

**CAPITAL SECURITIES CORPORATION AND
SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For The Three Months Ended March 31, 2024 and 2023**

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

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Independent Auditors' Review Report

To the Board of Directors of
Capital Securities Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of Capital Securities Corporation and its subsidiaries as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2024 and 2023, 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 \$5,440,679 thousands and \$3,358,919 thousands, constituting 1.85% and 1.63% of consolidated total assets as of March 31, 2024 and 2023, respectively, total liabilities amounting to \$2,514,218 thousands and \$532,634 thousands, constituting 1.01% and 0.32% of consolidated total liabilities as of March 31, 2024 and 2023, respectively, and total comprehensive income (loss) amounting to \$89,589 thousands and \$31,311 thousands, constituting 5.91% and 1.95% of consolidated total comprehensive income (loss) for the three months ended March 31, 2024 and 2023, respectively.



Furthermore, as stated in Note 6(f), the other equity accounted investments of Capital Securities Corporation and its subsidiaries in its investee companies of \$1,540,617 thousands and \$1,527,971 thousands as of March 31, 2024 and 2023, respectively, and its equity in net earnings on these investee companies of \$74,942 thousands and \$41,995 thousands respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Capital Securities Corporation and its subsidiaries as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 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)
May 13, 2024

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****March 31, 2024, December 31, 2023, and March 31, 2023****(Expressed in Thousands of New Taiwan Dollars)**

Assets	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
110000 Current assets:						
111100 Cash and cash equivalents (note 6(a))	\$ 8,767,102	3	8,598,180	4	10,554,818	5
112000 Financial assets at fair value through profit or loss - current (notes 6(b) and 8)	76,914,862	26	64,089,612	26	45,976,978	22
113200 Financial assets at fair value through other comprehensive income - current (note 6(b))	26,439,671	9	24,025,136	10	18,080,959	9
114010 Bonds purchased under resale agreements (note 6(c))	130,003	-	60,208	-	-	-
114030 Receivable for securities provided as collateral	20,874,016	7	17,397,754	7	12,810,900	6
114040 Refinancing margin	60,673	-	16,619	-	25,104	-
114050 Refinancing collateral receivable	50,532	-	13,847	-	21,563	-
114060 Receivable of securities business money lending	14,903,894	5	5,886,504	2	4,151,942	2
114070 Customers' margin account (note 6(e))	43,975,496	15	38,874,681	16	38,525,362	19
114090 Collateral for securities borrowed	214,980	-	214,766	-	312,846	-
114100 Security borrowing margin	12,142,710	4	12,583,951	5	11,918,369	6
114110 Notes receivable	11,056	-	6,608	-	6,108	-
114130 Accounts receivable (note 6(d))	24,366,729	9	16,268,453	7	10,518,292	5
114150 Prepayments	50,970	-	147,349	-	111,259	-
114170 Other receivables	489,076	-	199,048	-	401,245	-
114200 Other financial assets - current	-	-	-	-	862	-
114300 Leverage contract trading - customers' margin account	690,953	-	712,455	-	792,344	1
114600 Current income tax assets	829	-	677	-	234	-
119095 Amounts held for each customer in the account (note 6(o))	36,739,894	13	32,426,834	13	28,440,466	14
119990 Other current assets-others	2,649,147	1	2,004,140	1	717,371	-
	<u>269,472,593</u>	<u>92</u>	<u>223,526,822</u>	<u>91</u>	<u>183,367,022</u>	<u>89</u>
120000 Non-current assets:						
122000 Financial assets at fair value through profit or loss - non-current (notes 6(b) and 8)	179,363	-	179,438	-	179,422	-
123200 Financial assets at fair value through other comprehensive income - non-current (note 6(b))	3,669,171	1	3,731,891	2	2,899,461	1
123300 Financial assets at amortized cost - non-current (note 6(b))	6,055,921	2	5,310,086	2	5,017,172	3
124100 Investments accounted for under equity method (note 6(f))	1,540,617	1	1,473,075	1	1,527,971	1
125000 Property and equipment (notes 6(g) and 8)	3,178,668	1	3,182,785	1	2,751,151	1
125800 Right-of-use assets (note 6(h))	647,626	-	671,689	-	730,450	-
126000 Investment property (notes 6(i) and 8)	3,439,486	1	3,444,763	1	3,805,294	2
127000 Intangible assets (note 6(j))	3,615,659	1	3,622,839	1	3,609,518	2
128000 Deferred income tax assets	64,971	-	15,894	-	16,982	-
129000 Other non-current assets	1,772,383	1	1,751,450	1	1,634,771	1
	<u>24,163,865</u>	<u>8</u>	<u>23,383,910</u>	<u>9</u>	<u>22,172,192</u>	<u>11</u>
Total assets	<u>\$ 293,636,458</u>	<u>100</u>	<u>246,910,732</u>	<u>100</u>	<u>205,539,214</u>	<u>100</u>

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Balance Sheets****March 31, 2024, December 31, 2023, and March 31, 2023****(Expressed in Thousands of New Taiwan Dollars)**

	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Liabilities and Equity						
210000 Current liabilities:						
211100 Short-term borrowings (note 6(k))	\$ 9,173,317	3	5,874,434	2	3,035,892	1
211200 Commercial paper payable (note 6(l))	34,601,382	12	13,090,169	5	7,595,349	3
212000 Financial liabilities at fair value through profit or loss - current (note 6(m))	25,609,920	9	21,090,404	9	9,943,453	5
214010 Bonds sold under repurchase agreements (note 6(n))	49,943,425	17	51,425,166	21	43,500,731	21
214040 Guarantee deposited for short sales	1,227,160	-	2,003,761	1	1,238,795	1
214050 Proceeds payable from short sales	1,373,116	1	2,294,644	1	1,291,690	1
214070 Securities lending refundable deposits	17,081,008	6	15,481,166	6	14,660,205	7
214080 Futures traders' equity (note 6(e))	43,992,892	15	38,762,176	16	38,408,712	18
214090 Equity for each customer in the account (note 6(o))	36,739,894	13	32,426,834	13	28,440,466	14
214100 Leverage contract trading - customers' equity	689,589	-	733,533	-	826,682	1
214110 Notes payable	80	-	166	-	76	-
214130 Accounts payable (note 6(p))	18,643,558	6	11,146,460	5	8,502,620	4
214150 Advance receipts	31,980	-	22,636	-	20,147	-
214160 Receipts under custody	711,971	-	327,934	-	122,676	-
214170 Other payables	1,404,779	1	1,733,199	1	714,886	1
214200 Other financial liabilities - current (note 6(x))	4,559,796	2	4,223,503	2	4,156,906	2
214600 Current income tax liabilities	925,156	-	715,565	-	478,999	-
215100 Provisions - current (note 6(r))	59,683	-	54,787	-	51,955	-
216000 Current lease liabilities (note 6(q))	203,020	-	201,566	-	191,549	-
219000 Other current liabilities	55,645	-	43,609	-	38,589	-
	<u>247,027,371</u>	<u>85</u>	<u>201,651,712</u>	<u>82</u>	<u>163,220,378</u>	<u>79</u>
220000 Non-Current liabilities:						
224200 Other financial liabilities - non-current (note 6(x))	588,545	-	677,162	-	625,884	-
226000 Non-current lease liabilities (note 6(q))	494,128	-	522,851	-	594,384	-
228000 Deferred income tax liabilities	466,061	-	513,134	-	676,816	1
229000 Other non-current liabilities	179,541	-	181,349	-	123,069	-
	<u>1,728,275</u>	<u>-</u>	<u>1,894,496</u>	<u>-</u>	<u>2,020,153</u>	<u>1</u>
Total liabilities	<u>248,755,646</u>	<u>85</u>	<u>203,546,208</u>	<u>82</u>	<u>165,240,531</u>	<u>80</u>
Equity attributable to shareholders of the parent:						
301010 Common stock (note 6(t))	21,709,081	7	21,709,081	9	21,709,081	11
302000 Capital surplus (note 6(t))	2,743,256	1	2,743,256	1	2,743,256	1
304000 Retained earnings:						
304010 Legal reserve	2,889,367	1	2,889,367	1	2,758,257	1
304020 Special reserve	6,049,211	2	6,049,211	3	5,786,990	3
304040 Unappropriated earnings (note 6(t))	5,622,277	2	4,201,815	2	2,491,507	1
305120 Exchange differences on translation of foreign operations	72,616	-	(67,856)	-	(95,200)	-
305140 Unrealized gains (losses) on financial assets at fair value through other comprehensive income	2,538,742	1	2,722,009	1	1,856,352	1
Total equity attributable to the parent company	<u>41,624,550</u>	<u>14</u>	<u>40,246,883</u>	<u>17</u>	<u>37,250,243</u>	<u>18</u>
306000 Non-controlling interests	<u>3,256,262</u>	<u>1</u>	<u>3,117,641</u>	<u>1</u>	<u>3,048,440</u>	<u>2</u>
Total equity	<u>44,880,812</u>	<u>15</u>	<u>43,364,524</u>	<u>18</u>	<u>40,298,683</u>	<u>20</u>
Total liabilities and equity	<u>\$ 293,636,458</u>	<u>100</u>	<u>246,910,732</u>	<u>100</u>	<u>205,539,214</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 ended March 31, 2024 and 2023

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

	For the three months ended March 31			
	2024		2023	
	Amount	%	Amount	%
Income:				
401000 Brokerage commissions (note 6(v))	\$ 1,561,627	39	1,153,110	41
402000 Revenues from securities business money lending	403	-	172	-
403000 Revenue from securities lending	116,191	3	107,990	4
404000 Underwriting commissions (note 6(v))	20,976	1	12,674	-
406000 Commissions on wealth management business	18,628	-	15,199	-
410000 Net gains (losses) on sale of trading securities (note 6(v))	3,140,994	78	1,150,046	40
421100 Securities management, distribution, and management fees	38,698	1	37,531	1
421200 Interest revenue (note 6(v))	819,817	20	482,796	17
421300 Dividend revenue	212,282	5	58,949	2
421500 Net gains (losses) on measurement of trading securities at fair value through profit or loss (note 6(v))	1,193,496	30	1,243,434	44
421600 Net gains (losses) on covering of borrowed securities and bonds with resale agreements (note 6(x))	(643,008)	(16)	(38,578)	(1)
421610 Net gains (losses) on measurement of borrowed securities and bonds with resale agreements	(268,645)	(7)	(822,602)	(29)
421750 Realized gains (losses) from investments in debt instruments at fair value through other comprehensive income	9,665	-	3,100	-
421800 Net gains (losses) on securities for futures margin at fair value through profit or loss	29,490	1	-	-
422200 Net gains (losses) on stock warrants issued (notes 6(v) and (x))	(566,773)	(14)	(41,043)	(1)
424100 Futures commission revenues (note 6(v))	88,844	2	54,294	2
424400 Net gains (losses) on derivative instruments - futures (note 6(x))	(977,515)	(24)	73,036	3
424500 Net gains (losses) on derivative instruments - OTC (note 6(x))	(651,447)	(16)	(679,518)	(24)
424800 Management fee revenues	1,339	-	441	-
424900 Consultancy fee revenue	6,245	-	2,292	-
425100 Net gains (losses) arising from derecognition of financial assets measured at amortized cost (note (b))	-	-	38	-
425300 Impairment losses and reversal gains (note 6(w))	(3,089)	-	(4,854)	-
428000 Other operating revenues	(132,771)	(3)	22,378	1
	<u>4,015,447</u>	<u>100</u>	<u>2,830,885</u>	<u>100</u>
Expenses:				
501000 Brokerage fees	217,415	5	126,221	5
502000 Brokerage and clearing fees - proprietary trading	17,520	-	8,430	-
503000 Clearing and exchange fees - refinancing	360	-	1,087	-
504000 Clearing and exchange fees - underwriting	205	-	158	-
521200 Financial costs	624,725	16	353,678	13
521640 Loss from securities borrowing transactions	168,294	4	26,774	1
524100 Futures commission expense (note 6(v))	77,006	2	77,084	3
524300 Cleaning and settlement expenses	44,480	1	37,649	1
528000 Other operating expenditure	22,548	1	11,563	-
531000 Employee benefits expenses (note 6(v))	910,419	23	756,705	27
532000 Depreciation and amortization expense (note 6(v))	121,715	3	113,431	4
533000 Other operating expenses (note 6(v))	818,814	20	547,482	19
	<u>3,023,501</u>	<u>75</u>	<u>2,060,262</u>	<u>73</u>
Other income (expenses):				
601000 Share of profits of associates and joint ventures accounted for using equity method (note 6(f))	74,942	2	41,995	1
602000 Other gains and losses (note 6(v))	541,938	13	444,882	16
	<u>616,880</u>	<u>15</u>	<u>486,877</u>	<u>17</u>
902001 Net income before income tax	1,608,826	40	1,257,500	44
701000 Less: Income tax expenses (note 6(s))	135,311	3	42,909	1
	<u>1,473,515</u>	<u>37</u>	<u>1,214,591</u>	<u>43</u>
805000 Other comprehensive income:				
805500 Components that may not be reclassified to profit or loss in subsequent periods:				
805540 Unrealized gains (losses) from investments in equity instruments at fair value through other comprehensive income	(10,208)	-	273,750	10
805599 Less: Income tax related to components of other comprehensive income	-	-	-	-
	<u>(10,208)</u>	<u>-</u>	<u>273,750</u>	<u>10</u>
805600 Components that may be reclassified to profit or loss in subsequent periods:				
805610 Exchange differences on translation of foreign operations	172,302	4	(49,168)	(2)
805615 Unrealized gains (losses) from investments in debt instruments at fair value through other comprehensive income	(106,102)	(3)	164,978	6
805699 Less: Income tax related to components of other comprehensive income (note 6(s))	13,219	-	(3,419)	-
	<u>52,981</u>	<u>1</u>	<u>119,229</u>	<u>4</u>
	<u>42,773</u>	<u>1</u>	<u>392,979</u>	<u>14</u>
805000 Other comprehensive income, net				
902006 Total comprehensive income	<u>\$ 1,516,288</u>	<u>38</u>	<u>1,607,570</u>	<u>57</u>
Net income attributable to:				
913100 Shareholders of the parent	\$ 1,356,808	34	1,109,499	39
913200 Non-controlling interests	116,707	3	105,092	4
	<u>\$ 1,473,515</u>	<u>37</u>	<u>1,214,591</u>	<u>43</u>
Total comprehensive income attributable to:				
914100 Shareholders of the parent	\$ 1,377,667	34	1,505,734	53
914200 Non-controlling interests	138,621	4	101,836	4
	<u>\$ 1,516,288</u>	<u>38</u>	<u>1,607,570</u>	<u>57</u>
975000 Basic earnings per share (note 6(u))	<u>\$ 0.62</u>		<u>0.51</u>	
985000 Diluted earnings per share (note 6(u))	<u>\$ 0.62</u>		<u>0.51</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 three months ended March 31, 2024 and 2023
(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	Total equity attributable to the parent company		
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 three months ended March 31, 2023	-	-	-	-	1,109,499	-	-	1,109,499	105,092	1,214,591
Other comprehensive income	-	-	-	-	-	(39,337)	435,572	396,235	(3,256)	392,979
Total comprehensive income	-	-	-	-	1,109,499	(39,337)	435,572	1,505,734	101,836	1,607,570
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	42,574	-	(42,574)	-	-	-
Balance at March 31, 2023	\$ 21,709,081	2,743,256	2,758,257	5,786,990	2,491,507	(95,200)	1,856,352	37,250,243	3,048,440	40,298,683
Balance at January 1, 2024	\$ 21,709,081	2,743,256	2,889,367	6,049,211	4,201,815	(67,856)	2,722,009	40,246,883	3,117,641	43,364,524
Net income for the three months ended March 31, 2024	-	-	-	-	1,356,808	-	-	1,356,808	116,707	1,473,515
Other comprehensive income	-	-	-	-	-	140,472	(119,613)	20,859	21,914	42,773
Total comprehensive income	-	-	-	-	1,356,808	140,472	(119,613)	1,377,667	138,621	1,516,288
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	63,654	-	(63,654)	-	-	-
Balance at March 31, 2024	\$ 21,709,081	2,743,256	2,889,367	6,049,211	5,622,277	72,616	2,538,742	41,624,550	3,256,262	44,880,812

