214010 Bonds sold under repurchase agreements (note 6(o))	48,507,685	21	36,035,969	19	33,209,244	17
214040 Guarantee deposited for short sales	1,827,815	1	4,118,440	2	3,172,205	2
214050 Proceeds payable from short sales	2,095,310	1	3,714,941	2	3,526,146	2
214070 Securities lending refundable deposits	15,675,716	7	14,681,018	7	15,076,292	8
214080 Futures traders' equity (note 6(e))	39,715,271	18	38,884,241	20	40,959,427	21
214090 Equity for each customer in the account (note 6(p))	28,567,340	13	25,111,376	13	26,590,128	13
214100 Leverage contract trading - customers' equity	802,530	-	849,887	1	966,226	-
214110 Notes payable	239	-	152	-	228	-
214130 Accounts payable (note 6(q))	8,022,515	4	4,680,994	3	7,321,507	4
214150 Advance receipts	24,509	-	33,649	-	32,608	-
214160 Receipts under custody	140,620	-	547,244	-	744,532	-
214170 Other payables	929,098	-	839,187	1	907,363	-
214200 Other financial liabilities - current (note 6(y))	5,333,653	2	3,028,050	2	3,262,739	2
214600 Current income tax liabilities	310,213	-	385,145	-	239,033	-
215100 Provisions - current (note 6(s))	59,961	-	51,577	-	60,092	-
216000 Current lease liabilities (note 6(r))	203,027	-	191,688	-	184,407	-
219000 Other current liabilities	29,113	-	18,447	-	35,975	-
	<u>182,733,020</u>	<u>81</u>	<u>150,886,125</u>	<u>79</u>	<u>158,213,766</u>	<u>80</u>
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(y))	669,294	-	494,542	-	535,633	-
226000 Non-current lease liabilities (note 6(r))	566,319	-	635,604	-	655,553	-
228000 Deferred income tax liabilities	606,143	-	776,337	1	835,746	1
229000 Other non-current liabilities	115,494	-	132,920	-	548,667	-
	<u>1,957,250</u>	<u>-</u>	<u>2,039,403</u>	<u>1</u>	<u>2,575,599</u>	<u>1</u>
Total liabilities	<u>184,690,270</u>	<u>81</u>	<u>152,925,528</u>	<u>80</u>	<u>160,789,365</u>	<u>81</u>
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(u))	21,709,081	10	21,709,081	11	21,709,081	11
302000 Capital surplus (note 6(u))	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	1
304020 Special reserve	6,049,211	3	5,786,990	3	5,786,990	3
304040 Unappropriated earnings (note 6(u))	3,411,814	2	1,339,434	1	320,721	-
305120 Exchange differences on translation of foreign operations	100,121	-	(55,863)	-	54,774	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	1,937,301	1	1,463,354	1	1,270,813	1
Total equity attributable to the parent company	<u>38,840,151</u>	<u>18</u>	<u>35,744,509</u>	<u>18</u>	<u>34,643,892</u>	<u>17</u>
306000 Non-controlling interests	<u>3,033,369</u>	<u>1</u>	<u>2,946,604</u>	<u>2</u>	<u>2,851,444</u>	<u>2</u>
Total equity	<u>41,873,520</u>	<u>19</u>	<u>38,691,113</u>	<u>20</u>	<u>37,495,336</u>	<u>19</u>
Total liabilities and equity	<u>\$ 226,563,790</u>	<u>100</u>	<u>191,616,641</u>	<u>100</u>	<u>198,284,701</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 nine months ended September 30, 2023 and 2022

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

	For the three months ended September 30				For the nine months ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Income:								
401000 Brokerage commissions (note 6(w))	\$ 1,519,903	43	1,316,086	57	3,956,416	43	4,207,492	73
402000 Revenues from securities business money lending	522	-	20	-	838	-	140	-
403000 Revenue from securities lending	97,022	3	79,446	3	309,585	3	283,904	5
404000 Underwriting commissions (note 6(w))	20,951	1	18,115	1	53,683	1	74,323	1
406000 Commissions on wealth management business	15,757	-	22,731	1	46,079	1	46,558	-
410000 Net gains (losses) on sale of trading securities (note 6(w))	(53,562)	(2)	(803,451)	(35)	1,496,719	16	(755,923)	(13)
421100 Securities management, distribution, and management fees	41,737	1	41,709	2	119,010	1	118,522	2
421200 Interest revenue (note 6(w))	661,896	19	364,932	16	1,688,661	19	1,114,356	19
421300 Dividend revenue	652,613	18	279,089	12	2,755,654	30	611,010	11
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(w))	263,256	7	(507,645)	(22)	969,753	11	(3,270,106)	(56)
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(y))	(170,479)	(5)	281,850	12	(331,098)	(4)	398,116	7
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	477,855	13	379,023	17	(172,863)	(2)	1,042,584	18
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(549)	-	(2,659)	-	5,646	-	(297,905)	(5)
422000 Net gains (losses) from exchange traded notes (note 6(y))	-	-	-	-	-	-	188	-
422100 Management and commissions revenue from exchange traded notes (note 6(y))	-	-	-	-	-	-	3	-
422200 Net gains (losses) on stock warrants issued (notes 6(w) and (y))	18,344	1	113,889	5	(192,318)	(2)	1,248,038	22
424100 Futures commission revenues (note 6(w))	98,841	3	88,540	4	220,173	2	242,718	4
424400 Net gains (losses) on derivative instruments - futures (note 6(y))	326,815	9	436,475	19	(388,230)	(4)	(384,893)	(7)
424500 Net gains (losses) on derivative instruments - OTC (note 6(y))	(316,237)	(9)	335,128	15	(1,261,167)	(14)	1,466,380	25
424800 Management fee revenues	930	-	169	-	2,094	-	434	-
424900 Consultancy fee revenue	2,723	-	5,799	-	8,175	-	16,119	-
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(x))	(976)	-	(2,800)	-	(7,390)	-	(3,587)	-
428000 Other operating revenues	(88,727)	(2)	(150,161)	(7)	(120,254)	(1)	(351,717)	(6)
	<u>3,568,635</u>	<u>100</u>	<u>2,296,285</u>	<u>100</u>	<u>9,159,204</u>	<u>100</u>	<u>5,806,754</u>	<u>100</u>
Expenses:								
501000 Brokerage fees	195,003	5	157,765	7	472,444	5	485,561	8
502000 Brokerage and clearing fees - proprietary trading	12,498	-	9,427	1	30,226	-	25,552	-
503000 Clearing and exchange fees - refinancing	691	-	951	-	2,219	-	2,312	-
504000 Clearing and exchange fees - underwriting	119	-	100	-	422	-	1,051	-
507000 Issuance and management fees on exchange traded notes (note 6(y))	-	-	-	-	-	-	377	-
521200 Financial costs	523,524	15	163,153	7	1,339,730	15	316,622	6
521640 Loss from securities borrowing transactions	146,982	4	226,497	10	228,697	3	304,916	5
524100 Futures commission expense (note 6(w))	86,796	3	98,513	4	235,255	3	292,740	5
524300 Cleaning and settlement expenses	48,182	1	52,541	2	124,257	1	154,465	3
528000 Other operating expenditure	14,233	-	6,484	-	32,851	-	19,865	-
531000 Employee benefits expenses (note 6(w))	880,861	25	742,919	32	2,393,555	26	2,057,279	36
532000 Depreciation and amortization expense (note 6(w))	115,622	3	116,751	5	345,221	4	347,920	6
533000 Other operating expenses (note 6(w))	701,278	20	570,669	25	1,843,607	20	1,667,763	29
	<u>2,725,789</u>	<u>76</u>	<u>2,145,770</u>	<u>93</u>	<u>7,048,484</u>	<u>77</u>	<u>5,676,423</u>	<u>98</u>
Other income (expenses):								
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(g))	47,477	1	42,412	2	144,550	1	160,802	3
602000 Other gains and losses (note 6(w))	375,320	10	310,747	13	1,524,158	17	748,634	13
	<u>422,797</u>	<u>11</u>	<u>353,159</u>	<u>15</u>	<u>1,668,708</u>	<u>18</u>	<u>909,436</u>	<u>16</u>
902001 Net income before income tax	1,265,643	35	503,674	22	3,779,428	41	1,039,767	18
701000 Less: Income tax expenses (note 6(t))	72,510	2	162,732	7	173,846	2	542,188	9
	<u>1,193,133</u>	<u>33</u>	<u>340,942</u>	<u>15</u>	<u>3,605,582</u>	<u>39</u>	<u>497,579</u>	<u>9</u>
805000 Other comprehensive income:								
805500 Components that may not be reclassified to profit or loss in subsequent periods:								
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	138,689	4	(249,288)	(11)	769,563	9	(758,890)	(13)
805550 Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	-	159	-	(2,276)	-	645	-
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-
	<u>138,689</u>	<u>4</u>	<u>(249,129)</u>	<u>(11)</u>	<u>767,287</u>	<u>9</u>	<u>(758,245)</u>	<u>(13)</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:								
805610 Exchange differences on translation of foreign operations	145,772	4	268,346	11	191,750	2	552,064	9
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(278,309)	(8)	(259,366)	(11)	(243,963)	(3)	(477,956)	(8)
805699 Less: Income tax related to components of other comprehensive income (note 6(t))	11,775	-	21,117	1	15,650	-	41,974	1
	<u>(144,312)</u>	<u>(4)</u>	<u>(12,137)</u>	<u>(1)</u>	<u>(67,863)</u>	<u>(1)</u>	<u>32,134</u>	<u>-</u>
805000 Other comprehensive income, net	(5,623)	-	(261,266)	(12)	699,424	8	(726,111)	(13)
902006 Total comprehensive income	<u>\$ 1,187,510</u>	<u>33</u>	<u>79,676</u>	<u>3</u>	<u>4,305,006</u>	<u>47</u>	<u>(228,532)</u>	<u>(4)</u>
Net income attributable to:								
913100 Shareholders of the parent	\$ 1,073,194	30	243,020	11	3,271,990	35	263,094	5
913200 Non-controlling interests	119,939	3	97,922	4	333,592	4	234,485	4
	<u>\$ 1,193,133</u>	<u>33</u>	<u>340,942</u>	<u>15</u>	<u>3,605,582</u>	<u>39</u>	<u>497,579</u>	<u>9</u>
Total comprehensive income attributable to:								
914100 Shareholders of the parent	\$ 1,045,813	29	(43,921)	(2)	3,942,297	43	(509,916)	(9)
914200 Non-controlling interests	141,697	4	123,597	5	362,709	4	281,384	5
	<u>\$ 1,187,510</u>	<u>33</u>	<u>79,676</u>	<u>3</u>	<u>4,305,006</u>	<u>47</u>	<u>(228,532)</u>	<u>(4)</u>
975000 Basic earnings per share (note 6(v))	\$	<u>0.49</u>	\$	<u>0.11</u>	\$	<u>1.51</u>	\$	<u>0.12</u>
985000 Diluted earnings per share (note 6(v))	\$	<u>0.49</u>	\$	<u>0.11</u>	\$	<u>1.51</u>	\$	<u>0.12</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 nine months ended September 30, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company									Non-controlling interests	Total Equity
	Stock	Retained earnings				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 nine months ended September 30, 2022	-	-	-	-	263,094	-	-	-	263,094	234,485	497,579
Other comprehensive income	-	-	-	-	-	457,811	(1,230,821)	-	(773,010)	46,899	(726,111)
Total comprehensive income	-	-	-	-	263,094	457,811	(1,230,821)	-	(509,916)	281,384	(228,532)
Appropriation and distribution of retained earnings: (note 6(u))											
Legal reserve	-	-	490,424	-	(490,424)	-	-	-	-	-	-
Special reserve	-	-	-	980,848	(980,848)	-	-	-	-	-	-
Cash dividends of common stocks	-	-	-	-	(3,581,998)	-	-	-	(3,581,998)	-	(3,581,998)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	29,300	-	(29,300)	-	-	-	-
Disposal of subsidiaries or investments accounted for using equity method	-	-	-	-	-	-	-	1,205	1,205	-	1,205
Difference between consideration and carrying amount of subsidiaries acquired	-	(209)	-	-	-	-	-	-	(209)	-	(209)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(168,714)	(168,714)
Balance at September 30, 2022	\$ 21,709,081	2,743,256	2,758,257	5,786,990	320,721	54,774	1,270,813	-	34,643,892	2,851,444	37,495,336
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 nine months ended September 30, 2023	-	-	-	-	3,271,990	-	-	-	3,271,990	333,592	3,605,582
Other comprehensive income	-	-	-	-	-	155,984	514,323	-	670,307	29,117	699,424
Total comprehensive income	-	-	-	-	3,271,990	155,984	514,323	-	3,942,297	362,709	4,305,006
Appropriation and distribution of retained earnings: (note 6(u))											
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	-	-	-	-	40,376	-	(40,376)	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(275,944)	(275,944)
Balance at September 30, 2023	\$ 21,709,081	2,743,256	2,889,367	6,049,211	3,411,814	100,121	1,937,301	-	38,840,151	3,033,369	41,873,520