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 three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2024	2023
Cash flows from operating activities:		
Net income before tax	\$ 1,608,826	1,257,500
Adjustments:		
Income and expenses items:		
Depreciation expense	107,483	104,453
Amortization expense	14,232	8,978
Expected credit impairment losses	3,089	4,854
Net gains on financial assets or liabilities at fair value through profit or loss	(954,341)	(420,832)
Financial cost	624,725	353,678
Net gains arising from derecognition of financial assets measured at amortized cost	-	(38)
Interest revenue (including financial revenue)	(1,164,437)	(773,151)
Dividend revenue	(213,615)	(59,088)
Shares of profit of associates and joint ventures accounted for using equity method	(74,942)	(41,995)
Gains on disposal and retirement of property and equipment	-	(50)
Net gains on non-operating financial instruments at fair value through profit or loss	(68,459)	(11,625)
Impairment loss on non-financial assets	1,230	1,150
Net gains on lease modifications	(157)	-
Subtotal of income of non-cash activities	(1,725,192)	(833,666)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(11,533,730)	(3,119,916)
Increase in bonds purchased under resale agreements	(69,795)	-
Increase in receivable for securities provided as collateral	(3,476,267)	(876,862)
Increase in refinancing margin	(44,054)	(6,245)
Increase in receivable on refinancing collateral	(36,685)	(6,145)
(Increase) decrease in receivable of securities business money lending	(9,017,390)	274,391
(Increase) decrease in customers' margin account	(5,100,815)	511,294
Decrease in margin receivable of futures trading	68	82
(Increase) decrease in collateral for securities borrowed	(214)	1,451,576
Decrease in security borrowing margin	441,241	1,810,647
(Increase) decrease in notes receivable	(4,448)	6,442
Increase in accounts receivable	(7,960,886)	(4,468,591)
Decrease (increase) in prepayments	101,663	(3,517)
Increase in other receivables	(287,287)	(121,069)
Increase in other current financial assets	-	(862)
Increase in financial assets at fair value through other comprehensive income	(2,469,834)	(4,109,636)
Decrease in leverage contract trading - customer's margin account	21,502	63,677
(Increase) decrease in other current assets	(645,007)	13,749
Increase in other non-current assets	(20,698)	(16,022)
(Decrease) increase in bonds sold under repurchase agreements	(1,481,741)	7,464,762
Increase (decrease) in financial liabilities at fair value through profit or loss	4,250,871	(1,721,272)
Decrease in guarantee deposited for short sales	(776,601)	(2,879,645)
Decrease in proceeds payable from short sales	(921,528)	(2,423,251)
Increase (decrease) in securities lending refundable deposits	1,599,842	(20,813)
Increase (decrease) in futures traders' equity	5,230,716	(462,444)
Decrease in leverage contract trading - customers' equity	(43,944)	(23,205)
Decrease in notes payable	(86)	(76)
Increase in accounts payable	7,283,766	3,839,917
Increase (decrease) in advance receipts	9,344	(13,502)
Increase (decrease) in receipts under custody	384,037	(424,568)
Decrease in other payable	(334,058)	(128,078)
Increase in provision - current	4,896	378
Increase in other financial liabilities	247,676	1,260,198
Increase in other current liabilities	12,036	20,142
Decrease in other non-current liabilities	(1,808)	(9,851)
Total changes in assets and liabilities from operating activities	(24,639,218)	(4,118,315)
Total adjustments	(26,364,410)	(4,951,981)

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

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the three months ended March 31, 2024 and 2023****(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2024	2023
Cash generated from operating activities	\$ (24,755,584)	(3,694,481)
Interest received	1,081,151	738,924
Dividends received	151,259	51,110
Interest paid	(406,667)	(368,214)
Income taxes paid	(35,203)	(43,602)
Net Cash flows used in operating activities	(23,965,044)	(3,316,263)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(50,560)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	23,366
Acquisition of financial assets at amortized cost	(741,767)	(1,870,567)
Proceeds from disposal of financial assets at amortized cost	-	121,662
Proceeds from capital reduction of investments accounted for under equity method	7,400	-
Acquisition of property and equipment	(43,141)	(29,507)
Proceeds from disposal of property and equipment	110	860
Acquisition of intangible assets	(7,322)	(5,567)
Increase in deferred debits	(364)	60
Increase in prepayments for business facilities	(5,914)	(41,685)
Net cash flows used in investing activities	(790,998)	(1,851,938)
Cash flows from financing activities:		
Increase in short-term borrowings	3,298,883	165,093
Increase in commercial papers payable	21,511,213	4,396,627
Payment of lease liabilities	(54,611)	(49,370)
Net cash flows provided by financing activities	24,755,485	4,512,350
Effect of exchange rate changes on cash and cash equivalents	169,479	(48,881)
Increase (decrease) in cash and cash equivalents	168,922	(704,732)
Cash and cash equivalents, beginning of period	8,598,180	11,259,550
Cash and cash equivalents, end of period	\$ 8,767,102	10,554,818

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

March 31, 2024 and 2023

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

(1) Overview:

Capital Securities Corporation (the “Company”) was registered under the Ministry of Economic Affairs, R.O.C. on June 21, 1988. The address of the Company’s registered office is 11F, No. 156, Section 3, Minsheng East Road, Songshan District, Taipei City, Taiwan, R.O.C. As of March 31, 2024, the composition of the consolidated financial statements includes the Company and the subsidiaries (the “Group”). As of March 31, 2024, 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.

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The consolidated financial statements were authorized for issuance by the board of directors on May 13, 2024.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards 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, 2024:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- 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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPM): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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” (hereinafter referred to as “ the Regulations”) , 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 (hereinafter referred to IFRS endorsed 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, 2023. Please refer to Note 4 of the consolidated financial statements as of and for the year ended December 31, 2023 for the detail disclosures of significant accounting policies.

(b) Basis of preparation

(i) Basis of measurement

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries.

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

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

(ii) List of subsidiaries in the consolidated financial statements

Subsidiaries included in the consolidated financial report are as follows:

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
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)

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
TIS Securities (HK) Limited	Taiwan International Capital (HK) Ltd.	Liquidation in progress	100.00 %	100.00 %	100.00 %	(Note 3)
CSC Capital Management Co.	CSC Private Equity Fund I Co.	General investment and venture capital business	100.00 %	100.00 %	100.00 %	(Note 5)

Note 1: Capital Investment Management Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total assets amounted to \$131,405 and \$128,594, and the total liabilities amounted to \$47,595 and \$40,080, respectively. The total comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$5,911 and \$435, respectively.

Note 2: CSC International Holdings Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total consolidated assets amounted to \$4,106,464 and \$2,044,649, and the total consolidated liabilities amounted to \$2,452,295 and \$478,149, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$66,526 and \$9,218, respectively.

Note 3: Taiwan International Securities (B.V.I) Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total consolidated assets amounted to \$54 and \$27, and both of the total consolidated liabilities amounted to \$0, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$42 and \$(705), respectively.

Note 4: CSC Venture Capital Corp. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total assets amounted to \$863,237 and \$857,099, and the total liabilities amounted to \$5,215 and \$8,440, respectively. The total comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$16,596 and \$15,372, respectively.

Note 5: CSC Capital Management Co. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total assets amounted to \$311,655 and \$297,570, and the total liabilities amounted to \$1,602 and \$2,085, respectively. The total comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$1,393 and \$8,486, respectively.

Note 6: Capital International Technology Co., Ltd. is an individually immaterial subsidiary; its financial statements have not been reviewed. As of March 31, 2024 and 2023, the total consolidated assets amounted to \$27,864 and \$30,981, and the total consolidated liabilities amounted to \$7,511 and \$3,880, respectively. The total consolidated comprehensive income (loss) for the three months ended March 31, 2024 and 2023 were \$(879) and \$(1,494), respectively.

(iii) Subsidiaries not listed in the consolidated financial statements

Name of the investor	Subsidiaries	Business type	Ratio of Equity Ownership			Note
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Capital Insurance Agency Corp.	Engaged in personal insurance agent business.	- %	100.00 %	100.00 %	The corporation established in November 2000. The liquidation completed on November 30, 2023; The paid-in capitals amounted to \$7,400. As of December 31, 2023 and March 31, 2023, the total assets constituted 0.00% and 0.02% of the Group's total assets, respectively. For the three months ended March 31, 2023, the operation revenue constituted 0.00% 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
			March 31, 2024	December 31, 2023	March 31, 2023	
The Company	Capital Insurance Advisory Corp.	Engaged in personal insurance and property insurance agent business.	100.00 %	100.00 %	100.00 %	The corporation established in November 2000. The paid-in capitals amounted to \$5,000. As of March 31, 2024 December 31, 2023 and March 31, 2023, the total assets constituted 0.03%, 0.03% and 0.05% of the Group's total assets, respectively. For the three months ended March 31, 2023 and 2023, the operation revenue constituted 1.27% and 0.93% 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, 2023.

(Continued)

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 2023 consolidated financial statements. Please refer to Note 6 of the consolidated financial statements as of and for the year ended December 31, 2023 for the detail disclosures of Explanation of significant accounts.

(a) Cash and cash equivalents

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Cash	\$ 2,862	2,912	2,845
Bank deposits			
Checking accounts	57,242	112,656	42,424
Demand deposits	<u>1,982,792</u>	<u>1,734,028</u>	<u>2,455,915</u>
Subtotal	<u>2,040,034</u>	<u>1,846,684</u>	<u>2,498,339</u>
Cash equivalents			
Time deposits	4,135,037	4,501,621	5,666,330
Futures margin - excess margin	2,360,177	1,997,886	2,387,304
Commercial papers	<u>228,992</u>	<u>249,077</u>	<u>-</u>
Subtotal	<u>6,724,206</u>	<u>6,748,584</u>	<u>8,053,634</u>
Total	<u>\$ 8,767,102</u>	<u>8,598,180</u>	<u>10,554,818</u>

(b) Financial assets

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Open-ended funds and money-market instruments			
Open-ended funds and money-market instruments	\$ 1,493,135	671,856	388,072
Valuation adjustment	<u>102,503</u>	<u>37,751</u>	<u>2,320</u>
Subtotal	<u>1,595,638</u>	<u>709,607</u>	<u>390,392</u>
Securities invested by securities broker			
Securities invested by securities broker	6,014	6,314	26,344
Valuation adjustment	<u>2</u>	<u>7</u>	<u>(39)</u>
Subtotal	<u>6,016</u>	<u>6,321</u>	<u>26,305</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Trading securities - proprietary trading			
Listed stocks	\$ 4,823,193	2,363,216	2,222,831
Listed funds	9,332,592	6,391,682	4,905,560
OTC stocks	888,641	642,609	429,691
OTC funds	12,792,746	7,842,384	2,100,539
Emerging market stocks	538,578	481,795	329,295
Convertible bonds	2,678,350	3,026,744	412,446
Government bonds	1,988,734	3,370,684	4,042,214
Corporate bonds	6,562,714	8,004,798	6,637,714
International bonds	5,402,426	5,195,937	5,488,862
Financial debentures	550,000	550,000	550,000
Foreign stocks	113,654	128,613	19,774
Foreign funds	35,577	158,539	104,090
Foreign bonds	1,017,850	741,649	685,602
Others	<u>1,212,556</u>	<u>113,151</u>	<u>45,470</u>
	47,937,611	39,011,801	27,974,088
Valuation adjustment	<u>261,124</u>	<u>(262,549)</u>	<u>(300,846)</u>
Subtotal	<u>48,198,735</u>	<u>38,749,252</u>	<u>27,673,242</u>
Trading securities - underwriting			
Listed stocks	8,072	15,642	33,203
OTC stocks	10,758	11,902	-
Convertible bonds	<u>11,983</u>	<u>12,620</u>	<u>41,921</u>
	30,813	40,164	75,124
Valuation adjustment	<u>2,446</u>	<u>2,526</u>	<u>(2,581)</u>
Subtotal	<u>33,259</u>	<u>42,690</u>	<u>72,543</u>
Trading securities - hedging			
Listed stocks	6,939,220	4,997,262	2,363,939
OTC stocks	1,369,497	1,583,011	814,050
Convertible bonds	14,990,818	15,837,002	12,641,599
Others	<u>166,502</u>	<u>172,279</u>	<u>722,856</u>
	23,466,037	22,589,554	16,542,444
Valuation adjustment	<u>909,507</u>	<u>255,499</u>	<u>(256,430)</u>
Subtotal	<u>24,375,544</u>	<u>22,845,053</u>	<u>16,286,014</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Derivatives			
Buy options	\$ 220,787	194,501	154,529
Futures margin - security	386,600	-	-
Futures margin - proprietary fund	1,398,298	1,014,514	883,060
IRS asset swaps	56,428	43,403	15,764
Asset swap options - long position	324,284	315,076	254,236
Leverage derivatives - non-hedging	178,749	150,671	184,636
Structured notes	4,833	2,284	1,485
Exchange rate derivatives	123,562	-	17,488
Equity derivatives	11,808	15,890	17,284
Interest rate swaps	321	350	-
Subtotal	<u>2,705,670</u>	<u>1,736,689</u>	<u>1,528,482</u>
Total	<u>\$ 76,914,862</u>	<u>64,089,612</u>	<u>45,976,978</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, 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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Debt instruments at fair value through other comprehensive income			
Government bonds	\$ 2,598,361	3,499,233	3,652,687
Corporate bonds	6,896,552	6,490,004	3,270,352
International bonds	1,152,000	1,105,380	487,200
Foreign bonds	15,081,467	12,588,989	10,166,720
	25,728,380	23,683,606	17,576,959
Valuation adjustment	<u>(194,679)</u>	<u>(82,559)</u>	<u>(79,412)</u>
Subtotal	<u>25,533,701</u>	<u>23,601,047</u>	<u>17,497,547</u>
Equity instrument at fair value through other comprehensive income			
Listed stocks	\$ 650,568	170,950	333,414
OTC stocks	15,301	17,288	58,970
Emerging market stocks	275,702	276,809	206,538
	941,571	465,047	598,922
Valuation adjustment	<u>(35,601)</u>	<u>(40,958)</u>	<u>(15,510)</u>
Subtotal	<u>905,970</u>	<u>424,089</u>	<u>583,412</u>
Total	<u>\$ 26,439,671</u>	<u>24,025,136</u>	<u>18,080,959</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

For the three months ended March 31, 2024 and 2023, the dividends were recognized from the Group equity instrument investments measured at fair value through other comprehensive income – current amounted to \$720 and \$380, respectively. For the three months ended March 31, 2024 and 2023, the dividends were recognized from the disposing equity instrument investments both amounted to \$0, respectively.

Due to the consideration of asset allocation and managing and adjusting the investment portfolio, the Group sold equity instrument at fair value through other comprehensive income (FVOCI) - current at a fair value \$375,672 and \$276,338, respectively, cumulative dispose gains (losses) for the three months ended March 31, 2024 and 2023, amounted to \$61,932 and \$30,481, respectively, were transferred from other equity items to retained earnings.

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

4) For the three months ended March 31, 2024 and 2023, impairment test has been applied by the Group, the variation of loss allowance in the debt instrument measured at fair value through other comprehensive income of the Group please refer to note 6(w).

5) As of March 31, 2024, December 31, 2023 and March 31, 2023, 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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Mandatorily measured at fair value through profit or loss:			
Government bonds	\$ 180,887	180,887	181,467
Valuation adjustment	<u>(1,524)</u>	<u>(1,449)</u>	<u>(2,045)</u>
Total	<u>\$ 179,363</u>	<u>179,438</u>	<u>179,422</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group took advantage of government bonds as guaranty deposited of bills, interest rate swaps business, structured notes business, settlement fund and compensation reserve for trust business (for details please refer to note 8).

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Equity instruments at fair value through other comprehensive income			
Non-listed or non-over-the-counter stocks	\$ 1,038,772	1,022,272	1,092,826
Valuation adjustment	<u>2,630,399</u>	<u>2,709,619</u>	<u>1,806,635</u>
Total	<u>\$ 3,669,171</u>	<u>3,731,891</u>	<u>2,899,461</u>

For the three months ended March 31, 2024 and 2023, the dividends were recognized from the Group designated and disposed the aforementioned equity instrument investments at fair value through other comprehensive income — non-current both amounted to \$0, respectively.

For the three months ended March 31, 2024 and 2023 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 \$5,222 and \$0, generated cumulative dispose (losses) gains \$1,722 and \$0 and the gains were transferred from other equity items to retained earnings. Furthermore, for the three months ended March 31, 2024 and 2023, the investee company distribution of residual property liquidation amounted to \$0 and \$12,175.

- (v) The Group uses Value at risk (VaR) to monitor and measure the market risk of its investment in equity stocks. VaR refers to the unexpected loss of financial instruments derived from the changes in market risk factors within certain time periods and confidence level. The table below discloses the VaR, which is the estimation of potential loss in ten days and is covered by 99% of the adverse changes in market prices. In the table below by using this assumption, 2.5 out of 250 days VaR will exceed the disclosed amounts due to the changes in market price. For the three months ended March 31, 2024 and 2023 VaR (99%, per 10-day) of equity stocks are as follows:

Type of market risk	March 31, 2024	December 31, 2023	March 31, 2023	For the three months ended March 31,					
				2024			2023		
				Mean	Maximum	Minimum	Mean	Maximum	Minimum
Equity stocks	3,206,024	2,682,078	1,593,154	3,017,740	3,206,024	2,836,760	1,509,983	1,593,154	1,434,946

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
1) Debt Securities at amortized cost :			
Financial debentures	\$ 500,000	500,000	500,000
Foreign currency debentures	<u>5,557,929</u>	<u>4,811,807</u>	<u>4,518,856</u>
	6,057,929	5,311,807	5,018,856
Less: loss allowance	<u>(2,008)</u>	<u>(1,721)</u>	<u>(1,684)</u>
Total	<u>\$ 6,055,921</u>	<u>5,310,086</u>	<u>5,017,172</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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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(w).

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

	For the three months ended March 31,	
	2024	2023
Carrying amount on the date of derecognition	\$ -	121,624
Current profit and loss	\$ -	38

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

	March 31, 2024	December 31, 2023	March 31, 2023
Bonds purchased under resale agreements	\$ 130,003	60,208	-
Agreed-upon resale amounts	\$ 130,029	60,220	-
Interest rate	1%	0.95%	-
Date of resale	2024.4.1~2024.4.8	2024.1.2~2024.1.3	-

- (d) Accounts Receivable

	March 31, 2024	December 31, 2023	March 31, 2023
Receivable on securities purchased by customers	\$ 117,557	79,263	89,167
Settlement	-	667,035	328,688
Interests receivable	774,798	701,062	605,962
Receivables on securities sold	23,232,443	14,673,330	9,325,345
Others	241,931	147,763	169,130
Total	\$ 24,366,729	16,268,453	10,518,292

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Customers' margin account			
Cash in banks	\$ 29,824,045	26,514,502	25,823,164
Customers' margin account - futures clearing house	8,759,036	7,039,533	5,610,659
Customers' margin account - other futures commission merchants	5,157,306	5,319,585	7,064,928
Marketable securities	<u>235,109</u>	<u>1,061</u>	<u>26,611</u>
Total customers' margin account	<u>43,975,496</u>	<u>38,874,681</u>	<u>38,525,362</u>
Add:			
Commission expense	4,757	3,335	4,067
Other payable	48,471	-	-
Other	51	-	25
Less:			
Brokerage fee revenue	(16,144)	(11,190)	(15,981)
Futures transaction tax	(3,699)	(1,544)	(1,834)
Interest revenues	(2,347)	(3,202)	(8,010)
Temporary receipts	(694)	(812)	(30,944)
Remittance amount of the customers after the market closed	(12,999)	(37,268)	(15,732)
Other receivable	-	(61,788)	(48,241)
Other	<u>-</u>	<u>(36)</u>	<u>-</u>
Futures traders' equity	<u>\$ 43,992,892</u>	<u>38,762,176</u>	<u>38,408,712</u>

(f) Investments accounted for under equity method

As of March 31, 2024, December 31, 2023 and March 31, 2023, investments under equity method consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Subsidiaries			
Capital Insurance Advisory Corp.	\$ 53,439	44,481	75,634
Capital Insurance Agency Corp.	<u>-</u>	<u>7,400</u>	<u>39,492</u>
Subtotal	<u>53,439</u>	<u>51,881</u>	<u>115,126</u>
Associates			
Capital Investment Trust Corp.	1,487,103	1,421,092	1,412,660
EnnoCap Venture Inc.	<u>75</u>	<u>102</u>	<u>185</u>
Subtotal	<u>1,487,178</u>	<u>1,421,194</u>	<u>1,412,845</u>
Total	<u>\$ 1,540,617</u>	<u>1,473,075</u>	<u>1,527,971</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Subsidiaries:

For the three months ended March 31, 2024 and 2023, the Group's share of gains or losses and the summarized financial information of the subsidiaries were as follows:

	<u>For the three months ended March 31,</u>		
	<u>2024</u>	<u>2023</u>	
The Group's share of gains based on the subsidiaries' financial statements	<u>\$ 8,958</u>	<u>3,605</u>	
	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Total assets	<u>\$ 79,958</u>	<u>82,537</u>	<u>145,214</u>
Total liabilities	<u>\$ 26,519</u>	<u>30,656</u>	<u>30,088</u>
		<u>For the three months ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
Revenue	<u>\$ 50,858</u>	<u>26,229</u>	
Net income	<u>\$ 8,958</u>	<u>3,605</u>	

(ii) Associates

<u>Name of associate</u>	<u>Nature between the Company</u>	<u>Primary business area and registered country</u>	<u>Proportion of Ownership and Voting Rights</u>		
			<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Capital Investment Trust Corp.	Engaged in security investment and discretionary investment services.	Taiwan	20.00 %	20.00 %	20.00 %
EnnoCap Venture Inc.	Engaged in asset management. The Subsidiary's strategic alliance in expansion of asset management.	Taiwan	40.00 %	40.00 %	40.00 %

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Total carrying amount of interests in associates that were individually immaterial	<u>\$ 1,487,178</u>	<u>1,421,194</u>	<u>1,412,845</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31,	
	2024	2023
The Group's share of gains based on the associates' financial statements:		
Net gains from continuing operations	\$ <u>65,984</u>	<u>38,390</u>
Total comprehensive income (losses)	\$ <u>65,984</u>	<u>38,390</u>

(iii) Collateral

As of March 31, 2024, December 31, 2023 and March 31, 2023, none of the investment accounted for under equity method of the Group was pledged for collateral.

(g) Property and equipment

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

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost or deemed cost					
Balance at January 1, 2024	\$ 2,045,574	1,266,014	794,986	279,705	4,386,279
Additions	-	-	40,513	3,258	43,771
Disposals and retirements	-	-	(115,645)	(89,615)	(205,260)
Effect of exchange rate changes	-	3,234	2,948	497	6,679
Balance at March 31, 2024	\$ <u>2,045,574</u>	<u>1,269,248</u>	<u>722,802</u>	<u>193,845</u>	<u>4,231,469</u>
Balance at January 1, 2023	\$ 1,805,285	1,131,369	689,869	266,959	3,893,482
Additions	-	-	18,533	10,974	29,507
Disposals and retirements	-	-	(72,405)	(36,407)	(108,812)
Effect of exchange rate changes	-	(650)	(897)	(164)	(1,711)
Balance at March 31, 2023	\$ <u>1,805,285</u>	<u>1,130,719</u>	<u>635,100</u>	<u>241,362</u>	<u>3,812,466</u>
Depreciation and impairment loss					
Balance at January 1, 2024	\$ -	558,490	465,829	179,175	1,203,494
Depreciation	-	6,327	33,205	10,360	49,892
Disposals and retirements	-	-	(115,535)	(89,615)	(205,150)
Effect of exchange rate changes	-	1,701	2,630	234	4,565
Balance at March 31, 2024	\$ <u>-</u>	<u>566,518</u>	<u>386,129</u>	<u>100,154</u>	<u>1,052,801</u>
Balance at January 1, 2023	\$ -	501,935	448,304	169,972	1,120,211
Depreciation	-	5,655	31,337	13,286	50,278
Disposals and retirements	-	-	(71,595)	(36,407)	(108,002)
Effect of exchange rate changes	-	(330)	(788)	(54)	(1,172)
Balance at March 31, 2023	\$ <u>-</u>	<u>507,260</u>	<u>407,258</u>	<u>146,797</u>	<u>1,061,315</u>
Carrying amount:					
At March 31, 2024	\$ <u>2,045,574</u>	<u>702,730</u>	<u>336,673</u>	<u>93,691</u>	<u>3,178,668</u>
At January 1, 2024	\$ <u>2,045,574</u>	<u>707,524</u>	<u>329,157</u>	<u>100,530</u>	<u>3,182,785</u>
At March 31, 2023	\$ <u>1,805,285</u>	<u>623,459</u>	<u>227,842</u>	<u>94,565</u>	<u>2,751,151</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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As of March 31, 2024, December 31, 2023 and March 31, 2023, the property and equipment which were provided as collateral or pledge, please refer to note 8 for details.

(h) Right-of-use assets

	<u>Buildings</u>	<u>Others</u>	<u>Total</u>
Carrying amount:			
At March 31, 2024	\$ <u>633,625</u>	<u>14,001</u>	<u>647,626</u>
At January 1, 2024	\$ <u>656,046</u>	<u>15,643</u>	<u>671,689</u>
At March 31, 2023	\$ <u>717,598</u>	<u>12,852</u>	<u>730,450</u>
		<u>For the three months ended March 31,</u>	
		<u>2024</u>	<u>2023</u>
Additions of Right-of-use assets		\$ <u>26,739</u>	<u>8,484</u>
Depreciation for the period			
Buildings		\$ 49,581	45,812
Others		<u>2,120</u>	<u>1,816</u>
		\$ <u>51,701</u>	<u>47,628</u>

(i) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Carrying Amount:</u>			
At March 31, 2024	\$ <u>2,910,133</u>	<u>529,353</u>	<u>3,439,486</u>
At January 1, 2024	\$ <u>2,910,133</u>	<u>534,630</u>	<u>3,444,763</u>
At March 31, 2023	\$ <u>3,150,422</u>	<u>654,872</u>	<u>3,805,294</u>
<u>Fair Value:</u>			
At March 31, 2024			<u>7,303,936</u>
At January 1, 2024			<u>7,302,757</u>
At March 31, 2023			<u>7,760,916</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, and it belongs to level 3.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the investment properties were provided as collateral or pledged, for details please refer to note 8.

For the three months ended March 31, 2024 and 2023, the depreciation expense of the Group amounted to \$5,890 and \$6,547, respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023, there was no significant acquisition, disposal, and impairment loss or reversal of impairment losses of investment properties of the Group.

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

Lessor

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Within 1 year	\$ 134,296	136,676	163,763
1-5 years	423,412	449,949	460,733
Over 5 years	602	2,409	108,380
	<u>\$ 558,310</u>	<u>589,034</u>	<u>732,876</u>

The rental revenue from investment property for the three months ended March 31, 2024 and 2023 amounted to \$47,209 and \$49,891, respectively.

(j) Intangible assets

(i) Goodwill

The Company merged with Taiwan International Securities Corp. on May 2, 2011 and recognized goodwill. As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts were all \$3,126,698.

The Capital International Technology Corp., the second level subsidiary, acquired 51% shares of the Capital True Partner Technology Co., Ltd on February 9, 2015 in order to expand operations. The Group recognized the differences between consideration transferred and fair value of identifiable net assets as goodwill. As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts of goodwill were \$5,274, \$6,504 and \$9,981, respectively. Furthermore, the Group recognized an impairment loss of \$1,230 and \$1,150 for the three months ended March 31, 2024 and 2023 respectively, by using discount rate of 3.95% 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 March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts of the operation franchise were all \$389,999.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(iii) Other intangible assets - Membership of foreign futures Exchanges

The subsidiaries obtained the membership of foreign futures Exchanges - NYMEX, COMEX, CBOT, HKEX and CME for business development. In accordance with IAS 38 “Intangible Assets” endorsed by the FSC, the memberships are regarded as intangible assets with an indefinite useful life. As of March 31, 2024, December 31, 2023 and March 31, 2023, the carrying amounts of intangible assets were \$46,354, \$46,274 and \$46,249, respectively.

(iv) Other intangible assets - Computer software

Computer software was booked at cost and amortized by using the straight-line method over the estimated useful lives. As of March 31, 2024, December 31, 2023 and March 31, 2023, the amortized book value were \$47,334, \$53,364 and \$36,591, respectively.

(k) Short-term borrowings

<u>Nature of borrowings</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Collateralized loan	\$ 2,605,600	767,625	92,914
Credit loan	<u>6,567,717</u>	<u>5,106,809</u>	<u>2,942,978</u>
Total	<u>\$ 9,173,317</u>	<u>5,874,434</u>	<u>3,035,892</u>
Interest rate range	<u>0.93%~6.25%</u>	<u>0.95%~6.522%</u>	<u>3.13%~5.66%</u>

As of March 31, 2024, December 31, 2023 and March 31, 2023, the Group had provided land, buildings, and certificates of time deposits as collateral, for details please refer to note 8.

(l) Commercial paper payable

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Commercial paper payable	\$ 34,650,000	13,100,000	7,600,000
Less: Unamortized discount	<u>(48,618)</u>	<u>(9,831)</u>	<u>(4,651)</u>
Net amount	<u>\$ 34,601,382</u>	<u>13,090,169</u>	<u>7,595,349</u>
Interest rate range	<u>1.548%~1.888%</u>	<u>1.568%~1.668%</u>	<u>1.318%~1.508%</u>

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Liabilities on sale of borrowed securities	\$ 20,539,003	17,001,985	7,265,801
Redeem liabilities on sale of borrowed securities	(82,018)	(243,755)	(4,829)
Valuation adjustment	<u>301,396</u>	<u>32,752</u>	<u>167,933</u>
Subtotal	<u>20,758,381</u>	<u>16,790,982</u>	<u>7,428,905</u>
Stock warrants issued	18,987,048	19,542,173	15,563,107
Stock warrants repurchased	<u>(17,347,448)</u>	<u>(18,199,928)</u>	<u>(15,037,086)</u>
Subtotal	<u>1,639,600</u>	<u>1,342,245</u>	<u>526,021</u>
Sale options	79,117	82,162	107,715
IRS asset swaps	68,475	56,167	50,118
Asset swap options - short position	3,003,663	2,663,494	1,728,939
Structured notes	50,107	41,296	93,623
Leverage derivatives - non-hedging	9,411	15,402	5,659
Exchange rate derivatives	-	98,566	1,138
Interest rate swaps	-	-	102
Equity derivatives	<u>1,166</u>	<u>90</u>	<u>1,233</u>
Subtotal	<u>3,211,939</u>	<u>2,957,177</u>	<u>1,988,527</u>
Total	<u>\$ 25,609,920</u>	<u>21,090,404</u>	<u>9,943,453</u>

(n) Bonds sold under repurchase agreements

	March 31, 2024	December 31, 2023	March 31, 2023
Bonds sold under repurchase agreements	<u>\$ 49,943,425</u>	<u>51,425,166</u>	<u>43,500,731</u>
Agreed-upon repurchase amounts	<u>51,053,342</u>	<u>52,334,161</u>	<u>44,149,078</u>
Interest rates	<u>0.95%~5.80%</u>	<u>0.80%~5.85%</u>	<u>0.65%~5.22%</u>
Date of repurchase	<u>2024.4.1~2025.3.27</u>	<u>2024.1.2~2024.12.17</u>	<u>2023.4.6~2024.3.29</u>

(o) Equity for each customer in the account

	March 31, 2024	December 31, 2023	March 31, 2023
Equity for each customer in the account	<u>\$ 36,739,894</u>	<u>32,426,834</u>	<u>28,440,466</u>
Amount of separate account ledger in NTD			
Demand deposit amount	9,236,492	7,426,830	28,440,462
Time deposit amount	17,500,000	17,500,000	-
Time deposit amount in other banks(market values)	10,000,000	7,500,000	-
Total	<u>\$ 36,736,492</u>	<u>32,426,830</u>	<u>28,440,462</u>

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(p) Accounts payable

	March 31, 2024	December 31, 2023	March 31, 2023
Payable of securities sold by customers	\$ 88,693	50,980	90,891
Settlement	2,224,930	-	-
Payable of settlements	15,561,932	10,587,751	8,205,466
Others	768,003	507,729	206,263
Total	<u>\$ 18,643,558</u>	<u>11,146,460</u>	<u>8,502,620</u>

(q) Lease liabilities

The Group's lease liabilities are as follow:

	March 31, 2024	December 31, 2023	March 31, 2023
Current	<u>\$ 203,020</u>	<u>201,566</u>	<u>191,549</u>
Non-current	<u>\$ 494,128</u>	<u>522,851</u>	<u>594,384</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2024	2023
Interest on lease liabilities	<u>\$ 2,337</u>	<u>2,440</u>
Expenses relating to short-term leases	<u>\$ 3,385</u>	<u>3,196</u>
Expenses relating to leases of low-value assets, excluding low-value assets of short-term leases	<u>\$ 1,403</u>	<u>1,416</u>

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

	For the three months ended March 31,	
	2024	2023
Total cash outflow for leases	<u>\$ 61,736</u>	<u>56,422</u>

(r) Employee benefit

(i) Defined benefit plans

In the prior fiscal year, there is apparently no evidence of any material market volatility, material curtailment, reimbursement and settlement or other material one-time events. Therefore, pension cost in the interim consolidated financial statements is measured and disclosed according to the respective actuarial report as of December 31, 2023 and 2022.