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 nine months ended September 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2023	2022
Cash flows from operating activities:		
Net income before tax	\$ 3,779,428	1,039,767
Adjustments:		
Income and expenses items:		
Depreciation expense	312,492	320,888
Amortization expense	32,729	27,032
Expected credit impairment losses	7,390	3,587
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(796,890)	2,227,522
Financial cost	1,339,730	316,622
Net gains arising from derecognition of financial assets measured at amortized cost	(38)	-
Interest revenue (including financial revenue)	(2,693,376)	(1,348,775)
Dividend revenue	(3,088,718)	(710,545)
Shares of profit of associates and joint ventures accounted for using equity method	(144,550)	(160,802)
(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 (gains) losses on non-operating financial instruments at fair value through profit or loss	(29,698)	5,609
Impairment loss on non-financial assets	3,422	3,623
Net (gains) losses on lease modifications	(5)	694
Subtotal of income of non-cash activities	(5,057,562)	686,673
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(15,639,478)	(3,851,272)
Increase in bonds purchased under resale agreements	(90,063)	-
(Increase) decrease in receivable for securities provided as collateral	(3,780,775)	8,584,697
Decrease (increase) in refinancing margin	12,390	(2,762)
Decrease (increase) in receivable on refinancing collateral	10,051	(2,218)
Increase in receivable of securities business money lending	(571,764)	(2,402,870)
Increase in customers' margin account	(871,957)	(3,132,874)
Decrease (increase) in margin receivable of futures trading	231	(170)
Decrease (increase) in collateral for securities borrowed	1,623,480	(815,562)
Decrease (increase) in security borrowing margin	1,249,311	(7,451,409)
Decrease (increase) in notes receivable	2,325	(182)
(Increase) decrease in accounts receivable	(3,557,785)	2,722,940
Increase in prepayments	(74,979)	(45,259)
Decrease in other receivables	148,883	41,535
Increase in other current financial assets	-	(38)
(Increase) decrease in financial assets at fair value through other comprehensive income	(8,152,478)	2,338,450
Decrease (increase) in leverage contract trading - customer's margin account	58,856	(345,443)
Decrease in other current assets	107,539	8,275,287
(Increase) decrease in other non-current assets	(59,256)	3,086
Increase (decrease) in bonds sold under repurchase agreements	12,471,716	(4,136,691)
Increase in financial liabilities at fair value through profit or loss	3,552,644	3,799,370
(Decrease) increase in guarantee deposited for short sales	(2,290,625)	323,371
(Decrease) increase in proceeds payable from short sales	(1,619,631)	279,354
Increase in securities lending refundable deposits	994,698	6,926,506
Increase in futures traders' equity	830,978	3,160,286
(Decrease) increase in leverage contract trading - customers' equity	(47,357)	335,396
Increase in notes payable	87	76
Increase (decrease) in accounts payable	3,206,542	(3,445,922)
Decrease in advance receipts	(9,140)	(1,535)
Decrease in receipts under custody	(406,624)	(8,063,618)
Increase (decrease) in other payable	80,457	(454,996)
Increase in provision - current	8,384	10,488
Increase (decrease) in other financial liabilities	2,480,355	(1,247,508)
Increase in other current liabilities	10,666	21,177
Decrease in other non-current liabilities	(17,426)	(428,598)
Total changes in assets and liabilities from operating activities	(10,339,745)	993,092
Total adjustments	(15,397,307)	1,679,765

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

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

	For the nine months ended September 30	
	2023	2022
Cash generated from operating activities	\$ (11,617,879)	2,719,532
Interest received	2,518,912	1,386,434
Dividends received	3,238,199	891,062
Interest paid	(1,195,447)	(305,526)
Income taxes paid	(433,273)	(610,759)
Net Cash flows (used in) provided by operating activities	(7,489,488)	4,080,743
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(124,382)	(26,275)
Proceeds from disposal of financial assets at fair value through other comprehensive income	48,786	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	13,032
Acquisition of financial assets at amortized cost	(2,286,493)	(500,000)
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	(208,915)	(87,927)
Proceeds from disposal of property and equipment	860	48
Acquisition of intangible assets	(36,599)	(17,179)
Increase in deferred debits	(596)	(595)
Net cash flows used in investing activities	(2,485,677)	(567,865)
Cash flows from financing activities:		
Increase in short-term borrowings	3,801,506	1,798,381
Increase (decrease) in commercial papers payable	5,247,272	(132,473)
Payment of lease liabilities	(146,563)	(141,562)
Cash dividends paid	(1,122,599)	(3,728,193)
Acquisition of ownership interests in subsidiaries	-	(23,653)
Net cash flows provided by (used in) financing activities	7,779,616	(2,227,500)
Effect of exchange rate changes on cash and cash equivalents	189,145	544,197
(Decrease) increase in cash and cash equivalents	(2,006,404)	1,829,575
Cash and cash equivalents, beginning of period	11,259,550	9,807,123
Cash and cash equivalents, end of period	\$ 9,253,146	11,636,698

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

September 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 September 30, 2023, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of September 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 November 10, 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”
- Amendments to IAS21 “Lack of Exchangeability”

(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			Note
			September 30, 2023	December 31, 2022	September 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 %	(Note 1)
"	CSC International Holdings Ltd.	Long-term equity investment business	100.00 %	100.00 %	100.00 %	(Note 2)
"	Capital Futures Corp.	Engaged in domestic and foreign futures business	56.58 %	56.58 %	56.58 %	
"	Taiwan International Securities (B.V.I) Corp.	Holding company for offshore securities units	100.00 %	100.00 %	100.00 %	(Note 3)
"	CSC Venture Capital Corp.	Management, consulting, venture and general investment business	100.00 %	100.00 %	100.00 %	(Note 4)
"	CSC Capital Management Co.	Consulting business and venture capital	100.00 %	100.00 %	100.00 %	(Note 5)
Capital Futures Corp.	CSC Futures (HK) Ltd.	Futures dealing business	100.00 %	100.00 %	100.00 %	
"	Capital International Technology Corp.	Management, consulting and information service business	100.00 %	100.00 %	100.00 %	(Note 6)
Capital International Technology Corp.	Capital True Partner Technology Co., Ltd.	Management, consulting and information service business.	51.00 %	51.00 %	51.00 %	(Note 6)
"	Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	100.00 %	100.00 %	100.00 %	(Note 6)
CSC International Holdings Ltd.	CSC Securities (HK) Ltd.	Securities brokerage, underwriting, proprietary trading, financial businesses and other securities businesses	100.00 %	100.00 %	100.00 %	(Note 2)
CSC Securities (HK) Ltd.	Capital Securities Nominees Ltd.	Agency service	100.00 %	100.00 %	100.00 %	(Note 2)
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	100.00 %	(Note 5)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total assets amounted to \$124,068 and \$128,648, and the total liabilities amounted to \$41,538 and \$39,030, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$1,620, \$7,275, \$5,112 and \$13,386, respectively.
- Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total consolidated assets amounted to \$2,253,734 and \$1,926,229, and the total consolidated liabilities amounted to \$591,060 and \$297,897, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$60,473, \$89,596, \$87,603 and \$150,556, respectively.
- Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total consolidated assets amounted to \$92 and \$28, and both of the total consolidated liabilities amounted to \$0, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$103, \$10, \$53 and \$10, respectively.
- Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total assets amounted to \$930,397 and \$815,020, and the total liabilities amounted to \$5,856 and \$7,839, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$(28,874), \$(38,568), \$105,425 and \$22,628, respectively.
- Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total assets amounted to \$319,972 and \$313,109, and the total liabilities amounted to \$3,131 and \$1,835, respectively. The total comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$8,468, \$3,847, \$29,842 and \$(36,933), respectively.
- Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of September 30, 2023 and 2022, the total consolidated assets amounted to \$29,154 and \$36,761, and the total consolidated liabilities amounted to \$5,962 and \$5,528, respectively. The total consolidated comprehensive income (loss) for the three months and the nine months ended September 30, 2023 and 2022 were \$(2,154), \$(1,728), \$(5,403) and \$(5,061), respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2023	December 31, 2022	September 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 September 30, 2023, December 31, 2022 and September 30, 2022, the total assets constituted 0.02%, 0.02% and 0.02% of the Group's total assets, respectively. For the nine months ended September 30, 2023 and 2022, the operation revenue constituted 0.00% and 0.45% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of September 30, 2023, December 31, 2022 and September 30, 2022, the total assets constituted 0.03%, 0.05% and 0.06% of the Group's total assets, respectively. For the nine months ended September 30, 2023 and 2022, the operation revenue constituted 1.14% and 2.80% of the consolidated revenue, respectively. Thus it was excluded from the consolidated financial statement due to immaterial.

(d) Employee benefits

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

(e) Income tax

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

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

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

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

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

In These consolidated financial statements, judgments and key sources of estimation and assumption uncertainty are expected to be consistent with those of Note 5 of the consolidated financial statements as of and for the year ended December 31, 2022.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

Expect 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash	\$ 2,845	2,818	2,754
Bank deposits			
Checking accounts	42,824	44,323	131,591
Demand deposits	<u>1,572,322</u>	<u>3,205,314</u>	<u>2,519,439</u>
Subtotal	<u>1,615,146</u>	<u>3,249,637</u>	<u>2,651,030</u>
Cash equivalents			
Time deposits	5,292,710	5,532,913	6,254,246
Futures margin - excess margin	2,225,120	2,474,182	2,728,668
Commercial papers	<u>117,325</u>	<u>-</u>	<u>-</u>
Subtotal	<u>7,635,155</u>	<u>8,007,095</u>	<u>8,982,914</u>
Total	<u>\$ 9,253,146</u>	<u>11,259,550</u>	<u>11,636,698</u>

(b) Financial assets

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 1,199,489	299,075	199,089
Valuation adjustment	<u>20,395</u>	<u>(8,892)</u>	<u>(5,439)</u>
Subtotal	<u>1,219,884</u>	<u>290,183</u>	<u>193,650</u>
Securities invested by securities broker			
Securities invested by securities broker	23,308	15,996	68,920
Valuation adjustment	<u>422</u>	<u>(453)</u>	<u>(4,343)</u>
Subtotal	<u>23,730</u>	<u>15,543</u>	<u>64,577</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	September 30, 2023	December 31, 2022	September 30, 2022
Trading securities - proprietary trading			
Listed stocks	\$ 2,396,361	2,172,320	3,565,062
Listed funds	6,030,923	4,309,153	5,090,238
OTC stocks	801,477	518,212	487,883
OTC funds	6,968,228	1,175,314	492,431
Emerging market stocks	408,683	358,332	351,123
Convertible bonds	2,235,161	415,008	403,462
Government bonds	2,886,436	2,314,993	3,221,602
Corporate bonds	6,612,714	6,837,714	9,087,714
International bonds	5,445,477	5,532,559	6,121,668
Financial debentures	550,000	801,985	1,006,670
Foreign stocks	110,564	375,698	463,682
Foreign funds	178,915	499,347	528,994
Foreign bonds	846,916	230,783	238,645
Others	276,470	43,970	1,996
	35,748,325	25,585,388	31,061,170
Valuation adjustment	(755,358)	(793,237)	(1,390,007)
Subtotal	34,992,967	24,792,151	29,671,163
Trading securities - underwriting			
Listed stocks	21,147	50,999	220,010
Convertible bonds	3,008	67,283	41,978
	24,155	118,282	261,988
Valuation adjustment	(2,846)	(7,248)	(910)
Subtotal	21,309	111,034	261,078
Trading securities - hedging			
Listed stocks	4,461,816	2,437,167	2,028,215
OTC stocks	1,178,008	527,514	413,656
Convertible bonds	15,600,440	12,834,051	13,178,349
Others	287,515	722,856	719,831
	21,527,779	16,521,588	16,340,051
Valuation adjustment	(77,748)	(1,002,923)	(1,236,513)
Subtotal	21,450,031	15,518,665	15,103,538

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Derivatives			
Buy options	\$ 96,871	89,537	179,569
Futures margin - proprietary fund	770,741	1,133,174	779,116
IRS asset swaps	24,687	17,807	19,598
Asset swap options - long position	235,120	205,121	247,023
Leverage derivatives - non-hedging	128,340	202,915	242,480
Structured notes	4,099	2,056	7,383
Exchange rate derivatives	64,972	9,345	241,178
Equity derivatives	9,512	16,854	10,761
Interest rate swaps	-	-	10
Subtotal	<u>1,334,342</u>	<u>1,676,809</u>	<u>1,727,118</u>
Total	<u>\$ 59,042,263</u>	<u>42,404,385</u>	<u>47,021,124</u>

As of September 30, 2023, December 31, 2022 and September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 3,350,873	2,807,868	2,808,856
Corporate bonds	4,983,406	3,263,958	1,044,082
International bonds	516,320	491,360	508,000
Foreign bonds	<u>12,975,892</u>	<u>6,795,491</u>	<u>7,497,702</u>
	21,826,491	13,358,677	11,858,640
Valuation adjustment	<u>(506,117)</u>	<u>(240,037)</u>	<u>(385,302)</u>
Subtotal	<u>21,320,374</u>	<u>13,118,640</u>	<u>11,473,338</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 185,813	351,885	492,384
OTC stocks	69,936	136,544	145,826
Emerging market stocks	<u>274,799</u>	<u>184,089</u>	<u>187,244</u>
	530,548	672,518	825,454
Valuation adjustment	<u>(60,078)</u>	<u>(74,479)</u>	<u>(108,420)</u>
Subtotal	<u>470,470</u>	<u>598,039</u>	<u>717,034</u>
Total	<u>\$ 21,790,844</u>	<u>13,716,679</u>	<u>12,190,372</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

For the three months and the nine months ended September 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 \$14,106, \$13,743, \$21,298 and \$24,615, respectively. For the nine months ended September 30, 2023 and 2022, 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 \$220,470, \$115,131, \$816,504 and \$364,026, respectively, cumulative dispose gains (losses) for the three months and the nine months ended September 30, 2023 and 2022, amounted to \$7,229, \$21,755, \$71,607 and \$29,299, 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(x).

4) For the nine months ended September 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(x).

5) As of September 30, 2023, December 31, 2022 and September 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.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,887	181,467	181,467
Valuation adjustment	<u>(1,450)</u>	<u>(2,296)</u>	<u>(2,993)</u>
Total	<u>\$ 179,437</u>	<u>179,171</u>	<u>178,474</u>

As of September 30, 2023, December 31, 2022 and September 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).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,017,024	1,056,265	979,765
Valuation adjustment	<u>2,349,015</u>	<u>1,634,510</u>	<u>1,623,214</u>
Total	<u>\$ 3,366,039</u>	<u>2,690,775</u>	<u>2,602,979</u>

For the three months and the nine months ended September 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 \$38,329, \$51,617, \$76,291 and \$99,064, respectively.

For the three months and the nine months ended September 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 \$0, \$0, \$106,500 and \$0, generated cumulative dispose (losses) gains \$0, \$0, \$(43,125) and \$0 and the gains were transferred from other equity items to retained earnings. Furthermore, for the three months and the nine months ended September 30, 2023 and 2022, the investee company distribution of residual property liquidation amounted to \$0, \$0, \$12,175 and \$0, refunded the proceeds of capital reduction amounted to \$0, \$13,032, \$0 and \$13,032.

- (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 nine months ended September 30, 2023 and 2022 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	September 30, 2023	December 31, 2022	September 30, 2022	For the nine months ended September 30,					
				2023			2022		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	1,957,528	1,474,730	1,448,903	1,732,747	2,057,623	1,403,626	1,608,247	1,811,101	1,448,903

(vi) Financial assets at amortized cost – non current

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
1) Debt Securities at amortized cost :			
Financial debentures	\$ 500,000	500,000	500,000
Currency debentures	<u>4,948,529</u>	<u>2,769,926</u>	<u>-</u>
	5,448,529	3,269,926	500,000
Less: loss allowance	<u>(1,810)</u>	<u>(1,141)</u>	<u>(178)</u>
Total	<u>\$ 5,446,719</u>	<u>3,268,785</u>	<u>499,822</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 be completely provided by repayment of principal and interest calculated on the basis of outstanding principal amount; therefore, they have been classified as debt instrument investments measured at amortized cost.

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

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Carrying amount on the date of derecognition	\$ <u>-</u>	<u>-</u>	<u>121,624</u>	<u>-</u>
Current profit and loss	\$ <u>-</u>	<u>-</u>	<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 been increased, and other sales are infrequent (even if the amount is significant), or the individual and collective amounts are not significant (even if frequent).

- (c) Bonds purchased under resale agreements

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Bonds purchased under resell agreements	\$ <u>90,063</u>	<u>-</u>	<u>-</u>
Agreed-upon resale amounts	\$ <u>90,078</u>	<u>-</u>	<u>-</u>
Interest rate	<u>0.95%</u>	<u>-</u>	<u>-</u>
Date of resale	<u>2023.10.3~2023.10.13</u>	<u>-</u>	<u>-</u>

- (d) Accounts Receivable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Receivable on securities purchased by customers	\$ 46,807	64,921	98,623
Settlement	-	598,397	-
Interests receivable	694,414	576,237	506,686
Receivables on securities sold	8,807,280	4,626,242	7,912,860
Others	<u>175,040</u>	<u>146,198</u>	<u>130,443</u>
Total	<u>\$ 9,723,541</u>	<u>6,011,995</u>	<u>8,648,612</u>

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Customers' margin account			
Cash in banks	\$ 28,435,625	29,259,271	30,216,314
Customers' margin account - futures clearing house	5,631,185	5,428,820	6,332,033
Customers' margin account - other futures commission merchants	5,853,812	4,338,662	4,431,209
Marketable securities	<u>1,076</u>	<u>22,988</u>	<u>1,508</u>
Total customers' margin account	<u>39,921,698</u>	<u>39,049,741</u>	<u>40,981,064</u>
Add:			
Commission expense	4,483	4,214	6,847
Other	-	-	125
Other payable	-	-	30,505
Less:			
Brokerage fee revenue	(18,160)	(15,952)	(27,958)
Futures transaction tax	(2,377)	(1,617)	(3,054)
Interest revenues	(6,479)	(5,668)	(2,211)
Temporary receipts	(743)	(29,355)	(987)
Remittance amount of the customers after the market closed	(22,675)	(11,610)	(24,904)
Other receivable	(160,458)	(104,766)	-
Other	<u>(18)</u>	<u>(746)</u>	<u>-</u>
Futures traders' equity	<u>\$ 39,715,271</u>	<u>38,884,241</u>	<u>40,959,427</u>

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Investments accounted for under equity method

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 40,659	72,021	71,879
Capital Insurance Agency Corp.	<u>39,507</u>	<u>39,501</u>	<u>39,519</u>
Subtotal	<u>80,166</u>	<u>111,522</u>	<u>111,398</u>
Associates			
Capital Investment Trust Corp.	1,362,919	1,374,245	1,328,688
EnnoCap Venture Inc.	<u>133</u>	<u>210</u>	<u>237</u>
Subtotal	<u>1,363,052</u>	<u>1,374,455</u>	<u>1,328,925</u>
Total	<u><u>\$ 1,443,218</u></u>	<u><u>1,485,977</u></u>	<u><u>1,440,323</u></u>

(i) Subsidiaries:

For the three months and the nine months ended September 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 September 30,</u>		<u>For the nine months ended September 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>\$ 1,714</u>	<u>7,047</u>	<u>14,794</u>	<u>47,168</u>
		<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Total assets		<u>\$ 105,240</u>	<u>142,532</u>	<u>148,907</u>
Total liabilities		<u>\$ 25,074</u>	<u>31,010</u>	<u>37,509</u>
		<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>	<u>2022</u>
Revenue	<u>\$ 30,496</u>	<u>31,346</u>	<u>104,624</u>	<u>189,147</u>
Net income	<u>\$ 1,714</u>	<u>7,047</u>	<u>14,794</u>	<u>47,168</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Associates

Name of associate	Nature between the Company	Primary business area and registered country	Proportion of Ownership and Voting Rights		
			September 30, 2023	December 31, 2022	September 30, 2022
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 6.

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

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

	September 30, 2023	December 31, 2022	September 30, 2022	
Total carrying amount of interests in associates that were individually immaterial	\$ <u>1,363,052</u>	<u>1,374,455</u>	<u>1,328,925</u>	
	For the three months ended September 30, 2023	2022	For the nine months ended September 30, 2023	2022
The Group's share of gains based on the associates' financial statements:				
Net gains from continuing operations	\$ 45,763	35,365	129,756	113,634
Other comprehensive income (losses)	-	159	(2,276)	645
Total comprehensive income (losses)	\$ <u>45,763</u>	<u>35,524</u>	<u>127,480</u>	<u>114,279</u>

(iii) Collateral

As of September 30, 2023, December 31, 2022 and September 30, 2022, none of the investment accounted for under equity method of the Group was pledged for collateral.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) 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	-	-	165,176	43,739	208,915
Transferred from investment property	240,289	134,658	-	-	374,947
Disposals and retirements	-	-	(72,405)	(36,407)	(108,812)
Effect of exchange rate changes	-	3,895	3,093	579	7,567
Balance at September 30, 2023	<u>\$ 2,045,574</u>	<u>1,269,922</u>	<u>785,733</u>	<u>274,870</u>	<u>4,376,099</u>
Balance at January 1, 2022	\$ 1,933,030	1,199,242	644,459	264,723	4,041,454
Additions	-	-	52,848	35,079	87,927
Transferred from investment property	2,029	1,414	-	-	3,443
Reclassified to investment property	(128,034)	(75,562)	-	-	(203,596)
Disposals and retirements	-	-	(24,178)	(32,806)	(56,984)
Effect of exchange rate changes	-	10,165	8,089	1,548	19,802
Balance at September 30, 2022	<u>\$ 1,807,025</u>	<u>1,135,259</u>	<u>681,218</u>	<u>268,544</u>	<u>3,892,046</u>
Depreciation and impairment loss					
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	17,883	92,699	36,372	146,954
Transferred from investment property	-	32,390	-	-	32,390
Disposals and retirements	-	-	(71,595)	(36,407)	(108,002)
Effect of exchange rate changes	-	1,991	2,718	211	4,920
Balance at September 30, 2023	<u>\$ -</u>	<u>554,199</u>	<u>472,126</u>	<u>170,148</u>	<u>1,196,473</u>
Balance at January 1, 2022	\$ -	493,962	341,077	153,617	988,656
Depreciation	-	17,233	100,995	42,049	160,277
Transferred from investment property	-	1,015	-	-	1,015
Reclassified to investment property	-	(18,691)	-	-	(18,691)
Disposals and retirements	-	-	(24,122)	(32,806)	(56,928)
Effect of exchange rate changes	-	4,999	6,537	368	11,904
Balance at September 30, 2022	<u>\$ -</u>	<u>498,518</u>	<u>424,487</u>	<u>163,228</u>	<u>1,086,233</u>
Carrying amount:					
At September 30, 2023	<u>\$ 2,045,574</u>	<u>715,723</u>	<u>313,607</u>	<u>104,722</u>	<u>3,179,626</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 September 30, 2022	<u>\$ 1,807,025</u>	<u>636,741</u>	<u>256,731</u>	<u>105,316</u>	<u>2,805,813</u>