For the three months ended March 31, 2024 and 2023, the Group's pension expenses recognized in profit or loss were \$495 and \$(156), respectively.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Defined contribution plan

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

The Group contributed \$25,686 and \$23,427 under defined contribution plan to the Bureau of the Labor Insurance for the three months ended March 31, 2024 and 2023, respectively.

(iii) For the three months ended March 31, 2024 and 2023, the pension costs contributed by overseas subsidiaries in compliance with local ordinance were \$1,318 and \$1,197, respectively.

(iv) Provision for employee benefits liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Compensated absences	\$ <u>59,683</u>	<u>54,787</u>	<u>51,955</u>

(s) Income tax

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

The Company and its consolidated subsidiaries including Capital Investment Management Corp., Capital Futures Corp., CSC Venture Capital Corp., CSC Capital Management Co. and CSC Private Equity Fund I Co. are founded in Taiwan. The corporate income tax rates are both 20% for the three months ended March 31, 2024 and 2023.

The subsidiaries CSC International Holdings Ltd. and Taiwan International Securities (B.V.I) Corp is founded in British Virgin Islands, and it has a tax exemption for the three months ended March 31, 2024 and 2023.

The tax rates of reinvestment business of subsidiaries which founded in Hong Kong are all 16.5% for the three months ended March 31, 2024 and 2023.

The tax rates of reinvestment business of subsidiaries founded in Mainland China are all 25% for the three months ended March 31, 2024 and 2023.

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

	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Current tax expense	\$ 244,682	137,308
Deferred income tax expense (benefit)	(109,371)	(94,399)
Total	\$ <u>135,311</u>	<u>42,909</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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- (iii) The amounts of income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the three months ended March 31,	
	2024	2023
Foreign exchange difference from translating financial statement of foreign operations	\$ 13,219	(3,419)

- (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 2022 were assessed by the Tax Authority.
- 3) Subsidiary - Capital Futures Corp.'s income tax returns through 2021 were assessed by the Tax Authority.
- 4) Second level Subsidiary - Capital International Technology Corp.'s income tax returns through 2022 were assessed by the Tax Authority.
- 5) Subsidiary - CSC Venture Capital Corp.'s income tax returns through 2022 were assessed by the Tax Authority.
- 6) Subsidiary - CSC Capital Management Co.'s income tax returns through 2022 were assessed by the Tax Authority.
- 7) Second level Subsidiary - CSC Private Equity Fund I Co.'s income tax returns through 2022 were assessed by the Tax Authority.

- (v) Income tax administrative relief

Since the stock warrants in year 2020 and 2021 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.

- (t) Capital and other equity

- (i) Capital stock

As of March 31, 2024, December 31, 2023 and March 31, 2023, 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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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(ii) Capital surplus

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

The followings are the capital surplus of the Company:

	March 31, 2024	December 31, 2023	March 31, 2023
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.

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.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 2023 earnings distribution proposed by the board meeting on March 13, 2024, and fiscal year 2022 earnings distribution resolved by the shareholder's meeting on June 27, 2023. Dividends distributed to the owners were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Amount</u>	<u>Dividends per share (dollar)</u>	<u>Amount</u>	<u>Dividends per share (dollar)</u>
Cash dividends	<u>\$ 2,887,308</u>	1.33	<u>846,655</u>	0.39

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Earnings per share

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

	For the three months ended March 31,	
	2024	2023
Net income attributable to common shareholders of the Company	\$ <u>1,356,808</u>	<u>1,109,499</u>
Weighted-average number of common stock shares outstanding (thousands of shares)	<u>2,170,908</u>	<u>2,170,908</u>
Basic earnings per share (dollar)	\$ <u>0.62</u>	<u>0.51</u>
Effect of potentially dilutive common stock - Employee remuneration (thousands of shares) (Note)	<u>1,553</u>	<u>1,109</u>
Weighted-average number of outstanding shares for calculating dilutive EPS (thousands of shares)	<u>2,172,461</u>	<u>2,172,017</u>
Dilutive earnings per share (dollar)	\$ <u>0.62</u>	<u>0.51</u>

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

(v) Items of the statements of comprehensive income

(i) Brokerage commissions

	For the three months ended March 31,	
	2024	2023
Brokerage commission from TSE market	\$ 841,529	491,765
Brokerage commission from OTC market	269,724	186,692
Handling fee from security financing	6,518	4,940
Futures commission income - brokerage	401,505	419,773
Overseas subsidiaries	4,117	9,166
Others	<u>38,234</u>	<u>40,774</u>
	\$ <u>1,561,627</u>	<u>1,153,110</u>

(ii) Underwriting commissions

	For the three months ended March 31,	
	2024	2023
Revenue from underwriting securities on a firm commitment basis	\$ 11,716	7,933
Handling fee revenues from underwriting securities on consignment	267	102
Processing fee revenues from underwriting operations	4,778	3,003
Revenue from underwriting consultation	810	1,200
Others	<u>3,405</u>	<u>436</u>
	\$ <u>20,976</u>	<u>12,674</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	For the three months ended March 31,	
	2024	2023
Gains (losses) on securities sold - proprietary trading	\$ 2,043,197	691,296
Gains (losses) on securities sold - underwriting	6,051	4,102
Gains (losses) on securities sold - hedging	<u>1,091,746</u>	<u>454,648</u>
	<u>\$ 3,140,994</u>	<u>1,150,046</u>

(iv) Interest revenue

	For the three months ended March 31,	
	2024	2023
Interest revenue - margin loans	\$ 229,996	158,804
Interest revenue - bonds	400,847	269,423
Overseas subsidiaries	5,892	4,512
Others	<u>183,082</u>	<u>50,057</u>
	<u>\$ 819,817</u>	<u>482,796</u>

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

	For the three months ended March 31,	
	2024	2023
Trading securities - proprietary	\$ 539,568	492,275
Trading securities - underwriting	(80)	4,666
Trading securities - hedging	<u>654,008</u>	<u>746,493</u>
	<u>\$ 1,193,496</u>	<u>1,243,434</u>

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

	For the three months ended March 31,	
	2024	2023
Gains on changes in fair value of stock warrants	\$ (1,063,238)	(25,379)
Gains on exercise of stock warrants before maturity	28,128,428	10,501,996
Losses on changes in fair value of stock warrants repurchased	(27,494,927)	(10,470,303)
Gains on expiration of stock warrants	13,353	16,267
Stock warrants issuance expenses	<u>(150,389)</u>	<u>(63,624)</u>
	<u>\$ (566,773)</u>	<u>(41,043)</u>

(vii) Futures commission revenues

	For the three months ended March 31,	
	2024	2023
Futures commission revenues - CSC Futures (HK) Ltd.	<u>\$ 88,844</u>	<u>54,294</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(viii) Commission expenses - future

	For the three months ended March 31,	
	2024	2023
Future trading - reconsignment	\$ 59,907	66,282
Future trading - introducing brokers	635	644
Commission expenses - CSC Futures (HK) Ltd.	<u>16,464</u>	<u>10,158</u>
	<u>\$ 77,006</u>	<u>77,084</u>

(ix) Employee benefits, depreciation, and amortization expenses

	For the three months ended March 31,	
	2024	2023
Employee benefit expenses		
Salary expense	\$ 796,352	664,219
Health and labor insurance expense	61,824	52,516
Pension expense	27,499	24,468
Others	24,744	15,502
Depreciation expense	107,483	104,453
Amortization expense	<u>14,232</u>	<u>8,978</u>
	<u>\$ 1,032,134</u>	<u>870,136</u>

(x) Other operating expenses

	For the three months ended March 31,	
	2024	2023
Rental expense	\$ 4,809	4,620
Taxes	246,199	135,593
Information technology expense	82,415	68,041
Postage expense	63,177	60,763
Professional service fee	5,429	5,781
Expense from securities lending	145,878	109,484
Other expenses	<u>270,907</u>	<u>163,200</u>
	<u>\$ 818,814</u>	<u>547,482</u>

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

	For the three months ended March 31,	
	2024	2023
Financial revenue	\$ 344,620	290,355
Currency exchange gains (losses)	8,403	5,374
Net gains (losses) on disposal of investment	18,400	1,293
Net gains (losses) on measurement of non-operating financial instruments at fair value through profit or loss	68,459	11,625
Revenue from bank's allocation fee	48,109	74,692
Net gains (losses) on disposal of property and equipment	-	50
Dividend revenue	1,333	139
Gains on reversal of prior year's liabilities	94	228
Rental income	47,209	49,891
Others	5,311	11,235
	\$ 541,938	444,882

(xii) Remuneration to employees and directors

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

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

For the three months ended March 31, 2024 and 2023, the estimated amounts of remuneration to employees were \$29,737 and \$13,312, respectively, and to directors were \$44,606 and \$13,312, respectively, which were calculated based on the Company's net profit before income tax and remuneration to employees and director multiple the earnings allocation percentage as stated under the Company's Articles of Incorporation and were recognized as operating expense. If the actual amounts were subsequently decided after the approval and the issuance date of the financial statements in the following year differ from the estimated amounts, the differences are accounted for as changes in accounting estimates and recognized in profit or loss in the following year. If the Board of Directors resolved to distribute the employees' remuneration in the form of shares, the number of shares of the distribution is based on the closing price of the day before the Board of Directors' meeting date.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2023 and 2022, the estimated amounts of remuneration to employees were \$92,459 and \$16,731, and to directors were \$138,689 and \$20,404 by the Company. The remuneration to employees and directors in 2023 have not been distributed. The difference between actual employee remuneration in 2022 of \$8,197 and actual remuneration to directors of \$10,930 were \$18,008 in total. The difference was accounted for as changes in accounting estimates and would be recognized as profit or loss in 2023. The information about the appropriations of remuneration to employees and to directors approved by the Board of Directors is available at the website of the Market Observation Post System.

For the three months ended March 31, 2024 and 2023, the estimated amounts of remuneration to employees were \$5,091 and \$4,625 and to directors were \$5,091 and \$4,625 by the domestic subsidiaries of the Group, respectively.

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit exposure. As of March 31, 2024, December 31, 2023 and March 31, 2023, the maximum credit exposure amounted to \$229,830,349, \$201,681,173 and \$156,882,839, 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 85.25%); secondly, is in Asia (accounted for 6.01%, exclusion of Taiwan); then, is in America (accounted for 4.92%). Compare to the same period of last year, there is no significant change in proportion of region of investments.

<u>Region</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Taiwan	\$ 195,928,695	170,713,461	128,569,803
Asia (Taiwan is excluded)	13,801,337	12,924,755	15,416,743
Europe	8,786,618	7,961,492	3,855,795
America	11,313,699	10,081,465	8,830,313
Other	-	-	210,185
Total	<u>\$ 229,830,349</u>	<u>201,681,173</u>	<u>156,882,839</u>

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Notes to the Consolidated Financial Statements

2) Impairment loss

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Gross carrying amount	Allowance	Gross carrying amount	Allowance	Gross carrying amount	Allowance
Not past due	\$ 60,663,687	29,972	39,786,382	34,623	27,917,525	35,146
Past due 0~30 days	1,159	1,159	-	-	-	-
Past due 31~120 days	-	-	-	-	1,745	1,745
Past due 121~360 days	478	478	2,223	2,223	718	718
Past due more than 360 days	268,109	268,109	260,900	260,900	260,142	260,142
	\$ 60,933,433	299,718	40,049,505	297,746	28,180,130	297,751

Allowance for doubtful debts under receivables and overdue receivables are recorded for the impairment loss. When a claim becomes definitely uncollectible, the allowance for doubtful debts should be written off to financial assets account. As of March 31, 2024, December 31, 2023 and March 31, 2023, the impairment losses of receivables were \$299,718, \$297,746 and \$297,751, respectively.

3) Credit risk of receivables and debt securities

Debt securities held by the Group including government bonds, listed and unlisted debt securities are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g) of the consolidated financial statements for the year ended December 31, 2023.

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

The loss allowance provision for the three months ended March 31, 2024 and 2023 was as follows:

	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2024	\$ -	9,682	1,721	-	-	-	297,746	-	-	309,149
Provision or reversal of Impairment loss	-	1,709	283	-	-	-	1,097	-	-	3,089
Amounts written off	-	-	-	-	-	-	(94)	-	-	(94)
Effect of exchange rate	-	-	4	-	-	-	969	-	-	973
Balance on March 31, 2024	\$ -	11,391	2,008	-	-	-	299,718	-	-	313,117
	12-month ECL			Lifetime ECL-not credit impaired			Lifetime ECL-credit impaired			Total
	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	Accrued receivables	Debt securities at FVOCI	Debt securities at amortized cost	
Balance on January 1, 2023	\$ -	5,127	1,141	-	-	-	296,309	-	-	302,577
Provision or reversal of Impairment loss	-	2,594	556	-	-	-	1,704	-	-	4,854
Amounts written off	-	-	-	-	-	-	(228)	-	-	(228)
Effect of exchange rate	-	-	(13)	-	-	-	(34)	-	-	(47)
Balance on March 31, 2023	\$ -	7,721	1,684	-	-	-	297,751	-	-	307,156