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At September 30, 2023	\$ <u>698,206</u>	<u>13,583</u>	<u>711,789</u>
At January 1, 2023	\$ <u>755,229</u>	<u>14,668</u>	<u>769,897</u>
At September 30, 2022	\$ <u>764,293</u>	<u>16,483</u>	<u>780,776</u>
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<u>2022</u>		<u>2022</u>
Additions of Right-of-use assets	\$ <u>30,057</u>	<u>29,704</u>	<u>88,423</u>
Depreciation for the period			
Buildings	48,540	45,762	141,092
Others	1,995	1,815	5,669
	\$ <u>50,535</u>	<u>47,577</u>	<u>146,761</u>

(j) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At September 30, 2023	\$ <u>2,910,134</u>	<u>541,269</u>	<u>3,451,403</u>
At January 1, 2023	\$ <u>3,150,422</u>	<u>661,549</u>	<u>3,811,971</u>
At September 30, 2022	\$ <u>3,148,682</u>	<u>668,272</u>	<u>3,816,954</u>
<u>Fair Value:</u>			
At September 30, 2023			<u>7,310,242</u>
At January 1, 2023			<u>7,761,103</u>
At September 30, 2022			<u>7,773,522</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 September 30, 2023, December 31, 2022 and September 30, 2022, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months and the nine months ended September 30, 2023 and 2022, the depreciation expense of the Group amounted to \$5,897, \$6,545, \$18,777 and \$19,331, respectively.

There was no significant acquisition, disposal and impairment loss or reversal of impairment losses of investment properties of the Group in the periods for the nine months ended September 30, 2023 and 2022. For the nine months ended September 30, 2023 and 2022, \$0 and \$184,905 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(w).

Lessor

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Within 1 year	\$ 140,278	160,299	163,176
1-5 years	452,041	461,109	473,174
Over 5 years	<u>29,353</u>	<u>110,170</u>	<u>111,974</u>
	<u>\$ 621,672</u>	<u>731,578</u>	<u>748,324</u>

The rental revenue from investment property for the three months and the nine months ended September 30, 2023 and 2022 amounted to \$53,291, \$42,822, \$140,606 and \$128,614, respectively.

(k) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of September 30, 2023, December 31, 2022 and September 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 September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of goodwill were \$7,709, \$11,131 and \$12,310, respectively. Furthermore, the Group recognized an impairment loss of \$3,422 and \$3,623 for the nine months ended September 30, 2023 and 2022 respectively, by using discount rate of 4.20% and 4.30% to be used to estimate the future recoverable amount of Capital True Partner Technology Co.

(ii) Other intangible assets - Operation franchise

The Company acquired the operation franchise of securities corporation channel during 1994 to 2005 and expected the franchise will generate continuing cash inflows. In accordance with IAS No.38 "Intangible Assets" endorsed by the FSC, the franchise is regarded as intangible assets with an indefinite useful life. As of September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of the operation franchise were all \$389,999.

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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 September 30, 2023, December 31, 2022 and September 30, 2022, the carrying amounts of intangible assets were \$46,371, \$46,278 and \$46,332, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of September 30, 2023, December 31, 2022 and September 30, 2022, the amortized book value were \$44,091, \$39,894 and \$27,621, respectively.

(l) Short-term borrowings

<u>Nature of borrowings</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Collateralized loan	\$ -	1,792,235	1,640,205
Credit loan	<u>6,672,305</u>	<u>1,078,564</u>	<u>3,245,996</u>
Total	<u>\$ 6,672,305</u>	<u>2,870,799</u>	<u>4,886,201</u>
Interest rate range	<u>0.95%~6.31%</u>	<u>2.39%~5.29%</u>	<u>1.19%~3.89%</u>

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

(m) Commercial paper payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Commercial paper payable	\$ 8,450,000	3,200,000	8,270,000
Less: Unamortized discount	<u>(4,006)</u>	<u>(1,278)</u>	<u>(4,667)</u>
Net amount	<u>\$ 8,445,994</u>	<u>3,198,722</u>	<u>8,265,333</u>
Interest rate range	<u>1.518%~1.698%</u>	<u>1.378%~1.598%</u>	<u>1.298%~1.498%</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

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Liabilities on sale of borrowed securities	\$ 12,082,264	10,395,729	7,602,492
Redeem liabilities on sale of borrowed securities	(85,187)	(73,941)	(6,514)
Valuation adjustment	<u>(481,806)</u>	<u>(654,679)</u>	<u>(1,023,843)</u>
Subtotal	<u>11,515,271</u>	<u>9,667,109</u>	<u>6,572,135</u>
Stock warrants issued	17,409,198	11,073,530	14,422,059
Stock warrants repurchased	<u>(16,293,510)</u>	<u>(10,572,072)</u>	<u>(13,871,473)</u>
Subtotal	<u>1,115,688</u>	<u>501,458</u>	<u>550,586</u>
Sale options	41,418	128,999	218,779
IRS asset swaps	42,423	51,106	59,897
Asset swap options - short position	2,593,290	1,140,992	1,241,389
Structured notes	56,533	103,125	121,223
Leverage derivatives - non-hedging	3,851	28,918	6,207
Exchange rate derivatives	-	21,123	333
Interest rate swaps	49	59	-
Equity derivatives	<u>1,583</u>	<u>1,710</u>	<u>3,531</u>
Subtotal	<u>2,739,147</u>	<u>1,476,032</u>	<u>1,651,359</u>
Total	<u>\$ 15,370,106</u>	<u>11,644,599</u>	<u>8,774,080</u>

(o) Bonds sold under repurchase agreements

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Bonds sold under repurchase agreements	<u>\$ 48,507,685</u>	<u>36,035,969</u>	<u>33,209,244</u>
Agreed-upon repurchase amounts	<u>49,436,516</u>	<u>36,440,943</u>	<u>33,425,704</u>
Interest rates	<u>0.8%~5.69%</u>	<u>0.55%~5.2%</u>	<u>0.45%~3.76%</u>
Date of repurchase	<u>2023.10.2~2024.9.27</u>	<u>2023.1.3~2023.12.27</u>	<u>2022.10.3~2023.9.29</u>

(p) Equity for each customer in the account

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Equity for each customer in the account	<u>\$ 28,567,340</u>	<u>25,111,376</u>	<u>26,590,128</u>
Amount of separate account ledger in NTD			
Demand deposit amount	10,067,336	25,111,371	26,590,124
Time deposit amount	11,000,000	-	-
Time deposit amount in other banks(market values)	7,500,000	-	-
Total	<u>\$ 28,567,336</u>	<u>25,111,371</u>	<u>26,590,124</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Accounts payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Payable of securities sold by customers	\$ 72,668	31,239	53,773
Settlement	1,136,883	-	735,713
Payable of settlements	6,476,990	4,435,412	6,346,315
Others	<u>335,974</u>	<u>214,343</u>	<u>185,706</u>
Total	<u>\$ 8,022,515</u>	<u>4,680,994</u>	<u>7,321,507</u>

(r) Lease liabilities

The Group's lease liabilities are as follow:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	<u>\$ 203,027</u>	<u>191,688</u>	<u>184,407</u>
Non-current	<u>\$ 566,319</u>	<u>635,604</u>	<u>655,553</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 2,271</u>	<u>2,626</u>	<u>7,267</u>	<u>8,160</u>
Expenses relating to short-term leases	<u>\$ 3,311</u>	<u>2,588</u>	<u>9,080</u>	<u>5,386</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 969</u>	<u>2,001</u>	<u>3,788</u>	<u>6,019</u>
Covid-19-related rent concessions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>216</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 166,698</u>	<u>161,127</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) 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 nine months ended September 30, 2023 and 2022, the Group's pension expenses recognized in profit or loss were \$(157), \$1,156, \$(469) and \$3,463, 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 \$23,509, \$23,935, \$70,094 and \$76,269 under defined contribution plan to the Bureau of the Labor Insurance for the three months and the nine months ended September 30, 2023 and 2022, respectively.

(iii) For the three months and the nine months ended September 30, 2023 and 2022, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,343, \$1,157, \$3,778 and \$3,245, respectively.

(iv) Provision for employee benefits liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Compensated absences	\$ 59,961	51,577	60,092

(t) Income tax

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current tax expense	\$ 85,030	149,639	357,810	236,664
Deferred income tax expense (benefit)	(12,520)	13,093	(183,964)	305,524
Total	<u>\$ 72,510</u>	<u>162,732</u>	<u>173,846</u>	<u>542,188</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Foreign exchange difference from translating financial statement of foreign operations	<u>\$ 11,775</u>	<u>21,117</u>	<u>15,650</u>	<u>41,974</u>

(iv) Income tax assessment status

- 1) The Company's income tax returns through 2021 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Capital and other equity

(i) Capital stock

As of September 30, 2023, December 31, 2022 and September 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:

	September 30, 2023	December 31, 2022	September 30, 2022
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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Special reserve

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

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

3) Undistributed earnings

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

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

The Company’s fiscal year 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:

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Earnings per share

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income attributable to common shareholders of the Company	\$ <u>1,073,194</u>	<u>243,020</u>	<u>3,271,990</u>	<u>263,094</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>0.49</u>	<u>0.11</u>	<u>1.51</u>	<u>0.12</u>
Effect of potentially dilutive common stock	<u>1,161</u>	<u>524</u>	<u>3,031</u>	<u>830</u>
- Employee remuneration (thousands of shares) (Note)				
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,172,069</u>	<u>2,171,432</u>	<u>2,173,939</u>	<u>2,171,738</u>
Dilutive earnings per share (dollar)	\$ <u>0.49</u>	<u>0.11</u>	<u>1.51</u>	<u>0.12</u>

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

(w) Items of the statements of comprehensive income

(i) Brokerage commissions

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Brokerage commission from TSE market	\$ 799,968	557,831	1,922,501	1,944,858
Brokerage commission from OTC market	242,087	207,609	649,748	631,787
Handling fee from security financing	9,198	11,518	21,332	32,119
Futures commission income - brokerage	430,288	491,045	1,216,107	1,476,176
Overseas subsidiaries	5,990	10,043	28,947	21,625
Others	<u>32,372</u>	<u>38,040</u>	<u>117,781</u>	<u>100,927</u>
	<u>\$ 1,519,903</u>	<u>1,316,086</u>	<u>3,956,416</u>	<u>4,207,492</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Underwriting commissions

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue from underwriting securities on a firm commitment basis	\$ 15,445	12,180	39,524	44,768
Handling fee revenues from underwriting securities on consignment	89	104	293	345
Processing fee revenues from underwriting operations	2,892	2,546	8,845	22,535
Revenue from underwriting consultation	2,200	710	4,210	3,060
Others	<u>325</u>	<u>2,575</u>	<u>811</u>	<u>3,615</u>
	<u>\$ 20,951</u>	<u>18,115</u>	<u>53,683</u>	<u>74,323</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains (losses) on securities sold - proprietary trading	\$ (566,382)	(468,931)	201,964	10,441
Gains (losses) on securities sold - underwriting	(183)	2,186	7,548	9,520
Gains (losses) on securities sold - hedging	513,003	(336,706)	1,287,207	(775,884)
	<u>\$ (53,562)</u>	<u>(803,451)</u>	<u>1,496,719</u>	<u>(755,923)</u>

(iv) Interest revenue

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Interest revenue - margin loans	\$ 203,130	182,831	539,102	659,394
Interest revenue - bonds	350,310	133,168	931,347	314,950
Overseas subsidiaries	4,045	4,595	13,597	13,126
Others	<u>104,411</u>	<u>44,338</u>	<u>204,615</u>	<u>126,886</u>
	<u>\$ 661,896</u>	<u>364,932</u>	<u>1,688,661</u>	<u>1,114,356</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Trading securities - proprietary	\$ 304,400	(447,003)	40,178	(1,558,501)
Trading securities - underwriting	(75)	10,175	4,401	(6,085)
Trading securities - hedging	(41,069)	(70,817)	925,174	(1,705,520)
	<u>\$ 263,256</u>	<u>(507,645)</u>	<u>969,753</u>	<u>(3,270,106)</u>

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

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Gains on changes in fair value of stock warrants	\$ 3,632,118	7,329,594	5,404,497	37,245,797
Gains on exercise of stock warrants before maturity	21,557,408	8,389,139	50,388,256	22,242,494
Losses on changes in fair value of stock warrants repurchased	(25,056,638)	(15,558,692)	(55,732,181)	(58,077,171)
Gains on expiration of stock warrants	5,460	12,662	26,346	29,491
Stock warrants issuance expenses	(120,004)	(58,814)	(279,236)	(192,573)
	<u>\$ 18,344</u>	<u>113,889</u>	<u>(192,318)</u>	<u>1,248,038</u>

(vii) Futures commission revenues

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 98,841</u>	<u>88,540</u>	<u>220,173</u>	<u>242,718</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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Future trading - reconsignment	\$ 55,874	68,295	174,189	211,898
Future trading - introducing brokers	794	570	2,451	1,610
Commission expenses - CSC Futures (HK) Ltd.	30,128	29,648	58,615	79,232
	<u>\$ 86,796</u>	<u>98,513</u>	<u>235,255</u>	<u>292,740</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Employee benefit expenses				
Salary expense	\$ 789,142	653,534	2,123,555	1,770,763
Health and labor insurance expense	48,274	46,538	145,634	153,915
Pension expense	24,695	26,248	73,403	82,977
Others	18,750	16,599	50,963	49,624
Depreciation expense	103,058	107,720	312,492	320,888
Amortization expense	12,564	9,031	32,729	27,032
	<u>\$ 996,483</u>	<u>859,670</u>	<u>2,738,776</u>	<u>2,405,199</u>

(x) Other operating expenses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Rental expense	\$ 4,293	4,596	12,903	11,420
Taxes	232,379	169,885	526,661	488,545
Information technology expense	70,107	78,253	206,769	238,626
Postage expense	63,454	58,889	185,525	173,260
Professional service fee	6,845	2,794	17,620	16,584
Other expenses	324,200	256,252	894,129	739,328
	<u>\$ 701,278</u>	<u>570,669</u>	<u>1,843,607</u>	<u>1,667,763</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xi) Other gains and losses

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Financial revenue	\$ 340,481	122,035	1,004,715	234,419
Currency exchange gains (losses)	3,088	11,944	6,030	37,924
Net gains (losses) on disposal of investment	(313,995)	4,417	(279,946)	(12,067)
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	137,972	(929)	29,698	(5,609)
Revenue from bank's allocation fee	75,134	70,620	227,694	188,670
Net gains (losses) on disposal of property and equipment	-	-	50	(8)
Dividend revenue	71,626	51,969	333,064	99,535
Gains on reversal of prior year's liabilities	94	99	18,473	31,609
Rental income	53,291	42,822	140,606	128,614
Others	7,629	7,770	43,774	45,547
	<u>\$ 375,320</u>	<u>310,747</u>	<u>1,524,158</u>	<u>748,634</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 nine months ended September 30, 2023 and 2022, the estimated amounts of remuneration to employees were \$17,606, \$4,468, \$44,251 and \$8,753, respectively, and to directors were \$33,070, \$5,449, \$59,715 and \$10,674, 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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

For the years ended December 31, 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 nine months ended September 30, 2023 and 2022, the estimated amounts of remuneration to employees were \$3,025, \$3,292, \$11,443 and \$8,030 and to directors were \$3,025, \$3,312, \$11,443 and \$8,055 by the domestic subsidiaries of the Group, respectively.

(x) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of September 30, 2023, December 31, 2022 and September 30, 2022, the maximum credit exposure amounted to \$185,434,407, \$144,399,399 and \$149,496,465, 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 83.75%); secondly, is in Asia (accounted for 8.33%, exclusion of Taiwan); then, is in America (accounted for 5.54%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Taiwan	\$ 155,292,333	122,669,163	126,554,940
Asia (Taiwan is excluded)	15,448,247	11,862,797	12,564,160
Europe	3,741,571	2,797,074	2,823,391
America	10,272,680	7,001,295	7,461,780
Other	<u>679,576</u>	<u>69,070</u>	<u>92,194</u>
Total	<u>\$ 185,434,407</u>	<u>144,399,399</u>	<u>149,496,465</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

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

September 30, 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	\$ 11,515,271	11,515,271	11,515,271	-	-	-	-
Stock warrants issued	1,115,688	1,115,688	978,102	133,083	4,503	-	-
Put options	41,418	41,418	41,418	-	-	-	-
Equity derivatives	1,583	1,583	1,583	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	42,472	42,472	2,608	5,365	12,983	21,516	-
Asset swap option - short position	2,593,290	2,593,290	220,339	293,580	1,113,664	965,707	-
Leverage derivatives - non- hedging	3,851	3,851	3,851	-	-	-	-
Structured notes	56,533	56,533	29,481	13,483	3,072	10,497	-
Short-term borrowings	6,672,305	6,672,305	6,672,305	-	-	-	-
Commercial paper payable	8,445,994	8,450,000	8,450,000	-	-	-	-
Bonds sold under repurchase agreements	48,507,685	49,436,516	32,089,297	17,347,219	-	-	-
Guarantee deposited for short sales	1,827,815	1,827,815	1,827,815	-	-	-	-
Proceeds payable from short sales	2,095,310	2,095,310	2,095,310	-	-	-	-
Securities lending refundable deposits	15,675,716	15,675,716	15,675,716	-	-	-	-
Futures traders' equity	39,715,271	39,715,271	39,715,271	-	-	-	-
Equity for each customer in the account	28,567,340	28,567,340	28,567,340	-	-	-	-
Leverage contract trading customers' equity	802,530	802,530	802,530	-	-	-	-
Notes payable and accounts payable	336,213	336,213	336,213	-	-	-	-
Receipts under custody	140,620	140,620	140,620	-	-	-	-
Other payables	929,098	929,098	927,148	1,950	-	-	-
Other financial liabilities	6,002,947	6,002,947	5,068,073	265,579	440,355	228,940	-
Lease liabilities	769,346	790,908	113,330	98,358	190,590	386,446	2,184
	<u>\$ 175,858,296</u>	<u>176,812,695</u>	<u>155,273,621</u>	<u>18,158,617</u>	<u>1,765,167</u>	<u>1,613,106</u>	<u>2,184</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 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>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
September 30, 2022							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 6,572,135	6,572,135	6,572,135	-	-	-	-
Stock warrants issued	550,586	550,586	500,229	50,009	348	-	-
Put options	218,779	218,779	218,779	-	-	-	-
Equity derivatives	3,531	3,531	3,531	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	60,230	60,230	1,042	2,675	20,241	36,272	-
Asset swap option - short position	1,241,389	1,241,389	103,010	164,998	451,270	522,111	-
Leverage derivatives - non- hedging	6,207	6,207	6,207	-	-	-	-
Structured notes	121,223	121,223	8,884	68,705	40,205	3,429	-
Short-term borrowings	4,886,201	4,886,201	4,886,201	-	-	-	-
Commercial papers payable	8,265,333	8,270,000	8,270,000	-	-	-	-
Bonds sold under repurchase agreements	33,209,244	33,425,704	27,655,803	5,769,901	-	-	-
Guarantee deposited for short sales	3,172,205	3,172,205	3,172,205	-	-	-	-
Proceeds payable from short sales	3,526,146	3,526,146	3,526,146	-	-	-	-
Securities lending refundable deposits	15,076,292	15,076,292	15,076,292	-	-	-	-
Futures traders' equity	40,959,427	40,959,427	40,959,427	-	-	-	-
Equity for each customer in the account	26,590,128	26,590,128	26,590,128	-	-	-	-
Leverage contract trading customers' equity	966,226	966,226	966,226	-	-	-	-
Notes payable and accounts payable	185,934	185,934	185,934	-	-	-	-
Receipts under custody	744,532	744,532	744,532	-	-	-	-
Other payables	907,363	907,363	904,905	2,458	-	-	-
Other financial liabilities	3,798,372	3,798,372	2,903,063	359,676	368,441	167,192	-
Lease liabilities	839,960	867,360	101,969	91,909	182,956	398,736	91,790
	<u>\$ 151,901,443</u>	<u>152,149,970</u>	<u>143,356,648</u>	<u>6,510,331</u>	<u>1,063,461</u>	<u>1,127,740</u>	<u>91,790</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Currency risk exposure

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

	September 30, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,049,720	32.2700	33,874,464
AUD	6,837	20.5500	140,500
CAD	16	23.9000	382
CHF	426	35.0550	14,933
EUR	13,756	33.9100	466,466
GBP	602	39.2300	23,616
HKD	59,604	4.1230	245,747
JPY	1,489,063	0.2162	321,935
SGD	432	23.5300	10,165
CNY	71,029	4.4150	313,593
ZAR	731	1.6800	1,228
KRW	2,373,880	0.0240	56,973
NZD	317	19.1700	6,077
THB	4,198	0.8822	3,703
MYR	1,033	6.5740	6,791
VND	10,063,017	0.0013	13,082
<u>Non-Monetary Item</u>			
USD	645,211	32.2700	20,820,959
AUD	126,861	20.5500	2,606,994
CHF	16	35.0550	561
EUR	22,742	33.9100	771,181
GBP	3	39.2300	118
HKD	6,710	4.1230	27,665
JPY	28,557	0.2162	6,174
CNY	18,968	4.4150	83,744
ZAR	568	1.6800	954

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

September 30, 2023			
Financial liabilities	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Monetary Item</u>			
USD	\$ 1,782,433	32.2700	57,519,113
AUD	129,019	20.5500	2,651,340
CHF	22	35.0550	771
EUR	36,620	33.9100	1,241,784
GBP	453	39.2300	17,771
HKD	147,282	4.1230	607,244
JPY	1,481,826	0.2162	320,371
SGD	452	23.5300	10,636
CNY	52,683	4.4150	232,595
ZAR	103	1.6800	173
KRW	2,850,121	0.0240	68,403
NZD	56	19.1700	1,074
THB	1,539	0.8822	1,358
MYR	995	6.5740	6,541
VND	3,158,805	0.0013	4,106
<u>Non-Monetary Item</u>			
USD	61	32.2700	1,968
CAD	1	23.9000	24
JPY	9,151	0.2162	1,978
CNY	186	4.4150	821