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(ii) Liquidity risk

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

March 31, 2024	<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	\$ 20,758,381	20,758,381	20,758,381	-	-	-	-
Stock warrants issued	1,639,600	1,639,600	1,183,948	440,169	15,483	-	-
Put options	79,117	79,117	79,117	-	-	-	-
Equity derivatives	1,166	1,166	1,166	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	68,475	68,475	1,653	8,991	9,618	48,213	-
Asset swap option - short position	3,003,663	3,003,663	180,075	477,152	901,638	1,444,798	-
Leverage derivatives - non- hedging	9,411	9,411	9,411	-	-	-	-
Structured notes	50,107	50,107	27,360	1,510	3,740	17,497	-
Short-term borrowings	9,173,317	9,173,317	9,173,317	-	-	-	-
Commercial paper payable	34,601,382	34,650,000	34,650,000	-	-	-	-
Bonds sold under repurchase agreements	49,943,425	51,053,342	41,258,319	9,795,023	-	-	-
Guarantee deposited for short sales	1,227,160	1,227,160	1,227,160	-	-	-	-
Proceeds payable from short sales	1,373,116	1,373,116	1,373,116	-	-	-	-
Securities lending refundable deposits	17,081,008	17,081,008	17,081,008	-	-	-	-
Futures traders' equity	43,992,892	43,992,892	43,992,892	-	-	-	-
Equity for each customer in the account	36,739,894	36,739,894	36,739,894	-	-	-	-
Leverage contract trading customers' equity	689,589	689,589	689,589	-	-	-	-
Notes payable and accounts payable	768,083	768,083	768,083	-	-	-	-
Receipts under custody	711,971	711,971	711,971	-	-	-	-
Other payables	1,404,779	1,404,779	1,403,481	1,298	-	-	-
Other financial liabilities	5,148,341	5,148,341	4,409,854	149,942	329,809	258,736	-
Lease liabilities	697,148	715,239	102,552	108,150	180,786	321,903	1,848
	<u>\$ 229,162,025</u>	<u>230,338,651</u>	<u>215,822,347</u>	<u>10,982,235</u>	<u>1,441,074</u>	<u>2,091,147</u>	<u>1,848</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
December 31, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 16,790,982	16,790,982	16,790,982	-	-	-	-
Stock warrants issued	1,342,245	1,342,245	1,092,252	244,992	5,001	-	-
Put options	82,162	82,162	82,162	-	-	-	-
Equity derivatives	90	90	90	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	154,733	154,733	99,996	8,977	15,429	30,331	-
Asset swap option - short position	2,663,494	2,663,494	211,937	346,676	991,141	1,113,740	-
Leverage derivatives - non- hedging	15,402	15,402	15,402	-	-	-	-
Structured notes	41,296	41,296	18,425	16,344	3,664	2,863	-
Short-term borrowings	5,874,434	5,874,434	5,874,434	-	-	-	-
Commercial paper payable	13,090,169	13,100,000	13,100,000	-	-	-	-
Bonds sold under repurchase agreements	51,425,166	52,334,160	36,411,873	15,922,287	-	-	-
Guarantee deposited for short sales	2,003,761	2,003,761	2,003,761	-	-	-	-
Proceeds payable from short sales	2,294,644	2,294,644	2,294,644	-	-	-	-
Securities lending refundable deposits	15,481,166	15,481,166	15,481,166	-	-	-	-
Futures traders' equity	38,762,176	38,762,176	38,762,176	-	-	-	-
Equity for each customer in the account	32,426,834	32,426,834	32,426,834	-	-	-	-
Leverage contract trading customers' equity	733,533	733,533	733,533	-	-	-	-
Notes payable and accounts payable	507,895	507,895	507,895	-	-	-	-
Receipts under custody	327,934	327,934	327,934	-	-	-	-
Other payables	1,733,199	1,733,199	1,732,128	1,071	-	-	-
Other financial liabilities	4,900,665	4,900,665	3,974,452	249,051	426,210	250,952	-
Lease liabilities	724,417	744,145	111,098	98,610	187,830	344,591	2,016
	<u>\$ 191,376,397</u>	<u>192,314,950</u>	<u>172,053,174</u>	<u>16,888,008</u>	<u>1,629,275</u>	<u>1,742,477</u>	<u>2,016</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
March 31, 2023							
Financial liabilities at fair value through profit or loss - current							
Liabilities on sale of borrowed securities	\$ 7,428,905	7,428,905	7,428,905	-	-	-	-
Stock warrants issued	526,021	526,021	483,600	42,421	-	-	-
Put options	107,715	107,715	107,715	-	-	-	-
Equity derivatives	1,233	1,233	1,233	-	-	-	-
Interest rate swaps and Exchange rate derivatives (including IRS asset swaps)	51,358	51,358	1,992	7,226	20,484	21,656	-
Asset swap option - short position	1,728,939	1,728,939	106,425	375,115	706,042	541,357	-
Leverage derivatives - non- hedging	5,659	5,659	5,659	-	-	-	-
Structured notes	93,623	93,623	57,208	18,989	14,002	3,424	-
Short-term borrowings	3,035,892	3,035,892	3,035,892	-	-	-	-
Commercial papers payable	7,595,349	7,600,000	7,600,000	-	-	-	-
Bonds sold under repurchase agreements	43,500,731	44,149,078	31,062,343	13,086,735	-	-	-
Guarantee deposited for short sales	1,238,795	1,238,795	1,238,795	-	-	-	-
Proceeds payable from short sales	1,291,690	1,291,690	1,291,690	-	-	-	-
Securities lending refundable deposits	14,660,205	14,660,205	14,660,205	-	-	-	-
Futures traders' equity	38,408,712	38,408,712	38,408,712	-	-	-	-
Equity for each customer in the account	28,440,466	28,440,466	28,440,466	-	-	-	-
Leverage contract trading customers' equity	826,682	826,682	826,682	-	-	-	-
Notes payable and accounts payable	206,339	206,339	206,339	-	-	-	-
Receipts under custody	122,676	122,676	122,676	-	-	-	-
Other payables	714,886	714,886	712,722	2,164	-	-	-
Other financial liabilities	4,782,790	4,782,790	3,857,957	298,948	414,941	210,944	-
Lease liabilities	785,933	808,435	96,381	103,454	182,741	388,022	37,837
	<u>\$ 155,554,599</u>	<u>156,230,099</u>	<u>139,753,597</u>	<u>13,935,052</u>	<u>1,338,210</u>	<u>1,165,403</u>	<u>37,837</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:

	March 31, 2024		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,023,863	32.0000	32,763,616
AUD	2,989	20.8200	62,231
CAD	7	23.6200	165
CHF	136	35.4750	4,825
EUR	12,195	34.4600	420,240
GBP	486	40.3900	19,630
HKD	281,042	4.0890	1,149,181
JPY	1,756,830	0.2115	371,570
SGD	864	23.7200	20,494
CNY	76,851	4.4080	338,759
ZAR	3,045	1.6890	5,143
KRW	150,313	0.0239	3,592
NZD	15	19.1100	287
THB	4,341	0.8840	3,837
MYR	1,366	6.4960	8,874
VND	9,452,718	0.0013	12,289
INR	15,741	0.3837	6,040
<u>Non-Monetary Item</u>			
USD	755,212	32.0000	24,166,784
AUD	134,435	20.8200	2,798,937
CAD	2	23.6200	47
CHF	149	35.4750	5,286
EUR	31,468	34.4600	1,084,387
HKD	7,732	4.0890	31,616
JPY	44,215	0.2115	9,351
SGD	1	23.7200	24
CNY	25,012	4.4080	110,253
ZAR	353	1.6890	596
INR	841	0.3837	323

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2024		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,894,839	32.0000	60,634,848
AUD	130,848	20.8200	2,724,255
CHF	16	35.4750	568
EUR	43,173	34.4600	1,487,742
GBP	477	40.3900	19,266
HKD	423,255	4.0890	1,730,690
JPY	1,792,099	0.2115	379,029
SGD	927	23.7200	21,988
CNY	66,605	4.4080	293,595
ZAR	135	1.6890	228
KRW	148,224	0.0239	3,543
NZD	8	19.1100	153
THB	1,500	0.8840	1,326
MYR	1,326	6.4960	8,614
VND	3,158,805	0.0013	4,106
<u>Non-Monetary Item</u>			
USD	274	32.0000	8,768
JPY	2,652	0.2115	561
NZD	4	19.1100	76

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,014,104	30.7050	31,138,063
AUD	4,966	20.9800	104,187
CAD	2	23.2000	46
CHF	56	36.4850	2,043
EUR	13,006	33.9800	441,944
GBP	547	39.1500	21,415
HKD	60,128	3.9290	236,243
JPY	1,228,850	0.2172	266,906
SGD	772	23.2900	17,980
CNY	92,667	4.3270	400,970
ZAR	3,753	1.6570	6,219
KRW	117,695	0.0239	2,813
NZD	124	19.4800	2,416
THB	4,079	0.9017	3,678
MYR	1,037	6.4110	6,648
DKK	11	4.5600	50
VND	9,817,275	0.0012	11,781
<u>Non-Monetary Item</u>			
USD	683,632	30.7050	20,990,921
AUD	131,184	20.9800	2,752,240
CAD	6	23.2000	139
EUR	23,358	33.9800	793,705
GBP	5	39.1500	196
HKD	7,380	3.9290	28,996
JPY	14,690	0.2172	3,191
CNY	24,314	4.3270	105,207
ZAR	389	1.6570	645

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023		
<u>Financial liabilities</u>	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Monetary Item</u>			
USD	\$ 1,784,509	30.7050	54,793,349
AUD	129,867	20.9800	2,724,610
CAD	8	23.2000	182
CHF	137	36.4850	4,998
EUR	35,883	33.9800	1,219,304
GBP	474	39.1500	18,557
HKD	205,545	3.9290	807,586
JPY	1,162,260	0.2172	252,443
SGD	844	23.2900	19,657
CNY	82,129	4.3270	355,372
KRW	115,946	0.0239	2,771
NZD	1	19.4800	19
THB	1,318	0.9017	1,188
MYR	998	6.4110	6,398
VND	3,158,805	0.0012	3,791
<u>Non-Monetary Item</u>			
USD	13	30.7050	399
CHF	183	36.4850	6,677
SGD	5	23.2900	116
CNY	1,858	4.3270	8,040
NZD	9	19.4800	175

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial assets</u>			
<u>Monetary Item</u>			
USD	\$ 1,077,748	30.4500	32,817,427
AUD	2,459	20.3300	49,991
CAD	1	22.4700	22
CHF	1	33.2750	33
EUR	15,940	33.1500	528,411
GBP	661	37.6700	24,900
HKD	140,130	3.8790	543,564
JPY	1,639,918	0.2288	375,213
SGD	443	22.9100	10,149
CNY	144,698	4.4310	641,157
ZAR	4,684	1.7090	8,005
KRW	1,984,110	0.0236	46,825
NZD	435	19.0500	8,287
THB	3,273	0.8973	2,937
MYR	445	6.6180	2,945
VND	6,667,230	0.0013	8,667
<u>Non-Monetary Item</u>			
USD	590,523	30.4500	17,981,425
AUD	113,383	20.3300	2,305,076
CAD	4	22.4700	90
EUR	18,360	33.1500	608,634
GBP	1,014	37.6700	38,197
HKD	5,830	3.8790	22,615
JPY	16,079	0.2288	3,679
CNY	17,010	4.4310	75,371
ZAR	691	1.7090	1,181
NZD	13	19.0500	248

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	March 31, 2023		
	Foreign Currency (thousands)	Exchange Rate	Amount
<u>Financial liabilities</u>			
<u>Monetary Item</u>			
USD	\$ 1,728,935	30.4500	52,646,071
AUD	110,418	20.3300	2,244,798
CAD	317	22.4700	7,123
CHF	200	33.2750	6,655
EUR	34,028	33.1500	1,128,028
GBP	1,429	37.6700	53,830
HKD	226,951	3.8790	880,343
JPY	1,628,784	0.2288	372,666
SGD	293	22.9100	6,713
CNY	126,651	4.4310	561,191
ZAR	1,061	1.7090	1,813
KRW	1,919,221	0.0236	45,294
NZD	1	19.0500	19
THB	888	0.8973	797
MYR	420	6.6180	2,780
<u>Non-Monetary Item</u>			
USD	148	30.4500	4,507
CHF	45	33.2750	1,497
JPY	1,302	0.2288	298

Because there are a variety of functional currencies, the Group discloses a summary of currency exchange variation on the monetary items. For the three months ended March 31, 2024 and 2023, the realized and unrealized currency exchange gains (losses) amounted to \$(178,361) and \$1,535, 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 three months ended March 31, 2024 and 2023, given other factors remain constantly, if the relevant foreign currencies, when compared with the NTD, had appreciates or depreciates by 5%, the net income and other comprehensive income will change as follows:

	For the three months ended March 31, 2024		For the three months ended March 31, 2023	
	Appreciated 5%	Depreciated 5%	Appreciated 5%	Depreciated 5%
	Net income	(798,399)	798,399	(496,741)
Other comprehensive income	641,562	(641,562)	422,367	(422,367)

(iv) Sensitivity analysis of interest rate risk

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

<u>Market risk type</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	<u>For the three months ended March 31,</u>					
				<u>2024</u>			<u>2023</u>		
				<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Interest risk	2,592,498	2,620,698	1,962,262	2,716,492	2,828,289	2,592,498	1,892,796	1,962,262	1,781,528

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value information and hierarchy

1) Fair value information

a) General description

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

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

b) Definition of fair value hierarchy

i) Level 1

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

ii) Level 2

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

iii) Level 3

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Not measured at fair value

As of March 31, 2024, December 31, 2023 and March 31, 2023, the fair value information of the financial assets and financial liabilities of the Group was as follows:

a) Fair value information

	March 31, 2024		December 31, 2023		March 31, 2023	
	<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	\$ 8,767,102	8,767,102	8,598,180	8,598,180	10,554,818	10,554,818
Bonds purchased under resale agreements	130,003	130,003	60,208	60,208	-	-
Accrued receivable	109,854,389	109,854,389	85,015,061	85,015,061	68,607,069	68,607,069
Customers' margin account	43,975,496	43,975,496	38,874,681	38,874,681	38,525,362	38,525,362
Leverage contract trading - customers' margin account	690,953	690,953	712,455	712,455	792,344	792,344
Restricted assets - current	1,897,041	1,897,041	1,591,156	1,591,156	342,257	342,257
Other non-current assets	1,724,504	1,724,504	1,697,550	1,697,550	1,552,400	1,552,400
Financial liabilities:						
Short-term borrowings	9,173,317	9,173,317	5,874,434	5,874,434	3,035,892	3,035,892
Commercial paper payable	34,601,382	34,601,382	13,090,169	13,090,169	7,595,349	7,595,349
Bonds sold under repurchase agreements	49,943,425	49,943,425	51,425,166	51,425,166	43,500,731	43,500,731
Accrued payable	78,106,722	78,106,722	66,129,729	66,129,729	55,450,413	55,450,413
Futures traders' equity	43,992,892	43,992,892	38,762,176	38,762,176	38,408,712	38,408,712
Leverage contract trading - customers' equity	689,589	689,589	733,533	733,533	826,682	826,682
Other financial liabilities - current	4,559,796	4,559,796	4,223,503	4,223,503	4,156,906	4,156,906
Other financial liabilities - non-current	588,545	588,545	677,162	677,162	625,884	625,884
Other non-current liabilities	85,279	85,279	84,640	84,640	99,829	99,829

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>
Debt securities at amortized cost				
March 31, 2024	\$ -	<u>6,125,627</u>	-	<u>6,125,627</u>
December 31, 2023	\$ -	<u>5,361,000</u>	-	<u>5,361,000</u>
March 31, 2023	\$ -	<u>5,092,820</u>	-	<u>5,092,820</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- c) Valuation techniques used in estimating the fair values of financial instruments
- i) For short term financial instruments, the fair values are determined based on their book value because of their short maturities. Their carrying amounts is a reasonable approximation of the fair value. The method is applied to cash and cash equivalents, 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 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 information market participators use to estimate and assume when pricing financial instruments, and the information 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>
March 31, 2024				
Financial assets at fair value through profit or loss	\$ 43,998,424	30,289,136	100,995	74,388,555
Financial assets at fair value through other comprehensive income	3,632,603	22,944,853	3,531,386	30,108,842
Derivative financial assets	<u>2,005,685</u>	<u>699,985</u>	-	<u>2,705,670</u>
	<u>\$ 49,636,712</u>	<u>53,933,974</u>	<u>3,632,381</u>	<u>107,203,067</u>
Financial liabilities at fair value through profit or loss	\$ 22,397,981	-	-	22,397,981
Derivative financial liabilities	<u>115,930</u>	<u>3,096,009</u>	-	<u>3,211,939</u>
	<u>\$ 22,513,911</u>	<u>3,096,009</u>	-	<u>25,609,920</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
Financial assets at fair value through profit or loss	\$ 30,233,689	32,196,042	102,630	62,532,361
Financial assets at fair value through other comprehensive income	4,048,127	20,106,338	3,602,562	27,757,027
Derivative financial assets	<u>1,209,015</u>	<u>527,674</u>	<u>-</u>	<u>1,736,689</u>
	<u>\$ 35,490,831</u>	<u>52,830,054</u>	<u>3,705,192</u>	<u>92,026,077</u>
Financial liabilities at fair value through profit or loss	\$ 18,133,227	-	-	18,133,227
Derivative financial liabilities	<u>114,262</u>	<u>2,842,915</u>	<u>-</u>	<u>2,957,177</u>
	<u>\$ 18,247,489</u>	<u>2,842,915</u>	<u>-</u>	<u>21,090,404</u>
March 31, 2023				
Financial assets at fair value through profit or loss	\$ 19,323,178	25,268,740	36,000	44,627,918
Financial assets at fair value through other comprehensive income	4,272,866	13,860,579	2,846,975	20,980,420
Derivative financial assets	<u>1,037,589</u>	<u>490,893</u>	<u>-</u>	<u>1,528,482</u>
	<u>\$ 24,633,633</u>	<u>39,620,212</u>	<u>2,882,975</u>	<u>67,136,820</u>
Financial liabilities at fair value through profit or loss	\$ 7,954,926	-	-	7,954,926
Derivative financial liabilities	<u>195,443</u>	<u>1,793,084</u>	<u>-</u>	<u>1,988,527</u>
	<u>\$ 8,150,369</u>	<u>1,793,084</u>	<u>-</u>	<u>9,943,453</u>

b) Valuation techniques of financial instruments measured at fair value

i) Non-derivative financial instruments

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

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

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

ii) Derivative financial instruments

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

4) Transfer between Level 1 and Level 2

For the three months ended March 31, 2024 and 2023, there is no transfer of financial instruments between Level 1 and Level 2.

5) Fair value adjustments

Financial valuation techniques do not necessarily completely reflect all relevant elements of financial or non-financial instruments held by the Group. Thus, the outputs of financial valuation models may need necessary adjustments in line with important relevant elements. The valuation models and adjustment parameters were verified to ensure valuation procedures and results are in accordance with the requirements, so the valuation adjustments are pertinent and appropriate. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market condition.

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

(In Thousands Dollars)

Item	For the three months ended March 31, 2024								
	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	\$ 102,630	(1,635)	-	-	-	-	-	-	100,995
Financial assets at fair value through other comprehensive income	3,602,562	-	(87,676)	20,000	-	3,500	-	-	3,531,386
Total	\$ 3,705,192	(1,635)	(87,676)	20,000	-	3,500	-	-	3,632,381

Item	For the three months ended March 31, 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)	-	-	-	3,810	-	2,608	36,000
Financial assets at fair value through other comprehensive income	2,690,775	-	182,375	-	-	26,175	-	-	2,846,975
Total	\$ 2,733,257	(64)	182,375	-	-	29,985	-	2,608	2,882,975

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 profit or loss - equity instruments without an active market - private equity fund I corporation	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.

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

- 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:

	<u>Change in fair value recognized in other comprehensive income</u>	
	<u>Favorable change</u>	<u>Unfavorable change</u>
March 31, 2024		
Financial assets at fair value through profit or loss	\$ <u><u>1,010</u></u>	<u><u>(1,010)</u></u>
Financial assets at fair value through other comprehensive income	\$ <u><u>35,314</u></u>	<u><u>(35,314)</u></u>
December 31, 2023		
Financial assets at fair value through profit or loss	\$ <u><u>1,026</u></u>	<u><u>(1,026)</u></u>
Financial assets at fair value through other comprehensive income	\$ <u><u>36,026</u></u>	<u><u>(36,026)</u></u>

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	Change in fair value recognized in other comprehensive income	
	Favorable change	Unfavorable change
March 31, 2023		
Financial assets at fair value through profit or loss	\$ <u>360</u>	<u>(360)</u>
Financial assets at fair value through other comprehensive income	\$ <u>28,470</u>	<u>(28,470)</u>

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

(vi) Transfer of financial assets

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

March 31, 2024					
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>52,468,892</u>	<u>49,943,425</u>	-	-	-
December 31, 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>53,843,190</u>	<u>51,425,166</u>	-	-	-
March 31, 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>45,090,166</u>	<u>43,500,731</u>	-	-	-

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

(vii) Offsetting financial assets and financial liabilities

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

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

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

March 31, 2024						
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	\$ 699,985	-	699,985	-	-	699,985
March 31, 2024						
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	\$ 3,132,822	-	3,132,822	-	-	3,132,822
Under repurchase agreements	49,943,425	-	49,943,425	49,943,425	-	-
Total	\$ 53,076,247	-	53,076,247	49,943,425	-	3,132,822
December 31, 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	\$ 527,674	-	527,674	-	-	527,674

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December 31, 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	\$ 2,875,015	-	2,875,015	-	-	2,875,015
Under repurchase agreements	51,425,166	-	51,425,166	51,425,166	-	-
Total	\$ 54,300,181	-	54,300,181	51,425,166	-	2,875,015

March 31, 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	\$ 490,893	-	490,893	-	-	490,893

March 31, 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	\$ 1,880,812	-	1,880,812	-	-	1,880,812
Under repurchase agreements	43,500,731	-	43,500,731	43,500,731	-	-
Total	\$ 45,381,543	-	45,381,543	43,500,731	-	1,880,812

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

(x) Financial risk management

Except the following mentioned, there were no material changes in the Group's financial risk management and policies as disclosed in note 6(y) of the consolidated financial statements as of and for the year ended December 31, 2023.

As of March 31, 2024, December 31, 2023 and March 31, 2023, the related financial risk and the presentation of the Group's financial derivatives and other financial instruments as approved by the authority were as follows:

Stock warrants

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

Financial Instruments	March 31, 2024		December 31, 2023		March 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Stock warrants issued	\$ 62,262,109	-	93,530,484	-	15,124,417	-

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

(ii) Market risk:

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

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

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

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

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

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

(v) Presentation of financial derivatives

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

1) For the three months ended March 31, 2024 and 2023:

a) Gains (losses) on valuation

	For the three months ended March 31,		Account
	2024	2023	
Stock warrants issued	\$ 24,270,663	8,522,192	Gains (losses) on stock warrants issued
Stock warrants repurchased	(24,669,295)	(8,568,500)	Gains (losses) on stock warrants issued

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b) Gains (losses) on sale

	For the three months ended March 31,		Account
	2024	2023	
Security borrowing	\$ (12,820)	(85,979)	Gains (losses) on covering of borrowed securities and bonds with resale agreements
Trading securities - hedging	557,572	237,236	Gains (losses) on sale of trading securities
Futures transaction	(151,324)	(55,335)	Gains (losses) on derivative financial instruments - futures

c) Gains (losses) on maturity

	For the three months ended March 31,		Account
	2024	2023	
Stock warrants issued	\$ 2,807,880	1,970,692	Gains (losses) on stock warrants issued
Stock warrants repurchased	(2,825,632)	(1,901,803)	Gains (losses) on stock warrants issued

Futures

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

Please refer to note 12(a) for the notional principal and nominal amount as of March 31, 2024, December 31, 2023 and March 31, 2023.

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

(ii) Market risk:

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

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

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

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

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

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

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(iv) Presentation of financial derivatives:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>	<u>Account</u>
	Futures margin - security	\$ 386,600	-	-
Futures margin - proprietary fund	1,398,298	1,014,514	883,060	Financial assets at fair value through profit or loss - current
Excess futures margin	2,360,177	1,997,886	2,387,304	Cash and cash equivalent
Buy options	220,787	194,501	154,529	Financial assets at fair value through profit or loss - current
Sale options	79,117	82,162	107,715	Financial liabilities at fair value through profit or loss - current
		<u>For the three months ended March 31,</u>		
		<u>2024</u>	<u>2023</u>	<u>Account</u>
Gains (losses) on futures transactions		\$ (977,515)	73,036	Gains (losses) on derivatives - futures
Gains (losses) on futures transactions - security		29,490	-	Gains (losses) on securities for futures margin at fair value through profit or loss

Derivative instruments - OTC

(i) Interest rate financial derivatives

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

<u>Financial Instruments</u>	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>	<u>Notional principal / Nominal amount</u>	<u>Credit Risk</u>
For trading purpose:						
NT dollar interest swaps	\$ 8,000,000	-	8,000,000	-	10,600,000	-

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

2) Market risk:

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

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

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

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

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

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

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

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

(ii) Structured notes

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

Financial Instruments	March 31, 2024		December 31, 2023		March 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Equity-linked notes	\$ 294,000	-	266,000	-	324,000	-
Principal guaranteed notes	3,943,659	-	3,470,817	-	3,528,039	-
Credit-linked notes	922,200	-	1,138,700	-	1,131,700	-
Principal guaranteed notes (in USD thousands)	USD 1,314	-	USD 2,487	-	USD 1,225	-

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

- 2) Market risk

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

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

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

(iii) Convertible bond asset swaps

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

Financial Instruments	March 31, 2024		December 31, 2023		March 31, 2023	
	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk	Notional principal / Nominal amount	Credit Risk
For trading purpose:						
Convertible bond asset swaps	\$ 3,050,800	-	2,744,800	-	2,853,600	-
Convertible bond options	14,221,700	-	15,354,000	-	13,171,100	-

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

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

- 2) Market risk:

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

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

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

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

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(iv) Options

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

<u>Financial Instruments</u>	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Equity options	\$ 520,166	-	475,427	-	606,346	-

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>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk	Notional principal/ Nominal amount	Credit Risk
For trading purpose:						
Leverage derivatives-long position	\$ 3,167,899	-	4,606,396	-	3,263,886	-
Leverage derivatives-short position	3,164,337	-	4,592,219	-	3,279,436	-

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

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2) Market risk:

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

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

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

(vi) Presentation of derivative instruments in financial statement

As of March 31, 2024, December 31, 2023 and March 31, 2023, 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>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Financial assets at fair value through profit or loss - current			
IRS asset swaps	\$ 56,428	43,403	15,764
Asset swap options-long position	324,284	315,076	254,236
Leverage derivatives - non-hedging	178,749	150,671	184,636
Structured notes	4,833	2,284	1,485
Exchange rate derivatives	123,562	-	17,488
Interest rate swaps	321	350	-
Equity derivatives	<u>11,808</u>	<u>15,890</u>	<u>17,284</u>
Total	<u>\$ 699,985</u>	<u>527,674</u>	<u>490,893</u>
Financial liabilities at fair value through profit or loss - current			
IRS asset swaps	\$ 68,475	56,167	50,118
Asset swap options-short position	3,003,663	2,663,494	1,728,939
Leverage derivatives - non-hedging	9,411	15,402	5,659
Structured notes	50,107	41,296	93,623
Exchange rate derivatives	-	98,566	1,138
Interest rate swaps	-	-	102
Equity derivatives	<u>1,166</u>	<u>90</u>	<u>1,233</u>
Total	<u>\$ 3,132,822</u>	<u>2,875,015</u>	<u>1,880,812</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Other financial liabilities - current			
Structured notes principal value	\$ <u>4,559,796</u>	<u>4,223,503</u>	<u>4,156,906</u>
Other financial liabilities - non-current			
Structured notes principal value	\$ <u>588,545</u>	<u>677,162</u>	<u>625,884</u>

For the three months ended March 31, 2024 and 2023, 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 March 31, 2024</u>		<u>For the three months ended March 31, 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	\$ (1)	321	56	(102)
Equity derivatives	1,914	11,932	1,783	1,530
Structured notes	(27,427)	5,489	(17,012)	145,525
IRS asset swaps	(290)	(654)	(262)	(853)
Asset swap options	(839,608)	(2,662)	(717,231)	859,744
Exchange rate derivatives	189,151	123,562	32,908	16,350
Leverage derivatives - non-hedging	24,814	169,338	20,240	4,980
Total	\$ <u>(651,447)</u>	<u>307,326</u>	<u>(679,518)</u>	<u>1,027,174</u>

(y) Capital management

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

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Capital adequacy ratio	261 %	276 %	328 %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(z) Financing activities not affecting current cash flow

The Group's financing activities which did not affect the current cash flow in the three months ended March 31, 2024 and 2023, were as follows:

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

			Non-cash changes			
	January 1, 2024	Cash flows	Other	Foreign exchange movement	Fair value changes	March 31, 2024
Lease liabilities	\$ 724,417	(56,948)	29,017	662	-	697,148
	January 1, 2023	Cash flows	Other	Foreign exchange movement	Fair value changes	March 31, 2023
Lease liabilities	\$ 827,292	(51,810)	10,817	(366)	-	785,933

(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
Bao Zuo Investment Corp.	Related party in substance
Sheng Hsiang Enterprise Corp.	Related party in substance
Fu Tai Construction Corp.	Related party in substance
Feng Yang Investment Corp.	Related party in substance
Bao Ching Investment Corp.	Related party in substance
Bao Sheng Investment Corp.	Related party in substance
Fu Ding Investment Corp.	Related party in substance
Other related parties	Key management personnel

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel transactions

(i) Key management personnel compensation

	For the three months ended March 31,	
	2024	2023
Short-term employee benefits	\$ 177,302	97,733
Post-employment benefits	746	660
Total	<u>\$ 178,048</u>	<u>98,393</u>

(ii) Bonds sold under repurchase agreements

	March 31, 2024		December 31, 2023		March 31, 2023	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Other related parties	<u>\$ 3,000</u>	<u>3,058</u>	<u>4,000</u>	<u>4,051</u>	<u>13,000</u>	<u>13,024</u>

	For the three months ended March 31,	
Total financial expenses	2024	2023
Other related parties	<u>\$ 9</u>	<u>69</u>

Transactions terms are the same as the general clients.

(iii) Structured notes transactions - remaining balance

	March 31, 2024	December 31, 2023	March 31, 2023
Other related parties	<u>\$ 79,700</u>	<u>86,800</u>	<u>103,900</u>

(iv) Futures transactions

	March 31, 2024	December 31, 2023	March 31, 2023
Future Traders' equity			
Other related parties	<u>\$ 1,282</u>	<u>270</u>	<u>1,479</u>

(v) Brokerage and sub-brokerage

	For the three months ended March 31,	
Brokerage commissions	2024	2023
Other related parties	<u>\$ 12,555</u>	<u>9,319</u>
Re-consigned handling commissions	For the three months ended March 31,	
	2024	2023
Other related parties	<u>\$ 908</u>	<u>206</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vi) Consultancy Fee

	For the three months ended March 31,	
Consultancy Fee	2024	2023
Other related parties	\$ -	15

(vii) Other revenue

	For the three months ended March 31,			December 31,	
Other revenue	2024	2023		2023	March 31, 2023
Other related parties	\$ -	4		-	1
Advance receipts	March 31, 2024			December 31,	March 31, 2023
Other related parties	\$ -			-	1

(viii) Property Transactions - Dispose Equipment

	For the three months ended March 31,			
	2024		2023	
	Disposal proceeds	Gain or loss on disposal	Disposal proceeds	Gain or loss on disposal
Other related parties	\$ -	-	860	50

(d) Significant transactions with related parties

(i) Bonds sold under repurchase agreements

	March 31, 2024		December 31, 2023		March 31, 2023	
	Par value	Purchase price	Par value	Purchase price	Par value	Purchase price
Funds issued by associate	\$ 244,720	244,720	1,056,720	1,056,720	654,000	654,016
Total financial expenses					For the three months ended March 31,	
					2024	2023
Funds issued by associate					\$ 2,958	2,059

Transaction terms are the same as the general clients.

(ii) Financial assets transactions

The Company held securities publicly raised by related parties, and their ending amount and related gains and losses were as followed :

Relationship	Account	March 31, 2024		December 31, 2023		March 31, 2023	
		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	150,671	\$ 3,149,049	111,489	2,073,630	97,586	1,030,142

Notes: Expressed in thousand shares.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31,			
	2024		2023	
	Gain or loss on disposal	Dividend	Gain or loss on disposal	Dividend
Funds issued by associate	\$ 290,070	52,101	5,569	9,432

Prepayments	March 31, 2024	December 31, 2023	March 31, 2023
Associates	\$ -	55,202	-

Transaction terms are the same as the general clients.

(iii) Futures transactions

Futures traders' equity	March 31, 2024	December 31, 2023	March 31, 2023
Funds issued by associate	\$ 127,471	671,147	63,572

Total financial expenses	For the three months ended March 31,	
	2024	2023
Funds issued by associate	\$ -	11

Transaction terms are the same as the general clients.

(iv) Lease agreements

Lessor

	For the three months ended March 31,	
	2024	2023
Lease revenue		
Associates	\$ 4,317	4,316

Guarantee deposits received	March 31, 2024	December 31, 2023	March 31, 2023
Associates	\$ 4,429	3,811	3,811

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 March 31, 2024, December 31, 2023 and March 31, 2023, the refundable deposits were \$28,014, \$28,014 and \$23,915.