(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

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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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months and the nine months ended September 30, 2023 and 2022, the realized and unrealized currency exchange gains (losses) amounted to \$(116,844), \$(171,548), \$(209,723) and \$(431,740), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Sensitivity analysis

The currency risk of the Group arises mainly from cash and cash equivalents, other receivables, security borrowing margin, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 nine months ended September 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 nine months ended September 30, 2023		For the nine months ended September 30, 2022	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(633,678)	633,678	(374,616)
Other comprehensive income	518,873	(518,873)	306,064	(306,064)

(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	September 30, 2023	December 31, 2022	September 30, 2022	For the nine months ended September 30,					
				2023			2022		
				Average	Maximum	Minimum	Average	Maximum	Minimum
Interest risk	2,309,269	1,728,619	1,703,403	2,028,326	2,309,269	1,781,528	1,591,530	1,703,403	1,453,750

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

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Not measured at fair value

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

a) Fair value information

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Financial assets:						
Cash and cash equivalents	\$ 9,253,146	9,253,146	11,259,550	11,259,550	11,636,698	11,636,698
Bonds purchased under resale agreements	90,063	90,063	-	-	-	-
Accrued receivable	71,815,283	71,815,283	63,301,791	63,301,791	67,022,225	67,022,225
Customers' margin account	39,921,698	39,921,698	39,049,741	39,049,741	40,981,064	40,981,064
Leverage contract trading - customers' margin account	797,165	797,165	856,021	856,021	969,675	969,675
Restricted assets - current	553,814	553,814	219,234	219,234	329,973	329,973
Other non-current assets	1,605,842	1,605,842	1,537,038	1,537,038	1,529,389	1,529,389
Financial liabilities:						
Short-term borrowings	6,672,305	6,672,305	2,870,799	2,870,799	4,886,201	4,886,201
Commercial paper payable	8,445,994	8,445,994	3,198,722	3,198,722	8,265,333	8,265,333
Bonds sold under repurchase agreements	48,507,685	48,507,685	36,035,969	36,035,969	33,209,244	33,209,244
Accrued payable	57,568,866	57,568,866	54,078,497	54,078,497	57,577,434	57,577,434
Futures traders' equity	39,715,271	39,715,271	38,884,241	38,884,241	40,959,427	40,959,427
Leverage contract trading - customers' equity	802,530	802,530	849,887	849,887	966,226	966,226
Other financial liabilities - current	5,333,653	5,333,653	3,028,050	3,028,050	3,262,739	3,262,739
Other financial liabilities - non-current	669,294	669,294	494,542	494,542	535,633	535,633
Other non-current liabilities	96,972	96,972	99,969	99,969	100,056	100,056

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2023				
Investment property	\$ -	-	7,310,242	7,310,242
Debt securities at amortized cost	-	5,430,180	-	5,430,180
	<u>\$ -</u>	<u>5,430,180</u>	<u>7,310,242</u>	<u>12,740,422</u>
December 31, 2022				
Investment property	\$ -	-	7,761,103	7,761,103
Debt securities at amortized cost	-	3,283,116	-	3,283,116
	<u>\$ -</u>	<u>3,283,116</u>	<u>7,761,103</u>	<u>11,044,219</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2022				
Investment Property	\$ -	-	7,773,522	7,773,522
Debt securities at amortized cost	-	533,226	-	533,226
	<u>\$ -</u>	<u>533,226</u>	<u>7,773,522</u>	<u>8,306,748</u>

- 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, bonds purchased under resale agreements, 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>
September 30, 2023				
Financial assets at fair value through profit or loss	\$ 27,809,385	30,077,973	-	57,887,358
Financial assets at fair value through other comprehensive income	3,937,276	17,982,790	3,236,817	25,156,883
Derivative financial assets	867,612	466,730	-	1,334,342
	<u>\$ 32,614,273</u>	<u>48,527,493</u>	<u>3,236,817</u>	<u>84,378,583</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2023				
Financial liabilities at fair value through profit or loss	\$ 12,630,959	-	-	12,630,959
Derivative financial liabilities	<u>88,470</u>	<u>2,650,677</u>	<u>-</u>	<u>2,739,147</u>
	<u>\$ 12,719,429</u>	<u>2,650,677</u>	<u>-</u>	<u>15,370,106</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>
September 30, 2022				
Financial assets at fair value through profit or loss	\$ 16,903,709	28,568,771	-	45,472,480
Financial assets at fair value through other comprehensive income	3,492,896	8,697,476	2,602,979	14,793,351
Derivative financial assets	<u>958,685</u>	<u>768,433</u>	<u>-</u>	<u>1,727,118</u>
	<u>\$ 21,355,290</u>	<u>38,034,680</u>	<u>2,602,979</u>	<u>61,992,949</u>
Financial liabilities at fair value through profit or loss	\$ 7,122,721	-	-	7,122,721
Derivative financial liabilities	<u>331,118</u>	<u>1,320,241</u>	<u>-</u>	<u>1,651,359</u>
	<u>\$ 7,453,839</u>	<u>1,320,241</u>	<u>-</u>	<u>8,774,080</u>

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.

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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 nine months ended September 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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6) Movements of financial assets at fair value classified into Level 3

(In Thousands Dollars)

Item	For the nine months ended September 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	-	711,842	10,000	-	161,800	-	14,000	3,236,817
Total	\$ 2,733,257	-	711,778	10,000	-	201,610	-	16,608	3,236,817

Item	For the nine months ended September 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	-	(605,831)	3,567	-	-	13,032	100,918	2,602,979

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

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

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

	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
September 30, 2023		
Financial assets at fair value through other comprehensive income	\$ <u><u>32,368</u></u>	<u><u>(32,368)</u></u>
December 31, 2022		
Financial assets at fair value through profit or loss	\$ <u><u>425</u></u>	<u><u>(425)</u></u>
Financial assets at fair value through other comprehensive income	\$ <u><u>26,908</u></u>	<u><u>(26,908)</u></u>
September 30, 2022		
Financial assets fair value through other comprehensive income	\$ <u><u>26,030</u></u>	<u><u>(26,030)</u></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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(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:

September 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>50,668,444</u>	<u>48,507,685</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>
September 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>33,945,557</u>	<u>33,209,244</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.

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

September 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	\$ 466,730	-	466,730	-	-	466,730
September 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	\$ 2,697,729	-	2,697,729	-	-	2,697,729
Under repurchase agreements	48,507,685	-	48,507,685	48,507,685	-	-
Total	\$ 51,205,414	-	51,205,414	48,507,685	-	2,697,729
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
September 30, 2022						
Financial assets under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial assets (a)	Gross amount of recognized financial liabilities offsetting in the balance sheet (b)	Net amount of financial assets presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial assets	\$ 768,433	-	768,433	-	-	768,433

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September 30, 2022						
Financial liabilities under offsetting or general agreement of net amount settlement or similar norms						
	Gross amount of recognized financial liabilities (a)	Gross amount of recognized financial assets offsetting in the balance sheet (b)	Net amount of financial liabilities presented in the balance sheets (c)=(a)-(b)	Related amount not offset in the balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash received as collaterals	
Derivative financial liabilities	\$ 1,432,580	-	1,432,580	-	-	1,432,580
Under repurchase agreements	33,209,244	-	33,209,244	33,209,244	-	-
Total	\$ 34,641,824	-	34,641,824	33,209,244	-	1,432,580

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

(y) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(x) of the consolidated financial statements as of and for the year ended December 31, 2022.

As of September 30, 2023, December 31, 2022 and September 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	September 30, 2023		December 31, 2022		September 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	\$ 59,408,127	-	26,259,600	-	58,213,449	-

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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 nine months ended September 30, 2023:

a) Gains (losses) on valuation

	<u>For the three months ended September 30, 2023</u>	<u>For the nine months ended September 30, 2023</u>	<u>Account</u>
Stock warrants issued	\$ 11,647,437	33,150,003	Gains (losses) on stock warrants issued
Stock warrants repurchased	(11,465,203)	(33,075,973)	Gains (losses) on stock warrants issued

b) Gains (losses) on sale

	<u>For the three months ended September 30, 2023</u>	<u>For the nine months ended September 30, 2023</u>	<u>Account</u>
Security borrowing	\$ (4,410)	(112,866)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	91,397	459,202	Gains (losses) on sale of trading securities
Futures transaction	7,415	(153,892)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	<u>For the three months ended September 30, 2023</u>	<u>For the nine months ended September 30, 2023</u>	<u>Account</u>
Stock warrants issued	\$ 13,547,549	22,669,096	Gains (losses) on stock warrants issued
Stock warrants repurchased	(13,591,435)	(22,656,208)	Gains (losses) on stock warrants issued

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

a) Gains (losses) on valuation

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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b) Gains (losses) on sale

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

c) Gains (losses) on maturity

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

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 September 30, 2023, December 31, 2022, and September 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.

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

	For the three months ended September 30,		For the nine months ended September 30,		Account
	2023	2022	2023	2022	
Gains (losses) on exchange traded notes	\$ -	-	-	188	Net gains (losses) from exchange traded notes
Management and commissions revenue on exchange traded notes	-	-	-	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 September 30, 2023, December 31, 2022 and September 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Presentation of financial derivatives:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>Account</u>	
Futures margin - proprietary fund	\$ 770,741	1,133,174	779,116	Financial assets at fair value through profit or loss - current	
Excess futures margin	2,225,120	2,474,182	2,728,668	Cash and cash equivalent	
Buy options	96,871	89,537	179,569	Financial assets at fair value through profit or loss - current	
Sale options	41,418	128,999	218,779	Financial liabilities at fair value through profit or loss - current	
	<u>For the three months ended September 30,</u>	<u>For the nine months ended September 30,</u>		<u>Account</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	
Gains (losses) on futures transactions	\$ 326,815	436,475	(388,230)	(384,893)	Gains (losses) on derivatives - futures

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 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	\$ 9,500,000	-	7,000,000	-	8,200,000	-

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.

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

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

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

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

(ii) Structured notes

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

Financial Instruments	September 30, 2023		December 31, 2022		September 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	\$ 307,500	-	336,000	-	335,000	-
Principal guaranteed notes	4,531,527	-	2,469,656	-	2,708,026	-
Credit-linked notes	1,161,400	-	952,300	-	994,100	-
Principal guaranteed notes (in USD thousands)	USD 2,887	-	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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Convertible bond asset swaps

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

<u>Financial Instruments</u>	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 2,494,800	-	2,976,300	-	3,116,800	-
Convertible bond options	15,224,600	-	13,364,000	-	13,765,600	-

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

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

2) Market risk:

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

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

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

Convertible bonds acquired through underwriting or proprietary trading are the underlying assets of asset swaps. The underlying assets are sold to the counterparties for commission. Within the term of the contract, the Group swaps a predetermined interest rate with the interest payable and interest expense arising from the convertible bond with counterparties. The Group also receives the right to call the convertible bond prior to the expiration of the contract. Therefore, there is no significant liquidity risk or significant cash demand.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iv) Options

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

<u>Financial Instruments</u>	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ 398,811	-	705,123	-	314,058	-

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>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 2,804,699	-	4,078,689	-	3,063,243	-
Leverage derivatives-short position	2,805,581	-	4,059,360	-	3,056,022	-

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of September 30, 2023, December 31, 2022 and September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 24,687	17,807	19,598
Asset swap options-long position	235,120	205,121	247,023
Leverage derivatives - non-hedging	128,340	202,915	242,480
Structured notes	4,099	2,056	7,383
Exchange rate derivatives	64,972	9,345	241,178
Interest rate swaps	-	-	10
Equity derivatives	9,512	16,854	10,761
Total	<u>\$ 466,730</u>	<u>454,098</u>	<u>768,433</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 42,423	51,106	59,897
Asset swap options-short position	2,593,290	1,140,992	1,241,389
Leverage derivatives - non-hedging	3,851	28,918	6,207
Structured notes	56,533	103,125	121,223
Exchange rate derivatives	-	21,123	333
Interest rate swaps	49	59	-
Equity derivatives	1,583	1,710	3,531
Total	<u>\$ 2,697,729</u>	<u>1,347,033</u>	<u>1,432,580</u>
Other financial liabilities - current			
Structured notes principal value	<u>\$ 5,333,653</u>	<u>3,028,050</u>	<u>3,262,739</u>
Other financial liabilities - non-current			
Structured notes principal value	<u>\$ 669,294</u>	<u>494,542</u>	<u>535,633</u>