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Acquisition of right-of-use assets

There was no new acquisition of right-of-use assets of the Company in the periods for the three months ended March 31, 2024.

3) Lease liabilities

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Related party in substance	\$ <u>465,925</u>	<u>521,082</u>	<u>521,082</u>

4) Financial expenses

	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Related party in substance	\$ <u>1,662</u>	<u>1,704</u>

(v) Custody account business

<u>Custody account business revenue(Account to rental income)</u>	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Related party in substance	\$ <u>30,965</u>	<u>30,063</u>

<u>Other accounts receivable</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Related party in substance	\$ <u>8,379</u>	<u>8,379</u>	<u>8,379</u>

(vi) Insurance commission revenues

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

<u>Commission revenues</u>	<u>For the three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Subsidiaries	\$ <u>2,023</u>	<u>1,366</u>

<u>Accounts receivable</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Subsidiaries	\$ <u>837</u>	<u>1,453</u>	<u>617</u>

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Brokerage and sub-brokerage

Due to the involvement of related parties in securities and futures transactions, for the three months ended March 31, 2024 and 2023, commission revenues charged by the Group were as follows:

	For the three months ended March 31,	
	2024	2023
Brokerage commissions		
Funds issued by associate	\$ 7,621	12,117
Subsidiaries	-	298
Related party in substance	126	37
Total	<u>\$ 7,747</u>	<u>12,452</u>
Re-consigned handling commissions		
For the three months ended March 31,		
	2024	2023
Funds issued by associate	\$ 241	7,206
Subsidiaries	-	50
Total	<u>\$ 241</u>	<u>7,256</u>

(viii) Fund services business

	For the three months ended March 31,		
	2024	2023	
Fund services revenue			
Associates	<u>\$ 85</u>	<u>422</u>	
Channel services revenue			
For the three months ended March 31,			
	2024	2023	
Associates	<u>\$ 85</u>	<u>422</u>	
Account receivable			
	March 31, 2024	December 31, 2023	March 31, 2023
Associates	<u>\$ 54</u>	<u>65</u>	<u>282</u>

(ix) Wealth management business

	For the three months ended March 31,	
	2024	2023
Trust account commissions revenue		
Associates	<u>\$ 2,929</u>	<u>866</u>
Trust account management fee revenue		
For the three months ended March 31,		
	2024	2023
Associates	<u>\$ 421</u>	<u>528</u>

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Underwriting business

Stock service income		For the three months ended March 31,	
		2024	2023
Associates		\$ <u>30</u>	<u>30</u>
Handling fee revenues from underwriting securities on consignment		For the three months ended March 31,	
		2024	2023
Funds issued by associate		\$ <u>-</u>	<u>7</u>
Accounts receivable		December 31,	
		March 31, 2024	2023
Associates		\$ <u>10</u>	<u>10</u>

(xi) Other revenue and expense

Other revenue		For the three months ended March 31,	
		2024	2023
Associates		\$ <u>1</u>	<u>1</u>
Other expense		For the three months ended March 31,	
		2024	2023
Related party in substance		\$ <u>614</u>	<u>-</u>

(xii) Custody account business

Custody account business revenue		For the three months ended March 31,	
		2024	2023
Second-level subsidiaries (note)		\$ <u>1,738</u>	<u>693</u>
Accounts receivable		December 31,	
		March 31, 2024	2023
Second-level subsidiaries (note)		\$ <u>624</u>	<u>607</u>

(xiii) Accrued receivable

Accounts receivable/ Other receivable		December 31,	
		2023	March 31, 2023
Subsidiaries		\$ 114	120
Associates		1	1
Total		<u>\$ 115</u>	<u>121</u>

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(8) Pledged assets:

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

	December 31,		March 31, 2023	The collateral use
	March 31, 2024	2023		
Restricted assets - current	\$ 1,897,041	1,591,156	342,257	Bank borrowings, accounts settled, repurchase agreement.
Restricted assets - non-current	49,875	49,875	49,875	Guarantee deposit for provisional seizure
Trading securities	29,410,320	34,337,950	29,599,807	Repurchase agreement
Financial assets at fair value through other comprehensive income - Bonds	17,024,061	14,206,648	11,061,933	Repurchase agreement
Property (net amount)	1,866,757	1,869,210	1,878,062	Bank borrowings
Financial assets at fair value through profit or loss - non - current	179,363	179,438	179,422	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)	6,138,163	5,397,887	5,110,240	Repurchase agreement
Investment property (net amount)	3,301,737	3,307,288	3,328,654	Bank borrowings
Total	\$ 59,867,317	60,939,452	51,550,250	

(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:

	March 31, 2024		December 31, 2023		March 31, 2023	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities procured through margin purchase	508,504	\$ 5,085,040	496,265	4,962,650	453,723	4,537,230
Collateral for margin purchase	2,049	20,485	2,218	22,184	8,025	80,254
Lending securities to customers through short sales	14,755	147,550	35,482	354,820	25,343	253,430
Collateral for short sales	1,856	18,560	6,283	62,830	2,253	22,530

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

	March 31, 2024		December 31, 2023		March 31, 2023	
	Shares (in thousands)	Par value	Shares (in thousands)	Par value	Shares (in thousands)	Par value
Securities borrowed from securities finance companies	416	\$ 4,160	111	1,110	790	7,900
Collateral for refinancing margin	-	-	-	-	9	90

(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:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Promissory notes	\$ <u>26,720,000</u>	<u>26,320,000</u>	<u>26,320,000</u>
Promissory notes (in USD thousands)	USD <u>85,000</u>	USD <u>85,000</u>	USD <u>85,000</u>

- (d) As of March 31, 2024, December 31, 2023 and March 31, 2023, the market values of collaterals which received from customers on conducting borrowing and lending business with unrestricted purposes were \$33,795,844, \$13,859,923 and \$9,637,978, 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 \$36,142 as of March 31, 2024.
- (h) 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 March 31, 2024, December 31, 2023 and March 31, 2023, the open positions of futures and option contracts were as follows:

(i) March 31, 2024

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	4,227	\$ 789,376	780,283	
	Single Stock Futures	Short	24,765	(6,973,072)	(7,104,227)	
	TAIEX Futures	Long	95	384,380	384,861	
	TAIEX Futures	Short	983	(3,955,970)	(3,986,134)	
	Mini TAIEX Futures	Long	326	313,507	313,913	
	Mini TAIEX Futures	Short	59	(75,550)	(75,775)	
	Finance Sector Index Futures	Long	12	21,668	22,066	
	Electronic Sector Index Futures	Short	101	(421,758)	(430,320)	
	Mini Electronic Futures	Long	83	44,068	44,204	
	Mini Electronic Futures	Short	239	(126,906)	(127,285)	
	TPEX 200 Index	Short	11	(5,419)	(5,499)	
	10 Year U.S. T Note Futures	Short	53	(187,701)	(187,912)	
	Ultra U.S. Treasury Bond	Long	259	1,045,470	1,069,152	
	Ultra U.S. Treasury Bond	Short	216	(886,498)	(891,648)	
	Brent Crude Oil Futures	Short	111	(304,670)	(309,024)	
	Crude Oil Futures	Long	62	160,668	165,009	
	Crude Oil Futures	Short	3	(7,795)	(7,984)	
	FTSE China A50 Index Futures	Short	532	(207,596)	(206,382)	
	FTSE China A50 Index Futures	Long	5,722	2,223,462	2,219,770	
	E-mini S&P 500 Futures	Short	15	(126,786)	(127,404)	
	Gold Futures	Short	11	(77,471)	(78,792)	
	HHI Futures	Long	4	4,705	4,755	
	HHI Futures	Short	137	(162,532)	(162,848)	
	TOPIX Futures	Short	28	(163,327)	(164,039)	
	JPY Index Futures	Short	13	(34,788)	(34,765)	
	JPY Index Futures	Long	22	59,737	58,832	
	Copper Futures	Short	19	(58,382)	(60,906)	
	Gold Futures	Long	25	21,211	21,655	
	Micro E-mini Nasdaq Futures	Short	4	(4,739)	(4,730)	
	Micro E-mini Nasdaq Futures	Long	3	3,548	3,547	
	E-mini Nasdaq Futures	Long	12	142,529	141,888	
	Micro E-mini Dow Futures	Short	5	(3,209)	(3,214)	
	E-mini Russell 2000 Index Futures	Short	1	(3,402)	(3,433)	
	SGX Nikkei 225 Index Futures	Short	5	(20,920)	(21,425)	
	E-mini Dow Futures	Short	9	(57,344)	(57,853)	
	U.S. dollar Index Futures	Short	94	(308,544)	(313,641)	
	Micro E-Mini S&P 500 Futures	Long	21	17,768	17,837	
	Silver Futures	Short	6	(23,333)	(23,919)	
	2 Year U.S. T-Note Futures	Short	21	(137,521)	(137,414)	
	30 Year U.S. Treasury Bond	Short	10	(38,228)	(38,540)	
	5 Year U.S. T-Note Futures	Long	30	103,010	102,735	
	Long - Term Euro - BTP Futures	Long	10	41,094	41,011	
	Soybean Futures	Short	15	(28,893)	(28,596)	
	China Index Futures	Long	6	4,001	4,044	
	FTSE Taiwan Index Futures	Short	148	(328,922)	(330,099)	
	Euro-Bobl Futures	Long	10	40,709	40,749	
	Euro Buxl Futures	Short	2	(9,340)	(9,359)	
	Finance Sector Index Futures	Short	4	(7,347)	(7,355)	
	Mini Finance Sector Index Futures	Short	32	(14,650)	(14,710)	
	One Week E-Mini Stock Index Futures	Long	5	5,050	5,067	
	CME BTC	Short	7	(77,965)	(79,421)	
	CME MBT	Short	5	(1,113)	(1,134)	
	Subtotal			(9,415,730)		

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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)	Short	3,604	\$ (32,709)	(61,955)	
	TAIEX Options (Put)	Long	4,780	43,462	27,583	
	TAIEX Options (Call)	Long	4,847	148,752	184,905	
	TAIEX Options (Put)	Short	3,670	(16,025)	(6,988)	
	Stock Options (Call)	Long	148	1,139	1,456	
	Stock Options (Call)	Short	124	(622)	(3,355)	
	Stock Options (Put)	Long	113	1,357	534	
	Stock Options (Put)	Short	37	(406)	(210)	
	Electronic Sector Index Options (Call)	Short	61	(1,330)	(1,422)	
	Electronic Sector Index Options (Call)	Long	26	166	56	
	Electronic Sector Index Options (Put)	Short	1	(11)	(1)	
	Finance Insurance Index Options (Call)	Short	87	(241)	(558)	
	Finance Insurance Index Options (Put)	Long	70	188	56	
	Finance Insurance Index Options (Call)	Long	135	732	1,758	
	Finance Insurance Index Options (Put)	Short	116	(313)	(95)	
	Gold Options (Call)	Short	56	(387)	(1,432)	
	Gold Options (Put)	Long	88	596	255	
	Gold Options (Call)	Long	56	344	749	
	Gold Options (Put)	Short	53	(147)	(3)	
	iShares India 50 ETF Options (Call)	Short	(1,000)	(57)	(37)	
	iShares India 50 ETF Options (Put)	Long	1,000	36	45	
	iShares India 50 ETF Options (Call)	Long	1,000	62	42	
	iShares India 50 ETF Options (Put)	Short	(900)	(38)	(46)	
	TAIEX Weekly Options (Call)	Short	597	(1,781)	(1,819)	
	TAIEX Weekly Options (Put)	Long	628	1,576	1,303	
	TAIEX Weekly Options (Call)	Long	744	1,823	2,045	
	TAIEX Weekly Options (Put)	Short	897	(1,604)	(1,196)	
	Subtotal			144,562		
Total				<u>\$ (9,271,168)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) December 31, 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	7,512	\$ 1,884,165	1,894,021	
	Single Stock Futures	Short	10,989	(1,856,912)	(1,903,766)	
	TAIEX Futures	Long	445	1,586,880	1,590,217	
	TAIEX Futures	Short	504	(1,786,059)	(1,801,264)	
	Mini TAIEX Futures	Long	362	322,557	323,224	
	Mini TAIEX Futures	Short	60	(52,593)	(53,542)	
	Electronic Sector Index Futures	Long	2	7,038	7,135	
	Electronic Sector Index Futures	Short	54	(188,037)	(192,640)	
	Mini Electronic Futures	Short	368	(161,244)	(164,100)	
	TPEX 200 Index	Short	1	(459)	(463)	
	10 Year U.S. T Note Futures	Short	31	(105,200)	(107,456)	
	Ultra U.S. Treasury Bond	Long	456	1,847,239	1,870,510	
	Ultra U.S. Treasury Bond	Short	30	(115,077)	(123,060)	
	Brent Crude Oil Futures	Short	285	(681,134)	(674,171)	
	Crude Oil Futures	Long	9	20,049	19,800	
	FTSE China A50 Index Futures	Short	90	(31,719)	(31,766)	
	FTSE China A50 Index Futures	Long	5,841	2,021,762	2,061,604	
	E-mini S&P 500 Futures	Short	13	(95,925)	(96,199)	
	Gold Futures	Short	12	(74,059)	(76,338)	
	HHI Futures	Long	26	28,945	29,604	
	HHI Futures	Short	31	(34,956)	(35,297)	
	HSI Futures	Long	7	23,508	23,559	
	TOPIX Futures	Short	4	(20,266)	(20,556)	
	JPY Index Future	Long	2	5,360	5,508	
	Copper Future	Short	8	(22,674)	(23,892)	
	Gold Futures	Short	1	(770)	(767)	
	Micro E-mini Nasdaq Futures	Short	18	(18,848)	(18,817)	
	E-mini Nasdaq Futures	Short	41	(430,560)	(428,619)	
	E-mini Nasdaq Futures	Long	6	62,853	62,725	
	Micro E-mini Dow Futures	Short	16	(9,347)	(9,337)	
	Micro Russell 2000 Index Futures	Long	9	2,820	2,829	
	E-mini Russell 2000 Index Futures	Short	3	(9,145)	(9,431)	
	SGX Nikkei 225 Index Futures	Short	10	(35,879)	(36,289)	
	E-mini Dow Futures	Short	9	(51,840)	(52,522)	
	U.S. Dollar Index Futures	Short	78	(244,996)	(241,964)	
	Micro E-mini S&P 500 Futures	Long	13	9,611	9,620	
	Dow Jones U.S. Real Estate Index	Short	5	(5,477)	(5,473)	
	Dow Jones U.S. Real Estate Index	Long	-	8,686	8,757	
	Silver Futures	Short	5	(19,230)	(18,489)	
	2 Year U.S. T Note Futures	Short	30	(189,534)	(189,678)	
	30 Year U.S. Treasury Bond	Short	3	(11,468)	(11,509)	
	Finance Sector Index Futures	Long	3	5,163	5,158	
	Mini Finance Sector Index Futures	Short	4	(1,719)	(1,719)	
	One Week E-Mini Stock Index Futures	Long	332	295,916	297,006	
	CME BTC	Short	7	(47,168)	(45,270)	
	CME MBT	Short	5	(674)	(647)	
	Subtotal			1,829,583		

(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	4,635	\$ (48,055)	(64,308)	
	TAIEX Options (Put)	Long	6,936	83,712	64,039	
	TAIEX Options (Call)	Long	3,363	112,684	125,734	
	TAIEX Options (Put)	Short	4,185	(17,811)	(11,508)	
	Stock Options (Call)	Long	45	375	476	
	Stock Options (Call)	Short	103	(667)	(717)	
	Stock Options (Put)	Long	92	383	390	
	Stock Options (Put)	Short	31	(249)	(224)	
	Electronic Sector Index Options (Call)	Short	20	(171)	(273)	
	Finance Insurance Index Options (Call)	Short	27	(60)	(113)	
	Finance Insurance Index Options (Put)	Long	25	54	9	
	Finance Insurance Index Options (Call)	Long	22	51	36	
	Finance Insurance Index Options (Put)	Short	10	(16)	(1)	
	Gold Options (Call)	Short	11	(51)	(9)	
	Gold Options (Put)	Short	10	(25)	(34)	
	TAIEX Weekly Options (Call)	Short	1,138	(3,905)	(3,855)	
	TAIEX Weekly Options (Put)	Long	1,415	2,141	1,730	
	TAIEX Weekly Options (Call)	Long	1,283	2,054	2,087	
	TAIEX Weekly Options (Put)	Short	643	(1,328)	(1,120)	
	Subtotal			129,116		
Total				<u>\$ 1,958,699</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) March 31, 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	7,630	\$ 1,217,114	1,226,948	
	Single Stock Futures	Short	8,497	(2,289,732)	(2,300,299)	
	TAIEX Futures	Long	263	818,805	833,357	
	TAIEX Futures	Short	729	(2,277,139)	(2,312,609)	
	Mini TAIEX Futures	Long	175	138,030	138,135	
	Mini TAIEX Futures	Short	181	(141,151)	(142,642)	
	Electronic Sector Index Futures	Long	79	236,973	238,754	
	Electronic Sector Index Futures	Short	9	(8,622)	(9,066)	
	Mini Electronic Futures	Short	1,012	(374,625)	(382,309)	
	10 Year U.S. T Note Futures	Short	8	(27,356)	(27,995)	
	10 Year U.S. T Note Futures	Long	15	52,300	52,491	
	10 Year U.S. T Note Futures	Short	4	(14,697)	(14,755)	
	Ultra U.S. Treasury Bond	Long	23	97,801	98,837	
	Brent Crude Oil Futures	Short	263	(622,213)	(639,787)	
	Crude Oil Futures	Long	34	71,869	78,341	
	Crude Oil Futures	Short	1	(2,241)	(2,304)	
	FTSE China A50 Index Futures	Long	1,401	564,281	567,640	
	E-mini S&P 500 Futures	Short	1	(5,976)	(6,300)	
	Gold Futures	Short	23	(136,996)	(139,104)	
	HHI Futures	Short	49	(66,112)	(66,639)	
	HSI Futures	Short	22	(86,972)	(87,390)	
	TOPIX Futures	Short	14	(63,213)	(64,176)	
	JPY Index Futures	Short	5	(14,252)	(14,507)	
	Copper Futures	Short	8	(23,535)	(24,936)	
	Gold Futures	Long	1	680	732	
	Gold Futures	Short	15	(10,851)	(10,983)	
	Mini HSI Futures	Long	75	58,936	59,584	
	Micro E-mini Nasdaq Futures	Short	8	(6,309)	(6,481)	
	E-mini Nasdaq Futures	Short	21	(166,941)	(170,116)	
	Micro E-mini Dow Futures	Short	64	(31,868)	(32,603)	
	Mini Russell 2000 Index Futures	Short	6	(16,192)	(16,566)	
	SGX Nikkei 225 Index Futures	Short	7	(22,439)	(22,458)	
	E-mini Dow Futures	Short	6	(29,590)	(30,566)	
	US Dollar Index Futures	Short	38	(120,604)	(118,240)	
	Micro E-mini Nasdaq Futures	Long	97	60,071	61,107	
	Dow Jones U.S. Real Estate Index	Short	7	(6,775)	(7,062)	
	Coffee Futures	Short	3	(5,824)	(5,841)	
	Silver Futures	Short	8	(26,787)	(29,422)	
	2 Year U.S. T-Note Futures	Short	5	(31,085)	(31,432)	
	30 Year U.S. Treasury Bond	Short	3	(11,883)	(11,981)	
	5 Year U.S. T-Note Futures	Long	10	33,219	33,345	
	Finance Sector Index Futures	Long	5	7,628	7,641	
	Finance Sector Index Futures	Short	3	(4,522)	(4,586)	
	Mini Finance Sector Index Futures	Long	36	13,757	13,754	
	One Week E-Mini Stock Index Futures	Short	30	(23,817)	(23,818)	
	Micro E-mini Russell 2000 Index Futures	Long	1	272	276	
	Subtotal			(3,298,583)		

(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	4,477	\$ 85,057	109,608	
	TAIEX Options (Call)	Short	4,717	(53,399)	(73,949)	
	TAIEX Options (Put)	Long	5,451	58,643	35,845	
	TAIEX Options (Put)	Short	3,543	(33,186)	(22,787)	
	TAIEX Options (Put)	Long	56	(271)	(181)	
	TAIEX Options (Put)	Short	56	(303)	(379)	
	Stock Options (Call)	Long	61	589	570	
	Stock Options (Call)	Short	67	(566)	(612)	
	Stock Options (Put)	Long	132	2,478	1,134	
	Stock Options (Put)	Short	9	(77)	(16)	
	Electronic Sector Index Options (Put)	Long	1	5	-	
	Finance Insurance Index Options (Call)	Short	113	(236)	(462)	
	Finance Insurance Index Options (Put)	Long	41	217	186	
	Finance Insurance Index Options (Call)	Long	58	129	175	
	Finance Insurance Index Options(Put)	Short	71	(182)	(18)	
	Gold Options (Call)	Short	12	(122)	(299)	
	Gold Options (Put)	Long	4	19	4	
	Gold Options (Call)	Long	18	130	238	
	Gold Options (Put)	Short	71	(450)	(361)	
	TAIEX Weekly Options (Call)	Short	1,342	(4,224)	(4,109)	
	TAIEX Weekly Options (Put)	Long	1,704	3,121	2,355	
	TAIEX Weekly Options (Call)	Long	1,469	4,312	4,234	
	TAIEX Weekly Options (Put)	Short	1,898	(4,797)	(4,722)	
	Subtotal			<u>56,887</u>		
Total				<u>\$ (3,241,696)</u>		

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

Art.	Calculation formula	Current Period		Last Period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	$\frac{\text{Stockholders' equity}}{\text{(Total liabilities - futures traders' equity)}}$	$\frac{7,490,962}{1,771,379}$	4.23	$\frac{7,015,327}{1,510,523}$	4.64	≥ 1	Satisfactory to requirement
17	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{51,987,962}{46,235,237}$	1.12	$\frac{44,555,695}{38,974,744}$	1.14	≥ 1	"
22	$\frac{\text{Stockholders' equity}}{\text{Minimum paid-in capital}}$	$\frac{7,490,962}{1,115,000}$	671.84 %	$\frac{7,015,327}{1,115,000}$	629.18 %	$\geq 60\%$ $\geq 40\%$	"
22	$\frac{\text{Adjusted net capital}}{\text{Total amount of customers' margin required for open positions of futures trader}}$	$\frac{5,374,346}{11,357,891}$	47.32 %	$\frac{5,152,585}{8,525,914}$	60.43 %	$\geq 20\%$ $\geq 15\%$	"

- (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	\$ 872,930	872,930	872,930	- %	2	-	Working capital	-		-	1,654,712	1,654,712
2	Taiwan International Securities (B.V.I) Corp.	TIS Securities (HK) Limited.	Other receivables - Related party	Yes	107,991	107,991	107,991	- %	2	-	Working capital & repayment of financing	-		-	107,991	107,991
3	TIS Securities (HK) Limited.	Taiwan International Capital (HK) Ltd.	Other receivables	Yes	5,938	5,938	5,938	- %	2	-	Repayment of financing	-		-	5,938	5,938
4	CSC Futures (HK) Ltd.	F190402	Account receivables - Customer	No	63,514	63,514	-	10.15 %	1	3,126		-		-	217,863	1,089,314
5	CSC Futures (HK) Ltd.	F611702	Account receivables - Customer	No	444,595	444,595	158,784	6.4%~7.65%	1	208,871		-		-	444,595	1,089,314
6	CSC Futures (HK) Ltd.	F613059	Account receivables - Customer	No	95,270	95,270	95,270	9.15 %	1	17,379		-		-	217,863	1,089,314
7	CSC Futures (HK) Ltd.	F612688	Account receivables - Customer	No	15,878	15,878	-	8.15 %	1	-		-		-	217,863	1,089,314
8	CSC Futures (HK) Ltd.	F612687	Account receivables - Customer	No	-	-	-	8.15 %	1	34		-		-	217,863	1,089,314
9	CSC Futures (HK) Ltd.	F612851	Account receivables - Customer	No	63,514	63,514	-	8.15 %	1	681		-		-	217,863	1,089,314
10	CSC Futures (HK) Ltd.	F613091	Account receivables - Customer	No	47,635	47,635	-	8.15 %	1	5,997		-		-	217,863	1,089,314
11	CSC Futures (HK) Ltd.	F190416	Account receivables - Customer	No	222,298	222,298	-	6.65 %	1	9,351		-		-	222,298	1,089,314

Note: Type of Loans

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(vii) Significant transactions between parent company and subsidiaries for the three months ended March 31, 2024:

(In Thousands Dollars)

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts payable	1,795		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Accounts receivable	13,275		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other receivables	13,565		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Bonds sold under repurchase agreements	28,492		0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other payable	3,648		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Guarantee deposits received	4,620		- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Futures commission revenue	32,466	General transaction	0.81 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Lease revenue	4,655	General transaction	0.12 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Revenue from securities management, distribution, and management fees	162	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Financial costs	311	General transaction	0.01 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Other operating revenue	87	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Securities commission expense	3,214	General transaction	0.08 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Interest revenue	4	General transaction	- %
0	Capital Securities Corp.	Capital Futures Corp.	1	Miscellaneous expense	14,263	General transaction	0.36 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Non-operating revenue	13,435	General transaction	0.33 %
0	Capital Securities Corp.	Capital Futures Corp.	1	Brokerage commissions revenue	147	General transaction	- %
0	Capital Securities Corp.	Capital Investment Management Corp.	1	Professional service fees	29,550	General transaction	0.74 %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Other receivables	3		- %
0	Capital Securities Corp.	CSC Capital Management Co.	1	Revenue from securities management, distribution, and management fees	20	General transaction	- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other receivables	140		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Other payable	93		- %
0	Capital Securities Corp.	CSC Securities (HK) Ltd.	1	Receipts under custody	50		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Other receivables	64		- %
0	Capital Securities Corp.	CSC Venture Capital Corp.	1	Brokerage commissions revenue	5	General transaction	- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Guarantee deposits received	13		- %
0	Capital Securities Corp.	Capital International Technology Corp.	1	Lease revenue	12	General transaction	- %
0	Capital Securities Corp.	Capital Private Equity Fund I Co.	1	Brokerage commissions revenue	17	General transaction	- %

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Ref No. (Note 1)	Name of counterparty	Name of transaction parties	Relationship (Note 2)	Intercompany transaction details			Percentage of total consolidated revenue or total assets
				General ledger account	Amount	Trading terms	
0	Capital Securities Corp.	Taiwan International Securities (B.V.I) Corp	1	Advance receipts	27		- %
0	Capital Futures Corp.	Capital Securities Corp.	2	Customers' margin account	2,824,713		0.96 %
0	Capital Futures Corp.	Capital Securities Corp.	2	Futures traders' equity	2,824,713		0.96 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Customers' margin account	1,153,313		0.39 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures traders' equity	5,497,244		1.87 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Other payable	9,235		- %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Futures commission expense	4,703	General transaction	0.12 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Brokerage commissions revenue	27,631	General transaction	0.69 %
1	Capital Futures Corp.	CSC Futures (HK) Ltd.	3	Financial costs	4,751	General transaction	0.12 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Customers' margin account	5,263,917		1.79 %
2	CSC Futures (HK) Ltd.	Capital Futures Corp.	3	Futures traders' equity	919,986		0.31 %
2	CSC Futures (HK) Ltd.	Capital True Partner Technology Co.,Ltd.	3	Other payable	3,243		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other receivables	HKD 201		- %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Other operating revenue	HKD 341	General transaction	0.03 %
3	CSC Securities (HK) Ltd.	CSC Futures (HK) Ltd.	3	Brokerage commissions expense	HKD 132	General transaction	0.01 %
4	CSC International Holdings Ltd.	Capital Futures Technology (Shanghai) Co. Ltd.	3	Lease revenue	139	General transaction	- %
5	CSC Capital Management Co.	Capital Private Equity Fund I Co.	3	Management fee revenue	1,312	General transaction	0.03 %

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

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

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

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

(Continued)

CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Related information of investee companies:

(In Thousands of New Taiwan Dollars)

Ref. No.	Name of investee company (Notes 1 and 2)	Area	Date of establishment	Approval date and number of FSC	Primary business operation	Original investment amount		Equity Ownership by company (note 3)			Operating income or loss of investee company during the period	Net income or loss of investee company during the period	Investment gain or loss recognized during the period	Cash dividend	Note
						Balance on March 31, 2024	Balance on December 31, 2023	Shares	Ratio	Book value					
0	Capital- Investment Management Corp.	Taipei ,Taiwan, R.O.C.	February 16, 1990	Note 5	Engaged in providing research, analysis and recommendations, organize seminars and publish materials on securities investments.	72,515	72,515	7,000,000	100.00 %	83,810	34,383	5,911	5,911	-	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 %	4,238,661	508,423	267,176	151,253	-	"
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 %	1,654,169	5,472	607	607	-	"
0	Capital Insurance Advisory Corp.	Taipei ,Taiwan, R.O.C.	November 9, 2000	Note 5	Engaged in personal insurance brokerage and property insurance brokerage and manages personal insurance agent business.	3,890	3,890	500,000	100.00 %	53,439	50,858	8,958	8,958	-	Subsidiary
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 %	54	(132)	(132)	(132)	-	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 %	858,022	720	(682)	(682)	-	"
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 %	310,053	1,386	365	365	-	"
0	Capital Investment Trust Corp.	Taipei ,Taiwan, R.O.C.	October 16, 1995	Note 5	Engaged in security investment and discretionary investment services.	1,272,505	1,272,505	33,067,507	20.00 %	1,487,103	800,068	330,052	66,010	-	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 %	707,023	28,178	5,472	-	-	The transaction has been eliminated in the consolidated financial statements
2	TIS Securities(HK) Limited.(Note 4)	Hong Kong	August 17, 1993	No. FSC-40912 dated November 4,1993	Liquidation in progress.	HK 265,000 thousands	HK 265,000 thousands	265,000,000	100.00 %	(106,714)	-	(132)	-	-	"
3	Taiwan International Capital (HK)Ltd. (Note 4)	Hong Kong	July 16, 1997	No. FSC-110159	Liquidation in progress.	HK 2	HK 2	2	100.00 %	(268,518)	-	(74)	-	-	"
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 %	1,089,314	93,467	11,375	-	-	"
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 %	16,666	-	(1,738)	-	-	"
5	Capital Securities Nominee Ltd.	Hong Kong	April 7, 1995	No. FSC-90931 dated January5,1998	Agency services.	HK 2	HK 2	HK 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 %	276,725	2,010	73	-	-	"
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 %	75	-	(68)	-	-	Associates

(Continued)

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

Note 5: 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, 2024	Remittance of recoverable investment this period		Accumulated remittance as of March 31, 2024	Net gains (losses) of the investee	Direct or indirect Share holdings (%) by the company	Investment gains (losses) recognized during this period (Note 2)	Ending Balance of Investment	Investment income remitted back as of March 31, 2024
					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	1,428	28.86%	412	5,156	-
Capital Futures Technology (Shanghai) Co., Ltd.	Management, consulting and information service business.	18,863	Note 1 (C)	18,863	-	-	18,863	(1,213)	56.58%	(686)	753	-

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

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

Note 2: Investment gains and losses recognized during the period

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Limitation on investment in the Mainland China:

(In Thousands of New Taiwan Dollars)

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

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

(e) Major shareholders:

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

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

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

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

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

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

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

(b) Measurement of segmental information

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

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

	For the three months ended March 31, 2024							
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,740,189	69,002	1,399,833	221,758	98,254	569,556	(83,145)	4,015,447
Segment profit or loss	\$ 901,600	30,748	485,463	122,136	(107,686)	333,874	(157,309)	1,608,826

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CAPITAL SECURITIES CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the three months ended March 31, 2023								
	Brokerage business	Corporate financing business	Dealing business	Derivative instrument business	Others	Futures	Adjustment and elimination	Total
Segment Revenue	\$ 1,134,560	62,592	891,498	256,717	24,364	523,233	(62,079)	2,830,885
Segment profit or loss	\$ 492,720	23,805	469,237	203,854	(81,644)	307,103	(157,575)	1,257,500

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.