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For the three months and the nine months ended September 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 September 30, 2023</u>		<u>For the nine months ended September 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	\$ 127	119	220	(48)
Equity derivatives	1,706	(5,132)	4,092	8,575
Structured notes	(26,615)	(96,449)	(78,466)	36,397
IRS asset swaps	(211)	172	(673)	(810)
Asset swap options	(428,506)	(117,702)	(1,494,420)	464,114
Exchange rate derivatives	112,458	10,900	234,373	64,972
Leverage derivatives - non-hedging	24,804	(87,842)	73,707	124,489
Total	<u>\$ (316,237)</u>	<u>(295,934)</u>	<u>(1,261,167)</u>	<u>697,689</u>
	<u>For the three months ended September 30, 2022</u>		<u>For the nine months ended September 30, 2022</u>	
	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>	<u>Gains (losses) on derivative instruments - OTC</u>	<u>Unrealized Gains (losses)</u>
Interest rate swaps	\$ 273	165	224	10
Equity derivatives	4,902	1,320	16,403	7,429
Structured notes	(12,782)	(7,127)	78,281	124,167
IRS asset swaps	(197)	(176)	(411)	(562)
Asset swap options	199,701	245,356	991,616	1,442,568
Exchange rate derivatives	97,313	62,798	259,294	240,845
Leverage derivatives - non-hedging	45,918	56,115	120,973	236,273
Total	<u>\$ 335,128</u>	<u>358,451</u>	<u>1,466,380</u>	<u>2,050,730</u>

(vii) Interest rate benchmark reform

The Group completed its transition to alternative benchmark rates, the interest rate benchmark reform (IBOR reform), during the interim period. The Group's remaining IBOR exposures as at 31 December 2022 – corporate debt securities indexed to US dollar London Inter-bank Offered Rate – have been automatically switched to the Secured Overnight Financing Rate in accordance with fallback clauses.

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(z) 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:

	September 30,	December 31,	September 30,
	2023	2022	2022
Capital adequacy ratio	312 %	337 %	327 %

(aa) Financing activities not affecting current cash flow

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

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

	January 1, 2023	Cash flows	Other	Non-cash changes Foreign exchange movement	Fair value changes	September 30, 2023
Lease liabilities	\$ 827,292	(153,830)	94,702	1,182	-	769,346
				Non-cash changes Foreign exchange movement		
	January 1, 2022	Cash flows	Other	Foreign exchange movement	Fair value changes	September 30, 2022
Lease liabilities	\$ 850,171	(149,722)	134,676	4,835	-	839,960

(7) Related-party transactions:

(a) Parent company and ultimate controlling party

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

(b) Names of related parties and relationships

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

Names of related parties	Relationships
Capital Insurance Advisory Corp.	Subsidiary
Capital Insurance Agency Corp.	Subsidiary
Capital Investment Trust Corp.	Associate
Funds issued by Capital Investment Trust Corp.	Funds issued by associate
Chuan Yi Construction Corp.	Related party in substance (Note)
Bao Zuo Investment Corp.	Related party in substance (Note)

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<u>Names of related parties</u>	<u>Relationships</u>
Sheng Hsiang Enterprise Corp.	Related party in substance (Note)
Fu Tai Construction Corp.	Related party in substance (Note)
Feng Yang Investment Corp.	Related party in substance (Note)
Chuan Yi Investment Corp.	Related party in substance (Note)
Bao Ching Investment Corp.	Related party in substance (Note)
Bao Sheng Investment Corp.	Related party in substance (Note)
Fu Ding Investment Corp.	Related party in substance (Note)
Other related parties	Key management personnel

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

(c) Key management personnel transactions

(i) Key management personnel compensation

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 100,593	51,616	242,716	210,660
Post-employment benefits	724	643	2,145	1,962
Total	\$ 101,317	52,259	244,861	212,622

(ii) Bonds sold under repurchase agreements

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>	<u>Par value</u>	<u>Purchase price</u>
Other related parties	\$ 4,000	4,042	13,142	13,161	84,900	85,149
Total financial expenses	2023	2022	2023	2022		
Other related parties	\$ 10	135	93	201		

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Other related parties	\$ 81,500	98,200	74,200

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(iv) Futures transactions

Future Traders' equity	September 30, 2023	December 31, 2022	September 30, 2022
Other related parties	\$ <u>3,742</u>	<u>270</u>	<u>343</u>

(v) Brokerage and sub-brokerage

Brokerage commissions	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>14,271</u>	<u>470</u>	<u>37,168</u>	<u>2,069</u>
Re-consigned handling commissions	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>314</u>	<u>23</u>	<u>859</u>	<u>102</u>

(vi) Consultancy Fee

Consultancy Fee	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>9</u>	<u>-</u>	<u>39</u>	<u>-</u>

(vii) Other revenue

Other revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Other related parties	\$ <u>-</u>	<u>24</u>	<u>4</u>	<u>26</u>
Advance receipts	September 30, 2023	December 31, 2022	September 30, 2022	
Other related parties	\$ <u>-</u>	<u>46</u>	<u>33</u>	

(viii) Property Transactions - Dispose Equipment

	For the three months ended September 30,				For the nine months ended September 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	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860</u>	<u>50</u>	<u>-</u>	<u>-</u>

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(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	September 30, 2023		December 31, 2022		September 30, 2022	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Subsidiaries	\$ -	-	-	-	7,000	7,000
Funds issued by associate	1,071,720	1,071,720	705,000	705,000	140,000	140,000
Total	<u>\$ 1,071,720</u>	<u>1,071,720</u>	<u>705,000</u>	<u>705,000</u>	<u>147,000</u>	<u>147,000</u>

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Total financial expenses				
Subsidiaries	\$ 33	50	35	123
Funds issued by associate	3,763	208	8,458	332
Total	<u>\$ 3,796</u>	<u>258</u>	<u>8,493</u>	<u>455</u>

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 :

Relationship	Account	September 30, 2023		December 31, 2022		September 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	<u>70,997</u>	<u>\$ 1,205,988</u>	<u>89,472</u>	<u>825,936</u>	<u>85,642</u>	<u>775,918</u>

Notes: Amounts in thousand shares.

	For the three months ended September 30,				For the nine months ended September 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	<u>\$ (63,275)</u>	<u>43,533</u>	<u>(7,533)</u>	<u>25,363</u>	<u>(23,835)</u>	<u>55,263</u>	<u>(33,565)</u>	<u>26,550</u>

Prepayments	September 30, 2023	December 31, 2022	September 30, 2022
Associates	<u>\$ 2,000</u>	<u>2,214</u>	<u>30,874</u>

Transaction terms are the same as the general clients.

(iii) Futures transactions

Futures traders' equity	September 30, 2023	December 31, 2022	September 30, 2022
Funds issued by associate	<u>\$ 262,855</u>	<u>270,227</u>	<u>272,694</u>

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Notes to the Consolidated Financial Statements

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Total financial expenses</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Funds issued by associate	\$ <u>-</u>	<u>1</u>	<u>174</u>	<u>20</u>

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
<u>Lease revenue</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Associates	\$ <u>4,316</u>	<u>4,310</u>	<u>12,948</u>	<u>12,928</u>

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
<u>Guarantee deposits received</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
Associates	\$ <u>3,811</u>	<u>3,811</u>	<u>3,811</u>

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

Lessee

- 1) The 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 \$917,026 and rent is paid monthly. As of September 30, 2023, December 31, 2022 and September 30, 2022, the refundable deposits were \$28,014, \$23,915 and \$23,915.

- 2) Acquisition of right-of-use assets

There new acquisition of right-of-use assets of the Company in the periods for the nine months ended September 30, 2023 was \$65,920.

- 3) Lease liabilities

	<u>September 30,</u>	<u>December 31,</u>	<u>September 30,</u>
	<u>2023</u>	<u>2022</u>	<u>2022</u>
Related party in substance	\$ <u>521,301</u>	<u>521,082</u>	<u>505,791</u>

- 4) Financial expenses

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Related party in substance	\$ <u>1,836</u>	<u>1,145</u>	<u>5,201</u>	<u>1,145</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Custody account business

Custody account business				
revenue(Account to rental income)	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Related party in substance	\$ <u>38,442</u>	<u>16,759</u>	<u>90,189</u>	<u>16,759</u>
		September 30,	December 31,	September 30,
Other accounts receivable		2023	2022	2022
Related party in substance		\$ <u>8,379</u>	<u>8,379</u>	<u>12,859</u>

(vi) Insurance commission revenues

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

Commission revenues				
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Subsidiaries	\$ <u>1,109</u>	<u>1,382</u>	<u>4,551</u>	<u>12,101</u>
		September 30,	December 31,	September 30,
Accounts receivable		2023	2022	2022
Subsidiaries		\$ <u>827</u>	<u>444</u>	<u>721</u>

(vii) Brokerage and sub-brokerage

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

Brokerage commissions				
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Funds issued by associate	\$ 14,941	11,557	39,926	35,254
Related party in substance	118	5	178	5
Total	\$ <u>15,059</u>	<u>11,562</u>	<u>40,104</u>	<u>35,259</u>
Re-consigned handling commissions				
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Funds issued by associate	\$ <u>1,296</u>	<u>3,645</u>	<u>12,671</u>	<u>8,970</u>

(viii) Fund services business

Fund services revenue				
	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>287</u>	<u>432</u>	<u>1,116</u>	<u>1,478</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Channel services revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>287</u>	<u>432</u>	<u>1,116</u>	<u>1,478</u>
		September 30,	December 31,	September 30,
Account receivable		2023	2022	2022
Associates	\$	<u>130</u>	<u>277</u>	<u>288</u>

(ix) Wealth management business

Trust account commissions revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>1,510</u>	<u>1,648</u>	<u>3,135</u>	<u>2,725</u>
Trust account management fee revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>489</u>	<u>338</u>	<u>1,550</u>	<u>991</u>

(x) Underwriting business

Stock service income	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>30</u>	<u>30</u>	<u>92</u>	<u>93</u>
Handling fee revenues from underwriting securities on consignment	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Funds issued by associate	\$ <u>-</u>	<u>-</u>	<u>13</u>	<u>-</u>
Accounts receivable		September 30,	December 31,	September 30,
		2023	2022	2022
Associates	\$	<u>10</u>	<u>10</u>	<u>10</u>

(xi) Other revenue and expense

Other revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Associates	\$ <u>1</u>	<u>-</u>	<u>3</u>	<u>2</u>
Other expense	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Related party in substance	\$ <u>180</u>	<u>-</u>	<u>423</u>	<u>-</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(xii) Custody account business

Custody account business revenue	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Second-level subsidiaries (note)	\$ <u>1,554</u>	<u>1,575</u>	<u>4,607</u>	<u>4,476</u>
		September 30,	December 31,	September 30,
Accounts receivable		2023	2022	2022
Second-level subsidiaries (note)	\$ <u>467</u>	<u>577</u>	<u>511</u>	

(xiii) Accrued receivable

Accounts receivable/ Other receivable	September 30,	December 31,	September 30,
	2023	2022	2022
Subsidiaries	\$ 108	80	77
Associates	-	-	-
Total	\$ <u>108</u>	<u>80</u>	<u>77</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) Pledged assets:

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

	September 30, 2023	December 31, 2022	September 30, 2022	The collateral use
Restricted assets - current	\$ 553,814	219,234	329,973	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	31,729,390	27,120,122	26,236,030	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	13,861,149	7,347,280	7,965,226	Repurchase agreement
Property (net amount)	1,875,492	1,882,060	1,886,058	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,437	179,171	178,474	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)	5,540,987	3,306,400	500,000	Repurchase agreement
Investment property (net amount)	3,313,975	3,334,212	3,339,770	Bank borrowings
Total	\$ 57,104,119	43,438,354	40,485,406	

(9) Significant contingent liability and unrecognized contract commitment:

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	457,562	\$ 4,575,620	481,268	4,812,680	478,107	4,781,070
Collateral for margin purchase	3,063	30,630	15,745	157,450	21,388	213,880
Lending securities to customers through short sales	31,179	311,790	53,847	538,470	51,832	518,320
Collateral for short sales	6,604	66,040	5,394	53,940	4,711	47,110

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	179	\$ 1,790	203	2,030	512	5,120
Collateral for refinancing margin	1	10	-	-	-	-

(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:

	September 30, 2023	December 31, 2022	September 30, 2022
Promissory notes	<u>\$ 26,320,000</u>	<u>26,320,000</u>	<u>26,410,000</u>
Promissory notes (in USD thousands)	<u>USD 85,000</u>	<u>USD 85,000</u>	<u>USD 85,000</u>

- (d) As of September 30, 2023, December 31, 2022 and September 30, 2022, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$11,023,318, \$9,015,293 and \$9,026,712, 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 September 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.

(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 September 30, 2023, December 31, 2022 and September 30, 2022, the open positions of futures and option contracts were as follows:

(i) September 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	2,673	\$ 543,091	548,494	
	Single Stock Futures	Short	12,609	(2,726,239)	(2,693,644)	
	TAIEX Futures	Long	121	397,504	396,071	
	TAIEX Futures	Short	326	(1,066,323)	(1,067,128)	
	Mini TAIEX Futures	Long	29	23,905	23,729	
	Mini TAIEX Futures	Short	116	(95,084)	(94,909)	
	Electronic Sector Index Futures	Long	2	6,431	6,391	
	Electronic Sector Index Futures	Short	57	(185,606)	(182,138)	
	Mini Electronic Futures	Long	46	18,386	18,374	
	Mini Electronic Futures	Short	12	(4,781)	(4,793)	
	10 Year U.S. T Note Futures	Short	11	(38,870)	(38,287)	
	Ultra U.S. Treasury Bond	Short	906	(1,884,814)	(1,866,975)	
	Brent Crude Oil Futures	Short	91	(269,705)	(273,395)	
	Crude Oil Futures	Short	129	(362,878)	(381,773)	
	FTSE China A50 Index Futures	Short	5	(2,019)	(1,997)	
	FTSE China A50 Index Futures	Long	530	214,089	211,668	
	E-mini S&P 500 Futures	Short	7	(50,170)	(48,990)	
	Gold Futures	Short	5	(32,148)	(30,311)	
	HHI Futures	Long	8	9,951	9,897	
	HHI Futures	Short	34	(42,445)	(42,062)	
	TOPIX Futures	Short	21	(107,354)	(106,241)	
	Copper Futures	Short	8	(24,638)	(23,931)	
	Gold Futures	Long	8	6,015	5,905	
	Mini-HSI Futures	Long	2	1,442	1,435	
	Micro E-mini Nasdaq Futures	Short	13	(12,399)	(12,468)	
	E-mini Nasdaq Futures	Short	3	(28,776)	(28,771)	
	Micro E-mini Dow Futures	Long	11	5,992	6,015	
	Mini Russell 2000 Index Futures	Short	2	(5,838)	(5,838)	
	SGX Nikkei 225 Index Futures	Short	11	(38,811)	(37,879)	
	E-mini Dow Futures	Short	9	(50,873)	(49,216)	
	E-mini Dow Futures	Long	2	11,298	10,937	
	US Dollar Index Futures	Short	63	(212,151)	(215,191)	
	Micro E-mini S&P 500 Futures	Long	46	33,077	32,193	
	Micro E-mini S&P 500 Futures	Short	130	(91,262)	(90,730)	
	Dow Jones U.S. Real Estate Index	Short	30	(31,296)	(29,372)	
	Silver Futures	Short	2	(7,731)	(7,339)	
	2 Year U.S. T Note Futures	Short	13	(84,915)	(84,997)	
	30 Year U.S. Treasury Bond	Short	29	(110,302)	(106,217)	
	Mini Finance Sector Index Futures	Long	8	3,256	3,249	
	One Week E-Mini Stock Index Futures	Long	42	34,359	34,352	
	CME BTC	Short	7	(29,658)	(30,362)	
	CME MBT	Short	5	(423)	(434)	
	Mini DAX Futures	Short	20	(52,706)	(52,649)	
	Subtotal			(6,341,419)		

(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	2,455	(22,494)	(15,802)	
	TAIEX Options (Put)	Long	3,963	48,884	48,984	
	TAIEX Options (Call)	Long	3,235	47,204	42,824	
	TAIEX Options (Put)	Short	2,329	(21,398)	(20,024)	
	Stock Options (Call)	Long	37	112	90	
	Stock Options (Call)	Short	38	(163)	(92)	
	Stock Options (Put)	Long	41	162	140	
	Stock Options (Put)	Short	10	(76)	(78)	
	Electronic Sector Index Options (Call)	Short	40	(641)	(663)	
	Electronic Sector Index Options (Put)	Long	6	26	15	
	Electronic Sector Index Options (Call)	Long	4	45	43	
	Finance Insurance Index Options (Call)	Short	26	(81)	(55)	
	Finance Insurance Index Options (Put)	Long	60	125	167	
	Finance Insurance Index Options (Call)	Long	20	50	12	
	Finance Insurance Index Options (Put)	Short	63	(120)	(77)	
	Gold Options (Call)	Short	28	(126)	(67)	
	Gold Options (Put)	Long	97	512	559	
	Gold Options (Call)	Long	52	243	116	
	Gold Options (Put)	Short	56	(85)	(139)	
	TAIEX Weekly Options (Call)	Short	972	(2,723)	(2,946)	
	TAIEX Weekly Options (Put)	Long	857	2,438	2,144	
	TAIEX Weekly Options (Call)	Long	921	1,749	1,777	
	TAIEX Weekly Options (Put)	Short	786	(1,967)	(1,475)	
	Subtotal			51,676		
Total				<u>\$ (6,289,743)</u>		

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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			47,662		

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Item	Trading category	Open positions		Contract size or paid for (received from) premium	Fair value	Note
		Long/ Short	Number of contracts			
Options contract :						
	TAIEX Options (Call)	Long	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			<u>(30,325)</u>		
Total				<u>\$ 17,337</u>		

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) September 30, 2022

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

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

(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	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{6,980,004}{1,374,701}$	5.08	$\frac{6,561,295}{1,730,051}$	3.79	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{44,589,125}{39,326,253}$	1.13	$\frac{47,807,099}{42,620,642}$	1.12	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{6,980,004}{1,115,000}$	626.01 %	$\frac{6,561,295}{1,115,000}$	588.46 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{5,221,767}{8,250,051}$	63.29 %	$\frac{4,613,631}{8,268,683}$	55.80 %	$\geq 20\%$ $\geq 15\%$	"

- (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	\$ 944,747	880,307	880,307	- %	2	-	Working capital	-		-	1,660,435	1,660,435
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	108,904	108,904	108,904	- %	2	-	Working capital & repayment of financing	-		-	108,904	108,904
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,988	5,988	5,988	- %	2	-	Repayment of financing	-		-	5,988	5,988
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	64,021	64,021	-	9.97 %	1	5,245		-		-	212,749	1,063,743
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	448,147	448,147	24,008	6.22%-7.47%	1	173,114		-		-	448,147	1,063,743
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	96,032	96,032	-	8.97 %	1	16,197		-		-	212,749	1,063,743
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	16,005	16,005	-	7.97 %	1	390		-		-	212,749	1,063,743
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	7.97 %	1	114		-		-	212,749	1,063,743
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	64,021	64,021	-	7.97 %	1	3,519		-		-	212,749	1,063,743
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	48,016	48,016	-	7.97 %	1	11,458		-		-	212,749	1,063,743

Note: Type of Loans

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the year ended September 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	980		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	10,375		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	213		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	32,364		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,682		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	99,216	General transaction	1.08 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	13,565	General transaction	0.15 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	497	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	724	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	280	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	9,813	General transaction	0.11 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	24	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	24,229	General transaction	0.26 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	40,305	General transaction	0.44 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	462	General transaction	0.01 %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	51,750	General transaction	0.57 %
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	143		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	110		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	195		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	66		- %
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	2	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	12		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	437	General transaction	- %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	48	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	1,658,167		0.73 %
1	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	1,658,167		0.73 %
1	Capital Futures Corp.	Capital True Partner Technology Co.,Ltd.	3	Professional service fees	16,766	General transaction	0.18 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,210,267		0.53 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	4,871,691		2.15 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	5,892		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	9,882	General transaction	0.11 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	77,429	General transaction	0.85 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	14,510	General transaction	0.16 %
1	Capital Futures Corp.	Capital International Technology Corp.	3	Repair cost	1,792	General transaction	0.02 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	4,331,285		1.91 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	669,861		0.30 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	5,444		- %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Information technology expense	5,736	General transaction	0.06 %
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 149		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Other operating revenue	HKD 666	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd	3	Brokerage commissions revenue	HKD 186	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	421	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	3,649	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 September 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 %	82,530	54,749	5,112	5,112	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-105004467 dated November 15, 2016	Engaged in domestic and foreign futures business.	1,896,520	1,896,520	119,066,014	56.58 %	3,949,369	1,523,928	767,083	433,970	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 %	1,662,674	21,349	9,737	9,737	-	"
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 %	40,659	104,624	14,788	14,788	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 %	39,507	-	6	6	-	"
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 %	92	(332)	(332)	(332)	-	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 %	924,541	6,249	3,593	3,593	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 %	316,841	24,154	21,611	21,611	-	"
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 %	1,362,919	1,620,666	649,166	129,833	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 %	698,085	61,903	21,349	-	-	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 %	(107,567)	-	(332)	-	-	"
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 %	(270,744)	-	(186)	-	-	"
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 %	1,063,743	238,307	58,611	-	-	"
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 %	20,540	1,792	(5,961)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January5,1998	Agency services.	HK 2	HK 2	2	100.00 %	-	-	-	-	-	"
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 %	284,190	24,666	20,505	-	-	"
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 %	133	-	(193)	-	-	"

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 September 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 September 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	1,070	28.86%	309	5,923	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(3,952)	56.58%	(2,236)	2,151	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

For the three months ended September 30, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,531,438	83,126	880,988	311,909	78,615	751,802	(69,243)	3,568,635
Segment profit or loss	\$ 780,966	45,149	178,472	156,470	(77,366)	346,769	(164,817)	1,265,643

For the three months ended September 30, 2022								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,190,880	90,496	237,403	90,969	31,487	729,925	(74,875)	2,296,285
Segment profit or loss	\$ 560,647	52,428	(199,796)	(6,986)	(70,472)	280,037	(112,184)	503,674

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For the nine months ended September 30, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ <u>3,967,832</u>	<u>223,072</u>	<u>2,403,151</u>	<u>916,420</u>	<u>167,427</u>	<u>1,674,873</u>	<u>(193,571)</u>	<u>9,159,204</u>
Segment profit or loss	\$ <u>1,874,028</u>	<u>105,584</u>	<u>747,840</u>	<u>647,252</u>	<u>(67,282)</u>	<u>966,248</u>	<u>(494,242)</u>	<u>3,779,428</u>

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

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.